



ANNUAL REPORT

OF ELEKTRO GORENJSKA
COMPANY AND GROUP
FOR YEAR 2020



Importance of man in society is immeasurable.






This motto accompanies the Elektro Gorenjska Group in all areas: in relation to users, in relation to business partners, customers and in relation to fellow human beings – not only from this year onwards, but also throughout its history. With responsibility to tradition, we thus enter also into a new, slightly changed future that shows how each of us plays an important role in society.











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July 2021






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List of Abbreviations

AGEN	Agency of Republic of Slovenia for Energy	ME	Measuring Cell
AMI	Advanced Meter Infrastructure	MM	Measuring Point
BI	Business Intelligence	MRS	International Accounting Standards
BDP	Gross Domestic Product	NEPN	National Energy and Climate Plan
CAIDI	The Customer Average Interruption Duration Index	NN	Low Voltage
CAIFI	The Customer Average Interruption Frequency Index	NOx	Nitrogen Oxides
CIM	Common Information Model	NNO	Low-voltage network
DCV	Distribution Management Centre	NNR	Low-voltage electricity distribution
DDV	Value Added Tax	OE	Organizational Unit
DEE	Electricity Distribution	OVE	Renewable Energy Sources
DO	Distribution Operator	Pogodba s SODO	Contract on electricity infrastructure lease and provision of services for electricity distribution system operator
DPN	Live work	RP	Distribution station
DPP	Family-friendly company	RS	Republic of Slovenia
DV	Overhead power line	RTP	Transformer substation
EE	Electricity	SAIDI	System Average Interruption Duration Index
EEN	Power plants	SAIFI	System Average Interruption Frequency Index
EFQM	The European Foundation for Quality Management	SDH	Slovenian Sovereign Holding
EDP	Electricity distribution companies	SF₆	Sulphur Hexafluoride
EG	Elektro Gorenjska, d. d.	SN	Medium Voltage
EU	European Union	SOx	Sulphur Oxides
EURIBOR	Euro Interbank Offered Rate is an interbank offered rate for deposits in Euro, which is formed on the European interbank market	SODO	Distribution network system operator or SODO, d. o. o.
EVT	Single Entry Point	SPTTE	Cogeneration of heat and electricity
EZ, EZ-1	Energy Act (Official Gazette RS, No. 43/19 as amended)	SRO	Environmental Management System
FE	Photovoltaic power station	SRS	Slovene Accounting Standards
GIS	Gas Isolated Substation	SVI	Information Security System
GIZ	Economic Interest Grouping	(i)SVK	(integrated) Quality Management System
GJS DO	Public utility service of the electricity distribution system operator	SVI	Information Security System
GRI	Global Reporting Initiative	TP, TR	Transformer station
HE	Hydroelectric power station	VN	High Voltage
IKT	Information and communication technology	VZD	Health and Safety at Work
IT	Information technology	ZGD-1	Companies Act (Official Gazette RS, No. 65/09 as amended)
KBV	Cable line	ZIUZEOP, ZIUZEOP-A	Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette RS, No. 49/20 as amended)
MAIFI	Momentary Average Interruption Frequency Index		

Key features of operation in 2020

2020



Highlights of year 2020

Due to the COVID-19 epidemic, the Energy Agency reduced the return on assets from 5.26 % to 4.13 % on the instructions of the legislator. As a result, the company's or Elektro Gorenjska Group's revenues decreased by as much as 2.2 million €.

Company immediately joined the action plan to reduce costs and prepared a **revised business plan** for 2020. Result of this, as well as the successful reorganization, were additional revenues and a reduction in individual costs. Company thus compensated for almost a quarter of the total loss of revenue.

Despite the difficult operating and business conditions, investments of Elektro Gorenjska Company amounted to 15.6 million €, and investments of Elektro Gorenjska Group to 17.1 million €, which is by **0.2 million € more** than in 2019.

In 2020, the company's market revenues amounted to almost 1.7 million €, which is by 0.6 million € more than in 2019 and **the most so far.**

We successfully implemented **our first project** in a foreign market.

Non-financial indicators



57,404 MWh

of electricity produced from renewable sources

Financial indicators



elektro
gorenjska

skupina
elektro
gorenjska

IMPORTANT FINANCIAL INFORMATION

Sales revenues (000 €)	32,230	37,115
EBIT (000 €)	6,162	7,433
EBITDA (000 €)	17,440	20,342
Pre-tax profit (000 €)	6,731	6,243
Net profit (000 €)	6,032	5,349
Added value (000 €)	30,191	34,516
Assets (000 €)	239,403	245,367
Capital (000 €)	163,211	168,643

SIGNIFICANT INDICATORS

Current ratio	1.0	1.3
Profitability rate of revenue (%)	17.0	14.5
Share of labour costs in value added (%)	42.2	41.1
Return on assets (ROA) in %	2.5	2.2
Return on equity (ROE) in %	3.7	3.2

1,120 GWh

of distributed electricity

309

employees

28,128 tons

of CO₂ emissions
reduction

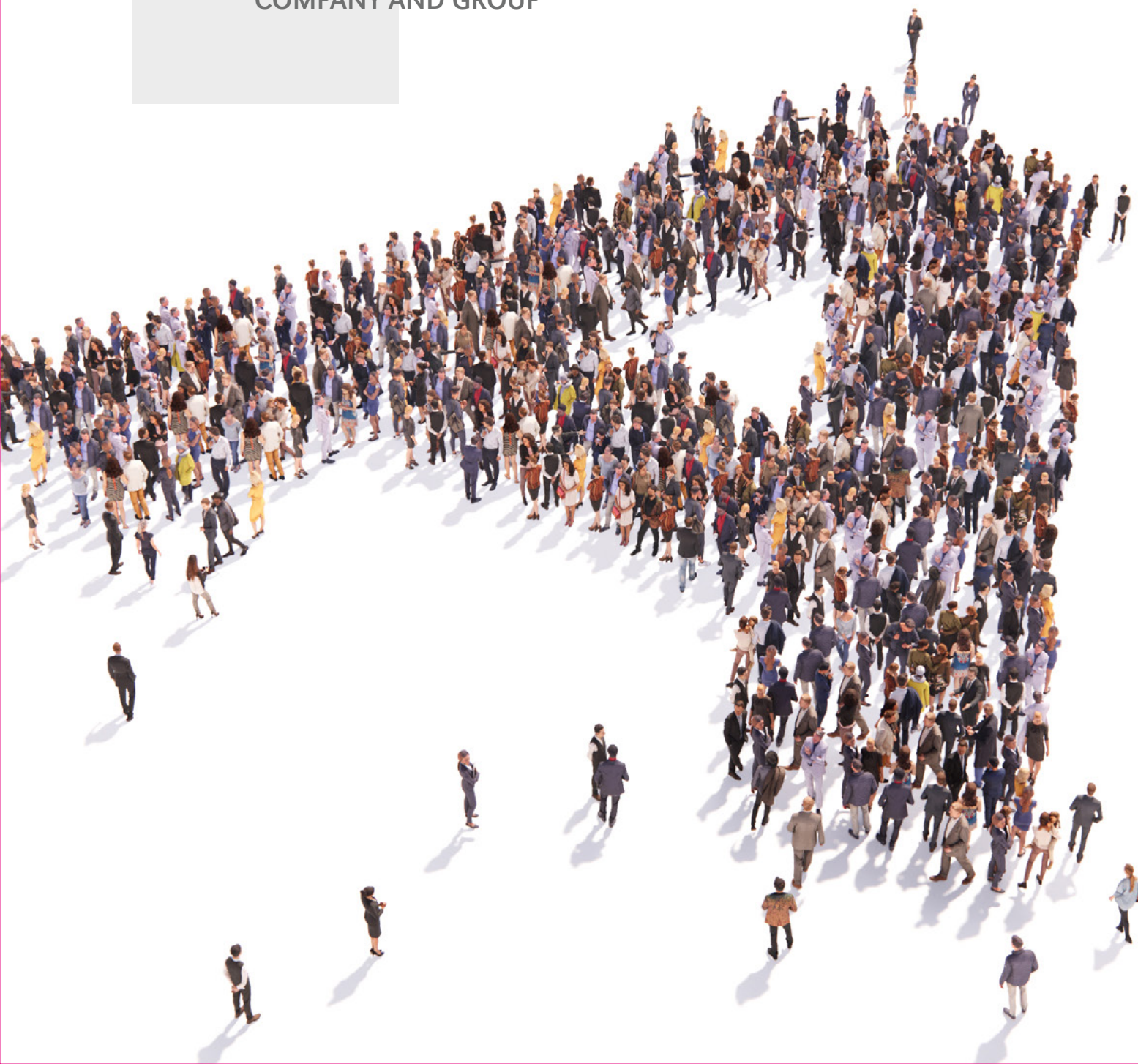
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international
research and
development
projects



BUSINESS REPORT

OF ELEKTRO GORENJSKA
COMPANY AND GROUP



Significant Events in 2020

1



JANUARY

- › Elektro Gorenjska, as a consortium partner, has started implementing activities to promote and accelerate the green transformation of Slovenian energy industry with the aim of decarbonising Slovenia by 2050.
- › We organized training in the field of safety and health and work for our employees working in offices.
- › Company GE LES, d. o. o, whose primary activity is the production of heat and electricity from 90 kW cogenerations, was merged with Gorenjske elektrarne Company in accordance with the objective of business optimization.



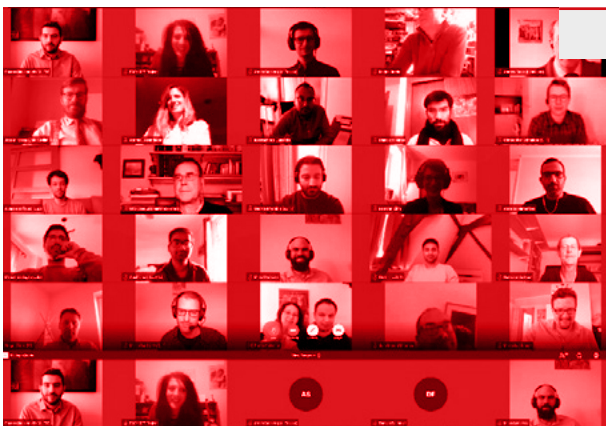
FEBRUARY

- › Due to strong gusts of wind, there were short-term power outages on the electricity distribution network of Elektro Gorenjska. Our teams immediately took a systematic approach to repairing the damage.
- › Representatives of Elektro Gorenjska attended a meeting of partners of the European development project TDX ASSIST in Ljubljana. In the project, Elektro Gorenjska, together with EIMV Institute and Eles Company, tested various coordinations of information exchange between transmission and distribution operators in order to ensure their improvement
- › New Rules on work performance and promotion of employees at the workplace enter into force in Elektro Gorenjska Group.



MARCH

- › Management of the companies in Elektro Gorenjska Group and the representative offices of Elektro Gorenjska trade unions signed a new corporate collective agreement.
- › Elektro Gorenjska received a thank you from the Gorenjska region Civil Protection Service for material assistance in arranging their premises and surroundings.
- › Elektro Gorenjska Group has taken all preventive measures in order to protect employees during the COVID-19 disease epidemic and at the same time ensured uninterrupted electricity supply and performance of public service tasks in accordance with the legislation. Employees started working mostly from home, we introduced digital business.



APRIL

- ▶ Representatives of Elektro Gorenjska attended a virtual meeting with 37 members of the EASY-RES international development project team, which should take place in Delft, Netherlands.
- ▶ Irrespective of the strict observance of preventive measures, field work in Elektro Gorenjska gradually began to intensify. Individual investments, co-investments, maintenance works, audits of facilities have started, and we have increased the scope of live working.
- ▶ From March 2020 to May 2020, when epidemic in the Republic of Slovenia was cancelled, members of the Elektro Gorenjska Supervisory Board and, including external members working within the Supervisory Board, waived 30 % of all remuneration to which they were entitled under performing their functions in the supervisory board and its committees.
- ▶ With seven projects, Gorenjske elektrarne successfully applied for the sixth call of the Energy Agency for projects of production facilities for the production of electricity from renewable energy sources and in high-efficiency cogenerations of heat and electricity, which will be included in the support scheme.



MAY

- ▶ Elektro Gorenjska successfully completed the expansion of 20 kV switchyard in power facility RTP Kranjska Gora.
- ▶ Elektro Gorenjska has successfully applied for two European projects (Creators and OneNet).
- ▶ Elektro Gorenjska successfully applied for a public tender for the implementation of the CIM mode, published by the electricity distribution company of Serbia.
- ▶ Consortium of companies Gorenjske elektrarne, Petrol and Domplan signed a public-private partnership agreement for a project of comprehensive rehabilitation of five buildings in the Zlato polje campus in Kranj.





JUNE

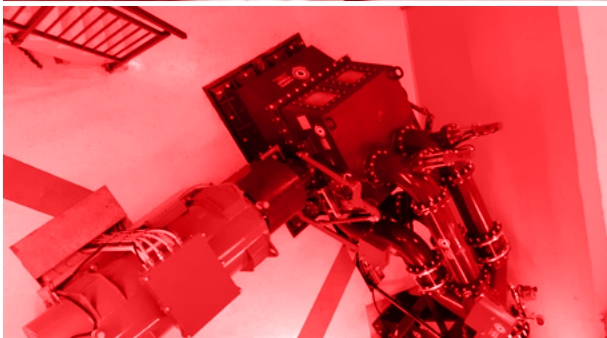
- ▶ Elektro Gorenjska renovated the reception office at the company's headquarters for a better end-user experience and greater protection of employees from the spread of Coronavirus infection.
- ▶ Elektro Gorenjska received a decision on the basis of which it can independently perform the first regular and extraordinary controls and verifications for various types of meters in the measuring laboratory.
- ▶ Elektro Gorenjska issued the Consolidated Annual Report of Elektro Gorenjska Group for 2019 in Slovene and English.
- ▶ The 27th regular annual general meeting of shareholders of Elektro Gorenjska was held at the headquarters of Elektro Gorenjska, where shareholders were acquainted with the audited annual report of the company and the consolidated annual report of the Elektro Gorenjska Group for 2019, decided on the use of distributable profit for 2019, got acquainted with the remuneration of the management and supervisory boards, approved the amendments to the company's Articles of Association and adopted new Rules of procedure of the general meeting.
- ▶ Regular annual general meeting of shareholders of Sooenenergetika was held at the headquarters of Gorenjske elektrarne company.



JULY

- ▶ Representatives of Elektro Gorenjska presented to their colleagues in Elektro Primorska the direct benefits of performing live maintenance work.
- ▶ Elektro Gorenjska issued the Report on environmental management and Report on safety and health at work for 2019.
- ▶ System administrators from the ICT Infrastructure Department prepared a virtual event in Elektro Gorenjska, where they presented their work and the two system rooms at the primary location in Kranj and secondary in Moste.
- ▶ In Elektro Gorenjska, as part of the project Monitoring the quality of operation of surge arresters, the installation of RAM-1 devices on the 110kV and 20 kV transmission lines between Železniki and Bohinj took place.
- ▶ Gorenjske elektrarne signed a contract with the municipality of Šenčur on the management and maintenance of eight electric charging stations.





AUGUST

- › Elektro Gorenjska has comprehensively arranged a power supply for workers and a 2 MW construction connection for the Turkish company Cenzig Insat, which is building the second pipe of the Karavanke tunnel.
- › Elektro Gorenjska conducted an internal audit of the integrated quality management system (iSVK), which was performed by eight employees (trained internal auditors).
- › As part of the first phase of the renovation of the RP Naklo power facility, Elektro Gorenjska successfully took over the cells that were later installed in the facility and connected to the network in December 2020.
- › In accordance with the plans, a complete revitalization of the Rudno hydroelectric power plant took place in Gorenjske elektrarne. Company successfully applied to the public call of the Energy Agency, with which the facility was included in the support scheme.



SEPTEMBER

- › Elektro Gorenjska received a thank you from the municipality of Kranj for their selfless and tireless help to the inhabitants of the municipality during the first wave of the epidemic.
- › Elektro Gorenjska together with companies 3fs, Iskraemeco, Komunala Kranj, Domplan and Vigred, elektroinstalacije began to participate in the Smart Mlaka project, which is carried out by the municipality of Kranj. Aim of the project is to raise the quality of living for the citizens in the Mlaka neighbourhood through useful digital solutions.
- › Activities of the CREATORS international development project, where Elektro Gorenjska is a partner too, have started. Basic goal of the project is to develop applications and services that will help the »creators« of future local energy communities in launching, planning, implementing and managing technologically advanced and business- successful (local) energy communities.
- › Section within the framework of the Energy Industry Chamber of Slovenia namely the Slovenian National Committee of the World Energy Council – SNK WEC, started operating. Dr. Ivan Šmon, MBA, Chairman of the Board in Elektro Gorenjska, was elected the president.



OCTOBER

- › Elektro Gorenjska Group completed the first phase of the strategic project Employer's Brand, and it presented the results of the analysis to the employees.
- › Elektro Gorenjska Group introduced a new method of education for their employees. They are the e-learning courses, that take place with the help of the Smart ARENA application.
- › In Elektro Gorenjska, a group of employees prepared a solution for FAT-testing of secondary equipment in RTP Labore during the COVID-19 epidemic.
- › With the second wave of the epidemic, Elektro Gorenjska group reactivated work from home, and intensified the accessibility for users via electronic channels.
- › Elektro Gorenjska successfully passed the external audit, which included a partial follow-up audit of systems ISO 9001:2015 and ISO/IEC 27001:2013, and partial regular audit of systems ISO 14001:2015 and ISO 45001:2018.



NOVEMBER

- › Elektro Gorenjska, as a consortium partner, started implementing activities to promote and accelerate the green transformation of Slovenian energy industry with the aim of decarbonising Slovenia by 2050.
- › Elektro Gorenjska Group, Municipality of Kranj and Supernova Company approached the sustainable and energy arrangement of the business and trade centre on the Savski otok and the arrangement of the promenade between the Old Town of Kranj and shopping centre on the Savski otok.
- › Distribution companies of Slovenia issued a publication of the Economic Interest Association for electricity Distribution for year 2020, in which it presented new conditions and ways of doing business.
- › Representative of Elektro Gorenjska presented a paper entitled Efficient integration of solar power plants in the network – industry opportunities, at the 22nd Energy Days.





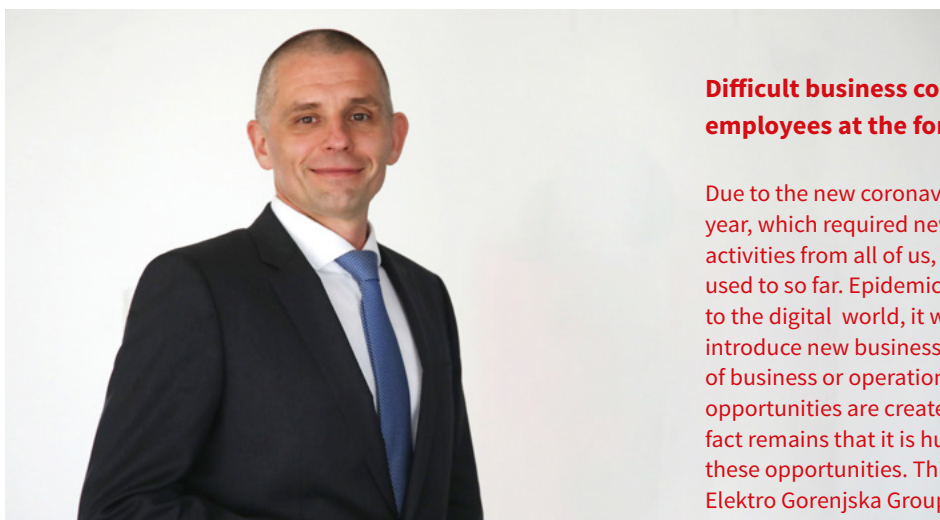
DECEMBER

- › Representative of Elektro Gorenjska participated in an e-roundtable entitled Challenges of digitalization in Energy Industry, prepared by the Association of Energy Informatics of Slovenia.
- › Elektro Gorenjska installed a new 15-meter antenna pole on Lubnik. Installation was one of the most demanding due to the difficult accessibility of the location.
- › Due to the epidemic, at the end of the year the Elektro Gorenjska Group prepared virtual events for their employees, business partners and children of employees.
- ▶ At the end of the year, the Elektro Gorenjska Group together with its business partner once again allocated funds to Neodvisen.si program. In total, more than 10,000 € was raised for the operation of the program.
- › Chairman of the Board of Elektro Gorenjska participated in the final panel of virtual meeting Energy Innovation 20.
- ▶ Due to winter conditions, there were problems in the distribution area of Elektro Gorenjska. Interventions and breakdowns occurred on high-lying and difficult-to-access power lines in the area of Bohinj, Železniki, Kranjska Gora and Krvavec. Despite the dangerous conditions, our teams provided adequate power and repaired the damage.
- › For the new Vice-Chairman of the Commission for Event Statistics and Preparedness on High-Voltage Electricity Devices, which includes representatives of electricity generation companies that transmit produced electricity to high-voltage electricity network of Slovenia, regional representatives of the ELES transmission system operator and representatives of five distribution companies, a representative of Elektro Gorenjska was appointed at the December session.
- › Among 42 innovation proposals and proposals for the rationalization of employees in Elektro Gorenjska Group, the Innovation Commission drew three winners and awarded them with vouchers.
- › Gorenjske elektrarne and Merkur have completed the seventh lighting renovation project in their shopping centres in Slovenia.



Address of the Chairman of the Board, dr. Ivan Šmon, MBA

2



Difficult business conditions put motivated employees at the forefront

Due to the new coronavirus, 2020 was a very special year, which required new concrete actions and new activities from all of us, which we have not been used to so far. Epidemic forced us to move our lives to the digital world, it was also an opportunity to introduce new business models and changed forms of business or operations. Regardless of the fact that opportunities are created by our environment, the fact remains that it is human who actually realizes these opportunities. This motto accompanies the Elektro Gorenjska Group in all areas: in relation to end users, in relation to business partners, customers and in relation to employees. Not just from this year onwards, but throughout our entire history. With this responsibility to individuals and our stakeholders, we are also entering a new, slightly changed future. We talked about the importance of the Elektro Gorenjska Group in the local environment and beyond, about past operations, plans and goals with the Chairman of the board in Elektro Gorenjska, dr. Ivan Šmon, MBA.

1. In 2020, the coronavirus created a new reality and transformed life and economy in Slovenia and around the world. How did the Company or Group Elektro Gorenjska tackle the epidemic and how has this affected the business results?

In Elektro Gorenjska Group, we organized and adjusted very quickly. As early as the end of February 2020, was set up a special crisis management group, which met daily and took appropriate measures to ensure that the implementation of public utility services and electricity supply remained uninterrupted. In doing so, we strived to protect employees as much as possible. We coordinated all measures on a weekly basis with other electricity distribution companies. **Regardless of the fact that public life stopped, the supply of electricity, not only in Gorenjska, but in the whole of Slovenia, was one of the most reliable pillars for smooth running of the new everyday life and the drive of all social systems.**

Operations of the company and the Elektro Gorenjska Group were significantly affected by the change in the network charge act. As part of measures to contain the COVID-19 epidemic and mitigate its consequences for citizens and the economy, the legislator ordered the Energy Agency to reduce the return in assets for 2020. Recognized regulated return on assets for 2020 fell from 5.26 % to 4.13 %, **which meant a decrease in the company's or Group's revenues for as much as 2.2 million €.** At the same time, the amendments to the network charge act stipulated that state aid was treated as other revenues, which meant that state aid based on anti-corona packages reduces revenues under a Contract with SODO or that state aid in a regulated activity has no effect on operating results.

Based on these changes, the company immediately acceded the action plan to reduce costs and prepared a supplementary business plan for 2020. Result of the active response to the new business situation and the successful reorganization of the company were additional revenues in both regulated and market activities, and reduction of individual costs. I am proud that despite the fact that certain costs, such as provisions for long-service bonuses and severance pay, which are recorded in the context of labour costs, were unexpectedly very high, we managed to compensate for almost a quarter of the loss of income due to the reductions of the recognized regulated return on assets.

Company Elektro Gorenjska ended 2020 with a net profit of 6 million €, and the Elektro Gorenjska Group with 5.3 million €. Achieved results are slightly worse than in 2019, but given the business conditions in 2020, they exceeded the expectations and set goals. In addition to relatively successful operations of the company and the Group, the very successful operations of Gorenjske elektrarne Company should be highlighted as well. In 2020, Gorenjske elektrarne Company realized a net profit of 1.3 million €, which is the best result of the company so far.

2. What was crucial for Elektro Gorenjska Group?

Key was to introduce work from home and digital business as much as possible. We tried to protect employees who could not perform their duties from home to the maximum in order to be exposed to the infection as little as possible. I am convinced that our conduct was correct. We performed some tasks on a reduced scale, but the electricity supply was not disrupted due to COVID-19 epidemic. In the planned scope, we realized all investments planned for 2020. In the **Elektro Gorenjska Group, we realized 17.1 million € worth of investments**, among which the successful upgrade of the energy facility in Naklo was of central importance, even though it was particularly demanding due to its specificity. Investments are explained in more detail in chapter *5.4. Development, investments and maintenance*.

3. How would you assess the digitalization of operation in Elektro Gorenjska Group?

We were already thinking about digitalization of business and the introduction of work from home before the epidemic, which only accelerated the introduction. We have set up a special group to digitize our business, which carried out the project even before the epidemic. In December 2019, we overcame one of the obstacles to the introduction of digital business, when we abolished the statutory mandatory stamp business at the General Meeting of Shareholders of Elektro Gorenjska. Of course, we have not yet fully digitized our business, but the onset of the epidemic has radically accelerated the digitalization project.

We also prepared and coordinated the rules on work at home with the social partners before the epidemic. With its onset, a special legal basis was established for the introduction of work from home. After the end of the first wave, based on our experience, we just checked if we had charted everything correctly and confirmed the rules. Rules we adopted thus made it possible to work at home even in normal, non-crisis times. I note that with this measure we are one step ahead of many other companies.

4. What do you think will be crucial in 2021?

Results we have achieved in the past three years are not only the result of legal regulations or the guidelines of the owner and line ministries, but also derive from the competencies of employees in the Elektro Gorenjska Group, their knowledge of the electricity distribution system in Slovenia and Europe, and above all their desire to achieve success. In terms of investment, 2021 will be less intensive than previous years, with greater emphasis on upgrading the low-voltage network.

At the high-voltage level, in 2021, we will allocate 3.45 million € of investment funds for the upgrade of control systems and the construction of a new distribution transformer station, we will also continue with the necessary procedures for the start of construction of a new 110-kilovolt transmission line between Visoko and Kamnik.

We will allocate 2 million € for investments at the medium voltage level. Most of it will be dedicated to the renovation and replacement of free-air lines with new 20-kilovolt cable connections, especially in more exposed places and where new and more reliable equipment is needed due to wear and tear of the previous equipment. In this way, we follow the low-carbon strategy of the state, and we also take care of the adequate continuity of supply to end users.

On the low-voltage network, funds will be used for the renovation of the network, with an emphasis on replacing conductors with earth cables, and we will also perform reinforcements in parts where the voltage conditions are poor and reinforcements are needed to connect new dispersed energy sources to the network. We have a total of 3 million € in funding for such projects. At the same time, we will continue with the construction and modernization of transformer stations, for which we will allocate an estimated 1 million € of funds.

In total we intend to invest 13.2 million €.

Key attention at the distribution level in 2021 will be focused on formulating proposals for a new regulatory framework based on new network development planning, providing additional sources of financing for prudent investments and the introduction of smart grids that will enable green transformation and active customer role.

5. How are the annual plans of Elektro Gorenjska Group related to its vision, mission and strategic development guidelines?

In 2019, the new three-year rules and conditions of regulation defined by the regulator came into force. In Elektro Gorenjska Company, we responded to the new confirmed and anticipated boundary conditions by formulating a strategy for the period from 2018 to 2022, the main emphasis of which is based on exploiting synergy effects in the Elektro Gorenjska Group as a whole and not on the operation of individual companies. Basic guidelines for forming and implementing the strategy are to ensure business growth and increase business profitability.

We operate in a rapidly changing world. Elektro Gorenjska Group has therefore, in 2021, decided to revise the set strategy for the period 2018-2022, evaluate the strategic goals in the light of the review of all business pillars, their realization and goals, with the set new timetable and priorities according to business pillars.

With the end-user in mind, the preparation of the revised strategy places great emphasis on the market segment and on comprehensive and sustainable energy solutions that will help speed up the transition to a low-carbon society.

We have combined all our knowledge in the strategy with the aim that in the end our end user will be satisfied with the services offered and that we will offer them the benefits on the basis of which they will generate savings.

Our main mission is to ensure a reliable electricity supply, so we will invest a lot of effort in building reliable and robust network, preparing appropriate and feasible development plans and implementing energy strategy documents, especially the NEPN, with an emphasis on finding additional funding. At this point, I highlight the regulator's policies and regulatory frameworks that place many restrictions on distribution companies.

6. How the activities of the Elektro Gorenjska Group follow the green transformation and the goals of European legislation on the way to a low-carbon society?

Production of electricity from renewable sources in the local environment is recognized in the Elektro Gorenjska Group as an important factor in the implementation of the strategy. Demand for electricity is growing, so we will expand the portfolio of our own power plants, we will supplement it with energy sources, which will also form the optimal price for end users.

Field of mobility is also changing rapidly in the world, and we in the Group not only follow this, but we are one of the first organizations in Gorenjska region to invest in new ways of mobility and also co-create them. We are building a network of electric charging stations, we are actively connecting with municipalities in the field of management and maintenance of their electric mobility systems. We in the Group understand mobility very broadly.

We cooperate and actively participate in market and pilot projects of the Municipality of Kranj, we participate as a partner in the field of comprehensive energy renovations of public buildings and we participate in projects in public and business premises that will enable self-sufficiency.

We consistently respect environmental regulations and are active in the development and use of alternative, environmentally friendly energy sources. Of course, we must not forget the necessary digitalisation of the electricity distribution system and services, which will consequently activate the end user and enable the development of new business models and the flexibility market.

We want to achieve business results in a sustainable way. Inly in this way will we help preserve our planet for posterity. Concern for environmental protection is integrated into all levels of our business.

7. How is it in the field of research and development projects and in the field of drawing the European grants?

For many years, the Elektro Gorenjska group has been actively participating in development and research projects that provide appropriate demonstration environments, important in the implementation and evaluation of new concepts of management and operation of distribution networks. In 2020, the two pilot projects were successfully completed, namely the STORY (Added value of STORage in distribution sYstems) project and TDX-ASSIST (Coordination of Transmission and Distribution data eXchanges for renewables integration in the European marketplace through Advanced, Scalable and Secure ICT Systems and Tools) project.

We are actively participating also in projects EASY-RES (Enable Ancillary Services By Renewable Energy Sources), CREATORS (CREATIng cOmmunity eneRgy Systems) and OneNet (ONE NETwork for Europe). We are also partners in the Slovenian consortium for accelerating green transformation with the help of smart grids, then members of the technology platform for smart grids, members of WEC Eurelectric, and companions in the modernization of the national smart grids program.

Key purpose of participating in research and development projects is to test new and advances technologies needed to integrate new distribution network services and their potential in the future.

8. Finally, two more questions: What would you highlight in this year's report as an important contribution to the reporting of the Elektro Gorenjska Group and what will you focus on when introducing changes?

This year's report of the Elektro Gorenjska Group is different from previous years. It presents a balanced overview of operations in the calendar year 2020 in both the financial and non-financial areas. Annual report is also prepared for the first time in accordance with the global guidelines GRI (Global Reporting Initiative), which sets standards in sustainable reporting. Report contains key information on the economic, environmental, social and managerial relation and their long-term impacts on the company's operations. This report also follows the guidelines on non-financial reporting.

Key principles in the preparation of the content were sustainable reporting, namely: sustainability concept, materiality of reported data, integrity and involvement of stakeholders, in which we followed the principles of balance, comparability, accuracy, clarity and reliability of data to achieve report quality. Scope and basics of the report and consequently the selection of GR indicators are determined in advance by the nature and mission of our company and by the choice of expectations and benefits that we create for our stakeholders. Nature of operations of the companies in the Elektro Gorenjska Group limits the reporting of our activities exclusively to Slovenia, and it is also majority owned by the state.

None of the above, nor any changes that are the only constant in life, would be possible without employees. Energy, ability and will to achieve and exceed the set goals of all employees in the Elektro Gorenjska Group strengthen me every day in the belief that motivated employees are an essential factor for success.

We offer the employees of the Elektro Gorenjska Group many opportunities for education and improvement of the knowledge and skills they need in their work. This is the responsibility of the employer. I dare say that on the other hand, employees also have their responsibilities. These are based on diligent work, which is an important example for the younger generations to come.

Energy professions are the professions of the future, so we are all obliged to create the conditions for them to come to life in practice, and above all to enable the realization of the set climate goals of our and the wider society.



Supervisory Board Report on verification of the Annual Report of Elektro Gorenjska company and Elektro Gorenjska Group year 2020 according to article 282 ZGD-1

3

1. Supervisory Board operation in year 2020

In 2020, the work of the Supervisory Board was adjusted to the situation in the Republic of Slovenia and around the world. At the time of the declared epidemic of COVID-19, the work of the Supervisory Board was carried out remotely, which was already possible according to the valid rules of procedure. In 2020 out of 13 Supervisory Board meetings, as many as six regular sessions were held remotely in the Microsoft Teams application, with the safe use and identification of members of the Supervisory Board. However, when the situation allowed, the meetings were held at the company's headquarters, taking into account all security measures and NIJZ recommendations. Operation of the Supervisory Board in 2020 was characterized by the adjustment of the manner of holding meetings to the current situation, which enabled regular and continuous work. Such a way of working was also made possible by the previous digitization of the work of the Supervisory Board, which is why the supervision of the company's operations was carried out practically smoothly, despite the extraordinary situation in the Republic of Slovenia. All members of the Supervisory Board waived 30 % of their remuneration for performing the supervisory function for the period of the first declaration of the epidemic, of which they informed the shareholders at the general meeting.

In year 2020, the supervisory board met at twelve regular sessions and one correspondence session. As mentioned in the introduction, due to the prescribed measures, half of the regular meetings were held remotely. All meetings held remotely were also recorded in accordance with the rules of procedure. 107 decisions were adopted in 2020, the implementation of which is regularly monitored at the beginning of each regular session. In their decisions, all members of the Supervisory Board acted independently and in accordance with the statements given and transparently published on the company's website. They prepared appropriately on the topics of the individual sessions, gave constructive proposals, corrections and comments, as well as adopted decisions (especially after previous discussions) in accordance with their respective responsibilities. Members of the Supervisory Board carried out their work diligently and responsibly with the duty of careful and conscientious management, in accordance with the fundamental function of supervision over the management of the companies and based on the competences as defined mainly in the Companies Act (ZGD-1), Statute of the company and Rules of the Supervisory Board. In their work, the Supervisory Board members acted in accordance with the Recommendations and Expectations of the Slovenian Sovereign Holding and Corporate Governance Code for Companies with State capital investment. Management board commented on the fulfilment of the above acts and recommendations in the statement on corporate governance, which is a component part of the annual report.

Supervisory Board continued its efforts to upgrade the implementation of good supervisory practices over the company's operations. Due to the adopted legal bases for remote and digital operations of the Supervisory Board, there were no gaps or longer periods without sessions; all work was carried out in accordance with the adopted financial plan and annual business plan of the Supervisory Board and its Committees. In addition to the usual reports, the Management Board regularly reported on the status and progress of strategic projects and provided everything necessary for smooth remote work.

In 2020, the Supervisory Board focused on monitoring and directing the Management Board to respond quickly to the new legal framework, to prepare analyses and measures to adjust to new level of return as a result of measures related to COVID-19 epidemic. Due to the reduced return, operations had to be adjusted, which was closely monitored by the Supervisory Board.

Pursuant to the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP, ZIUZEOP-A), the legislator instructed the Energy Agency to reduce the return on assets for 2020. Thus, in addition to the reduction for approximately 1 million € on the basis of the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, which is valid in the regulatory period 2019-2021 for assets in 2020, it further reduced due to ZIUZEOP or Amendments to the Act adopted by the Energy Agency. Based on the ZIUZEOP, the recognized regulated return on assets for 2020 decreased from 5.26 % to 4.13 %, which meant a decrease in revenues for the company by another 2.2 million €. At the same time, the amendments to the Act also stipulate that state aid under ZIUZEOP reduces revenues under a contract with SODO or that state aid in SODO activities has no effect on the company's operating results.

Supervisory Board also paid a lot of attention to monitoring the Management Board's reports on the operations and further development of ECE, d. o. o., as a significant financial investment of the company.

Despite the reduced guaranteed return, the planned investments in the company had to be implemented, so the supervisory Board monitored the status of investment projects, in accordance with established practice through regular semi-annual report on the status of major investments and implementation of public procurement procedures. It regularly monitored changes in the company's internal organization as a result of the implementation of the Strategy of Elektro Gorenjska Group for the period 2018-2022, which further increased the company's operations in terms of corporate governance.

Also in 2020, as part of the reporting of companies in the EG Group and in accordance with its responsibilities and good corporate governance practice the Supervisory Board monitored the operations of the companies Gorenjske elektrarne, d. o. o., and GEK Vzdrževanje, d. o. o.

2. Composition of the Supervisory Board in year 2020

Membership in the Supervisory Board did not change in 2020, Supervisory Board operated in the following composition:



mag. Samo Logar,

Chairman of the Supervisory Board,



mag. Tedo Djekanovič,

Deputy Chairman of the Supervisory Board,



Andrej Koprivec,

member,



Franjo Curanovič,

member,



Borut Jereb,

member, representative of employees,



Iztok Štular,

member, representative of employees.

Members of the Supervisory Board complement each other with their knowledge and experience, since different professional and theoretical competences are represented. Supervisory Board is composed in such a way that members have all the necessary professional competences for effective control over the Company's operations. Contribution of both employees' representatives, who show great commitment in following the sessions of the Supervisory Board and Supervisory Board Committees, should be emphasized, and based on good knowledge of the Company, they contribute to efficient supervision of the business.

3. Verification of Company's operations and work of the Management in year 2020

During the year, the Supervisory Board verified operations of the company mainly based on the quarterly financial reports and reports on implementation of strategic projects of the Company's management and obtained data on operations (monthly evaluations of operations of Group companies).

Members of the Supervisory Board mainly focused on the following:

- › regular business of the companies, mainly adjustments in the light of the situation associated with the COVID-19 epidemic, which have greatly affected the operations of the parent company Elektro Gorenjska, d. d., with an emphasis on the current monitoring of business and financial reporting,
- › ongoing monitoring of operations in the EG Group companies – Gorenjske elektrarne, d. o. o., and GEK Vzdrževanje, d. o. o.,
- › monitoring the operations of company ECE, d. o. o., as a major financial investment, and monitoring further consolidation in the field of market and production activities, with which the SB was also acquainted,
- › monitoring the implementation of the general meeting decisions,
- › monitoring larger investment projects,
- › monitoring of strategic projects according to the strategy of the Group for period 2018–2022,
- › control over contracts, which need the supervisory board consent according to the provisions of the statute,
- › monitoring public procurement procedures,
- › forming proposals for the decisions at the regular annual general meeting,
- › monitoring risks.

According to the stated areas of work, it is especially necessary to highlight the following activities of the Supervisory Board:

- › Supervisory Board regularly monitored operations of the Group companies, adjustments to the COVID-19 situation and new legal frameworks, discussed quarterly information and evaluations on Group companies' operations, and was devoted to realization of the business plan for year 2020.
- › In accordance with the ZDG-1 the Supervisory Board verified and approved the audited Annual Report of Elektro Gorenjska, d. d., and audited Consolidated Annual Report of Elektro Gorenjska Group for year 2019, and composed a written report of the Supervisory Board on verification and approval of the stated reports for business year 2019.
- › Supervisory Board participated in preparing the proposals for decisions of the 27th regular General Meeting session, which took place on June 23 2020. Supervisory Board proposed to the General Meeting to approve the work of the Chairman of the Management Board for the financial year 2019, and grant a discharge. After the selection procedure of the Audit Committee it proposed the General Meeting a company BDO Revizija, d. o. o., Cesta v Mestni log 1, 1000 Ljubljana, to carry out a statutory audit for the financial years 2020-2022.
- › In accordance with the amendments to the rules of procedure of the supervisory board committees at the Audit and Nomination Committees, the Supervisory Board regularly monitored strategic projects from the Elektro Gorenjska Group Strategy for the period 2018-2022 and the Amendment to Strategic Goals and Activities from February 2020.
- › Supervisory Board was regularly acquainted with the reports on the review of individual projects in the Company; twice a year, the Management board is obliged to report on the status of all major projects from the Business Plan, as at May 31 and October 31. Reporting was further specified in accordance with the discussions at the meetings.
- › Supervisory Board was regularly informed about the operations of ECE, d. o. o., which represents a major financial investment, about further merging and especially vertical integration with HSE, d. o. o., and in accordance with its competencies, gave its consents to the proposed transactions in connection with the sale of shareholding in ECE, d. o. o.
- › Supervisory Board continued with the practice of acquainting the Supervisory Board with public procurement matters, already at the time of the introduction of the PP (in the form of information), to which the SB, in accordance with the Statute, gave its consent. In addition, it quarterly checked reports on public procurement procedures implemented (including those that did not require the consent of the SB). In this area, it examined in particular the public procurement for the execution of construction works on the electricity network.
- › Until the increase in the share capital in 2020 and in accordance with the Statute of the Company, the Supervisory Board gave consent to ten legal transactions above the value of 1,041,366.15 € (1 % of the Company's share capital), with a total value of these transactions in the amount of 11,578,165.14 € (excluding VAT).
- › Based on the provisions of the Company's Statute and the Management Board's expert explanation, which explained that it would not be able to fulfil the business plan due to measures related to the COVID-19 epidemic, the Supervisory Board approved the Revised Business Plan of the Company for year 2020.
- › On the basis of the provisions of the Company's Statute, within the framework of the consideration of the Business Plan of the company Elektro Gorenjska, d. d., for 2021, together with a financial projection for the years 2022 and 2023, and with the assurance of the Management that the Company will respect the provisions of the Regulation on the conditions and procedures of borrowing of legal persons from Article 87 of the Public Finance Act, as well as with the assurance that the Company is able to hire and repay the planned debt, the Supervisory Board gave its consent to the Company's borrowing.
- › In accordance with the Act Governing the Remuneration of Managers of Companies (ZPPOGD), the Supervisory Board decided on the amount of the variable part of the remuneration of the chairman of the board for 2019 and adopted benchmarks for the variable part of the chairman of the management board for 2020, including changes based on the adopted rebalance.
- › Supervisory Board regularly monitored the way the Group works due to the declared epidemic of the new coronavirus and the response and opinion of employees.

4. Cooperation with the Chairman of the Board

Supervisory Board is of the opinion that the Chairman of the Management Board approached the implementation of measures very quickly and well due to the situation related to the COVID-19 epidemic, and the related reduction in revenues, as business went well despite the situation and volume of investments in electricity infrastructure did not decrease. At the beginning of the year, an amendment to the strategy was adopted, which abolished strategic projects that are now part of the business, and adopted new strategic projects, with the aim of introducing new practices and more efficient operations of the company. In the given circumstances, he responded appropriately to the extraordinary situation due to the declared epidemic, he very quickly and successfully organized work from home and took other effective measures to reduce the possibility of COVID-19 virus infections. We also commend his response to changes in legislation and other legal regulations, to economic and other conditions and taking into account the expressed will of the company's shareholders, especially the majority shareholder, so we are of the opinion that he managed the company very successfully in that period.

All of the above indicates that the Supervisory Board worked very well with the Chairman of the Board, dr. Ivan Šmon, MBA, whose four-year term began on June 15 2018. Management submitted materials for the sessions to the Supervisory Board in time, in writing, and additionally interpreted them orally at the sessions. For the Supervisory Board the management prepared reports on implementation of decisions regularly and other reports requested from the management by the Supervisory Board. Members of the Supervisory Board had all requested and appropriate reports, information and data available to them, so that based on them they could monitor and control Company's operations and made their decisions responsibly.



Supervisory Board considers the cooperation with the Chairman of the Board in the past year to be very successful.

5. Operation of Supervisory Board Committees

In 2020, two Committees operated within the Supervisory Board, namely without a change of membership.

5.1. Audit Committee

In 2020, the Supervisory Board Audit Committee met at eleven regular and one correspondence sessions. Committee was chaired by Chairman Andrej Koprivec, CFA, FCCA throughout the year, including Franjo Curanović as a member and prof. dr. Simon Čadež as an external member.



Franjo Curanović
member

Andrej Koprivec,
CFA, FCCA
Chairman

prof. dr. Simon
Čadež
external member

Members of the Committee regularly attended the sessions.

To all the sessions of the Committee the Chairman of the Company's Management Board and the internal auditor were invited, along with individual reporters. In addition to other members of the Committee and reporters, other members of the SB were occasionally present at the meetings.

In accordance with the Rules of Procedure of the Audit Committee, the members of the Supervisory Board were kept informed both by invitations to the meetings of the Audit Committee and by the minutes of the Committee meetings, while the Chairman of the Audit Committee reported quarterly to the Supervisory Board on the work of the committee.

Below we present the substantive points of the work of the Audit Committee in the business year 2020:

Annual report 2019: Committee discussed the Annual Report of the company Elektro Gorenjska, d. d., Annual Report of the subsidiary company Gorenjske elektrarne, d. o. o., Annual Report of company GEK Vzdrževanje, d. o. o., and the Consolidated Annual Report of the Elektro Gorenjska Group. Regarding the consideration of the annual report, the Committee met with the partner of the audit company BDO and discussed the report of the external auditor.

Business plan and current operations: Committee discussed the business plans of the parent company and subsidiaries for the period 2021-2023 and proposed them to the Supervisory Board for approval. Committee reviewed quarterly business results of the companies in the Elektro Gorenjska Group and reported them to the Supervisory Board. Committee also monitored the operations of company ECE d. o. o. in which the company Elektro Gorenjska, d. d. has 25.67 % ownership share.

Committee reviewed quarterly the implementation of the strategic projects implemented in Elektro Gorenjska Group and reported them to the Supervisory Board. In June, the Committee discussed the Management Board's report on the effects of the COVID-19 epidemic on the operations of Elektro Gorenjska Company.

Vertical integration of company ECE, d. o. o.: Committee considered the valuations of ECE, d. o. o., proposal of the Articles of Association and other bases for the implementation of the vertical integration transaction with the company HSE, d. o. o.

Internal audit: Audit Committee worked closely with the internal auditor. In 2020, the Committee discussed the Annual Report on the work of the internal audit for 2019, discussed the internal auditor's reports on all conducted internal audits and monitored the implementation of the recommendations made. It discussed the work plan of the internal audit for 2021 and proposed it to the Supervisory Board for approval.

Selection and cooperation with the external auditor: Audit Committee conducted the procedure for selecting an external auditor of the financial statements for the period 2020-2022 and forwarded the proposal to the Supervisory Board. General Meeting of the Company appointed the proposed contractor – BDO Revizija Company - as auditor of the financial statements for 2020-2022.

In addition to the above, the Committee performed other work in accordance with ZGD-1 and the Rules of Procedure of the AC.

5.2. Nomination Committee

Within the Supervisory Board, the Nomination and Human Resources Committee of the Elektro Gorenjska, d. d., Supervisory Board, has been operating since 2014 and in the original composition the whole year of 2020:



mag. Tedo Djekanović member
mag. Samo Logar Chairman
Milena Pervanje external member

In year 2020, the Nomination Committee had eight regular sessions, where besides members of the Committee other members of the SB were mostly present, usually both representatives of employees. Committee adopted 37 decisions, which were all realized.

In the year 2020, the Committee focused mainly on:

- › final report of the management board on the reorganization of the company, which was carried out in 2019,
- › monitoring and acquainting with internal regulations in the field of human resources, which were adopted by the management after the reorganization (Rules on Systematization and Rules on Establishing Work Performance) and with key changes in the process of rewarding work performance,
- › monitoring and acquaintance with the concluded Company Collective Agreement of the Elektro Gorenjska Group,
- › acquaintance with the report of the management board on human resources management during COVID-19 and active cooperation with the given suggestions and advice for further work with employees,
- › regular monitoring and control of strategic projects in the field of human resources from the Strategy of companies in the EG Group for the period 2018-2022, based on the authorization of the Supervisory Board to monitor three strategic projects (Organizational culture and employee commitment, Upgrading corporate governance in the EG Group and Establishing effective project management at the level of the EG Group), all the way to amending the rules of procedure in July,

- › in the second half of the year monitoring of new strategic projects based on the authorization of the Supervisory Board and amendments to the Rules of Procedure of the Committee, all in accordance with the Amendment to the Strategic Goals and Activities of the Elektro Gorenjska Group Strategy for the period 2018-2022 (SP-Employees – Ambassadors of Reputation in Elektro Gorenjska Group (Brand and Experience of the Employer) and SP Introduction of Business Intelligence (BI) in Elektro Gorenjska Group),
- › examination of the concluded employment contract of the Chairman of the board and proposed amendments to the contract and the adopted performance criteria, on the basis of which it proposed to the Supervisory Board, for objective reasons, a change of performance criteria for 2020,
- › fulfilment of the performance criteria of the Chairman of the Management Board in 2019 and proposal of the amount of the variable part of the remuneration to the chairmen of the management board for work performed,
- › determination and proposal of the SB for the adoption of performance criteria for the variable part of the remuneration of the Chairman of the Board for 2021,
- › regular monitoring of changes to Slovene Sovereign Holding documents and, in particular, examination of new chapters of SSH Recommendations and Expectations and other relevant company documentation related to the Recommendation for the adoption of rules on other rights of members of management bodies. Committee prepared a proposal for the Rules on determining the salary and other rights of the Chairman of the Board of Elektro Gorenjska, d. d., and proposed to the Supervisory Board to adopt them.

In 2020, the Nomination Committee continued its new practices, which proved to be very successful. It provided professional assistance to the management board in connection with further processes that followed the reorganization of the company, as well as with examples of methods in the field of human resources due to the COVID-19 situation and new ways of working. It continued to monitor new strategic projects and, in addition, it was very active on the basis of the powers of the supervisory board in connection with the review of existing company documentation regarding the employment contract of Chairman of the Board and his other rights, and performance criteria. It proposed to the Supervisory Board to adopt new Rules on determining the salary and other rights of the Chairman of the Board of Elektro Gorenjska, d. d., which were adopted in January 2021.

6. Position of the Supervisory Board to audit report 2020

According to the auditing company BDO Revizija, d. o. o., from Ljubljana, which audited the financial statements of the companies in the Group for 2020, the financial statements in all important respects fairly represent the financial position of the Company or of the Elektro Gorenjska Group as at December 31 2020, and their profit or loss, comprehensive income and cash flows for the year then ended, in accordance with Slovenian Accounting Standards. Audit was performed in accordance with International Standards in Auditing (IAS). Company received the Report of the independent auditor on April 16 2021. Representative of the auditing company BDO reported on the course of the audit procedure and findings on April 20 2021 at the 38th regular meeting of the Audit Committee of the Supervisory Board.

At the 47th regular session of the Supervisory Board held on May 19 2020, at the examination of the audited Annual Report of the Company and Group Elektro Gorenjska for 2020, composed of the Annual Report of company Elektro Gorenjska, d. d., and Consolidated Annual Report of Elektro Gorenjska Group for 2020, the Supervisory Board was acquainted with the decisions of the Audit Committee regarding the auditor's report, and found that the auditor carried out the audit in accordance with the legislation and the rules on auditing. Supervisory board had no comments on the independent auditor's report, and its position on the audit report was positive.

Audit Committee and the Supervisory Board found that the auditors issued a positive opinion.

7. Approval of the Annual Report of the Company and Group for year 2020 and proposal for the use of distributable profit

Management of the Company submitted the Annual Report of the Company and Group, including the Audit Report, to Supervisory Board for verification within the legal deadline. Audit Committee verified the Annual Report of the Company and Group and Audit Report in detail and gave its opinions and views. Based on the regular monitoring of operations of the Company and other companies in the Group and a detailed verification of the stated reports, the Supervisory Board has established that the report for year 2020 is composed in accordance with the regional legislation and regulations, and in a clear and transparent manner represents true and fair views of the assets, liabilities, financial position, income statement and comprehensive income of the company. Annual reports of the company and group Elektro Gorenjska for year 2020 are composed in accordance with the provisions of the Companies Act and valid international accounting standards.

Besides the parent company, the Elektro Gorenjska Group includes another company Gorenjske elektrarne, proizvodnja elektrike, d. o. o., which is in 100 % ownership of the parent company, and company GEK Vzdrževanje, d. o. o., which is in 100 % ownership of Gorenjske elektrarne, d. o. o. Company. All Group companies closed the business year with profit. Total distributable profit of Elektro Gorenjska, d. d., for the year 2020 amounts to 2,072,817.00 €, and consist of the remaining net profit for the financial year 2020 in the amount of 2,064,645.99 € and retained net profit or loss in the amount of 8,171.01 €. Management board will propose to the General Meeting of shareholders that the distributable profit in 2020 is fully paid out to shareholders in the form of dividends in the amount of 0.12 €/per share, which is lower by 2 cent per share or 14.29 % decrease in dividends per share compared to last year's payout. Management board will propose to the General Meeting that the dividend payment will be made on 23 July 2021 to those shareholders who will be listed in the Company's share register on 22 July 2021. Supervisory Board verified the proposal for the use of accumulated profit, and agreed with the proposal of the Management Board.

After the Supervisory Board members verified the Annual Report of the Company and Group for year 2020 and had no comments, the Supervisory Board adopted this Supervisory Board Report on Verification and Approval unanimously at the 47th regular session on May 19 2021.

In Kranj, May 19 2021

Mag. Samo Logar,
Chairman of the Supervisory Board



Presentation of Elektro Gorenjska Group

4

4.1. Activity and Structure of Elektro Gorenjska Group

Elektro Gorenjska Group consists of the controlling company Elektro Gorenjska and its controlled company Gorenjske elektrarne, which is in 100 % ownership of Elektro Gorenjska Company. As associated companies the group also considers GEK Vzdrževanje Company, where Gorenjske elektrarne Company has 100 % ownership share and ECE company, where Elektro Gorenjska has a 25.6744 % ownership share, and company Soenergetika, where Gorenjske elektrarne has 25 percent share. In addition to the financial statements of the parent company Elektro Gorenjska, the financial statements of the Group also include the financial statements of subsidiaries and profit and loss accounts of associated companies, according to the ownership share. In addition to the listed companies, the Elektro Gorenjska Group is also composed of Informatika d. d. in which Elektro Gorenjska owns a 9.56 % stake. We do not include the stated company in the consolidated financial statements of the Group due to irrelevance. None of the companies in the Group has any subsidiaries.

Graph 1: Organizational chart of Elektro Gorenjska Group



4.2. Main activities and fields of business

Companies in the Elektro Gorenjska Group are implementing three main activities:

- › activity of electricity distribution, which is a regulated activity (contract with SODO),
- › activity of electricity production
- › and other activities (market services).

Distribution activity includes tasks (services) of a public utility service distribution operator, which Elektro Gorenjska Company performs under the contract for the distribution operator:

- › maintenance of primary electricity infrastructure,
- › organization and implementation of emergency service,
- › management and operation of electricity distribution network,
- › network development planning,
- › preparation and management of investments in electricity infrastructure,
- › monitoring and determining the quality of electricity supply,
- › performing electricity metering,
- › providing access services and other user services,
- › connecting users,
- › providing data to cover electricity losses in the distribution network and SODO supply,
- › other user services.

Production activity includes production of electricity:

- › in hydro power plants,
- › in solar and photovoltaic power plants
- › and production in high-efficiency cogenerations.

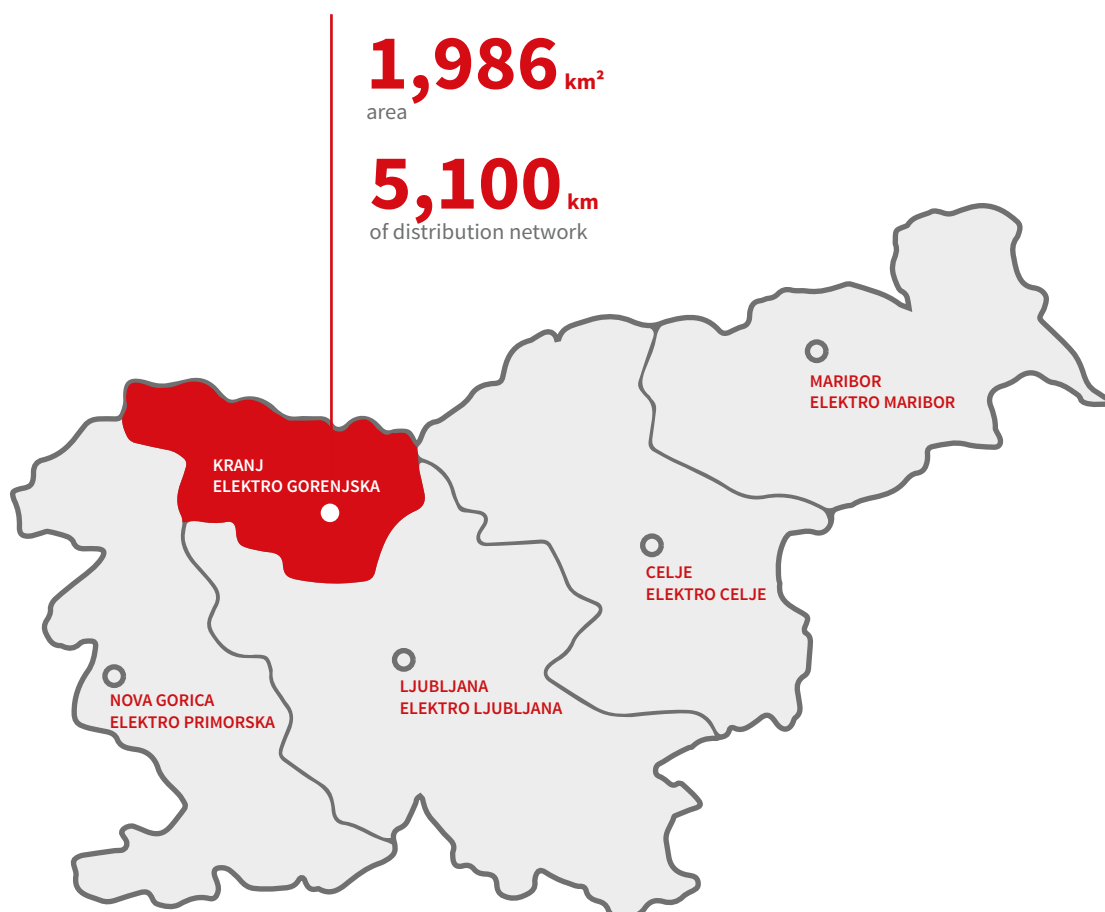
Other activities carried out for both the regulated activities as well as for the market include:

- › implementation of investments and maintenance,
- › research and development,
- › designing,
- › electricity efficiency projects and energy management, and
- › engineering.

4.3. Main area of operation

Main area of operation of Elektro Gorenjska Group includes north-eastern part of Slovenia – Gorenjska region. Elektro Gorenjska Company has its distribution network set on the area of 1,986 km², which amounts to more than 5,100 kilometres of grids and helps providing reliable and quality supply of electricity to more than 90,500 customers.

In this area we can also find hydropower plants of Gorenjske elektrarne.



4.4. Identity cards of the companies



elektro
gorenjska



gorenjske
elektrarne

Name:	ELEKTRO GORENJSKA, podjetje za distribucijo električne energije, d. d.	GORENJSKE ELEKTRARNE, podjetje za proizvodnjo električne energije, d. o. o.
Abbreviated name:	ELEKTRO GORENJSKA, d. d.	GORENJSKE ELEKTRARNE, d. o. o.
Business address:	Ulica Mirka Vadnova 3a, 4000 Kranj	Stara cesta 3, 4000 Kranj
Phone:	080 30 19	04 20 83 531
Fax:	04 20 83 600	04 20 83 512
Web site:	www.elektro-gorenjska.si	www.gek.si
E-mail address:	info@elektro-gorenjska.si	info@gek.si
Registration number:	5175348000	1658298000
VAT identification number:	SI20389264	SI76567788
Core activity code:	35.130 electricity distribution	35.111 production of electricity in HE generation facilities
Founder:		Elektro Gorenjska, d. d.
Legal form:	joint-stock company	limited liability company
Company register entry number:	1/00259/00	
Date of company register entry:	27. 1. 1998	4. 1. 2002 (amendment 21. 9. 2004)
Place of court's register entry:	Kranj District Court	Kranj District Court
Share capital as of 31. 12. 2020:	104,136,615.39 €	13,684,880.11 €
Number of shares as of 31. 12. 2020:	17,273,475	
Chairman of the Board:	dr. Ivan Šmon, MBA	
Supervisory Board Chairman:	mag. Samo Logar	
Director:		Aleš Ažman, MBA
Main activity:	Basic activity of Elektro Gorenjska Company is to ensure distribution of electricity to end users. It is a regulated activity that we perform under a contract with SODO d. o. o., which has a concession. Elektro Gorenjska Company has been present on the market of services in the field of energy activities for many years, where it is mainly active in the segment of construction, engineering, and the provision of other services for the market. It is also involved in maintenance, carries out activities in the field of research, development and design, works on projects of efficient use of electricity and energy management.	Main activity of the subsidiary Gorenjske elektrarne, d. o. o., is the production of electricity in hydroelectric power plants, in solar power plants and production of electricity in high efficiency cogeneration. It has been active in the field of efficient use of electricity and energy management for many years.



gek
vzdrževanje



ECE,
energetska družba, d. o. o.

Firma:	GEK Vzdrževanje, družba za vzdrževanje in storitve, d. o. o.	ECE, energetska družba, d. o. o.
Abbreviated name:	GEK Vzdrževanje, d. o. o.	ECE, d. o. o.
Business address:	Stara cesta 3, 4000 Kranj	Vrunčeva 2a, 3000 Celje
Phone:	04 20 83 531	080 22 04
Fax:	04 20 83 512	03 62 09 559
Web site:	www.ece.si	
E-mail address:	info@ece.si, prodaja@ece.si, podjetja@ece.si	
Registration number:	7239360000	6064892000
VAT identification number:	SI 53409540	SI 55722679
Core activity code:	68.320 management of real estate on a fee or contract basis	35.140 trade of electricity
Founder:	Gorenjske elektrarne, d. o. o.	Elektro Celje, d. d.; Elektro Gorenjska, d. d.
Legal form:	limited liability company	limited liability company
Company register entry number:	2015/37235	
Date of company register entry:	27. 2. 2017	1. 10. 2015
Place of court's register entry:	Kranj District Court	Celje District Court
Share capital as of 31. 12. 2020:	121,050.64 €	3,436,767.65 €
Director:	Matej Kuhar	mag. Sebastijan Roudi
Main activity:	GEK Vzdrževanje, d. o. o., is a subsidiary of Gorenjske elektrarne Company, and was established in 2017. Company's activity relates to the maintenance of energy devices, owned by Gorenjske elektrarne Company. They offer services in the field of maintenance of energy devices and other electrical installation services.	Main activity of ECE Company is electricity trading.

SOENERGETIKA

Firma:	SOENERGETIKA Gorenjske elektrarne, Holding Slovenske elektrarne, Domplan in Petrol, družba za proizvodnjo elektrike in toplote, d. o. o.
Abbreviated name:	SOENERGETIKA d. o. o.
Business address:	Stara cesta 3, 4000 Kranj
Registration number:	3700054000
VAT identification number:	SI 26004330
Core activity code:	35.112 Production of electricity in thermal, nuclear power stations
Founder:	Elektro Gorenjska, d. d., Holding Slovenske elektrarne, d. o. o., Domplan, d. d., in Petrol, d. d.
Legal form:	limited liability company
Company register entry number:	2010/6818
Date of company register entry:	26. 2. 2010
Place of court's register entry:	Kranj District Court
Share capital as of 31. 12. 2020:	1,020,000.00 €
Director:	Aleš Ažman, MBA
Main activity:	Company Soenergetika produces electricity and heat in cogeneration facilities.

4.4.1. Other related companies or related legal entities

Elektro Gorenjska Company identifies its related persons on the basis of provisions of the International Financial Reporting Standards, mainly the IAS 24 and IAS 28, Companies Act (ZGD -1) and the Corporate Income Tax Act (ZDDPO-2).

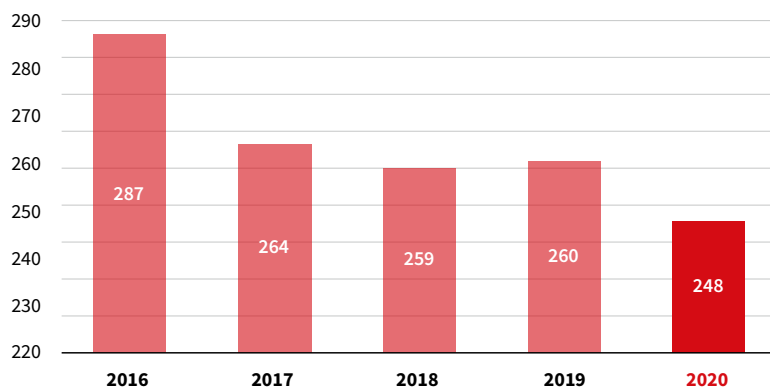
Elektro Gorenjska does not have direct or indirect ownership of at least 20 % of value or number of shares or shares in capital, management or control in any other company, except in the ones already mentioned. Company also does not control other companies on the basis of a contract in a way that is different from relations among unrelated persons, or has no significant influence in any of the other companies.

4.5. Share capital and ownership structure of Elektro Gorenjska Company

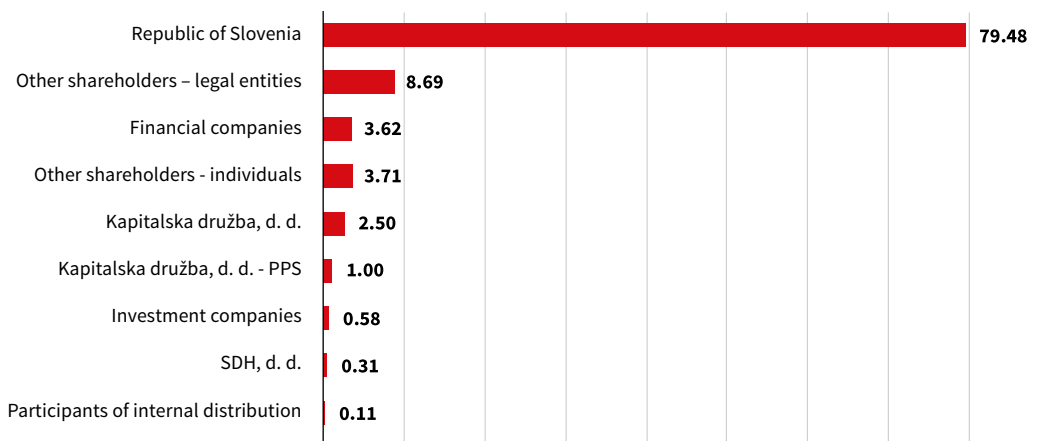
On December 31 2020 share capital of Elektro Gorenjska Company amounted to **104,136,615 €**. It is distributed to 17,273,475 of ordinary registered unit shares (designation EGKG). All shares are shares of one category.

Company has no authorized capital. In 2020 the Elektro Gorenjska Company had no transactions with own shares on a regulated market. As of December 31 2020, 96.18 % of company shares were in the ownership of the Republic of Slovenia and legal entities, which represent 18.95 % of all shareholders.

Graph 2: Changes in the number of shareholders of Elektro Gorenjska Company from 31. 12. 2016 to 31. 12. 2020



Graph 3: Ownership structure of Elektro Gorenjska Company as of 31. 12. 2020 (in %)



According to the balance as at December 31 2020 the largest shareholder, holding a 79.48 percent share, is the Republic of Slovenia. It is followed by Kapitalska družba holding 2.50 percent share and Bau 1 d. o. o. with 1.67 percent share. As at December 31 2020 the largest 10 owners held a total of 91.50 percent share of the company.

Table 1: Share owners with capital share exceeding 1 percent as of 31. 12. 2020

Ownership exceeding 1 %	Number of shares	%
Republika Slovenija	13,728,882	79.48
Kapitalska družba, d. d.	431,933	2.50
BAU 1, d. o. o.	287,792	1.67
Sava Re, d. d.	280,000	1.62
Pivovarna Laško Union, d. o. o.	270,648	1.57
DUTB, d. d.	207,200	1.20
DZS, d. d.	200,000	1.16
Total	15,406,455	89.19

4.6. Vision, mission and values of Elektro Gorenjska Group



Vision

Our vision obliges us that Elektro Gorenjska Group will be a modern, innovative and publicly recognized central actor in the development of the flexibility services market. In parallel with the increasing dynamics of deployment and incorporation of new technologies, we will ensure 100 % connectivity of all network users. In addition to the highest quality electricity supply in the Republic of Slovenia, we will also provide our customers with an up-to-date and comprehensive user experience. We will create clean energy for sustainable development. To all participants in the value chain we will signify a quality, trustworthy and desirable partner. Fast and efficiently we will be able to adapt to all modern challenges, trends and various external factors. We will be increasing our presence in the market environment, continuously improving our economic indicators and reducing business, development, security, regulatory and environmental risks.



Mission



Equal and reliable access to electricity with a superior user experience for all.



Through environmentally friendly way of energy production and provision of services to increase the efficient use of energy we provide for a better future coexistence of mankind and nature.



With professional and efficient services we achieve customer satisfaction. With our knowledge and experience, we increase the production of renewable energy sources.



Values



KNOWLEDGE AND COOPERATION

We share knowledge, experience and positive energy with our colleagues and partners.



EXCELLENCE AND PROFESSIONAL COMPETENCE

We are target-oriented.



KINDNESS AND OPENNESS

We maintain friendship and sociability.



QUALITY AND TRUST

We induce customers' confidence.



RESPONSIBILITY AND DILIGENCE

We assume responsibility.



BUSINESS INNOVATION

We implement services and processes in line with market trends.

4.7. Key strategic guidelines

4.7.1. Key challenges

Strategic guidelines with which the Elektro Gorenjska Group will achieve its set vision derive from the Strategy of Elektro Gorenjska Group for the period 2018–2022 and are as follows:

- › empowerment to operate in the flexibility market (obtaining its own concession for GJS DO, maintaining the EG Group);
- › be the best operator in terms of technical and economic indicators for the distribution of electricity in Slovenia and be comparable to the best in EU;
- › innovative development of those marketing activities within Elektro Gorenjska Group that are acceptable in terms of (new EU and Slovenian) regulations and ensure the integrity of solution to users;
- › increasing the production of ecologically clean energy and providing system services or services on the flexibility market.

4.7.2. Strategic projects

In the Elektro Gorenjska Group, we have decided to update the strategic activities and goals originally defined in the 2022 Strategy due to the dynamic change of external circumstances (stricter regulatory conditions, electrification, decentralization, decarbonisation and ambitious national energy and climate plans). Major organizational and substantive changes were also made in the implementation of dynamic strategic process. We decided to update the strategic activities and goals that were originally adopted by year 2022. Amended strategy identifies the following strategic projects as key elements in the implementation of the strategy:

- › acquisition of own concession for the distribution of electricity;
- › employer's brand;
- › consolidation and start-up of engineering at the level of Elektro Gorenjska Group;
- › introducing Business Intelligence (BI) in Elektro Gorenjska Group;
- › optimal planning and implementation of development, investments and maintenance.

Strategic project Consolidation and start-up of engineering at the level of Elektro Gorenjska Group concluded in year 2020.

In 2019 and 2020, we implemented an appropriate change in the organizational structure, which supports the introduction of a lean and agile organization, and approached the optimization of processes and, consequently, human resources. We have laid a good foundation for better exploitation of synergies in the Group and for increasing the presence in the market environment. Key activities were: change of organizational structure and systematization, establishment of advanced innovation systems and inventory or optimization of business processes. We paid a lot of attention to the development and planning of staff and the establishment of an agile organizational culture. In accordance with the strategic project, we upgraded corporate governance in the direction of unifying regulations and practices throughout the Group and introduced digitalisation in operations. We also pay important attention to the culture of innovation and the constant upgrading of information systems and information security. With all corporate activities, we also want to prepare for the possible award of a concession.

Key activities included: change in organizational structure and systematization, establishment of advanced innovation systems and inventory or optimization of business processes.

4.7.3. Summary of the medium-term plan

In the year 2021 and 2022, we intend to continue the amended activities outlined in the Strategy of the Elektro Gorenjska Group 2018–2022. In addition to further optimization of business processes, in 2021 the Group will implement strategic projects that will enable the realization of set strategic goals.

We will continue with activities to obtain our own concession, which will enable the development of the company and the realization of the long-term vision of the operation of Elektro Gorenjska, and thus also a reliable and secure electricity supply at least at current levels. Obtained concession will be the basic starting point for the role of the central player in the flexibility market envisaged by the new legislation.

Advantages of a strong employer brand are retaining employees, increasing productivity, increasing creativity and innovation, and making it easier to acquire competent staff. These are also the key reasons why, in the framework of the strategic project Employer's Brand, we will continue to raise the level of culture and commitment of employees and thus influence the implementation of a comprehensive and corporate strategy.

In the coming years, we will continue with the strategic project Introduction of business Intelligence (BI) in the Elektro Gorenjska Group. We will provide users with timely access to data, efficient analysis of information and visually convincing presentation, which means adopting the right decisions and appropriate measures for a range of business activities.

Nature of electricity distribution activities requires constant investment and maintenance of existing assets. In the coming years, we want the project Optimal Planning of Development, Investment and Maintenance to ensure optimal planning, valuation and implementation of development, investment and maintenance activities according to modern concepts of asset management and predictive maintenance.

We will carry out activities to obtain our own concession, build the Employer's Brand, continue with the strategic project Introduction of Business Intelligence, implement the project Optimal Planning of Development, Investments and Maintenance.



5

Regardless of the fact that the operations of the company Elektro Gorenjska are 76 % related to the contractual relationship with SODO, ensuring the sustainable development of the distribution network and electricity production is entirely the responsibility of the companies in the Elektro Gorenjska Group.

Sustainable development in the distribution industry means maintaining a balance between optimizing the costs associated with network development and ensuring that customers have access to electricity even in conditions of new sources of electricity that are inappropriately less stable than traditional, non-renewable sources. Sustainable development in production means optimizing the operation of renewable sources, regardless of the level of their subsidization.

In both cases, a balance is needed between environmental and social responsibility and ensuring financial stability (adequate regulated revenues and the development of new, unregulated ones). The key is maximum risk management, which is a prerequisite for sustainability in the field of critical electricity infrastructure.

5.1. Analysis of the environment and its impact on Group's operation

Operations of the company and Elektro Gorenjska Group are significantly affected by both the general economic situation and the specific operating conditions dictated by the regulations in the field of electricity.

5.1.1. General economic environment and economic trend forecasts

Indicators for Republic of Slovenia	2020	Forecast		
		2021	2022	2023
GDP (real growth, %)	-5.5	4.6	4.4	3.3
Employment (growth %)	-1	0.8	1.5	1.5
Registered unemployment rate (%)	8.7	8.5	8.1	7.6
Inflation (Dec/Dec, %)	-1.1	1.1	1.5	2.0
Inflation (average of the year, %)	-0.1	0.8	1.2	1.7
Gross wage per employee (real growth, %)	5.9	-0.4	0.9	1.1
Labour productivity–GDP per employee (real growth, %)	-4.6	3.8	2.8	1.7

Source: Spring Forecast of Economic trends 2021, UMAR – Institute of Macroeconomic Analysis and Development

COVID-19 pandemic, in combination with strict health and protection measures, severely affected economic activity in 2020, and the impact has also been felt in the first quarter of 2021. Strict measures to curb the spread of coronavirus have caused a sharp decline in economic activity globally and in Slovenia, which was most pronounced in the second quarter due to the suspension of non-essential service activities and aggravated activities of industry and other services.

After a deep decline in economic activity in 2020, GDP growth is projected at 4.6 % in 2021. Recovery, under the assumption of improving the epidemiological situation and gradually increasing vaccination coverage, is expected to begin in the second quarter of 2021. Otherwise, the economic recovery will continue to be differentiated by individual activities. With the gradual opening of service activities, private consumption will also strengthen; in addition to the growth of disposable income, the release of savings and thus the gradual reduction of the household saving rate will also contribute to this.

Growth of international trade will continue, especially in goods and gradually in most service segments, while the slowest and longest recovery will be in tourism-related services

Economic recovery will continue in the next two years, with GDP growth of 4.4 % in 2022, and 3.3 % in 2023.

Epidemiological situation remains uncertain, and this is associated with the greatest risk for the realization of the forecast, which will strongly depend on the further course of the epidemic and the implementation of the vaccination strategy in Slovenia and other countries. Among the risks, which are slightly more balanced than in 2020, the negative ones still predominate. It will also be very important to gradually and deliberately withdraw measures to mitigate the effects of the epidemic and move to their development component in the framework of the Recovery and Resilience Plan and the Multiannual Financial Framework.

Electricity consumption is sufficiently unambiguously linked to economic growth or GDP growth. Forecast of economic growth or decline was further relativized by the SARS-COVID 19 pandemic in 2020. This fact affected both market and non-market activities of Elektro Gorenjska and we are incorporating such uncertainty into our plans for 2021 as well.

In 2020, the pandemic was reflected in a 3.6 % decrease in electricity distribution compared to 2019 or 7.2 % reduction compared to the plan for 2020. Economic consequences for Elektro Gorenjska derive from the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP, ZIUZEOP-A), by which the legislator imposed on the Energy Agency to reduce the return on assets for 2020. Due to the amendments to the Act, based on ZIUZEOP, the recognized regulated return on assets for 2020 decreased from 5.26 % to 4.13 %, which meant a decrease in revenues by 2.2 million €. At the same time, the amendments to the Act also stipulated that state aid is treated as other revenues, which means that state aid under the ZIUZEOP reduces revenues under the contract with SODO or that state aid to the SODO activity had no effect on the business result.

Given that forecasts of future GDP developments are very uncertain due to the uncertain situation associated with the coronavirus epidemic, electricity consumption is also uncertain. Implementation of market activities is similarly uncertain.

However, the pandemic had not only economic but also security consequences. Activity DSO belongs to the field of critical infrastructure of Slovenia. Spread of SARS-COV-2 coronavirus

infections was identified as a threat to ensure an uninterrupted supply of electricity to end users, which is why we started taking measures to continue the uninterrupted operation of the system immediately after the epidemic was declared. We have also prepared a plan to ensure the smooth operation of work processes in companies.

5.1.2. Regulation

Operations of Elektro Gorenjska Company are largely regulated. Conditions of regulation in accordance with EZ-1 and by-laws are determined by the Energy Agency. Revenues realized by the company on the basis of the contract with the company SODO also depend on these conditions and represent almost 76 % of the total revenues of the Company or 68 % of the Group's revenues. Regulation represents the framework that the company must take into account in its operations or adapt to them frequently, as regulatory conditions usually change every three years. Special concern of the company is intended for active participation in the procedures of adopting new regulatory frameworks.

Year 2020 is the last year of the regulatory period 2019-2020, so in 2021 we expect changes or new Act on the methodology for determining the regulatory framework and the methodology for charging network charge for the electricity system operators. Amendments to the Act may have a significant impact on the company's operations. As in the past, Elektro Gorenjska will actively participate in its public hearing. In accordance with the current contract, a new contract with SODO is expected to be concluded by June 30 2021., which will cover the regulatory period 2022-2024. We expect that the current relationship with SODO will not change significantly.

5.1.3. **Announced changes in the field of regulation**

In 2020, the Electricity Supply Act (ZOEE), which will (among other things) partially replace and partially amend the Energy Act, was in public debate. We expect the law to be adopted in 2021. Purpose of the ZOEE is to harmonize the national legal order with the EU law. With the bill, legislative acts of the so called Clean Energy for all Europeans package relating to the functioning of the electricity market (Directive 2019/944/EU on common rules for the internal market in electricity and Article 17 of Directive (EU) 2018/2001/EU on the promotion of the use of energy from renewable sources) are being transposed into the Slovenian legal order. Act regulates the manner of implementation of Regulation (EU) 2019/941 on risk-preparedness in the electricity sector; Regulation (EU) 2019/943 on the internal market for electricity and Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action.

Bill lays down the rules for the operation of the electricity market, production, transmission, distribution, storage and supply of electricity, together with provisions for the protection of final customers, methods and forms of public utilities in the field of electricity transmission and distribution and the electricity market principles and measures to achieve security of electricity supply, regulates measures to prevent energy poverty and other issues of electricity supply.

Act maintains the current regulation of public utilities in the field of transmission, distribution and market operator, the material regulation of the electricity market and emergency supply. However, the following areas are regulated in a completely new way in accordance with EU law:

- › aggregation services,
- › final customer rights,
- › advanced metering ,
- › active customers and energy communities are being introduced,
- › energy poverty is defined,
- › ownership and management of energy storage facilities is regulated,
- › obligations regarding system services,
- › energy regulator is given more powers.

We estimate that the act will not significantly affect the operations of the company and the Elektro Gorenjska Group.

At the end of 2020, a public hearing on the Ct on the promotion of the use of renewable energy sources took place. Bill regulates the implementation of the policy of the state and municipalities in the field of renewable energy sources, sets a binding target for the share of energy from RES in gross final consumption in the Republic of Slovenia and measures to achieve this goal and methods of financing (including international cooperation and rules on financial support for the promotion of energy from RES and high-efficiency cogeneration), certificates of energy origin, self-sufficiency in electricity from RES, use of energy from RES in the heating and cooling sector and in the transport sector, administrative procedures and information and training of installers. Some provisions are the same as those in the current Energy Act, and some have been amended or added in order to transpose European legislation into Slovenian legal order.

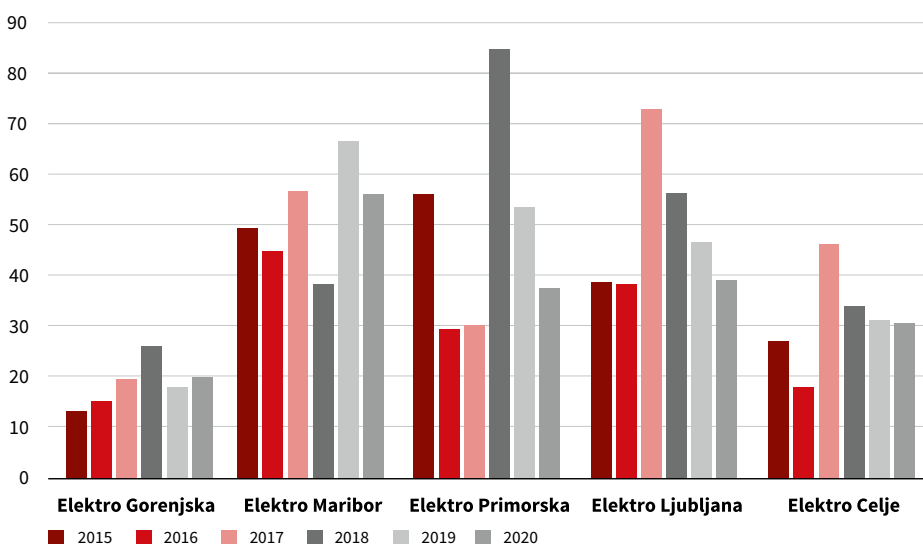
Inclusion of additional RES and CHP generation plants will require rapid and intensive strengthening of the distribution network, especially low-voltage, in accordance with the adopted Development Plan of the SODO distribution network for the period 2021-2030, for which Elektro Gorenjska does not have sufficient funds at the moment.

5.1.4. Comparative analysis of companies providing electricity distribution

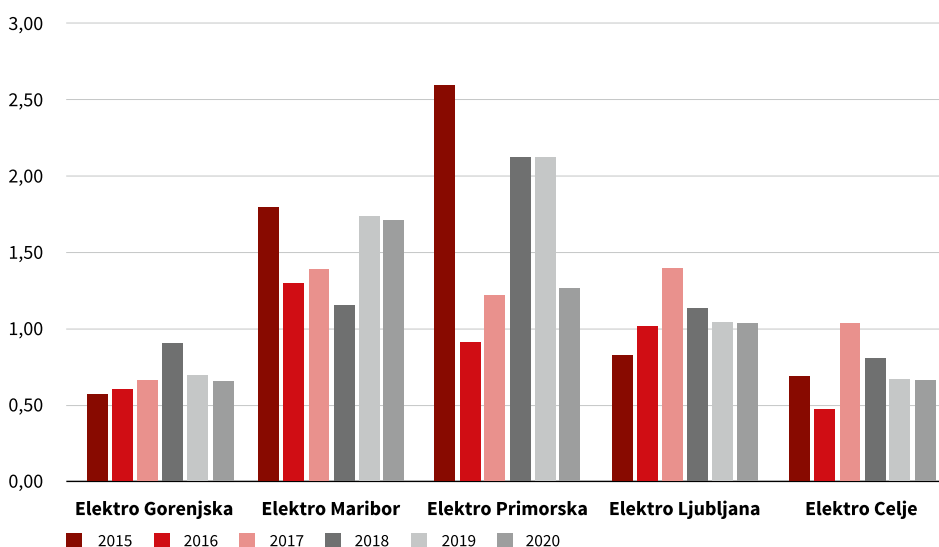
For many years, the company Elektro Gorenjska has been preparing a comparative analysis of the operations of companies that provide electricity distribution. Following is an analysis for the period from 2012 to 2019, which includes all electricity distribution companies.

Company Elektro Gorenjska constantly strives to ensure the highest possible level of quality of customer care. Annual reports of the companies for 2019 show that the company Elektro Gorenjska is the most successful of all distribution companies or among the most successful in terms of unplanned long-term interruptions.

Graph 4: Parameter SAIDI for unplanned long-term interruptions (own causes) in the period 2015–2020



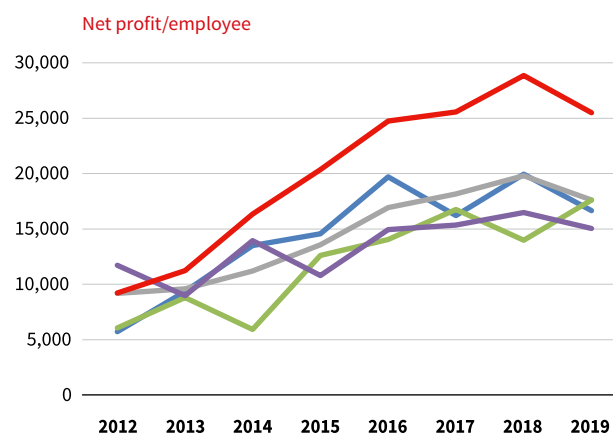
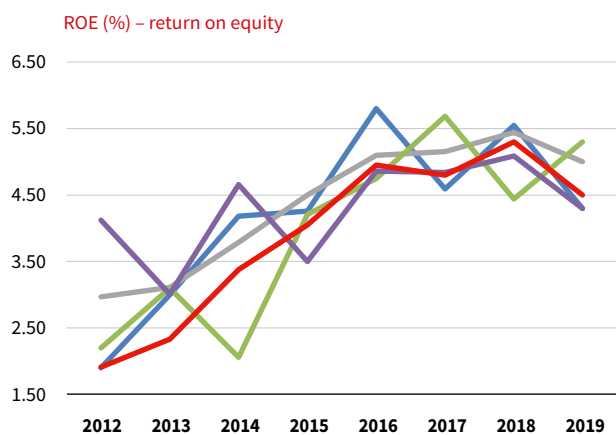
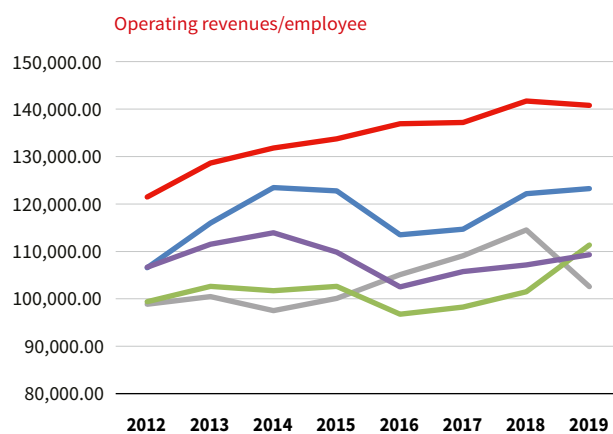
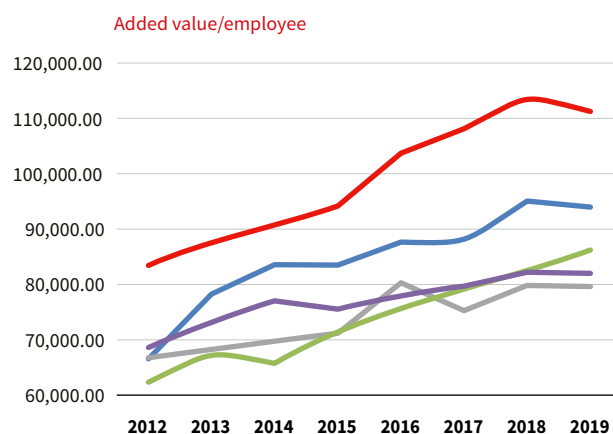
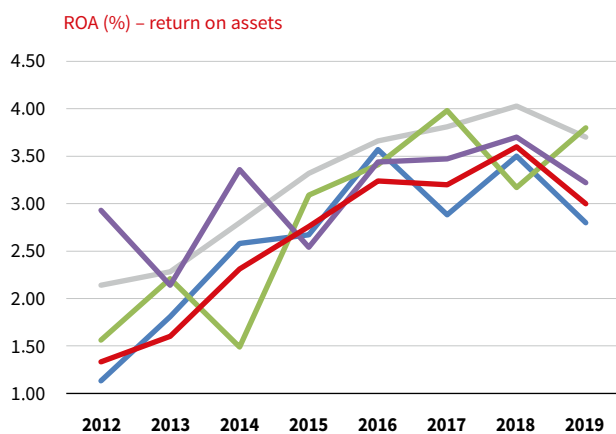
Graph 5: Parameter SAIFI for unplanned long-term interruptions (own causes) in the period 2015–2020



Efficiency of Elektro Gorenjska Company's operations is additionally evident from the comparison of economic indicators. Comparison of economic indicators in all companies shows a more or less present growth trend until 2019. In 2019, the trend is reversed due to the new Act on the methodology for determining the regulatory framework and the methodology for charging the network charge for the electricity system operators, which has been in force in the 2019-2021 regulatory period and has defined a lower return on assets compared to the Act of the previous regulatory period.

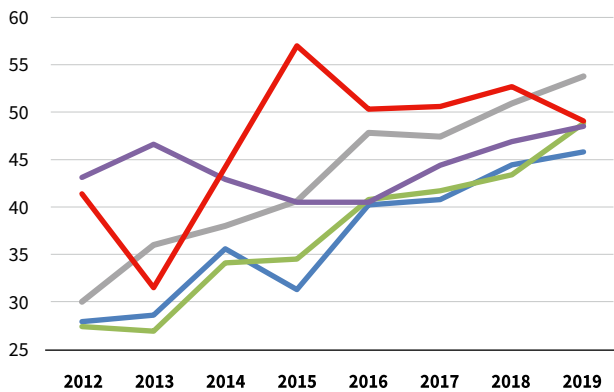
Comparison of the movement of key economic indicators from 2012 to 2019 is shown in the following graphs.

Graph 6: Trends in key economic indicators of distribution companies from 2012 to 2019

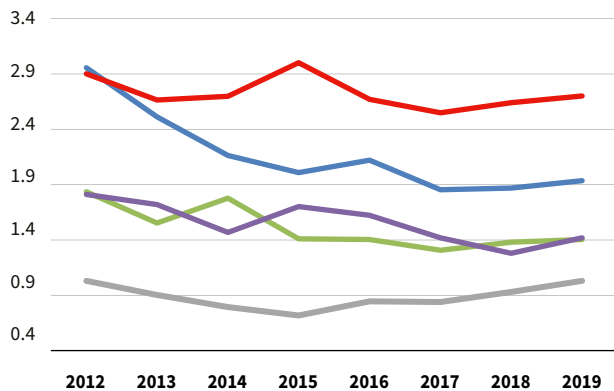


— Elektro Ljubljana — Elektro Celje
— Elektro Maribor — Elektro Gorenjska
— Elektro Primorska

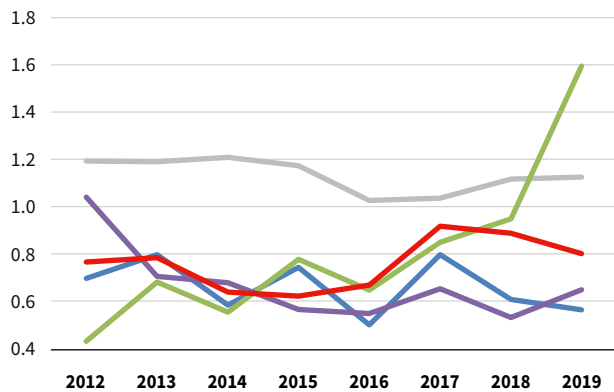
CAPEX/net sales revenues (%)



Net financial debt/EBITDA



Current ratio

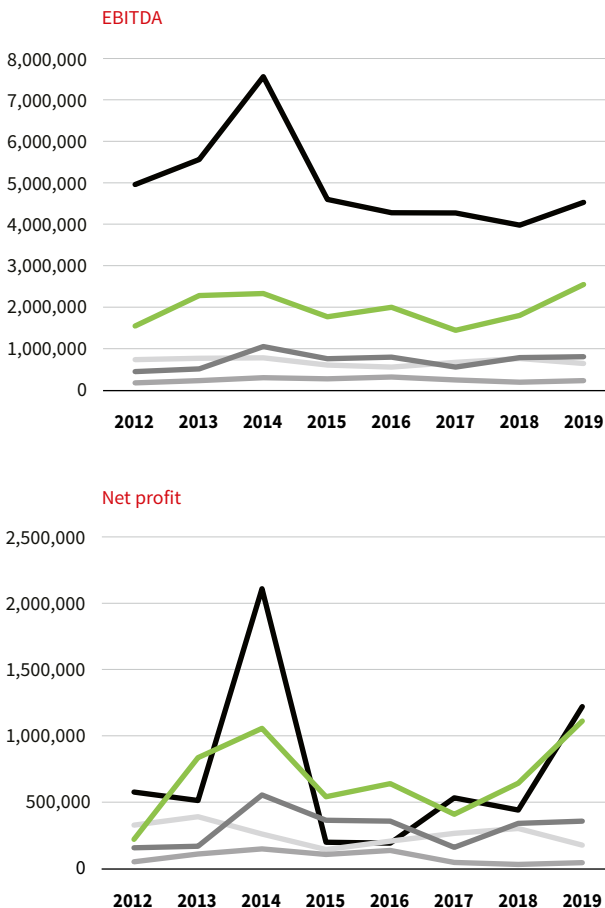


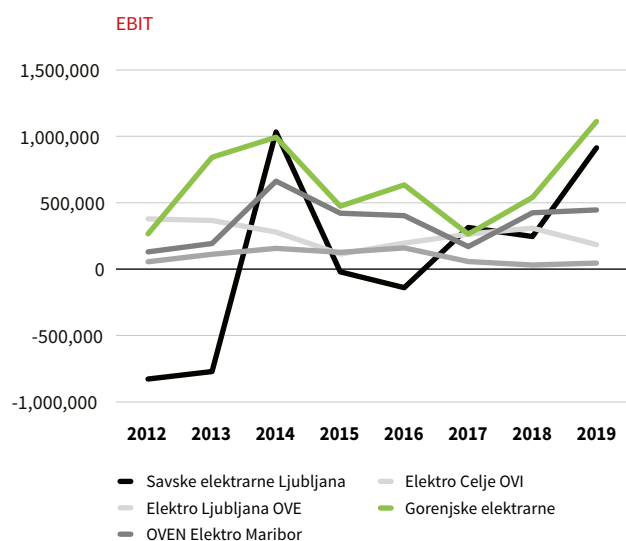
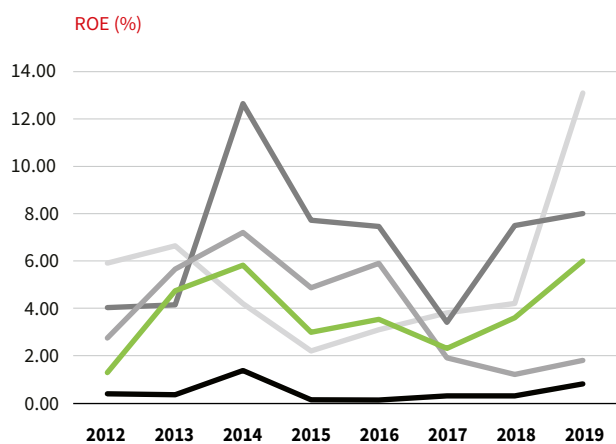
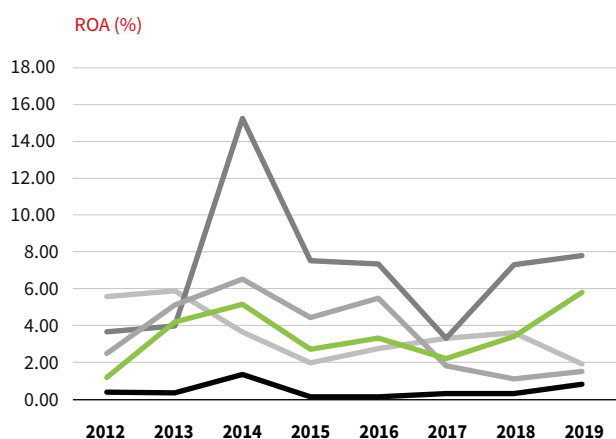
— Elektro Ljubljana — Elektro Celje
— Elektro Maribor — Elektro Gorenjska
— Elektro Primorska

5.1.5. Comparative analysis of production companies

For many years, the company Gorenjske elektrarne has been preparing a comparative analysis of the operations of similar production companies on an annual basis. Following is a comparative analysis for the period from 2012 to 2019. Based on certain criteria (volume of operations, size of companies...), the set of companies included in the analysis was determined. Following companies are included in the analysis: Savske elektrarne Ljubljana, d. o. o. (SEL), Elektro Ljubljana OVE, d. o. o. (EL OVE), OVEN Elektro Maribor, d. o. o. (OVEN), and Elektro Celje OVI, d. o. o. (EC OVI). Efficiency of Gorenjske elektrarne Company's operations can be seen from a comparison of the following economic indicators. Comparison of economic indicators in all companies examined shows a more or less present growth trend until 2019.

Graph 7: Trends in key economic indicators of production companies from 2012 to 2019





5.2. Electricity production and distribution

5.2.1. Important indicators of production and distribution

Company/indicator	Unit of measure	2019	2020
Gorenjske elektrarne			
Quantity of produced electricity	MWh	56,071	57,404
CAPEX	mill €	0.5	1.5
Elektro Gorenjska			
Quantity of distributed electricity	MWh	1,161,866	1,119,827
SAIDI (unplanned, own cause)	min/customer	17.88	19.83
SAIFI (unplanned, own cause)	interruption/customer	0.73	0.66
Share of network losses	%	4.0	3.9
CAPEX	mill €	16.4	15.6
Elektro Gorenjska Group			
CAPEX	mill €	16.9	17.1

5.2.2. Production of electricity

In year 2020 the Gorenjske elektrarne Company generated and sold a total of **57,404 MWh** of electricity, which is by 2.4 % more than in year 2019. It generated electricity in 15 hydro power stations (hereinafter: HE), of which one power station the company is renting from the founder Elektro Gorenjska Company since its establishment, as well as in 19 solar power stations (hereinafter: FE). Besides that the company produced heat and electricity in six high-efficient cogenerations (hereinafter: SPTE).

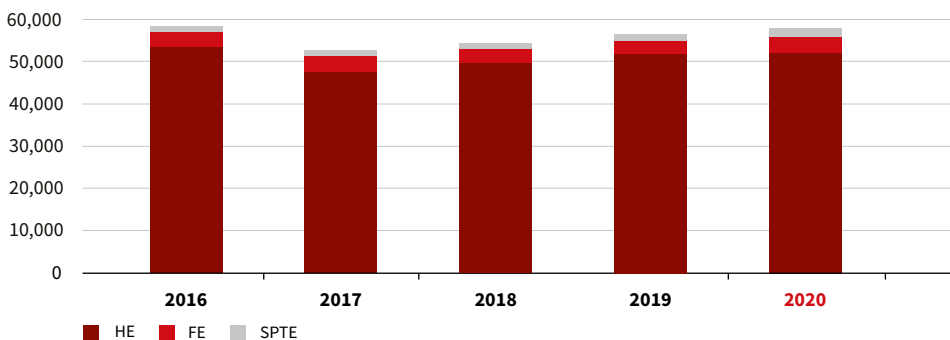
We produced 2.4 % more of electricity than in 2019.

Table 2: Devices of the Gorenjske elektrarne Company

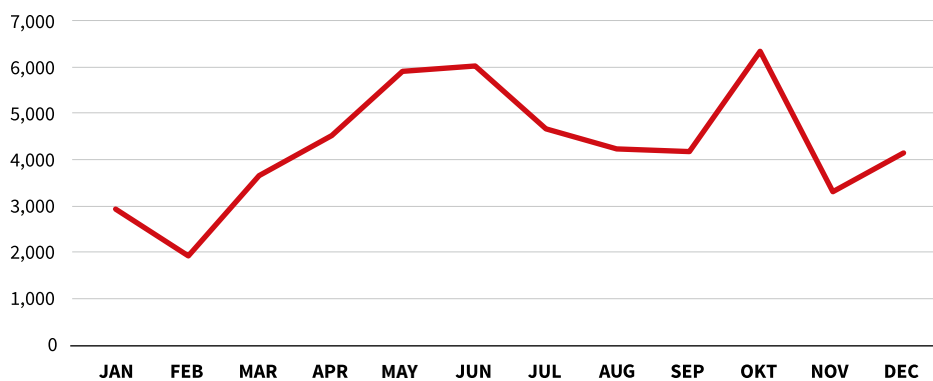
Devices	31. 12. 2019	31. 12. 2020
HE	15	15
MFE	19	19
SPTE	6	7

Company Gorenjske elektrarne has obtained all the necessary licenses to perform energy activities, and the power plants have obtained declarations for the production of electricity from renewable sources and cogeneration of heat and electricity with high efficiency. Power plants are therefore entitled to receive operating support, namely in the form of guaranteed purchase of produced electricity and in the form of financial aid for current operations for other producers (operating support).

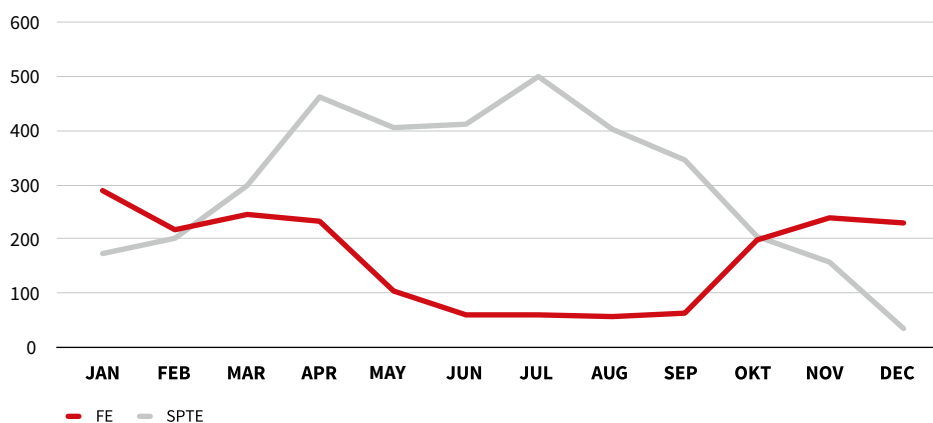
Graph 8: Electricity produced (in MWh) in period 2016–2020



Graph 9: Electricity produced (in MWh) in HE by months of year 2020

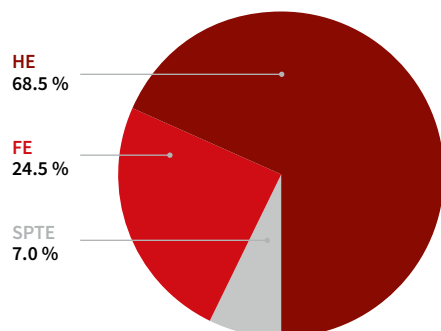


Graph 10: Electricity produced (in MWh) in FE and SPTE by months of year 2020



Most or 68.5 % of the total revenues from the sale of electricity in Gorenjske elektrarne Company is generated in HE, followed by FE with 24.5 % and SPTE with the smallest share (7.0 %).

Graph 11: Share of revenues from electricity sales by individual production sources in year 2020



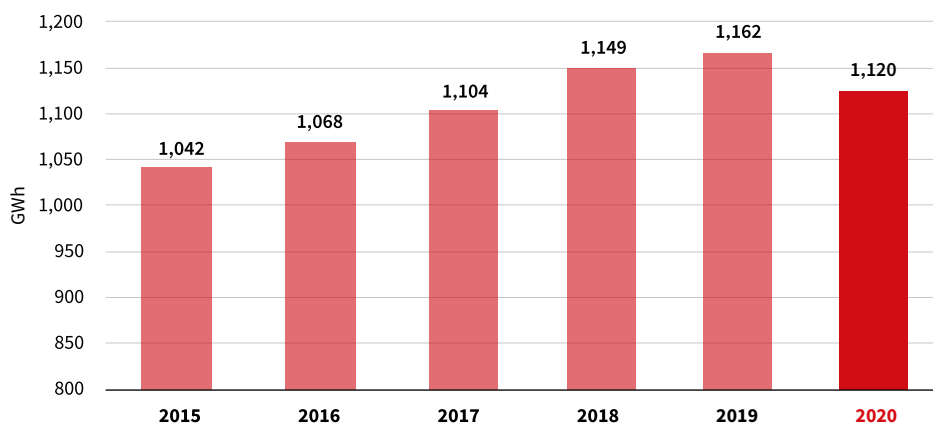
5.2.3. Electricity distribution

In 2020 Elektro Gorenjska Company distributed **1,120 GWh of electricity** through its network.

Table 3: Network extent

Network/devices	31. 12. 2019	31. 12. 2020
Powerlines 110 kV	102,363 m	102,463 m
Powerlines 35 kV	20,356 m	20,356 m
Powerlines 20 kV	555,033 m	528,327 m
Powerlines 10 kV	0 m	0 m
Total powerlines	677,752 m	651,146 m
Cable conduits 110 kV	3,349 m	3,349 m
Cable conduits 35 kV	158 m	158 m
Cable conduits 20 kV	1,073,768 m	1,107,927 m
Cable conduits 10 kV	6,416 m	6,416 m
Total cable conduits	1,083,691 m	1,117,850 m
Total LV network	3,454,780 m	3,458,104 m
Total network	5,216,223 m	5,227,100 m
RTP	12	12
RP	8	8
TP	1,381	1,379

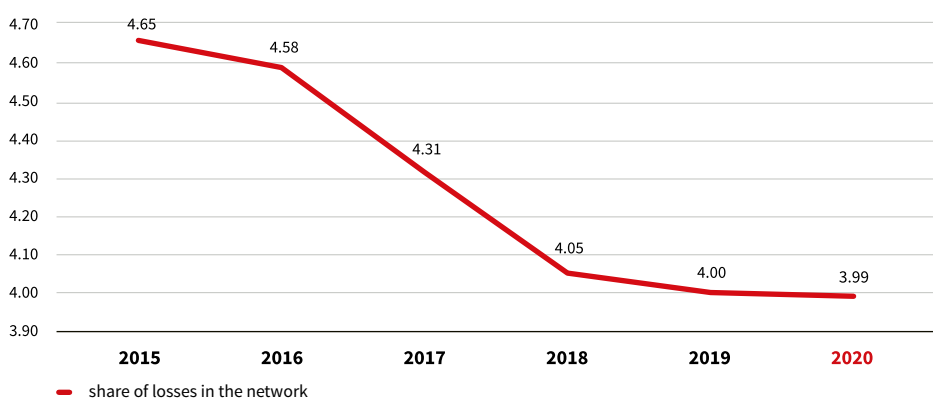
Graph 12: Distributed quantities of electricity (in GWh) in period 2015–2020



Volume of distributed electricity has been increasing every year since 2015, while in 2020 it dropped slightly due to the COVID-19 epidemic.

5.2.4. Electricity losses in the network

Graph 13: Electricity losses in the network (in %) in period 2015–2020



Losses in the network amounted to 3.99%, which is the lowest value so far.

5.2.5. Quality of supply

Quality of electricity supply to the users of the system is reflected in the Elektro Gorenjska Company at more than 90,000 grid supply points.

Quality of electricity supply is determined according to:

- › power continuity, which refers to the number and duration of interruptions detected by the user,
- › commercial quality, which refers to services between the system operator and the user, and
- › voltage quality, which refers to the technical characteristics of the voltage, measurable at the grid supply point of the user.

Power continuity

Minimum standards of power continuity are expressed by guaranteed or system standard set by the regulator. Guaranteed standards of uninterrupted power supply apply at the individual grid supply point of the user, namely for the total number and duration of unannounced long-term and short-term interruptions in one year. System continuity standards are reflected by the SAIDI and SAIFI parameters.

Table 4: Unannounced long-term interruptions according to type of network in year 2020

	Own				Foreign				Force majeure				Total			
	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI
	[interr./ cust.]	[min/ cust.]	[interr./ cust.]	[min/ interr.]	[interr./ cust.]	[min/ cust.]	[interr./ cust.]	[min/ interr.]	[interr./ cust.]	[min/ cust.]	[interr./ cust.]	[min/ interr.]	interr./ cust.]	[min/ cust.]	[interr./ cust.]	[min/ interr.]
Total urban	0.165	2.737	0.437	16.607	0.018	0.266	0.985	14.418	0.003	0.119	0.096	40.567	0.186	3.122	2.407	16.766
Total mixed	0.091	2.201	0.242	24.131					0.002	0.342	0.071	158.57	0.093	2.543	0.242	27.239
Total rural	0.405	14.889	1.074	36.72	0.006	0.107	0.317	17.971	0.030	0.584	0.989	19.328	0.442	15.579	1.707	35.279
Total	0.661	19.827	1.753	29.973	0.024	0.373	1.302	15.282	0.035	1.045	1.155	29.609	0.721	21.245	4.356	29.458

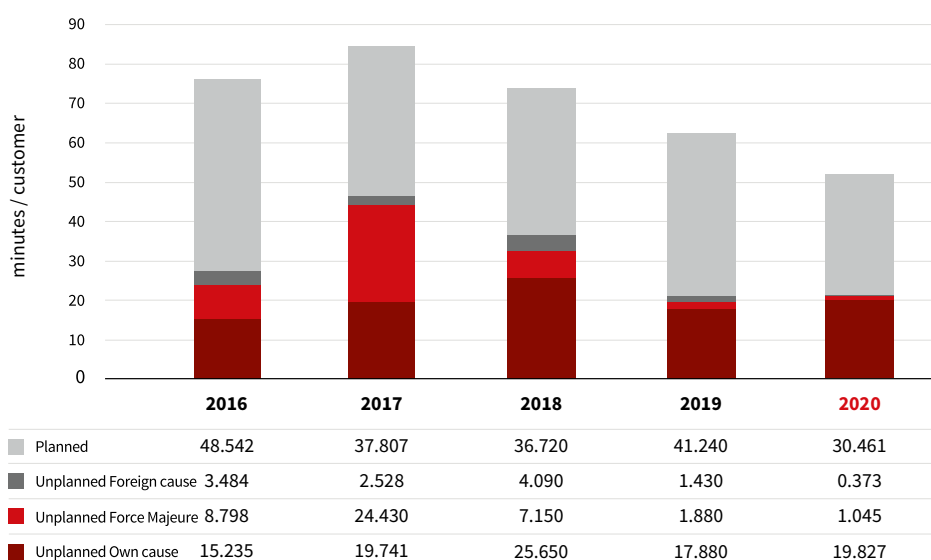
Table 5: Announced long-term interruptions in year 2020

	SAIFI	SAIDI	CAIFI	CAIDI
	[interr./cust.]	[min/cust.]	[interr./cust.]	[min/interr.]
Total urban	0.061	8.402	0.348	138.868
Total mixed	0.015	3.096	0.089	199.97
Total rural	0.117	18.962	0.675	161.739
Total	0.193	30.461	1.112	157.642

Table 6: Momentary interruptions in year 2020

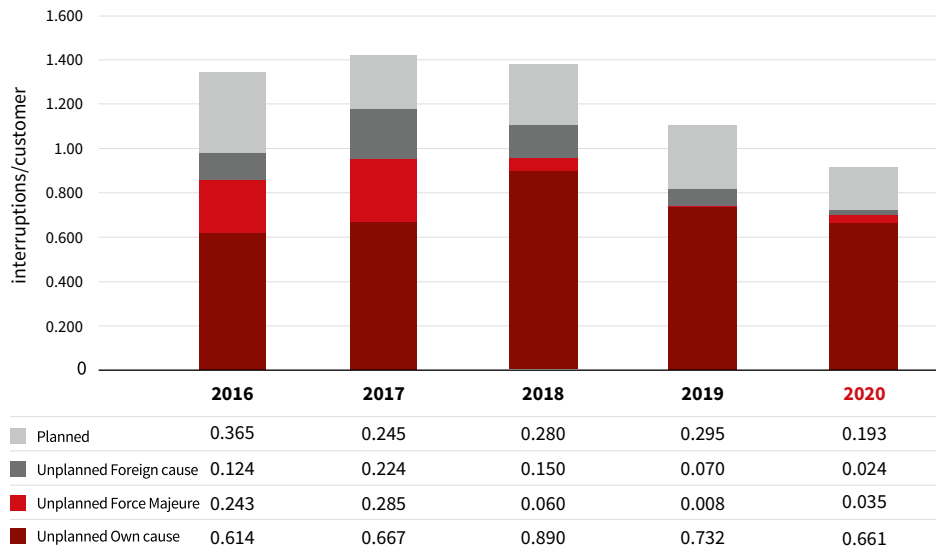
	Rural	Urban	Total 2020
MAIFI	1.9	2	3.9
MAIFle	1.3	1.3	2.3

Graph 14: SAIDI – Average time of duration of all long-term



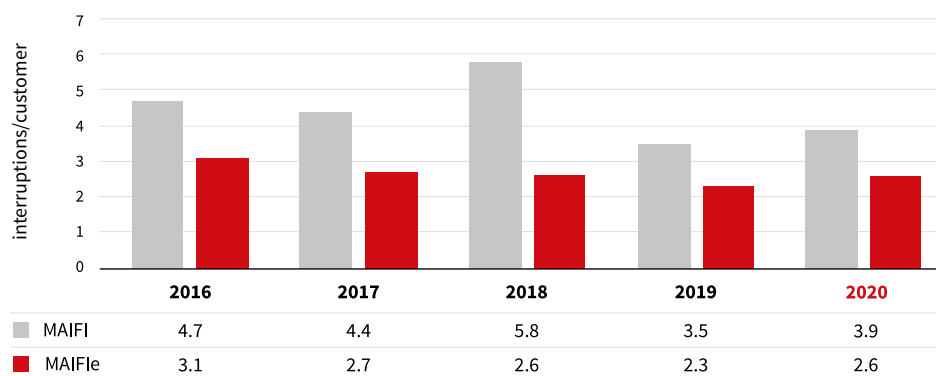
Unannounced values of SAIDI indicator somewhat increased compared to the previous year, mainly due to the epidemic of the new Coronavirus and to a lesser extent due to the weather conditions. Epidemic influenced the work organization, absences due to illness and quarantines, and thus consequently also the elimination of defective parts of electric power devices (hereinafter EEN) from operation. Values of planned interruptions have slightly improved, which means that planning of EEN maintenance was better last year, and that implemented planned interruptions were to a greater extent by oversupplying customers and use of generators.

Graph 15: SAIFI – Average number of all long-term interruptions



Unannounced values of SAIFI indicator have decreased compared to the previous year. Reasons for the decrease in the number of unannounced long-term interruptions were more lenient weather influences and faster and better elimination of defective parts of electric power devices from operation.

Graph 16: MAIFI and MAIFle – average number of all momentary interruptions and user power events



Unannounced values of indicators MAIFI and MAIFle have increased compared to the previous year. Reasons for the increase in the number of unannounced short-term interruptions were weather influences, mainly the newly fallen snow at the end of year 2020.

Voltage quality

Situation in the field of power quality has not changed substantially compared to year 2019. Cause for inconsistent voltage conditions is mainly the flicker, which is transmitted from high voltage transmission 110 kV network (hereinafter: HV) and spreads to lower voltage levels. In year 2020 other parameters were for the most of the measurement time in accordance with the requirements of SIST EN 50160 standard. During the year we received twenty-one official complaints on the condition of voltage quality on the low-voltage level (hereinafter: LV), of which six proved to be justified. We try to eliminate inconsistencies as quickly as possible and within statutory deadlines.

Table 7: Consistency of power quality parameters with the SIST EN 50160 standard on high voltage level for year 2020

Facilities	Number of weeks under control	Deviation Uef	Harmonica	Flicker	Imbalance	Signal voltages	Frequency	Voltage drops	Voltage increases	Consistency KEE	
		Number of inconsistent weeks									No. of consistent weeks
RTP Jesenice 110 kV	51	0	0	45	0	0	0	52	15	6	45
RTP Radovljica 110 kV	51	0	0	45	0	0	0	57	28	6	45
RTP Trzič 110 kV	51	0	0	45	0	0	0	57	28	6	45
RTP Primskovo 110 kV	51	0	0	45	0	0	0	76	19	6	45
RTP Zlato polje 110 kV	51	0	0	46	0	0	0	65	20	5	46
RTP Labore 110 kV DV Okroglo	51	0	0	45	0	0	0	64	27	6	45
RTP Škofja Loka 110 kV DV Okroglo	51	0	0	29	0	0	0	58	21	22	29
RTP Škofja Loka 110 kV DV Kleče	51	0	0	31	0	0	0	60	20	20	31
RTP Bohinj 110 kV	51	0	0	39	0	0	0	63	25	26	23

We can conclude that the voltage quality status in the area of Elektro Gorenjska is good and that with the construction and maintenance of communication and measuring infrastructure on the LV level we would even further improve the process of establishing and eliminating the inadequate voltage conditions.

Commercial quality

In most commercial quality parameters for year 2020 we established that average achieved values of indicators were essentially better than the limits of minimum quality standards. In some indicators, there were deviations of individual cases above limit values. Share of more than 10 % of services provided above the limit value was exceeded in parameters No. 1.1 and 4.1.

In parameter 1.1. "Average time to issue consent for connection" the reason for lower share of services above the limit value (33 %) was the fact that data according to the General Administrative Procedure Act (ZUP) refer to summary and declaratory proceedings together. ZUP otherwise defines that in summary proceedings permissible time of issue of the order is 30 days, while in declaratory proceedings, where oral hearing is implemented as well, it is 60 days.

In parameter No. 4.1. Average time to rectify the meter failure the share of services provided above the limit value (24 %) in most cases refers to complaints of billing data related to the replacements, elimination of defect or determining the correct operation of the meter. In these cases, before answering the complaint, the meter in concern must be replaced, failure eliminated or check the suitability of the meter operation by the measuring service, which may take longer than eight working days.

Table 8: Commercial quality parameters for year 2020

Commercial quality parameter	Minimum quality standards (MQS)			Achieved values			Share of services rendered			
	System or guaranteed standard	Required level of compliance [%]	Limit value	Unit	Number of all required or executed services	Number of eligible exemptions (force majeure, foreign cause)	Parameter value	Standard deviation	Up to and including the limit value [%]	Above the limit value [%]
1.1	S	95	20	Working days	1956	0	20.55	27.93	67.00	33.00
1.2	Z	100	8	Working days	383	0	4.27	3.20	100.00	0
1.3	S	95	20	Working days	1729	0	2.73	8.76	97.00	3.00
1.4	Z	100	8	Working days	1794	0	0.63	4.17	99.00	1.00
2.1	Z	100	8	Working days	203	0	4.32	4.95	92.00	8.00
2.2	-	0	0	-	48343	0	16.00	14.00	-	-
2.3	-	0	0	-	48343	0	92.31	-	-	-
3.1	Z	100	4	Hours	2661	0	0.91	1.49	99.00	1.00
3.1	Z	100	6	Hours	30	0	0.77	0.52	100.00	0
3.2	S	95	30	Working days	21	0	13.70	5.20	100.00	0
3.3	S	50	6	Months	2	0	6.10	4.70	100.00	0
4.1	Z	100	8	Working days	560	0	7.22	13.08	76.00	24.00
4.2	Z	100	3	Working days	305	0	2.40	12.05	91.00	9.00

5.3. Marketing

With the new strategy, the company Elektro Gorenjska has determined the basic activities that belong to the field of the market segment and are acceptable from the point of view of the new European and Slovenian regulations. With this, the company wants to become an important player in the energy services market. It sees its role mainly in the field of innovative electricity solutions, research and development projects and the implementation of investments and maintenance, especially in the Gorenjska region, where it has been an important key player for a long time.

In 2020, we combined past experience and thus acquired knowledge, trends and current market demand, and focused on activities that we are able to offer to the Slovenian market as well as foreign markets, given the existing resources (financial, human resources).

Following are the activities that were the focus of our marketing activities.

Execution of maintenance and works of power facilities and devices by using modern technologies

We have been successful in the field of construction of all tapes of TP 10-20/0.4 kV, LV- in MV- underground and overhead power lines, LV connections for all types of consumption, on relocations, conversions and reconstructions of power facilities, devices and lines. We continued with the maintenance of electric power facilities and devices by contractually performing regular inspections, measurements and audits of transformer stations, connection and measuring points, devices and lines at the LV and MV level by monitoring the operating conditions and keeping records. We offered our users a comprehensive execution of live work at the LV and MV level.

Telecommunication services

We refreshed and upgraded our long-term cooperation with existing and acquired new business partners in the field of »innovative« telecommunication solutions. Emphasis of the cooperation was on the connectivity, reliability and efficiency of the exchange of different types of data and on ensuring quality communication.

Comprehensive design solutions

We prepared complete project documentation for users for all types of power facilities, underground and overhead lines of all voltage levels, transformer stations (TP, RP, RTP) and low-voltage connection cable conduits with connection and measuring points.

We advised in the preparation of main files and urban studies of energy facilities, in planning of cogeneration units, hydroelectric and solar power plants, in planning of projects for road lighting, as well as in the preparation of projects for electricity infrastructure of industrial, craft, commercial and residential zones, and cooperated in preparation of electrical installations in various facilities. Trend of cooperation with business partners was positive.

Implementation of various types of measurements

We have established a measuring laboratory for the control and verification of electricity meters. We offered the market voltage quality measurements according to SIST EN50160 standard of load diagrams and measurement of electric power cables using the very low frequency method. We provide users with the possibility of performing diagnostics on LV and MV cable lines. We performed locating of faults on MV cable lines, calibration and settings of protection on switch points, other protection of hydroelectric and solar power plants and dispersed production, as well as inspections of the suitability of electric power elements with the help of thermal imaging.

Power checks, energy advisory service and forming solutions for more efficient use of electricity for business users

We performed various types of analyses in the field of energy sources for our clients, designed programs in the field of measures to control consumption and more efficient use of electricity, prepared appropriate investment documentation and designed comprehensive solutions for end users.

Energy renovations

In accordance with the strategy, Gorenjske elektrarne participates in energy renovation projects, namely in the field of replacing lighting with more energy-efficient lighting and in projects of energy renovations of buildings, as well as in the field of energy contracting.

In 2012, the first project of energy rehabilitation was executed, when we fully financed the replacement of obsolete lighting with newer, more energy-efficient lighting in the shopping centre of our client. Investments in such projects are reimbursed in the form of a share of the reduction in energy costs shared by the contractual partners, and after the end of the contractual relationship, the entire savings remain with the client. Economic effects of such project are in the reduction of energy consumption, which is reflected throughout the life of the renovated facility.

We have been dealing with the energy rehabilitation projects since 2018, when we were selected as part of a consortium to implement a project of contractual provision of energy savings with the aim of energy renovation of public facilities owned by the Municipality of Kranj. Renovation was completed in 2019. In 2020, with the same consortium, we carried out a comprehensive energy rehabilitation of buildings under the auspices of the University of Maribor in Zlato Polje. Key environmental goals of comprehensive rehabilitations are to reduce energy consumption. Savings are presented in the table, at the beginning of the chapter.

Charging stations for electric vehicles

Since 2015, Gorenjske elektrarne has been investing in the construction of e-charging stations. At the end of 2020, there were already 10 e-charging stations in their own portfolio, and the company manages and maintains an additional 19 e-charging stations owned by Gorenjska municipalities. All e-charging stations were connected to the rear office of Elektro Ljubljana, to the project »Gremo na elektriko«, and for the purposes of research activities we were also included in the project e-MOTICON Europe, which is also supported by BSC Kranj.

Other market services (CIM)

In addition to the mentioned services, we successfully performed on the Serbian market, where we obtained an order for an IT service (CIM), which we have also implemented for our own needs in recent years. We already offer users various services and rental of equipment that is not fully occupied for our own needs. We will continue to offer the market solutions according to the POC (proof of concept) system, which we have tested /implemented ourselves and have proven to be effective.

Company Elektro Gorenjska continues with intensive market activities in the field of recognition of the company as an innovative provider of comprehensive energy solutions.

5.4. Development, investments and maintenance

5.4.1. Development of the electricity distribution network

Development of the electricity distribution network in the company Elektro Gorenjska includes all voltage levels. By preparing modern development plans and introducing new and modern technologies, we direct investments in new devices and ensure appropriate renovations of existing devices. Every two years, we submit development plans to SODO, which, as a provider of electricity DSO service of general economic interest, combines them at the level of the entire country. Development plan for the period 2021-2030, which we prepared in 2020, was approved by the Ministry of Infrastructure of the Republic of Slovenia in December 2020. Distribution electricity network planning is becoming increasingly complex. Advent of new technologies, such as diffuse sources, heat pumps, storage tanks and electric cars, is most reflected in the low-voltage level due to increased loads. Planning thus requires new approaches, and we also gain experience by participating in European projects.

In 2020, we established the Green Transformation Consortium, and we started participating in the European project OneNet, which brings knowledge and experience of using new technologies – smart grids.

With proper planning, we will continue to ensure the robustness of the distribution network, which will continue to provide a reliable and high quality electricity supply to all users, regardless of new trends. We will upgrade its robustness with appropriate and economically justified smart grid solutions.

Most important projects in the field of power system development until 2025 are as follows:

- › 110 kV power line Kamnik-Visoko,
- › powering the area of IC Brnik,
- › powering the area of IC Trata,
- › backup power supply of Planica,
- › backup power supply of RTP Jesenice,
- › renovation of outlet towards Kropa,
- › construction of new TPs and NNOs for the needs of connection and operation of dispersed sources and other new technologies,
- › continuation of the international project OneNet.

5.4.2. Investments

In year 2020 Elektro Gorenjska Group invested 17.1 million €, while Elektro Gorenjska Company invested 15.6 million €. Major investments are presented below.

Within investments in high-voltage network which amounted to somewhat more than **2.7 million €**, the major ones are:

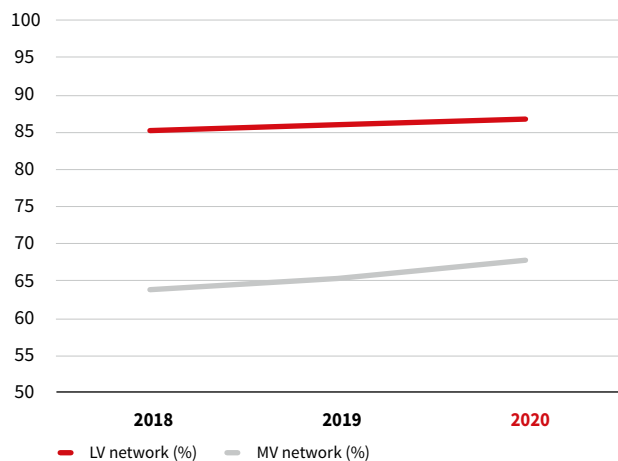
- › 2x110 kV transmission line (hereinafter: DV) Kamnik–Visoko: In 2019 we started the procedures for obtaining a building permit (obtaining consents, preparation of studies, easements) and in 2020 we submitted an application for obtaining a building permit to the Ministry.
- › RTP 110 /20 kV Labore: Due to the technological obsolescence and the reduction of the reliability of the secondary RTP equipment, it is necessary to replace the entire obsolete control system and, in part, the protection and on-site power devices. Tender in the amount of 1.4 million € was carried out, and the contract will be implemented for two years. In 2020, we invested 812,067 € in the project.
- › RTP 110/20 kV Škofja Loka: In 2018, we started the process of obtaining a building permit for a new 110 kV switchyard. Reconstruction of the 110 kV switchyard in the GIS version, the expansion of the MV switchyard and the construction of a new KN Škofja Loka were planned. A building permit has been obtained. Tender was prepared for the construction of the facility and the supply and installation of primary and secondary HV and MV equipment. As all the offers were unsuitable, we had to repeat the tender, which delayed the project until next year. We reallocated funds to other energy items. Repeated implementation of the tender is in the final phase. Construction is thus foreseen and planned for 2021 and 2022.
- › RTP 110/20 kV Kranjska Gora: In 2019, the extension of the existing 20 kV switchyard to the third sector was planned, and the project was finally realized in 2020 with the installation of the existing still usable 20 kV cells from the old RP Brnik Airport. Cabinet for on-site power use and rechargeable batteries were also replaced.
- › RP Naklo 20 kV: In 2018, a new cabinet for on-site power use was installed and connected. In 2019, we began the construction renovation of the entire building, including mechanical and electrical installations. A new 2020-cable connection to RTP Zlato polje was made. In 2020, the supply and installation of new 20 kV cells was carried out, which is proceeding according to the schedule, and in 2021 the second part of the construction phase and external arrangement will follow.

Value of investments in MV and LV network in year 2020 amounted to **9.6 million €**.

- › In 2020, we carried out expansions and renovations of the MV network, especially the rehabilitation of critical areas of the network or to ensure better network robustness. In 2020, we also allocated a large share of financial resources for the construction of a new cable network and the associated cable duct, which we built together with other municipal lines as part of joint constructions in individual municipalities. We made two major cable connection to replace the old worn-out connecting power lines. First is a 2x20 kV cable connection RTP Zlato polje–RP Naklo and the second is 2x 20kV kbv RP Visoko–RP Velesovo. Intensive cabling also took place in the municipalities of Bled, Medvode, Radovljica, Bohinja, Škofja Loka, Tržič and Kranj. With this, we eliminated some of the most critical points on the 20 kV network, where there were frequent outages due to wind and also ice. In 2020, we laid 43 km of MV cable lines and rebuilt 16 transformer stations (hereinafter: TP).
- › In addition to additionally approved and reallocated funds from other planned items, we also increased sales at low-voltage facilities, especially in the field of LV network cabling for reinforcements and elimination of poor voltage conditions, as well as expansion for new connections. In the field of LV network, we also participated in joint constructions with municipalities, mainly in the construction of cable ducts for the needs of renovation and strengthening of networks. In 2020, we laid 48 km of LV cable lines.
- › In 2020, the trend of growth in the number, new connections and increase in the connecting power of users (customers and production facilities) continued, which led to a greater expansion and strengthening of parts of the LV network. Funds were also used for the processing of measuring points in accordance with the typification within the AMI project, thus simultaneously arranging measuring points for individual facilities in accordance with the accepted typification.

Result of constant and targeted investments is also reflected, among other things, in increasing the share of the network in the cable design. At the end of 2020, 67.7 % of the entire MV network and 86.7 % of the entire LV network were in the cable version. Compared to the end of 2019, the share of HV and MV network in cable implementation increased by 1.4 percentage points, and the share of LV network by 0.7 percentage points.

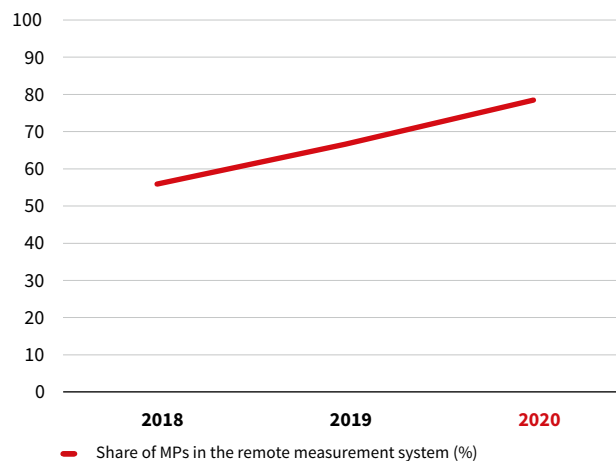
Graph 17: Share of the network in the cable design from year 2018 to year 2020



Among other investments of Elektro Gorenjska Group the following were significant:

- › measuring devices (AMI project – 8,802 meters in year 2020),
- › business and technical equipment,
- › implementation of EVT (single entry point for beneficiaries in the electricity market) and BI (business analytics),
- › comprehensive energy renovation of buildings at the Zlato polje location in Kranj (energy efficiency project),
- › complete renovation of HE Rudno,
- › renovation and reconstruction of business facilities (roof on the administrative building).

Graph 18: Share of measuring points in the remote measurement system in years 2018 to 2020



Each year Elektro Gorenjska Company increases the share of measuring points (MM) in the remote measurement system. Growth of the share at the end of year 2020 was 78.5 %, while growth of the share compared to year 2019 amounted to 11.9 percentage points.

5.4.3. Maintenance of electricity infrastructure

Elektro Gorenjska implements all tasks of the distribution network system operator in its geographical area. Among these tasks maintenance of electricity infrastructure is of special significance from the viewpoint of ensuring quality and reliable supply to network users.

With good organization and optimization of business processes in the field of operation and maintenance, we made sure that we performed these tasks successfully and within the planned resources. Key to all of this is, of course, dedicated and competent employees who are closely connected with everyday events in the field. Knowledge of the local environment, local conditions and the organization and decision-making on all aspects of maintenance is essential to ensure a continuous and quality electricity supply.

Influence of modern technological devices and solutions is also important, as they technically ensure the fulfilment of strict criteria for the quality of electricity supply, operational safety and indirectly affect the reduction of maintenance costs. These undoubtedly include modern HV and MV equipment, data acquisition and remote control systems of the distribution network in the remote control centre, MV network automation with remotely controlled switches, voltage quality registration systems in TPs, telecommunication systems, modern software and similarly.

In year 2020 mainly preventive maintenance on the infrastructure was performed with the aim of reducing the probability of failure of any element in the power system, which was achieved with appropriate maintenance planning and interventions executed according to the criteria, which are determined in advance.

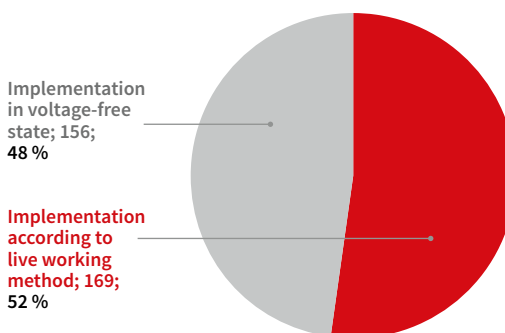
Preventive maintenance included checking the condition of power lines and devices, execution of clearings in power lines and low-voltage overhead lines corridors, revision of transformer stations, switches, transformers, protection devices, carrying out control measurements and operating tests of protective devices.

In addition, in recent years we have been paying more and more attention to the diagnostics of MV cable lines, on the basis of which we determine the condition of lines and devices, which is the basis for planning the activities of the so called forecast maintenance and any necessary investment projects.

As part of the preventive maintenance, we have been using live working methods (DPN) for ten years with our own and professionally trained staff, and as part of regular audits of

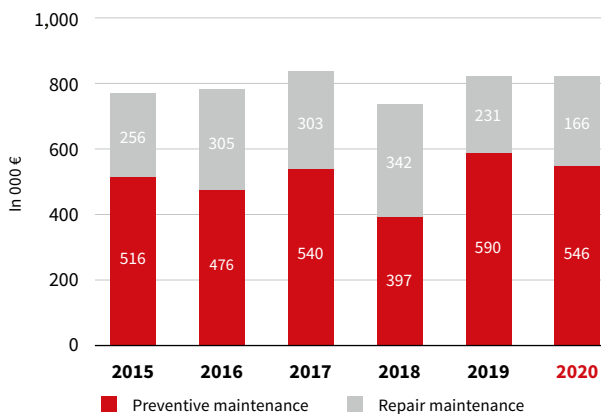
transformer stations we perform cleaning of EE devices and equipment at the LV and MV level. We will continue with this approach in the future and thus further reduce the impact of maintenance work on network users.

Graph 19: Proportion of performed audits of transformer stations according to the DPN/classic method in 2020

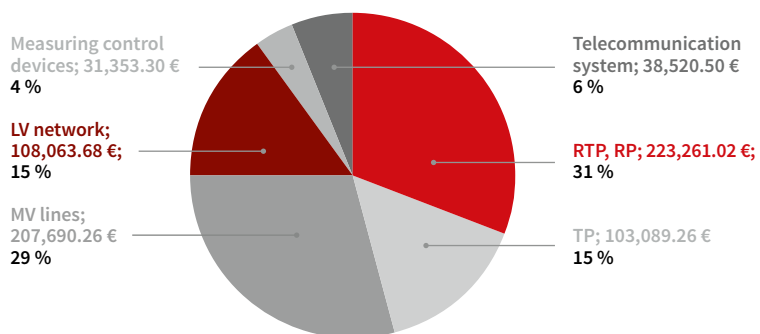


Effects of the activities we perform on preventive maintenance are long-term and are mainly reflected in a smaller number of defects and consequently lower repair maintenance costs. Corrective maintenance as the elimination of the consequences of failures represents a type of maintenance that differs from the planned one mainly in that it is unpredictable in time and usually unexpected. Causes of the failures are varied, from weather events, equipment failures, to damage caused by a third party. Problems were also caused by local storms, heavier showers in the summer months and heavy snowfall in the month of December.

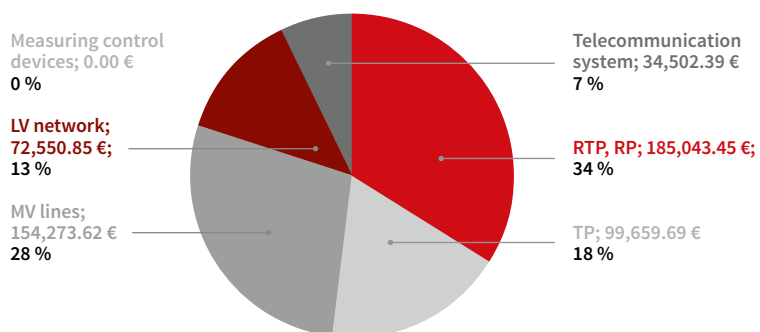
Graph 20: Movement of electricity infrastructure maintenance costs from year 2015 to year 2020 (in €)



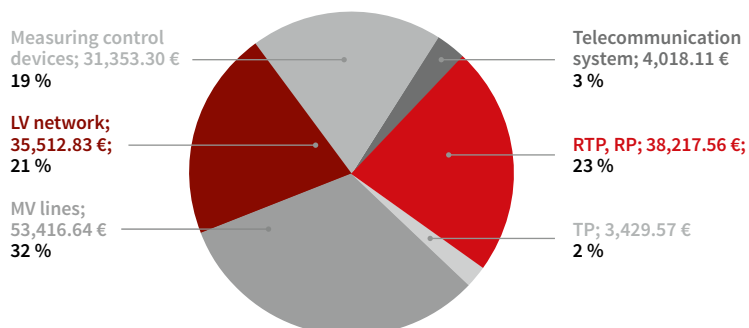
Graph 21: Share of total costs in 2020 by type of asset



Graph 22: Proportion of preventive maintenance costs by type of asset



Graph 23: Proportion of repair maintenance costs by type of asset



5.5. Financial management

5.5.1. Financial performance criteria

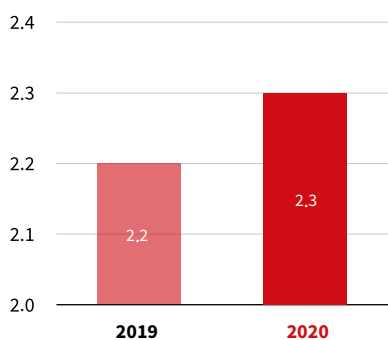
Company Elektro Gorenjska ended 2020 with a net profit of 6 million €, and Elektro Gorenjska Group with 5.3 million €. Company's result was by 1.1 million € lower than in 2019, while the Group's result was lower by 1.9 million €. Poorer results of the company and the Group are mainly due to lower revenues under the contract with SODO. Pursuant to the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP) the legislator instructed the Energy Agency to reduce the return on assets for 2020. Due to amendments to the Act based on ZIUZEOP the recognized regulated return on assets for 2020 decreased from 5.26 % to 4.13 %, which means a decrease in revenues by 2.2. million €. Group's poorer result was also due to the impairment of its financial investment in ECE Company.

5.5.1.1. Important business indicators

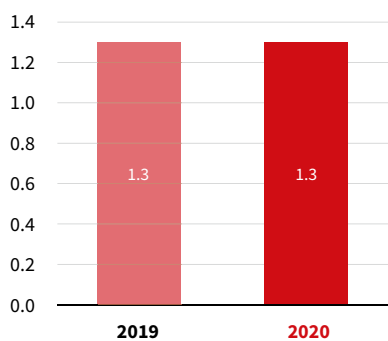


	2019	2020	2019	2020
Business indicators				
Net financial debt/ EBITDA	2.7	2.8	2.2	2.3
Current ratio (in %)	0.8	1.0	1.3	1.3
Profitability rate of revenue (in %)	20.4	17.0	19.3	14.5
Value added (in 000 €)	30,920	30,191	34,817	34,516
Share of labour costs in value added (in %)	39.4	42.2	38.9	41.1
EBITDA (in 000 €)	18,745	17,440	21,290	20,341.7
ROA (in %)	3.0	2.5	3.0	2.2
ROE (in %)	4.5	3.7	4.4	3.2
Operating revenues per employee (in €)	138,768	135,341	140,040	139,338
Value added per employee (in €)	109,646	106,307	111,176	110,126
Profit and loss statement				
Operating revenues (in 000 €)	39,133	38,437	43,856	43,671
Operating expenses (in 000 €)	31,356	32,275	34,995	36,743
EBIT (in 000 €)	7,777	6,162	8,861	7,433
Cash flow statement (in 000 €)	430	595	-345	-1,190
Net profit for the financial year (in 000 €)	7,094	6,032	7,260	5,349
Statement of financial position				
Assets (in 000 €)	235,643	239,403	243,141	245,367
- long-term assets (in 000 €)	224,631	226,132	225,586	226,105
- short-term assets (in 000 €)	9,576	12,607	17,555	19,262
Capital (in 000 €)	159,773	163,211	165,914	168,643
Debts (in 000 €)	75,870	76,192	77,226	76,724

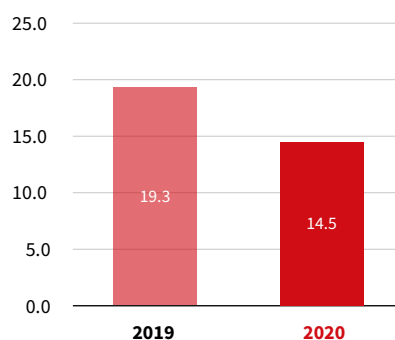
Safe level of indebtedness of the Group is monitored by the indicator, which expresses the ratio of **NET FINANCIAL DEBT / EBITDA**. As at December 31 2020 this amounted to 2.3, which is by 0.1 percentage point more than at the end of 2019. Degree of unacceptable indebtedness represents the value of the indicator that would exceed the value of 3.5. This commitment is used by some of the banks in the existing credit agreements.



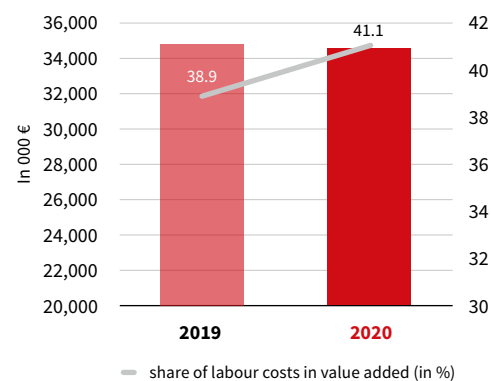
Current ratio shows the solvency. At the end of 2020 it amounted to 1.3, which is the same as on the last day of 2019. Recommended value of the current ratio is equal to 1.



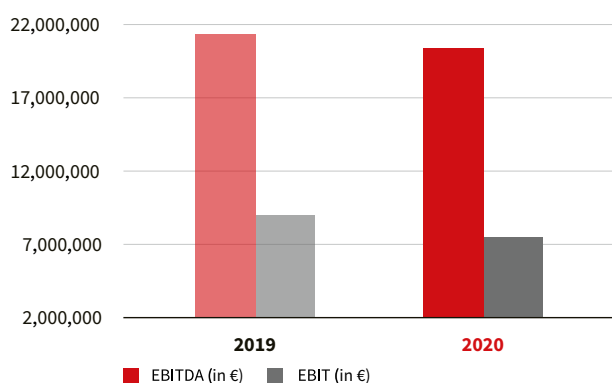
Profit ratio for year 2020 tells us that the Group generated profits of 14.5 € per 100 € of achieved revenue. In 2019 the company made by 4.8 € per 100 € more profit than in 2020. Reason for lower value is lower sales revenues due to lower return on assets and impairment of investment in an associate company.



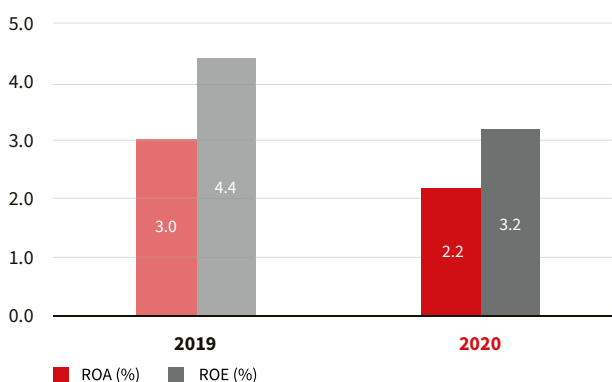
Value added in 2020 amounted to 34,516 thousand € and was by 0.9 % lower than in 2019, which is mainly the result of lower revenues from the sale of electricity, due to reduced return on assets. Share of labour costs in value added amounted to 41.1 % and was compared to 2019 higher by 2.2 percentage point.



EBITDA as a proxy cash flow and **EBIT** as a result of the operations and profit before taxes were all lower in 2020 than in 2019, which is mainly the result of lower net sales revenues or lower revenues from rent and services under the contract with SODO, due to a decrease in return on assets.



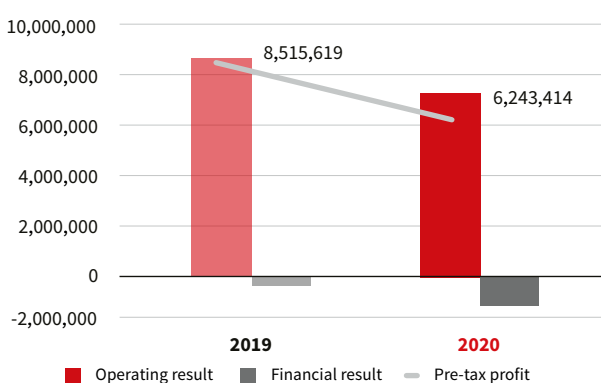
Values of indicators **ROA** and **ROE** are lower in 2020 compared with 2019. As of 31. 12. 2020 the value of indicator ROA amounted to 2.2 %, and indicator ROE to 3.2 %. Values of the indicators is relatively low, but in regards of the industry, and regulation, in which the Group operates, they are above average. It is a fact that the values of the indicator ROA adversely affect constant investments. At the same time it must be emphasized that only with constant investments we are able to pursue one of the tasks of the Group's mission namely to provide quality and reliable electricity distribution.



5.5.2. Revenue and expenditure structure

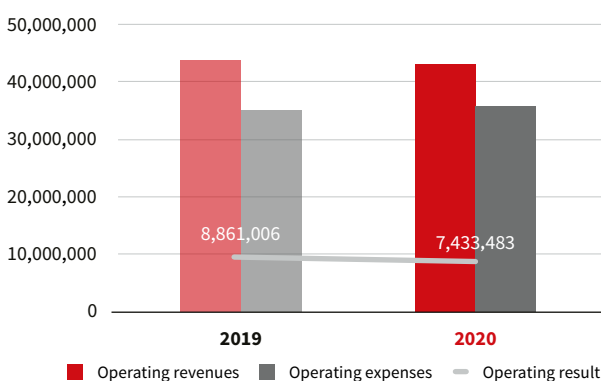
In year 2020 Elektro Gorenjska Group achieved a pre-tax profit in the amount **6.243.414 €**.

Graph 24: Composition of profit or loss (in €)



As can be seen from the picture above, profit before tax is mainly affected by the operating profit, above all the distribution activities which Elektro Gorenjska Company implements under the Contract with SODO and electricity production.

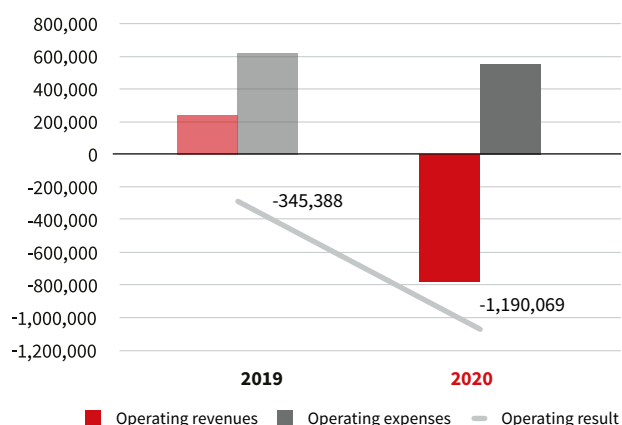
Graph 25: Operating profit or loss (in €) in years 2019 and 2020



Operating result for year 2020 amounted to 7,433,483 €.

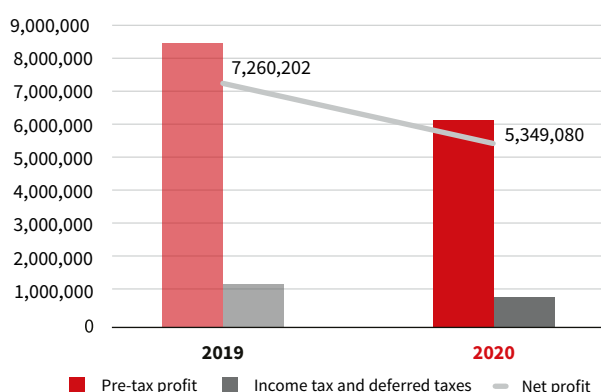
Compared to year 2019 it was by 1,428 thousand € lower, due to both lower operating revenues and higher operating expenses. Lower operating revenues are mainly due to reduction in the return on assets, while higher operating expenses due to higher labour costs and higher write-off of values.

Graph 26: Financial result in years 2019 and 2020 (in €)



Financial result in year 2020 was negative and it amounted to 1,190,069 €. Negative result in 2020 was mainly influenced by interest for loans received from banks for financing investment and impairment of an investment in the associate. Negative result in 2019 was mainly influenced by interest for loans received from banks. Industry in which the Group operates is technologically very intensive.

Graph 27: Net profit in years 2019 and 2020 (in €)

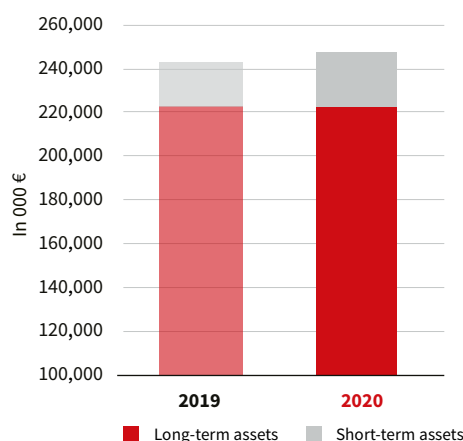


In 2020, the Group realized a net profit of 5.3 million €, which is by 1.9 million € less than in year 2019, when the company operated with a net profit of 7.3 million €. Net profit is lower than in 2019, mainly due to lower revenues under the Contract with SODO, due to lower return on assets, impairment of investment in an associate and higher labour costs and write-offs.

5.5.3. Structure of assets and liabilities

On the last day of year 2020 the **value of assets** of Elektro Gorenjska Group amounted to **245,367,283 €** (31. 12. 2019: 243,140,554 €) and have increased by 0.9 % from the beginning of the year. Long-term assets increased by 0.2 % in year 2020, while short-term assets by 9.7 %. Ratio between the equity and debt capital at the end of 2020 amounted to 2:1, which is the same as at 31. 12. 2019.

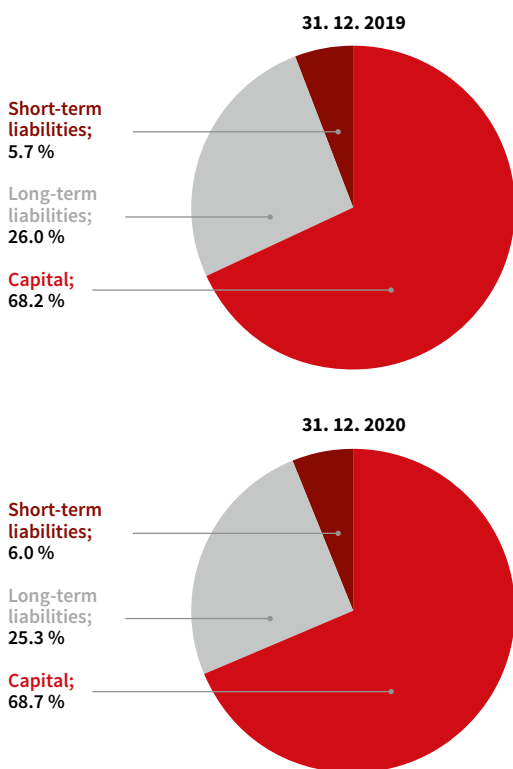
Graph 28: Structure of assets as of 31. 12. 2020 and 31. 12. 2019



Long-term assets represent 92.1 % of all Group's assets. Among them tangible fixed assets representing 96.8 % of all long-term assets are the most important. Value of tangible fixed assets increased by 4.4 million € as investments in 2020 exceeded the value of depreciation.

Short-term assets represent 7.9 % of all Group's assets. Compared to the end of 2019 they have increased by 1,708 thousand €, namely due to the transfer of part of the long-term financial investment in an associate to assets held for sale.

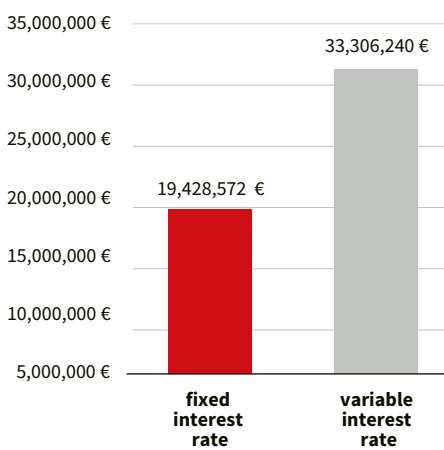
Graph 29: Structure of funds as of 31. 12. 2020 and 31. 12. 2019



Within liabilities, capital presents 68.7 %. In 2020, the value of capital increased by 1.6 % or 2.7 million €. Change in the value of capital is mainly influenced by the net profit generated in the period under review.

Long-term liabilities, the vast majority of which are long-term financial liabilities to banks, as at 31. 12. 2020 accounted for 25.3 % of all funds. In 2020, they decreased by 2 % or 1.2 million €, because more principal of existing loans was repaid than the amount of a new loan. As at 31. 12. 2020, the Group has 37 % of long-term loans with a fixed interest rate.

Short-term liabilities accounted for 6.0 % of all funds at the end of 2020. Compared to their balance on the last day of 2019, they increased by 5.4 % or 0.7 million € mainly due to the increase in short-term liabilities to suppliers.



5.6. Care for employees

Responsibility and diligence, determination and professionalism, entrepreneurial innovation, knowledge and cooperation, quality and trust, as well as kindness and openness are the values of the Elektro Gorenjska Group in the principles of daily operation and employment of new employees.

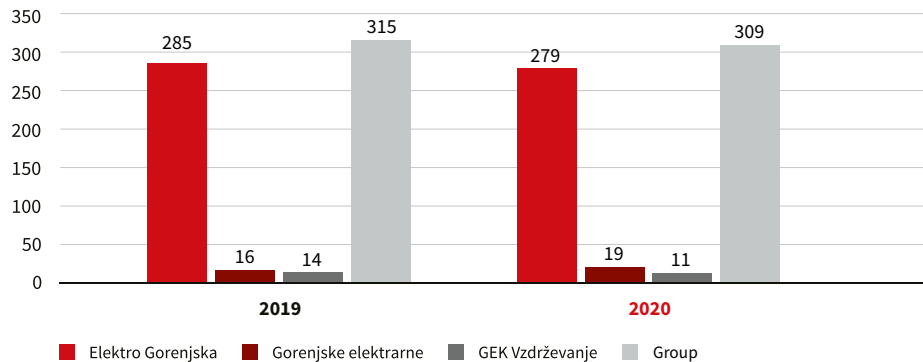
Carefully planned recruitment policy, striving for continuous development and education of employees, effective reward system, and monitoring the commitment and employee satisfaction, are the main guidelines of the personnel management in the group Elektro Gorenjska. Our employees are our strategic advantage, so colleagues are stimulated to follow the Group's strategy and to be innovative in searching for new opportunities and discovering new ways. This way we are able to identify opportunities more quickly and adapt to change. We respect equality, open information and mutual cooperation. We place great emphasis on interpersonal communication. Collaboration among employees actively creates the best conditions for work, including conditions to facilitate the achievement of personal and business goals. We want every employee to do what they are best at.

5.6.1. Key indicators

Data on employees in Elektro Gorenjska Group	2019	2020
Number of employees 31. 12.	315	309
Average number of employees	313	313
Average age	45.4	45.6
Average period of employment	23.4	23.6
Share of employees, who were trained/educated	76.4 %	77.6 %
Percentage of committed employees	31 %	27 %
Number of disabled employees	8	8
Average level of education	6.22	6.28
Share of days lost due to sick leave (per employee)	5.27	3.87

On December 31 2020 Elektro Gorenjska Group had 309 employees. Compared to the situation as at December 31 2019, number of employees decreased by six workers. On December 31 2020 the Group had 4.21 % of employees employed with fixed-term employment, which is by one percent and a half less than at the end of year 2019.

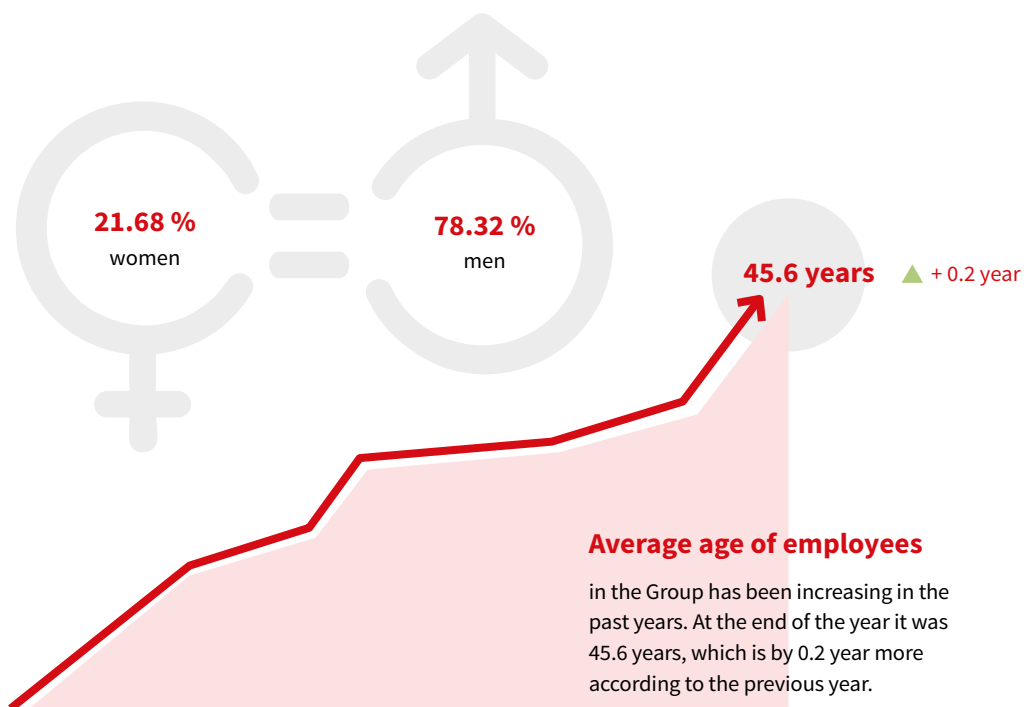
Graph 30: Changes in the number of employees in the period from 2019 to 2020



5.6.2. Demographic structure of employees

At the end of year there were 78.32 % of men and 21.68 % of women employed in the Group. Percentage is entirely comparable with the previous years and closely connected with the primary activity of all three companies.

Analysis of groups of employees according to age shows that in year 2020 there were the most employees in the age group between 46 and 55 years, namely 33 % of all employees.



5.6.3. Human resources planning

Human resources planning is a constituent part of strategic and annual plan. We seek to gain ambitious and professional new workers. In the process of selection and choice of employees to all candidates we provide equal opportunities, regardless of gender or other circumstances.

Development, advanced technologies, changes, and needs of the work process request more and more of knowledge and high level of competence of our employees therefore we mainly employ highly educated staff. Throughout the years we have been keeping the high share of employees from electro-technical fields and of electro-technical and engineering fields in Gorenjske elektrarne Company and GEK Vzdrževanje Company.

Fluctuation of personnel in the Group is small. Fluctuation mainly emerges due to departure of workers for retirement and to lower extent also due to fixed-term employments. In 2020, compared to previous years, a higher level of fluctuation is observed, which is a result of the re-employment of four employees between the subsidiaries in the Group and the optimization of work in the parent company.

On 31. 12. 2020 there were eight disabled persons employed in the Group, which is one more than the previous year. In accordance with the statutory quota of employing disabled persons, which amounts to 6 % for electricity supply activity, Elektro Gorenjska Company would have to employ 17 disabled persons monthly. Subsidiaries with less than 20 employees are not liable to meet the disabled employees quota. Companies that are obliged to meet the disability quota have the option of exercising a replacement quota by concluding contracts and ordering services of social enterprises. In year 2020 by signing the contract with two social enterprises we made use of the possibility of claiming the replacement quota fulfilment for a total of 33 disabled persons.

Table 9: Fluctuation rate in Elektro Gorenjska Group in years 2019 and 2020

	2019	2020
Elektro Gorenjska	1.42 %	4.48 %
Gorenjske elektrarne	0.00 %	5.00 %
GEK Vzdrževanje	6.67 %	26.67 %
Group	1.56 %	5.54 %

5.6.4. Education and educational structure of employees

Much attention is given to the appropriate staff education. Employees receive various forms of education and vocational training, with a large proportion of them being in the field of health and safety at work. Because of the specific branch in which we operate, the employees are obliged to regularly restore the professional examinations required by the work with power supply equipment. This year we have adapted to the changed and aggravated conditions. We introduced e-learning, in addition, several employees attended various webinars and other digital forms of education and training. Within the strategic project Managing of the organizational culture 2016 – 2020 or the strategic projects Organizational culture and committed employees in the revised strategy of the Group 2018-2022, in year 2020 we continued with trainings for the Heads in the field of managing the soft skills.

Table 10: Educational structure of employees in Elektro Gorenjska Group as at 31. 12. 2020

Level of education 31. 12. 2020	Elektro Gorenjska		Gorenjske elektrarne		GEK Vzdrževanje		Group	
	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)
doctoral level (9)	4	1.40 %	1	5.30 %	0	0.00 %	5	1.60 %
master's degree (8)	15	5.40 %	2	10.50 %	0	0.00 %	17	5.50 %
university level (7/2)	58	20.80 %	7	36.80 %	1	9.10 %	66	21.40 %
graduate level (7/1)	42	15.10 %	2	10.50 %	1	9.10 %	45	14.60 %
post-secondary level (6)	53	19.00 %	2	10.50 %	2	18.20 %	57	18.40 %
secondary level (5)	68	24.40 %	4	21.10 %	4	36.40 %	76	24.60 %
three-year vocational level (4)	39	14.00 %	1	5.30 %	3	27.30 %	43	13.90 %
two-year vocational level (3)	0	0.00 %	0	0.00 %	0	0.00 %	0	0.00 %
primary school (1)	0	0.00 %	0	0.00 %	0	0.00 %	0	0.00 %
Total employees	279	100.00 %	19	100.00 %	11	100.00 %	309	100.00 %

Average level of education in Elektro Gorenjska Group as at December 31 2020 amounted to 6.28. With level 6 representing high-school education.

5.6.5. **Employee motivation and remuneration**

Offering privileges is one of the segments in employee remuneration whose aim is to increase employee satisfaction and improve the quality of work. Employee remuneration is connected also with reassignments.

In employees we are looking for creative potentials and development opportunities, that is why knowledge and skills of the employees are remunerated by measuring their competences, advising and with progress of their professional career.

This way we try to preserve high level of motivation and increase competitiveness of the internal labour market. In 2020, we updated the organizational structure and adjusted it to the conditions in which we operate. Reorganization showed the need for new leaders. We enabled all ambitious employees who wanted to participate in the test to participate in management skills measurements. Measurement analyses are the starting point for assigning employees to more demanding job positions.

We have been conducting annual interviews, which are an opportunity for an in-depth conversation with a colleague for more than a decade. In 2020, with the reorganization, we also renewed the systematisation and set up a new system of annual interviews and determining the work performance of employees. Interviews include a review of achievement of the objectives, tasks and competences for the past period and the setting of objectives for the next year as well as a plan of training and development of employees. In 2020, annual interviews were conducted with 98 % of the Group's employees.

Individual work performance of employees is determined on the basis of an assessment after an annual interview. Level of achievement of individually set criteria is determined. We encourage employees to innovations and finding new solutions. Level of self-initiative in the field of making rationalization or innovation proposals has significantly increased due to the adopted systematic measures in this field, in particular the adopted rules on innovation and additional stimulation.

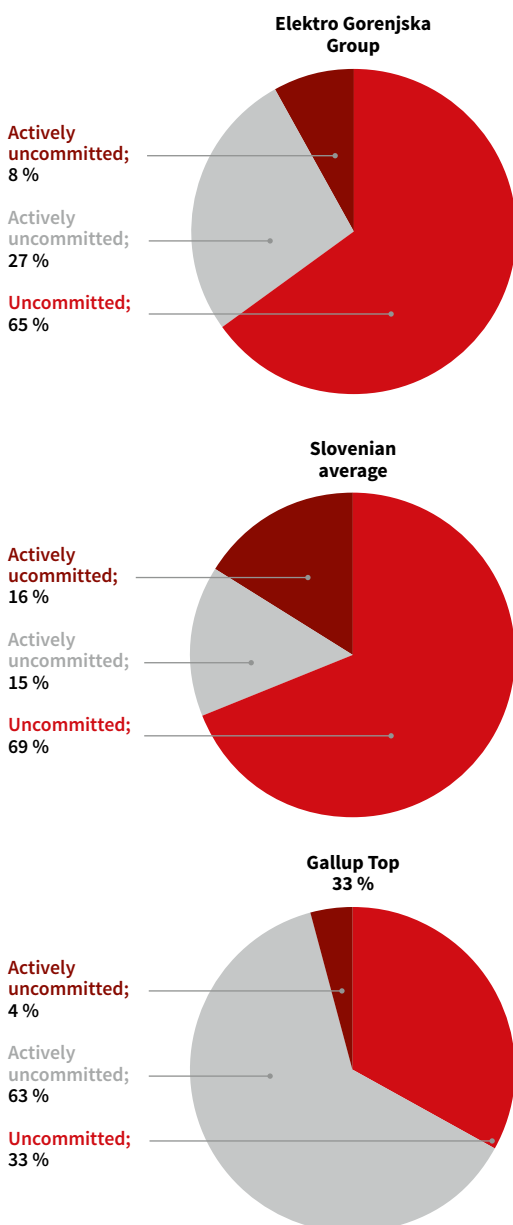
5.6.6. **Organizational culture and employee commitment**

In accordance with the Strategy of the Elektro Gorenjska Group for the period 2018-2022 in year 2020 we paid special attention to the strategic project **Organizational culture and the commitment of employees**, whose goal is to create a constructive organizational culture among the employees. This means that we expect co-workers to get involved, cooperate with each other, take responsibility and focus on goals. We create an environment where employees live the values of the company, Heads know the features of their colleagues and guide them individually and accordingly, thus contributing to the implementation of the strategy. During the year, during the iteration of the business strategy, we transformed the strategic project into a new strategic project Employees-Reputation Ambassadors of the Elektro Gorenjska Group (Brand and experience of the employer). When re-establishing organizational culture, we will incorporate new findings and behaviours into our operations and improve organizational culture. We will set the brand of the employer and formulate the promise of the employer. Through the agreed activities, we will develop soft leadership skills and improve the trust of employees in the organization, while attracting new promising professionals.

We make sure that employees feel comfortable in their working environment. Good atmosphere and wellbeing helps us to be successful, creative and precise in our work. Feedback on comprehension of a working environment and relations in the company is received from employees by anonymous survey on the satisfaction every three years and by survey on employee commitment, which is done annually. This way with colleagues we actively create optimal conditions for work, thus also the conditions to facilitate the achievement of personal and professional business goals. Commitment is measured according to Gallup's methodology. Level of commitment is measured for the entire Elektro Gorenjska Group, as for individual companies in the Group we measure in which percentile the company ranks, compared to the global database on commitment. Based on the performed measurements, the Group has a higher percentage of committed employees compared to other Slovenian organizations.

We are carefully following the recruitment of competent, creative and highly committed employees at all levels.

Graph 31: Commitment of employees rate at last measurement, compared with Slovenian and the best global organizations



5.6.7. Absence of employees

Absenteeism or longer absence from the workplace for the purpose of using sick leave is monitored annually. In 2020, in comparison with 2019, the value of refunded absences increased by 24 % in the parent company, which was to a certain extent the result of the COVID-19 epidemic.

Non-refunded absences decreased by 33 % compared to the previous year.

In 2019, 180 employees benefited from sick leave at least once a year, while in 2020 there were 157 such employees, which is by 13 % less. Compared to 2019 and also 2018, all types of absences in Gorenjske elektrarne decreased significantly. Average number of days of absence per employee also halved compared to the previous year. However, the share of employees who took advantage of any absence decreased only slightly, namely by 2 %. Compared to 2019, GEK Vzdrževanje Company's unrefunded absences decreased by as much as two thirds. Refunded absences, however, rose to double the value. Share of employees who took various forms of absence increased by 18 %. Average number of days of sick leave per employee remains comparable to the previous year and amounts to 24 days. Due to the small number of employees in both subsidiaries, each absence represents a major impact on average value.

5.6.8. Health and safety at work

In the Elektro Gorenjska Group, we take care of maintaining and improving the health of employees and a safe and stimulating work environment. This also makes our employees more productive and creative, less likely to get sick and less likely to go on sick leave, and to remain loyal to their organization. By implementing the program of safety and health at work, we also find it easier to hire quality staff and build our reputation.

We take care of safety and health at work on several levels:

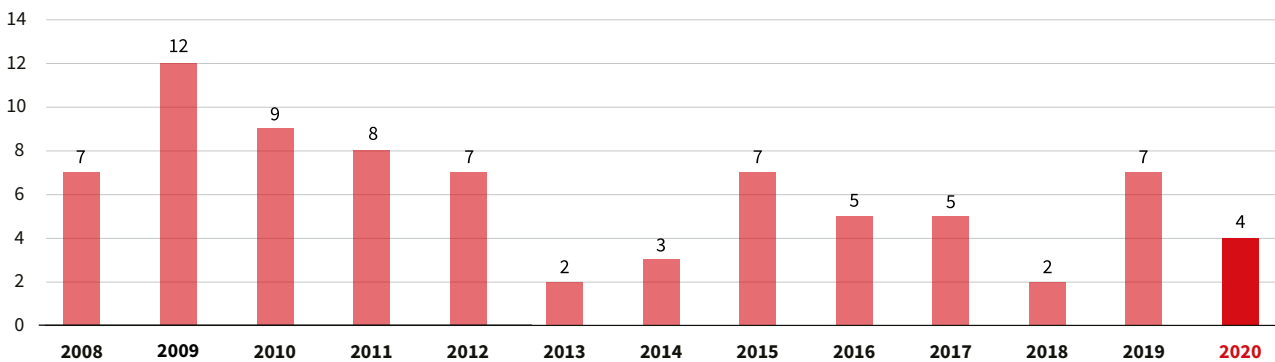
- › Department for Safety and Health at Work is in charge of ensuring safe and healthy work, which is defined by the Health and Safety at Work Act. Department has two employees, one of whom is directly responsible to the company's management and is authorized to perform professional tasks specified by law.
- › In 2020, we faced an epidemic of COVID-19 disease, which was a complete unknown. We formed a crisis management group, prepared a risk assessment, from which most of the measures for the safe work of employees and especially field worker were based. We started introducing work from home in time and thus prevented the spread of the infection in the company. Given the number of infections we had in the company, we can say that the company's approach and the way we solve this problem has been very successful.
- › In 2020, for the first time, we prepared a Safety Statement with a risk assessment for the entire Elektro Gorenjska Group. Risk assessment covers all jobs in the Group. High-risk jobs for safety and health at work were also identified and various measures related to the safe and healthy implementation of work were envisaged for them.
- › Council for the Management of Health and Safety at Work operates within the framework of the ISO 45001 standard. Operation of the Council, which has seven members, represents an upgrade of safety and health at work, which is determined by the law. In 2020, the members of the Council addressed the issue of COVID -19 disease, injuries at work and dangerous events, took the necessary measures, monitored legislation in the field of safe and healthy work and fire safety, performed an internal assessment of ISO 45001 and participated in its external audit. They successfully implemented all the recommendations of the internal and external audit and warned employees about safe and healthy work. Special care was given to external contractors and visitors. In 2020 we therefore identified those groups that we endanger with our work process or they endanger us. For each of these groups, we prepared a risk assessment and determined measures to reduce the risk to safety and health at work. These measures include, but are not limited to, documents for the safe performance of voltage-free work, written agreements, safety plans, instructions for safe work, etc.
- › In order to ensure safe and healthy work within the Works Council, there is also a Safety Work Committee, which consists of three members of the Works Council. Committee addresses the issue of safe and healthy work at the initiative of workers, which can be written or oral. In 2020, the Committee addressed the issue of safe and healthy work, which relates to the replacement of fuses in various situations. As the issue is very extensive and demanding, we will continue the set project in 2021 as well.

Accidents at work

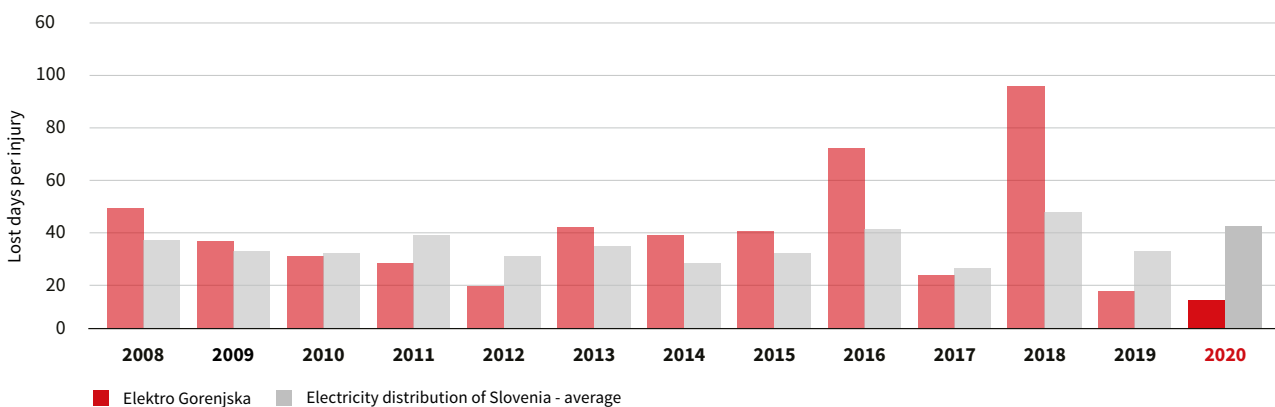
In 2020, four injuries at work occurred in Elektro Gorenjska, which were of lighter nature, and one dangerous event which we immediately remedied. No additional measures are required to prevent injuries at work and dangerous events. Quality indicator Frequency of injuries, which tells us what percentage of workers were injured, was 1.4 percent of injured workers. Quality indicator which tells us how many working days we lost per injury, was 11.4 days.

Graph 32: Number and severity of injuries, frequency of accidents compared to the electricity distribution of Slovenia

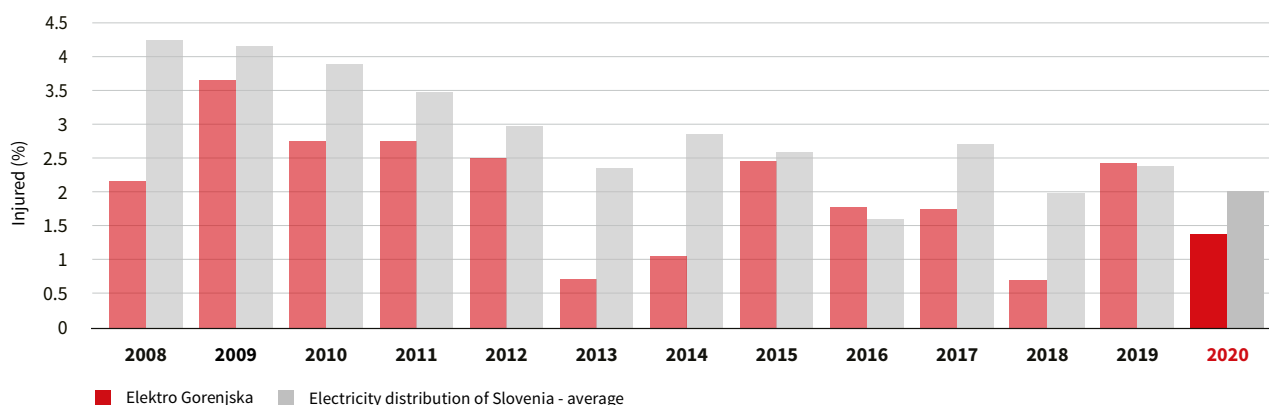
Number of accidents at work



Severity of injuries



Frequency of accidents



5.6.9. Workplace health promotion

With the help of six measures for the promotion of health at workplace, the group encourages employees to actively participate in activities for the protection and promotion of health, acquaints them with content in the field of mental health, and enables them preventive examinations and vaccinations. Implementation and success of selected measures in the field of workplace health promotion are annually audited at the meetings of the health promotion group, which meets in person or virtually according to the current content. Health promotion group reports to the management on the activities and implemented measures, and success of the measures is checked by conducting a survey among employees. Program for planning and implementing workplace health promotion is annually revised and adjusted to financial capabilities and current conditions.

A basket of fruit is available to employees twice a month, and they also receive health-related thematic mailing. In 2020, the fruit basket was only available to employees in the first quarter year due to the epidemic. In 2020, the health promotion group continued with the following measure: it informed the employees about the methods of short-term active breaks at work, vaccination against tick-borne meningoencephalitis was available to employees, and examinations of pigment signs were organized. In autumn, the group prepared a preventive vitamin D package for all employees, which they received by regular or internal mail.

There is a Workplace Health Promotion Group that has been operating within the Elektro Gorenjska Group for several years already, and which plans and prepares activities within the workplace health promotion program.

5.6.10. **Communication with employees**

In the Group conducting effective internal communication with employees is demanding, since employees are located in different locations, as well as perform various types of work in the field.

We plan and manage internal communication in the Elektro Gorenjska Group strategically, prepare annual operational plans, and also measure responsiveness among employees.

We use direct and indirect forms of communication among employees and obtain feedback from employees through surveys and voting.

To communicate with employees we use:

- › electronic mailing, in which we acquaint employees with current content, actions and information they need for work obligations;
- › Intranet or Elektro Gorenjska Centre, which is the connecting link between the information and applications that employees need to carry out work processes. It serves to support employees by providing a number of tools, information about the company, accesses on which important information about the company's operations is published, as well as key documents and other contents that are important for the work of employees and that facilitate their work;
- › traditional bulletin board, intended primarily for those employees who. Due to the nature of their work (field work), spend most of their time in the field.

In the Group we publish:

- › Monthly e-newsletter – the E-monthly, which employees receive in their e-mail inboxes every first Friday of the month. In it, we present current content, with which we inform employees about the events and activities we carry out.
- › Printed internal newsletter Elgo, received by employees, retirees and scholarship holders. In it, we present current events and projects of the company, as well as take care of documentary, educational, cultural, artistic, sports and social content. It is published four times a year and is also available in electronic form.

For the employees of the electricity industry, there is also a newsletter Naš stik, published by Elektro Slovenia, available. It offers broad understanding of the energy industry, in which we operate. Representative of the management for corporate communication in Elektro Gorenjska is a member of the newspaper council and his task is to ensure that the company is properly represented in the newsletter and on the portal www.nas-stik.si.

Direct forms of communication with employees also include regular meetings of the Chairman of the Board with representatives of the Work Council and with two representative trade unions. Minutes of the meetings received by employees by e-mail provide additional information and involvement of employee representatives in the operation of the company and direct resolution of matters for which they are responsible.

5.7. Environmental responsibility

5.7.1. Environmental policy of Elektro Gorenjska Group

Environmental policy in Elektro Gorenjska Group defines care for environmental protection with the aim of managing negative environmental impacts and comprehensively reducing the impacts of electricity activities on the natural environment.

Environmental management system is adapted to the requirements of the international standard ISO 14001 and is an integral part of the development plan of the company Elektro Gorenjska. All employees are responsible for consistent compliance with the requirements, and the Environmental Management Council and the company's management guarantee their actual implementation and the achievement of the basic environmental goals of the company and the community in which we operate.

Main orientation in the field of environmental protection in the company are in line with ISO recommendation, and are reflected in measurable results, which are monitored by environmental indicators. In dealing with the environment, we are committed to the following fundamental goals:

- › we prevent accidents in locations where energy facilities and works are located as much as possible, and we reduce the possibilities for their occurrence;
- › all warehouses, locations and energy facilities are constantly updated in accordance with current and anticipated ecological standards and guidelines;
- › we strive to reduce CO₂ and greenhouse gas emissions;
- › we control individual environmental impacts with measurements in the field of noise, electromagnetic radiation and light pollution;
- › we use natural energy sources and raw materials economically;
- › we collect and recycle waste separately, thus reducing the amount of remaining waste disposed of and
- › we take care of continuous environmental education and training of employees.

5.7.2. Company Elektro Gorenjska and care for the environment

Indicators monitored in Elektro Gorenjska within the ISO 14001 environmental management system:

- › Amount of all waste in Elektro Gorenjska (EG) (excluding municipal and office waste – all locations) in tons;
- › Costs of municipal waste collection in EG (excluding water charge – all locations) in €;
- › Proportion of returned waste oils in relation to purchases;
- › Electricity consumption in EG business facilities (excluding holiday capacities) in kWh;
- › Consumption of natural gas for heating in EG business facilities (excluding holiday capacities) in m³;
- › Number of fuel and oil spills during transport and storage.

We measure and manage environmental aspects with indicators that reflect the environmental footprint of our own activities (energy facilities, warehouses, office buildings, etc.). Employees from various fields are involved in assessing environmental aspects. Elektro Gorenjska has established an Environmental Management Council, chaired by the president of the council. Council members monitor legislation, environmental policies and aspects and their implementation in practice. Council meets periodically, adopts, monitors and upgrades adopted programs and activities in the field of environmental management.

5.7.3. Environmental indicators of Elektro Gorenjska Company



Noise

In order to reduce the noise pollution of the environment and to implement individual measures to reduce it, we ensure the implementation of operational monitoring and expert assessments of noise pollution in individual areas. Activities are carried out in accordance with the provisions of the Decree on limit values for environmental noise indicators and with the production of an acoustic 3D model taking into account the characteristics of each individual location: site location, construction relief and infrastructural features etc.

Noise generated by transformers in medium and low voltage transformer stations (MV/LV) does not exceed the permissible limits defined by existing regulations, so periodic measurements are not performed. In the case of high-voltage substations (HV/MV), noise measurements are performed every three years in accordance with the legislation, wherever necessary.



Electromagnetic radiation

We regularly monitor electromagnetic radiation (EMS). Based on previous measurements, we find that no excessive values occur anywhere outside the protected areas of electric power devices, so no additional radiation protection measures are required. Nevertheless, in accordance with the legislation, we perform periodic EMS measurements at distribution transformer stations (RTP) and raise public awareness of electromagnetic radiation. Information is published on the company's website in the section Impact on the environment.



Air

Concern for air quality in the company is primarily related to efforts to continuously reduce emissions from heating. As a result, we ensure the installation of modern systems and devices in the field of refrigeration technology, air conditioning and heating. Efficiency of emission control is ensured by regular inspections of authorized contractors and checked by regular monitoring of air emissions. In our activity, Elektro Gorenjska generates the most greenhouse gas emissions from its vehicle fleet. When changing the vehicle fleet, we choose only vehicles with low CO₂ emissions. In 2020, compared to 2019, we reduced fuel consumption in company vehicles by almost 10 %.

Table 11: Fuel consumption of company vehicles in years 2020 and 2019

Type	Occurrence	2019	2020
Fuel (petrol + oil) - litres	company vehicles	171,693	155,373
Fuel (petrol + oil) - €	company vehicles	201,808	150,102



Greenhouse gas management

Fluorinated greenhouse gas SF₆, which is located in hermetically sealed parts of high-voltage energy switchyard, perform the function of an insulator and thus ensures the proper operation of energy devices. As a result, the device do not cause greenhouse effects on the environment. With supervision, and above all with regular maintenance, we prevent the possibility of its leakage from high-voltage devices as much as possible, and service and upgrades are performed by authorized contractors with their teams.

Due to the construction of new energy facilities (RP, RP and RTP), the amount of gas is increasing annually. We did not detect SF₆ gas leaks in 2020.

Greenhouse gas emissions are also affected to some extent by losses of electricity and heat. Share of losses is by far the most affected by the efficiency of electricity and heat production, and a certain share is also generated by electricity losses in its distribution. Compared to 2019, losses in the Network of Elektro Gorenjska in 2020 decreased from 4.00 % to 3.99 % according to the distributed amounts of electricity to end users.

Table 12: Total amount of SF₆ gas in energy devices (RP, RTP) in kg and energy loss in distribution in kWh

Type	Occurence	2019	2020
Gas SF ₆ (kg)	It is used for insulation of energy facilities RTP, RP, TP	5,400	5,500
Energy loss in distribution (kWh)	-	46,469,692	44,658,220



Light pollution

Outdoor lighting of buildings is harmonized with the Decree on limit values due to light pollution of environment.



Waste management

Elektro Gorenjska Company's waste management strategy includes the prevention of waste generation and the promotion of efficient separation of waste at source. In the implementation of activities, useful and non-useful waste is generated, which includes e.g. construction waste, municipal waste, non-municipal waste (paper, cardboard and plastics as packaging, electronic waste) and hazardous waste. Waste generated is collected separately on the two ecological islands of the company. We hand over waste or leave it to authorized waste collection contractors.

By accelerating the separation of waste in business premises, the amount of mixed municipal waste that must be disposed of in landfill has been reduced in recent years, thus reducing pollution and optimizing waste collection costs. We will continue to improve the waste separation system and introduce new collection methods in the coming years as well.

Table 13: Waste by type in years 2020 and 2019

Type	Occurance	2019	2020
Non-useful waste (cost of disposal in €)	construction site/ at investments	13,917	10,555
Useful (revenues in €)	construction site/ at investments	39,994	27,222
Municipal (cost of disposal in €)	business premises	7,360	7,093
Electronic waste (toners and cartridges in kg)	in the offices	104	112



Water

Companies of Elektro Gorenjska Group are connected to the public water supply network. Share of water from the public water supply network after use in business processes becomes municipal wastewater. For his wastewater, the companies in the Group ensure appropriate management, taking into account the specifics of the geographical location of the facility. In locations where it is not possible to connect to the public sewerage system and where there are no permanent workers present, wastewater is collected in non-flowing septic tanks. If technical possibilities allow, small municipal wastewater plants are installed as part of the reconstruction of energy facilities. Connection to the public sewerage system is arranged in locations where this is technically and economically possible.

Company monitors water, electricity and heat consumption.

Table 14: Consumption of water, electricity and heat in years 2020 and 2019

Environmental aspect	Type	Unit	2019	2020
Water	public water supply - consumption (m ³)	business premises	2,759	3,016
	public water supply - cost (€)	business premises	23,802	27,106
Electricity consumption	electricity - consumption (kWh)	business premises	425,362	441,105
	electricity - cost (€)	business premises	52,356	49,762
Heat consumption	gas - consumption (m ³)	business premises	84,677	90,807
	gas - cost (€)	business premises	35,436	36,988



Biodiversity

In the construction of electricity facilities, Elektro Gorenjska and its subcontractors use existing roads and paths as much as possible, and the areas of construction sites is limited to the extent possible to avoid negative impacts on the existing area, vegetation and forest. As part of the construction of overhead or underground transmission lines, all prescribed measures are implemented, with emphasis on the reuse of land removed by excavations, planting seedlings of indigenous shrub and tree species in remediation of forest edges and planting alternative forest islands at individual locations. Visible markings of transmission lines poles and protective ropes prevent birds from becoming entangled in the cables.

47.49 kilometres of the above-ground medium-voltage electricity distribution network of Elektro Gorenjska runs through the areas of the Triglav National Park. Before starting the maintenance of transmission lines, we obtain permits from the locally competent unit of the Institute of the Republic of Slovenia for Nature Protection to carry out an intervention in nature, which defines the conditions and the period in which work is permitted. Before carrying out interventions in the forest or forest area, we inform the landowners and the competent district foresters of the Slovenian Forest Service. Transmission line routes on forest lands are maintained in such a way that undergrowth and clearings are carried out in the width of the buffer zone, which do not exceed 10 cm in chest height. Undergrowth felling is also carried out along all watercourses and amelioration canals. Maintenance work is carried out in accordance with the Rules on felling, managing wood residues, harvesting and stacking of timber assortments (Official Gazette RS, No. 83/13) and in a way that does not endanger the natural biotic environment.



Extraordinary environmental events

Key direction and guideline of our operation is to do everything necessary to prevent security incidents and major accidents and reduce their consequences during the planning, construction, operation, maintenance, changes in energy facilities or when the facility is closed. Implementation of these commitments requires constant coordination between sectors and harmonization of legal commitments (laws on environmental protection, water, construction of facilities, fire safety, protection against natural and other disasters), documentation and issued environmental permits.

Very important safety aspect is fire safety and explosion protection. They are provided both from the point of view of legally prescribed measures as well as preventive operations and protection of people, environment and property. In accordance with the protection and rescue plans, Elektro Gorenjska organized evacuation drills for employees from office buildings, as well as training of employees who work in the field or in offices.

In 2020, 10 litres of oil spilled on the road during the transport of the aerial work platform due to an error. Due to the immediate implementation of technical and organizational measures, there was no significant burden on the environment.

5.7.4. Environmental indicator of the Gorenjske elektrarne Company



Production of electricity from renewable sources

Gorenjske elektrarne actively contributes to the creation of savings, reduction of CO₂ and consequently to the sustainable development of the wider society by producing clean electricity from hydroelectric power plants, solar power plants and cogeneration of heat and electricity and by increasing the implementation of energy efficiency projects.

In 2020, the total production of ecologically clean electricity from renewable sources amounted to 57,404,279 kWh. Total reduction of CO₂ emissions thus amounted 28,128.10 tons. To calculate the CO₂ emission savings due to the production of electricity in power plants using renewable energy sources, the value of the CO₂ emission factor calculated at the Jožef Stefan Institute (0.49 kg CO₂/kWh) is used as a reference data.

Table 15: Environmental savings in reducing CO₂ emissions and electricity production from renewable energy source in years 2020 and 2019

Electricity production	2019	2020	Environmental savings (t CO ₂)
Hydro power plants owned and leased (MWh)	51,181.56	51,789.26	25,377
Solar power plants owned and leased (MWh)	3,379.69	3,612.50	1,770
Cogenerations (MWh)	3,379.69	2,002.52	981



Water protection

Watercourse management also requires, among other things, the determination of the Ecologically Acceptable Flow (Q_{es}), which is necessary to meet the ecological needs of water-dependent organisms along the river corridor. Q_{es} represents the amount of water that ensures the preservation of the natural balance in and along the watercourse in the area of hydroelectric power plant.

Hydroelectric power plant must be located in the environment in such a way as to minimize the burden on the environment. Due to the regulation of the watercourse as low as well as high conditions, the operation of a hydroelectric power plant can also be an advantage for the natural environment. Regulation of water at high water levels usually also means improving flood safety in the area of influence of the hydroelectric power plant.

Gorenjske elektrarne Company is liable to pay the Water charge (Water Act, Official Gazette RS 76/02 et seq.), which is calculated in the amount of the water potential of an individual power plant in accordance with the water permit. Cost of water charges in 2020 amounted to 14,730 € and is equal to the amount of water charges in 2019. In order to obtain and receive water consent for an individual hydroelectric power plant, hourly monitoring of water level measurements at the water reservoir must be carried out at each facility to ensure the biological minimum, which are being implemented regularly in the company.

We work with fishing clubs to manage watercourses. With all major interventions in the canals of power plants, fishing clubs carry out fish harvesting. In 2020, we paid 2,932 € to fishing clubs for fish harvesting. In addition, we help their activities with donations in cash, in materials and services. In 2020, we performed services related to the pumping of water in fish farms for the Kranj Fishing Club. In the summer months, the inflow of fresh water in the pools is too small and the water has to be pumped to enrich it with oxygen, so we took care of the installation and assembly of the pump automation.

Table 16: Size and method of providing Qes in the area of hydroelectric power plants owned or operated by Gorenjske elektrarne

Ser. No.	Facility name	Qes [m ³ /s]	Period [months]	Method of provision
1	HE Cerklje	0.015	whole year	Canal over the racks of the Tyrolean catchment
2	HE Davča	0.06	whole year	Two holes in the catchment wall
3	HE Kokra	no Qes - point consumption		
4	HE Lomščica	0.07	whole year	Canal cutout into the crown of the dam
5	HE Mojstrana	0.4	1, 2, 3, 4, 5, 10, 11, 12	Cutout into the crown
		0.5	6, 7, 8, 9	Cutout into the crown
6	HE Rudno	0.035	whole year	Tube in the catchment wall
7	HE Sava	2.5	6, 7, 8, 9	Surge and gate
		3	1, 2, 3, 4, 5, 10, 11, 12	Surge and gate
8	HE Savica	0.229	3, 4, 5, 10, 11	Cutout into the crown
		0.141	1, 2, 6, 7, 8, 9, 12	Cutout into the crown
9	HE Sorica	0.015	whole year	Hole in the catchment wall
10	HE Soteska	1.1	whole year	Gate
11	HE Standard	0.1	whole year	Gate
12	HE Škofja Loka	0.2 (Operates only unit A)	whole year	Surge over an arched barrier
		0.1 (Operates unit B or both units)	whole year	Surge over an arched barrier
14	HE Zvirče	0.8	whole year	Surge and hole in the wall of the dam
15	HE Kranjska Gora	no Qes - point consumption		
16	HE Suhelj	0.015	whole year	Canal over the racks of the Tyrolean catchment



Use of biodegradable oils

In the case of energy facilities (hydroelectric power plants), we use PANOLIN HLP SYNTH biodegradable oils as much as possible. In parts of hydroelectric power plant where oil spills could cause irreparable damage to the environment, conventional oils have been replaced by biodegradable ones. We paid special attention to the Savica hydroelectric power plant, which operates in the area of Triglav National Park, where we use exclusively biodegradable oil.



Achieving savings for final customers

In accordance with the requirements of the European Directive on Energy Efficiency, Slovenia also adopted a legal requirement to ensure energy savings for final customers (Decree on energy savings requirements, Official Gazette No. 96/14). Since 2015, we have been implementing projects that provide savings for and users, namely savings in the replacement of lighting and installation of heat pumps.



Environmental savings from 2016 onwards

Table 17: Achieved savings from 2016 to 2020

Year	Amount of energy sold to end customers in the previous year kWh	Required energy savings for end customers kWh	Achieved energy savings for end customers kWh	Environmental savings t CO ₂
2016	3,591,023	17,955	43,937	22
2017	4,555,977	22,780	0	0
2018	4,382,512	32,869	76,686	38
2019	2,330,551	17,479	0	0
2020	2,313,149	17,349	22,540	11

5.7.5. Major environmental risks and their management

Risks related to environmental protection are managed through the framework safety policy of the entire Group.

Key risks are related to the provision of process security, which in the activity of dealing with hazardous substances means comprehensive protection of people, environment and property in the narrower and broader sense. Process safety defines the areas of safety and health at work, environmental protection (air, water, soil, noise), handling and manipulating of hazardous substances and chemicals, fire protection, inspection control and other areas.

High skills and awareness of employees are of key importance for the effective implementation of the safety system, which is why the Elektro Gorenjska Group conducts continuous trainings in accordance with the training program and plan. These cover the following areas: safety and health at work, handling of hazardous chemicals, transport of dangerous goods, fire protection, explosion protection, environmental protection, etc.

We guarantee the above:

- › by complying with applicable legislation relating to safety, environment, security, protection and rescue,
- › by taking into account national programs in the field of environmental protection, protection against natural and other disasters, safety and health at work, traffic safety and other areas of safety,
- › with consistent implementation of instructions, warnings and regulatory actions required by individual administrative bodies in individual areas of safety and environment,
- › by effective protection of the Group from aspects of safety, security and rescue,
- › with organization, competencies and responsibilities of employees to ensure control over the operation of facilities from a technical and safety point of view,
- › with instructions and procedures for carrying out hazardous work in facilities and on locations,
- › by managing operations from the point of view of controls, monitoring and audits,
- › by identifying and evaluating the risk of major accidents and measures to reduce their consequences,
- › by managing changes from a technical and safety point of view,
- › by managing extraordinary events, including event examination and action plans to prevent recurrences,
- › by checking and evaluating the risk and environmental aspects that are the basis for planning security measures in individual security areas,
- › with operations in accordance with the ISO 9001:2015 standard (quality management), 14001:2015 standard (environmental management), ISO/IEC 27001:2013 (information protection) and safety and health at work standards ISO 45001,
- › by ensuring the quality of products and services.

5.7.6. Environmental communication

By raising awareness and educating various publics, we build high environmental awareness and responsibility of all employees in the Elektro Gorenjska Group.

Content on proper and responsible environmental management is included in the program of the introductory seminar for new employees. We regularly write about approaches and methods of environmental protection in the internal newspaper and on internal websites. We inform the public about environmental issues through posts on the website, in the media and at various consultations, and round tables. We cooperate with professional, scientific and educational organizations.

When placing larger power facilities in the environment, we also prepare meetings with residents and thus acquaint them with activities, results and plans related to responsible environmental management.

In 2020 we earmarked 19,630.00 € for environmental education and communication.

Elektro Gorenjska Group is committed to continuously optimizing its efficiency and reducing energy and water costs, while reducing environmental impacts and thus greenhouse gas emissions. In the coming years, we will give greater importance to energy management and operations, and water saving. We will work on the example of the best cost-effective practices. We have set ourselves the goal of reducing energy and water costs in relation to the generated turnover, in order to achieve a competitive advantage in the industry.

5.8. Social responsibility

We live in a society where security of electricity supply is the foundation of prosperity and stability.

Quality and reliable, and above all, functioning distribution network is extremely important for every country and its inhabitants. This is evidenced by the events that strongly marked the activities of distribution companies in Slovenia in 2020. Electricity distribution companies, which are one of the key players in Slovenia energy, had to fully adapt their work in 2020 to the crisis caused by COVID-19. By carefully organizing the work, we made sure that the planned shutdowns, which are otherwise absolutely necessary for the maintenance of the network, interfere as little as possible with work from home and people's lives. One of the priorities is also to take care of the economy. Distributors ensured a smooth restart of the economy and electricity supply for those branches of the economy that were still operating (for example, construction). We have been supporting the economy all along to keep the damage from the effects of the epidemic to a minimum.

5.8.1. Role of Elektro Gorenjska Group in the social environment

In the Elektro Gorenjska Group, we actively identify opportunities where we can contribute to the development of the social and economic environment with our knowledge, financial and other resources. We implement them by promoting and developing positive impacts on society, by supporting sports, cultural, educational, humanitarian and environmental projects, by respecting human rights, by rejecting all forms of discrimination, by treating users responsibly and by respecting prescribed legislation and regulations.

We are aware that our core mission is to create values and benefits for our stakeholders and the responsibility we have to the environment in which we operate. With this awareness, we take a holistic approach to all stakeholders who define our mission. We build systematic relations with them, establish dialogue and ensure transparent information to various publics. Managements, sector directors, individual professionals and corporate communication office are responsible for productive, efficient, clear and transparent communication with individual stakeholder groups.

5.8.2. Network of stakeholders in Elektro Gorenjska Group, value creation and forms of communication

Table 18: Network of stakeholders in the Elektro Gorenjska Group

Stakeholders	Creating value for stakeholders	Forms of communication
Government of the Republic of Slovenia	Paying taxes, paying out profits	Website, annual publication, shareholders' meeting, personal correspondence
MzI – Ministry of Infrastructure and Energy Directorate	Ensuring a stable and sustainable electricity supply	Website, annual publication, shareholders' meeting, personal correspondence and meetings
Energy Agency	Facilitating the implementation of activities	Website, annual publication, shareholders' meeting, personal correspondence and meetings
Shareholders	Increasing the value of the investment, payment of dividends	Website, annual publication, shareholders' meeting, personal correspondence
Financial public	Providing partnership and revenue	Website, annual publication, personal correspondence and personal contacts with banking institutions
SODO	Providing partnership and revenue	Website, annual publication, personal correspondence and meetings
RS Water Directorate	Payment of water refunds and concessions, participation in regulation of watercourses, flood safety, ensuring ecological requirements	Website, personal correspondence
Other distribution companies	Cooperation in various common areas of activity (legislation, transfer of good practices, typization, public tenders ...)	Cooperation within the Economic Interest Grouping for Electricity Distribution (GIZ DEE), annual strategic conference EDP, meetings
Other companies for the production of electricity from RES	Cooperation in various common areas of activity (legislation, transfer of good practices, typization, public tenders ...)	Cooperation within the Economic Interest Grouping for Electricity Distribution (GIZ DEE), meetings
BORZEN	Indirect data exchange	Direct communications, preparation and transmission of data is performed as a service under the contract with SODO
ECO FUND	Payment of contributions, provision of energy savings to end users	Website, personal communication and communication through the portal
Suppliers	Providing partnership and revenue	Offers and inquiries, personal correspondence and meetings, direct contacts
Network users	Ensuring a stable and sustainable electricity supply	Direct contacts, toll-free phone number, website, social networks, call centre
Customers	Providing electricity distribution	Direct contacts, toll-free phone number, website, social networks, call centre
Producers	Providing network access	Direct contacts, toll-free phone number, website, social networks, call centre
Dealers	Providing electricity production from RES	Direct contacts, website
End-users	Ensuring the supply of electricity and heat from RES, providing services with the aim of savings	Direct contacts, website

*tabela se nadaljuje na naslednji strani

Stakeholders	Creating value for stakeholders	Forms of communication
Prosumers	Providing network access and electricity distribution	Direct contacts, toll-free phone number, website, social networks, call centre
Professional associations / organizations in the field of energy	Cooperation in various common areas of activity (research, market, pilot projects ...)	Cooperation within the Economic Interest Grouping for Electricity Distribution (GIZ DEE), annual strategic conference EDP, meetings, participations in associations such as the Chamber of Energy, Consortium for Green Transformation, etc.
Educational and research institutions	Facilitating research and education, human resources, scholarships, mentoring	Ordering studies (Milan Vidmar Electrical Institute, Faculty of Electrical Engineering etc.), participation in research projects and development plans, direct contact and meetings with institutions and schools on specific projects, (e.g. information days), inquiries and offers, meetings and presentations of demonstration environments
Employees	Ensuring a stable working environment, financial security, career development	Internal tools: intranet, internal journal, mailings, bulletin board, events and trainings, research among employees, speaking hours at the management, employee representatives, publication of personnel ads, integration of Family Friendly Company certificate
Local communities and municipalities	Higher quality of living through the development and modernization of the distribution cable network, maintaining local entrepreneurship, donations and sponsorships, payment of NUSZ (fee for the use of building land)	Website, written communications, personal meetings
Non-governmental organizations (societies, clubs ...)	Involvements, consideration of initiatives, donations, sponsorships	Sponsorships and donations, personal correspondence and direct contacts, meetings
Media	Information on the activity, provision of information activity (planned interruptions of electricity supply), maintenance of the partnership	Press releases, press conferences, responding to journalists' questions, website, social networks

Local communities

Any spatial intervention required by the electricity infrastructure for its operation in Gorenjska region is conditioned by successful, clear and, above all, transparent communication with local and interest groups, local political authorities and local media. Understandable communication with residents, a clear presentation of goals and consequences are the key emphases that the Group follows in every spatial intervention. We report on the plans on the website, we are in regular contact with various publics and inform them about individual activities. We cooperate with municipalities in projects for construction of comprehensive infrastructure.

Business partners

In accordance with good business practices, the Group takes care of constant communication with business partners. In addition to a personal approach, business partners are informed about the activities of companies through online channels. At the end of the year, we organized a charity virtual gathering for business partners, with which we wanted to send a positive message and emphasize the importance of mutual cooperation.

Media

Group takes care of regular and proactive communication with the media. In 2020, we limited personal meetings with journalists and moved most of the activities online. On our website <http://www.elektro-gorenjska.si>, on the subpage For the Media we regularly provide current information. We actively and timely answer the questions to the media. In 2020, we organized individual meetings with individual media to report on the research project Story in Suha.

Based on the performed annual media analysis prepared by an external company, we set annual goals for the appearance of the Elektro Gorenjska Group in the media every year. In 2020, there were 183 publications in the media about the Elektro Gorenjska Group, the number of which increased by 14.4 percent compared to 2019. Among the three companies, the parent company Elektro Gorenjska appeared in the media the most, and among the most current topics was reporting on various projects in which the company participates. In the analysis of media occurrence, a new index was introduced in 2020 – the Media Image Index, which shows the quality of media reporting in the analysed period. Due to predominantly secondary and neutral publicity, the average value of the Media Image Index was 31.61 points (on a scale from 0 to 100). The highest values of the Index are reached by publications that talk about the electricity storage project in Suha. Media Coverage was in most cases neutral, as the topics were also very neutral.

Users (customers)

Freephone number and electronic communication are available to communicate with users. In 2020, we renovated the reception office for customers, but it was closed for almost half a year due to the epidemic. We have largely shifted personal contacts to digital forms. We encouraged users to use the website, which presents the planned power outages, as well as the use of »Moj elektro« application. This is a single web portal of all distribution companies in Slovenia, which enables centralized access to metering data. System for uniform access to metering data, together with system meters, communication connections and advanced metering centres of electricity distribution system, is part of an advanced metering system. Portal is thus one of the services of the Single Entry Point of the national data node, in accordance with the Energy Act.

Shareholders and financial public

We take care of regular, open and accurate communication with shareholders and other financial publics. We follow the recommendations of the owners and therefore report all company data, concluded transactions, sponsorship and donation projects on the websites www.elektro-gorenjska.si/za-delnicarje and www.elektro-gorenjska.si/o-podjetju/katalog-informacij-javnega-znacaja.

Annual report of the companies is one of the most important sources of communication with shareholders and the financial public, where transparency, timeliness and accuracy of information on operations and business plans are the main mission in accordance with the provisions of applicable regulations.

Decision makers and regulator

We regularly and openly communicate with key influential publics on topics related to regulations and legislation, as well as on the regulation of relations between various institutions. These include government institutions of the Republic of Slovenia, line ministries and other important institutions, such as: the Public Energy Agency of the Republic of Slovenia, the Slovenian State Holding and others.

5.8.3. Sponsorships and donations in 2020

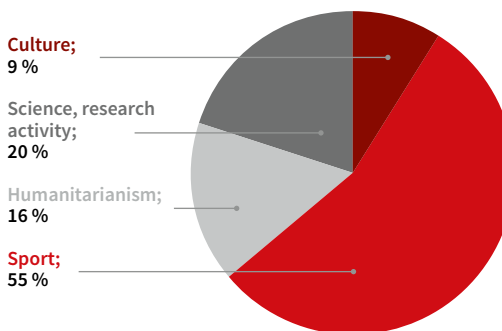
With our knowledge and financial resources, we help the progress of the wider society.

Companies in Elektro Gorenjska Group support the work of non-profit organizations, associations, societies and clubs in the field of sport, culture and education, health, humanitarian projects and other socially useful activities. Through projects in various fields we recognize opportunities where with our knowledge, financial resources or other resources we can contribute to progress. In 2020, we also supported quite a few humanitarian associations with donations, e.g. Slovenian Association of Friends of Youth, Sonček Zgornja Gorenjska, an association for cerebral palsy, and we are also cooperating with the Korak Employment Centre. List of confirmed sponsorships and donations is available on the company's website in accordance with the Public Information Access Act.

Projects are selected on the basis of the internal rules, which define quality criteria and social relevance of the project. We consider short-term as well as long-term positive effects on companies in the Group, local community and environment we operate in. We also consider recommendations of the majority owner or investment manager as well as the legislation in force.

At the end of the year, the companies in the Elektro Gorenjska Group continue the tradition of dedicating a certain part of their funds to the operation of the Neodvisen.si program, with which we have been cooperating for almost ten years. We also invite our business partners to participate in the form of financial assistance. In previous years, we organized a live charity meeting, in 2020 we prepared a virtual program due to the epidemic. Link to the live virtual event was received by all major business partners by e-mail, and was also available on the social network. It was watched by more than 500 spectators, which is a lot considering the situation, and we also received many praises from business partners. Together with business partners, we raised more than 10,000 € for the operation of the Neodvisen.si program in 2021.

Graph 33: Share of sponsorship and donation funds in 2020



In 2020, due to the epidemic, we allocated less funds for sponsorships, as many celebrations and events were cancelled.

In year 2020 there was a total of 36,775 € of funds allocated to sponsorships and a total of 27,998 € to donation projects in Elektro Gorenjska Group.

5.9. Risks and their management

5.9.1. Risk management system in Elektro Gorenjska Company

Risk management system is one part (process) of our integrated quality management system (ISVK). Company has an established risk management process, which complies with the ISO 31000 standard. Systematic management of risks and continuous or regular monitoring of changes that could affect the realization of risk, is an important condition for successful and efficient reaching of the set strategic and long-term business goals, faster response to changes and reduction of possible negative impacts on business. Potential occurrence of damage could adversely affect the company's assets, cash flow, profitability, reputation and profit or loss.

Risk is defined in a company as an event or condition that may occur or happen in an uncontrolled manner in the future and may adversely affect the fulfillment of defined objectives and the value of the company. Fact of not taking advantage of a particular opportunity can also be a risk.

Process of risk management includes the identification, assessment, planning and implementation of responses and information, communication and control of risks and

their control measures, including reporting on the risks to which the company is or might be exposed in its operations. Comprehensive risk management also helps to manage processes, which further helps the company to achieve business results set out in its operating and strategic plans. Risk severity in the company is determined by a matrix that contains a combination of risk probability and risk impact assessment and is shown in the following graph.

In 2020, the company reduced its exposure to individual risks, especially the high risks to which the company is most exposed, by taking appropriate additional measure in a timely manner. These are breakdowns and averages, attacks on infrastructure, terrorism, infectious diseases, information security, contract with SODO. For most risks, their content was also updated, including an overall assessment of the residual risk after management. Rules on risks have also been updated, they will now be prepared for the Elektro Gorenjska Group and will have the same basic starting points for all companies in the Group.

In 2020 the largest part of the identified risks in Elektro Gorenjska Company came from the field of business risks (20), followed by financial risks (7) and operating risks (4). Following is the presentation of individual important current risks, which the company is actively dealing with in its specific business environment, according to their type.

Graph 34: Risk evaluation matrix

Potencial damage						
> 10 mill €	Impact	5	10	15	20	25
> 2 mill € in =< 10 mill €		4	8	12	16	20
> 0.5 mill € in =< 2 mill €		3	6	9	12	15
> 0.1 mill € in =< 0.5 mill €		2	4	6	8	10
≤ 0.1 mill €		1	2	3	4	5
		Probability				
Frequency (in years)		1x20	1x10	1x6	1x4	1x2

■ High risk (H)
■ Significant risk (S)
■ Medium and small risk (MS)

5.9.1.1. Significant business risks

■ Methodology of the Energy Agency and other regulations in the field of electricity distribution (H)

Revenues referring to infrastructure lease and payments for services rendered are determined by the Agency through Act determining the methodology for charging for the network charge and the criteria for establishing eligible costs for electricity networks. In accordance with the Act there is a risk of lower income due to: failure to achieve the required cost-effectiveness or changes in legislation or regulations.

Risk management: company is constantly concerned with the cost-effectiveness of its operations and is actively involved in the preparation of legal acts and decrees through various working groups.

■ Operation of own information system (S)

Due to inadequate operation of its own information system (entire ICT infrastructure (IT, OT, TK) and information solutions) and connections with a single entry point at Informatika, d. d. (PERUN portal IIS) there may be a failure to fulfil the provisions of legislation and contractual obligations to (Contract SODO-EG) in managing processes and recording changes in the user's life cycle, preparing measurement and billing data, and invoicing the use of network and contributions according to EA. As a result, incorrect connections can occur, incorrect financial flow between actors (users-EG-SODO-suppliers -ELES -Energy Agency-Borzen) and claims for damages.

Risk management: company manages the operation of its own information system by implementing an information security policy, Physical and technical security, regular training of employees, regular audits of information systems by external contractors and implementing the activities of the business continuity plan.

■ Information security (S)

Activities of the company may result in intentional or unintentional misuse of information and in their loss or unauthorized disclosure, which would constitute a breach of the law and, in the worst case, could jeopardize the company's operations, in particular in terms of financial losses, cash flow, company's reputation and contractual obligations.

Risk management: risk is managed by implementing legal requirements and by adapting the processes, training of employees, by systematic identification of new information risks and their management, with the established physical security plan, maintenance of the reserve – alternative location for the ICT infrastructure and implementing of information security policy.

■ Contract with SODO (H)

Contract with SODO may contain provisions that could be disadvantageous for company's operations. In the future the following might occur: transfer of ownership of EG assets to SODO, transfer of task implementation to SODO, transfer of cash flow to SODO. All of the above reduces the autonomy of company's operation.

Risk management: company manages the risk through an active dialogue with the stakeholders of the contract with SODO.

■ Defects and averages (H)

Defects and averages of unknown magnitude may occur due to external impacts (weather conditions, unintentional damage caused by third parties) and faults in power devices.

Risk management: risk is managed primarily through proper network construction, maintenance and operation, as well as appropriate infrastructure insurance.

■ Implementation of investments in the network (MS)

To achieve adequate voltage quality and network robustness it is essential to carry out the necessary key investments.

Risk management: risk is managed by appropriate long-term planning of the development of electricity infrastructure, appropriate correspondence with external stakeholders and proper implementation of public procurement procedures.

■ Denationalization procedures (S)

Denationalization procedures may cause additional costs related to extended court procedures and payment of eventual damages. Latter can have a significant financial impact in the event of return of objects in kind and payment of compensation due to the inability to use the facilities.

Risk management: company proactively seeks appropriate solutions, including working together with lawyers that have experience in such proceedings.

■ Personnel risk (S)

Risk includes the lack of skilled personnel, loss of key personnel, and the inability to acquire competent personnel.

Risk management: company manages the risk primarily by appropriate recruiting of new staff (especially highly educated staff), motivating the existing staff, scholarships, possibilities of schooling for obtaining a higher level of education, additional education or empowerment of employees and their appropriate development.

■ **Environmental risks (MS)**

Risk factors that can lead to harmful effects on the environment are mainly: non-compliance with the provisions of legislation and internal instructions and regulations in the field of environmental management, non-compliance with the decisions of energy and environmental inspectors, plant and equipment failures, work with hazardous substances, hazardous waste, external influences (weather conditions, damages caused by third parties, natural and other disasters).

Risk management: risks are managed by monitoring and compliance with environmental legislation, meeting the requirements of the ISO 14001:2015 environmental management standard, raising awareness and informing employees about the way of managing environmental aspects, systematic identification of new environmental impacts and appropriate insurance of electricity infrastructure and non-energy facilities and devices.

■ **Attacks on infrastructure, terrorism, infectious diseases (H)**

Risk represents the possibility of intrusions in the ICT and DCV systems, destruction or damage to individual facilities and theft of parts of the infrastructure. There can also be a sudden outbreak and rapid spread of known or unknown infectious diseases.

Risk management: we manage this risk by implementing an appropriate information security policy, upgrading security systems, video surveillance and remote network monitoring, by physically protecting parts of the infrastructure and consistent implementation of regulations and guidelines of state institutions (e.g. National Institute of Public Health, Ministry of Defence...).

5.9.1.2. **Significant financial risks**

■ **Risk of investments in subsidiaries (S)**

Investment values (mainly the investments in Gorenjske elektrarne, d. o. o., 100 % share and ECE, d. o. o., 25.6744 % share) represent an impact risk on the operating result of the parent company (positive or negative).

Risk management: company manages the risk of both investments as an active owner.

■ **Credit risk (S)**

On the basis of the Contract for leasing the electricity distribution infrastructure and the provision of services to the operator, the company collects customer payments in its own name and for the SODO Company account. In doing so, it is exposed to credit risk, because despite any unpaid overdue claims of customers, the company has to settle all its liabilities to SODO in accordance with the Contract and the associated Annexes. Company also provides a wide range of market services. Any unpaid receivables from these services represent the greatest credit risk for the company.

Risk management: risks are mainly managed by careful monitoring of receivables and implementation of recovery procedures, concluding appropriate agreements with debtors, expanding the set of payments according to pro forma invoices and including appropriate financial collateral in contracts.

■ **Liquidity risk (S)**

Company could have liquidity problems, mainly due to uneven inflows and outflows, and long-term procedures for obtaining long-term loans and possibly larger uncontrolled exceeding planned investments.

Risk management: company manages the risk through regular implementation of recovery procedures, cash management within the EG Group, appropriate short-term and long-term planning of inflows and outflows, timely implementation of procedures for obtaining short-term and long-term debt resources and financial control over the volume of investments.

■ **Interest risk (MS)**

Company borrowed more than half of long-term loans at a variable interest rate that could increase in the event of a greater economic activity and measures of central banks in the EU, which would have a direct negative impact on the result of operations due to higher financing costs.

Risk management: company manages the risk by negotiating with banks to reduce existing mark-ups or bank margins and refinancing of existing loans or repayment of existing loans with unfavourable financial commitments or higher mark-ups that are realistically achievable in the banking market.

■ **Inadequate payment of EG services by SODO (S)**

Inappropriate payment of EG services by SODO may occur mainly due to requirements for provision of services that are not subject to a contract with SODO, dispute concerning the quality of the service performed and charged by the EG, inadequate decision of the Agency to determine the regulatory framework.

Risk management: company manages the risk through active participation in the process of issuing the Agency's decision on determining the regulatory framework and through active and appropriate correspondence with all stakeholders of the Contract with SODO.

■ **Lack of investment funds (S)**

Realization of the risk could occur if the company fails to provide funds for the realization of planned investments due to lack of own funds, due to the inability of the company to borrow to the required extent or due to overpayment of dividends to owners.

Risk management: company manages the risk mainly by adjusting the volume of investments (appropriate financial planning), negotiations with banks, active correspondence with SSH as the umbrella manager of state capital investments and active implementation of strategic projects (consolidation and launch of engineering at the level of the EG Group...) and with additional measures such as the implementation of the Business Optimization Action Plan.

5.9.1.3. Significant operating risks

■ **Risk of serious injury and death at work (S)**

Company faces the risk of serious injuries and deaths at work, which are mainly the result of non-compliance with the regulations on safety and health at work and fire safety, incorrect procedures at work and negligent and irresponsible actions of employees.

Risk management: risk is managed by implementing a comprehensive set of safety and health at work measures, systematic identification of dangerous events and by taking out accident insurance for employees.

■ **Public procurement implementation procedures (S)**

Public procurement procedures may result in compliance risks, prolongation of procedures due to complaints by the tenderers, insufficient competition or even collusion between providers. Risk can have the greatest adverse effect on the implementation of investment and maintenance work.

Risk management: risk is managed by consistent compliance with the law and proper scheduling of procedures.

■ **Impartiality, independence and confidentiality of the measurement laboratory (S)**

There is a possibility of influencing the result of the control of the measuring laboratory, which would mean a loss of its credibility and functioning. There is also the possibility of issuing or disposing of confidential information, obtained or generated during the performance of control activities.

Risk management: company manages the risk through appropriate organizational placement, appropriate powers and compliance with certification requirements.

5.9.2. Risk management system in Gorenjske elektrarne Company

Company is aware of the necessity for timely and advance identification of all types of risks. Risk management is a process for identifying and evaluating, managing and controlling possible events that could have an adverse impact on the company. Risk management involves providing appropriate assurances in order to achieve the company's objectives.

Basis of the final risk management is their identification and assessment of the severity that the company assesses as a product of the probability of risk materialization and impacts on the company's operations and is graphically depicted in the matrix below.

Graph 35: Evaluation of risks in Gorenjske elektrarne Company

Probability	Impact				
	1-Minor	2-Small	3-Moderate	4-Big	5-Catastrophic
1-Almost impossible	Medium and small	Medium and small	Medium and small	Significant	High
2-Very unlikely	Medium and small	Medium and small	Significant	Significant	High
3-Possible	Medium and small	Significant	Significant	High	High
4-Very likely	Significant	Significant	High	High	High
5-Almost certain	Significant	High	High	High	High

Risk severity ■ High ■ Significant ■ Medium and small

The most important risks in Gorenjske elektrarne Company are presented below.

- › **Reduction of supports for electricity generated from RES**
Company recognized as one of the major risks the risk of reducing supports for electricity generated from renewable energy sources. In this context, we evaluate the risk that the government will, in any way, reduce the already approved supports within a single power plant or source of production by means of a regulation or a decree.

Indirectly, we can avoid the risk or mitigate its materialization with other revenue sources, especially in the area where revenues are not linked to supports for electricity produced.

- › **Risk of weather conditions**
Gorenjske elektrarne Company is decisively linked to weather conditions in its primary activity. About 90 % of the volume production comes from hydroelectric plants whose production is decisively affected by the amount of precipitation. It can also swing +/- 25 % around the long-term average. Also, the operation of solar power plants depends on the insolation, and the operation of the SPTE on mild or cold winters. Risks are also associated with changes in climatic conditions due to the warming of the atmosphere.

Company manages this risk primarily through a development policy that is intensely focused on diversifying revenue sources and introducing new types of revenues from energy efficiency projects, thus reducing the share of sold electricity in sales revenues in the long run.

- › **Market risk – decrease in the sales price of electricity**
Company is exposed to fluctuations in the market price of electricity when selling electricity produced.

Company manages the risk mainly by the ongoing monitoring of all factors that affect the price and the consequent anticipation of price developments. On the basis of analyses, the Company decides to sell electricity for future periods. Customer is selected on the basis of the best offer. Risk of fluctuations in electricity prices is significantly controlled by the Company by selling the production of individual power plants in the system of operating supports. Borzen, for each kWh produced, adds a difference in the form of support.

- › **Availability of production capacities**

As a concessionaire, the Gorenjske elektrarne Company must regularly maintain water infrastructure facilities and aquatic land owned or possessed by it. Loss of production in combination with the machinery breakdown as a result of average, unplanned downtime and poor maintenance can make a significant loss of revenue for the Company. Therefore, the Company ensures that failure of production units does not occur by performing regular monitoring, enhanced monitoring in case of adverse weather conditions and planned and ongoing maintenance. In the event that a production failure occurs, the Company, by engaging employees and own funds or with the help of outsourcers, ensures the elimination of faults as soon as possible. All production facilities are also mechanically protected and fire protected, while the largest five solar power plants and five largest hydro power plants are insured also in the event of a loss of income from the machinery breakdown or fire.

Risk management: company has already acceded the plan for the gradual renovation of its power plants in previous years. In 2020, Hydroelectric power plant Rudno was completely renovated with its own resources and re-included in the support scheme. Part of the hydro mechanical equipment in the HPP Škofja Loka was partially renovated. Company will continue with the gradual renovation and replacement of equipment for the production of electricity in the coming years as well.

Company Management

6

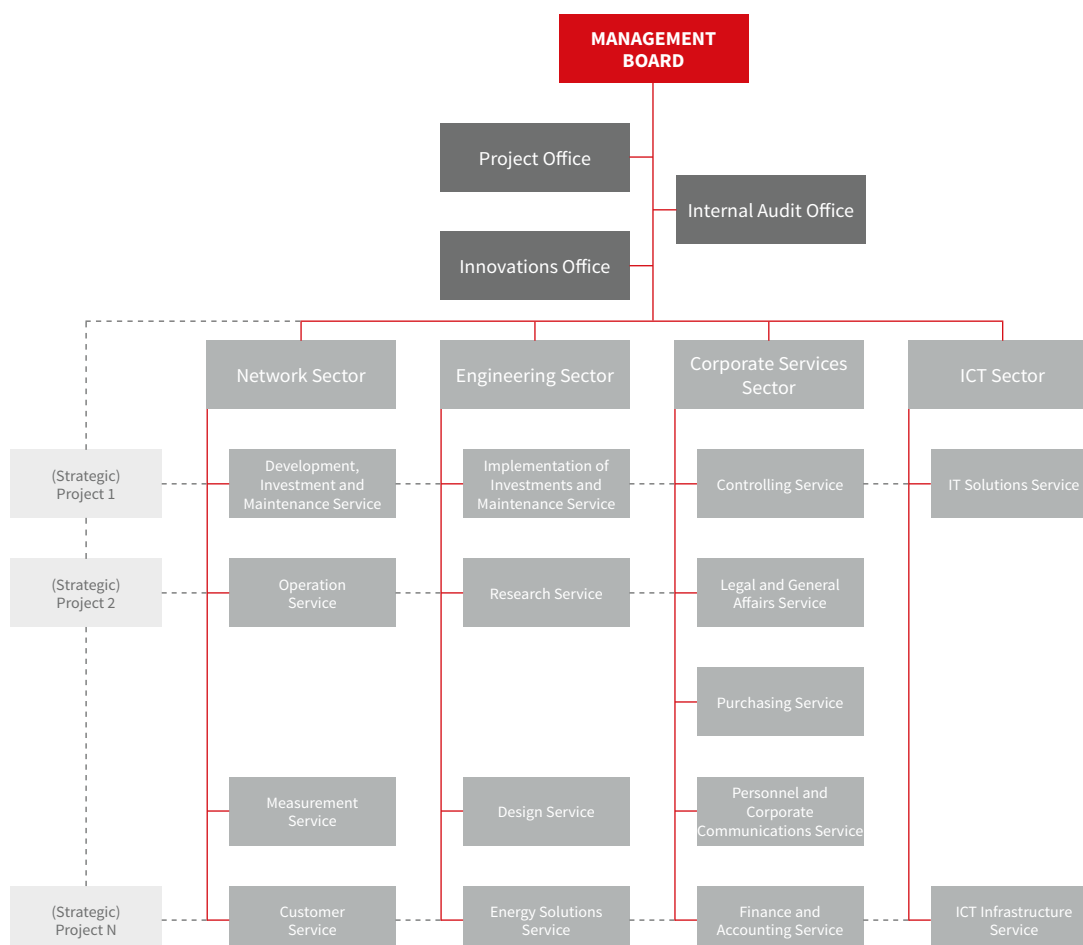
Company management bodies are: management, supervisory board, and shareholders' meeting.

6.1. Management

Single-member administration, chairman of the board, is appointed by the supervisory board of Elektro Gorenjska Company. Term of office of the Chairman of the Management Board shall be four years with the possibility of reappointment. Chairman of the Board, dr. Ivan Šmon, MBA, started his four-year term on June 15 2018. In accordance with the Statute, the Management Board of the company has a mandate in relation to all issues related to the organization and management of the company. Based on the law, statute, and rules of procedure of the supervisory board the management of the company is obliged to exhaustively and exactly introduce to the supervisory board the course of transactions and company's condition at least four times a year.

In 2019, the Company was reorganized. Organizational chart as at 31. 12. 2020 was as follows.

Graph 36: Organizational chart of Elektro Gorenjska Company as at 31. 12. 2020



Each sector, headed by sector directors, consists of several services. Directly under the Management are the Project and Innovations Office and Internal Audit.

Network Sector manages the tasks of the public utility service distribution operator, which Elektro Gorenjska executes under the contract for SODO Company.

Tasks of the Engineering Sector are to provide services for the Network Sector and other companies in Elektro Gorenjska Group in the segment related to market services.

Corporate Services Sector performs general and financial services, health and safety at work services, and vehicle fleet services for all sectors and companies in Elektro Gorenjska Group. Information and Communication Technologies (ICT) Sector provides information and communication technologies services for all sectors and companies in Elektro Gorenjska Group.

New organizational structure came to life in 2020.

6.1.1. Corporate governance statement

Companies in Elektro Gorenjska Group inform the shareholders and public that they operate in accordance with applicable regulations and acts in force in the companies. Management of the individual company represents the company as well as manages the business independently and at its own risk. In this it adopts the decisions in accordance with the strategic goals of the company and to the benefit of the shareholders and owners. Companies in the Group comply with the documents adopted by the Slovenian Sovereign Holding (hereinafter SDH): Corporate Governance Code for Companies with Capital Assets of the State, Recommendations and expectations by the Slovenian Sovereign Holding, procedures and code of conduct for members of managerial and supervisory bodies in companies with capital investments of the state.

Applicable regulations important mainly for the operations of the parent company and parent company statute are published on the company's web site (<http://www.elektro-gorenjska.si/>). Other acts in force for group companies are available on the web pages of SDH <http://www.sdh.si/>.

In year 2020 companies in the Group have not derogated essentially from the principles, procedures and criteria imposed by the stated SDH documents. Parent company declares that it does not respect code provisions or recommendations in regulating issues that are regulated by the law or that the company regulates in accordance with the provisions of the statute in different way than defined by the codes, or in cases when non-statutory conducts are not prescribed in its acts or when conducts are not determined as legal obligation.

Parent company believes that supervisory board members are professional, responsible and independent in performing the tasks in accordance with the provisions of the stated acts by SDH. The parent company informs all supervisory board and committees members about changes and amendments in SDH acts, as well as about trainings organized by SDH free of charge and enables them to participate in other education in the field of energy.

We do not have recorded a diversity policy in group companies and we do not implement it as stipulated by the Companies Act-1. We have a one-member Management Board, Supervisory Board members from representatives of the shareholders are elected by the General Meeting, while two employee representatives are elected by the Workers' Council. The new strategy of the Group, which is expected to be adopted at the end of 2021 and at the latest at the beginning of 2022, to which the supervisory board also gives its approval in accordance with the parent company's statute, we will also define the formulation of diversity policy. In practice in all group companies, candidates for a job and employees are not discriminated based on gender, age, race and religion.

Management Board of each company is responsible for keeping proper accounts and the establishment and provision of internal controls, the selection and application of accounting policies and the safeguarding of company assets.

Group companies in the establishment and operation of internal controls pursue the following main objectives:

- › accuracy, reliability and completeness of the accounting records and the true and fair financial reporting,
- › compliance with laws, regulations, internal regulations and
- › effectiveness and efficiency of operations.

We strive to provide the control system effective and efficient in terms of risk management and at the same time cost-effective.

So we maintain:

- › transparent organizational scheme,
- › clear accounting policies and their uniform application throughout the Elektro Gorenjska Group,
- › effective and full staffed accounting function,
- › efficient and modern accounting and business information system,
- › regular internal and external audits of business processes and operations of the entire company.

Financial controls are based on the principles of division of responsibilities, truthfulness, updating of records, reconciling the balance in the accounts with the actual situation, separation of records from the implementation of the business and the professionalism and independence of accountants. Accounting controls are closely related to the general and application controls in the field of information technology, which among other things, ensure restricting and monitoring of accesses and the completeness and accuracy of data capture and processing.

Control mechanisms referring to individual fields of operation are presented in more detail in chapters *5.9. Risks and their management*. We believe that the current system of internal controls enabled successful operation of the Company and Elektro Gorenjska Group, functioning in accordance with the rules and fair and transparent financial reporting.

Elektro Gorenjska Company also declares that the management of the controlling company actively followed and directly controlled the operations of the controlled company Gorenjske elektrarne and financial investments of ECE d. o. o., and indirectly the controlled company of the subsidiary Gorenjske elektrarne, GEK Vzdrževanje Company, in accordance with the strategic guidelines with the purpose of reaching the set business goals. In leading and managing the controlled company and its controlled company, it has pursued the same standards of corporate management applicable for the controlling company in Elektro Gorenjska Group.

Company Elektro Gorenjska will respect the recommendations of new SDH acts in the future too and in accordance with this it will perfect and improve its management system. In eventual derogation from the given statement on respecting the codes the company will provide for the timely publication.

6.1.2. **Integrated quality management system**

Elektro Gorenjska Group has two separate management and quality systems and risk management, so below we present an integrated management and quality system for the company Elektro Gorenjska and separately for its subsidiary Gorenjske elektrarne.

6.1.3. **Integrated quality management system in Elektro Gorenjska Company**

Since year 2011 the Elektro Gorenjska Company has an integrated quality management system (hereinafter: iSVK) in the framework of which it meets the quality policy commitments of Elektro Gorenjska.

With the quality policy, which is part of the business policy, the company's management is committed to following the vision in the long run and achieving the set goals in line with strategic orientations. In doing so, it will promote the culture of a company based on quality, risk management, information protection, employee and environmental protection, investing in employees, ensuring their commitment and satisfaction through the principles of reconciling professional and private life and ultimately committing to constant improvement.



Through established and managed iSVK EG meets the requirements of the following certification systems:

- › **system SVK**
(requirements of standard ISO 9001:2015),
- › **system SRO**
(requirements of standard ISO 14001:2015)
- › **system VZD**
(requirements of standard ISO 45001:2018) and
- › **system SVI**
(requirements of standard ISO/IEC 27001:2013).



iSVK does not only meet the requirements of the certification systems, but also integrates and ensures the coherent operation of the company also with the requirements of three non-certification systems:

- › **requirements for risk management**
(standard ISO 31000),
- › **requirements for the Family friendly company certificate**
and
- › **requirements arising from social responsibility**
(standard ISO 26000).

Integrated quality management system within Elektro Gorenjska Company



Systematic implementation of policies, strategies and objectives and organization plans are enabled by clear and mutually linked processes, which are optimized, managed, controlled and improved every day.

In 2020 the company Elektro Gorenjska monitored and controlled its business with the help of 46 identified and interconnected business processes, which it manages through laws, organizational regulations and work instructions. Operation of business processes was monitored with the help of 197 established quality indicators, and 31 identified risks.

In 2020, 84 proposals – measures, improvements, were submitted that helped to improve the functioning of the system and encourage employees to seek improvements and additional measures that have a positive impact on the Company's good operations and encourage additional employee commitment and environmental management. At the same time, it proves that the Company is fulfilling its commitments to continuous improvement and constant growth. Trend of increasing the quality of implementation of individual business processes of Elektro Gorenjska is reviewed quarterly and discussed at the meetings of the Quality Committee, where activities of other management systems are also reported.

In Elektro Gorenjska we are aware that all employees are responsible for the success of the company. For successful development and growth, their satisfaction and their commitment are crucial, which is also a key goal of the Family Friendly Company Certificate.

As a result, since 2015 Elektro Gorenjska Company has been implementing as many as 16 family-friendly measures aimed at improving the overall well-being of its employees in the workplace.

6.1.4. **Integrated quality management system in Gorenjske elektrarne Company**

In the company quality and excellence are reflected in business processes established according to revised standard ISO 9001:2015 and excellence model EFQM.

As the first company in the electric power system, already in 2016, Gorenjske elektrarne Company has established an energy management system according to standard ISO 50001:2011, which improves energy efficiency, while in 2019 it was certified as the first energy company under the new version of the international standard ISO 50001:2018.



We currently manage the following two certified quality systems:

- › **quality management system**
according to requirements of ISO 9001:2015, Q-1864, edition 04 / 2020-11-30, annex Q-1864/04 (valid until 16. 12. 2023) and
- › **energy management system**
ISO 50001:2018, En-014, edition 04 / 2019-11-11, annex En-014/04 (valid until 11. 11. 2022).

External regular audit of the management and operation of the quality management system according to the ISO 9001:2015 standard and the renewal audit according to the new version ISO:5000:2018 took place in November 2020 at Gorenjske elektrarne by auditors from the Slovenian Institute of Quality and metrology SIQ. Evaluation committee found that the company successfully met the prescribed requirements of both standards. Gorenjske elektrarne received from the Slovenian Institute for Quality and Metrology SIQ Ljubljana and the international association IQNet two new documents of certification according to the standard of quality management and energy management Q-1864 for the scope »Production and sale of electricity from renewable energy sources for companies with business premise and dislocated production facilities owned by the company and the management of energy efficiency and management projects« for a company with business premises.

Direction of energy management was the direction of the SIST EN 50001:2018 standard into the quality management system and thus establishment of a connection with the SIST EN 9001:205 standard. With the help of the ISO 50001:2018 standard, we have developed and implemented an energy policy and set framework and implementation goals and action plans that take into account legal requirements and information on important energy use. We are additionally developing new services in the field of efficient energy use and energy management for use in our own and market projects. Therefore, the references represented by the quality standards provided by the standard in the field of energy management are important. Interconnections of processes of the companies Gorenjske elektrarne, d. o. o., and GEK Vzdrževanje, d. o. o., and strategic connections in the Elektro Gorenjska Group mean the improvement of technological, business and organizational flows, which bring new challenges with a more rational approach in the field of ISO standards.

In the period 2021-2023, we will continue with activities in all areas (improvements, monitoring of legislation within processes, energy management, environmental management) and, in accordance with the requirements of the Elektro Gorenjska Group, change and supplement existing processes.

6.2. Supervisory Board

Competence and composition of the supervisory board are defined by the statute of the company. Supervisory board consists of six members, four of them being representatives of the capital and two of them representatives of the employees. Members of the supervisory board are elected for the period of four years and can be re-elected. Members of the supervisory board, which are representatives of the capital, are appointed to the supervisory board by the shareholders' meeting with a simple majority vote of the present shareholders. Two members representing the employees are appointed by the company's works council. In year 2019 both members of the SB representing the employees were appointed for a further four-year term, so there were no changes in the composition of the supervisory board.

Based on the decision of the General Meeting the members of the supervisory board in addition to the attendance fees in the amount of 275 € receive also monthly payment for performing the function in the amount of 942 € per member or 1,412.50 € to which the chairman of the supervisory board is entitled. Remuneration of supervisory board members in 2020 are presented in Chapter *17.4 Transactions with management and supervisory board.*

Composition of the supervisory board in 2020 was as follows:

SUPERVISORY BOARD EG, d. d.	Function	Term of office from	Term of office until
mag. Samo Logar	chairman	28. 8. 2017 (as a chairman since 14. 9. 2017)	28. 8. 2021
mag. Tedo Djekanović	deputy chairman	28. 8. 2017 (as a chairman since 14. 9. 2017)	28. 8. 2021
Andrej Koprivec	member	28. 8. 2017	28. 8. 2021
Franjo Curanović	member	28. 8. 2017	28. 8. 2021
Borut Jereb	member	8. 8. 2019	8. 8. 2023
Iztok Štular	member	8. 8. 2019	8. 8. 2023

6.2.1. **Audit Committee of Elektro Gorenjska Supervisory Board**

In year 2020 a permanent audit committee of Elektro Gorenjska supervisory board (audit committee) operated in the following composition:

AUDIT COMMITTEE SB EG, d. d.	Function	Term of office from	Term of office until
Andrej Koprivec	chairman	14. 9. 2017	28. 8. 2021
Franjo Curanović	member	14. 9. 2017	28. 8. 2021
dr. Simon Čadež	member	14. 9. 2017	28. 8. 2021

6.2.2. **Nomination Committee of Elektro Gorenjska Supervisory Board**

In year 2020 a permanent nomination committee of Elektro Gorenjska supervisory operated in the following composition:

NOMINATION AND HUMAN RESOURCES COMMITTEE SB EG, d. d.	Function	Term of office from	Term of office until
mag. Samo Logar	chairman	14. 9. 2017	28. 8. 2021
mag. Tedo Djekanović	member	14. 9. 2017	28. 8. 2021
Milena Pervanje	member	14. 9. 2017	28. 8. 2021

Term of office of the committee is bound to the term of office of the supervisory board, which is also defined in the Rules of procedure of the nomination committee of Elektro Gorenjska supervisory board.

6.3. Shareholders' Meeting

In 2020, the Management Board convened one regular session of the General Meeting of Shareholders.

27th regular session was held on 23 June 2020 with 85.22 % of the voting shareholders present. At the general meeting, shareholders voted on eight items on the agenda, which was published in the convocation of the General Meeting of Shareholders on the web portal of Agency for Public Legal Records and Services.

Firstly, company's shareholders were acquainted with the audited annual report and the consolidated annual report for 2019, the auditor's opinion and the written report of the supervisory board on the verification and approval of the annual report of the company Elektro Gorenjska and the consolidated annual report of the Elektro Gorenjska Group for the 2019 financial year.

Afterwards, the company's shareholders were acquainted with the remuneration of members of the management and supervisory bodies of the companies in the Elektro Gorenjska Group for 2019, with the presentation of the remuneration policy of members of the management and supervisory bodies of Elektro Gorenjska, d. d., and the remuneration policy of members of the management bodies of subsidiaries in the Elektro Gorenjska Group 2019.

General meeting of shareholders was also acquainted with the payments for performing the function of members of the supervisory Board at the time of the declaration of the COVID-19 epidemic. At the proposal of SDH, all members of the supervisory board and external members of the supervisory board committees waived part of their remuneration from membership in the supervisory board in the amount of 30 %, for the period from March 1 2020 to May 31 2020, and the general meeting approved the reduction of payments in the stated amount and for the specified period.

Shareholders decided on the use of the accumulated profit, which stood at 2,418,286.50 € as at 31 December 2019. It was decided that the total accumulated profit was used for the payment of dividends in the gross value of 0.15 per share. Company paid dividends on 26 July 2019 to those shareholders who were on the day 25 July 2019 entered into the company's share register as shareholders of the company.

General Meeting granted a discharge for work in 2019 to the Chairmen of the Board and specifically to the Supervisory Board members. It further appointed a certified auditor for year 2020, namely the company BDO Revizija, d. o. o., Cesta v Mestni log 1, Ljubljana.

General meeting also adopted amendments to the company's articles of association, which determine the conditions and possibility of holding an electronic general meeting, and the new rules of Procedure of the General Meeting of Elektro Gorenjska, d. d., Company.

Compliance with the GRI (Global Reporting Initiative) Guidelines

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Annual report of the Elektro Gorenjska Group has been prepared in accordance with sustainable reporting and equally includes financial and non-financial data on operations. We report on business efficiency, environmental responsibility, employees and social care in Elektro Gorenjska Group. Annual report is prepared in accordance with GRI (Global Reporting Initiative) standards, which standardize the reporting of organizations on economic, environmental, social and managerial impacts and performance. Annual report discloses information on the organizational management, values and benefits that the Elektro Gorenjska Group creates for its stakeholders and the wider society, as well as on the links between the strategy and the commitment of the sustainable development of the company.

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FINANCIAL REPORT

OF ELEKTRO GORENJSKA
COMPANY





Management responsibility statement

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Management board of Elektro Gorenjska Company hereby approves the financial statements published and presented in this annual report and all other component parts of the annual report. Annual report provides a true and fair picture of the financial condition of the Company.

Management board certifies that relevant accounting principles were applied in drafting the financial statements and that accounting estimates were prepared according to the principles of prudence and due diligence.

Management board of Elektro Gorenjska Company approved the financial statements of the Company prepared for the financial year 2020 on March 31 2021.

Management board of Elektro Gorenjska Company is responsible for appropriate accounting in the company, for adoption of appropriate measures to protect the property and other assets, and hereby certifies that financial statements were prepared on a going concern basis and in line with the relevant legislation and Slovenian Accounting Standards.

At any time within 5 years after the year in which it was necessary to levy the tax, tax authorities may check the company's operations, which may result in an additional tax liability, default interest and penalties for corporate income tax or other taxes and charges. Management of the company has not been acquainted with any circumstances that could cause eventual significant liability in this respect.

Kranj, 31. 3. 2021

Chairman of the Board:
dr. Ivan Šmon, MBA

A handwritten signature in blue ink, appearing to read 'Ivan Šmon'. The signature is written in a cursive style with some loops and flourishes.



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INDEPENDENT AUDITOR'S REPORT

on separate financial statements

(Translation of the original report in Slovene language - for information purposes only)

To the shareholders of Elektro Gorenjska, d.d.

Ulica Mirka Vadnova 3A,
 4000 Kranj

Opinion

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

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and 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 (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached financial statements.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 4,884,562 EUR in the year ended December 31, 2020.

The Company constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Company, are valued at estimated costs of hours spent, which include personnel expenses and other indirect costs, as well as direct costs of materials and transport. The

Our response

Our audit procedures included:

- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by accounting standards.
- Testing the design and implementation of internal controls and testing of internal controls in the part related to the recognition of personnel expenses, costs of materials and



determination of hourly rates for personnel expenses and judgment regarding which types of indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Company uses assumptions and judgments for recognising tangible fixed assets as they are determined by accounting standards.

Disclosures regarding this matter are included in note 11.5 Typical accounting policies and estimates - Tangible fixed assets, note 13.2 Tangible fixed assets, which relates to point 13 Notes to the balance sheet as well as note 14.2 Capitalized own products and own services, which relates to the point 14 Notes on profit and loss account items.

- services and fixed assets.
- Familiarization with the method of recognising fixed assets constructed by the Company.
- Examination of the methodology and assumptions used by the Company in calculating the cost of personnel and verification of the completeness and accuracy of data used.
- Recalculation of the personnel costs and comparison with the calculation for the current year and to market data.
- Testing, on a sample of selected items, of capitalised own products and services, where we:
 - assessed whether the appropriate personnel expenses have been used;
 - obtained the bases for the cost of material and transport;
 - conducted interviews with persons responsible for construction of fixed assets;
 - verified supporting accounting documents and entries in the financial statements.
 The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.

Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company and Group Elektro Gorenjska, d.d., but does not include the financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

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, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures, we report on the following:

- other information is consistent with audited financial statements in all respect;
- other information is prepared in line with regulatory requirements and
- based on our knowledge and understanding of the Company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management, Supervisory Board and Audit Committee for the Financial Statements

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

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



The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process. The Supervisory Board is responsible for confirming the audited annual report.

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism 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.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on June 23, 2020 for the financial years 2020 - 2022. The engagement letter for the three years was signed on July 1, 2020. We have been performing the statutory audit of financial statements for four years without interruption. The audit partner responsible for the audit is Maruša Hauptman.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 16, 2021.



Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

Other Services of the Auditor

In addition to the statutory audit services and services disclosed in the annual report, no other services were provided by us to the Company.

Ljubljana, April 16, 2021

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor
Procurator

Financial statements of Elektro Gorenjska Group for business year ended as at 31. 12. 2020

10

10.1. Balance Sheet of Elektro Gorenjska Company as at 31. 12. 2020

Item	Note	31. 12. 2020	31. 12. 2019
in €			
ASSETS			
A. LONG-TERM ASSETS		226,131,825	224,631,396
I. INTANGIBLE ASSETS AND LONG-TERM ACCRUED AND DEFERRED ASSET ITEMS		1,729,700	1,848,586
13.1.			
1. Log-term property rights		1,709,306	1,743,231
5. Other long-term accrued and deferred asset items		20,394	105,355
II. TANGIBLE FIXED ASSETS		205,680,813	201,326,863
13.2.			
1. Land and buildings		152,522,239	148,987,726
a) Land		7,157,150	7,027,943
b) Buildings		145,365,089	141,959,783
2. Production plant and equipment		50,025,003	49,557,415
3. Other plant and equipment		70,851	71,972
4. Tangible fixed assets in acquisition		3,062,720	2,709,750
a) Tangible fixed asset under construction and manufacture		3,016,115	2,529,809
b) Advances for the acquisition of fixed assets		46,605	179,941
III. INVESTMENT PROPERTY		1,801,286	1,794,772
13.3.			
IV. LONG-TERM FINANCIAL INVESTMENTS		16,733,791	19,588,261
13.4.			
1. Long-term financial investments, excluding loans		16,590,993	19,445,463
a) Shares and stakes in group companies		13,715,303	13,715,303
b) Shares and stakes in associate companies		2,875,690	5,730,160
2. Long-term loans		142,798	142,798
b) Long-term loans to others		142,798	142,798
V. LONG-TERM OPERATING RECEIVABLES		186,235	72,914
3. Long-term receivables due from others		186,235	72,914

*table continues on the next page

Item	Note	31. 12. 2020	31. 12. 2019
in €			
B. SHORT-TERM ASSETS		12,606,624	9,576,105
I. ASSETS (GROUP FOR DISPOSAL) FOR SALE	13.5.	2,854,470	138,797
II. Stocks	13.6.	528,963	509,837
1. Material		528,963	509,837
III. SHORT-TERM FINANCIAL INVESTMENTS		4,643	181,670
1. Short-term financial investments, excluding loans		4,643	181,670
c) Other short-term financial investments		4,643	181,670
IV. SHORT-TERM OPERATING RECEIVABLES	13.7.	5,275,144	5,340,577
1. Short-term receivables due from Group companies		51,442	43,795
2. Short-term trade receivables		5,040,968	5,226,769
3. Short-term receivables for income tax		88,692	0
4. Short-term receivables due from others		94,042	70,013
V. MONETARY ASSETS	13.8.	3,943,404	3,405,224
C. SHORT-TERM ACCRUED AND DEFERRED ASSET ITEMS	13.9.	664,710	1,435,568
TOTAL ASSETS		239,403,159	235,643,069

Balance Sheet of the Company as at 31. 12. 2020 (continued from previous page)

Item	Note	31. 12. 2020	31. 12. 2019
in €			
LIABILITIES			
A. Capital	13.10.	163,211,293	159,773,376
I. Called-up capital		104,136,615	104,136,615
1. Share capital		104,136,615	104,136,615
II. Capital reserves		45,973,479	45,973,479
III. Profit reserves		11,473,440	7,505,790
1. Statutory reserves		3,456,983	3,155,368
5. Other profit reserves		8,016,457	4,350,422
V. Reserves arising from fair value measurement		-445,058	-260,795
VI. Net profit or loss from previous periods		8,171	29,874
VII. Net profit or loss for the period		2,064,646	2,388,413
1. Unused part of net profit for the current financial year		2,064,646	2,388,413
B. Provisions and long-term accrued and deferred liability items	13.11.	15,924,984	15,346,903
1. Provisions for pensions and similar liabilities		3,402,770	3,087,353
2. Other provisions		5,741,100	5,543,132
3. Long-term accrued and deferred liability items		6,781,114	6,716,418
C. Long-term liabilities	13.12.	45,327,985	47,232,983
I. Long-term financial liabilities		44,987,024	46,734,811
2. Long-term financial liabilities to banks		44,987,024	46,734,811
II. Long-term operating liabilities		34,384	219,540
4. Long-term operating liabilities based on advances		34,384	34,719
5. Other long-term operating liabilities		0	184,821
III. Deferred tax liabilities	13.13.	306,577	278,632

*table continues on the next page

Item	Note	31. 12. 2020	31. 12. 2019
in €			
Ā. Short-term liabilities		13,095,622	12,361,067
II. Short-term financial liabilities	13.14.	7,770,575	7,623,514
2. Short-term financial liabilities to banks		7,747,788	7,597,787
4. Other short-term financial liabilities		22,787	25,727
III. Short-term operating liabilities	13.15.	5,325,047	4,737,553
1. Short-term operating liabilities to Group companies		21,527	18,881
2. Short-term operating liabilities to suppliers		2,453,087	1,514,149
4. Short-term operating liabilities based on advances		31,336	120,665
5. Short-term liabilities for income tax		0	67,665
6. Other short-term operating liabilities		2,819,097	3,016,193
D. Short-term accrued and deferred liability items	13.16.	1,843,275	928,740
TOTAL LIABILITIES		239,403,159	235,643,069

Explanatory notes are part of the financial statements and should be read in conjunction with them.

10.2. Profit or loss account of Elektro Gorenjska Company for business year ended as at 31. 12. 2020

Item	Note	2020	2019
in €			
1. Net sales revenue	14.1.	32,229,781	33,358,000
a. Net sales revenue on the domestic market		31,889,642	33,350,300
b. Net sales revenue in the foreign market		340,139	7,700
3. Capitalized own products and services	14.2.	4,884,562	4,870,184
4. Other operating revenues	14.3.	1,322,584	904,337
5. Costs of goods, material, and services		7,834,138	7,744,322
a. Costs of goods sold and material used	14.4.	4,353,681	4,380,919
b. Costs of services	14.5.	3,480,457	3,363,403
6. Labour costs	14.6.	12,750,942	12,174,804
a. Cost of wages and salaries		8,849,986	8,166,587
b. Social security cost		1,894,265	1,852,296
- of which the cost of pension insurance		1,226,834	1,205,375
c. Other labour costs		2,006,691	2,155,921
7. Amortization/depreciation expense	14.7.	11,277,787	10,968,935
a. Depreciation		11,016,062	10,641,476
b. Operating expenses from revaluation of intangible and tangible fixed assets		261,425	167,003
c. Operating expenses from revaluation of operating current assets		300	160,456
8. Other operating expenses	14.8.	411,640	467,938
9. Financial revenues from shares	14.9.	1,079,087	976,498
a. Financial revenue from interests in Group companies		1,056,166	624,075
b. Financial revenue from interests in associates		19,899	345,432
č. Financial revenues from other investments		3,022	6,991
10. Financial revenues from given loans		1	238
b. Financial revenues from loans given to others		1	238

*table continues on the next page

Item	Note	2020	2019
in €			
11. Financial revenues from operating receivables		17,963	13,242
b. Financial revenue from operating receivables due from others		17,963	13,242
12. Financial expenses from impairments and financial investment write-offs		13,929	0
13. Financial expenses from financial liabilities	14.10.	467,189	512,814
b. Financial expenses from loans, received from banks		467,189	512,814
14. Financial expenses from operating liabilities		21,312	47,125
b. Financial expenses from accounts and bills payable		922	107
c. Financial expenses from other operating liabilities		20,390	47,018
15. Other revenues		26	39
16. Other expenses		26,294	33,185
17. PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		6,730,773	8,173,415
18. Income tax	14.12.	670,532	1,012,299
19. Deferred taxes	14.13.	27,945	67,605
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		6,032,296	7,093,511

Explanatory notes are part of the financial statements and should be read in conjunction with them.

10.3. Statement of other comprehensive income of Elektro Gorenjska Company for business year ended as at 31. 12. 2020

Item	in €	
	2020	2019
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	6,032,296	7,093,511
Other componenets of comprehensive income	-176,092	-93,755
TOTAL COMPREHENSIVE INCOME	5,856,204	6,999,756

Explanatory notes are part of the financial statements and should be read in conjunction with them.

10.4. Cash flow statement of Elektro Gorenjska Company for business year ended as at 31. 12. 2020

Item	2020	2019
in €		
A. OPERATING CASH-FLOW		
a. Operating receipts	39,429,558	41,079,806
1. Receipts from sales of products and services	38,843,028	40,364,606
2. Income tax receipts	18,211	0
3. Other operating receipts	568,319	715,200
b. OPERATING EXPENDITURE	-20,275,231	-22,303,422
1. Expenditure for purchase of material and services	-4,072,438	-5,906,326
2. Expenditure for salaries and employees profit shares	-8,491,658	-8,738,468
3. Income tax expenditure	-845,100	-1,067,000
4. Expenditure for other duties	-3,583,925	-3,309,084
5. Other operating expenditure	-3,282,110	-3,282,544
c. POSITIVE OR NEGATIVE CASH FLOW FROM OPERATING ACTIVITIES	19,154,327	18,776,384
B. CASH FLOWS IN INVESTING ACTIVITIES		
a. Receipts in investing activities	1,823,673	3,490,111
1. Receipts from received interest and profit shares of others	1,092,551	983,251
3. Receipts from disposal of tangible fixed assets	162,444	67,562
4. Receipts from disposal of investment property	169,022	579,764
5. Receipts from disposals of financial investments	399,657	1,859,534
b. Expenditure in investing activities	-15,951,668	-18,197,088
1. Expenses for acquisition of intangible assets	-574,296	-488,067
2. Expenses for acquisition of tangible fixed assets	-15,138,598	-16,596,200
3. Expenses for acquisition of investment property	-5,582	-81,327
4. Expenses for acquisition of financial investments	-233,192	-1,031,494
c. Positive or negative cash flow from investing activities	-14,127,994	-14,706,977
C. CASH FLOWS IN FINANCING ACTIVITIES		
a. Receipts in financing activities	6,000,000	6,000,000
2. Receipts from increase in financial liabilities	6,000,000	6,000,000
b. Expenditure in financing activities	-10,488,154	-9,653,918
1. Expenditure for given interest referring to financing activities	-478,133	-521,779
3. Expenditure for repayment of financial liabilities	-7,591,734	-6,541,118
4. Expenditure for dividend and other profit share payment	-2,418,287	-2,591,021
c. Positive or negative cash flow from financing activities	-4,488,154	-3,653,918
Č. CLOSING CASH BALANCE	3,943,404	3,405,224
x. Cash flow for the period	538,179	415,489
y. Opening Cash Balance	3,405,224	2,989,735

Explanatory notes are part of the financial statements and should be read in conjunction with them.

10.5. Statement of changes in equity of Elektro Gorenjska Company for the business year ended as at 31. 12. 2020

a.) From January 1 2020 to December 31 2020:

		Capital reserves					Profit reserves		Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year	
Called-up capital		II.		II./2.		III./1.	III./5.	IV.	VI./1.	VII./1.	TOTAL CAPITAL	
I.		Share premium account	Capital re-reduction of share capital by withdrawal of shares	General equity revaluation		Statutory reserves	Other profit reserves	V.	VI.	VII.		
I./1.		II./1.	II./2.	II./2.	II./5.	III./1.	III./5.	IV.	VI./1.	VII./1.		
Events in Individual Capital Items												
A.1. BALANCE AS OF DECEMBER 31 2019		1	28,581	45,944,897	4,350,422	3,155,368	4,350,422	-260,795	29,874	2,388,413	159,773,376	
A.2. BALANCE AS OF JANUARY 1 2020		1	28,581	45,944,897	4,350,422	3,155,368	4,350,422	-260,795	29,874	2,388,413	159,773,376	
B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS		0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287	
g) Dividend payment		0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287	
B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD		0	0	0	0	0	0	-176,092	0	6,032,296	5,856,204	
a) Entry of net profit or loss for the reporting period		0	0	0	0	0	0	0	0	6,032,296	6,032,296	
c) Other components of comprehensive income for the reporting period		0	0	0	0	0	0	-176,092	0	0	-176,092	
B.3. CHANGES WITHIN CAPITAL		0	0	0	3,666,035	301,615	3,666,035	-8,171	8,171	-3,967,650	0	
b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control		0	0	0	3,666,035	301,615	3,666,035	0	0	-3,967,650	0	
f) Other changes within capital		0	0	0	0	0	0	-8,171	8,171	0	0	
C. BALANCE AS OF DECEMBER 31 2020		1	28,581	45,944,897	8,016,457	3,456,983	8,016,457	-445,058	8,171	2,064,646	163,211,293	

Explanatory notes 13.10. Capital is part of the financial statements and should be read in conjunction with it.

in €

b.) From January 1 2019 to December 31 2019:

	in €															
	Called-up capital		Capital reserves			Profit reserves					Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year			
	I.	II.	III.	IV.	V.	VI.	VII.	TOTAL CAPITAL								
Events In Individual Capital Items																
A.1. BALANCE AS OF DECEMBER 31 2018	71,898,061	1	0	45,944,897	II./2.	28,581	0	28,581	0	28,581	0	28,581	0	2,591,021	155,364,641	
A.2. BALANCE AS OF JANUARY 1 2019	71,898,061	1	0	45,944,897	II./2.	28,581	0	28,581	0	28,581	0	28,581	0	2,591,021	155,364,641	
B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	-2,591,021	-2,591,021	
g) Dividend payment	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	-2,591,021	-2,591,021	
B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	7,093,511	6,999,756	
a) Entry of net profit or loss for the reporting period	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	7,093,511	7,093,511	
č) Other components of comprehensive income for the reporting period	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	0	-93,755	
B.3. CHANGES WITHIN CAPITAL	32,238,555	0	28,581	0	II./2.	28,581	0	28,581	0	28,581	0	28,581	0	29,874	-4,705,098	0
b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	0	4,350,422	0
e) Release of reserves for own shares and allocation into other components of capital	0	0	0	0	II./2.	0	0	0	0	0	0	0	0	25,077	0	0
f) Other changes within capital	32,238,555	0	28,581	0	II./2.	28,581	0	28,581	0	28,581	0	28,581	0	4,797	-4,797	0
C. BALANCE AS OF DECEMBER 31 2019	104,136,615	1	28,581	45,944,897	II./2.	28,581	0	28,581	0	28,581	0	28,581	0	29,874	-260,795	159,773,376

Explanatory notes 13.10. *Capital* is part of the financial statements and should be read in conjunction with it.

10.6. Distributable profit of Elektro Gorenjska Company for the business year ended as at 31. 12. 2020

Item	in €	
	2020	2019
1. Net profit or loss of the business year	6,032,296	7,093,511
2. + Net profit/loss from previous periods (deductible item)	8,171	29,874
4. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies:		
a) Statutory reserves	301,615	354,676
5. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies:		
a) Other profit reserves	3,666,035	4,350,422
7. DISTRIBUTABLE PROFIT	2,072,817	2,418,287

Explanatory notes are part of the financial statements and should be read in conjunction with them.

Bases for compiling financial statements

11

11.1. General accounting framework

Company keeps business books and prepares financial statements in accordance with Slovenian Accounting Standards 2016 (hereinafter SAS), the Companies Act (ZGD-1 and the Energy Act (EZ-1). Preparation takes into account the basic accounting assumptions: taking into account the indefinite duration of operation and the occurrence of business events. When formulating accounting policies for the preparation of financial statements, the company's management primarily considers comprehensibility, relevance, reliability and comparability.

Pursuant to Article 56 of ZGD-1, a company with its registered office in Slovenia that is superior to one or more companies in the Republic of Slovenia or abroad must prepare a consolidated annual report. Elektro Gorenjska Group consists of:

- › parent company Elektro Gorenjska, Ul. Mirka Vadnova 3a, Kranj,
- › company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100 % ownership of the controlling company; capital of this company as at 31. 12. 2020 amounted to 18,905,410 €, net profit for year 2020 was 1,257,453 €
- › company GEK vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100 % ownership of controlled company Gorenjske elektrarne; capital of this company as at 31. 12. 2020 amounted to 175,284 €, net profit for year 2020 was 23,116 €,
- › associate company ECE, Vrunc̃eva 2a, Celje, which is in 25.6744 % ownership of the controlling company; capital of this company as at 31. 12. 2020 amounted to 18,815,157 €, net profit for year 2020 was 500,081 €,
- › associate company Soenergetika, Stara cesta 3, Kranj, which is in 25 % ownership of company Gorenjske elektrarne; capital of this company as at 31. 12. 2020 amounted to 1,672,300 €, net profit for year 2020 was 541,978 €.

In addition to the listed companies, Elektro Gorenjska Group also consists of the company Informatika d. d., in which the company Elektro Gorenjska holds 10.44 % stake. Due to insignificance, this company is not included in the group financial statements of that company.

Company does not disclose those data for which it reasonably estimates that their disclosure could cause significant damage to the company. Business year of the company is the same as the calendar year. Degree of accuracy in reporting is 1 €.

11.2. Recognition of exchange differences

Reference exchange rate of the European Central Bank, which is published on the Bank of Slovenia's website on the day of an individual events, is used to convert items of assets and liabilities originally denominated in foreign currency. Final balances of monetary items are translated according to the exchange rate published on the balance sheet cut-off date.

Recalculations of financial assets denominated in foreign currencies that are monetary items are recognized in profit or loss. Recalculations of other financial assets denominated in foreign currencies are recognized in accordance with their classification.

Exchange rate differences arising from the settlement of monetary items or translation of monetary items at exchange rates other than those at which they were translated at initial recognition in the period are recognized in profit or loss in the period in which they arise.

11.3. Reporting by business and geographical segments

Company reports by the following geographical segments: Slovenia, other EU countries, other non-EU countries.

Business segment is a recognizable component of a company that deals with an individual service or a group of related services; however, the risks and returns associated with it differ from those in another business segments.

Company presents its operations in the financial year 2020 or in the period from 1. 1. 2020 to 31. 12. 2020 by the following business segments - activities:

- › activity contract with SODO and
- › other activities.

Balance sheet, income statement and cash flow statement by business segments are presented in chapter *21. Financial statements by activities.*

11.4. **Criteria for allocating indirect costs (expenses), revenues, assets and funds according to individual activity**

11.4.1. **General**

Reported business performance and financial position of individual activities are affected by both direct and indirect revenues and costs (expenses), as well as assets and sources of funds attributed to the activity directly or indirectly.

Criteria presented below for the allocation of indirect costs (expenses), revenues, assets and funds by activities take into account the sectors or organizational units, according to which we recorded business events in 2020. Organizational scheme presents in chapter *6.1. Management Board*, came to life in terms of accounting and financial monitoring of operations in 2020.

All revenues and costs (expenses), assets and sources of funds are originally recognized in the organizational units (hereinafter: OU). Where they are generated. Where this is not possible or appropriate, they shall be allocated to more than one OU in the original recognition, in accordance with pre-agreed criteria. In doing so, the criteria for allocating indirect revenue, costs (expenses), assets and funds shall take into account in particular the following:

- › number of employees per activity and
- › area of real estate used by a particular OU in an individual facility.

11.4.2. **General criterion for allocating indirect revenues, costs (expenses), assets and funds according to activities**

Indirect revenues and expenses mainly represent revenues and expenses of general services: management, corporate services sector (CS sector) and information and communication technology sector (ICT sector), excluding revenues and costs (expenses) of these services achieved in relation to associated companies, in connection with the provision of legal, personnel, accounting, financial and other similar services. Revenue generated in relation to associated companies is initially recognized in other activities. Costs incurred in connection with the provision of services to associated companies are recorded directly in other activities.

This determined indirect revenues and costs (expenses), assets and funds of general services are allocated to activities on the basis of criteria. Following two criteria are used:

- › number of employees and
- › number of fixed assets.

On this basis, indirect costs (expenses), revenues, assets and funds of general services were allocated to the activity Contract with SODO in the amount of 91 %, and to other activities in the amount of 9 %.

11.4.3. Other important criteria for allocating indirect revenues, costs (expenses), assets and funds according to activities

Mutual relations between OUs or activities include in particular the following:

- › Intangible and tangible assets, long-term accrued and deferred asset items, long-term operating receivables, assets for sale, short-term operating receivables, provisions and long-term accrued and deferred liability items, part of short-term operating liabilities, short-term accrued and deferred liability items and stocks are originally recognized by individual OU. Exceptions are intangible and tangible assets that relate to several activities (i.e. combined assets). These assets are redistributed from the original OU to the OU to which they relate. Assets and funds recognized in general services (Management Board, CS sector, ICT sector) are allocated to individual activities according to the key for the allocation of combined assets or general criterion.
- › All investment property and long-term financial investments are recognized in other activities.
- › Long-term and short-term financial liabilities to banks are allocated by activity according to the purpose for which the loans were obtained.
- › Interest costs for loans obtained from banks are distributed by activities, according to the share of financial liabilities charged to an individual activity or as defined in the previous paragraph.
- › Cash is originally recorded to the OU, where the receivable or the obligation by which the payment is closed or to the OU on which the cost is recorded. If the expenditure relates to the payment of liabilities originally recognized by the Management Board, such payment for the preparation of statements by activities shall be subsequently allocated accordingly.
- › Liabilities from corporate income tax are fully recorded in the Management Board. When preparing the income statement by activities, corporate income tax is taken into account in each of the activities. Value related to an individual activity is calculated in the basis of data for the calculation of corporate income tax by OU (DDPO calculation is prepared at the activity level). Interim advance payments of corporate income tax and receivables or liabilities as at December 31 are recorded in the Management Board. When preparing the balance sheet by activities as at December 31, liabilities and receivables from corporate income tax on activity are allocated on the basis of the actual calculation of DDPO by activities. Liabilities and receivables by activity are recognized according to the actually paid advances by activities and the final settlement of DDPO by activity.

11.5. Typical accounting policies and estimates

Change in accounting policies and accounting standards

In May 2020, the expert council of the Slovenian Institute of Auditors adopted an explanation to SAS 15 Revenues, which deals with the accounting of state aid due to COVID-19. In 2020, the company complied with the explanation and discloses all state support obtained to contain or eliminate the consequences of the COVID-19 epidemic in separate analytical accounts, while at the same time disclosing in the notes to the financial statements their nature (type) and amount.

Tangible fixed assets

Tangible fixed asset is an asset that the company owns or leases or otherwise controls and uses in the creation of products or the provision of services or rental, or for office purposes and is expected to use it for these purposes in more than one accounting period.

Acquisition cost of tangible fixed asset consists of:

- › purchase price (expenses for the purchase, construction and upgrading of fixed assets);
- › import and non-refundable purchase taxes, and
- › costs directly attributable to preparing it for the intended use:
 - expenditure for project and construction documentation on the basis of which the purchase, construction or upgrade was made;
 - expenditure for site preparation (excavation, backfilling, drainage);
 - expenditure on the necessary permits for the construction of connections to the energy, heat, water supply, sewerage network, telephone network and for lightning and other protection;
 - transport and installation costs;
 - costs of entry in the land register;
 - costs of testing the operation of the asset less any revenue from the sale of effects;
- › borrowing costs related to the acquisition of a tangible fixed asset until it is ready for use, if it is incurred for more than one year.

Acquisition cost of a tangible fixed asset constructed or produced in the company includes costs that are directly related to it, and the general costs of construction, which can be attributed to that asset. Costs not related to its construction or making, and costs that the market does not recognize are not included in the acquisition price. Acquisition cost of such tangible fixed asset cannot be greater than the acquisition cost of an identical or similar tangible fixed assets on the market. Acquisition cost of tangible fixed asset constructed or produced in the company thus consists of hours of direct labor, material costs (valued at the weighted average price at the level OE) and other direct production costs (administrative and legal fees, notary services...).

Borrowing costs are charged at the end of the investment; in the event that the investment is not completed in the current year, on the last day of the accounting period to the project items (investment items) listed in the loan agreement and those project items that are not listed by name and their planned value exceeds 400,000 €.

If the newly acquired and recognized building, which is part of tangible fixed assets due to the construction of new building, which will be part of the tangible fixed assets, is disposed, the carrying value of the existing building is the cost of site preparation, which is included in the cost of the new building.

Company estimates that it has no significant obligations for decommissioning, restoration and similar obligations. Company does not have fixed assets that represent rights to use, and lease liabilities. Short-term leases and leases in which the asset that is the subject of a lease is of small value, are not recognized as assets but are recognized as an expense in the lease.

Under tangible fixed assets and not investment property we record also the electricity distribution infrastructure leased under operating lease to SODO under the Contract with SODO. Company considers that such disclosure is in accordance with their nature, as the content is an ownership use of assets. In addition, the company also does not originally own it in order to earn rent or other returns.

For measuring the tangible fixed asset after recognition the company uses the cost model. At the end of the financial year it is assessed whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed.

Depreciable amount of tangible fixed assets is equal to their acquisition cost, reduced by any eventual impairment.

If subsequently incurred costs related to tangible fixed assets, increase its future benefits compared to the originally estimated, its cost increases. However, if the costs are increasing the useful life of the asset, the acquisition cost of tangible fixed asset is increased for the value of these costs and the useful life is extended. Costs related to tangible fixed asset that are incurred later and are required to function normally are disclosed as maintenance costs.

Straight-line depreciation method is used. Average useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Buildings of energy infrastructure	25 - 50	2 - 4
Other buildings	20 - 50	2 - 5
Equipment of energy infrastructure	10 - 35	2.86 - 10
Computer hardware equipment	3	33.33
Other equipment	2 - 20	5 - 50
Vehicles	7 - 12	8.33 - 14.29

Intangible assets and long-term accrued and deferred asset items

Intangible asset is a recognizable non-monetary asset, which generally does not exist physically. Intangible assets are initially recognized at cost, less accumulated amortization and accumulated impairment losses. Impairment of intangible assets with a definite useful life is carried out in the same way as for tangible fixed assets.

Company does not have intangible fixed assets that represent rights to use, and lease liabilities. Short-term leases and leases in which the asset that is the subject of a lease is of small value, are not recognized as assets but are recognized as an expense in the lease

Straight-line depreciation method is used. Useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Computer software equipment	3-7	14.29-33.33
Other rights	33-100	1-3.33

Investment property

Investment property is property owned by the company in order to bring rent and/or to increase the value of long-term investment.

They are mainly:

- › land held for increasing the value of long-term investment rather than for short-term sale in the ordinary course of business;
- › land that has no future use determined by the company;
- › building in single or multiple operational leasing;
- › vacant buildings owned to hire out in single or multiple operational leasing;
- › property that is being constructed or developed for future use as investment property.

Investment property does not include:

- › real estate used by employees (for example apartments hired out for operational leasing to the employees);
- › real estate hired out for a long-term operational leasing to company SODO Maribor, on the basis of a long-term contract with SODO;
- › property comprising Sava HE, in connection with which a denationalization dispute is in progress. Until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne.

All of the above listed real estate is treated as a component part of the tangible fixed assets.

For measuring investment property after recognition model of acquisition value is used, reduced by depreciation and eventual impairments. Straight-line depreciation method is used. Useful lives of larger groups of depreciable investment property are between 25 to 50 years, while their depreciation rates between 2 and 4 %.

Financial investments

Financial investments are financial assets that are shown in the balance sheet as long-term and short-term financial investments.

All long-term investments in the capital of other companies are classified in the fourth group, i.e. financial assets available for sale. When accounting for the ordinary purchase or sale of a financial asset, such financial asset is recognized in the books and balance sheet taking into account the trade (exchange) date, i.e. the date on which the company commits to buy or sell the asset.

Upon initial recognition, the financial investment is measured at fair value. Initial value is added also transaction costs arising from the acquisition or issue of financial assets, except for investments classified as financial assets at fair value through profit or loss. Financial investments in subsidiaries or associate companies and joint ventures are measured using the cost model.

If there is objective evidence that an impairment loss has been incurred in an investment in an equity instrument that is not quoted in an active market and is not carried at fair value but at cost because its fair value cannot be measured reliably, or in a derivative that is related to it and must be settled by the delivery of equity instruments for which no price is quoted in an active market, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future discounted cash flows at current market returns for similar financial assets, and is recognized as a revaluation financial expense.

Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service. Company recognizes a receivable on the basis of the relevant documents when the contractual rights attached to it begin to be exercised and it is probable that the economic benefits associated with it will flow in.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, for received payments and other forms of settlement. After their initial recognition claims are measured at their amortized cost.

In the statement of financial position long-term claims, which are already due (but not yet settled), and long-term claims, which are due in one year after the balance sheet date at the latest, are recognized as short-term claims.

At least quarterly, before compiling the financial statements, we verify the suitability of individual recognized claim's amounts. Receivables, which are assumed to not be settled wholly or partially, are recognized as doubtful; if they result in legal proceedings or there is a dispute about their pay, they are recognized as disputable. Company forms a 100 % value adjustment for both. To this end, the company has established appropriate records. In the records of disputable claims it classifies all claims:

- › in the execution procedures based on the execution title;
- › in the execution procedures based on the authentic document (e.g. action) and
- › in the insolvency proceedings (composition proceedings, simplified composition proceedings, and bankruptcy proceedings).

Company classifies receivables as doubtful receivables if the receivables are older than 90 days. Company may reduce the value adjustment based on the verification of the value of the receivable by individual business partner in the case of payments up to the date of data preparations, agreements between business partners on deferral of payments, insurance of receivables and other justified reasons.

Based on justified reasons that individual receivables will not be settled or will not be settled in full, the company may classify as doubtful receivables also receivables that are due for payments in less than 90 days.

Stocks

Stock of material includes the quantities in the warehouse that will be used to create products or provide services.

Quantity units of stock materials (including small tools and packaging) are initially recognized at the purchase price. Cost comprises of the purchase price, import and non-refundable charges and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of OE. Moving average price is calculated on a daily basis. Company continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value.

Monetary assets

Monetary assets include:

- › cash on transactional and foreign currency accounts in banks or other financial institutions that can be used to make payments, and
- › cash equivalents.

Cash equivalents are investments that can be quickly or in the near future converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Company also includes deposits, bank deposits and loans among the companies in the Group with a maturity of up to three months, and receipts from their disposals, among cash equivalents.

All current accounts are kept in Euros, only current account in Gorenjska bank is opened also as foreign currency account. Account in Sberbank represents a saving account.

Revaluation of monetary assets is a change of their carrying value and can be done at the end of the financial year or during the year. Revaluation occurs only in case of assets in foreign currencies if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and in first case it represents financial revenue related to monetary assets or in the second case a financial expenditure related to monetary assets.

Capital

Entire capital of the company consists of called-up capital, capital reserves, profit reserves, reserves arising from the valuation at fair value, retained earnings or loss from previous years and temporarily undistributed net profit or outstanding loss for the financial year.

If the company acquires own share in the financial year, it forms reserves for own shares on the balance sheet cut-off date in the amount of the amounts paid for the acquisition of own shares. Company uses the cost method. Full amount paid for the purchase of own shares is recognized as capital and reserves are formed for them.

Reserves arising from fair value valuation relate to the increase or decrease in actuarial gains and losses on severance pays upon retirement, and the amounts of proven gains or losses from changes in the fair value of financial assets available for sale that are not part of the hedging relationship. Reserves arising from the valuation of financial investments at fair value arise from the measurement of financial investments at fair value and are adjusted for changes in fair value. They are eliminated through income statement.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

Debts

Debts are recognized liabilities related to the financing of own funds that need to be repaid or settled, especially in cash. Deferred tax liabilities are treated as a special type of debts.

In the balance sheet, long-term debts that have already fallen overdue (but not yet settled) and long-term debts due and payable not later than one year after the balance sheet date, are recognized as short-term debts. Debts can be financial (borrowings under the loan agreements, liabilities to lessors in finance lease) or business (purchased materials and services from suppliers, liabilities to employees, liabilities to the state, liabilities to customers for advances and securities).

After initial recognition, debts are measured at amortized cost. They are increased by implied interest and decreased by paid amounts and any other settlements, agreed upon with creditors. Debt is eliminated when the contractual rights to cash flows from it expire (after the expiration of the statute of limitations) or when the debt is transferred and thus transfers almost all the risks and benefits arising from its ownership.

Provisions

Provision is a present obligation that arises from binding past events and is expected to be settled in a period not determined with certainty, and the amounts to be settled can be measured reliably. Contingent liabilities are not considered provisions. Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs. Provisions are recognized in the accounting records and balance sheet if:

- › there is a present obligation (legal or indirect) due to a past event;
- › it is likely, more likely than not, that the settlement of the obligation will require an outflow of resources providing economic benefits;
- › the amount of the liability can be measured reliably.

More likely than not means that there is a greater than 50 % probability that an obligation of the organization exists. If it is more likely than not that the current obligation does not exist, the organization discloses the contingent liability. Organization only discloses a contingent liability even in extremely rare cases where it is not possible to estimate the amount of the liability reliably.

Provisions include also long-term employee benefits, which are according to IAS 19 divided into:

- › long-service bonus, which belongs to other long-term employee benefits;
- › severance pay upon retirement, which belongs to post-employment benefits, and
- › severance pay upon termination of employment, which belongs to severance pays.

Provisions for long service bonuses and severance pays at retirement are formed in the amount of estimated future payments based on the actuarial report on measuring long-term benefits in accordance with SAS 10, taking into account the International Accounting Standard 19 (IAS 19 – Employee Benefits), as SAS 10 does not specify more detailed content and rules for measuring liabilities. SAS 10 differs from IAS 19 only in the flat-rate (proportional) elimination of actuarial gains and losses in retained earnings for employees for whom the provision for retirement benefits is eliminated.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date the company establishes and in the profit or loss account recognizes revenues or expenses in connection with the adjustment of provisions for retirement benefits from:

- › amount of additional provisions for current service costs relating to severance pays for the current year;
- › amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);
- › accrued interest in respect of the provisions (as additional cost of provisions);
- › effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under reserves, arising from fair value measurement, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date the company determines and recognizes in the profit or loss revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses). Severance pays on termination of fixed-term employment are recognized by the company as short-term accrued costs and deferred revenue (short-term deferred costs) and not as provisions.

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities for which the provisions were formed, have already been used out or there no longer is a need for them. Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

Accrued and deferred liability items

Accrued and deferred liability items are receivables and other assets and liabilities that are expected to arise within the period for which they are formed and whose occurrence is probable and the amount of which is reliably estimated.

Accrued and deferred liability items can be active (capitalized) or passive (extended). Former can be considered as receivables in a broader sense, as they differ from both cash and goods, and the latter as debts in a broader sense, as they in any case differ from capital as liabilities to owners.

Accrued and deferred liability items that will be applied in one year are defined as short-term, while those that will be used in a longer period are defined as long-term. Among long-term accrued and deferred liability items the company also classifies:

- › state support and donations received to obtain fixed assets or cover certain costs;
- › tangible fixed assets taken over free of charge;
- › received assets – contributions for average connection costs;
- › earmarked assets for co-financing the construction of tangible fixed assets.

Company also classifies accrued costs of unused annual leave as short-term accrued and deferred liability items.

Deferred tax assets and liabilities and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits. Receivables and deferred tax liabilities are not recognized in the accounting records if the amounts of deferred tax assets and deferred tax liabilities are individually or jointly insignificant for the company.

Deferred income tax is determined using tax rates (and laws) that are in effect at the balance sheet date and which are expected to be in effect when the related deferred tax asset is realized or the deferred tax liabilities settled and when a taxable profit against which it will be possible to eliminate temporary differences is available.

At the end of each reporting period the company reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset if it is probable that future profit will allow the coverage of deferred tax assets.

Current income tax is the amount of tax that is expected to be payable on the taxable income for the year, using tax rates established or substantially effective at the reporting date, and any eventual adjustments to tax payable in respect of previous years.

Revenues

Revenue is recognized by the company when an increase in economic benefits is connected to the increase in an asset or a decrease in the debt and that this increase can be measured reliably. Company recognizes revenue when it is reasonably expected to receive compensation for them and has transferred control of the goods or services to the customer.

Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are according to the Contract with SODO not recognized as revenue, but as operating liabilities to SODO.

Operating revenue is revenues from sales, capitalized own products and services and other operating revenues associated with business impact. These include also operating revenues from revaluation that occur mainly on the sale of tangible fixed assets and investment property at a price that exceeds their book value, or as a result of adjustment of receivables.

Other revenues consist of unusual items and other revenues that increase the profit or loss. As part of this revenue, the company also discloses state support obtained to contain or eliminate the consequences of the COVID-19 epidemic.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares of others as well as financial revenues from revaluation.

Interest on unpaid claims are not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Company also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the company recognizes revenue

gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation . To measure the progress it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in these construction contracts.

Expenditure

Expenditure is classified into operating, financial and other expenses. Operating and financial expenses are considered regular expenses.

Operating expenses include all costs incurred in the period and operating expenses from revaluation. Latter occur mainly due to the impairment of tangible fixed assets, intangible assets, investment property, accounts receivable and stocks, as well as the sale or other disposal of tangible fixed assets and investment property at a price that is lower than their carrying value.

Financial expenses are financing expenses and investment expenses. First consist primarily of interest, while second are primarily of revaluation financial expenses nature. Latter are due to impairment of financial investments and due to the sale or other disposal at a price that is lower than their book value. Interest expenses are recognized according to the elapsed time and the applicable interest rate.

Other expenses consist of unusual items and other expenses that reduce the profit or loss.

Cash flow statement

Cash flow statement has a sequential staggered form and is prepared using the direct method (version I).

For the purpose of preparation of cash flows cash equivalents are classified as monetary assets as well. These are short term, highly liquid investments that are readily convertible to known amounts of cash and where the risk of changes in value is insignificant. Company treats the short-term deposits and deposits with banks and loans between companies in the Group with a maturity of up to three months after the acquisition, and receipts from their disposal, as cash equivalents.

For each group of assets (of e.g. intangible assets and tangible fixed assets) as an increase (expenses) are treated the paid acquisition costs of the newly acquired assets, and as a reduction (income) the received payments for the value of assets disposed.

Cash flows relating to self-directed investments are classified as cash flows from investing activities. Cash flows from interest received and paid and dividends need to be classified under cash flows from operating, investing and financing activities.

Significant sources of uncertainty and assumptions used and basis in assessing these uncertainties and estimates

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12.1. Assumptions and estimates

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- › Determination of useful lives of intangible and tangible fixed assets
- › Value adjustments of doubtful receivables
- › Provisions estimate.

More is explained in chapter *11.5 Typical accounting policies and estimates*.

12.2. Transactions with SODO Company

In March 2021 the SODO Company received a preliminary settlement of the regulatory year 2020. Preliminary settlement for year 2020 was executed by SODO on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services and rent in year 2020 was by 872,707 € higher than the value established on the basis of the preliminary settlement. On this basis the company Elektro Gorenjska in 2020 reduced revenue by 872,707 € (short-term deferred revenues). In year 2019 revenues established on the basis of preliminary settlement of the regulatory year 2019 were by 1,222,443 € higher than the already charged ones during the year. In year 2019 the Elektro Gorenjska Company therefore recognized additional revenue (short-term accrued revenues) in the amount of 1,222,443 €.

Final settlements for regulatory years 2019 and 2020 will be executed by SODO on the basis of the decision by the Energy Agency, which will take into account the revised data of both contracting parties. In case the Agency issued a decision in which it established different surpluses or deficits than the ones established by SODO, both contracting parties are bound to consider the decision of the Agency.

12.3. Disputes in progress and related provisions

There are several disputes in progress, including important denationalization procedures, where Elektro Gorenjska Company acts as the liable party. Company does not disclose details regarding these disputes, as it estimates that such disclosures might threaten the benefits of the company.



Notes to the balance sheet items

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13.1. Intangible assets and long-term accrued costs and deferred revenues

Following tables present changes in intangible assets and long-term accrued costs and deferred revenues in years 2020 and 2019.

in €				
2020	Property rights	Property rights in acquisition	Other long-term accrued and deferred asset items	Total intangible assets and long-term accrued and deferred asset items
1	2	3	4	5=2+3+4
ACQUISITION COST				
Balance 31. 12. 2019	5,526,572	90,611	105,355	5,722,538
New acquisitions	300,394	248,489	4,480	553,364
Disposals, withdrawals, transfers	-235,212	0	-89,440	-324,652
Transfer from ongoing investments	323,643	-323,643	0	0
Balance 31. 12. 2020	5,915,398	15,456	20,394	5,951,249
VALUE ADJUSTMENT				
Balance 31. 12. 2019	3,873,952	0	0	3,873,952
Increase (depreciation)	581,962	0	0	581,962
Disposals, withdrawals, transfers	-234,365	0	0	-234,365
Balance 31. 12. 2020	4,221,549	0	0	4,221,549
CARRYING AMOUNT				
Balance 31. 12. 2019	1,652,621	90,610	105,355	1,848,586
BALANCE 31. 12. 2020	1,693,849	15,456	20,394	1,729,700

in €				
2019	Property rights	Property rights in acquisition	Other long-term accrued and deferred asset items	Total intangible assets and long-term accrued and deferred asset items
1	2	3	4	5=2+3+4
ACQUISITION COST				
Balance 31. 12. 2018	5,228,064	269,484	86,819	5,584,367
New acquisitions	514,102	393,425	119,983	1,027,510
Disposals, withdrawals, transfers	-787,893	0	-101,448	-889,340
Transfer from ongoing investments	572,299	-572,299	0	0
Balance 31. 12. 2019	5,526,572	90,611	105,354	5,722,537
VALUE ADJUSTMENT				
Balance 31. 12. 2018	4,142,439	0	0	4,142,439
Increase (depreciation)	519,405	0	0	519,405
Disposals, withdrawals, transfers	-787,893	0	0	-787,893
Balance 31. 12. 2019	3,873,952	0	0	3,873,952
CARRYING AMOUNT				
Balance 31. 12. 2018	1,085,625	269,484	86,819	1,441,928
BALANCE 31. 12. 2019	1,652,621	90,610	105,355	1,848,586

As at 31. 12. 2020, the value of intangible assets along with the long-term accrued costs and deferred revenues amounted 1,729,700 €.

Intangible assets refer mainly to long-term property rights, which represent rights to use computer software solutions or licenses. Property rights in acquisition include investments in renovation and modernization of computer software equipment. As at December 31 2020 the company had no financial obligations in respect of acquiring intangible fixed assets.

13.2. Tangible fixed assets

As at December 31 2020 tangible fixed assets amounted to 205,680,813 €, which represents 86 % of balance sheet total of the company. Compared to the balance as at December 31 2019 their value is by 2.2 % or 4,353,950 € higher.

Review of changes in tangible fixed assets in year 2020:

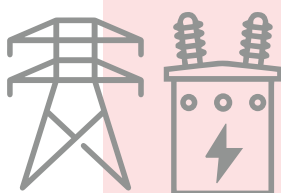
in €						
2020	Land	Buildings	Equipment	Tangible fixed assets under construction	Advances	Total tangible fixed assets
1	2	3	4	5	6	7=2+3+4+5+6
ACQUISITION COST						
Balance 31. 12. 2019	7,027,943	297,969,871	127,031,962	2,529,809	179,941	434,739,525
New acquisitions	125,023	49,615	2,380,229	12,628,392	211,800	15,395,059
Disposals, separations, transfers	-9,686	-1,276,990	-1,684,636	0	-345,135	-3,316,448
Transfer from ongoing investments	13,869	9,193,869	2,934,348	-12,142,086	0	0
Balance 31. 12. 2020	7,157,150	305,936,364	130,661,902	3,016,115	46,605	446,818,136
VALUATION ADJUSTMENT						
Balance 31. 12. 2019	0	156,010,088	77,402,574	0	0	233,412,661
Increase (depreciation)	0	5,662,532	4,729,654	0	0	10,392,186
Disposals, separations, transfers	0	-1,101,345	-1,566,178	0	0	-2,667,524
Balance 31. 12. 2020	0	160,571,274	80,566,049	0	0	241,137,323
CARRYING AMOUNT						
Balance 31. 12. 2019	7,027,943	141,959,783	49,629,387	2,529,809	179,941	201,326,863
Balance 31. 12. 2020	7,157,150	145,365,089	50,095,854	3,016,115	46,605	205,680,813

Review of changes in tangible fixed assets in year 2019:

in €

2019	Land	Buildings	Equipment	Tangible fixed assets under construction	Advances	Total tangible fixed assets
1	2	3	4	5	6	7=2+3+4+5+6
ACQUISITION COST						
Balance 31. 12. 2018	6,885,495	289,553,606	123,630,273	2,326,498	49,260	422,445,132
New acquisitions	134,345	7,656	2,260,614	13,083,174	149,487	15,635,277
Disposals, separations, transfers	-3,688	-1,595,303	-1,659,171	0	-18,807	-3,276,968
Transfer from ongoing investments	11,791	10,067,827	2,800,246	-12,879,863	0	0
Transfer to investment property	0	-63,915	0	0	0	-63,915
Balance 31. 12. 2019	7,027,943	297,969,871	127,031,962	2,529,809	179,941	434,739,525
VALUATION ADJUSTMENT						
Balance 31. 12. 2018	0	152,114,158	74,345,036	0	0	226,459,194
Increase (depreciation)	0	5,400,688	4,678,448	0	0	10,079,136
Disposals, separations, transfers	0	-1,477,069	-1,620,910	0	0	-3,097,979
Transfer to investment property	0	-27,690	0	0	0	-27,690
Balance 31. 12. 2019	0	156,010,088	77,402,573	0	0	233,412,661
CARRYING AMOUNT						
Balance 31. 12. 2018	6,885,495	137,439,447	49,285,237	2,326,498	49,260	195,985,937
Balance 31. 12. 2019	7,027,943	141,959,783	49,629,387	2,529,809	179,941	201,326,863

New acquisitions are presented in chapter [5.4.2 Investments](#).



Individually significant acquisitions are:

- › EO T0674 RTP Labore 20 kV – secondary equipment (812,067 €),
- › EO T0951 RP Naklo – primary equipment (587,120 €) and
- › 2X110 kV DV Bled – Soteska (190,635 €).

Disposals and withdrawals of tangible fixed assets are the consequence of new investments, investments in modernization and renovation (reconstruction) of existing assets.

Individually significant disposals (withdrawals) connected to energy facilities and devices are the following:

- › 20 kV DV RP Zagorice–KBV Žaga (reduction of acquisition cost by 64,835 € and revaluation adjustment by 64,835 €),
- › switchgear TR+ME, NNR (reduction of acquisition cost by 62,609 € and revaluation adjustment by 53,642 €) and
- › 20 kV DV RP Balos–Ljubelj (reduction of acquisition cost by 61,848 € and revaluation adjustment by 58,890 €).

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2020 amounted to 189,484,661 € (31. 12. 2019: 185,344,653 €). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Fixed assets are owned by the company and are not pledged as security for debts. Company Elektro Gorenjska also discloses among its tangible fixed assets the Sava Hydroelectric power plant, in connection with which a denationalisation dispute has already been initiated in previous years, which has not yet been completed by the date of preparation of this report.

Elektro Gorenjska has some tangible fixed assets in co-ownership with SODO Company. At the end of 2020, the carrying amount of parts of these assets owned by Elektro Gorenjska amounted to 945,418 €.

To finance new acquisitions of fixed assets the company took several long-term loans in year 2020 and previous years, whose balance on 31. 12. 2020 amounted to 52,734,811 € (31. 12. 2019: 54,332,598 €). Interest in the amount of 6,053 € was capitalized. Please see also chapter [13.12 Long-term liabilities](#).

13.3. Investment property

At the end of 2020 investment property amounted to 1,801,286 €. Changes in their acquisition value, valuation adjustment and their carrying amount in years 2020 and 2019 are presented in the following tables.

Review of changes in investment property in year 2020:

				in €
2020	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
ACQUISITION COST				
Balance 31. 12. 2019	470,235	1,947,785	0	2,418,020
New acquisitions	0	0	48,432	48,432
Transfer from ongoing investments	0	45,832	-45,832	0
Balance 31. 12. 2020	470,235	1,993,618	2,600	2,466,452
VALUATION ADJUSTMENT				
Balance 31. 12. 2019	0	623,248	0	623,248
Depreciation	0	41,914	0	41,914
Disposals, separations, transfers	0	4	0	4
Balance 31. 12. 2020	0	665,166	0	665,166
CARRYING AMOUNT				
Balance 31. 12. 2019	470,235	1,324,537	0	1,794,772
Balance 31. 12. 2020	470,235	1,328,452	2,600	1,801,286

Review of changes in investment property in year 2019:

	in €			
2019	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
ACQUISITION COST				
Balance 31. 12. 2018	484,118	2,035,448	4,240	2,523,805
New acquisitions	0	0	126,081	126,081
Disposals, separations, transfers	-13,883	-281,899	0	-295,782
Transfer from ongoing investments	0	130,321	-130,321	0
Transfer from tangible fixed assets	0	63,915	0	63,915
Balance 31. 12. 2019	470,235	1,947,785	0	2,418,020
VALUATION ADJUSTMENT				
Balance 31. 12. 2018	0	710,218	0	710,218
Depreciation	0	42,935	0	42,935
Disposals, separations, transfers	0	-157,594	0	-157,594
Transfer from tangible fixed assets	0	27,690	0	27,690
Balance 31. 12. 2019	0	623,248	0	623,248
CARRYING AMOUNT				
Balance 31. 12. 2018	484,118	1,325,230	4,240	1,813,588
Balance 31. 12. 2019	470,235	1,324,537	0	1,794,772

Following is the presentation of investment property structure.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Apartments	350,021	361,673
Holiday facilities	863,229	845,182
Other buildings	115,201	117,681
Land	470,235	470,235
Investment property in acquisition	2,600	0
Total investment property	1,801,286	1,794,772

Based on the appraisal carried out in 2020 by a certified appraiser of real estate in the Slovenian Audit Institute, fair value of investment property that the company stated in its balance on 31. 12. 2020 amounted to 3,665,521 €. All investment properties are owned by the company and are not pledged as security for debts.

Revenues from rent in investment property amount to 142,359 € (in year 2019: 191,039 €). Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2020, and direct operating expenses, which did not make revenues from rents in year 2020 consist of depreciation costs (41,914 €) and costs of material and services (66,156 €). In year 2019 costs of depreciation were 42,935 € and costs of material and services 92,172 €.

13.4. Long-term financial investments

On December 31 2020 long-term financial investments amounted to 16,733,791 €. Compared to the balance as at 31. 12. 2019 their value decreased by 2,854,470 €, whereas part of the investment in associated company ECE was reallocated to assets held for sale.

Long-term financial investments are not pledged as guarantee for debts. We estimate that the fair value of long-term financial investments that are not subsidiaries is equal to the disclosed value.

With regard to long-term financial investments, the company is primarily exposed to the risk of adverse changes in the fair value of long-term financial investments. Company does not possess special financial instruments to hedge from this risk. Exposure to risks and hedging systems are explained in chapter [5.9 Risks and their Management](#).

Investment	Number of shares		Share in the ownership (in %)		Balance	
	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020
	Investment in share in Gorenjske elektrarne d. o. o.			100,00 %	100,00 %	13,715,303
Total investments in shares and stakes in group companies					13,715,303	13,715,303
ECE d. o. o.			25,6744 %	12,5805 %	5,606,005	2,751,535
Informatika, d. d., Maribor	1,562	1,562	9,56 %	10,44 %	124,155	124,155
Total investments in shares and stakes in associated companies					5,730,160	2,875,690
Total long-term financial investments, except loans					19,445,463	16,590,993
Long-term invested funds (Eldom Maribor)					142,798	142,798
Total long-term loans					142,798	142,798
TOTAL LONG-TERM FINANCIAL INVESTMENTS					19,588,261	16,733,791

13.5. Assets for sale

Assets for sale amounted to 2,854,470 € as at 31. 12. 2020. They represent a 51 % of an investment in the associated company ECE, in connection with which the company signed a contract for the sale and transfer of business shares in December 2020. Fulfilment of the contract is subject to two conditions which have not yet been met by the date of this report.

13.6. Stocks

Value of stocks of material and small tools as at 31. 12. 2020 amounted to a total 528,963 €. Company estimates that net realizable value of stocks is at least equal to their book value. Company has no pledged stocks as a guarantee for its liabilities.

Movement of material stocks in years 2020 and 2019 is shown in the following table.

Item description	in €	
	2020	2019
Material stocks at the beginning of the period 1. 1.	509,837	270,894
Purchases	3,598,029	3,871,833
Sale	-48	-118
Consumption	-3,450,317	-3,484,132
Transfer of small tools in use	-128,538	-148,639
Material stocks at the end of the period 31. 12.	528,963	509,837

In the inventory as at 31. 10. 2020, no surpluses or shortages of stocks were identified. Structure of stocks is shown in the following table.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Material and raw materials	502,871	490,646
Small tools	26,092	19,191
Total	528,963	509,837

13.7. Short-term operating receivables

Short-term operating receivables as at 31. 12. 2020 amounted to 5,275,144 €.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Short-term receivables to group companies	51,442	43,795
Short-term accounts receivable	5,221,014	5,532,300
Short-term advances	1,092	13,518
Adjustment of short-term accounts receivable	-181,138	-319,049
Short-term accounts receivable	5,040,968	5,226,769
Short-term receivables for income tax	88,692	0
Short-term operating receivables from others	95,219	163,276
Adjustment of short-term receivables from others	-1,177	-93,263
Short-term operating receivables from others	94,042	70,014
Short-term operating receivables	5,275,144	5,340,577

Short-term operating receivables are entirely unsecured.

Breakdown of short-term trade receivables (network charge services and other market services) including receivables referring to default interest as of December 31 2020 according to maturity terms is shown in the following presentation:

Item description	Not yet due	Due within 30 days	Due within 31-60 days	Due within 61-90 days	Due within more than 90 days	Total amount due	in €
							Total accounts receivable
1	2	3	4	5	6	7=3+4+5+6	8 =2+7
Claims on buyers of network charge and services	4,887,240	147,371	1,666	92	175,688	324,816	5,212,056
Default interest claims	1,388	267	15	0	7,289	7,571	8,958
Total short-term accounts receivable	4,888,627	147,638	1,680	92	182,977	332,387	5,221,014

Changes in valuation adjustment of claims are presented in the next table.

Item description	Balance 31. 12. 2019	New formations		Withdrawal (use) and elimination			in €
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of overly formed value	Balance 31. 12. 2020
Valuation adjustment of accounts receivable	310,296	0	0	3,368	58,231	74,983	173,715
Valuation adjustment of interest claims	8,752	6	143	1,003	476	0	7,423
Total valuation adjustment of claims	319,049	6	143	4,370	58,707	74,983	181,138

13.8. Monetary assets

As at 31. 12. 2020 Elektro Gorenjska Company had 3,943,404 € of cash on the commercial banks accounts and short-term redeemable deposits in banks in the state, which is by 0.5 mill € more than on the last day of 2019.

13.9. Short-term accrued and deferred items

Short-term accrued and deferred items as at 31. 12. 2020 amounted to 664,710 €. Compared to their balance as at 31. 12. 2019 they are lower by 771 thousand €. In 2019, preliminary settlement of SODO for 2019 was recorded under this item.

13.10. Capital

Entire capital of the company consists of the share capital, capital reserves, profit reserves, reserves, arising from fair value valuation, net profit or loss from previous years and net profit or loss. Balance of the entire capital as at 31. 12. 2020 amounted to 163,211,293 € and was higher by 2.1 % compared with the balance of capital as at 31. 12. 2019. Book value per share as at 31. 12. 2020 amounted to 9.45 € (31. 12. 2019: 9.25 €).

Share capital of Elektro Gorenjska Company (104,136,615 €) is divided in 17,273,475 ordinary registered unit shares. All shares are fully paid up. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d. d., in accordance with regulations.

Capital reserves in the amount of 45,973,479 € were formed on 1. 1. 2006 in accordance with the transitional provisions item No. 15 Introduction to 2006 SAS, from the hitherto general revaluation equity adjustment, while a part in the amount of 28,581 € results from the withdrawal of treasury shares in 2019. They are applied in accordance with the Article 64 of ZGD-1.

Statutory reserves as at 31. 12. 2020 amount to 3,456,983 € and are formed in accordance to the Article 64 of ZGD-1.

Other profit reserves amount to 8,016,457 €, they are formed from the net profit for the financial year 2020 and the company uses them in accordance with the Article 11 of the Articles of Association of the joint-stock company Elektro Gorenjska.

Negative value of reserves, arising from fair value valuation (-445,058 €) represents post-employment benefits – severance pay upon retirement. Changes in reserves, resulting from fair value valuation, for year 2020, are shown in the following table.

Item	Balance 1. 1. 2020	Elimination of actuarial gains/ losses	New formation of actuarial gains/ losses	Transfer to profit or loss brought forward (employee departures 2020)	Balance 31. 12. 2020
Actuarial gains/losses	-260,795	17,923	-194,016	-8,171	-445,058
Total	-260,795	17,923	-194,016	-8,171	-445,058

Net profit for the financial year 2020 in compiling the financial statement for 2020 was in accordance with Paragraph 1 of Article 230 of ZGD-1 (Official Gazette No. 65/2009) in the amount of 5 % (301,615 €) allocated to legal reserves. In accordance with Paragraph 3 of Article 230 of ZGD-1 and Article 11 of the Articles of Association of the joint-stock company Elektro Gorenjska, 3,666,035 € was allocated to other profit reserves. Distributable profit for 2020 amounts to 2,072,817 €. Calculation of distributable profit is shown in chapter *10.6 Distributable profit of Elektro Gorenjska Company for the business year ended as at 31. 12. 2020*. Decision regarding the use of distributable profit is within the competence of the general meeting.

Use of distributable profit for 2019 was determined by the resolution of the General Meeting (see also Business Report, Chapter *6.3 General meeting of shareholders*), which took place on June 23 2020. In accordance with the resolution of the general meeting, the total distributable profit amounting to 2,418,287 € was intended for the payment of dividends to owners.

Return on share in year 2020 amounted to 0.35 €, while in 2019 it amounted to 0.41 €. Company has no preference shares, therefore basic and adjusted returns per share are equal.

Basis for the calculation of the indicators of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

Item	in €	
	2020	2019
Net profit or loss of the business year	6,032,296	7,093,511
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0,35	0,41

13.11. Provisions and long-term accrued and deferred liability items

Provisions and long-term accrued and deferred liability items as at 31. 12. 2020 amounted to 15,924,984 €. Compared to their balance as at 31. 12. 2019 they increased by 578,081 € or 3.8 %.

Changes in provisions and long-term accrued and deferred liability items in 2020:

Item description	Balance 31. 12. 2019	Formation	Drawing	Derecognition	Balance 31. 12. 2020
Provisions for long-service bonuses and severance pay	3,087,353	474,106	117,471	41,219	3,402,770
Other provisions	5,543,132	197,969	0	0	5,741,100
Long-term accrued and deferred liability items	6,716,418	494,325	429,629	0	6,781,114
Total	15,346,903	1,166,400	547,100	41,219	15,924,984

Changes in provisions and long-term accrued and deferred liability items in 2019:

Item description	Balance 31. 12. 2018	Formation	Drawing	Derecognition	Balance 31. 12. 2019
Provisions for long-service bonuses and severance pay	2,740,434	447,052	95,785	4,348	3,087,353
Other provisions	5,798,799	197,969	453,637	0	5,543,132
Long-term accrued and deferred liability items	6,459,524	744,961	488,066	0	6,716,418
Total	14,998,757	1,389,982	1,037,487	4,348	15,346,903

Provisions for long-service bonuses and severance pay at retirement are formed in the amount of estimated future payments on the basis of actuary report on calculation of provisions for long-term earnings according to IAS 19. Actuary calculation as at 31. 12. 2020 takes into account the following actuarial assumptions: statistical probability of mortality, linearly decreasing fluctuation (0.8 % a year for next business year), retirement in accordance with the law, wage growth in electricity industry (85 % of annual inflation), growth of average earnings in RS (for years 2021 and 2022 based on Autumn forecast, later growth of 2 % is projected), growth of salaries due to promotion (0.8 % a year for next business year), growth of amounts in the Regulation, in line with inflation, length of service allowance in the amount (growth in the amount of 0.5 % from the basic salary a year) and discount rate in the amount of 0.2 %. Other provisions relate to the compensation in connection to denationalisation proceedings.

Other provisions relate to the compensation in connection to denationalisation proceedings. Within long-term accrued and deferred liability items the following items are also recorded: tangible fixed assets obtained free of charge (4,606,213 €), deferred costs arising from average connection costs (1,269,555 €), long-term deferred revenues from rents and user charges (353,739 €) and earmarked funds to cover disproportionate connection costs (296,544 €).

There were no significant differences between planned and realized forming and drawing on individual category of provisions and long-term accrued and deferred liability items.

13.12. Long-term liabilities

As at 31. 12. 2020 Elektro Gorenjska Company had 45,327,985 € of long-term financial liabilities, which is by 4 % less than as at 31. 12. 2019. Majority of long-term liabilities are long-term financial liabilities to banks (44,987,024 €).

Maturity of long-term financial liabilities to banks is as follows:

1 year	2-5 years	over 5 years	Total
7,747,787	28,731,399	16,255,625	52,734,811

In 2020, we drew a 6 mill € long-term loan for implementation of investments in electricity infrastructure and repaid by 7,597,788 € in principal. Interest costs amounted to 467,189 €. Interest in the amount of 6,053 € was capitalized. In 2019, we repaid by 6,547,788 € in principal. Interest costs were 512,814 €. Interest in the amount of 6,670 € was capitalized. Credit balance as at 31. 12. 2020 was 52,734,811 €, at the end of 2019 54,332,599 €.

Contractual interest rate in all loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, as amended) and subsequent negotiations with banks. Interest rate of four of the loans is fixed, while all other loans have a floating rate, bound by three or six month EURIBOR. Add-on to EURIBOR is between 0.58 and 1.70 percent point. Majority of financial liabilities are secured by bills of exchange.

As at December 31 2020 there were 37 % of long-term loans secured with the fixed interest rate, which represents the amount of 19.4 million €. Balance of received loans to finance tangible fixed assets as at 31. 12. 2020 amounted to 52,734,811 €.

In connection with long-term financial liabilities the company is exposed mainly to the interest risk, as the long-term loans raised are loans with a floating interest rate (EURIBOR + add-on). Exposure to risks and hedging systems are explained in chapter *5.9 Risks and their management*.

Company has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

13.13. Deferred tax liability

Deferred tax liabilities as at 31. 12. 2020 amounted to 306,577 €. They relate to taxable temporary differences due to the merger of subsidiary Elektro Gorenjska Prodaja to company ECE and small inventory in fixed assets. Compared to the balance as at 31. 12. 2019 they increased by 27,945 €.

13.14. Short-term financial liabilities

Short-term financial liabilities as at 31. 12. 2020 amounted to 7,770,575 €. Main part of short-term financial liabilities refer to the short-term financial liabilities to banks, which represent the short part of long-term loans and interest.

13.15. Short-term operating liabilities

At the end of 2020 short-term operating liabilities in the amount of 5,325,047 € were by 0.6 million € higher than compared to the balance on the last day of 2019. They mostly relate to the liabilities to suppliers, mainly suppliers of fixed assets, and to the company SODO (operation for third party account). Detailed review of the short-term operating liabilities is presented in the following table.

Item description	31. 12. 2020	31. 12. 2019
Liabilities to suppliers for own account:	2,474,615	1,533,029
to group companies	21,527	18,881
to other suppliers	2,453,087	1,514,149
Liabilities to other suppliers on its own behalf and for third party account:	1,749,236	1,769,800
liabilities to SODO, d. o. o.	1,749,236	1,767,454
to others	0	2,346
Other liabilities, of which:	1,101,197	1,434,723
to workers	868,769	837,100
to state and other institutions	114,961	356,420
for received advances and collaterals	31,336	120,665
other (debt settlement-cession, interests, employee deductions...)	86,130	120,538
Total short-term liabilities from operating activities	5,325,047	4,737,553

13.16. Short-term accrued and deferred liability items

As at 31. 12. 2020 short-term accrued and deferred liability items amounted to 1,843,275 €. Compared to their balance as at 31. 12. 2019 they are by 914,535 € higher above all due to the short-term deferred revenues based on the preliminary settlement of SODO.

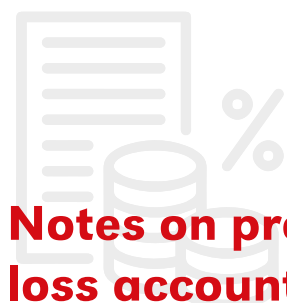
13.17. Off-balance sheet records

Off-balance sheet assets or liabilities as at 31. 12. 2020 amounted to a total 5,065,648 €. They were higher by 22 thousand € compared to the balance as at 31. 12. 2019.

Contingent assets represent received guarantees in the amount of 3,177,809 €, as at 31. 12. 2020. Other off-balance record include issued bills of exchange and enforcement drafts (31,465 €) and fixed assets owned by SODO (1,856,374 €). In the off-balance sheet in accordance with the Contract with SODO or contract of sale the company is liable to keep records of assets financed from average connection costs, which were after the balance as at 31. 8. 2010 transferred to the ownership and indirect property of SODO or sold to SODO in year 2011.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Received guarantees and enforcement orders	3,177,809	3,082,027
Total potential assets	3,177,809	3,082,027
Issued bills of exchange and enforcement orders	31,465	10,680
Total potential liabilities	31,465	10,680
Fixed assets in the property of SODO	1,856,374	1,950,538
Total other	1,856,374	1,950,538
Total off-balance sheet records	5,065,648	5,043,245

Company does not have any contingent off-balance liabilities as defined by ZGD – 1.



Notes on profit and loss account items

14

14.1. Net sales revenues

In year 2020 net sales revenues amounted to 32,229,781 €. Almost all net sales revenues were generated in the domestic market. Net sales revenues comprises:

Item description	in €	
	2020	2019
Revenues from rent and services in relation to SODO	29,988,641	31,582,738
Revenues from services provided to group companies	137,533	131,677
Revenues from rents:	509,330	632,245
-revenues from rents from group companies	163,845	163,887
-revenues from rents from others	345,485	468,358
Revenues from construction and assembly works	1,079,346	857,709
Revenues from other services	514,931	153,631
Total net sales revenues	32,229,781	33,358,000

Majority of net sales revenues in 2020 represent revenues from rent and services related to SODO (29,988,641 €). In 2020, these revenues are by 5 % lower than in 2019. Main reason for lower revenues under the Contract with SODO or lower net sales revenues compared to 2019 is the amendment to the Act on the methodology determining the regulatory framework and network charge for the electricity distribution system, on the basis of which the return on electricity infrastructure assets decreased from 5.26 % to 4.13 %.

14.2. Capitalized own products and own services

In year 2020 capitalized own effects amounted to 4,884,562 €. They were mostly investments in tangible fixed assets – energy infrastructure. Compared to year 2019 the amount of capitalized own effects in 2020 was by 14 thousand € higher.

Item description	in €	
	2020	2019
Direct material costs	3,093,561	3,055,502
Direct labour costs	1,442,320	1,520,846
Total direct costs of material and labour	4,535,881	4,576,348
Total indirect costs of material, work and depreciation	348,681	293,836
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	4,884,562	4,870,184

14.3. Other operating revenues

Other operating revenues in the amount of 1,322,584 € consist of:

Item description	in €	
	2020	2019
Revaluation operating revenues	268,700	263,227
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	419,513	464,288
– free acquisition of FA	43,715	41,491
– free acquisition of connections	181,256	167,703
– average connecting costs	85,319	85,319
– other	109,222	169,775
Damages recovered from insurance companies	54,531	170,165
Received state aid due to COVID-19	411,320	0
Received state supports-refunds	145,224	0
Other revenues	23,296	6,656
Total other operating revenues	1,322,584	904,337

Other operating revenues in 2020 were by 418,247 € higher than in 2019. Main reason is revenues from state aid due to COVID-19. Majority of state aid received due to COVID -19 is exemption from the payment of pension and disability insurance contributions for employees who worked during the epidemic (382,829 €). In accordance with the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, state aid represents other revenues and consequently reduces revenues under the contract with SODO. As a result, the state aid did not have a significant impact on the company's operating result. Due to insignificance, we did not adjust the comparative data relating to the received reimbursed labour costs for 2019.

14.4. Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2020	2019
Costs of material:	4,353,633	4,380,801
– for maintenance	198,808	263,533
– in connection with capitalized own effects, market services	3,632,440	3,480,891
– for electricity, gas and heat	252,576	321,662
– small tool write-off	128,538	148,639
– costs of office supplies	46,325	64,317
– other material costs	94,946	101,758
Acquisition cost of goods and material sold	48	118
Acquisition cost of goods sold and costs of material used	4,353,681	4,380,919

Costs of material, spent on services and product creation (year 2020: 3,632,440 €) include the value of the material, which is then treated by the company as a component part of:

- › acquisition cost of tangible fixed assets constructed or made in the company for the purposes of the company (capitalized own effects), which is explained in more detail in chapter [14.2 Capitalized own products and own services](#);
- › value of services (construction, electrical installation and similar services), sold on the market (please see also note [14.1 Net sales revenues](#)).

14.5. Costs of services

In 2020 costs of services amounted to 3,480,457 €, which is by 117 thousand € more than in 2019. Biggest cost within the cost of services is the costs of services related to the maintenance of the electricity infrastructure and other tangible fixed assets. More detailed structure of service costs is provided in the following table.

Item description	2020	2019
Costs of service in creating products and implementing services	278,318	15,628
Costs of telephone, postal and other transport services	180,986	161,766
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,110,810	1,211,656
Rents	24,881	49,110
Reimbursements of work related costs to employees	21,902	59,222
Costs of payment transactions, banking services and insurance premiums	564,294	544,188
Costs of intellectual and personal services	414,811	426,476
Costs of advertising and representation	69,758	72,892
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members...)	142,484	154,558
Costs of information and other services	672,213	667,908
Total costs of services	3,480,457	3,363,403

Maintenance of electricity infrastructure is also presented in chapter [5.4.3. Maintenance of electricity infrastructure](#).

Essential item in costs of payment transactions, banking services and insurance premiums costs are insurance premiums which amounted to 527,945 € in 2020. Cost of intellectual and personal services consist mainly of costs of scientific research, other consultancy services and costs of additional professional training. Besides information services costs of other services include also costs of membership fees, utilities, student service, cleaning costs and other.

14.6. Labour costs

Costs of labour in the amount of 12,750,942 € consist of:

Item description	2020	2019
Salary costs	8,849,986	8,166,587
Costs of voluntary pension insurance of employees	422,812	417,120
Costs of employer's contributions and other benefits from salaries	1,471,453	1,435,175
Costs of transport to work	216,817	270,801
Lunch costs	544,221	511,986
Cost of COVID-19 crisis allowance	88,228	0
Other labour costs	1,157,425	1,373,135
Total labour costs	12,750,942	12,174,804

Costs of the employer's contributions and other wage benefits also include contributions for pension and disability insurance: year 2020 in the amount of 804,023 €; year 2019 in the amount of 788,255 €. In 2020, the company paid 88,228 € of the crisis allowance due to COVID-19.

Other labour costs include provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure, as well as other information related to employees, are presented in chapter [5.6 Care for employees](#). Remuneration of management and supervisory board is presented in more detail in chapter [17.4 Transactions with Management and Supervisory Board](#).

14.7. Write-offs

In 2020 write-offs amounted to 11,277,787 €, in 2019 they were 10,968,935 €. Their composition is as follows:

Item description	in €	
	2020	2019
Depreciation of intangible fixed assets	581,962	519,405
Depreciation of tangible fixed assets	10,392,186	10,079,136
Depreciation of investment property	41,914	42,935
Total depreciation costs	11,016,062	10,641,476
Operating expenses from revaluation of fixed assets and investment property	261,425	167,003
Operating expenses from revaluation of current assets	300	160,456
Total write-offs	11,277,787	10,968,935

14.8. Other operating expenses

Other operating expenses in the amount of 411,640 € consist of:

Item description	in €	
	2020	2019
Contribution for promotion of employment of persons with disabilities	58,598	47,169
Contribution for urban land	74,522	78,416
Provisioning	197,969	197,969
Other expenses (fees, charges ...)	80,551	144,385
Total other operating expenses	411,640	467,938

Employment of people with disabilities is explained in more detail in chapter [5.6 Care for employees](#).

14.9. Financial revenue from shares

In 2020, the company realized 1,079,087 € of financial revenue from shares. Share in Gorenjske elektrarne Company refers to 1,056,166 € in revenues, while 19,899 € to the associate company ECE. In 2019, financial revenue from shares amounted to 976,498 €.

14.10. Financial expenses from financial liabilities

Financial expenses from financial liabilities in the amount of 467,189 € represent interest expenses for received loans in commercial banks. In 2019 these expenses amounted to 512,814 €.

14.11. Breakdown of costs by functional groups

Breakdown of costs by functional groups is shown in the following table:

Item description	in €	
	2020	2019
Costs of sold business effects	25,625,881	24,799,472
Costs of general activities	5,735,197	5,590,096
Costs of sales	651,656	638,855
Total	32,012,734	31,028,423

14.12. Income tax

Accrued income taxes together with deferred taxes for the business year 2020 amounted to 698,478 € (year 2019: 1,079,904 €). Effective tax rate was 10 % in 2020, and 13 % in 2019.

An overview of the calculation of the income tax for years 2020 and 2019:

Item description	in €	
	2020	2019
Pre-tax profit	6,730,773	8,173,415
Revenues reducing the tax base	-1,227,070	-1,001,987
Expenses increasing the tax base	820,219	1,040,401
Expenses reducing the tax base	-366,534	-410,957
Reduction of the tax base on the basis of relief	-2,394,028	-2,475,032
Other	-34,243	2,051
Tax base	3,529,117	5,327,891
Tax rate	19 %	19 %
Income tax	670,532	1,012,299
Tax base for deferred taxes	147,080	355,816
Tax rate	19 %	19 %
Deferred taxes	27,945	67,605
Entire tax (income tax and deferred taxes)	698,478	1,079,904
Effective tax rate	10 %	13 %

14.13. Deferred tax liabilities and deferred taxes

Deferred tax liabilities as at 31. 12. 2020 amounted to 306,577 €. They refer to taxable temporary differences arising from the merger of Elektro Gorenjska Prodaja Company to ECE Company and small inventory in fixed assets. Compared to the balance as at 31. 12. 2019 they increased by 27,945 €.

Deferred tax receivables were not recognized by the company in accordance with point 7 of the introduction to SAS (uncertainty regarding future taxable profits).



Notes on other comprehensive income items

15

Other components of comprehensive income in the amount of -176.092 € represent a change in actuarial gains and losses.



Notes on cash flow items

16

Cash flow statement shows cash flows arising from operating, investing and financing activities. Company prepares it by direct method.

As at 1. 1. 2020 the company had on transaction accounts in banks monetary assets in the amount of 3,405,224 €. As at 31. 12. 2020 the balance on transaction accounts in banks and in the form of short-term deposits in commercial banks amounted to 3,943,404 €. In the period January-December 2020 the company had a positive cash result in the amount of 538,179 €.

Net cash from operating activities in year 2020 exceeded expenditure by 19,154,32 €, which means that the company operates positively with its main activity and creates a positive cash flow . With this in year 2020 the company was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits in the amount of 8,069,867 €, settle all liabilities related to payment of dividends in the amount of 2,418,287 €, and could partly finance new acquisitions of intangible and tangible assets. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure.

Negative net cash used in investing activities in year 2020 amounted to 14,127,994 €. Industry the company operates in is technologically very intense and in order to provide quality supply to its customers in the area of Elektro Gorenjska distribution network large and constant investments are required (explained mainly in chapter [5.8.2 Investments](#)). New acquisitions of intangible and tangible assets were mainly financed by drawing from long-term credit in the amount of 6 mill € (explained in chapter [13.12 Long-term liabilities](#)), and also by positive net cash from operating activities. Receipts from financing activities in the period considered amounted to 6 mill €, while expenditures amounted to 10,488,154 €.



Transactions with affiliates

17

Below we present transactions with related parties, namely transactions with Group companies, transactions with the Republic of Slovenia, transactions with companies owned by the Republic of Slovenia and transactions with the Management Board and the Supervisory Board.

On the basis of the statements we have received from the Chairman of the Management Board and members of the Supervisory Board, transactions with related parties on the basis of connection individual - the company, as defined by IAS 24, are irrelevant.

17.1. Transactions with Group companies

In 2020, Elektro Gorenjska operated with its subsidiaries Gorenjske elektrarne, GEK vzdrževanje and associated company ECE.

Among transactions with the subsidiary Gorenjske elektrarne, which in 2020 amounted to 1,424 thousand €, besides the paid profit in the amount of 1,056 thousand € (payment of the subsidiary to the controlling company) the most important were the following:

Item description	2020
Revenue from the provision of general services (costs of subsidiary)	91,608
Rental income (subsidiary rental costs)	152,025

Among the transactions with the associated company ECE, in addition to the payment of the share in profit (17,088 €), the most important are rental revenues (rent costs of the associated company) in the amount of 46,515 € and electricity costs (revenues from the sale of associated company) in the amount of 59,787 €.

Transactions with GEK vzdrževanje Company did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled company.

17.2. Transactions with the Republic of Slovenia

Most important transactions of the Elektro Gorenjska Company with the Republic of Slovenia were in 2020 the following:

Item	Payments in year
Dividends	1,922,043
Corporate income tax (tax and advance payments)	1,515,633
Other duties (VAT, employer contributions)	4,857,982
Total	8,295,657

17.3. Transactions with companies directly or indirectly owned by the Republic of Slovenia

Table below shows significant transactions with companies in which the state has a direct or indirect dominant influence.

Business partner	Open receivables on 31. 12. 2020	Open liabilities on 31. 12. 2020	Expenditure in year 2020	Revenues in year 2020	Dividend payment in year 2020
SODO, d. o. o.	3,021,292	1,747,757	0	29,988,641	0
Modra zavarovalnica, d. d.	0	33,938	408,157	0	0
Zavarovalnica Sava, d. d.	0	486,105	1,010,540	0	0
SID, d. d.	0	5,766,242	68,581	0	0
Kapitalska družba, d. d.	0	0	0	0	60,471
Sava RE, d. d.	0	0	0	0	39,200
DUTB, d. d.	0	0	0	0	29,008
Total	3,021,292	8,034,042	1,487,278	29,988,641	128,679

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent a significant amounts.

17.4. Transactions with Management and Supervisory Board

In year 2020 Elektro Gorenjska Company paid the Chairman of the Board for performance of his duties in the company the following receipts:

in €

Receipts	Fixed earning (gross salary)	Operating	Payment of unused annual leave	Reimburse- ments of costs	Bonuses
Chairman of the Board	96,443	5,730	4,480	2,035	6,907

Reimbursement of costs (material costs) include reimbursement for meals, business travel expenses and mobile phone expenses. They are charged in accordance with the employment contracts or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Receipts of supervisory board members in 2020 are shown in the following table. As some members are also members of the committees of SB remuneration for participation in the committees is also included.

in €

	Payment for the performance of the function (gross)	Attendance fee SB (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3	4=1+2+3	5
Representatives of capital					
mag. Samo Logar	19,598	3,273	1,628	24,499	361
Andrej Koprivec	14,372	2,998	2,398	19,768	305
mag. Tedo Djekanović	14,111	3,273	1,628	19,011	177
Franjo Curanović	13,066	2,998	2,398	18,461	24
Employee representatives					
Iztok Štular	10,453	3,273	0	13,725	0
Borut Jereb	10,453	3,273	0	13,725	0

Receipts of external members of the audit and nomination committees are shown in the table below.

in €

	Payment for the performance of the function (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3=1+2	4
External committee members				
Milena Pervanje	5,226	1,628	6,854	0
dr. Simon Čadež	5,226	2,574	7,800	102

In 2020 the supervisory board held a total of 13 sessions, of which 12 were regular and one correspondence. Nomination committee held a total of 8 regular sessions in 2020, while audit committee 11 regular and one correspondence session. All members of the supervisory board and committees were present at all sessions.

Costs of other supervisory board members' benefits in year 2020 refer to the liability insurance in accordance with the decision of the 16th shareholders meeting of Elektro Gorenjska Company. These benefits represent the creditworthiness of the supervisory board members.

in €

Liability insurance	
Representatives of capital	
mag. Samo Logar	730
Andrej Koprivec	730
mag. Tedo Djekanović	730
Franjo Curanović	730
Employee representatives	
Iztok Štular	730
Borut Jereb	730

Board of directors and the supervisory board did not receive any receipts in respect of performing the functions in controlled companies. Elektro Gorenjska Company received and also approved no advances, loans, or guarantees to groups of people mentioned in this chapter and did not disclose any claims on them in this respect as of December 31 2020.



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Under Article 57 of the Companies Act (ZGD-1) Elektro Gorenjska Company is subject to annual report audit. Contractual amount for auditing the annual report the company and Elektro Gorenjska Group for year 2020 amounted to 13,630 €. In addition, the auditor who has audited the annual report has been paid an additional 2,400 € for assurance services.



Financial risk management

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Financial risks in the company are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency.

Risk of investments in subsidiaries

Values of investments (mainly investments in Gorenjske elektrarne, d. o. o., with 100 % share and ECE, d. o. o., with 25.6744 % share) represent the risk of impacting the business result of the parent company. Company manages the risk of both investments as an active owner.

Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the company collects customer payments on its own behalf and on behalf of SODO d. o. o. There is a higher risk, as the company despite unpaid claims of customers has to settle all liabilities to SODO in accordance with the Contract and its Annexes. Company also provides a wide range of market services. Any unpaid receivables from these services represent the greatest credit risk for the company. Company manages the risk primarily by carefully monitoring receivables and carrying out recovery procedures, concluding appropriate agreements with debtors, expanding the set of payments according to pro forma invoices and by including appropriate financial collateral in contracts.

Liquidity risk

There is a risk that the company could have liquidity problems, which would be mainly the result of uneven inflows and outflows and lengthy procedures for obtaining long-term loans or a larger excess of planned investments. Company manages the risk through regular recovery procedures, cash management within the EG Group, appropriate short-term and long-term planning of inflows and outflows, timely implementation of procedures for obtaining short-term and long-term debt sources and financial control of the volume of investment realization.

Interest risk

Company borrowed more than half of its long-term loans at a variable interest rate, which could increase in the event of greater economic activity and central bank measures in the European union, which would have a direct negative impact on operating results due higher financing costs.

Inadequate payment for EG services by SODO

There is a risk of inadequate payment for services to the company SODO, mainly due to requirements for the provision of services not covered by the contract with SODO, a dispute over the quality of services provided and charged by EG and an inadequate Agency's decision on establishing a regulatory framework. Company manages the risk by actively participating in the procedure of issuing the Agency's decision n determining the regulatory framework and by active and appropriate correspondence with all stakeholders of the Contract with SODO.

Lack of investment funds

Realization of the risk could occur mainly in the event that the company fails to provide the owners with funds for the realization of the planned investments due to the lack of own funds, due to the company's inability to borrow to the required extent or die to the excessive payment of dividends. Company manages the risk through appropriate financial planning and sustainable long-term borrowing.



Events after the balance sheet date

20

There were no significant business events after the balance sheet date.

Financial statements by activities

21

In accordance with the provisions of the Energy Act, we disclose financial statements by activities.

21.1. Profit or loss account by activities of the company for business year ended as at 31. 12. 2020

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
1. Net sales revenue	29,985,738	2,244,043	32,229,781
a. Net sales revenue on the domestic market	29,985,738	1,903,904	31,889,642
b. Net sales revenue in the foreign market	0	340,139	340,139
3. Capitalized own products and services	0	4,884,562	4,884,562
4. Other operating revenues	1,091,172	231,412	1,322,584
5. Costs of goods, material, and services	3,616,263	4,217,875	7,834,138
a. Costs of goods sold and material used	660,635	3,693,046	4,353,681
b. Costs of services	2,955,628	524,829	3,480,457
6. Labour costs	9,847,001	2,903,941	12,750,942
a. Cost of wages and salaries	6,665,275	2,184,711	8,849,986
b. Social security cost	1,501,272	392,993	1,894,265
- of which the cost of pension insurance	996,364	230,470	1,226,834
c. Other labour costs	1,680,454	326,237	2,006,691
7. Amortization/depreciation expense	10,970,038	307,749	11,277,787
a. Depreciation	10,730,204	285,858	11,016,062
b. Operating expenses from revaluation of intangible and tangible fixed assets	239,601	21,824	261,425
c. Operating expenses from revaluation of operating current assets	233	67	300
8. Other operating expenses	188,793	222,847	411,640
9. Financial revenues from shares	0	1,079,087	1,079,087
a. Financial revenue from interests in Group companies	0	1,056,166	1,056,166
b. Financial revenue from interests in associates	0	19,899	19,899
c. Financial revenues from other investments	0	3,022	3,022
10. Financial revenues from given loans	0	1	1
b. Financial revenues from loans given to others	0	1	1

*table continues on the next page

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
11. Financial revenues from operating receivables	14,994	2,969	17,963
b. Financial revenue from operating receivables due from others	14,994	2,969	17,963
12. Financial expenses from impairments and financial investment write-offs	0	13,929	13,929
13. Financial expenses from financial liabilities	467,189	0	467,189
b. Financial expenses from loans, received from banks	467,189	0	467,189
14. Financial expenses from operating liabilities	16,763	4,549	21,312
b. Financial expenses from accounts and bills payable	839	83	922
c. Financial expenses from other operating liabilities	15,924	4,466	20,390
15. Other revenues	21	5	26
16. Other expenses	23,926	2,368	26,294
17. Pre-tax net profit or loss of the accounting period	5,961,952	768,821	6,730,773
18. Income tax	740,020	-69,488	670,532
19. Deferred taxes	25,623	2,322	27,945
20. Net profit or loss of the accounting period	5,196,309	835,987	6,032,296

In the profit and loss account at the company level, the net approach (excluded values resulting from accounting by organizational units) is used to adjust the value of receivables. Revenues and expenses are reduced by 1,506 €.

21.2. Balance sheet by activities of the company as at 31. 12. 2020

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
in €			
ASSETS			
A. Long-term assets	204,886,484	21,245,341	226,131,825
I. Intangible assets and long-term accrued and deferred asset items	1,677,023	52,677	1,729,700
1. Long-term property rights	1,658,119	51,187	1,709,306
5. Other long-term accrued and deferred asset items	18,904	1,490	20,394
II. Tangible fixed assets	203,023,226	2,657,587	205,680,813
1. Land and buildings	150,220,419	2,301,820	152,522,239
a) Land	6,264,731	892,419	7,157,150
b) Buildings	143,955,688	1,409,401	145,365,089
2. Production plant and equipment	49,687,377	337,626	50,025,003
3. Other plant and equipment	64,447	6,404	70,851
4. Tangible fixed assets in acquisition	3,050,983	11,737	3,062,720
a) Tangible fixed asset under construction and manufacture	3,004,378	11,737	3,016,115
b) Advances for the acquisition of fixed assets	46,605	0	46,605
III. Investment property	0	1,801,286	1,801,286
IV. Long-term financial investments	0	16,733,791	16,733,791
1. Long-term financial investments, excluding loans	0	16,590,993	16,590,993
a) Shares and stakes in group companies	0	13,715,303	13,715,303
b) Shares and stakes in associate companies	0	2,875,690	2,875,690
2. Long-term loans	0	142,798	142,798
b) Long-term loans to others	0	142,798	142,798
V. Long-term operating receivables	186,235	0	186,235
3. Long-term receivables due from others	186,235	0	186,235
B. Short-term assets	4,296,453	8,310,171	12,606,624
I. Assets (group for disposal) for sale	0	2,854,470	2,854,470
II. Stocks	527,035	1,928	528,963
1. Material	527,035	1,928	528,963

*table continues on the next page

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
III. Short-term financial investments	0	4,643	4,643
1. Short-term financial investments, excluding loans	0	4,643	4,643
c) Other short-term financial investments	0	4,643	4,643
IV. Short-term operating receivables	4,903,231	371,913	5,275,144
1. Short-term receivables due from Group companies	1,478	49,964	51,442
2. Short-term trade receivables	4,726,434	314,534	5,040,968
3. Short-term receivables for income tax	97,883	-9,191	88,692
4. Short-term receivables due from others	77,436	16,606	94,042
V. Monetary assets	-1,133,813	5,077,217	3,943,404
C. Short-term accrued and deferred asset items	627,137	37,573	664,710
Total assets	209,810,074	29,593,085	239,403,159

Balance sheet by activities as at 31. 12. 2020:

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
LIABILITIES			
A. Capital	140,861,342	22,349,951	163,211,293
I. Called-up capital	87,770,535	16,366,080	104,136,615
1. Share capital	87,770,535	16,366,080	104,136,615
II. Capital reserves	41,584,616	4,388,863	45,973,479
III. Profit reserves	9,630,226	1,843,215	11,473,440
1. Statutory reserves	2,638,506	818,477	3,456,983
5. Other profit reserves	6,991,720	1,024,737	8,016,457
V. Reserves arising from fair value measurement	-360,034	-85,024	-445,058
VI. Net profit or loss from previous periods	4,931,319	-4,923,148	8,171
VII. Net profit or loss for the period	1,779,766	284,880	2,064,646
1. Unused part of net profit for the current financial year	1,779,766	284,880	2,064,646
VIII. Coordinated capital adjustment between activities	-4,475,086	4,475,086	0

*table continues on the next page

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
B. Provisions and long-term accrued and deferred liability items	9,355,415	6,569,569	15,924,984
1. Provisions for pensions and similar liabilities	2,929,214	473,556	3,402,770
2. Other provisions	0	5,741,101	5,741,101
3. Long-term accrued and deferred liability items	6,426,202	354,912	6,781,114
C. Long-term liabilities	45,224,666	103,319	45,327,985
I. Long-term financial liabilities	44,987,024	0	44,987,024
2. Long-term financial liabilities to banks	44,987,024	0	44,987,024
II. Long-term operating liabilities	33,070	1,314	34,384
4. Long-term operating liabilities based on advances	33,070	1,314	34,384
III. Deferred tax liabilities	204,572	102,005	306,577
Č. Short-term liabilities	12,680,341	415,281	13,095,622
II. Short-term financial liabilities	7,770,517	58	7,770,575
2. Short-term financial liabilities to banks	7,747,788	0	7,747,788
4. Other short-term financial liabilities	22,729	58	22,787
III. Short-term operating liabilities	4,909,824	415,223	5,325,047
1. Short-term operating liabilities to Group companies	17,177	4,350	21,527
2. Short-term operating liabilities to suppliers	2,237,597	215,490	2,453,087
4. Short-term operating liabilities based on advances	27,776	3,560	31,336
6. Other long-term operating liabilities	2,627,274	191,823	2,819,097
D. Short-term accrued and deferred liability items	1,688,309	154,966	1,843,275
Total liabilities	209,810,074	29,593,085	239,403,159

21.3. Cash flow statement by activities in year 2020

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
A. Operating cash-flow			
a. Operating receipts	37,423,607	6,890,513	44,314,120
1. Receipts from sales of products and services	36,914,435	6,813,155	43,727,590
3. Other operating receipts	509,172	77,358	586,530
b. Operating expenditure	-17,970,298	-7,074,869	-25,045,167
1. Expenditure for purchase of material and services	-3,108,600	-4,347,939	-7,456,539
2. Expenditure for salaries and employees profit shares	-7,616,064	-2,261,134	-9,877,198
3. Expenditure for other duties	-4,452,302	23,276	-4,429,026
4. Other operating expenditure	-2,793,332	-489,072	-3,282,404
c. Positive or negative cash flow from operating activities	19,453,309	-184,356	19,268,953
B. Cash flows in investing activities			
a. Receipts in investing activities	133,442	1,690,232	1,823,674
1. Receipts from received interest and profit shares of others	13,782	1,078,769	1,092,551
3. Receipts from disposal of tangible fixed assets	119,660	42,784	162,444
4. Receipts from disposal of investment property	0	169,022	169,022
5. Receipts from disposals of financial investments	0	399,657	399,657
b. Expenditure in investing activities	-15,738,607	-321,634	-16,060,241
1. Expenses for acquisition of intangible assets	-533,883	-29,685	-563,568
2. Expenses for acquisition of tangible fixed assets	-15,204,724	-53,175	-15,257,899
3. Expenses for acquisition of investment property	0	-5,582	-5,582
4. Expenses for acquisition of financial investments	0	-233,192	-233,192
c. Positive or negative cash flow from investing activities	-15,605,165	1,368,598	-14,236,567
C. Cash flows in financing activities			
a. Receipts in financing activities	6,000,000	0	6,000,000
2. Receipts from increase in financial liabilities	6,000,000	0	6,000,000
b. Expenditure in financing activities	-10,208,923	-285,284	-10,494,207
1. Expenditure for given interest referring to financing activities	-478,133	0	-478,133
3. Expenditure for repayment of financial liabilities	-7,597,788	0	-7,597,788
4. Expenditure for dividend and other profit share payment	-2,133,002	-285,284	-2,418,286
c. Positive or negative cash flow from financing activities	-4,208,923	-285,284	-4,494,207
Č. Closing cash balance	-1,133,813	5,077,216	3,943,403
x. CASH FLOW FOR THE PERIOD	-360,779	898,958	538,179
y. OPENING CASH BALANCE	-773,034	4,178,258	3,405,224

In the statement of cash flows by activities, cash flows in accordance with the Article 109 of EZ-1 are presented as if each of the activities were its own company. This means that the above statement also includes cash flows related to transactions between activities in which the actual cash flow did not occur, but would occur in the case of separate companies (especially in the segment of capitalized own products and services). Sum of individual items in the above statement therefore does not match the value of the items in the cash flow statement in chapter *10.4 Cash flow statement of Elektro Gorenjska Company*.

FINANCIAL REPORT

OF ELEKTRO GORENJSKA
GROUP





Management responsibility statement

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Management board of Elektro Gorenjska Company hereby approves the financial statements published and presented in this annual report and all other component parts of the consolidated annual report. Consolidated annual report provides a true and fair picture of the financial condition of the Group.

Management board of Elektro Gorenjska Company certifies that International Financial Reporting Standards were used and relevant accounting principles were applied in drafting the consolidated financial statements and that accounting estimates were prepared according to the principles of prudence and due diligence.

Management board of Elektro Gorenjska Company approved the financial statements of the Group prepared for the financial year 2020 on April 9 2021.

Management board of Elektro Gorenjska is responsible for appropriate accounting in the company, for adoption of appropriate measures to protect the property and other assets, and hereby certifies that financial statements were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards as adopted by the European Union.

At any time within five years after the year in which it was necessary to levy the tax, tax authorities may check the company's operations, which may result in an additional tax liability, default interest and penalties for corporate income tax or other taxes and charges. Management of the company has not been acquainted with any circumstances that could cause eventual significant liability in this respect.

Kranj, April 9 2021

Chairman of the Board:
dr. Ivan Šmon, MBA



Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
 on consolidated financial statements
 (Translation of the original report in Slovene language - for information purposes only)

To the shareholders of Elektro Gorenjska, d.d.
 Ulica Mirka Vadnova 3A,
 4000 Kranj

Opinion

We have audited the consolidated financial statements of Elektro Gorenjska, d.d. (the Group), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached consolidated financial statements.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 5,086,990 EUR in the year ended December 31, 2020.

The Group constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Group, are valued at estimated costs of hours spent, which include

Our response

Our audit procedures included:

- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by accounting standards.
- Testing the design and implementation of internal controls and testing of internal controls in the part related to the recognition



personnel expenses and other indirect costs, as well as direct costs of materials and transport. The determination of hourly rates for personnel expenses and judgment regarding which types of indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Group uses assumptions and judgments for recognising tangible fixed assets as they are determined by accounting standards.

Disclosures regarding this matter are included in note 25.3.2 Significant accounting policies - Tangible fixed assets, note 26.2 Tangible fixed assets, which relates to point 26 Notes to the balance sheet as well as note 27.2 Capitalized own products and own services, which relates to the point 27 Notes on profit and loss account items

of personnel expenses, costs of materials and services and fixed assets.

- Familiarization with the method of recognising fixed assets constructed by the Group.
- Examination of the methodology and assumptions used by the Group in calculating the cost of personnel and verification of the completeness and accuracy of data used.
- Recalculation of the personnel costs and comparison with the calculation for the current year and to market data.
- Testing, on a sample of selected items, of capitalised own products and services, where we:
 - assessed whether the appropriate personnel expenses have been used;
 - obtained the bases for the cost of material and transport;
 - conducted interviews with persons responsible for construction of fixed assets;
 - verified supporting accounting documents and entries in the financial statements. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.

Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company Elektro Gorenjska, d.d., and Elektro Gorenjska Group, but does not include the consolidated financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures, we report on the following:

- other information is consistent with audited consolidated financial statements in all respect;
- other information is prepared in line with regulatory requirements and
- based on our knowledge and understanding of the Company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management, Supervisory Board and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using



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

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's financial reporting process. The Supervisory Board is responsible for confirming the audited consolidated annual report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on June 23, 2020 for the financial years 2020 - 2022. The engagement letter for the three years was signed on July 1, 2020. We have been performing the statutory audit of financial statements for four



years without interruption. The audit partner responsible for the audit is Maruša Hauptman.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 16, 2021.

Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

Other Services of the Auditor

In addition to the statutory audit services and services disclosed in the annual report, no other services were provided by us to the Company.

Ljubljana, April 16, 2021

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor
Procurator

Financial statements of Elektro Gorenjska Group for business year ended as at 31. 12. 2020

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24.1. Statement of financial position of Elektro Gorenjska Group as at 31. 12. 2020

Item	Note	31. 12. 2020	31. 12. 2019
in €			
ASSETS			
LONG-TERM ASSETS		226,805,087	225,585,936
Intangible assets	26.1.	1,761,357	1,809,794
1. Long-term property rights		1,761,357	1,809,794
Tangible fixed assets	26.2.	218,764,561	214,353,345
1. Land and buildings		158,416,921	155,033,490
2. Production plant and equipment		55,906,589	56,033,924
3. Other plant and equipment		965,056	538,843
4. Tangible fixed assets in acquisition		3,475,995	2,747,088
Investment property	26.3.	1,770,311	1,762,990
Long-term financial investments	26.4.	4,283,163	7,358,730
1. Long-term financial investments, excluding loans		3,383,510	7,152,115
b) Financial investments accounted for using the equity method		3,383,510	7,152,115
2. Long-term loans		899,653	206,615
b) Long-term loans to others		899,653	206,615
Long-term operating receivables		203,277	213,402
2. Long-term trade receivables		17,042	140,487
3. Long-term receivables due from others		186,235	72,915
Other long-term assets		22,418	87,675

*table continues on the next page

Item	Note	in €	
		31. 12. 2020	31. 12. 2019
SHORT-TERM ASSETS		18,562,196	17,554,618
Assets (group for disposal) for sale	26.5.	2,854,470	138,796
Stocks	26.6.	600,705	601,289
Short-term financial investments	26.7.	3,011,605	988,632
1. Short-term financial investments, excluding loans		4,643	181,670
2. Short-term loans		3,006,962	806,962
b) short-term loans to others		3,006,962	806,962
Short-term operating receivables	26.8.	5,469,903	7,689,979
2. Short-term trade receivables		5,064,599	7,566,246
3. Short-term receivables due from others		405,304	123,733
Income tax receivables		24,400	0
Other short-term assets	26.9.	680,610	240,686
Cash and cash equivalents	26.10.	5,920,503	7,895,236
TOTAL ASSETS		245,367,283	243,140,554

Statement of financial position of Elektro Gorenjska Group as at 31. 12. 2020 (continued from previous page)

Item	Note	31. 12. 2020	31. 12. 2019
in €			
LIABILITIES			
Capital	26.11.	168,642,937	165,914,359
Called-up capital		104,136,615	104,136,615
Capital reserves		45,973,479	45,973,479
Profit reserves		12,511,300	9,162,865
Other reserves		-483,724	-267,183
Retained profit and loss		6,505,267	6,908,583
Long-term liabilities		62,049,920	63,298,016
Provisions	26.12.	9,481,958	8,942,104
Long-term financial liabilities	26.13.	44,987,024	46,910,199
Long-term operating liabilities		189,805	363,728
Other long-term liabilities	26.14.	7,084,556	6,803,353
Deferred tax liabilities	26.15.	306,577	278,632
Short-term liabilities		14,674,426	13,928,179
Short-term financial liabilities	26.16.	7,770,575	7,699,711
Short-term operating liabilities	26.17.	5,782,558	4,975,068
Short-term liabilities for income tax		0	166,642
Other short-term liabilities	26.18.	1,121,293	1,086,758
TOTAL LIABILITIES		245,367,283	243,140,554

Explanatory notes are part of the financial statements and should be read in conjunction with them.

24.2. Profit or loss account of Elektro Gorenjska Group for business year ended as at 31. 12. 2020

Item	Note	in €	
		2020	2019
Net sales revenue	27.1.	37,114,917	37,853,514
Capitalized own products and services	27.2.	5,086,990	5,033,533
Other operating revenues	27.3.	1,469,454	969,348
Costs of goods, material, and services		8,677,325	8,502,446
Costs of goods sold and material used	27.4.	4,663,925	4,715,848
Costs of services	27.5.	4,013,400	3,786,598
Labour costs	27.6.	14,173,816	13,527,188
Amortization/depreciation expense	27.7.	12,908,248	12,428,932
Other operating expenses	27.8.	478,490	536,822
Financial revenues from shares		5,834	6,991
Financial revenue from interests in associates		2,812	0
Financial revenues from other investments		3,022	6,991
Financial revenues from given loans		1,843	2,059
Financial revenues from operating receivables		24,974	21,194
Financial expenses from impairments and financial investment write-offs		13,929	0
Financial expenses from financial liabilities	27.9.	467,579	514,787
Financial expenses from operating liabilities		23,514	50,754
Recognized profit or loss on investments valued using the equity method	27.10.	-717,697	189,909
Total profit or loss		6,243,414	8,515,619
Income tax	27.11.	866,389	1,187,812
Deferred taxes	27.12.	27,945	67,605
Net profit or loss of the accounting period		5,349,080	7,260,202

Explanatory notes are part of the financial statements and should be read in conjunction with them.

24.3. Statement of other comprehensive income of Elektro Gorenjska Group for business year ended as at 31. 12. 2020

Title	in €	
	2020	2019
1. Net profit or loss of the accounting period	5,349,080	7,260,202
2. Items of other comprehensive income (other than amounts under the equity method) that will not be subsequently reclassified to profit or loss	-195,800	-91,077
- Actuarial gains and losses	-195,800	-91,077
3. Items of other comprehensive income (excluding amounts under the equity method) that will subsequently be reclassified to profit or loss on the basis of the fulfillment of special conditions	0	0
- Effective portion of gains and losses from hedging instruments in hedging cash flows from risk	0	0
4. Share of other comprehensive income of associates and joint ventures accounted for using the equity method, which will not be subsequently reclassified to profit or loss	-6,415	-2,229
Total comprehensive income of the accounting period	5,146,865	7,166,896

Explanatory notes are part of the financial statements and should be read in conjunction with them.

24.4. Cash flow statement of Elektro Gorenjska Group for business year ended as at 31. 12. 2020

Item	2020	2019
in €		
A. Operating cash-flow		
a. Operating receipts	45,617,229	46,592,471
1. Receipts from sales of products and services	44,968,556	45,593,907
2. Income tax receipts	19,984	0
3. Other operating receipts	628,689	998,564
b. Operating expenditure	-23,546,854	-25,304,236
1. Expenditure for purchase of material and services	-4,934,709	-6,634,806
2. Expenditure for salaries and employees profit shares	-9,503,054	-9,823,369
3. Income tax expenditure	-983,875	-1,197,810
4. Expenditure for other duties	-4,563,255	-4,165,694
5. Other operating expenditure	-3,561,961	-3,482,557
c. Positive or negative cash flow from operating activities	22,070,375	21,288,235
B. Cash flows in investing activities		
a. Receipts in investing activities	938,926	3,040,226
1. Receipts from received interest and profit shares of others	218,019	538,278
3. Receipts from disposal of tangible fixed assets	145,267	57,429
4. Receipts from disposal of investment property	169,022	579,764
5. Receipts from disposals of financial investments	406,618	1,864,755
b. Expenditure in investing activities	-20,243,900	-18,986,138
1. Expenses for acquisition of intangible assets	-588,222	-522,902
2. Expenses for acquisition of tangible fixed assets	-16,516,905	-17,103,189
3. Expenses for acquisition of investment property	-5,581	-81,327
4. Expenses for acquisition of financial investments	-3,133,192	-1,124,912
5. Expenses for purchase of subsidiaries	0	-153,808
c. Positive or negative cash flow from investing activities (a+b)	-19,304,974	-15,945,912
C. Cash flows in financing activities		
a. Receipts in financing activities	6,000,000	6,038,320
2. Receipts from increase in financial liabilities	6,000,000	6,038,320
b. Expenditure in financing activities	-10,740,133	-9,861,768
1. Expenditure for given interest referring to financing activities	-478,742	-524,236
3. Expenditure for repayment of financial liabilities	-7,843,105	-6,746,511
4. Expenditure for dividend and other profit share payment	-2,418,286	-2,591,021
c. Positive or negative cash flow from financing activities (a+b)	-4,740,133	-3,823,448
Č. Closing cash balance	5,920,503	7,895,236
x. Cash flow for the period (Ac+Bc+Cc)	-1,974,732	1,518,875
y. CASH GAINED BY MERGER	0	10,919
y. OPENING CASH BALANCE	7,895,236	6,365,442

Explanatory notes in chapter 29. *Notes to the cash flow statement* are part of the financial statements and should be read in conjunction with them.

24.5. Statement of changes in equity of Elektro Gorenjska Group for the business year ended as at 31. 12. 2020

a.) From January 1 2020 to December 31 2020:

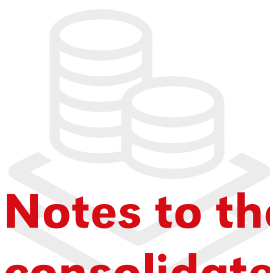
	in €						TOTAL CAPITAL			
	Called-up capital		Capital reserves		Profit reserves			Other reserves	Retained profit and loss	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.		IV./3.	V./1.	V./2.
Share capital			Capital re- duction of share capital by withdraw- al of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	IV./3.	V./1.	V./2.	
BALANCE AS OF DECEMBER 31 2019	104,136,615	1	28,581	45,944,897	3,393,348	5,769,517	-267,183	3,995,163	2,913,420	165,914,359
BALANCE AS OF JANUARY 1 2020	104,136,615	1	28,581	45,944,897	3,393,348	5,769,517	-267,183	3,995,163	2,913,420	165,914,359
CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287
Dividend payment	0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	0	0	-202,215	0	5,349,080	5,146,865
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	5,349,080	5,349,080
Items of other comprehensive income (other than amounts under the equity method) that will not be subsequently reclassified to profit or loss	0	0	0	0	0	0	-195,800	0	0	-195,800
- Actuarial gains and losses	0	0	0	0	0	0	-195,800	0	0	-195,800
Share of other comprehensive income calculated under the equity method that will not be reclassified to profit or loss later	0	0	0	0	0	0	-6,415	0	0	-6,415
CHANGES WITHIN CAPITAL	0	0	0	0	312,795	3,035,640	-14,326	527,899	-3,862,008	0
Allocation of remaining part of net profit of the comparative reporting period to other capital items	0	0	0	0	0	11,473	0	514,689	-526,162	0
Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control	0	0	0	0	312,835	3,024,167	0	0	-3,337,002	0
Transfer of actuarial gains/losses due to departures of employees, to profit/loss brought forward	0	0	0	0	0	0	-14,326	14,326	0	0
Merger GE Les	0	0	0	0	-40	0	0	-1,116	1,156	0
BALANCE AS OF DECEMBER 31 2020	104,136,615	1	28,581	45,944,897	3,706,143	8,805,157	-483,724	4,493,188	2,012,079	168,642,937

Explanatory notes in chapter 26.11 Capital are part of the financial statements and should be read in conjunction with them.

in €

	Called-up capital		Capital reserves			Profit reserves			Other reserves		Retained profit and loss		TOTAL CAPITAL
	I.		II.			III.			IV.		V.		
	I./1.	II./1.	Share premium account	Capital reserves from reduction of share capital by	General equity	Statutory reserves	Reserves for own shares and stakes	Own shares and stakes	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year	
Events in individual capital items													
BALANCE AS OF DECEMBER 31 2018	71,898,061	1	0	45,944,897	0	3,014,245	25,077	-25,077	34,084,984	-163,464	3,090,186	3,469,574	161,338,484
BALANCE AS OF JANUARY 1 2019	71,898,061	1	0	45,944,897	0	3,014,245	25,077	-25,077	34,084,984	-163,464	3,090,186	3,469,574	161,338,484
CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0	0	0	0	0	0	0	-12,964	-2,578,057	-2,591,021
Dividend payment	0	0	0	0	0	0	0	0	0	0	-12,964	-2,578,057	-2,591,021
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	0	0	0	0	0	-93,306	0	7,260,202	7,166,896
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	0	0	0	7,260,202	7,260,202
Items of other comprehensive income (except under the equity method) that will not be reclassified to profit or loss later	0	0	0	0	0	0	0	0	0	-91,077	0	0	-91,077
- Actuarial gains and losses	0	0	0	0	0	0	0	0	0	-91,077	0	0	-91,077
Share of other comprehensive income calculated under the equity method that will not be reclassified to profit or loss later	0	0	0	0	0	0	0	0	0	-2,229	0	0	-2,229
CHANGES WITHIN CAPITAL	32,238,554	0	28,581	0	0	379,103	-25,077	25,077	-28,315,467	-10,413	917,941	-5,238,299	0
Allocation of remaining part of net profit of the comparative reporting period to other capital items	0	0	0	0	0	0	0	0	9,066	0	882,451	-891,517	0
Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control	0	0	0	0	0	379,103	0	0	3,967,679	0	0	-4,346,782	0
Release of reserves for own shares and allocation into other components of capital	0	0	0	0	0	0	-25,077	0	0	0	25,077	0	0
Increase in share capital from other profit reserves	32,292,212	0	0	0	0	0	0	0	-32,292,212	0	0	0	0
Withdrawal of own shares - decrease in share capital by withdrawal of own shares into capital reserves	-53,658	0	28,581	0	0	0	0	25,077	0	0	0	0	0
Transfer of actuarial gains/losses due to departures of employees, to profit/loss brought forward	0	0	0	0	0	0	0	0	0	-10,413	10,413	0	0
BALANCE AS OF DECEMBER 31 2019	104,136,615	1	28,581	45,944,897	0	3,393,348	0	0	5,769,517	-267,183	3,995,163	2,913,420	165,914,359

Explanatory notes in chapter 26.11 *Capital* are part of the financial statements and should be read in conjunction with them.



Notes to the consolidated financial statement

25

25.1. Reporting company and Group structure

Elektro Gorenjska Company is the parent company of Elektro Gorenjska Group. Business address of the parent company is Ulica Mirka Vadnova 3a, Kranj.

Consolidated financial statements of Elektro Gorenjska Group for the year ended as at 31. 12. 2020, include:

- › parent company Elektro Gorenjska, Ul. Mirka Vadnova 3a, Kranj,
- › company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100 % ownership of the controlling company; capital of this company as at 31. 12. 2020 amounted to 18,905,410 €, net profit for year 2020 was 1,257,453 €,
- › company GEK vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100 % ownership of subsidiary Gorenjske elektrarne; capital of this company as at 31. 12. 2020 amounted to 175,284 €, net profit for year 2020 was 23,116 €,
- › associate company ECE, Vrunčeva 2a, Celje, which is in 25.6744 % ownership of the controlling company; capital of this company as at 31. 12. 2020 amounted to 18,815,157 €, net profit for year 2020 was 500,081 €,
- › associate company Soenergetika, Stara cesta 3, Kranj, which is in 25 % ownership of company Gorenjske elektrarne; capital of this company as at 31. 12. 2020 amounted to 1,672,300 €, net profit for year 2020 was 541,978 €.

In addition to the listed companies, Elektro Gorenjska Group also consists of the company Informatika d. d., in which the company Elektro Gorenjska holds 10.44 % stake. Due to insignificance, this company is not included in the Group financial statements.

Elektro Gorenjska Group is engaged in the production, sale and distribution of electricity.

25.2. Basis for compiling the consolidated financial statements

25.2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the notes adopted by the Committee for Interpretations of International Financial Reporting Standards (OMSRP) and in accordance with the requirements of the Companies Act (ZGD-1) and the Energy Act (EZ-1).

Management of Elektro Gorenjska Company approved the consolidated financial statements on April 9 2021.

25.2.2. Basis for measurement

Consolidated financial statements have been prepared on a historical cost basis, except in the case of receivables, which are recorded at amortized cost. Methods used to measure fair value are described in chapter *25.4. Determination of fair value*.

Consolidated financial statements have been prepared assuming that the Group will continue with its operations in the future. Operations of the Group are not seasonal in nature.

25.2.3. Functional and presentation currency

Presented financial statements of Elektro Gorenjska Group are presented in EUR. Degree of accuracy in reporting is 1 €.

Exchange rate differences, which occur in settlements of monetary items or with transference of monetary items at exchange rates different from those at which they were transferred at initial recognition in the period, are recognized in profit and loss for the period they occur in. In order to convert values in foreign currencies, the Group uses the reference rate of the European Central Bank published by the Bank of Slovenia.

25.2.4. Use of significant estimates and assessments

In the application of presented accounting policies and guidelines, the Group must carry out a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. Estimates and associated assumptions are based on historical experience and factors that the Group believes to be appropriate. Estimates and assumptions used are continuously reviewed. Actual results may differ from these estimates.

Checks to accounting estimates are recognized in the period in which the estimate is checked, but also in future periods if the revised estimate affects both current and future periods. Following are the main assessments that have a significant effect on the amounts recognized in the financial statements.

25.2.5. Assumptions and estimates

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- › Determination of useful lives of intangible and tangible fixed assets
- › Value adjustments of receivables
- › Provisions estimate.

They are presented in more detail in chapter

25.3. Summary of significant accounting policies.

25.2.6. Transactions with SODO Company

In March 2021 the company received a preliminary settlement of the regulatory year 2020 from SODO. Preliminary settlement for year 2020 was executed by SODO on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services and rent in year 2020 was by 872,707 € higher than the value established on the basis of the preliminary settlement. On this basis Elektro Gorenjska Company in 2020 reduced revenues by 872,707 (short-term accrued revenues) in the amount of 1,222,443 €. In year 2019 revenues established on the basis of preliminary settlement of the regulatory year 2019 were by 1,222,443 € higher than the already charged ones during the year. In year 2019 the Elektro Gorenjska Company therefore recognized additional revenue (short-term accrued revenues) in the amount of 1,222,443 €.

Final settlements for regulatory years 2019 and 2020 will be executed by SODO on the basis of the decision by the Energy Agency, which will take into account the revised data of both contracting parties. In case the Agency issued a decision in which it established different surpluses or deficits than the ones established by SODO, both contracting parties are bound to consider the decision of the Agency.

25.2.7. Disputes in progress and related provisions

There are several disputes in progress, including important denationalization procedures, where Elektro Gorenjska Company acts as the liable party. Company does not disclose details regarding these disputes, as it estimates that such disclosures might threaten the benefits of the company.

25.2.8. Adopted standards and interpretations that came into force as at 1. 1. 2020

During this reporting period, the following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- › Amendments to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors – Definition of Material, which apply to periods beginning on or after January 1 2020. Amendment clarifies the concept of materiality and how to use it. Amendment also improves the interpretation of this concept and ensures consistency between individual standards.
- › Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: Disclosures and reform of reference interest rates, which apply to annual periods beginning on or after January 1 2020. Amendment represents temporary but mandatory exemption from specific risk accounting requirements, in order to address the potential effects of uncertainty prior to the IBOR reform.
- › Amendments to the references to the conceptual framework in IFRS, which apply to annual periods beginning on or after January 1 2020.
- › Amendments to IFRS 3 – Business combinations, which apply to annual periods beginning on or after January 1 2020. Amended standard further clarifies the definition of business with the introduction of a new framework for determining whether a transaction is treated as an acquisition (disposal) of an asset or business.
- › Amendments to IFRS 16 – Leases, applicable for periods from June 1 2020 with permitted retroactive application. Amendment allows the lessees not to assess whether the change in lease related to COVID-19 is a change in the lease and consequently considers the changes as if it were not a change in the lease as defined in IFRS 16. Certain conditions must be met, such as: a) the new rental allowance remains »substantially the same« or less than the pre-change rental allowance; b) any reduced payments were originally due 30.6.2021 or before; and c) there are no other »substantive« changes to the lease. Lessees can optionally choose this practical solution and apply it consistently to all leases with similar characteristics and in similar circumstances. This practical solution does not apply to lessors.

Adoption of these standards, changes to existing standards and interpretations did not entail significant changes to the Elektro Gorenjska Group's financial statements.

25.2.9. **New accounting standards and interpretations not yet in force**

At the date of approval of these financial statements, the IASB issued the following amendments to the existing standard, adopted by the EU and not yet effective:

- › Amendments to IFRS 4 - Insurance contracts, coming into force in the EU on January 1 2021.
- › Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate reform – phase 2, effective 1. 1. 2021. Amendments define the issues arising from the implementation of the IBOR reform and include the replacement of one »benchmark« with another. For financial instruments measured at amortized cost, the amendments require companies to consider, as a practical exemption, a change in the basis for determining contractual cash flows as a result of the IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a consequence profit or loss is not recognized immediately. This practical exception applies only to such a change and only to the extent necessary as a direct consequence of the IBOR reform, and the new basis is economically equivalent to the previous basis. With respect to IFRS 16, lessees are required to apply a similar practical exception in accounting of changes in leases, which change the basis for determining future leases as a result of the IBOR reform (for example, when leases are indexed to the IBOR rate).

It is not expected that the new accounting standards and interpretations not yet in force will have a significant effect on the financial statements of Elektro Gorenjska Group.

25.2.10. **Accounting Standards and Interpretations issued by the IASC, but not yet adopted by the EU**

At present, IFRS, as adopted by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not yet adopted in the EU on April 9 2021 (the effective dates below are for IFRS as issued by the IASB):

- › Amendments to IAS 1 – Presentation of financial statements: Classification of liabilities as current and non-current – deferral of the effective date. This amendment clarifies that the classification of liabilities as current and non-current is based solely on the entity's right to defer settlement of the liability at the reporting date. Right must be unconditional. Amendment also clarifies that the transfer of equity instruments is considered a settlement of liabilities unless it results from the exercise of a swap option that meets the definition of an equity instrument. In accordance with the IASB, the amendments will enter into force on January 1 2023, and the EU has not yet adopted the amended standard.
- › Amendments to IFRS 3 – Business combinations, referring to the updated reference to the 2018 Conceptual Framework and introducing new exceptions to recognition and measurement under IFRS 3 in order to ensure that the new reference does not change the provisions as to which assets and liabilities qualify as business combinations. In accordance with the IASB, the amendments will enter into force on January 1 2022, and the EU has not yet adopted the amended standard.
- › Amendments to IAS 16 – Intangible fixed assets – proceeds before intended use, introduces new instructions. Proceeds from the sale (e.g. of samples) before a fixed asset is available for its intended use can no longer be deducted from the cost of the fixed asset, but are recognized in the income statement, together with production costs. In doing so, the company will have to distinguish between the costs of production and sales before the fixed asset is available for its intended use and the costs associated with preparing the fixed asset for its intended use. In accordance with the IASB, the amendments will enter into force on January 1 2022, and the EU has not yet adopted the amended standard.

- › Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets. Amendments relate to the interpretation that in the case of delicate contracts, the costs of fulfilling the contract include all costs referring directly to the contract. In accordance with the IASB, the amendments will enter into force on January 1 2022, and the EU has not yet adopted the amended standard.
- › Annual improvements 2018–2020, which enter into force on 1. 1. 2022, but the EU has not yet adopted them. Annual improvements include amendments to IFRS 1 – First time adoption of IFRS. They facilitate the introduction of IFRS in a subsidiary that applies the IFRS for the first time, followed by amendments to IFRS 9 – Financial instruments, where interpretations are given as to the cost of commissions to be taken into account in the »10 % test« to derecognize financial liabilities, followed by the amendments of to the illustrative example of IFRS 16 – Leases and IAS 41 – Agriculture, , where the requirement to exclude cash flows for tax purposes when measuring fair value is eliminated, thus equating fair value with the definition in IFRS 13. EU has not yet adopted the annual improvements 2018–2020.
- › IFRS 17 – Insurance contracts, which enters into force on January 1 2023, but has not yet been adopted by the EU;
- › Amendments to IAS 1 – Presentation of financial statements and IFRS Practice statement 2: Disclosure of accounting policies, which enter into force on January 1 2023, but has not yet been adopted by the EU. Revised standard requires the disclosure of material accounting policies , not just significant policies.
- › Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors: Definition of accounting estimate, which enters into force on January 1 2023, but has not yet been adopted by the EU. Amendment introduces the definition of accounting valuation and other interpretations that will make it possible to distinguish between accounting policy and accounting estimate.

We anticipate that the introduction of the above new standards and amendments to existing standards during the period of initial application will not have a significant impact on the Elektro Gorenjska Group's financial statements.

25.3. Summary of significant accounting policies

Financial statements of the Group have been prepared on the basis of accounting policies presented below.

25.3.1. Basis for consolidation

Financial statements of the Group have been prepared on the basis of the financial statements of Elektro Gorenjska Company and its subsidiary and associated companies.

a. Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the controlling company has the opportunity to decide on the financial and operating policies of the company in order to obtain benefits from its operations. Financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies of the Group.

b. Associated companies

Associated companies are those companies in which the Group has significant influence, but not control over their financial and operating policies. Significant influence exists when the Group owns 20 to 50 per cent of the voting rights in another company. Investments in associates at initial recognition are stated at cost and then accounted for under the equity method. Consolidated financial statements of the Group include the Group's share in the profits and losses of associates from the date that significant influence commences until the date when it ends.

c. Transactions eliminated from the consolidated financial statements

In preparing the consolidated financial statements we eliminate balances, unrealized gains and losses resulting from intra-Group transactions. Unrealized gains on transactions with associated companies (accounted for under the equity method) are eliminated to the extent of the Group's share in this company. Unrealized losses are eliminated in the same way as unrealized gains, provided that there is no evidence of impairment.

d. Assumptions used in preparation of consolidated financial statements

In preparing the consolidated financial statements the following assumptions have been used:

- › Assumption of a single company (consolidated Group accounts show the assets, financial condition and results of operations and changes in financial position and changes in equity of the Group companies as if it were one company).
- › Assumption of demonstrating the true asset and financial position and profit or loss.
- › Assumption of the Group's completeness.
- › Assumption of the completeness of the financial statements and their uniform scope.
- › Assumption of the same date.
- › Assumption of consistent consolidation methods.
- › Assumption of clarity and transparency.
- › Assumption of economy.
- › Assumption of significance.

25.3.2. Significant accounting policies

Intangible assets

Intangible asset is a non-monetary asset, which does not exist physically. It is recognizable when it is identifiable, detachable, it can be replaced, transferred or sold. Intangible asset managed by the Group has the power to receive future economic benefits and limit the access of others to these benefits.

Group recognizes an intangible fixed asset when, and only when, it is probable that the expected future economic benefits will flow to the Group, and its value can be reliably measured. After initial recognition, the Group has the selected accounting policy as the cost model. Intangible assets are initially recognized at cost, less accumulated amortization and accumulated impairment losses. Impairment of intangible assets with a definite useful life is carried out in the same way as for tangible fixed assets.

Useful life is the period in which the Group expects that the intangible asset will be available for use. Useful life of all intangible assets in the Group is finite and intangible assets are depreciated. Depreciable amount of an intangible asset with a finite useful life the Group strictly allocates to the entire period of its useful life. Amortization of intangible assets is calculated individually based on the straight-line depreciation method. Depreciation charge for each period shall be recognized in profit or loss account.

Useful lives and depreciation rates of larger groups of depreciable assets are:

Estimated useful life	Estimated useful life (in years)	Depreciation rate (in %)
Computer software equipment	3-7	14.29-33.33
Other rights	3-100	1-20

For major items of intangible fixed assets, the Group reviews annually the period and method of depreciation and the residual value of assets. Effect of the change in the assessment the Group describes in the notes in the accounting period in which it occurred.

Recognition of the intangible asset is eliminated by the Group upon disposal or when it does not expect any economic benefits from its use.

Tangible fixed assets

Tangible fixed assets are assets owned by the Group that it uses in the production or supply of products, when providing services, leasing them to others, or using them for office purposes. They are expected to use them for these purposes in more than one accounting period. Group recognizes an asset as a fixed asset solely on the condition that future economic benefits will flow and the cost of the asset can be reliably measured.

Carrying amounts of tangible fixed assets and thus the basis for depreciation of these assets acquired upon the establishment of companies in the Group with in-kind contributions, were initially recognized at the estimated fair value determined with the participation of a certified appraiser.

Tangible fixed asset that qualifies for recognition as an asset is measured at cost. Cost of a tangible fixed asset corresponds to the price of money on the day of recognition. Cost includes its purchase price, non-refundable purchase taxes, discounts, costs incurred to enable the asset to operate in accordance with management expectations, and direct costs that can be attributed to purchase value.

If the Group postpones the payment of acquisition cost for a longer period of time, the difference between the cash equivalents and the total consideration is recognized as interest and accrued. Therefore, among costs that increase the acquisition cost of a fixed asset, the Group also includes borrowing costs related to the acquisition of a tangible fixed asset, until it is ready for use if it is produced for more than one year.

Borrowing costs are attributed to the acquisition costs at the completion of the investment. In case the investment is not completed in the current year, they are attributed on the last day of the accounting period to the items of the project (investment items). Items are named in the contract of lending, and those items of the project, which name is not listed, but their planned value exceeds 400,000 €.

If the newly acquired and recognized building, which is part of tangible fixed assets due to the construction of new building, which will be part of the tangible fixed assets, is disposed, the carrying value of the existing building is the cost of site preparation, which is included in the cost of the new building.

Acquisition cost of a tangible fixed asset constructed or produced in its own context is determined by the Group using the same principles as with the asset purchased. Group companies that produce its own assets in the acquisition cost include costs that are directly related to it, and the general costs of construction, which can be attributed to that asset. Costs not related to its construction or making, and costs that the market does not recognize are not included in the acquisition price. Acquisition cost of such tangible fixed asset cannot be greater than the acquisition cost of an identical or similar tangible fixed assets on the market. Acquisition cost of tangible fixed asset constructed or produced in Group companies thus consists of outsourcing services, hours of direct labor, material costs (valued at the weighted average price at the level the organizational unit) and other direct production costs (depreciation of labor resources, administrative and legal fees, notary services...).

Group estimates that it has no significant obligations for decommissioning and disposal of tangible fixed assets, restoration of sites and similar obligations.

Tangible fixed assets acquired through state aid or a donation are stated at cost upon acquisition. Donations or government grants are not deducted from their acquisition cost, but are included in deferred revenues and are used in accordance with the charged depreciation.

For measuring the tangible fixed asset after recognition the Group uses the cost model.

Under tangible fixed assets and not investment property we record also the electricity distribution infrastructure leased under operating lease to SODO under the Contract with SODO. In terms of content, this is a proprietary use of assets, but the Group does not originally have it in order to earn rent or other returns, but in order to carry out its activity.

If subsequently incurred costs related to tangible fixed assets, increase its future benefits compared to the originally estimated, its cost increases. However, if the costs are increasing the useful life of the asset, the acquisition cost of tangible fixed asset is increased for the value of these costs and the useful life is extended.

Costs related to tangible fixed assets, which arose later and are necessary to operate normally, are disclosed as maintenance costs.

Depreciation of tangible fixed assets is calculated individually based on the straight-line method over the entire estimated useful life of assets.

Average useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Buildings of energy infrastructure	25–50	2–4
Buildings of hydroelectric power stations	5–40	2.5–20
Solar power stations	7–30	3.33–13.13
Other buildings	20–50	2–5
Equipment of energy infrastructure	10–35	2.86–10
Computer hardware equipment	3–4	25–33.33
Equipment of hydro power stations	3–30	3.33–33.33
Equipment SPTE	6–10	10–16.21
Other equipment	2–20	5–50
Investments in foreign tangible fixed assets	1.5–30	3.33–70
Vehicles	6–12	8.33–16.67

Depreciable amount of tangible fixed assets is equal to their acquisition cost, reduced by any eventual impairment, which is systematically allocated throughout the useful life.

Group annually verifies useful lives and other values of significant items of tangible fixed assets, depreciation rates are then converted to current and future periods if expectations differ significantly from the estimates.

At the end of the financial year the Group assesses whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed. Impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount and is generally recognized in profit or loss as an operating expense.

Investment property

In recognizing investment property the Group considers the same conditions as with tangible fixed assets, reliability of measuring the acquisition value and inflow of economic benefits.

Investment property is property owned by the Group in order to bring rent, to increase the value of long-term investment or both. Investment property in the Group generates cash flows independently of other assets held by the Group.

Investment properties in the Group include mainly:

- › land held for increasing the value of long-term investment rather than for short-term sale in the ordinary course of business;
- › land that has no future use determined by the Group;
- › building in single or multiple operational leasing;
- › vacant buildings owned to hire out in single or multiple operational leasing;
- › property that is being constructed or developed for future use as investment property.

Investment property does not include:

- › real estate used by employees (for example apartments hired out for operational leasing to the employees);
- › real estate hired out for a long-term operational leasing to company SODO Maribor, on the basis of a long-term Contract with SODO;
- › property comprising Sava HE, in connection with which a denationalization dispute is in progress. Until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne.

All of the above listed real estate is treated as a component part of the tangible fixed assets.

For measuring investment property after recognition model of acquisition value is used, reduced by depreciation and eventual impairments.

Group transfers funds from the account or to the investment property account only when the use is changed and there is evidence of a change in use. Such a case is a sale that is probable within a period of one year, a transfer to a disposal group, or among assets intended for sale.

Straight-line depreciation method is used. Useful life of investment property is the same as for tangible fixed assets of the same kind.

Assets received and leased

When concluding a contract, the Group assesses whether it is a lease contract or whether the contract contains a lease. Contract is a lease if it transfers the right-of-use control of a particular asset for a specified period of time in return for payment. Lessee must have the right to derive all significant economic benefits from the use of the assets and the right to direct the use of the asset.

For all such contracts, the Group recognizes the right to use the assets and the related lease obligation when concluding the lease. This equates the accounting treatment of leases for both operating and finance leases.

Exceptions are short-term leases and leases in which the leased asset is of small value. For these leases, the Group recognizes lease payments as a cost of services (rent costs) on a straight-line basis over the term of the lease or on any other systematic basis that best reflects the pattern of benefits received.

Group defines the assets it leases as operating or financial, depending on the nature of the lease. Lease is classified as finance lease if it transfers substantially all the risks and benefits connected to the ownership of the asset. All leases that are not financial are operating leases. In a finance lease, the lessor recognizes finance income over the lease term on a sample basis that reflects a constant periodic rate of return on the net investment. Payments made under operating leases are recognized by the lessor as revenue on a straight-line basis or, if the pattern previously reflects a reduction in the benefits or using the asset, using another systematic method.

Group discloses assets leased under operating leases under its own assets and calculates depreciation from their purchase value in accordance with the guidelines, while the amounts charged for the use of the asset are included in rental income.

All contractual relationships where the Group acts as a lessor are concluded as operating leases. Group discloses assets among its assets. Rental income over the lease term is recognized on a straight-line basis over net operating income. All costs associated with leased assets (including depreciation) are recognized as expenses of the period.

Financial instruments

Financial instruments include the following items:

- › non-derivative financial assets,
- › non-derivative financial liabilities and
- › derivative financial instruments.

Non-derivative financial assets

Non-derivative financial assets are:

- › financial investments recorded in the statement of financial position as long-term and short-term financial investments,
- › receivables and loans,
- › cash and cash equivalents.

Financial investments

At initial recognition, non-derivative financial instruments are classified into one of the following categories: financial asset at fair value through other comprehensive income, financial assets at amortized cost and financial asset at fair value through profit or loss. Classification depends on the purpose for which the instrument was acquired.

All long-term loans and short-term financial investments are classified in the group of financial assets at amortized cost.

In a regular way of purchase or sale of financial assets in the accounting records and statement of financial position such financial asset is recognized taking into account the trade date (trade), this is the date on which the Group commits to purchase or sell the asset.

Upon initial recognition, the financial investment is measured at fair value. Initial value is added also transaction costs arising from the acquisition or issue of financial assets, except for investments classified as financial assets at fair value through profit or loss.

Financial investments in associate companies and joint ventures are measured using the cost model. If there is an objective evidence that an impairment loss occurred the stated investment is tested for impairment in accordance with the IAS 36 – Asset impairment.

Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, returns due to inadequate quality, for received payments and other forms of settlement.

After their initial recognition claims are measured at their amortized cost.

In the statement of financial position long-term claims, which are already due (but not yet settled), and long-term claims, which are due in one year after the balance sheet date at the latest, are recognized as short-term claims.

At least quarterly, before compiling the quarterly statement of accounts, the Group verifies the suitability of individual recognized claim's amounts. Receivables, which are assumed to not be settled wholly or partially, are recognized as doubtful; if they result in legal proceedings or there is a dispute about their pay, they are recognized as disputable. To this end, the Group has established appropriate records. In the records of disputable claims it classifies all claims:

- › in the execution procedures based on the execution title;
- › in the execution procedures based on the authentic document (e.g. action) and
- › in the insolvency proceedings (composition proceedings, simplified composition proceedings, and bankruptcy proceedings).

Value adjustment of short-term operating receivables to Group companies is formed on the basis of the criterion of maturity and collateral. Thus, the estimate obtained is corrected by individual assessment with regard to the creditworthiness of the customer and the internal and external signs of impairment.

Cash and cash equivalents

Under monetary assets the Group includes:

- › cash on transactional and foreign currency accounts in banks or other financial institutions that can be used to make payments, and
- › cash equivalents.

Cash equivalents are investments that can be readily or in the near future converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Group also includes deposits, bank deposits and loans among the companies in the Group with a maturity of up to three months, and receipts from their disposals, among cash equivalents.

All current accounts are kept in Euros, only current account No. SI 56 0700 0000 0641 939 in Gorenjska bank Kranj is opened also as foreign currency account. Accounts No. SI 56 3000 0000 3480 687 and No. SI 56 3000 0000 8793 959 in Sberbank represent saving accounts.

Revaluation of monetary assets is a change of their carrying value and can be done at the end of the financial year or during the year. Revaluation occurs only in case of assets in foreign currencies if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and in first case it represents financial revenue related to monetary assets or in the second case a financial expenditure related to monetary assets.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognized obligations associated with the financing of own assets, which must be repaid or settled, especially in cash. As a special type of debt deferred tax liabilities are considered.

In the statement of financial position of the Group long-term debts that have already fallen overdue (but are not yet settled) and long-term debts due and payable not later than one year after the balance sheet date, are recognized as short-term debts.

Debts can be financial (borrowings under the loan agreements, liabilities to lessors in finance lease) or business (purchased materials and services from suppliers, liabilities to employees, liabilities to the state, liabilities to customers for advances and securities).

After initial recognition, liabilities are measured at amortized cost.

They are increased by implied interest and decreased by paid amounts and any other settlements, agreed upon with creditors.

Recognition of debts in the accounting records and the balance sheet shall be eliminated when the obligation specified in the contract or another legal instrument is discharged, canceled or expired (and the organization does not intend to settle).

Stocks

Stocks are assets that are held for sale in the ordinary course of business, which are being used in the process of production for such sale, or in the form of materials to be consumed in the production or provision of services.

Quantity units of stock materials (including small tools and packaging) are initially recognized by the Group at the purchase price. Cost comprises of the purchase price, import and non-refundable charges (including value added tax, which is not reimbursed) and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of organizational units. Moving average price is calculated on a daily basis.

Group values stocks at their original value. Group continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value, which is the estimated selling price.

Other assets

Other assets of the Group include accrued income and deferred expenses.

Accrued income are revenues that are considered in the income statement, although they have not yet been charged. In accordance with IFRS 15 they are recognized as assets under the contracts with buyers. Deferred expenses are amounts that when incurred are not yet charged to the profit and loss account.

Capital

Entire capital of the Group consists of called-up capital, capital reserves, profit reserves, other reserves and retained profit.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

Provisions

Group recognizes provisions if due to past events it has a legal or indirect obligation that can be reliably estimated and future events occur that may affect the amount required to settle the obligation. Before forming provisions the Group first assesses the likelihood of future events. It is noted that the future event really occurred, if there is material evidence about it at the time of the assessment (eg. action lodged, denationalisation claim made,...).

Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs.

Contingent liabilities are not considered provisions.

Significant provisions include long-term employee benefits, which are divided into:

- › long-service bonus, which belongs to other long-term employee benefits, and
- › severance pay upon retirement, which belongs to post-employment benefits.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date the Group establishes and in the profit or loss account recognizes revenues or expenses in connection with the adjustment of provisions for retirement benefits from:

- › amount of additional provisions for current service costs relating to severance pays for the current year;
- › amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);

- › accrued interest in respect of the provisions (as additional cost of provisions);
- › effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under other reserves, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date the Group determines and recognizes in the profit or loss revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses).

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities for which the provisions were formed, have already been used out or there no longer is a need for them.

Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

Assets acquired free of charge

Assets acquired free of charge include:

- › connections of customers that the group took over into its tangible fixed assets together with its commitment to care for their maintenance and reconstruction, in accordance with the regulations, namely the General conditions for connection to the distribution electric system,
- › free acquisitions of other fixed assets,
- › assets acquired through government support or donation and
- › earmarked funds for co-financing the construction of tangible fixed assets.

Assets acquired free of charge are initially recognized in the financial statements as deferred income under other long-term liabilities. They are recognized as other operating income over the useful life of each asset.

Other liabilities

Other liabilities include deferred revenues and cost provisions or expenses.

Deferred revenue is revenue received to cover costs and is recognized consistently as revenue over the periods in which they arise. Other income is recognized when the Group expects to receive benefits. Cost provisions are amounts that have not yet occurred, but already have an impact on profit.

Deferred tax liabilities and tax receivables and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences. They relate to those items of income or expense that are taxable or deductible in the coming years.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits.

Receivables and deferred tax liabilities are not recognized in the accounting records if the amounts of deferred tax assets and deferred tax liabilities are individually or jointly insignificant for the Group.

Deferred income tax is determined using tax rates (and laws) that are in effect at the balance sheet date and which are expected to be in effect when the related deferred tax asset is realized or the deferred tax liabilities settled and when a taxable profit against which it will be possible to eliminate temporary differences is available.

At the end of each reporting period the Group reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset if it is probable that future profit will allow the coverage of deferred tax assets.

Current tax expense is the amount of tax that is payable (recoverable) according to the taxable profit (tax loss) for the period, using tax rates enacted on the reporting date, and any adjustments to tax payable in respect of previous years.

Revenues

Revenue is recognized by the Group when an increase in economic benefits is connected to the increase in an asset or a decrease in the debt and that this increase can be measured reliably. Group recognizes revenue when transferring control of the goods or services to the customer in an amount that reflects the compensation for which the Group considers it will be entitled to in return for those goods or services. Only a negligible portion of revenue is recognized over time period. Revenues are recognized from the sale of goods, provision of services and the use of the assets of the Group, which bring interest, royalties and dividends of others. Revenues in the books are divided into operating and financial revenues.

Operating revenue is revenues from sales, capitalized own products and services and other operating revenues associated with business impact. These include also operating revenues that occur mainly on the sale of tangible fixed assets and investment property at a price that exceeds their book value, or as a result of adjustment of receivables.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares as well as other financial revenues from revaluation.

Other revenues consist of unusual items and other revenues that increase the profit or loss. Company discloses state support obtained to contain or eliminate the consequences of the COVID-19 epidemic, among other revenues.

Interest on unpaid claims are not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Majority of revenue is generated by the Group on the basis of Contract with SODO, from the lease of electricity infrastructure and provision of services for SODO. Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are not recognized as revenue, but as operating liabilities to SODO.

Group also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the Group recognizes revenue gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation. To measure the progress it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in this construction contracts.

Expenditure

Expenditure is classified into operating and financial expenses.

Operating expenses include all costs incurred in the period and operating expenses from revaluation. Latter occur mainly due to the impairment of tangible fixed assets, intangible assets, investment property, accounts receivable and stocks, as well as the sale or other disposal of tangible fixed assets and investment property at a price that is lower than their carrying value.

Financial expenses are financing expenses and investment expenses. First consist primarily of interest, while second are primarily of revaluation financial expenses nature. Latter are due to impairment of financial investments and due to the sale or other disposal at a price that is lower than their book value. Interest expenses are recognized according to the elapsed time and the applicable interest rate.

Consolidated cash flow statement

Group presents its cash flows from operating activities, investing and financing activities in a manner that best suits its business. Statement of cash flows is prepared using the direct method.

For the purpose of preparation of cash flows cash equivalents are classified as monetary assets as well. These are short term, highly liquid investments that are readily convertible to known amounts of cash and where the risk of changes in value is insignificant. Group treats as cash equivalents the short-term deposits and deposits with banks and loans between companies in the Group with a maturity of up to three months after the acquisition, and receipts from their disposal.

For each group of assets (of e.g. intangible assets and tangible fixed assets) as an increase (expenses) are treated the paid acquisition costs of the newly acquired assets, and as a reduction (income) the received payments for the value of assets disposed.

Cash flows relating to capitalized development costs and self-constructed tangible fixed assets are classified as cash flows from investing activities.

Cash flows from interest received and paid and dividends the Group classifies based on the contents of the transaction under cash flows from operating, investing and financing activities.

Net earnings per share

Basic return per share is calculated by the Group by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in the business year. Corrected return per share equals the basic, as all of the shares belong to the same class of ordinary registered shares.

25.4. Determination of fair value

Financial instruments are recorded at fair value. Fair value is the amount at which the asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the following hierarchy of levels for determination of fair value is considered:

- › first level includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- › second level includes values other than quoted prices included within the first level, but it is nevertheless possible to obtain directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (e.g. values derived from quoted prices in an active market based interest rates and yield curves),
- › third level includes inputs for the asset or liability that are not based on observable market data, while unobserved data must reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

As a base for the fair value of financial instruments the Group uses quoted prices. If a financial instrument is not quoted on a regulated market or the market is considered inactive, the Group in order to assess the fair value of the financial instrument uses the input data of the second and third level.

In the investment property the Group discloses the fair value. Fair value results from the valuation of investment property, which is carried out every 3-5 years.

Operating and other receivables are not discounted due to their short-term character, whereas impairments of the fair value are taken into account.

25.5. **Business combinations**

On January 30 2020, the company Gorenjske elektrarne merged the company GE LES. Billing date was December 31 2019.

Company was managed as an independent legal unit or as an associated company in the Elektro Gorenjska Group. With the merger, all assets, rights and obligations of the acquired company were transferred to the acquiring company. Company Gorenjske elektrarne, as the universal legal successor, entered into all legal relations, the subject of which was the GE LES Company.



Notes to the statement of financial position

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26.1. Intangible assets

Following tables present changes in intangible assets in years 2020 and 2019.

in €			
2020	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
Balance 1. 1. 2020	5,766,366	90,611	5,856,977
New acquisitions	304,942	251,501	556,443
Disposals, withdrawals, transfers	-235,212	0	-235,212
Completion of ongoing investments	326,654	-326,655	0
Balance 31. 12. 2020	6,162,751	15,456	6,178,207
Value adjustment			
Balance 1. 1. 2020	4,047,183	0	4,047,183
Increase (depreciation)	604,033	0	604,033
Disposals, withdrawals, transfers	-234,365	0	-234,365
Balance 31. 12. 2020	4,416,851	0	4,416,851
Carrying amount			
Balance 1. 1. 2020	1,719,184	90,611	1,809,794
Balance 31. 12. 2020	1,745,900	15,456	1,761,357

in €			
2019	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
Balance 1. 1. 2019	5,434,903	269,484	5,704,388
New acquisitions	541,221	403,235	944,456
Disposals, withdrawals, transfers	-791,867	0	-791,867
Completion of ongoing investments	582,108	-582,108	0
Balance 31. 12. 2019	5,766,366	90,611	5,856,977
Value adjustment			
Balance 1. 1. 2019	4,296,171	0	4,296,171
Increase (depreciation)	542,878	0	542,878
Disposals, withdrawals, transfers	-791,867	0	-791,867
Balance 31. 12. 2019	4,047,182	0	4,047,182
Carrying amount			
Balance 1. 1. 2019	1,138,733	269,484	1,408,216
Balance 31. 12. 2019	1,719,184	90,611	1,809,794

Intangible assets refer mainly to long-term property rights, which represent rights to use computer software solutions or licenses. Property rights in acquisition include investments in renovation and modernization of computer software equipment.

Of all intangible assets that were in use as at 31. 12. 2020 28 % were fully depreciated. On the last day of 2019 there were 50 % of all intangible assets fully depreciated. Share is calculated according to the acquisition cost of intangible assets.

As at December 31 2020 the Group had no financial obligations in respect of acquiring intangible fixed assets.

26.2. Tangible fixed assets

As at December 31 2020 tangible fixed assets amounted to **218,764,561 €**, which represents 89 % of balance sheet total of the Group. Compared to the balance as at December 31 2019 their value is by 4.4 million € or 2.1 % higher.

Changes in tangible fixed assets in year 2020:

	in €				
2020	Land	Buildings	Equipment	Tangible fixed assets under construction	Total tangible fixed assets
1	2	3	4	5	6=2+3+4+5
Acquisition cost					
Balance 1. 1. 2020	8,240,984	309,586,760	143,290,000	2,747,088	463,864,832
New acquisitions	125,131	55,754	2,456,321	14,066,672	16,703,879
Impairment	0	-10,115	-734,833	0	-744,948
Disposals, separations, transfers	-9,686	-1,247,079	-2,030,466	-1,999	-3,289,229
Transfer from ongoing investments	13,869	9,396,224	3,925,673	-13,335,767	0
Balance 31. 12. 2020	8,370,299	317,781,544	146,906,696	3,475,995	476,534,533
Valuation adjustment					
Balance 1. 1. 2020	0	162,794,254	86,717,233	0	249,511,487
Increase (depreciation)	0	6,015,998	5,640,597	0	11,656,595
Impairment	0	-3,896	-439,678	0	-443,574
Disposals, separations, transfers	0	-1,071,434	-1,883,102	0	-2,954,536
Balance 31. 12. 2020	0	167,734,922	90,035,051	0	257,769,972
Carrying amount					
Balance 1. 1. 2020	8,240,984	146,792,506	56,572,767	2,747,088	214,353,345
Balance 31. 12. 2020	8,370,299	150,046,622	56,871,645	3,475,995	218,764,561

Changes in tangible fixed assets in year 2019:

in €

2019	Land	Buildings	Equipment	Tangible fixed assets under construction	Total tangible fixed assets
1	2	3	4	5	6=2+3+4+5
Acquisition cost					
Balance 31. 12. 2018	8,093,140	300,816,894	139,093,004	2,814,956	450,817,994
Merger	0	0	162,000	0	162,000
Balance 1. 1. 2019	8,093,140	300,816,894	139,255,004	2,814,956	450,979,995
New acquisitions	139,741	16,056	2,291,189	13,546,951	15,993,937
Purchase of company	0	0	422,000	0	422,000
Disposals, separations, transfers	-3,688	-1,605,909	-1,793,670	-104,250	-3,507,516
Transfer from ongoing investments	11,791	10,383,302	3,115,477	-13,510,569	0
Transfer from/to investment property	0	-23,584	0	0	-23,584
Balance 31. 12. 2019	8,240,984	309,586,760	143,290,000	2,747,088	463,864,832
Valuation adjustment					
Balance 31. 12. 2018	0	158,555,621	82,777,588	0	241,333,209
Merger	0	0	0	0	0
Balance 1. 1. 2019	0	158,555,621	82,777,588	0	241,333,209
Increase (depreciation)	0	5,745,448	5,655,751	0	11,401,199
Disposals, separations, transfers	0	-1,487,675	-1,716,106	0	-3,203,781
Transfer from/to investment property	0	-19,140	0	0	-19,140
Balance 31. 12. 2019	0	162,794,254	86,717,233	0	249,511,487
Carrying amount					
Balance 1. 1. 2019	8,093,140	142,261,273	56,315,417	2,814,956	209,484,786
Balance 31. 12. 2019	8,240,984	146,792,506	56,572,767	2,747,088	214,353,345

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2020 amounted to 189,484,661 € (31. 12. 2019: 185,344,653 €). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Group does not have any assets under its fixed assets that would represent the right to use the assets under IFRS 16. Of all tangible assets that were in use as at 31. 12. 2020, 23 % were fully depreciated (as at 31. 12. 2019 these assets were 22.6 %). Share is calculated according to the acquisition cost of intangible assets.

To finance new acquisitions of fixed assets the Group took several long-term loans in year 2020 and previous years, whose balance on 31. 12. 2020 amounted to 52,734,811 € (31. 12. 2019: 54,566,451 €). Please see also chapter 26.13. *Long-term financial liabilities*.

26.3. Investment property

At the end of 2020 investment property amounted to **1,770,311 €**. All investment properties are owned by the Group and are not pledged as security for debts. Changes in their value in years 2020 and 2019 are presented in the following tables.

2020	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
in €				
Acquisition cost				
Balance 1. 1. 2020	470,235	1,907,454	0	2,377,688
New acquisitions	0	0	48,432	48,432
Transfer from ongoing investments	0	45,832	-45,832	0
Balance 31. 12. 2020	470,235	1,953,286	2,600	2,426,121
Valuation adjustment				
Balance 1. 1. 2020	0	614,699	0	614,699
Depreciation	0	41,107	0	41,107
Disposals, transfers	0	4	0	4
Balance 31. 12. 2020	0	655,809	0	655,809
Carrying amount				
Balance 1. 1. 2020	470,235	1,292,755	0	1,762,990
Balance 31. 12. 2020	470,235	1,297,477	2,600	1,770,311

2019	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
Balance 1. 1. 2019	484,118	2,035,448	4,240	2,523,805
New acquisitions	0	0	126,081	126,081
Disposals, transfers	-13,883	-281,899	0	-295,782
Transfer from ongoing investments	0	130,321	-130,321	0
Transfer from/to tangible fixed assets	0	23,584	0	63,915
Balance 31. 12. 2019	470,235	1,907,454	0	2,418,020
Valuation adjustment				
Balance 1. 1. 2019	0	710,218	0	710,218
Depreciation	0	42,935	0	42,935
Disposals, transfers	0	-157,594	0	-157,594
Transfer from/to tangible fixed assets	0	19,140	0	19,140
Balance 31. 12. 2019	0	614,699	0	614,699
Carrying amount				
Balance 1. 1. 2019	484,118	1,325,230	4,240	1,813,588
Balance 31. 12. 2019	470,235	1,292,755	0	1,762,990

Following is the presentation of investment property structure.

Item description	31. 12. 2020	31. 12. 2019
Apartments	319,046	329,891
Holiday facilities	863,229	845,182
Other buildings	115,201	117,681
Land	470,235	470,235
Investment property in acquisition	2,600	0
Total investment property	1,770,311	1,762,990

Based on the appraisal carried out by a certified appraiser of real estate in the Slovenian Audit Institute in 2020, fair value of investment property that the company stated in its balance on 31. 12. 2020 amounted to 3,665,521 €. All investment properties are owned by the company and are not pledged as security for debts.

Revenues from rent in investment property amount to 142,359 € (in year 2019: 189,924 €). Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2020, and direct operating expenses, which did not make revenues from rents in year 2020 consist of depreciation costs (41,914 €) and costs of material and services (66,156 €). In year 2019 costs of depreciation were 42,935 € and costs of material and services 90,454 €.

26.4. Long-term financial investments

On December 31 2020 long-term financial investments of the Group amounted to **4,283,163 €**. Compared to the balance as at 31. 12. 2019 their value decreased by 3,075,567 €.

Largest item under long-term financial investments is an investment in company ECE (2,841,281 €). Investment was recognized in 2015, the value of the investment then amounted to 5,606,005 €. Investment is taken into account in the consolidated financial statements of the Group using the equity method. At the end of 2020, the investment was impaired in the amount of 981,584 € and the 51 % share was reallocated to assets held for sale. More is explained in chapter *26.5. Assets for sale*.

More important data from the ECE Company's accounts for year 2020 are the following:

in €

Item	31. 12. 2020 or year 2020
Short-term assets	46,088,915
Non-current assets	2,105,993
Short-term liabilities	28,227,687
Capital, provisions and non-current liabilities	19,967,221
Revenues	172,838,419
Net profit or loss	500,081
Other comprehensive income	-24,988
Entire comprehensive income	475,093

Within financial investments accounted for using the equity method, investments in ECE and Soenergetika companies were recorded.

With regard to long-term financial investments, the Group is primarily exposed to the risk of adverse changes in the fair value of long-term financial investments. Group does not possess special financial instruments to hedge from this risk. Exposure to risks and hedging systems are explained in chapter *5.9. Risks and their management*.

Investment description	Number of shares		Share in the ownership		Balance 1. 1. 2020	Increases			Decreases			Balance 31. 12. 2020
	1. 1. 2020	31. 12. 2020	1. 1. 2020	31. 12. 2020		Revaluation (equity method)	New acquisitions	Revaluation (equity method)	Impairment	Reallocation		
Soenergetika, d. o. o.	-	-	25,00 %	25,00 %	455,515	0	0	-37,440	0	0	0	418,075
ECE, d. o. o.			25,6744 %	25,6744 %	6,572,446	104,889	0	0	-981,584	-2,854,470		2,841,281
Informatika, d. d., Maribor	1,562	1,562	9,56 %	10,44 %	124,155	0	0	0	0	0	0	124,155
Total investments in shares and stakes in associated companies					7,152,115	104,889	0	-37,440	-981,583	-2,854,470		3,383,510
Total long-term financial investments, except loans					7,152,115	104,889	0	-37,440	-981,583	-2,854,470		3,383,510
Long-term invested funds (Eldom Maribor)					142,798	0	0	0	0	0	0	142,798
Long-term deposits					0	0	700,000	0	0	0	0	700,000
Long-term receivables from financial lease					63,817	0	0	0	0	-6,962		56,855
Total long-term loans					206,615	0	700,000	0	0	0	0	899,653
Total long-term financial investments					7,358,731	104,889	700,000	-37,440	-981,583	-5,708,941		4,283,163

26.5. Assets for sale

Assets for sale amounted to **2,854,470 €** as at 31. 12. 2020. They represent a 51 % share of the investment in the associated company ECE, in respect of which the company signed a contract for the sale and transfer of business shares in December 2020. Fulfilment of the contract is subject to two conditions which have not yet been met by the date of this report.

26.6. Stocks

Value of stocks of material, small tools, and merchandise as at 31. 12. 2020 amounted to a total **600,705 €**. Group estimates that net realizable value of stocks is at least equal to their book value. Movement of material stocks in years 2020 and 2019 is shown in the following table.

Item description	in €	
	2020	2019
Material stocks at the beginning of the	601,289	363,106
Purchases	3,604,960	3,888,407
Transfer from fixed assets	784	0
Consumption	-3,460,182	-3,494,561
Sale	-48	-118
Write-offs	-17,029	0
Transfer of small tools in use	-129,068	-155,545
Material stocks at the end of the period 31. 12.	600,705	601,289

Group has no pledged stocks as security for its liabilities.

26.7. Short-term financial investments

According to the balance as at 31. 12. 2020 the Group records **3,011,605 €** of short-term financial investments. Of which the major part refers to deposits fixed for a period exceeding three months. At the end of year 2019 the Group recognized 1 million € of such investments.

26.8. Short-term operating receivables

Short-term operating receivables as at 31. 12. 2020 amounted to **5,469,903 €** and have decreased by 2.2 million € compared to the balance as at 31. 12. 2019, which is mainly due to the reduction of receivables based on the preliminary settlement for 2020. Their structure was as follows:

Item description	in €	
	31. 12. 2020	31. 12. 2019
Short-term accounts receivable	5,244,645	7,860,123
Short-term advances	1,092	27,337
Adjustment of short-term accounts receivable	-181,138	-321,213
Short-term accounts receivable	5,064,600	7,566,248
Short-term operating receivables from others	406,480	216,994
Adjustment of short-term receivables from others	-1,177	-93,262
Short-term operating receivables from others	405,303	123,732
Short-term operating receivables	5,469,903	7,689,979

Short-term operating receivables are entirely unsecured.

Breakdown of short-term claims for electricity, network charge and services including receivables referring to default interest as of December 31 2020 according to maturity terms is shown in the following presentation:

Item description	in €						Total accounts receivable
	not yet due	up to 30 days	31-60 days	61-90 days	more than 90 days	Total amount due	
Claims on buyers of electricity, network charge and services	4,896,743	153,997	3,083	92	180,987	338,159	5,234,901
Default interest claims	1,955	484	15	0	7,289	7,788	9,744
Total	4,898,698	154,481	3,097	92	188,276	345,947	5,244,645

Changes in valuation adjustment of claims in year 2020 are presented in the next table.

Item description	Balance 1. 1. 2020	New formations		Withdrawal (use) and elimination			Balance 31. 12. 2020
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of excess valuation adjustments	
Valuation adjustment of accounts receivable	312,460	0	0	3,368	58,231	77,147	173,715
Valuation adjustment of interest claims	8,752	6	143	1,003	476	0	7,423
Total valuation adjustment of claims	321,213	6	143	4,370	58,707	77,147	181,138

26.9. Other current assets

Value of other current assets as at 31. 12. 2020 amounted to **680,610 €**. The largest item under other current assets is short-term deferred costs or expenses.

26.10. Cash and cash equivalents

As at 31. 12. 2020 Elektro Gorenjska Group had **5,920,503 €** of cash on the commercial banks accounts and short-term redeemable deposits in banks in the state.

26.11. Capital

Entire capital of the Group consists of the called-up capital, capital reserves, profit reserves, other reserves, and retained profit. Balance of the entire capital as at 31. 12. 2020 amounted to **168,642,937 €** and was higher by 2.7 million € or 1.6 % compared with the balance of capital as at 31. 12. 2019.

Called-up capital of Elektro Gorenjska Company is the same as share capital (**104,136,615 €**). It is divided in 17,273,475 ordinary registered unit shares. All shares are fully paid up. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d. d., in accordance with regulations.

Capital reserves in the amount of **45,973,479 €** were formed on 1. 1. 2006 in accordance with the transitional provisions item No. 15 Introduction to 2006 SAS, from the hitherto general revaluation equity adjustment, while a part in the amount of 28,581 € results from the withdrawal of treasury shares in 2019. They are applied in accordance with the Article 64 of ZGD-1.

Profit reserves amounted to 12,511,300 €, of which statutory reserves represent 3,706,143 €, while other profit reserves 8,805,157 €.

Other reserves (-483,724 €) represent reserves arising from the valuation at fair value. They include mainly post-employment benefits – actuarial losses in severance pays upon retirement (-480,770 €).

Item	in €					
	Balance 1. 1. 2020	Change in fair value of financial investments	Elimination of actuarial gains/ losses	New formation of actuarial gains/losses	Transfer to profit or loss brought forward	Balance 31. 12. 2020
Actuarial gains/losses	-270,644	0	17,923	-213,723	-14,326	-480,770
Change in fair value of financial investments available-for sale (associated company)	3,461	-6,415	0	0	0	-2,954
Total	-267,183	-6,415	17,923	-213,723	-14,326	-483,724

Retained profit or loss amounted to 6,505,267 €.

Return on share in year 2020 amounted to 0.31 €, which is by 0.11 € less than in year 2019.

Controlling company has no preference shares, therefore basic and adjusted returns per share are equal.

Basis for the calculation of the indicators of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

Item	in €	
	2020	2019
Net profit or loss of the business year	5,349,080	7,260,202
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0,31	0,42

26.12. Provisions

As at December 31 2020 provisions amounted to **9,481,958 €**. Compared to their balance as at December 31 2019 they increased by 540 thousand €.

Review of changes in provisions in year 2020:

Item description	Balance 1. 1. 2020	Formation	Drawing	Derecognition	Balance 31. 12. 2020
Total provisions for long-service bonuses and severance pay	3,391,771	519,626	138,942	41,219	3,731,236
Total other provisions	5,550,333	200,389	0	0	5,750,722
Total provisions	8,942,104	720,015	138,942	41,219	9,481,958

Review of changes in provisions in year 2019:

Item description	Balance 1. 1. 2019	Formation	Drawing	Derecognition	Balance 31. 12. 2019
Total provisions for long-service bonuses and severance pay	3,028,520	470,563	102,964	4,348	3,391,771
Total other provisions	5,798,799	205,170	453,637	0	5,550,333
Total provisions	8,827,319	675,734	556,600	4,348	8,942,104

Provisions for long-service bonuses and severance pay at retirement are formed in the amount of estimated future payments on the basis of actuary report on calculation of provisions for long-term earnings according to IAS 19.

Actuary calculation as at 31. 12. 2020 takes into account the following actuarial assumptions: statistical probability of mortality, linearly decreasing fluctuation (0.8 % a year for next business year), retirement in accordance with the law, wage growth in electricity industry (85 % of annual inflation), growth of average earnings in RS (for years 2021 and 2022 based on Autumn forecast, later growth of 2 % is projected), growth of salaries due to promotion (0.8 % a year for next business year), growth of amounts in the Regulation, in line with inflation, length of service allowance (growth in the amount of 0.5 % from the basic salary a year) and discount rate in the amount of 0.2 %. Other provisions mainly refer to compensations in connection with denationalisation proceedings.

There were no significant differences between planned and realized forming and drawing on individual category of provisions.

26.13. Long-term financial liabilities

As at 31. 12. 2020 Elektro Gorenjska Group had **44,987,024 €** of long-term financial liabilities, which is by 1.9 million € less than as at 31. 12. 2019. Majority of long-term financial liabilities are long-term financial liabilities to banks, of which 16,255,625 € have the maturity of more than five years. Maturities of financial liabilities to banks as at 31. 12. 2020 were as follows:

in €			
1 year	2 - 5 years	Over 5 years	Total
7,747,787	28,731,399	16,255,625	52,734,811

In year 2020 we drew 6 mill € of long-term credit and redeemed 7,831,639 € worth of principals. Costs of interest amounted to 467,579 €. Interest in the amount of 6,053 € was capitalized. Balance of received loans as at 31. 12. 2020 amounted to 52,734,811 €.

Contractual interest rate in most loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, 56/05, 65/06, 65/09) and subsequent negotiations with banks. Interest rate of four of the loans is fixed, while all other loans have a floating rate, bound by three or six month EURIBOR. Add-on to EURIBOR is between 0.58 and 1.70 percent point. Majority of financial liabilities are secured by bills of exchange.

As at December 31 2020 there were 37 % of long-term loans secured with the fixed interest rate, which represents the amount of 19.4 million €. Balance of received loans to finance tangible fixed assets as at 31. 12. 2020 amounted to 52,734,811 €.

With regard to long-term financial liabilities, the company is mainly exposed to interest rate risk, as the company also has long-term loans raised at a variable interest rate (EURIBOR + mark-up). Exposure to risks and hedging systems are explained in chapter *5.9. Risks and their management*.

Group has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

26.14. Other long-term liabilities

On the last day of year 2020 Elektro Gorenjska Group had by **7,084,556 €** of other long-term liabilities. Structure and changes in other long-term liabilities in years 2020 and 2019 are shown in the two tables below.

Structure and changes in other long-term liabilities in year 2020:

Item description						in €
	Balance 1. 1. 2020	Formation	Drawing	Derecognition	Balance 31. 12. 2020	
Tangible fixed assets obtained free of charge	4,599,347	231,827	0	224,962	4,606,213	
Deferred revenues from average connection costs	1,354,875	0	0	85,319	1,269,555	
Other	849,133	505,313	7,725	137,931	1,208,789	
Total other long-term liabilities	6,803,354	737,139	7,725	448,211	7,084,556	

Structure and changes in other long-term liabilities in year 2019:

Item description						in €
	Balance 1. 1. 2019	Formation	Drawing	Derecognition	Balance 31. 12. 2019	
Tangible fixed assets obtained free of charge	4,533,368	275,174	192,927	0	4,615,614	
Deferred revenues from average connection costs	1,440,194	0	85,319	0	1,354,875	
Other	566,629	513,169	246,932	0	832,866	
Total other long-term liabilities	6,540,189	788,343	525,178	0	6,803,353	

Tangible fixed assets acquired free of charge consist of connections of customers that the company Elektro Gorenjska took over into its tangible fixed assets together with its commitment to care for their maintenance and reconstruction, in accordance with the regulations, above all the General conditions for connection to the distribution electric system (Official Gazette of RS No. 126/07 et seq.) and free acquisition of other fixed assets.

Long-term deferred revenue from average connection costs were formed until June 30 2007 regarding the implementation of GJS SODO. Average cost of a connection is a one-off amount paid for connection to the network or to increase the installed capacity. It is a dedicated source of funding for investment in network expansion.

Group has no long-term debts to members of the Board (of management), members of the Supervisory Board or internal owners.

26.15. Deferred tax liability

Deferred tax liabilities as at 31. 12. 2020 amounted to **306,577 €**, while on 31. 12. 2019 they amounted to 278,632 €. Deferred taxes are calculated on the basis of temporary differences using the balance sheet liability method and expected tax rates.

26.16. Short-term financial liabilities

Short-term financial liabilities as at 31. 12. 2020 amounted to **7,770,575 €**. Main part of short-term financial liabilities refer to the short-term financial liabilities to banks or to short part of long-term loans and interest.

26.17. Short-term operating liabilities

At the end of 2020 short-term operating liabilities in the amount of **5,782,558 €** were by 0.8 million € higher than compared to the balance on the last day of 2019.

Detailed breakdown of the short-term operating liabilities is presented in the following table.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Liabilities to suppliers for own account:	2,762,226	1,659,186
Liabilities to suppliers on its own behalf and for third party account:	1,749,236	1,769,800
- liabilities to SODO, d. o. o.	1,749,236	1,767,454
- to others	0	2,346
Other liabilities:	1,271,097	1,546,082
- to workers	956,058	922,898
- to state and other institutions	190,357	375,387
- for received advances and collaterals	31,336	120,665
- other (interests, employee deductions, capital company...)	93,346	127,132
Total short-term liabilities from operating activities	5,782,558	4,975,068

26.18. Other short-term liabilities

Other short-term liabilities as at 31. 12. 2020 amounted to **1,121,293 €** and represent mainly the accrued liabilities. Compared to the balance as 31. 12. 2019 they did not change substantially.

26.19. Off-balance sheet records

Off-balance sheet assets or liabilities as at 31. 12. 2020 amounted to **5,956,699 €**. They were higher by 119 thousand € compared to the balance as at 31. 12. 2019.

Contingent assets amount to 3,963,553 €, with received guarantees representing the highest value. Contingent liabilities represent the given guarantees and bills. Other off-balance record include fixed assets owned by SODO (1,856,374 €). Elektro Gorenjska Company is liable to keep records of assets financed from average connection costs, which were after the balance as at 31. 8. 2010 transferred to the ownership and indirect property of SODO or sold to SODO in year 2011, in the off-balance sheet in accordance with the Contract with SODO or contract of sale.

Item description	in €	
	31. 12. 2020	31. 12. 2019
Received guarantees	3.539.424	3.349.275
Total potential assets	3.539.424	3.349.275
Issued guarantees and bills of exchange	136.772	50.736
Total potential liabilities	136.772	50.736
Fixed assets in the property of SODO	1.856.374	1.950.538
Total other	1.856.374	1.950.538
Total off-balance sheet records	5.532.570	5.350.550

Group does not have any contingent off-balance liabilities as defined by ZGD – 1.

Notes on profit and loss account items

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27.1. Net sales revenues

In year 2020 net sales revenues amounted to **37,114,917 €**. Their structure is presented in the following table.

Item description	in €	
	2020	2019
Revenues from sale of electricity	4,569,208	4,157,714
Revenues from rent and services in relation to SODO	29,988,641	31,582,738
Revenues from rents	388,426	505,842
Revenues from construction and assembly works	1,276,405	937,144
Revenues from other services	205,282	188,700
Revenues from sales of other business effects	686,955	481,378
Total net sales revenues from business effects	37,114,917	37,853,514

Majority of net sales revenues of the Group (87 %) represent revenues of the controlling company. Major item of net sales revenues of the Group in year 2020 represent revenues from rent and services related to SODO (29,988,641 €).

Revenues from rent in relation to SODO will amount to 18,574,040 € in accordance with the Decision of the Energy Agency in 2021. This is a data based on a set regulatory framework that takes into account the planned values and parameters for the calculation. Actual revenues from this item will depend on the realized values.

In 2020 revenues from contracts with customers amounted to 20,329 thousand €, and other revenues 16,786 thousand €. In 2019 revenues from contracts with customers amounted to 19,366 thousand €, and other revenues 18,488 thousand €.

27.2. Capitalized own products and own services

In year 2020 capitalized own effects amounted to **5,086,990 €**. They were mostly investments in tangible fixed assets – energy infrastructure.

Item description	in €	
	2020	2019
Direct material costs	3,128,305	3,089,391
Direct labour costs	1,590,604	1,627,272
Total direct costs of material, services and labour	4,718,910	4,716,663
Total indirect costs of material, services, work and depreciation	368,080	316,870
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	5,086,990	5,033,533

27.3. Other operating revenues

Other operating revenues in the amount of **1,469,454 €** consist of:

Item description	in €	
	2020	2019
Revenues from elimination of provisions	0	4,659
Revaluation operating revenues	267,333	258,904
Revenue from the transfer of long-term deferred revenue to regular operating revenues:		
- free acquisition of FA	466,197	489,491
- free acquisition of connections	43,715	41,491
- average connecting costs	181,256	167,703
- other	85,319	85,319
Damages recovered from insurance companies	155,906	194,978
Received state aid due to COVID-19	76,024	180,976
Received state supports-refunds	471,141	0
Other operating revenues	165,079	0
Other operating revenues	23,681	35,317
Total other operating revenues	1,469,454	969,348

Revenues from transfer of long-term deferred revenues to regular revenues are explained also in chapter 26.14. *Other long-term liabilities*. Due to insignificance, we did not adjust the comparative data relating to the received reimbursed labour costs for 2019.

27.4. Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2020	2019
Costs of material:	4,663,925	4,715,848
- material for maintenance	237,656	300,599
- costs of material in connection with capitalized own effects, market services	3,658,316	3,498,200
- energy costs	502,877	560,161
- small tool write-off	129,068	155,545
- costs of office supplies	51,488	70,586
- other material costs	84,520	130,757
Acquisition cost of goods and material sold	4,663,925	4,715,848

Costs of material in connection to the capitalized own effects and services for the market (3,658,316 €) include the value of the material, which is then treated by the Group as a component part of:

- › acquisition cost of tangible fixed assets and intangible assets constructed or made in the Group for the purposes of the Group (capitalized own effects), which is explained in more detail in chapter 27.2. *Capitalized own products and own services*;
- › value of services (construction, electrical installation and similar services), sold on the market (please see also note 27.1. *Net sales revenues*).

27.5. Costs of services

In 2020 costs of services amounted to **4,013,400 €**, in 2019 they were 3,786,598 €. More detailed structure of service costs is provided in the following table.

Item description	in €	
	2020	2019
Costs of service in creating products and implementing services	316,367	62,220
Costs of transport services	199,091	178,958
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,322,465	1,311,627
Rents	126,676	147,650
Reimbursements of work related costs to employees	24,159	63,098
Costs of payment transactions, banking services and insurance premiums	627,538	607,789
Costs of intellectual and personal services	443,763	460,341
Costs of advertising and representation	71,955	75,111
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members...)	147,948	157,293
Costs of information and other services	733,436	722,511
Total costs of services	4,013,400	3,786,598

Biggest cost within the cost of services is the costs of services related to the maintenance of the electricity infrastructure and other tangible fixed assets. Maintenance of electricity infrastructure is also presented in chapter [5.4. Development, investments and maintenance](#).

The most important part of payment transactions, banking services and insurance premiums costs are insurance premiums from insurance of electricity infrastructure.

Cost of intellectual services consists of costs for the needs of scientific research, , which is also presented in chapter [5.4. Development, investments and maintenance](#), and costs of tuition fees and additional professional training.

Costs of other services are primarily the costs associated with the computer information system and include the care for the smooth and safe operation of the Group's information system, e-mail, access to the World Wide Web, ensuring an adequate level of data and service security, implementation of a common security policy, data processing, storage of computer-processed data and other computer software maintenance services.

27.6. Labour costs

Costs of labour in the amount of **14,173,816 €** consist of:

Item description	in €	
	2020	2019
Salary costs	9,852,323	9,100,766
Costs of voluntary pension insurance of employees	471,251	464,982
Costs of employer's contributions and other benefits from salaries	1,638,722	1,599,143
Cost of COVID-19 crisis allowance	95,652	0
Other labour costs	2,115,867	2,362,297
Total labour costs	14,173,816	13,527,188

Other labour costs include reimbursement of transport and food expenses during work, provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure and other information related to employees are presented in chapter [5.6. Care for employees](#). Remuneration of the management and supervisory boards are presented in chapter [32.4. Transactions with management and supervisory board](#).

27.7. Write-offs

In 2020 write-offs amounted to **12,908,248 €**. Their composition is as follows:

Item description	in €	
	2020	2019
Depreciation of intangible fixed assets	604,033	542,878
Depreciation of tangible fixed assets	11,655,788	11,370,218
Depreciation of investment property	41,914	42,935
Total depreciation costs	12,301,735	11,956,031
Operating expenses from sale of fixed assets and investment property	589,183	312,445
Operating expenses from impairment of current assets	17,329	160,456
Total write-offs	12,908,248	12,428,932

Costs of depreciation of intangible fixed assets (604,033 €) are presented also in chapter [26.1. Intangible assets](#); costs of depreciation of tangible fixed assets (11,655,788 €) in chapter [26.2. Tangible fixed assets](#); costs of depreciation of investment property (41,914 €) in chapter [26.3. Investment property](#).

27.8. Other operating expenses

Other operating expenses in the amount of **478,490 €** consist of:

Item description	in €	
	2020	2019
Contribution for promotion of employment of persons with disabilities	58,598	47,169
Contribution for urban land	83,676	87,738
Contribution for polluted water	14,625	14,371
Provisioning	200,389	205,170
Other expenses (environment protection costs, compensations ...)	121,201	182,374
Total other operating expenses	478,490	536,822

Provisioning mainly refers to the damages related to denationalisation proceedings.

27.9. Financial expenses from financial liabilities

In year 2020 the Elektro Gorenjska Group realized by **467,579 €** of financial expenses from financial liabilities, of which the majority represent interest expenses for received loans in commercial banks.

27.10. Recognized profit or loss for investments valued using the equity method

In 2020 the profit or loss for investments valued using the equity method amounted to **-717,697 €**. Impairment of the financial investment in ECE company relates to -981,584 €, and the remainder represents a proportional part of the net profit of associated companies ECE and Soenergetika.

27.11. Income tax

Charged income tax for business year 2020 amounts to **866,389 €**. In the years 2020 and 2019, all Group companies disclosed income tax liability. An overview of the calculation of the income tax for each year is given in the following table:

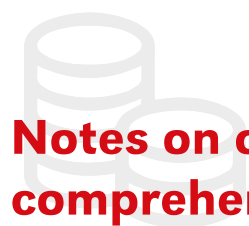
Item description	2020	2019
Pre-tax profit	8,207,199	9,461,152
Revenues reducing the tax base	-1,400,004	-1,192,470
Expenses increasing the tax base	936,343	1,130,811
Expenses reducing the tax base	-388,290	-435,390
Reduction of the tax base on the basis of relief	-2,737,991	-2,718,448
Other	-57,318	5,981
Tax base	4,559,940	6,251,644
Tax rate	19 %	19 %
Income tax	866,389	1,187,812
Tax base for deferred taxes	147,080	355,814
Tax rate	19 %	19 %
Deferred taxes	27,945	67,605
Entire tax (income tax and deferred taxes)	894,334	1,255,417

27.12. **Deferred tax liabilities and deferred taxes**

Deferred tax liabilities as at 31. 12. 2020 amounted to **306,577 €**.

They refer to taxable temporary differences arising from the merger of Elektro Gorenjska Prodaja Company to ECE Company and small inventory in fixed assets. Compared to the balance as at 31. 12. 2019 they increased by 27,945 €.

Group did not recognise the deferred tax asset due to uncertainty about the future taxable profits.



Notes on other comprehensive income items

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Total comprehensive income in addition to the net profit or loss for the period (6,128,449€) includes also actuarial gains and losses of the parent company and subsidiary as well as the effect of impairment of the long-term financial investment in the associate company in the total amount of -202,215 €.

Individual items of other comprehensive income are presented also in chapter [26.11. Capital](#) (table fair value changes).



Notes on cash flow items

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In year 2020 Elektro Gorenjska Group had 52,556,155 € of receipts and 54,530,887 € of expenditures. Receipts and expenditures include appropriate amounts of duties, mainly VAT and excise duties, in accordance with the issued invoices or receipted invoices. Cash flow was negative and amounted to -1,974,732 €.

As at 31. 12. 2020 the Group had on transaction accounts in banks and in the form of short-term deposits or deposits redeemable monetary assets in the amount of 5,920,503 €, while the balance of these assets on 31. 12. 2019 amounted to 7,895,236 €.

Net cash from operating activities in year 2020 exceeded expenditure by 22,070,375 €, which means that the Group operates positively with its main activity and creates a positive cash flow. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure. With operating cash flow surplus in year 2020 the Group was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits in the amount of 8,321,846 €, settle all liabilities related to payment of dividends in the amount of 2,418,286 €, and could for the most part finance new acquisitions of intangible and tangible assets. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure.

Negative net cash used in investing activities in year 2020 amounted to -19,304,974 €. Industry the Elektro Gorenjska Group operates in is technologically very intense and in order to provide quality supply to its customers in the area of Elektro Gorenjska distribution network large and constant investments are required. New acquisitions of intangible and tangible assets were mainly financed by drawing from long-term credit in the amount of 6million € and also by positive net cash from operating activities.

Cash flow from financing activities in the period considered was -4.740.133 €.



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Overview of fair value and carrying amount of assets and liabilities:

in €

	31. 12. 2020		31. 12. 2019	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at amortized cost				
Long-term and short-term financial receivables	3,911,258	3,911,258	1,195,247	1,195,247
Long-term and short-term trade receivables	5,081,641	5,081,641	7,706,733	7,706,733
Cash and cash equivalents	5,920,503	5,920,503	7,895,236	7,895,236
Total non-derivative financial assets	14,913,402	14,913,402	16,797,216	16,797,216
Non-derivative financial liabilities at amortized cost				
Bank loans and other financial liabilities	-52,757,599	-52,757,599	-54,609,910	-54,609,910
Short-term trade payables for own and foreign account	-4,511,462	-4,511,462	-3,428,986	-3,428,986
Total non-derivative financial liabilities	-57,269,061	-57,269,061	-58,038,896	58,038,896
Derivative financial instruments at fair value				
Total derivative financial instruments	0	0	0	0
Total	-42,355,659	-42,355,659	-41,241,680	-41,241,680

Estimated fair value of short-term assets and liabilities is equal to their book value.

Fair value scale

Fair value and method of valuation of assets:

in €

	31. 12. 2020				31. 12. 2019			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
Assets measured at fair value								
Total assets measured at fair value	0	0	0	0	0	0	0	0
Assets for which fair value is disclosed								
Long-term and short-term financial receivables	0	0	3,911,258	3,911,258	0	0	1,195,247	1,195,247
Long-term and short-term trade receivables	0	0	5,081,641	5,081,641	0	0	7,706,733	7,706,733
Cash and cash equivalents	0	0	5,920,503	5,920,503	0	0	7,895,236	7,895,236
Total assets for which fair value is disclosed	0	0	14,913,402	14,913,402	0	0	16,797,216	16,797,216
Total	0	0	14,913,402	14,913,402	0	0	16,797,216	16,797,216

Fair value and method of valuation of liabilities:

in €

	31. 12. 2020				31. 12. 2019			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
Liabilities measured at fair value								
Total liabilities measured at fair value	0	0	0	0	0	0	0	0
Liabilities for which fair value is disclosed								
Bank loans and other financial liabilities	0	0	-52,757,599	-52,757,599	0	0	-54,609,910	-54,609,910
Short-term trade payables	0	0	-4,511,462	-4,511,462	0	0	-3,428,986	-3,428,986
Total liabilities for which fair value is disclosed	0	0	-57,269,061	-57,269,061	0	0	-58,038,896	-58,038,896
Total	0	0	-57,269,061	-57,269,061	0	0	-58,038,896	-58,038,896



Capital management

31

Key factor in the success of Elektro Gorenjska Group is a long-term orientation towards the customer and constant adaptability to operating conditions (national interest, regulatory and legislative changes, major technological changes, ...). Main purpose of capital management in Elektro Gorenjska Group is therefore to ensure capital adequacy, high financial stability and long-term solvency, and appropriate value for shareholders.

Group monitors the long-term financial stability with the ratio between net financial debt and EBITDA. Policy of the Group is that it does not exceed the value of 3.5, which allows the Group long-term stable operation. For control over the capital, the Group uses a leverage ratio, which indicates the proportion of net debt to equity. Indicator was in 2020 at a similar level as in 2019, which confirms the fact that the Group manages its capital stably.

Financial stability of companies in the Group is also evident from the rating GVIN. Credit rating of the parent company Elektro Gorenjska and its subsidiary Gorenjske elektrarne is currently B 1++, which is very well according to the very technologically intensive activity in which the company operates. Other electricity distribution companies in Slovenia have the same rating or ratings B1+ or C1+.

Item description	Note	in €	
		31. 12. 2020	31. 12. 2019
Long-term financial liabilities	26.13	44,987,024	46,910,199
Short-term financial liabilities	26.16	7,770,575	7,699,711
Total financial liabilities		52,757,598	54,609,910
Capital	26.11	169,642,937	165,914,359
Debt/Capital		0,31	0,33
Cash and cash equivalents	26.10	5,920,503	7,895,236
Net financial liability		46,837,095	46,714,674
Net debt/capital		0,28	0,28

In 2020 the Elektro Gorenjska Group's Strategy for period 2018-2022 was revised, identifying strategic projects that will significantly influence the Group's capital growth in the future as well.



Transactions with affiliates

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Below we present transactions with related parties, namely transactions with Group companies, transactions with the Republic of Slovenia, transactions with companies owned by the Republic of Slovenia and transaction with the management and supervisory boards. Group, with the exception of the associated company ECE, did not operate with related parties through the persons responsible for management.

32.1. Transactions with Group companies

Among transactions of the controlling company with the subsidiary Gorenjske elektrarne, which in 2020 amounted to 1,424 thousand €, besides the paid profit in the amount of 1,056 thousand € (payment of the subsidiary to the controlling company) the most important were the following two:

Item description	2020
Revenue from the provision of general services (costs of subsidiary)	91,608
Rental income (subsidiary rental costs)	152,025

Among the transactions between the Gorenjske elektrarne Company and GEK Vzdrževanje more significant transactions are transactions for maintenance services in the amount of 429 thousand €.

The most important transaction of Gorenjske elektrarne with associate company Soenergetika in 2020 was the transfer of profit to Gorenjske elektrarne in the amount of 173 thousand €.

Among the transactions with the associated company ECE the important one was the purchase of electricity from the associate company Soenergetika in the amount of 522 thousand € and the sale of natural gas to the associate company Soenergetika in the amount of 1.5 million €.

Other transactions did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled company.

32.2. Transactions with the Republic of Slovenia

Most important transactions of the parent company and its subsidiary with the Republic of Slovenia were in 2020 the following:

Item	Payments in 2020
Dividends	1,922,043
Corporate income tax (tax and advance payment)	1,747,946
Other benefits (VAT, employer's contributions)	5,860,809
Total	9,530,798

32.3. Transactions with companies directly or indirectly owned by the Republic of Slovenia

Table below shows significant transactions with companies in which the state has directly or indirectly a dominant influence.

Business partner	Open receivables on 31. 12. 2020	Open liabilities on 31. 12. 2020	Expenditure in year 2020	Revenues in year 2020	Dividend payment in year 2020
SODO, d. o. o.	3,021,292	1,747,757	0	29,988,641	0
Modra zavarovalnica, d. d.	0	37,382	447,215	0	0
Zavarovalnica Sava, d. d.	0	486,149	1,011,069	0	0
SID, d. d.	0	5,766,242	68,581	0	0
Kapitalska družba, d. d.	0	0	0	0	60,471
Sava RE, d. d.	0	0	0	0	39,200
DUTB, d. d.	0	0	0	0	29,008
Total	3,021,292	8,037,530	1,526,865	29,988,641	128,679

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent a significant amount.

32.4. Transactions with the management and supervisory board

In year 2020 Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

Receipts	Fixed earning (gross salary)	Operating performance	Holiday allowance	Payment of unused annual leave	Lon-service bonus	Reimburse- ments of costs	Bonuses
Chairman of the Board Elektro Gorenjska	96,443	5,730	0	4,480	0	2,035	6,907
Director Gorenjske elektrarne	57,017	7,852	2,023	0	0	1,839	2,016
Director GEK Vzdrževanje	56,363	0	2,023	0	2,121	1,861	3,808

in €

Reimbursement of costs (material costs) include reimbursement for meals during work, reimbursement of travel expenses and mobile phone costs. They are charged in accordance with the employment contracts or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Remuneration of supervisory board members in 2020 are shown in the following table. As some members are also members of the committees of SB remuneration for participation in the committees is also included.

	Payment for the performance of the function (gross)	Attendance fee SB (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3	4=1+2+3	5
Representatives of capital					
mag. Samo Logar	19,598	3,273	1,628	24,499	361
Andrej Koprivec	14,372	2,998	2,398	19,768	305
mag. Tedo Djekanović	14,111	3,273	1,628	19,011	177
Franjo Curanović	13,066	2,998	2,398	18,461	24
Employee representatives					
Iztok Štular	10,453	3,273	0	13,725	0
Borut Jereb	10,453	3,273	0	13,725	0

in €

Gross receipts of external members of the audit and nomination committees are shown in the table below.

	in €			
	Payment for the performance of the function (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3=1+2	4
External committee members				
Milena Pervanje	5,226	1,628	6,854	0
dr. Simon Čadež	5,226	2,574	7,800	102

In 2020 the Supervisory Board held a total of 13 sessions, of which 12 were regular and one correspondence. Nomination Committee held a total of 8 regular sessions in 2020, while Audit Committee held a total of 11 regular and one correspondence sessions in 2020. All members of the Supervisory Board and Committees were present at all sessions.

Costs of other supervisory board members' benefits in year 2020 refer to the liability insurance in accordance with the decision of the 16th shareholders meeting of Elektro Gorenjska Company. These benefits represent the creditworthiness of the supervisory board members.

	in €
Liability insurance	
Representatives of capital	
mag. Samo Logar	730
Andrej Koprivec	730
mag. Tedo Djekanović	730
Franjo Curanović	730
Employee representatives	
Iztok Štular	730
Borut Jereb	730

Board of Directors and the Supervisory Board did not receive any receipts in respect of performing the functions in controlled companies. Elektro Gorenjska received and also approved no advances, loans, or guarantees to groups of people mentioned in this chapter and did not disclose any claims on them in this respect as of December 31 2020.



Auditing costs

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Under Article 57 of the Companies Act (ZGD-1) Elektro Gorenjska Company is subject to annual report audit. Contractual amount for auditing the annual report of companies and Elektro Gorenjska Group for year 2020 amounted to 17,710 €. In addition, the auditor who has audited the annual report has been paid an additional 3,930 € for assurance services.

Financial risks

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In Elektro Gorenjska Group we are aware of the risks that are an integral part of our operations. We are also aware that only a comprehensive and systematic risk management can be effective. Management of risks is an important condition for successful and efficient reaching of the set long-term business goals.

Financial risks are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency. In the Group Elektro Gorenjska, we are exposed to numerous financial risks, which include, in particular: credit risk, liquidity risk, interest rate risk, lack of investment funds, risk of investments in subsidiaries and risk of inadequate payment of services by SODO.

Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the Group collects customer payments on its own behalf and on behalf of SODO, d. o. o. There is a higher risk, as the Group despite unpaid claims of customers has to settle all liabilities to SODO. In part, the Group in accordance with the control has recognized and covered potential write-offs, but only up to 0.2% of charged network charges, which is approx. 50,000 € annually. Group also provides market services. Any outstanding receivables from these services represent the greatest credit risk.

Breakdown of short-term receivables for the network charge, electricity and services and interest receivable as at 31. 12. 2020 and 31. 12. 2019 are shown by maturity in the following table:

	31. 12. 2020	31. 12. 2019
Not yet due	4,898,698	7,363,741
Due within 30 days	154,481	163,308
Due from 31-90 days	3,097	33,102
Due from 61-90 days	92	13,502
Due over 90 days	188,276	286,469
Overdue	345,946	496,382
Share of overdue receivables in outstanding	7 %	6 %
Total	5,244,644	7,860,123

Changes in valuation adjustment of claims and default interest receivables in years 2020 and 2019 are presented in the next table.

	2020	2019
Opening balance 1. 1.	321,213	239,937
New formations	149	190,566
Withdrawal and elimination	140,224	16,027
Closing balance 31. 12.	181,138	414,477

Receivables are reviewed regularly and monthly in the Group. Recovery is conducted regularly to all customers under the same criteria. We recover also default interest consistently. Accuracy of the records and the recovery has brought us to a good result. Largest debtors or non-payers of network charge are discussed at the regular monthly meetings, where for the individual debtor we make the plan of activities, which should lead to the highest possible recovery. It is an individual treatment. We also review the credit rating of the debtors. We also use telephone recovery, possibility of granting payments in installments, search options for compensation, assignment, etc. In the case of an installment debt repayment, contract of assignment of claim, we always include in the contract the accrued default interest. When closing the outstanding receivables we respect the provisions of the general part of the contract on access to distribution networks. When we have exhausted all possible instruments of "soft" recovery, in the event of non-payment of the network charge, we send a notice of disconnecting the user system. In the event that a party despite the notice still does not settle the debt within the time limit specified in the notice, disconnection of the measuring point follows. In this way, the company prevents further damage to the business or financial indiscipline, which would otherwise lead to higher outstanding receivables.

Receivable from the biggest buyer as at 31. 12. 2020 amounted to 3,021,292 €, which means 58 % of all accounts receivable.

According to the assessment, credit risk has a moderate impact on the business or liquidity. Assuming a 25 % annual probability of risk realization, an individual assessment of risky rates on business amounts to 58 thousand €, with the range of losses in case of realization going from a minimum of 0 € to a maximum of 150 thousand €.

Liquidity risk

Risk of short-term insolvency or liquidity risk stems from the possibility that the Group at any given time will not have sufficient liquidity to meet its current obligations and to maintain normal operations. Liquidity problems could be the result of uneven inflows and outflows and lengthy procedures for obtaining long-term loans or larger excess of planned investments. Liquidity risk is closely associated with investment risks. Liquidity risk management is the implementation of investment financing in accordance with the business plan, in a way that ensures sufficient resources to avoid delays in the implementation of investments, since the processes of borrowing can be long lasting.

Liquidity risk from operations is managed primarily with the following activities:

- › Supervision and coordination among all OU in the field of procurement of goods and services or conclusion of purchase contracts with respect to the expected available cash. This area includes also prioritization of purchases depending on available funds. This applies to all areas of action in the Group.
- › Monitoring the implementation of open orders and concluded procurement contracts in particular as regards the date of completion, and the date and amount of the anticipated payment obligations.
- › Control over the timeliness of payments of claims, especially with major clients, as late payments of customers as a result of worsened financial discipline, requests for extension of payment deadlines and discounts as well as higher costs for the recovery of arrears, all reflect in the poorer liquidity of the Group. This includes the establishment of an information system on overdue receivables, and timely mutual information on outstanding receivables between individual OUs, so that appropriate and timely action is taken (issuing timely reminder, court claims ...). In concluding commercial contracts with customers of our services special attention is paid to further integration of the relevant insurance of payments. Customers with overdue receivables are regularly and monthly reminded.
- › Constant monitoring of the stocks. At the level of the management decisions were adopted, defining the monitoring of stocks. Group finally and fully realizes the decisions in connection with the consignment of material and equipment suppliers. Group further optimizes working processes (in the field of planning, purchasing material and implementation).
- › Established cash management system at the Group level, on the basis of which companies borrow cash from each other. Main objective of managing the monetary assets in Elektro Gorenjska Group is to optimize the liquidity of Group companies. It is a matter of short-term cash management, that is the covering of short-term deficits and short-term placement of cash surpluses among companies in the Group.
- › Much attention is given to the preparation and monitoring of cash flows plan. Effective planning of liquidity enables us to optimally manage any short-term surpluses or deficits of liquid assets.

Following table shows financial liabilities to banks and other long-term financial liabilities by maturity.

2020	As payments fall due			Total
	within 1 year	from 2 to 5 years	over 5 years	
Financial liabilities to banks	7,747,787	28,731,400	16,255,625	52,734,811

in €

2019	As payments fall due			Total
	within 1 year	from 2 to 5 years	over 5 years	
Financial liabilities to banks	7,656,464	30,777,158	16,133,043	54,566,665

in €

Short-term operating receivables according to maturity were following:

2020						in €	
	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities	
Short-term trade payables	2,725,733	21,981	0	14,511	36,492	2,762,226	
Short-term operating liabilities from advances	31,336	0	0	0	0	31,336	
Short-term operating liabilities for a foreign account	1,749,236	0	0	0	0	1,749,236	
Short-term liabilities to employees	956,058	0	0	0	0	956,058	
Liabilities to state and other institutions	190,357	0	0	0	0	190,357	
Other short-term operating receivables	93,346	0	0	0	0	93,346	
	5,746,066	21,981	0	14,511	36,492	5,782,558	

2019						in €	
	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities	
Short-term trade payables	1,634,550	2,519	22,117	0	24,636	1,659,186	
Short-term operating liabilities from advances	120,665	0	0	0	0	120,665	
Short-term operating liabilities for a foreign account	1,769,800	0	0	0	0	1,769,800	
Short-term liabilities to employees	800,031	0	0	0	0	800,031	
Liabilities to state and other institutions	498,700	0	0	0	0	498,700	
Other short-term operating receivables	126,684	0	0	0	0	126,684	
	4,950,431	2,519	22,117	0	24,636	4,975,066	

Severity of liquidity risk is assessed as significant. Due to the established control mechanisms and the implementation of measures, especially cash management at the Group level, we believe that the probability of materialization of illiquidity is unlikely, although we are aware that illiquidity could cause a great business damage. Assuming a 25 % annual probability of risk realization an individual assessment of risk situations on operations amounts to 8 thousand €, with the range of losses in the case of realization going from a minimum of 0 € to a maximum of 120 thousand €.

Interest risk

Interest rate risk is the danger in the event of unfavorable movements in interest rates. Since the Group has certain loans contracted at a variable interest rate (EURIBOR), they are sensitive to movements in interest rates. At the end of 2020, the Group had 63 % of unpredictable cash flow (at the end of year 2019 it had 71 %).

Exposure to interest rate risk was as follows:

	2020	2019
Financial liabilities with variable interest rate	33,306,240	38,566,664
Financial liabilities with fixed interest rate	19,428,572	16,000,001
	52,734,811	54,566,665

Change in interest rates for financial instruments with a variable interest rate by 50 basis points at the reporting date would have increased or decreased the Group's profit for the amounts shown below.

Some loan agreements include provisions that the variable interest rate equals zero, if the EURIBOR is negative.

	Impact on profit or loss 2020		Impact on profit or loss 2019	
	increase by 50 bt	decrease by 50 bt	increase by 50 bt	decrease by 50 bt
Financial liabilities for the variable interest rate	-63,940	33,195	-86,897	41,196

We manage interest rate risk through the following activities: raising loans at a fixed interest rate, proactive monitoring of interest rate movements and bank surcharges, negotiations with banks to reduce existing surcharges or bank margins, refinancing of existing loans, active search for the most favourable conditions for access to foreign sources.

Severity of interest risk is assessed as small. Given the current economic situation, significant rise in interest rates is not expected, so that the impact of the risk is assessed as moderate. Assuming a 17 % annual probability of risk realization an individual assessment of risky rate (with 95 % of confidence level) on operations amounts to 31 thousand €, with the range of losses in case of realization going from a minimum of 0 € to a maximum of 90 thousand €.

Foreign exchange risk

Operations are conducted in euros, therefore the Group is not exposed to the risk of exchange rate changes.



Events after the balance sheet date

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There were no significant business events after the balance sheet date (31. 12. 2020).

