Elektro Primorska
podjetje za distribucijo električne energije, d.d.

Annual Report

of Elektro Primorska, d.d. and
the Elektro Primorska Group
Financial Year

2020

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ANNUAL REPORT
OF ELEKTRO PRIMORSKA, D.D.
AND THE ELEKTRO PRIMORSKA GROUP
FINANCIAL YEAR 2020

20

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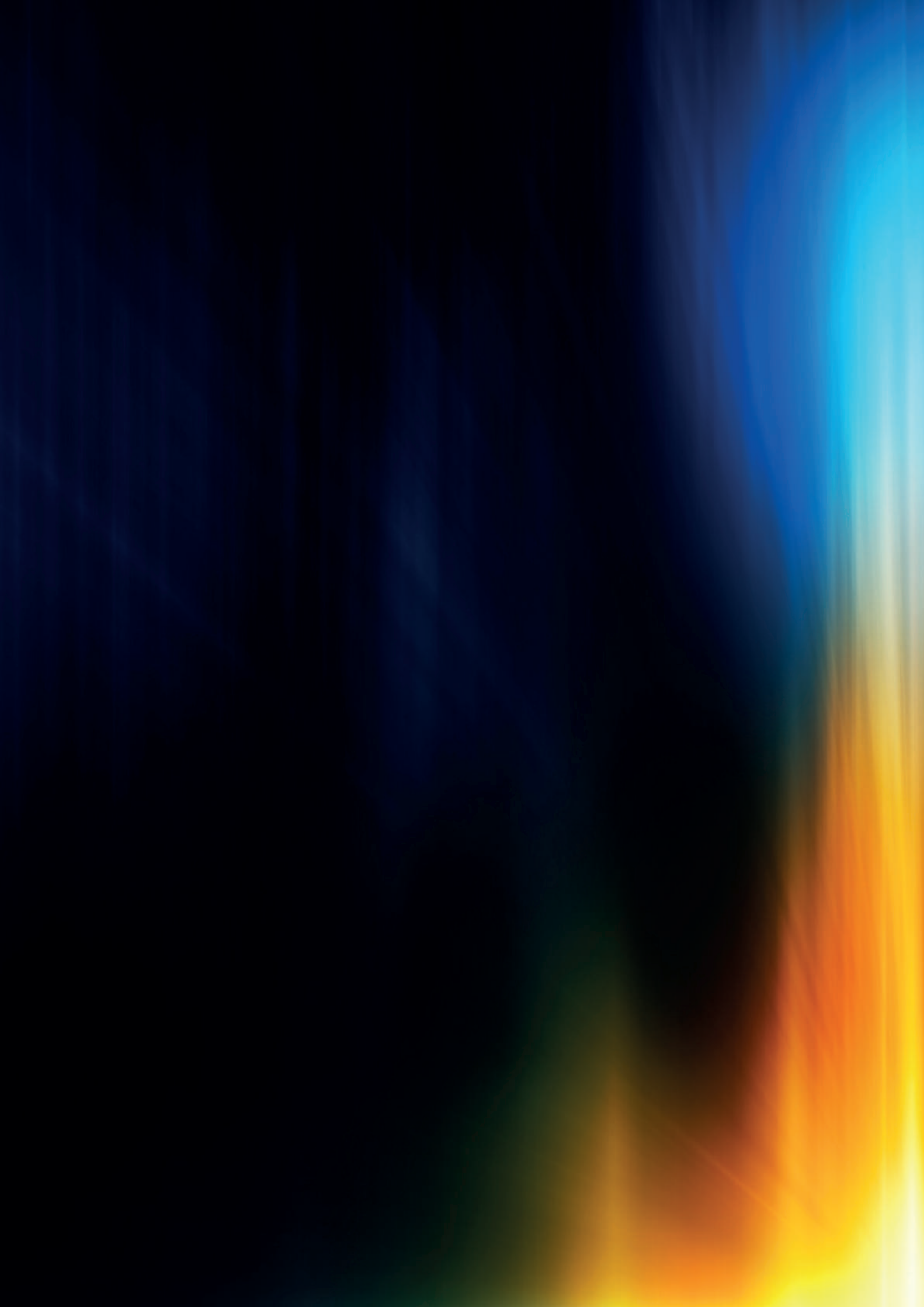

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Business Report of Elektro Primorska, d.d. and the Elektro Primorska Group

Uroš Blažica,
President of the Management Board

1. Report by the Management Board

Dear shareholders, business partners and colleagues,

I have pleasure in presenting to you the 2020 Annual Report of Elektro Primorska and the Elektro Primorska Group. Financial year 2020 was quite different from any of the previous years, as we have all experienced how a virus can affect ordinary things in life that we take for granted. The entire world is in the grip of the COVID-19 pandemic, which has significantly changed our daily lives and work. The Company has implemeted a number of preventive measures and provided guidelines for working during the epidemic in a variety of work areas. Investments in business digitisation and the promotion of electronic communications with users have proven to been particularly rewarding during this time. The Company successfully endured the first and the second wave of the pandemic, as we seemed to have been well prepared for this rather unusal occurrence.

In 2020, a total 1,525,631.7 MWh of electricity was acquired from the transmission network and 148,100.6 MWh from the electricity producers. In total, 1,673,732.3 MWh of electricity was acquired into the distribution network. We recorded a significant drop in consumption in 2020, and consequently also in the quantities of electricity acquired. The decline in consumption can be attributed mostly to a general decline in economic activity and the closure of certain industries during the first wave of the epidemic. In April and May, the consumption by final customers fell by 20% compared to the previous year. The second wave of the epidemic affected the Company neither in economic terms nor in terms of electricity consumption, and in the period from October to December electricty consumtion dropped by just less than one percentage point compared to the previous year.

In March, there was an unannounced reduction in network charges as part of the government measures to reduce electricity costs and help citizens overcome the crisis during a general 'lockdown'. All household and small business customers were eligible to the exemption of price items calculated based on the customer's billing power. The measure was in force until June, when all price items returned to the January 2020 level. Due to a reduction in network charges and lower electricity consumption, a supplementary plan was prepared in June 2020, which provided for a reduction in electricity consumption by 5.37% and a 9.42% reduction in total revenues from network charges and contributions compared to the original plan.

In 2020, Elektro Primorska implemented its investments in accordance with the adopted plan, and invested a total €20,000,000, exceeding the actual amount of investments compared to the plan by 6.18%. Hence, compared to 2019, the realisation of the planned investments increased by 8.87%. The development plan for the period 2019-2028 envisaged investments of total €16,801,314. In 2020, Elektro Primorska invested €21,236,478 of funds, while SODO, as the co-investor, invested €306,905 in the network in the Elektro Primorska region, making total investments of €21,543,383, which is 28% more than envisaged in the development plan. Elektro Primorska's aim is gradual cabling of the medium voltage network, particularly in exposed areas where an increased number of outages has been recorded due to environmental impacts, as well as in areas where the outages cause major damage. The construction of an underground medium-voltage network will reduce the number of interruptions and losses, as well as the cost of network maintenance. All major investments are planned in accordance with the results of our extensive network studies showing that the investments are justifiable in terms of technical improvements and economical benefits. To improve the reliability of power supply, we are also planning renovation of the distribution transformer station (RTP) Ajdovščina and setting up a new distribution transformer station in Izola. The latter will help reduce network losses and increase the reliability of power supply to the coastal area, which has a high density of electricity consumption.

In the next regulatory period 2022-2025, we are also planning a cyclical renewal of SCADA software by upgrading functionality towards greater network automation with so-called smart DMS functions, which will enable appropriate voltage regulation in the network, and continue with the installation of advanced measurement systems as means of optimising investments and reducing technical and commercial losses. Work continues on installation of insulation of standing places in the Karst area, aimed at improving the conservation status of the great barn owl. The project is funded by the European funds.

In the beginning of 2021, all conditions for the sale of a 100% stake in the subsidiary E 3, d.o.o. to the acquiring company Petrol, d.d. were met.

In 2020, the Company either achieved or exceeded all its fundamental business objectives, with the exception of the operating result, which is lower than planned. The main reason for this is the fact that the sale of a 100% stake in the subsidiary E 3, d.o.o. to Petrol d.d. was completed at the beginning of 2021 and not in 2020, as planned. The profit in 2020 was also significantly affected by the loss of around €2 million in revenue since, in accordance with Article 102b of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP), there was a change in the methodology for determining the eligible costs of electricity operators, which resulted in a significant reduction in the recognised rate of return, which in 2020 amounted to a maximum of 4.13%.

In 2020, profit before tax amounted to €6,143,266, down 32.4% compared to the result achieved in the previous year.

On behalf of myself and my colleagues, I wish to express my gratitude and appreciation to all our shareholders and business partners for their trust they have put in our Company in the past year.

Uroš Blažica,
President of the Management Board

2. Statement of Management's Responsibility

The Management has approved the financial statements for financial year 2020 and the business report for the period from 1 January to 31 December 2020, as well as the accounting policies used and notes thereto contained in the proposed Annual Report.

The Management Board is responsible for the preparation of the Annual Report that gives a true and fair presentation of the financial position of the Company and of its financial performance for the year ended 31 December 2020.

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

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

In its business operations, the Company strictly abides by the laws and tax regulations and the Management Board does not expect any significant obligations in this respect.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management is not aware of any circumstances that could give rise to a potentially significant liability in this respect.

Nova Gorica, 14 May 2021

Uroš Blažica,
President of the Management Board

3. Supervisory Board Report

COMPOSITION OF THE SUPERVISORY BOARD

In the period from 1 January 2020 to 31 December 2020, the Supervisory Board comprised the following members:

- **Stanislav Rijavec**, Chairman of the Supervisory Board
- **mag. Nikolaj Abrahamsberg**, Deputy Chairman
- **Darko Ličen**, Member of the Supervisory Board
- **Rudolf Pečovnik**, Member
- **Valdi Morato**, Member of the Supervisory Board, employee representative
- **Marko Fičur**, Member of the Supervisory Board, employee representative.

The membership structure of the Supervisory Board is optimal, as the knowledge, experience and competencies of the members cover all essential areas defined in the document »Competence Profile of the Supervisory Board of Elektro Primorska d.d." with respect of the optimal size and composition of the Supervisory Board. Knowledge and experience of individual members of the Supervisory Board complement that of other members, which ensures approrpiate control over the Company's operations.

The following members of the Supervisory Board hold function in the management or supervisory bodies of related and unrelated companies:

- **Stanislav Rijavec**, member of the Institute Council of the »Dom na Krasu« Dutovlje;
- **mag. Nikolaj Abrahamsberg**, member of the Supervisory Board of the Slovenian Air Traffic Control;
- **Darko Ličen**, director of »Komunala Nova Gorica d.d.;
- **Rudolf Pečovnik** – not a member of any of the management or supervisory bodies of related or unrelated companies;
- **Marko Fičur** – not a member of any of the management or supervisory bodies of related or unrelated companies;
- **Valdi Morato** – not a member of any of the management or supervisory bodies of related or unrelated companies.

TASKS OF THE SUPERVISORY BOARD

In 2020, the Supervisory Board diligently and responsibly supervised the operations of the Company and the Elektro Primorska Group. Business supervision involved monitoring of the realisation of business objectives and long-term business and financial development of the Company and the Group. Management Board reported regularly, fairly and thoroughly to the Supervisory Board on the operating results, on the broad terms of business and significant events in the Company and the Group. Supervisory Board believes that cooperation with the Management Board was professional and conducted at appropriate level.

The Supervisory Board met at eight regular and three correspondence sessions in 2020 and adopted a total of 102 decisions and discussed the following important topics:

- Monthly, quarterly and interim reports on the operation of the Company and of the Elektro Primorska Group,
- Was regularly informed about the liquidity situation and important information on the Company's current operations;
- Was provided quarterly reports of the internal audit function and reports on comprehensive risk management in the Elektro Primorska Group;
- At its 21st regular meeting on 17 February 2020, the Supervisory Board gave its consent to the Agreement for the sale of a 100% stake in E 3, energetika, ekologija, ekonomija, d.o.o. to Petrol, slovenska energetska družba, d.d. During all subsequent meetings, the Supervisory Board carefully monitored the implementation of the provisions of the Agreement.
- In accordance with the Articles of Association, at its 22nd regular session on 2 March 2020, the Supervisory Board appointed Uroš Blažica as President of the Management Board of Elektro Primorska, d.d. for the next 4-year term of office, beginning on 2 July 2020.
- At its 24th regular meeting on 2 June 2020, it reviewed and approved the audited annual report of Elektro Primorska d.d. and the Elektro Primorska Group for the financial year 2019; took note of the independent auditor's report on the audit of the separate financial statements of Elektro Primorska d.d. and the independent auditor's report on the audit of the consolidated financial statements of the Elektro Primorska Group; and gave its consent to the Management Board's proposal for the appropriation of distributable profit for the financial year 2019;
- It regularly monitored the impact of the coronavirus epidemic on the operations of the parent and subsidiary;
- It discussed and approved material for the General Meeting and proposals for resolutions of the General Meeting of Shareholders;
- It gave consent to the transactions concluded by the Management Board, which require consent of the Supervisory Board in accordance with the Company's Articles of Association;

Supervision over the performance of the Company and the Elektro Primorska Group was carried out in accordance with the authorisations and competences defined in the Companies Act and additionally determined by the Company's Articles of Association, Rules of Procedure of the Supervisory Board, Corporate Governance Code of Companies with State capital investment, Recommendations and expectations of Slovenian Sovereign Holding, and in accordance with good business practice.

The meetings were attended by members of the Supervisory Board on a regular basis and all members were actively involved in discussions on individual agenda items.

SUPERVISORY BOARD COMMITTEES

The Audit Committee provided professional support to the Supervisory Board during its supervision over the management of the operations of the Company and the Group.

In 2020, the Committee acted in the following composition:

- **Darko Ličen**, Chairman of the Audit Committee,
- **Rudolf Pečovnik**, Audit Committee Member,
- **mag. Matej Loncner**, External Member of the Audit Committee.

The Audit Committee met at seven regular sessions in 2020 and adopted a total of 63 resolutions.

The first three sessions were devoted to the preparation of the basis for the Supervisory Board's approval of the Annual Report, which included a discussion with external auditors. The Audit Committee discussed the audited annual report and submitted it to the Supervisory Board for approval.

At its regular sessions, the Audit Committee also discussed the following topics:

- Quarterly reports on the operation of the Company and of the Elektro Primorska Group,
- Liquidity reports of the Company and of the Elektro Primorska Group,
- Quarterly and annual internal audit reports,
- Quarterly and annual risk management reports,
- Proposals for improvement of business operations,
- Reports on the realisation of selected investments,
- Other matters as requested by the Supervisory Board.

In 2020, the Audit Committee paid special attention to the impact of the COVID-19 coronavirus epidemic on the operations of the parent and subsidiary E 3, d.o.o. At all its meetings, the Audit Committee also monitored the fulfillment of the parent company's commitments in accordance with the Agreement on the sale of a 100% stake in E 3, d.o.o., which was concluded with Petrol, d.d. on 26 February 2020.

In addition to the costs relating to its performance of the function, the Audit Committee incurred €625 of costs relating to professional training and education. Remuneration paid to the internal Audit Committee members is shown in Table No. 71 of the Annual Report. Gross remuneration of external members of the Audit Committee amounted to €7,956.79 gross in 2020.

APPROVAL OF THE ANNUAL REPORT AND POSITION ON THE AUDITOR'S REPORT

At its 30th regular session on 20 May 2021, the Supervisory Board discussed the Annual Report of Elektro Primorska and Elektro Primorska Group for the financial year 2020, inclusive of the report of external auditors, Ernst & Young Audit, poslovno svetovanje d.o.o., Ljubljana, whereby the certified auditor confirms that the financial statements, which are an integral part of the Annual Report, give a true and fair view of the financial position of the Company and the Group and of their statements of income, changes in equity and cash flows. The Supervisory Board had no comments on the auditor's report.

Based on the review of the annual report and the accompanying auditor's report, the Supervisory Board established that the Annual Report is prepared in accordance with provisions of the Companies Act and the applicable accounting standards and that the information contained therein is a fair presentation of the Company's operations in the financial year under review.

In accordance with the foregoing considerations and an unqualified opinion issued by the auditor, the Supervisory Board had no objections and approved the Annual Report of Elektro Primorska and Elektro Primorska Group for the financial year 2020. Thus, the Annual Report of Elektro Primorska d.d. and of the Elektro Primorska Group for 2020 was adopted.

The Supervisory Board supports the Management Board's proposal regarding payment of €2,254,067.76 of the profit available for distribution as at 31 December 2020 to shareholders as dividends. The Supervisory Board will jointly with the Management Board submit its proposal for distributable profit appropriation to the General Meeting of Shareholders.

Nova Gorica, 20 May 2021

Stanislav Rijavec,
Chairman of the Supervisory Board

4. Corporate Governance Declaration

In accordance with provisions of the Companies Act (ZGD-1), the Corporate Governance Declaration forms an integral part of the business report for the year 2020.

4.1 Declaration of compliance with the Corporate Governance Code

Elektro Primorska complies with provisions of the Corporate Governance Code of Companies with State Capital Investment adopted on 19 December 2014 by the Slovenian Sovereign Holding in accordance with provisions of the Slovenian Sovereign Holding Act (ZSDH-1), as amended on 2 March 2016, 17 May 2017 and 28 November 2019. The Company will strive to implement the amendments to the Code adopted on 17 March 2021 during the financial year 2021. In 2020, the Company did not comply with the following recommendations:

6.1.1. On 2 March 2020, the Supervisory Board appointed the President of the Management Board. Since the Company's Articles of Association stipulate that the Company should have a single-member Management Board, the recommendation cannot be strictly followed.

6.2. The Company has so far not adopted a succession policy, but it intends to do so in the next financial year.

9.2.3 The Company has not established an internal audit department run by its own staff and currently, internal audit tasks are provided by external contractors in accordance with the resolution of the Supervisory Board.

11.2.1. The Company does not have a position or function of the Compliance and Integrity Commissioner. The Company will take the recommendation into account in the next amendment to the Rules on Job Position Systemisation.

The Code is available on the following website:

https://www.sdh.si/Data/Documents/pravni-akti/Kodeks%20korporativnega%20upravljanja_marec%202021.pdf

4.2 Compliance with the recommendations and expectations of the Slovenian Sovereign Holding

Elektro Primorska meets the recommendations and expectations of the Slovenian Sovereign Holding as adopted in August 2020. The Company hereby declares that it does not fully or consistently comply with those provisions of the recommendations and expectations, which are regulated otherwise by the applicable law.

4.3 Internal control and risk management system relating to the financial reporting and auditing

Ensuring the reliability of financial reporting is crucial for the effective functioning of the corporate governance and management system. Internal controls include all procedures and measures that the Company implements in order to manage risks and to ensure the preparation of financial statements that present a true and fair view of the statement of financial position and statements of income, cash flows and changes in equity in accordance with relevant accounting standards and applicable regulations.

Internal audit function of the Company and the Group is carried out in accordance with the Regulations on Internal Audit of Elektro Primorska. The fundamental task of the internal audit function is to constantly verify procedures and make recommendations for improvements in the functioning of the internal control system to ensure efficient management of all types of risks.

In accordance with the annual internal audit plan approved by the Supervisory Board, an internal audit of the following areas was carried out in 2020 at the parent company:

a. Review of the business information system;
b. Internal audit of payroll;
c. Review of general controls relating to the investment and maintenance process;
d. Review of general controls relating to the personal data protection.

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

4.4 Holding of securities of a company, in terms of achieving a qualifying holding, as defined by the law governing the takeovers, ownership of securities ensuring special control rights, restrictions on voting rights

Elektro Primorska has issued 18,783,898 ordinary registered no-par value shares of a single class. The only holder of a qualified share as determined by the Takeover Act, is the Republic of Slovenia, a holder of 14,967,304 shares as at 31 December 2020, accounting for 79.6816% of the Company's share capital.

Holders of shares have no special rights of ownership of shares, and no limitations apply to them regarding exercising their voting rights.

As at 31 December 2020, the Company held no treasury shares.

4.5 Management Board

4.5.1 Appointment and composition

In accordance with the Articles of Association, the Management Board has a single member. The office of the President of the Management Board lasts four years, with possibility for reappointment. Uroš Blažica has held the office of the President of the Management Board since 30 June 2012.

At its meeting on 10 May 2016, the Supervisory Board unanimously appointed Uroš Blažic President of the Management Board of Elektro Primorska for the term of the next four years. His mandate began on 1 July 2016.

At its 22nd regular session on 2 March 2020, the Super visory Board of Elektro Primorska, d.d. adopted a resolution on the appointment of the President of the Management Board in accordance with the Articles of Association. Accordingly, Uroš Blažica was appointed President of the Management Board of Elektro Primorska, d.d. for the next 4-year term of office, beginning on 2 July 2020.

4.5.2 Responsibilities and functions

President and CEO manages the operations of the Company for the benefit of the Company independently and at his own responsibility. In accordance with the Company's Articles of Association, the President of the Management Board requires consent of the Supervisory Board prior to the conclusion of the following transactions:

- Establishment, termination or recapitalisation of companies,
- Purchase, sale or other disposal, replacement or burdening of real estate and equity investments in excess of €50,000.00 (fifty thousand euros) gross, in so far as those transactions are not included in the Company's business plan,
- Sale or other disposals and burdens on infrastructure facilities that are an integral part of the energy infrastructure,
- All legal transactions (including investments, credit transactions and the like) whose gross value of one transaction or more related transactions in total exceeds 1% (one percent) of the Company's share capital, excluding transactions related to short-term cash management, legal transactions related to the method of payments, and transactions for the short-term deposit of cash in the form of deposits with commercial banks, insofar as these transactions are not included in the Company's business plan,
- Issuing guarantees, securities, comfort letters
- President of the Management Board reports regularly to the Supervisory Board on all important business events. President of the Management Board and Chairman of the Supervisory Board consult on the strategy and business development also outside the Supervisory Board meetings.

4.5.3 Remuneration of the Management Board

In accordance with the contract of employment, the CEO is entitled to a basic monthly salary and performance bonus. Basic salary (gross pay, undiminished by taxes and contributions) is set as a multiple of average gross wage paid in the Elektro Primorska Group in the previous financial year. Performance bonus is determined in accordance with the criteria set out in the employment contract by a decision of the Supervisory Board within 30 days after the adoption of the Annual Report for the financial year for which the bonus is payable. Performance Bonus can amount to a maximum 15% of the basic monthly salary paid to the President of the Management Board in the financial year and is paid only if the Company's planned profit is exceeded.

In accordance with the employment contract, the President of the Management Board is also entitled to an annual preventive medical examination, life and accident insurance, use of a company car for business and private purposes and payment of all costs of education.

4.6 Supervisory Board

4.6.1 Appointment and composition

The Supervisory Board of Elektro Primorska has six members. Four members are representatives of shareholders, and two are representatives of workers.

Members of the Supervisory Board representing the shareholders are elected by the General Meeting, while representatives of workers are elected by the workers council in accordance with the law and relevant regulations. Term of office of the members of the Supervisory Board is four years, with a possibility of reappointment.

In 2020, the Supervisory Board of Elektro Primorska was composed of the following members: Stanislav Rijavec, Chairman of the Supervisory Board; mag. Nikolaj Abrahamsberg, Deputy Chairman; Darko Ličen, Member; Rudolf Pečovnik, Member; Valdi Morato, Member; and Marko Fičur, Member.

At its 25th regular session on 13 July 2020, the Supervisory Board adopted the »Diversity Policy of the Management and Supervisory Bodies of Elektro Primorska, d.d.«, which sets the framework for representation in the management and supervisory bodies of the Company in terms of education, gender, age, and other personal characteristics. Given the fact that Article 21 of the applicable Articles of Association of Elektro Primorska d.d. stipulates that the Management Board is conmposed of a single member, the adopted Diversity Policy currently applies only to the Company's supervisory bodies.

4.6.2 Competence and functions

Powers of the Supervisory Board are defined by law and the Articles of Association of Elektro Primorska. The Supervisory Board of Elektro Primorska complies with provisions of the Corporate Governance Code of Companies with State Capital Investment adopted on 19 December 2014 by the Slovenian Sovereign Holding in accordance with provisions of ZSDH-1, as amended on 2 March 2016, 17 May 2017, 28 November 2019 and 17 March 2021.

The Supervisory Board met at eight ordinary and three correspondence sessions in 2020. Based on the responsibilities and powers set by law and the Articles of Association, the Supervisory Board of Elektro Primorska regularly monitored and supervised the operations of the parent company and the Elektro Primorska Group.

Since 29 August 2017, the Audit Committee appointed by the Supervisory Board, operated in the following composition: Darko Ličen, Chairman of the Audit Committee, Rudolf Pečovnik, internal member of the Audit Committee, and mag. Matej Loncner, external member of the Audit Committee.

No other committees were set up by the Supervisory Board in 2020.

4.6.3 Remuneration of members of the Supervisory Board and Supervisory Board Committees

Members of the Supervisory Board and members of its Committees are entitled to remuneration for the performance of their function and attendance fees, as well as reimbursement of expenses, as decided by the resolution of the General Meeting. At the 16th Annual General Meeting held on 25 August 2011, the decision was made based on which members of the Supervisory Board are entitled to remuneration for performing their duties in the amount of €11,300 gross per year, to an attendance fee in the amount of €275 gross, and reimbursement of expenses in connection with the performance of their functions. Chairman of the Supervisory Board is entitled to 50% higher payments and attendance fees. For correspondence sessions of the Supervisory Board, members of the Supervisory Board are entitled to 80% of the attendance fee.

Members of the Supervisory Board Committees are entitled to a fee for performing their functions, which for each member of the committee amounts to 25% of the basic fee of the Supervisory Board member. Chairman of an individual Committee is also entitled to an additional payment of 50% of remuneration of members of the Supervisory Board, while Deputy Chairman of the Committee is entitled to an additional payment of 10% of remuneration paid to a member of the Supervisory Board Committee. In accordance with the decision of the Supervisory Board, external members of the committee are entitled to remuneration for performing the function in the amount €11,300 gross and attendance fee in the amount of 80% of attendance fee of the Supervisory Board members.

4.7 General Meeting of Shareholders

At the General Meeting, Shareholders of Elektro Primorska exercise their rights arising from the Companies Act. Voting rights may be exercised by shareholders who are entered in the central registry of securities or the share register on the date of the AGM and have announced their participation at the AGM at least three days before the general meeting is convened, about which the shareholders are specifically notified. No restrictions on voting rights are stipulated in the Articles of Association.

The Annual General Meeting of Shareholders was held on 10 July 2020. At the AGM, the shareholders were informed of the Annual Report of the Company and the consolidated annual report of Elektro Primorska Group for the financial year 2019, of the independent auditor's opinion, of the Supervisory Board's report on the examination and approval of annual reports, of the remuneration of the President of the Management Board and the Chairman of the Supervisory Board, and of the Management Board's report on repurchase of treasury shares. The shareholders also decided on the appropriation of distributable profit for financial year 2019, and granted the Company's Management Board and Supervisory Board discharge for the work performed in the previous year.

The General Meeting decided about the share capital increase through conversion of other profit reserves into share capital. Following the share capital increase, as at 31 December 2020, the Company's share capital amounts to €110,465,794.61. Share capital increase was not effected through the issue of new shares.

The General Meeting also adopted a resolution on reduction of the remuneration of members of the Supervisory Board and the Audit Committee during the Covid-19 epidemic.

4.8 Governance of the parent company and the Group

Elektro Primorska has a two-tier governance system. Appointment of members of the Management Board and the Supervisory Board is conducted in accordance with applicable law and the recommended standards of governance.

The Elektro Primorska Group consists of Elektro Primorska as the parent company, E 3, energetika, ekologija, ekonomija d.o.o. (a fully owned subsidiary of Elektro Primorska, d.d.) and Knešca, d.o.o., as an associate in which E 3, d.o.o. holds a 47.27% stake.

To ensure close links and comprehensive supervision over the operations of the subsidiary, the Management Board of the parent is also the General Meeting of the subsidiary E 3, energetika, ekologija, ekonomija, d.o.o. Control of the subsidiary's operations takes place based on regular reporting and approving transactions in accordance with the provisions of the Articles of Association of E 3, d.o.o.

Nova Gorica, 14 May 2021

Uroš Blažica,
President of the Management Board

5. Presentation of the Company

5.1 Company Profile

Name of the Company:	Elektro Primorska, podjetje za distribucijo električne energije, d.d.
Abbreviated name:	Elektro Primorska, d.d.
The registered seat:	Erjavčeva ulica 22, 5000 Nova Gorica
Phone:	+386 5 339 67 00
Fax:	+386 5 67 05
VAT ID number:	37102656
Company number:	5229839
Business accounts:	SI56 0475 0000 0510 950 Nova KBM, d.d. SI56 1010 0005 7525 942 Banka Intesa Sanpaolo, d.d.
The Company is entered in the register of Companies at the District Court of Nova Gorica under registration number 1/01335/00.	
Share capital:	€110,465,794.61
Ownership as at 31 Dec 2020:	79.68% Republic of Slovenia 17.07% PIDs, funds, commercial entities 3,25% Workers, retired employees, other
Supply area:	SW, W, NW of Slovenia
Size of the supply area:	4,335km^2
Number of customers:	135,900
Quantity of electricity supplied:	1,593.1GWh
Web address:	http://www.elektro-primorska.si
E-mail address:	info@elektro-primorska.si
Supervisory Board:	Stanislav Rijavec, Chairman of the Supervisory Board, mag. Nikolay Abrahamsberg, Deputy Chairman, Darko Ličen, Member, Rudolf Pečovnik, Member, Marko Fičur, Member, Valdi Morato, Member.

5.2 Mission, vision and business culture of the Company

5.2.1 Mission

The fundamental mission of Elektro Primorska is to provide quality and reliable supply of electricity in an environmentally friendly and safe manner in accordance with the applicable laws and regulations. The mission of the Company is also to ensure development and construction of electricity network in accordance with the needs of business and household customers. Through professional and efficient operation we aim to meet the expectations of both, the owners and other stakeholders.

This is linked to the mission and vision of SODO, which are published on the following website (http://www.sodo.si/druzba_sodo/vizija):

»Our mission is to ensure a long-term, reliable, quality and efficient supply of electricity to distribution network users.«

»We wish to connect with the customer and become recognisable in our field as a friendly company renowned for its responsible environmental management.«

5.2.2 Vision

Our vision is to create business environment which enables creation of new solutions and development of infrastructure, sale and new projects by understanding the wishes of our users, and by acting responsibly towards environment and employees.

Companies in the Elektro Primorska Group will achieve business excellence in their relations to customers, employees, business partners, shareholders and other business environment. The Group companies will continue to be socially responsible and demonstrate high business culture and excellence of operation. In addition, they will continue introducing friendly and innovative services and solutions for customers, buyers and other users of their services. They will achieve this effectively through quality services and minimum operating costs. The Group companies will be flexible, as this enables them to adapt to changes in unpredictable business environment.

5.2.3 Business culture

Our own experience and experience in general confirm that a good business culture is essential for a successful operation of any company. Through continuous development of integrated management system in accordance with the ISO 9001 standard, responsible attitude towards the environment in accordance with the ISO 14001 standard, and vocational health and safety management system in accordance with the ISO 45001 standard, all of which are verified by regular internal and external audits, we have demonstrated that we cultivate healthy business culture and exercise corporate responsibility as part of the Company's business strategy. We regularly carry out self-assessments according to the EFQM Excellence Model, which we believe leads to sustained excellence.

5.3 The regulatory framework of the Company's activities in the sphere of power supply

Important legal, statutory and contractual regulations governing the electricity business of the Company include:

The Energy Act (hereinafter the EZ-1) entered into force on 22 March 2014 as an organic law regulating the electric power distribution system in the Republic of Slovenia. To date, the Act has been amended twice.

The EZ-1 lays down the principles of the energy policy, regulates the rules of operation of the energy market, methods and forms of implementation of public utility services in the field of energy, principles and measures aimed at achieving reliable energy supply, increasing energy efficiency and energy savings, and increasing the use of energy produced from renewable sources. It also determines the conditions for the operation of energy installations, and regulates the competencies, organisation and operation of the Energy Agency, as well as the inspections.

Decree on the method of provision of an electricity DSO service of general economic interest and a service of general economic interest of electricity supply to tariff customers (hereinafter the Decree). In accordance with Article 554 of the EZ-1, the application of the Decree has been extended.

In the first section, the Decree regulates in detail the public service of a distribution system operator (DSO); determines access, connection and disconnection from the distribution network; regulates relations with the distribution network owner; development and maintenance of the distribution network; and the method of ensuring the quality of the services provided by the distribution system operator. The other public service, supply of electricity to tariff customers, no longer exists as on 1 July 2007, tariff customers (households) became eligible customers and as such can freely choose their electricity supplier. Therefore, the relevant provisions of the Decree are no longer applicable.

General Conditions for connection to the electricity distribution system and supply of electricity (hereinafter: the General Conditions). While these General Conditions are no longer valid, their application has been extended.

The general terms and conditions, which govern in detail the relationship between the distribution system operator (SODO) and network users (network access method, measuring devices and electricity metering, charging and payment of network usage); relations between SODO and electricity suppliers; relationships between customers and suppliers; records of measuring points; the quality of the services provided by the electricity distribution system operator and compensation, were issued by SODO d.o.o., from Maribor.

Rules on the system operation of electricity distribution network (hereinafter: the Rules). Published by SODO d.o.o., from Maribor, the Rules define the electricity distribution services through a distribution network, the method of providing ancillary services to the distribution network, method of providing the distribution network services, operation and development of the distribution network, and technical conditions for connection to the distribution network.

Article 144 of the EZ-1 provides for only one legal act issued by the distribution operator that would combine the contents of the General Conditions for the Supply and Consumption of Electricity from the Distribution Network and the System Operating Instructions for the Electricity Distribution Network. The bringing together of the two took place on 13 October 2020, when SODO, d.o.o. adopted the System Operating Instructions for the Electricy Distribution Network, effective as from 20 January 2021 and which became applicable on 1 March 2021. Upon application of the System Operating Instructions for the Electricy Distribution Network, the previously mentioned General Conditions and the Instructions have ceased to apply.

In November 2019, Elektro Primorska, d.d., concluded a Contract for lease of electricity distribution infrastructure and provision of services of electricity distribution system operator with SODO, d.o.o., the sole concession holder for the system operator of the distribution network in Slovenia. This is the third such contract agreed with the concessionaire SODO, d.o.o., the first of which was concluded by Elektro Primorska in 2007, and the second in 2012.

In accordance with the applicable contract, Elektro Primorska continues to perform most activities related to the implementation of the activities of the distribution system operator, which it has performed since 1 July 2007. These services include:

- Maintenance of primary electricity infrastructure,
- mplementation and organisation of emergency service,
- Management and operation of the electricity distribution network,
- Network development planning,
- Investment in EEI planning and management
- Monitoring and assessing quality of electricity supply,
- Electricity metering,
- Provision of services of access to the distribution network,
- Ensuring user connections,
- Providing electricity to cover losses in the distribution system and supply to SODO,
- Other user services (handling complaints and appeals, call centre).

As from 1 July 2007, Elektro Primorska no longer generates revenue from network charges as this is deemed revenue of the concessionaire. Instead, it generates income from rental of electricity distribution infrastructure and income from the implementation of the services for SODO.

The Act on the methodology determining the regulatory framework and network charge for the electricity distribution system, adopted by the Energy Agency for the regulation period 2019-2021 regulates the following:

- Methodology for determining the regulatory framework and
- Methodology for charging the network charge, namely for the electricity transmission system (hereinafter: the transmission system), the electricity distribution system (hereinafter: the distribution system), excessive reactive power, power consumption and other services.

5.4 Organisation of the Company

In accordance with the Rules on the internal organisation of Elektro Primorska, effective from 1 January 2013, activities of the Company are performed by the following organisational units:

Sectors:

- Sector for distribution system management (DEES)
- Sector for distribution network (SDO)
- General sector (SS) and
- Finance and accounting sector (FRS).

Special services of the management:

- Information and communication technologies service (IKT) and
- Purchase and procurement service (SNJN).

Regional distribution units:

- Distribution unit Nova Gorica (DE Nova Gorica)
- Distribution unit Koper (DE Koper)
- Distribution unit Sežana (DE Sežana) and
- Distribution unit Tolmin (DE Tolmin).

Management Board has established the Cabinet of the president of the Board, inclusive of the Administration, Integrated Management System, Internal Audit and Risk Management.

6. Profile of the Group

6.1 Composition of the Group

The Elektro Primorska Group comprises the following entities:

- Elektro Primorska, d.d. as the parent company
- E 3, d.o.o. as a subsidiary, in which the parent company holds a 100% stake
- Knešca, d.o.o. located at Most na Soči, in which E 3 holds a 47.27% stake, making it an associated company.

The following entities are included in the consolidation; the parent company Elektro Primorska, its subsidiary E 3, which is included in the consolidation as a discontinued operation and the associate Knešca, which is consolidated under the equity method.

The parent company Elektro Primorska reports **€162,008,442** of equity as at 31 December 2020. The Company achieved positive result in 2020 and generated **€5,905,714** of net profit.

The subsidiary **E 3**, recognised as a discontinued operation (the parent company signed a contract for the sale of a 100% stake in the subsidiary in 2020), ended the financial year 2020 with a net profit of **€616,578**. As at 31 December 2020, E 3 reports **€15,179,307** of equity.

The associate **Knešca** generated **€158,905** of net profit in 2020 and reports **€1,386,975** of equity as at 31 December 2020.

6.2 Profile of the subsidiary E 3, d.o.o.

The subsidiary E 3 energetika, ekologija, ekonomija, d.o.o., was established on 15 November 2004 by Elektro Primorska as the only shareholder. The basis for the establishment of the subsidiary was the Energy Act, which called for a legal separation of regulated market and production activities.

Name of the Company:	E 3 energetika, ekologija, ekonomija, d.o.o.	
Abbreviated name:	E 3, d.o.o.	
The registered seat:	Erjavčeva ulica 24, Nova Gorica	
VAT ID number:	17851262	
Company number:	2010593	
Business accounts are held at the following banks:	SI56 0475 0000 1095 763 Nova KBM, d.d. SI56 0294 5025 9665 734 NLB, d.d.	
The subsidiary is registered in the register of Companies at the District Court in Nova Gorica under the registration number 1/04504/00.		
Share capital:	€6,522,016.72	
Owner of the subsidiary:	Elektro Primorska holds a 100% stake	
The company representative:	Darko Pahor	
	KNEŠCA, d.o.o.	
	E 3, d.o.o., Nova Gorica	47.27% holding
Associated company:	(9) individuals	52.73% holding

E 3 began regular operations on 1 January 2005, after it obtained a license for the performance of energy activities of electricity production and trading on 3 December 2004.

E 3 is composed of three organisational units, namely:

- Purchase and sale of energy division,
- Production and services division, and
- The general services division.

The company began providing commercial public service of the heat distribution system operator in the municipality Šempeter - Vrtojba on 1 May 2010. In accordance with the concession agreement, the company assumed the task of supplying heat to the Podmark residential complex.

On 1 January 2011, the company merged with the carved part of Elektro Primorska, which is engaged in the purchase and sale of electricity. The company holds licenses for performing energy-related activities of electricity generation, heat production, distribution and supply, as well as trade representation and mediation on the electricity market.

In total, the company had 49 employees at the end of 2020, compared to 53 at the end of the previous year.

A contract for the sale of 100% stake in the company was signed in 2020 and thus, E 3 is reported in the consolidated financial statements of the Group as a discontinued operation.

Interest rate risk stems from short-term and long-term borrowings raised from domestic and foreign banks and the potential for exposure to the risk of changes in reference interest rates, which could affect financing costs. As a result, the Group carefully monitors exposure to interest rate risk on an ongoing basis and takes appropriate measures to mitigate it. Due to the current economic situation, the interest rate risk is assessed as low.

6.3 Profile of the associate Knešca, d.o.o.

In June 2006, subsidiary E 3 acquired a 23.61% stake in the company Knešca and in July of that same year additional 23.66% stake held by four (4) natural persons, bringing total stake in the company to 47.27%. The stake was subsequently (in 2012) transferred as a contribution in kind to subsidiary JOD, d.o.o.

On 1 January 2017, E 3 merged with its subsidiary and transferred the contribution in kind from JOD to E 3.

In comparison with other (9) individual minority stakeholders , E 3 holds a significant 47.27% stake in Knešca d.o.o.

Name of the Company:	KNEŠCA, d.o.o., Proizvodnja električne energije	
Abbreviated name:	KNEŠCA d.o.o.	
The registered seat:	Kneža 78, Most na Soči	
VAT ID number:	92002307	
Company number:	5617383	
Business account number:	SI56 2700 0000 0204 363	
The company is registered in the register of Companies at the District Court in Nova Gorica under the registration number RC-065-2005/224.		
Share capital:	€129,361	
	E 3, d.o.o.	47.27%
Owners of the company:	Natural entities	52.73%
Director of the company:	Vincenc Hozjan	

The company performed well in 2020 and generated €196,767 of pre-tax profit (2019: €169,755). After deduction of €37,862 of income tax payable (2019: €32,253), the net profit for the year amounted to €158,905 (2019: €137,501). As at 31 December 2020, the company reported €1,386,975 of equity (2019: €1,397,987).

In the consolidated financial statements, the company is reported as an associate and included in the consolidation of the Group under the equity method in accordance with the relevant IAS.

7. Human Resource Management in 2020

7.1 General

The Covid-19 epidemic impacted both, the Company and the Elektro Primorska Group. By taking a series of measures to prevent the spread of the SARS-Cov-2 virus and consistent adherence to them, we were able to adapt our business operations to the changed circumstances. Elektro Primorska strives to provide to its employees business environment where diligent work, responsibility, affiliation and mutual cooperation and respect are the core values supported by our personnel policy. By investing in knowledge and vocational health and safety, we are determined to create a working environment that enables growth and development of each and every employee, since professional, motivated and dedicated employees significantly contribute to the realisation of the Company's objectives.

A total of 476 workers were employed by the Company as at 31 December 2020. Average number of employees in 2020 was **473**, an increase of 2 compared to the average headcount in 2019.

Activity	Headcount at 31.12.2019	Structure (%)	Headcount at 31.12.2020	Structure (%)
Main activity (distribution network sector, electricity system management sector)	361	77.14	369	77.52
Common services (management, financial and accounting sector, general sector, procurement, information technology)	107	22.86	107	22.48
Total	468	100	476	100

Table 1: Overview of employees in Elektro Primorska, d.d.

Data on employees in Elektro Primorska and the Elektro Primorska Group are presented in the following Table:

	Elektro Primorska	Elektro Primorska Group
Headcount at 31 Dec 2020	476	525
Average number of employees	473	522
Number of new employees	24	25
Number of departures	12	14
Number of permanent employees	450	496
Number of fixed-term employees	26	29
Number of employees with disabilities	30	31

Table 2: Overview of employees in Elektro Primorska and the Elektro Primorska Group

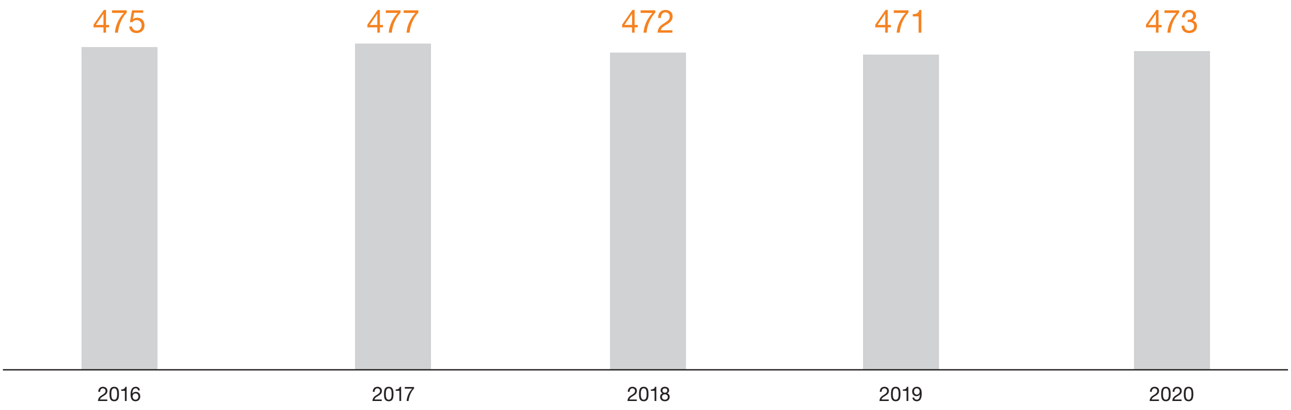


Chart 1: Movements in the average number of employees of Elektro Primorska over the period 2016 - 2020

7.2 Age structure of employees

The average age of employees is 46 years, which is similar to the 2019 data.

No.	Age group	Number of employees
1	up to 20 years	1
2	21 – 30 years	45
3	31 – 40 years	108
4	41 – 50 years	138
5	51 – 60 years	159
6	61 and over	25
	Total	**476**

TTable 3: The number of employees in Elektro Primorska per individual age group

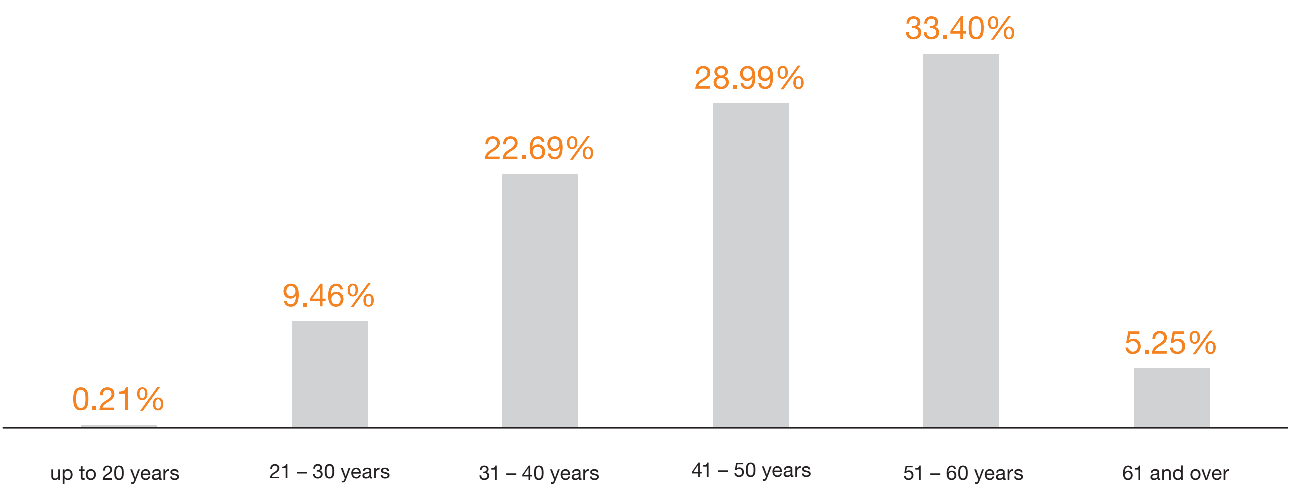


Chart 2: Age structure of employees of Elektro Primorska

7.3 Structure of employees according to the years of service

In 2020, more than 63% of employees have completed 20 or more years of service.

No.	Years of service	Number of employees
1	up to 5 years	39
2	Between 6 and 10 years	35
3	Between 11 and 20 years	102
4	Between 21 and 30 years	126
5	Between 31 and 40 years	158
6	Over 40 years	16
Total		476

Table 4: Number of employees in Elektro Primorska according to the years of service

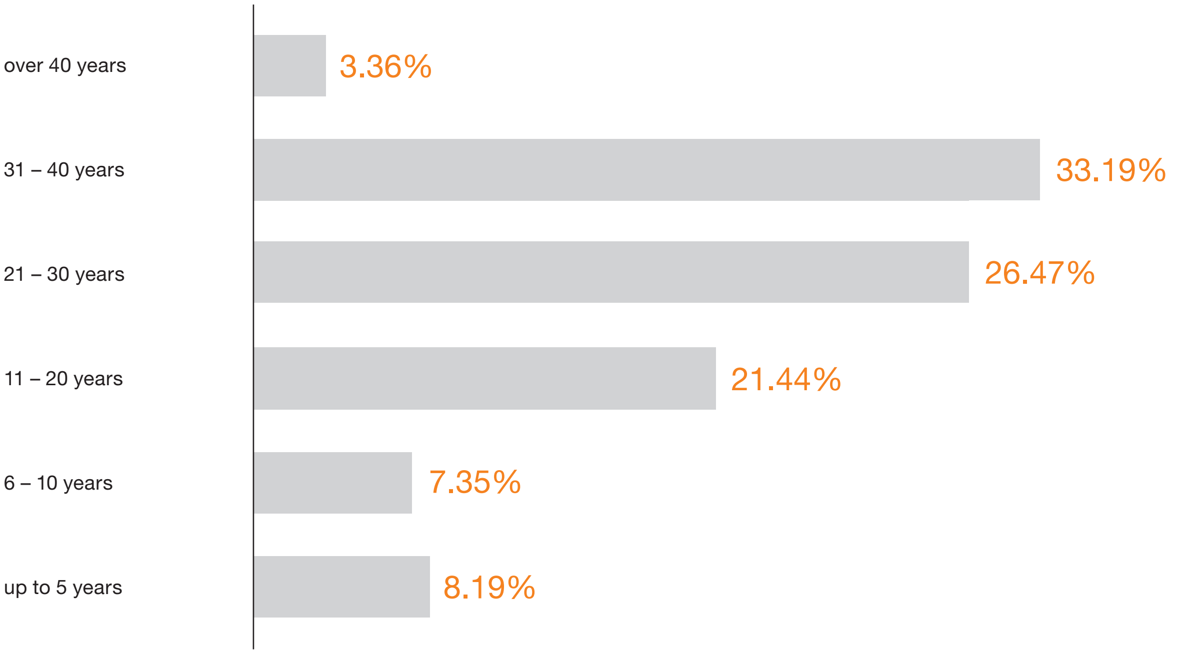


Chart 3: Structure of employees according to the years of service in Elektro Primorska

7.4 Structure of employees according to gender

The gender ratio does not **deviate significantly from one year to the other**.

No.	Gender	Number of employees
1	male	402
2	female	74
Total		476

Table 5: The number of employees in Elektro Primorska by gender

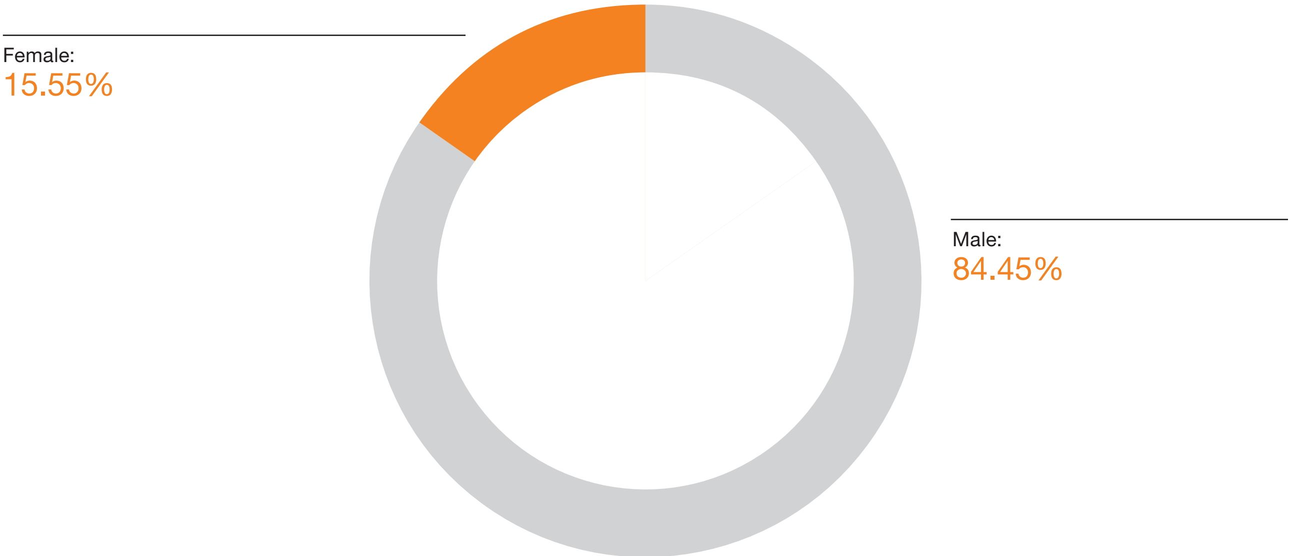


Chart 4: Structure of employees in Elektro Primorska according to gender

7.5 Educational structure of employees of Elektro Primorska, d. d. and the Elektro Primorska Group

Whilst compared to the previous year the educational structure of employees has not changed significantly, the share of employees who have completed education level 5 is increasing on account of those that have completed education level 4, as the Company encourages its staff to continue their education at open colleges.

Level according to BP	Headcount at 31.12.2019	Structure (%)	Headcount at 31.12.2020	Structure (%)
8/2	1	0.21	1	0.21
8/1	5	1.07	4	0.84
7	49	10.47	53	11.13
6/2	48	10.26	52	10.92
6/1	59	12.61	61	12.82
5	164	35.04	172	36.14
4	127	27.14	119	25
3	12	2.56	11	2.31
2	2	0.43	2	0.42
1	1	0.21	1	0.21
Total	**468**	**100**	**476**	**100**

Table 6: Educational structure of employees in Elektro Primorska

Level according to BP	Average number of employees 2019	Average number of employees 2020
8/2	2	1
8/1	8	7
7	56	58
6/2	62	64
6/1	64	67
5	182	184
4	132	127
3	15	11
2	2	2
1	1	1
Total	524	522

Table 7: The average number of employees in the Elektro Primorska Group by level of education

7.6 Employees with disabilities

A total of 30 workers with disabilities were employed by the Company as at 31 December 2020. Of those, 9 workers with disabilities performed their duties on a part-time basis (4 hours/day), while the other 21 were employed on a full-time basis. The percentage of employees with disabilities exceeds 6% of total employees, which fulfils the statutory quota laid down by the Decree establishing employment quota for persons with disabilities. In May 2020, the Company was granted the right by the Republic of Slovenia Fund for Promotion of Employment for Disabled Persons to a bonus for exceeding quotas, which the Fund pays monthly in the amount of 20% of the minimum wage for each employee with disabilities above the statutory quota.

7.7 Education of employees

In 2020, 254 employees attended various forms of training, which included seminars, a variety of educational courses, refresher courses, professional exams, and internally organised training courses. A total 182 working days were devoted to the above activities.

Vocational health and safety course was attended by 38 employees, who also took the relevant exam.

The Company has concluded 13 contracts with employees wishing to obtain higher professional education, who are currently attending relevant education.

A total €65,150 was allocated for the purchase of professional literature and to cover the cost of education services in 2020 in support of further education and development of employees (tuition fees, workshops, seminars, courses).

For several years now there has been sufficient number of suitably educated candidates on the labor market, so we devote more funds to practical trainings of high school and university students, who otherwise have no opportunities to obtain specific skills elsewhere. A total 11 students took part in the practical training in 2020 to the cost of €5,443.

7.8 Care for employees

We strive to create good working conditions, maintain and improve health of our employees, and identify and eliminate adverse events. To this aim we adhere strictly to the labour legislation, regulations in the field of vocational health and safety and ensure careful balancing of the professional and family life of employees of Elektro Primorska and the Elektro Primorska Group. We realise that a satisfied and motivated employee can contribute the most to the success of the Company.

Employees are informed about the events and activities within the Company daily through electronic mail, on the Intranet and bulletin boards.

7.9 Vocational health and safety

We provided safe working environment and complied with conditions for vocational health and safety of our employees in 2020, as well as carried out all the necessary activities to reduce and prevent life and health risks at the workplace. The Covid-19 epidemic significantly affected the work process, and consequently, we adapted the care for the safety and health of employees to the new circumstances. To this end, we adopted several measures and issued instructions for changed organisation of work, implemented measures aimed at controlling the epidemic, and paid special attention to regular communication with employees. To reduce the potential for the spread of the virus, we introduced work at home practice during the first wave of the epidemic, which, with the exception of the summer months, continued in the last quarter of the year, during the second wave of the epidemic.

The Company strives to ensure safe and orderly working conditions and to protect and preserve the health of employees through:

- Respecting the Occupational Health and Safety Act and all the alternative legal acts (in this respect a register of health and safety at work legislation was updated),
- Regular preventive and periodic health checks of workers,
- Implementing specific preventive health measures such as vaccinations against TBE and flu, taking preventive measures as part of promoting health at workplace and providing first-aid training to employees,
- Implementing health and safety at work policy; the Company's Management is committed to ensure health and safety at workplace and has set up a framework for determining objectives of quality, environmental management and vocational health and safety,
- Designing and adopting the Declaration of safety including Risk Assessment, which additionally bounds the Company's Management to implement measures, set goals, inform, train and give appropriate instructions, ensure appropriate organisation and provide necessary resources,
- Regular periodic checks and care of the working and protective equipment,
- Providing instructions for safe work and control over the implementation of safe working practices,
- Monitoring working conditions regarding injuries at work, occupational diseases as well as detecting, mitigating and preventing their causes,
- Training workers for safe work and regularly assessing their knowledge and skills in the field of vocational health and safety, and fire protection.

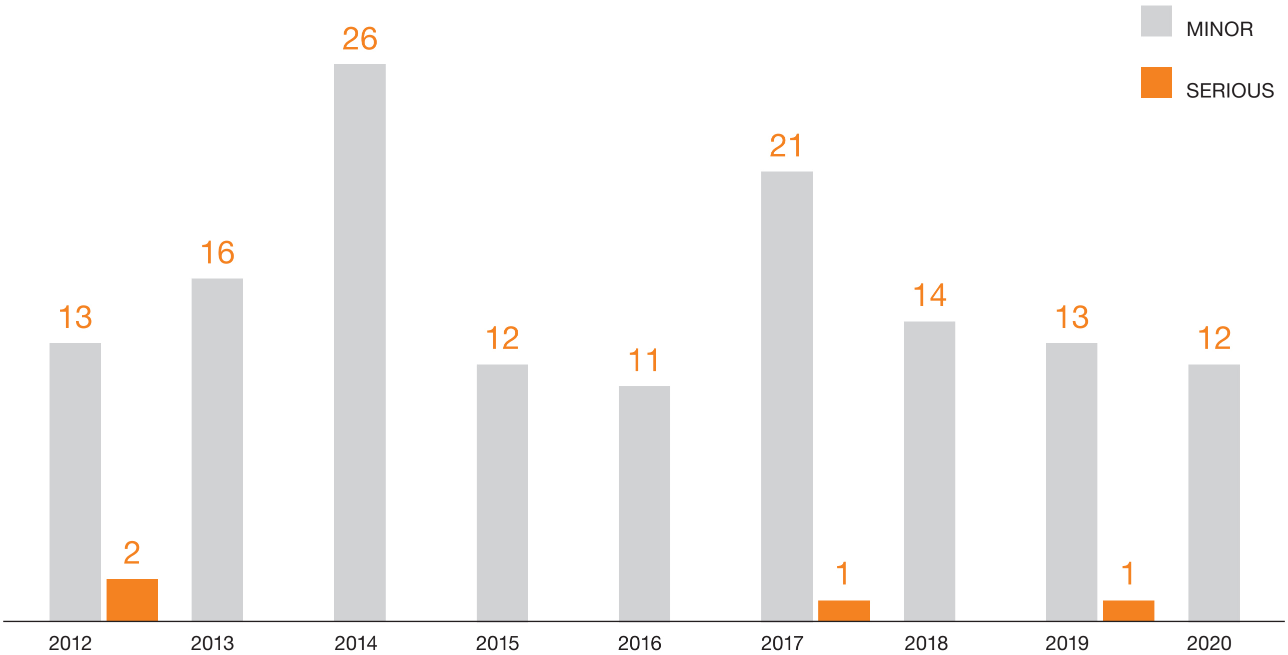


Chart 5: Number of injuries at work in the period 2012-2020

In the context of a systemic approach to improving vocational health and safety in Elektro Primorska, we emphasise the necessity of responsible employee attitude in the field of health and safety at workplace, including fire protection.

7.10 Voluntary supplementary pension insurance

Regulation and realisation of the social security principles for all our employees is an integral part of the Company's business policy. Since 1 December 2001, employees of Elektro Primorska have had the option to join the supplementary pension insurance scheme. A total 99% of all employees are included in the voluntary supplementary pension insurance and the pension scheme. Since 2016, employees are able to choose between two pension scheme providers: Modra zavarovalnica, d.d. and Zavarovalnica Triglav, d.d.

7.11 Accident insurance

V All employees of Elektro Primorska are insured for event of accidents or injuries at work and in connection with work.

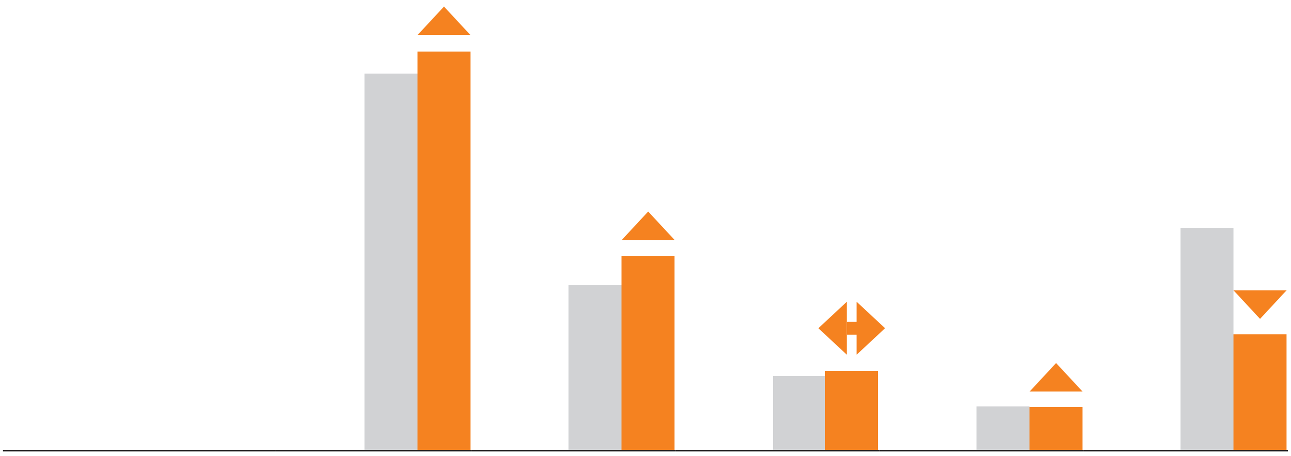
On 1 November 2020, Elektro Primorska concluded a collective insurance with the insurance company Vzajemna d.d., and so the Company pays monthly insurance premiums on behalf of all the employees who joined the insurance scheme. The insurance covers specialist medical services and second medical opinion.

7.12 Other activities that affect the well-being of employees

We care for the well-being of the employees of Elektro Primorska and the Elektro Primorska Group and to this aim we are promoting and creating material conditions for various forms of socialising and spending vacation in holiday facilities owned by the Company. Large numbers of employees are participating in the annual sports games organised for the electricity distribution companies. These provide an opportunity for employees to socialize both within the Elektro Primorska Group, as well as with employees from other power distribution companies. In 2020, Elektro Primorska donated €11,448.00 of funds to the Elektro Primorska Sports Association. These funds are dedicated to the promotion and development of sports activities within the Company, organisation of various sports activities for employees, and training of employees for participation in the annual EDS games.

8. Realisation ot the Annual Goals in 2020

FINANCIAL REALISATION OF THE COMPANY'S CORE OBJECTIVES



	INVESTMENTS	SELF-CONSTRUCTED ASSETS	MAINTENANCE	CONTRACT FOR MARKET	€ PROFIT
PLAN 1-12/2020	€20,000,000	€8,840,000	€3,996,040	€2,428,000	€11,836,329
ACTUAL 1-12/2020	€21,236,478	€10,412,631	€4,097,390	€2,457,282	€6,143,266

In 2020, the Company either achieved or exceeded all its fundamental business objectives, with the exception of the operating result, which is lower than planned. The main reason for this is the fact that the sale of a 100% stake in the subsidiary E 3, d.o.o., to Petrol d.d., was finalised at the beginning of 2021 and not in 2020, as planned.

The profit generated in 2020 was significantly affected by the loss of around €2 million of revenue since, in accordance with Article 102b of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP), there was a change in the methodology for determining the eligible costs of electricity operators, reducing the recognised rate of return to a maximum of 4.13% in 2020.

Continuation of the RAST program implementation

The Elektro Primorska Group has been implementing a comprehensive RAST programme aimed at business rationalisation.

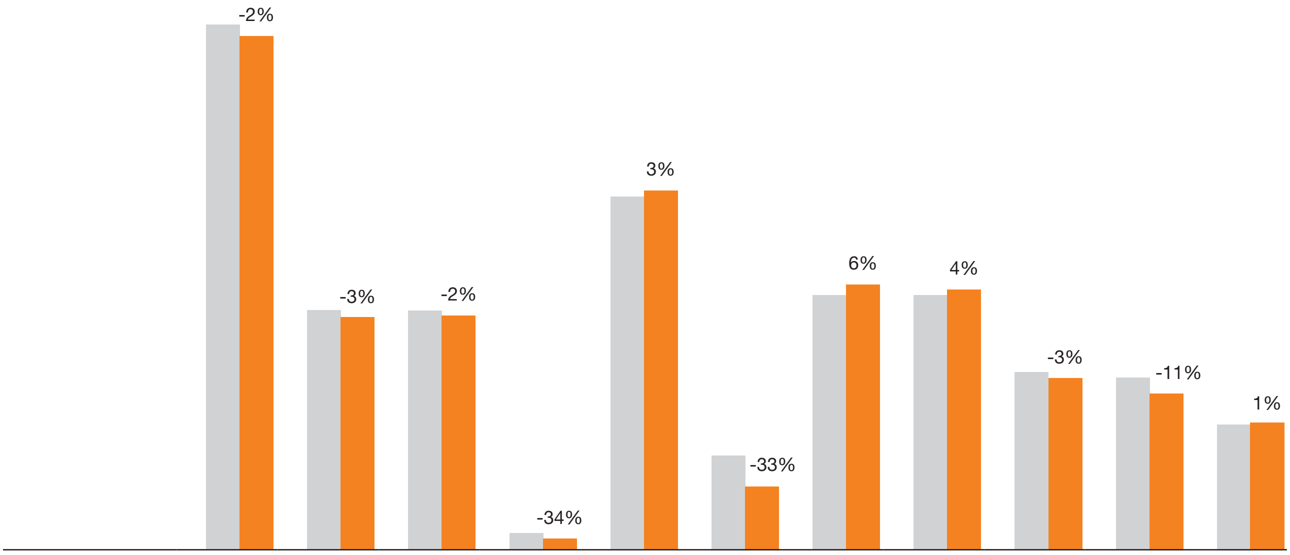
The program is designed to ensure a comprehensive management of costs and revenues, and provides for implementation of rationalisation measures, which can contribute most to the Group's performance and the achievement of its goals.

By following the primary purpose of monitoring and maintaining the achieved rationalisation effects, the Group continued with the program implementation also in 2020.

Compared to the target value of costs and expenses for 2020, the Company exceeded the planned amount of savings by a total of €86,563.

The following financial effects of the selected measures were achieved by individual organisational units of the parent company in 2020.

FINANCIAL ACHIEVEMENTS OF THE RAST PROGRAM



	SDO	SUDESS	IKT	SNJN	SS	FRS	MB	DE GO	DE KP	DE SE	DE TO
PLAN	1.232.568	564.680	559.118	39.747	825.875	216.192	593.122	593.368	418.672	406.068	294.443
ACTUAL	1.204.695	547.009	549.667	26.059	846.705	143.829	626.774	614.873	404.349	362.497	297.296

Chart 6: Financial achievements of the RAST program per organisational units in 2020

Legend:

SDO - Sector for distribution network
SUDESS - Sector for distribution system management
IKT - Information and communication technologies service
SNJN - Purchase and procurement service
SS - General sector
FRS - Finance and accounting sector
MB - Management Board
DE GO - Distribution unit Nova Gorica
DE KP - Distribution unit Koper
DE SE - Distribution unit Sežana
DE TO - Distribution unit Tolmin

STRUCTURAL TRANSFORMATION OF THE SUBSIDIARY E 3, D.O.O.

During the financial year 2019, the search was in progress for the most suitable bidder for the purchase of a 100% stake in E 3, d.o.o.

Initially, there were three potential bidders however, negotiations were conducted with only two. The procedure was completed in January 2020 with the selection of the most suitable buyer, i.e., Petrol, d.d.

The contract for the sale a 100% stake in E 3, d.o.o., was signed on 26 February 2020 following consent granted by the company's Supervisory Board.

On 28 October 2020, the Slovenian Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d., and E 3, d.o.o., and stating that the concentration complied with competition rules.

The sale of a 100% stake in E 3, d.o.o., to Petrol d.d., was finalised on 5 January 2021.

9. Electric Power Distribution

The activity was carried out in 2020 in accordance with the Contract on the lease of electricity distribution infrastructure and the provision of the distribution system operator services concluded between Elektro Primorska and SODO. The activity is implemented by two organisational units: the distribution network sector - SDO and the electricity distribution system management sector - SUDEES.

In 2020, the electricity system managed by Elektro Primorska reached the following level of technical equipment per distribution unit (DE).

	DE NOVA GORICA	DE KOPER	DE SEŽANA	DE TOLMIN	ELEKTRO PRIMORSKA TOTAL
DV: 10kV - 110kV (m)	685,571	261,993	638,476	543,263	2,129,122
KBV: 10kV - 35kV (m)	136,678	218,389	191,610	85,117	631,795
NNO + JR (m)	1,589,873	1,169,063	983,917	1,007,147	4,750,000
RTP + RP (pcs)	16	8	7	7	38
TP (pcs)	823	531	592	507	2,453

Table 8: Physical volume of electric power devices as at 31 Dec 2020

DV - transmission line KBV - cable conduit, NNO - low-voltage network, JR - public lighting
RTP – transformer substation, RP – substation, TP – transformer station

9.1 Services for SODO

According to the calculation hour inclusive of all overhead costs, in 2020, the Company was expected to spend €16,117,750 on the provision of services for SODO. The planned and achieved values of services for SODO are computed in the same manner also in the reports issued to SODO.

	Plan (€)	Actual (€)	Actual (€)	%	%
	2020 January–December	2020 January–December	2019 January–December	2:1	2:3
Type of work	1	2	3	4	5
Maintenance of electricity infrastructure	8,471,350	8,340,366	8,744,414	98.45	95.38
Implementation and organisation of emergency service	673,300	698,107	686,643	103.68	101.67
Conducting of operation	1,218,900	1,362,754	1,249,231	111.80	109.09
Process management	426,650	439,492	405,655	103.01	108.34
Telecommunication support	364,650	393,562	396,730	107.93	99.20
Management of protective devices	236,900	254,162	242,788	107.29	104.68
Development	250,000	237,496	239,342	95.00	99.23
Monitoring and establishing quality of supply	110,000	80,010	95,036	72.74	84.19
Electricity metering	2,265,000	1,995,535	2,208,797	88.10	90.34
Provision of access services	883,000	989,849	877,650	112.10	112.78
Connecting users to distribution network	984,000	1,314,145	1,011,778	133.55	129.88
Other services for users	234,000	233,532	229,038	99.80	101.96
TOTAL SERVICES FOR SODO	16,117,750	16,339,010	16,387,103	101.37	99.71

Table 9: Actual services for SODO in 2020

In 2020, the Company spent €16,339,010 on provision of services for SODO, which accounts for 101.37% of planned funds, down 0.29% compared to 2019. The cost of connecting users to the distribution network has increased, primarily due to the large number of solar power plant connections and self-sufficiency.

9.1.1 Achievement of the set goals and comparison with 2019

The financial achievement of the plan for the provision of services for SODO is 1.37% above the plan. Actual inspections of devices accounted for 99.8%, mettering for 100.7% and devices for 100.5% of the plan.

9.2 Investments

Investment activity proceeded in 2020 in accordance with the plan and the relevant changes determined in version 2 of the investment plan. According to version 2 of the investment plan, the initially planned distribution of funds by locations and investment groups was adjusted to the existing phase of individual investments.

A total €21,236,478 was invested in facilities, equipment purchases and project documentation, accounting for 106.18% of the planned funds (€19,506,942.14 was spent in 2019, accounting for 104.88% of the planned funds).

Investment groups	Realised funds	Share per investment group
Facilities	€13,604,368	64.06% of total funds
Equipment	€6,238,906	29.38% of total funds
Documentation	€1,393,204	6.56% of total assets
Total	**€21,236,478**	

Table 10: Investments by major investment groups

In 2020, our investment activity focused primarily on investments in distribution transformer stations, in laying low and medium-voltage underground cables, and installation of advanced measuring devices.

According to individual groups, the results are as follows:

Facilities up to 20 kV

Most of the investment in the overhead lines (DV) was spent on the reconstruction of the medium voltage overhead lines. Major investments in 20kV overhead lines:

SN Doblar–Dolina (1,7 km), SN Golac–Gradišče (1 km), SN Volčji Grad–Gorjansko (1 km).

SN Nožed 4 (2.1km), SN Beli Križ - Fiesa (1.8km), SN EKK Čiginj (0.56km), SN EKK Kobarid - Bovec (1.8km), SN Vrtojba - Bilje (3.2km).

By investing in low-voltage networks (NNO), we modernised the existing low voltage conduits, eliminated poor voltage conditions and made connections to new customers.

Significant investments in the low-voltage network include: NN Nožed 4 (0.5km), NN Matavun (0.3km), NN Spodnji Lokovec (1.4km), NN Prehod (1km).

Investments in transformer stations (TP) were aimed at modernising technically obsolescent transformer stations, eliminating poor voltage conditions and providing connections to new customers. Work continued on a major long-term project of integrating control measurements into transformer stations.

Significant investments in transformer stations include: TP Lokev pršutarna, TP CMI Izola, TP Stara Gora Bolnica, TP Nožed 3, TP Nožed 4, TP Vojkova Idrija.

	2020	2019	2018	2017
SN overhead lines	16.83km	28.78km	26.66km	26.23km
SN underground lines	34.96km	29.19km	26.50km	18.14km
Low-voltage network	57.51km	44km	33.65km	30.33km
Transformer stations	64.36 pcs	58.60 pcs	78.30 pcs	25 pcs

Table 11: Physical indicators of constructed and renovated devices

Transformer substations (RTP) VN/SN

The following investments in RTP 110/20kV were carried out in 2020:

- RTP 110/20kV Ajdovščina: Replacement of the 110/20kV power transformer with 20MVA rated power with a transformer with 31.5MVA rated power. Reconstruction of the 20kV switchyard began in 2020.
- RTP 110/20 kV Cerkno: In 2020, we replaced the faulty power transformer.
- RTP 110/20kV Dekani: Work began in 2020 on replacing rectifiers and inverters in the system for our own power supply.
- RTP 110/20kV Gorica: In addition to replacing the fire alarm control, in 2020, we purchased equipment for earthing neutral points of the TR 2 transformer and built new foundations for resonant chokes and earthing resistors.
- RTP 110/20kV Hrpelje: Installation of air conditioning in the areas used for our own supply will provide relevant conditions for a prolonged service life of devices.
- RTP 110/20kV Idrija: In 2020, we purchased new equipment for the protection and control of transformer fields. Integration of the new equipment into the power system is to be carried out in 2021.
- RTP 110/20kV Izola: Due to lengthy building permit procedures, the investment was postponed until 2021.
- RTP 110/20kV Lucija: Replacement of the TR 1 transformer field equipment and lamps used for emergency lighting inside the 20kV switchyard facility.
- RTP 110/20kV Plave: Replacement of lamps used in emergency lighting inside the 20kV switchyard facility and installation of air conditioning in the areas used for our own supply.
- RTP 110/20kV Postojna: Replacement of the faulty power transformer and the fire alarm control panel.
- RTP 110/20kV Sežana: Installation of air conditioning in the areas used for our own supply will provide relevant conditions for a prolonged service life of devices.
- 110/35/20kV RTP Tolmin: As part of the reconstruction of the 110kV switchyard carried out by ELES, we built a new access to the cable network leading from the RTP.

Work began on replacing rectifiers and inverters in the system for our own supply.

Distribution transformer stations RTP SN/SN and RP SN distribution stations

In 2020, we implemented the following investments in RTP SN/SN and RP SN distribution stations:

- RP 20kV Predloka - replacement of secondary equipment and renovation of the RP facility.
- RP 20kV Cerkno - replacement of the system for our own supply.
- RP 20kV Dobrovo - replacement of the system for our own supply.
- RP 20kV Gonjače - replacement of the system for our own supply.
- TP 20kV Krkavče - replacement of batteries.
- RP 20kV Vipava - laying new grounding system around the 20kV switchyard facility.
- RP 20kV Gonjače - replacement of the battery no. 2.
- RP 20kV Kanal - replacement of the battery no. 2.
- RP 20kV Beli Križ - replacement of batteries.
- RP 20kV Gračišče - replacement of batteries.
- RP 20kV Bovec - remediation of damages to the external staircase.

Power facilities

Investments in power facilities were carried out in order to ensure reliable supply of electricity to all our customers. A total of €13,427,957 was invested in the power facilities (facilities up to 20kV and distribution transformer stations), accounting for 104.79% of the plan (2019: €12,156,196).

Business and operational facilities

A canopy was built at the Cerkno control station, two meeting rooms at the Company's head office were renovated, and other minor work was carried out at individual control stations. A total €106,125 was invested in business facilities in 2020 and €70,287 in operational facilities.

TOTAL FACILITIES

A total €13,604,368 was invested in power facilities and buildings, accounting for 105.09% of the plan (2019: €12,617,324). As much as 64.06% of funds was invested in facilities.

Remote control

The following major investments include:

- Continuation of the project of installing protection of covered conductors,
- Installation of fault current locators,
- Replacement of station computers at RP Črni Vrh, RP Cerkno and RTP Koper,
- Installation of new DVPLMs,
- Setting up a reserve DCV location at RTP Koper.

Telecommunications:

The following major investments include:

- Upgrade of the digital VHF system,
- Purchase of 52 GSM devices for regular replacement of obsolete equipment.

Metering devices

The following major investments were made:

- Purchase and installation of 15,872 direct electricity meters,
- Purchase and installation of 737 industrial meters,
- Purchase and installation of 1,637 concentrators,
- Work continued on replacement of electricity quality recorders at RTPs and RPs,
- Replacement of meters at RTP Plave and RTP Sežana.

Tools

We purchased the necessary tools and equipment to carry out electrical installation works, replacing technically obsolete tools.

Means of transport

In 2020, we purchased five new electric cars, five off-road vehicles, two freight vehicles and one platform, to replace the existing ones.

Office supplies

Office equipment was purchased to replace the obsolete devices.

IT

We purchased computers, printers, information technology equipment and updated software. Work began on upgrading the ERP system and improvements were made to the MAXIMO system.

EQUIPMENT

VA total €6,238,906 was invested in equipment, accounting for 106.59% of all planned funds (2019: €5,760,769). Of total invested, 29,38% relates to equipment.

DOCUMENTATION

A total €1,393,204 was invested in the project documentation accounting for 6.56% of total funds planned (2019: €1,128,849).

Facility, equipment		Plan 2020	Actual 2020	Actual 2019	%	%
No.		1	2	3	2:1	2:3
	VN power lines	**0**	**0**	**56**	**0.00%**	**0.00%**
1.1	VN overhead lines	0	0	56	0.00%	0.00%
1.2	VN underground lines	0	0	0	0.00%	0.00%
	SN power lines	**3,929,593**	**4,031,429**	**5,516,884**	**102.59%**	**73.07%**
1.3	SN overhead lines	1,175,394	1,171,643	1,865,476	99.68%	62.81%
1.4	SN underground lines	2,754,199	2,859,787	3,651,408	103.83%	78.32%
	NN power lies	**2,880,121**	**3,006,863**	**2,744,761**	**104.40%**	**109.55%**
1.5	NN overhead lines	1,544,939	1,360,673	1,107,355	88.07%	122.88%
1.6	NN underground lines	1,335,182	1,556,010	1,269,234	116.54%	122.59%
1.7	Other NN	0	90,179	368,172	0.00%	0.00%
	SUBSTATIONS	**3,876,498**	**6,389,665**	**3,894,496**	**106.42%**	**164.07%**
1.8	RTP VN/SN	2,602,018	2,623,563	561,542	100.83%	467.21%
1.9	RTP SN/SN		0	1,586	0.00%	0.00%
1.10	RP SN	63,190	173,128	218,978	273.98%	79.06%
1.11	TP	1,892,509	2,141,154	1,800,363	113.14%	118.93%
1.12	TRANSFORMERS	1,446,370	1,451,819	1,312,027	100.38%	0.00%
	TOTAL FACILITIES UP TO 20kV	**10,211,783**	**10,804,394**	**10,592,681**	**105.80%**	**93.20%**
	TOTAL POWER FACILITIES	**12,813,801**	**13,427,957**	**12,156,196**	**104.79%**	**110.46%**
1.13	Protective devices	231,000	184,081	118,448	79.69%	155.41%
1.14	Remote control	273,505	323,344	293,312	118.22%	110.24%
1.15	Telecommunications	180,000	199,636	289,381	110.91%	68.99%
1.16	Metering devices	2,758,957	3,205,222	2,324,386	116.18%	137.90%
1.17	IT	250,000	368,974	132,056	147.59%	279.41%
1.18	Ancillary devices	6,600	8,905	46,717	0.00%	19.06%
	TOTAL SECONDARY EQUIPMENT	**3,700,062**	**4,290,162**	**3,204,300**	**115.95%**	**133.89%**
1.19	Production	0	0	0	0.00%	0.00%
	TOTAL POWER DISTRIBUTION EQUIPMENT	16,513,863	17,718,119	15,364,677	107.29%	115.32%
2.1	Business Facilities	66,682	106,125	34,107	159.15%	311.16%
2.2	Operational facilities	65,297	70,287	422,841	107.64%	16.62%
	TOTAL NON-POWER FACILITIES	**131,979**	**176,412**	**456,948**	**133.67%**	**38.61%**
2.3	Mechanisation	16,000	27,610	47,670	0.00%	0.00%
2.4	Tools	215,487	194,902	213,866	90.45%	91.13%
2.5	Means of transport	517,000	559,716	763,130	108.26%	73.34%
2.6	Office supplies	14,806	9,575	30,438	64.67%	31.46%
2.7	IT	1,370,000	1,139,958	1,483,083	83.21%	76.86%
2.8	Holiday facilities	20,000	16,983	18,280	84.91%	0.00%
	TOTAL NON-POWER DISTRIBUTION EQUIPMENT	**2,285,271**	**1,948,744**	**2,556,469**	**85.27%**	**76.23%**
3.1	Project documentation	1,200,866	1,393,204	1,128,849	116.02%	123.42%
	TOTAL DOCUMENTATION	**1,200,866**	**1,393,204**	**1,128,849**	**116.02%**	**123.42%**
	TOTAL FACILITIES	**12,945,779**	**13,604,368**	**12,617,324**	**105.09%**	**107.82%**
	TOTAL EQUIPMENT	**5,853,354**	**6,238,906**	**5,760,769**	**106.59%**	**108.30%**
	TOTAL	**20,000,000**	**21,236,478**	**19,506,942**	**106.18%**	**108.87%**

Table 12: Overview of the actual investments made in 2020

9.2.1 Achievement of the set goals and comparison with 2019

In 2020, Elektro Primorska implemented its investments in accordance with the adopted plan, and invested a total €20,000,000. The investment realisation exceeded the plan by 6.18%. Compared to 2019, the realisation of the planned investments increased by 8.87%.

The development plan for the period 2019-2028 envisaged investments of total €16,801,314. In 2020, Elektro Primorska invested €21,236,478 of funds, while SODO, as the co-investor, invested €306,905 in the network in the Elektro Primorska region, making total investments of €21,543,383, which is 28% more than envisaged in the development plan.

9.3 Acquired and transmitted electricity in 2020

In 2020, a total 1,525,631.7MWh of electricity was acquired from the transmission network and 148,100.6MWh from the electricity producers. In total, 1,673,732.3MWh of electricity was acquired into the distribution network. Comparison of acquired quantities of electricity between 2020 and 2019 shows a 5.25% increase in the electricity acquisition from the transmission system, and a 4.15 rise in electricity acquired from qualified producers. Index of total acquired volume in the distribution network of 0.9551 is down 4.49% compared to the previous year. A total 1,593,077.7MWh of electricity was invoiced to customers in 2020. Index of invoiced electricity compared to quantities invoiced in 2019 amounts to 0.9518, a reduction of 4.82%.

We recorded a significant drop in consumption in 2020, and consequently also in the quantities of electricity acquired. The decline in consumption can be attributed mostly to a general decline in economic activity and the closure of certain industries during the first wave of the epidemic. In April and May, consumption by final customers fell by 20% compared to the previous year. The second wave of the epidemic affected the Company neither in economic terms nor in terms of electricity consumption, and in the period from October to December electricty consumtion dropped by just less than one percentage point compared to the previous year.

Month	Output in 2020 [kWh]	Output in [kWh]	Plan 2020 [kWh]	Supplement 2020 [kWh]	Index of output (2020/2019)
January	148,618,362	151,325,804	147,983,296	147,983,296	0.9821
February	134,436,952	127,695,564	134,014,825	134,014,825	1.0528
March	140,660,632	143,664,319	150,719,037	150,719,037	0.9791
April	106,713,158	134,238,295	136,269,862	111,745,219	0.7950
May	114,405,228	137,912,419	142,367,267	125,220,446	0.8295
June	123,966,176	139,897,018	145,220,437	139,447,525	0.8861
July	140,701,556	149,438,901	150,244,335	144,220,754	0.9415
August	132,288,842	136,560,446	138,928,641	133,486,292	0.9687
September	136,051,440	134,900,959	137,514,044	120,679,122	1.0085
October	135,925,208	136,842,154	136,462,555	131,239,390	0.9933
November	137,596,286	138,964,264	140,732,880	135,413,296	0.9902
December	141,713,814	142,339,021	146,029,816	140,706,719	0.9956
Total	**1,593,077,654**	**1,673,779,164**	**1,706,486,995**	**1,614,875,921**	**0.9518**

Table 13: Monthly quantities of electricity supplied to customers

In 2020, almost no electricity was transmitted to Italy. In the Gorica area, the electricty transmission took place only eight days in October as a result of oversupply during maintenance work on the network. In the Opčine area, there was no electricity supply to Italy in 2020. Total electrricity transmision to Italy amounted to 1,653MWh, accounting for only 2% of the tansmission recorded in 2019.

Transmission of electricity to Italy is not recorded as a transmission from the distribution system managed by Elektro Primorska, but as the consumption from the transmission system.

9.4 Use of the distribution network - access to the distribution network

In 2020, the organisation of the electricity distribution remained unchanged and distribution system operator - SODO, d.o.o., based in Maribor, remained the holder of the licence for providing access to the distribution network under the provisions of the Energy Act, while the electricity distribution companies remained providers based on the contracts for lease of distribution infrastructure and provision of services for SODO.

As part of performing operational tasks of providing access to the distribution networks, all revenues from network usage are considered revenues of SODO.

As the owner of the distribution infrastructure and services provider, Elektro Primorska issues monthly invoices for lease of infrastructure and services rendered to SODO. Revenues and, consequently, costs related to the purchase of electricity to cover losses in the distribution network are recognised by SODO.

9.4.1 Revenues from the system use

Network charge tariffs changed as of 1 January 2020 in accordance with provisions of the Legal Act on the methodology determining the regulatory framework and network charges for the electricity distribution system.

The prices of the network services changed significantly in 2020, as they fell on average by 3.9%. The tariff for charging network charge for the transmission system increased on average by 0.65%, and the network tariffs for excess acceptance of reactive energy increased by 2.4%. On the other hand, the distribution system tariffs fell by as much as 5.13%, resulting in a reduction in the revenues of the electricity distribution system operator.

Contribution for the provision of support in the production of electricity from high efficiency co-generation and renewable energy resources has not changed and remains the same as it was in August 2015. Furthermore, contribution for energy efficiency, which is intended to provide energy savings to end customers did not increase in 2020.

In March 2020, there was an unannounced reduction in network charges as pat of the government measures to reduce electricity costs, making it easier for public to overcome the Covid-19 crisis during a general 'lockdown'. All household and small business customers were eligible to the exemption of price items calculated based on the customer's billing power. The measure was in force until June, when all price items returned to the January 2020 level. Due to a reduction in network charges and lower electricity consumption, a supplementary plan was prepared in June 2020, which provided for a reduction in electricity consumption by 5.37% and a 9.42% reduction in total revenues from network charges and contributions compared to the original plan. Given the recognised reduced return on assets, reduction in revenues from network charges is expected to be also reflected in the revenues achieved by Elektro Primorska in the final settlement of services.

A total 15,347,706kW of power and 1,593,077,654kWh of electricity was invoiced to electricity consumers in the area of Elektro Primorska in 2020. Total revenues from network charges and contributions in the area of Elektro Primorska amounted to €63,814,668. Total revenue index compared to the value recorded in 2019 of 0.9778 is down 11.58% (source: internal EP reports).

The number of customers connected to the Elektro Primorska distribution network rose by 617 to 135,900 as at 31 December 2020.

MONITORING OF THE ANNUAL PLAN FOR THE PERIOD: DECEMBER 2020									Original plan, approved in August 2019										
EP and SODO plan (Basis: 1,706,487MWh of invoiced quantities))																			
Month	QUANTITIES OF ELECTRICITY DISTRIBUTED			CUO REVENUES incl. contributions and excessive reactive energy					CUO REVENUES for the distribution network				EP Revenue					EP / Distribution3	
	Quantities Planned	Quantities Achieved	Real ------- Plan	CUO Plan	CUO Actual	Real ------- Plan	Average planned price	Average achieved price	CUO Plan	CUO Actual	Real ------- Plan	Average achieved price	EP Plan	EP revenue	Real ------- Plan	Average planned price	Average achieved price	Reven. EP ---------- CUO Distrib.	Total
	[MWh]	[MWh]	»MWh MWh«	[EUR]	[EUR]	»EUR EUR«	»EUR MWh«	»EUR MWh«	[EUR]	[EUR]	»EUR EUR«	»EUR MWh«	[EUR]	[EUR]	»EUR EUR«	»EUR MWh«	»EUR MWh«	»EUR EUR«	»EUR EUR«
Jan-20	147,983	148,618	1.0043	6,320,119	6,294,114	0.9959	42.708	42.351	3,373,934	3,346,175	0.9918	22.515	2,921,131	2,921,131	1.0000	19.740	19.655	1.0146	1.0146
Feb-20	134,015	134,437	1.0031	5,966,618	5,931,161	0.9941	44.522	44.119	3,101,463	3,064,950	0.9882	22.798	2,921,130	2,921,130	1.0000	21.797	21.729	1.1055	1.0581
Mar-20	150,719	140,661	0.9333	6,125,796	4,302,914	0.7024	40.644	30.591	3,197,256	2,682,849	0.8391	19.073	2,921,131	2,921,131	1.0000	19.381	20.767	1.3037	1.1290
Apr-20	136,270	106,713	0.7831	5,743,968	3,523,422	0.6134	42.151	33.018	2,898,105	2,182,081	0.7529	20.448	2,921,131	2,921,131	1.0000	21.436	27.374	1.5819	1.2160
May-20	142,367	114,405	0.8036	5,844,648	3,580,621	0.6126	41.053	31.298	2,964,335	2,201,084	0.7425	19.239	2,921,131	2,921,131	1.0000	20.518	25.533	1.5863	1.2756
Jun-20	145,220	123,966	0.8536	5,918,306	5,414,993	0.9150	40.754	43.681	2,960,112	2,669,175	0.9017	21.531	2,921,131	2,921,131	1.0000	20.115	23.564	1.2815	1.2766
Jul-20	150,244	140,702	0.9365	6,016,595	5,792,182	0.9627	40.045	41.166	3,023,802	2,884,716	0.9540	20.502	2,921,131	2,921,131	1.0000	19.443	20.761	1.1960	1.2644
Aug-20	138,929	132,289	0.9522	5,899,462	5,741,395	0.9732	42.464	43.400	2,985,184	2,874,103	0.9628	21.726	2,921,131	2,921,131	1.0000	21.026	22.081	1.1883	1.2544
Sep-20	137,514	136,051	0.9894	5,775,145	5,699,500	0.9869	41.997	41.892	2,901,082	2,825,166	0.9738	20.765	2,921,131	2,921,131	1.0000	21.242	21.471	1.2184	1.2503
Oct-20	136,463	135,925	0.9961	5,758,036	5,717,244	0.9929	42.195	42.062	2,914,886	2,889,185	0.9912	21.256	2,921,131	2,921,131	1.0000	21.406	21.491	1.1865	1.2436
Nov-20	140,733	137,596	0.9777	5,958,237	5,757,821	0.9664	42.337	41.846	3,064,142	2,957,258	0.9651	21.492	2,921,130	2,921,130	1.0000	20.757	21.230	1.1570	1.2352
Dec-20	146,030	141,714	0.9704	6,212,849	6,059,301	0.9753	42.545	42.757	3,268,269	3,212,254	0.9829	22.667	2,921,131	2,921,131	1.0000	20.004	20.613	1.0558	1.2179
TOTAL	1,706,487	1,593,078		71,539,778	63,814,668		41.922	40.057	36,652,572	33,788,994		21.210	35,053,570	35,053,570		20.541	22.004	1.2179	
Achieved over the period: JAN – DEC 2020																			
Sum	1,706,487	1,593,078	0.9335	71,539,778	63,814,668	0.8920			36,652,572	33,788,994	0.9219		35,053,570	35,053,570	1.0000			1.2179	
Achieved in the month of December 2019:																			
Dec 19		142,339			6,288,526					3,383,720				2,929,980				0.9788	

CUO over the period: JANUARY 2020 - DECEMBER 2020		CUO for the month: DECEMBER 2020		Comparsion: DECEMBER 2020/DECEMBER 2019	
Quantities of electricity distributed	- 6.65%	Quantities of electricity distributed	- 2.96%	Quantities of electricity distributed	- 0.44%
CUO incl. allowances	- 10.80%	CUO incl. allowances	- 2.47%	CUO incl. allowances	- 3.65%
Revenue for Distrib. network	- 7.81%	Revenue for Distrib. network	- 1.7%	Revenue for Distrib. network	- 5.07%
EP revenue	0.00%	EP revenue	0.00%	EP revenue	- 0.30%
Revenue ratio: EP/Distrib. network3	+ 21.79%	Revenue ratio: EP/Distrib. network3	+5.58 %		

	Quantities	CUO incl. contributions and excessive reactive energy	CUO for the distribution network	EP revenue	EP / Distribution3
Achieved over the period: JAN – DEC 2019					
Sum	1,673,779	72,168,773	37,735,329	35,159,750	1.0607
Quantity comparison: 2020/2019 cumulative:	-4.82%	-11.58%	-10.46%	- 0.30%	
Achieved over the period: JAN 2020 - DEC 2020					
Sum	1,593,078	63,814,668	33,788,994	35,053,570	
Comparison of quantities over the period JANUARY 2020 - DECEMBER 2020 and JANUARY – DECEMBER 2019	- 4.82%	- 11.58%	- 10.46%	- 0.30%	

Table 14: Monitoring the CUO revenue realisation plan

NB:
1. Quantities and revenues according to the plan drawn up at the end of AUGUST 2019 at the request and for the purposes of SODO agree with the official EP plan.
2. Rental income and revenue from services are now fixed and independent of the achieved quantities. The revenue achieved by EP according to the plan is always 100%. Revenues from distributed electricity do not include revenues from excessive reactive energy.
3. In the calculation of the EP/distrib. network revenue ratio, network costs are deducted from revenues for the distribution network to cover losses. (EP/Distrib. = EP_ revenue/(CUO_dist - quantities *percent* purchase_price))

2020	INVOICED QUANTITIES		USE OF NETWORK [€]		CONTRIBUTIONS [€]				TOTAL
	[kW]	[kWh]	Transmis-sion network charge	Distribution network charge	Excessive reactive power	Contribution OVE + SPTE	Contribut-ion URE	Contribut-ion BORZEN	USE OF NETWORK AND CONTRIBUT-ION [€]
January	1,286,235	148,618,362	1,116,231	3,346,175	32,726	19,320	1,660,767	118,895	6,294,114
February	1,282,644	134,436,952	1,061,040	3,064,950	31,709	17,477	1,648,435	107,550	5,931,161
March	1,279,349	140,660,632	672,087	2,682,849	31,365	18,286	785,799	112,529	4,302,914
April	1,247,129	106,713,158	545,413	2,182,081	37,564	13,873	659,121	85,371	3,523,422
May	1,257,462	114,405,228	559,436	2,201,084	32,791	14,873	680,914	91,524	3,580,621
June	1,277,864	123,966,176	992,997	2,669,175	31,315	16,116	1,606,218	99,173	5,414,993
July	1,296,740	140,701,556	1,057,073	2,884,716	36,146	18,291	1,683,394	112,561	5,792,182
August	1,286,773	132,288,842	1,039,466	2,874,103	36,820	17,198	1,667,978	105,831	5,741,395
September	1,294,797	136,051,440	1,040,191	2,825,166	37,892	17,687	1,669,723	108,841	5,699,500
October	1,281,601	135,925,208	1,037,695	2,889,185	36,761	17,670	1,627,193	108,740	5,717,244
November	1,277,504	137,596,286	1,048,899	2,957,258	32,687	17,888	1,591,013	110,077	5,757,821
December	1,279,608	141,713,814	1,086,238	3,212,254	29,840	18,423	1,599,176	113,371	6,059,301
TOTAL	**15,347,706**	**1,593,077,654**	**11,256,765**	**33,788,994**	**407,616,48**	**207,100**	**16,879,730**	**1,274,462**	**63,814,668**

Table 15: Total invoiced network charge and contributions of all the customers of Elektro Primorska in 2020

NB:

- Amounts in € exclusive of VAT.
- Use of the network and contributions are charged to customers at current tariff rates in accordance with the Legal Act on the methodology determining regulatory framework and network charge for the electricity distribution system. Charges for the use of the network are intended to cover the eligible costs of power operators and to provide reserve electricity. Financial support is intended to provide electricity production from renewable energy sources and energy savings for final customers. Revenues of Elektro Primorska are not shown in the above Table.

9.4.2 Excess of acquired or distributed reactive power

In 2016, a new method of network charge for the excess received and distributed reactive power was introduced, which is intended to cover the costs of the electricity distribution system operator for the provision of network voltage conditions, while also encouraging users to reduce consumption of reactive power.

Excess of acquired reactive power is the difference between the actual measured reactive power and allowed acquired or delivered reactive energy in the 15-minute measuring interval corresponding to the factor tg φind = +0.32868 or tg φkap = -0.32868. A monthly settlement is based on the sum of all 15-minute absolute values of excess of acquired and delivered reactive power in the month. Introduction of the new billing method changed the tariff for network charges relating to excess of acquired reactive energy. In 2020, €0.00340/kWh was charged for the VN feed and €0.00871/kWh for the SN and NN feed.

In accordance with the lease agreement for the distribution infrastructure and implementation of services for the system operator of the electricity distribution network, Elektro Primorska issues invoices for excess of accepted reactive power in its own name and for the account of SODO.

In 2020, 49,509,660kvarh of excessive reactive energy from electricity networks of all customers in the area of Elektro Primorska was invoiced amounting in total to €407,616.48. Index of excess of acquired reactive power compared to quantities recorded in 2019 amounts to 0.9483.

Under the newly adopted regulatory framework 2019-2021, Eles again charges distribution companies for excess of acquired reactive power from the transmission system. The methodology used for calculating the excess of accepted reactive power charged by the system operator to the distribution operator in 2020 is the same as the one used to compute charges to the end customers. Elektro Primorska transferred 4,048,958kVAhr of excess reactive power to the transmission network in 2020, in total value of €13,766.46. The relevant costs are currently borne by SODO as part of the unregulated costs.

9.4.3 Electricity losses in the distribution network

As a diligent manager and the supplier of services under the contract with SODO, Elektro Primorska is committed to reducing technical and commercial losses. To this end, a stimulation/penalisation model has been introduced that encourages individual distribution to reduce losses. If the distribution has lower losses than the recognised percentage, credit note is issued for the difference between the recognised revenue and the cost. Otherwise, the individual distribution company covers the difference between actual costs and recognised revenue.

Losses in the electricity distribution system in 2020 amounted to 80,654,685kWh, which accounts for 5.06% of total invoiced electricity to all customers. In 2020, losses were higher than in the previous two years, when they accounted for 4.69% and 4.77% of total electricty invoiced, respectively. However, they are lower than losses recorded in 2017, when they amounted to 5.19%, and also lower than those recorded in any of the previous years.

It is not surprising that the losses are higher compared to the previous year, as this due to changes in consumption of electricity by consumer groups due to the impact of the COVID-19 epidemic. There was a significant reduction in electricty consumption in high and medium-voltage networks, where the network resistance is very low. On the other hand, electricty consumption by households, where the electricity supply is furthest from the source and consequently the network resistance is higher, the energy consumption increased significantly, resulting in an increased share of technical losses.

Due to the above-average high consumption by household customers in the last quarter of 2020, customers with an annual method of calculating the network charge received bills with lower monthly flat rates of electricity consumption than was their actual consumption. While the share of so-called commercial losses has consequently increased, this mismatch will be eliminated over the next few months based on annual settlements.

The Company is investing much of its effort and resources on reducing losses and results are already evident in the annual incentives for the settlement of losses.

Recognised expenses to cover losses amount to €5,007,723, while the cost of losses amounts to €4,669,100. In accordance with the preliminary settlement for 2020, SODO is expected to issue a credit note to Elektro Primorska in the amount of €336,624.

9.4.4 Peak of distribution network consumption and operating hours

In 2020, the peak consumption of Elektro Primorska distribution system occurred on Thursday, 16 January 2020 at 8 am and amounted to 291.442 MW. Compared to 2019 (303.128MW) it fell by 11.686MW or 3.86%. Annual operating hours reached 5,742.935 hours.

Monthly peaks in the distribution system of Elektra Primorska in 2020 and the related annual operating hours are presented in Table 13. Chart 7 shows monthly consumption peaks, while Chart 8 is a presentation of monthly quantities of acquired electricity in 2020.

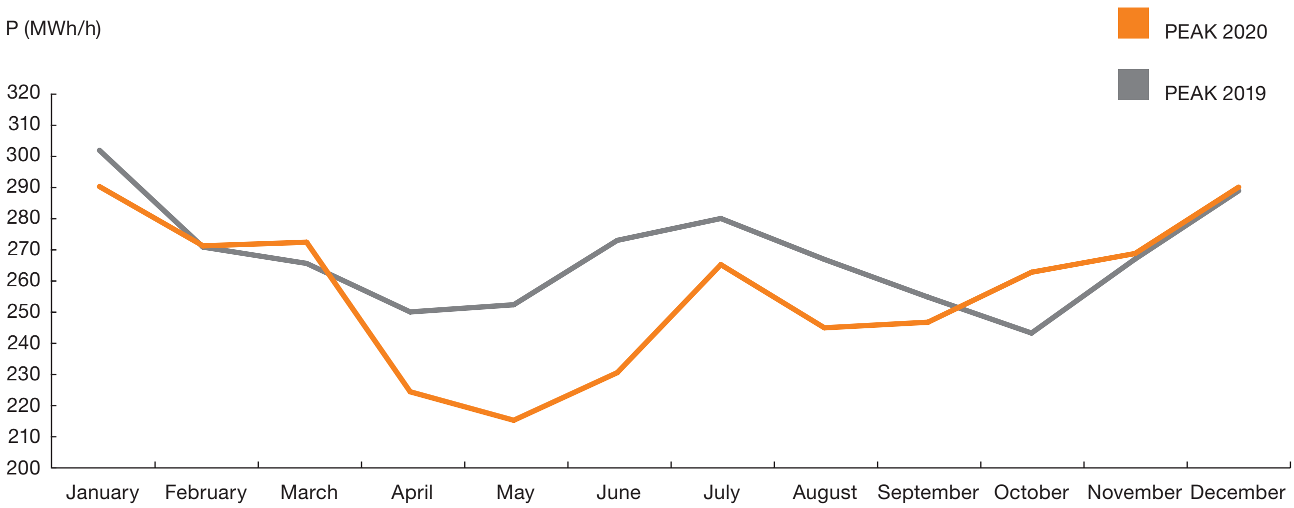


Chart 7: Monthly electricity consumption peaks in 2020

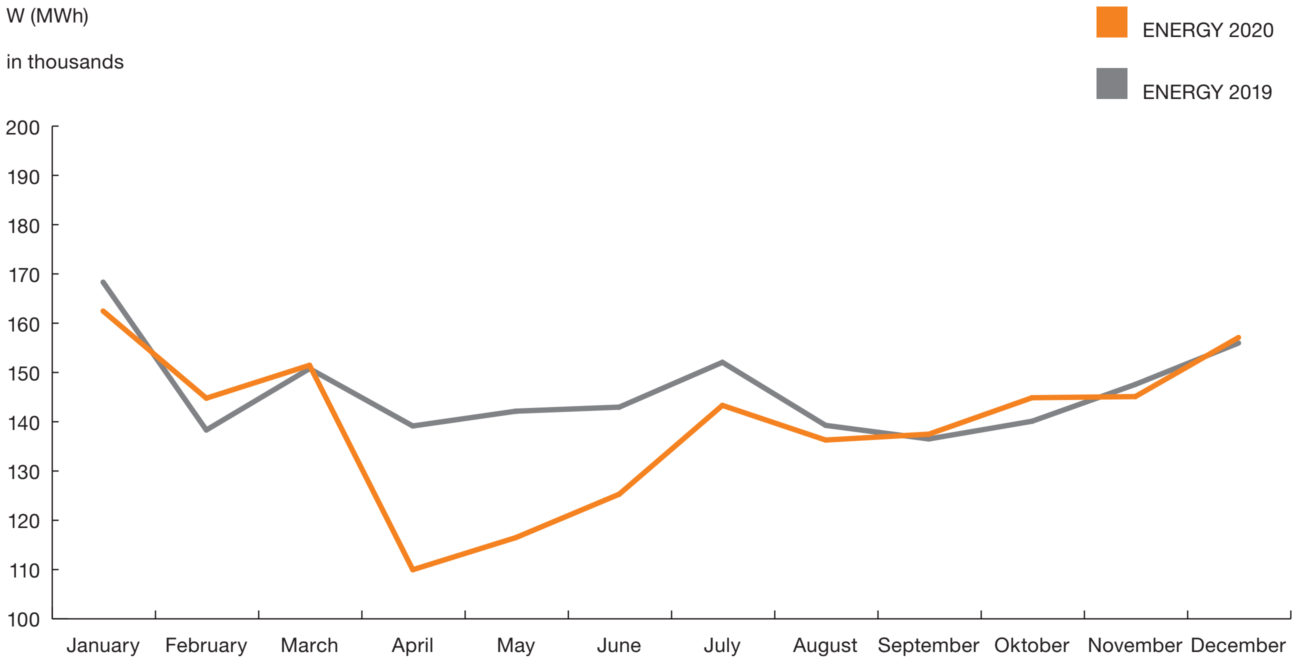


Chart 8: Monthly amount of electricity acquired in 2020

Month		Monthly peaks		Total acquired EE *	Operating hours - annual**	Monthly peaks 2019	Peak ratio 2020/2019	Total Acquired EE 2019
	[MWh / h]	Date	Hour	[MWh]	[h]	[MWh / h]		
January	**291,442**	16.01.20	8 am	162,516.5	6,584	303,128	0.961	168,404.7
February	272,311	07.02.20	8 am	144,731.5	6,708	271,879	1.002	138,204.6
March	273,481	06.03.20	10 am	151,453.0	6,989	266,604	1.026	150,740.4
April	225,181	01.04.20	11 am	109,733.0	5,945	250,926	0.897	139,032.3
May	215,979	12.05.20	12 noon	116,300.3	6,358	253,248	0.853	142,054.9
June	231,360	29.06.20	1 pm	125,144.6	6,599	274,053	0.844	142,878.1
July	266,236	31.07.20	1 pm	143,265.7	6,353	281,119	0.947	152,031.3
August	245,837	21.08.20	12 noon	136,195.9	6,541	267,904	0.918	139,154.1
September	247,642	15.09.20	12 noon	137,393.5	6,769	255,717	0.968	136,381.9
October	263,781	15.10.20	1 pm	144,825.1	6,482	244,098	1.081	139,998.8
November	269,830	30.11.20	7 pm	145,058.7	6,559	268,013	1.007	147,516.6
December	291,268	02.12.20	11 am	157,114.7	6,369	290,062	1.004	155,965.2
Peak:	**291,442**		**Total:**	**1,673,732.3**	**5,742.9**			**1,752,362.9**

Table 16: Peak and annual operating hours of Elektro Primorska in 2020

In 2020, the peak, i.e., the maximum average hourly electricity intake amounted to 291,442 MWh/h and occurred in mid-January, during the cold spel. While it is lower than in the previous years, it is still relatively high. In recent years we have noted an increase in the summer peak, which is associated with the increase in general use of air conditioning. This year's peaks were not record-breaking, which is mainly due to the epidemic and consequent reduction in industrial consumption. Due to increasing use of electricity for heating and cooling, further increase in peaks is expected in the coming years.

9.4.5 Electricity generated by producers connected to the distribution network

As at 31 December 2020, a total 473 traditional electricity producers were connected to the distribution network of Elektro Primorska and 758 self-sufficient energy producers from renewable energy resources. The number of traditional producers has been falling over the years due to insufficient support provided for electricity production from OVE and SPTE.

In December 2015, the Government adopted a Decree on self-supply of electricity from the renewable energy sources (as amended in 2019), which lays down a new method of invoicing network and energy charges for household and small business customers, who are also owners of production facilities. Under the Decree, based on net metering, these customers are able to ensure self-supply of electricity and deliver any surplus of generated electricity to the network or feed it from the network when the relevant device fails to produce energy or fails to produce sufficient amount of energy.

Compared to 2016, when 12 self-sufficient suppliers were connected to the network, the number of connections has been steadily rising due to the user-friendly method of energy consumption calculation. Thus, 78 self-sufficient suppliers were connected to the grid in 2017, 122 in 2018, 212 in 2019 and 334 in 2020. We expect a similar number of new connections to the grid to be made in the coming years. Depending on the long-term policy in this field, we may have to strengthen our personnel resources to carry out procedures related to the issue of all necessary documentation and the performance of connection inspections. While at present self-sufficiency does not account for a major energy share in the total energy produced, judging from the current trend, it may do so in the future.

Registered electricity production of all producers amounted to 165,566,808kWh in 2020, up 3.75% on the amount recorded in 2019. Thus, 148,100.598kWh or 4.15% more power was supplied to Elektro Primorska distribution network in 2020 than in 2019. Annual production of power plants varies the most (up to 40% annually) as it depends on favourable river flow. In 2020, the production was relatively similar to that of the previous year, as the total production of hydroelectric power rose by mere 2.0% compared to 2019. A rather significant 95.4% increase was recorded in electricity production of self-sufficient suppliers in 2020, although currently the share of self-sufficiency production is still relatively low, accounting for mere 3.59% of total electricity produced by power plants. However, the amount is no longer negligible.

The difference in the quantities of electricity produced and supplied to the distribution network constitutes own consumption of the self-sufficient users, own supply of the OVE and SPTE production facilities, and transmission of electricity produced into the internal network. In 2020, it amounted to 17,466,210kWh.

Energy source	Number of power plants**	Output in 2020 [kWh]	Output in 2019 [kWh]	2020/2019
HE SENG	23	72,531,682	72,920,424	0.995
HE Other	66	33,039,657	30,586,043	1.080
Solar power stations	352	38,182,572	36,245,684	1.053
Wind power stations	3	6,218,860	6,141,188	1.013
SPTE	29	9,647,635	10,650,858	0.906
Self-supply*	758	5,946,402	3,043,900	1.954
Total	**1,231**	**165,566,808**	**159,588,097**	**1.0375**

Table 17: Electricity production by source of primary energy

NB:
* Self-supply of electricity from renewable energy sources is the fastest growing market of electricity production resources.
** Number of all power stations in the area of EP that are connected to the distribution network or internal network of customers

9.4.6 Quality of electricity supply

9.4.6.1 Voltage quality

Permanent monitoring of voltage quality in Elektro Primorska is provided by 65 recording devices in 30 network facilities. Data on the quality of the voltage is obtained from 14 high-voltage bus bars, from one medium-voltage bus bar bordering the neighbouring network, and from 50 medium-voltage bus bars representing the main power points in the EP distribution network.

The results of on-going measurements in the area of Elektro Primorska in 2020 show a deterioration in voltage quality compared to the standard requirements of HV level from 98.95% in 2019 to 97.25% in 2020 and from 97.94% at the MV level in 2019 to 96.09% in 2020.

The vast majority of voltage quality deviations in 2020 occurred during the outage of the North Primorska 100kV loop and during summer storms due to lightning strikes and periods of strong northern wind.

Full compliance with the standard voltage quality requirements was recorded in 2020 at 34 of total 65 measuring points in all measured weeks, while at the remaining 31 measuring points, at least one week of non-compliance with voltage quality standard SIST EN 50160 was recorded. Deviation of the effective value of the voltage level was detected at 14 measuring sites, while an increase in flicker was detected at 31 measuring points, and frequency deviation at two monitoring points.

9.4.6.2 Continuity of supply

We recorded 811 unplanned interruptions of power in the Elektro Primorska area that lasted longer than three minutes on high- and medium- voltage electric power plants in 2020. 21 of those were failures of the 110/SN kV and SN/SN kV power transformers.

Data presented in tables 18, 19 and 21 was obtained from the application of the Energy Agency (AE).

For the purposes of the ordinary and extraordinary maintenance of installations, 1,238 disconnections were carried out in 2020, which led to the planned blackouts. DCV Elektro Primorska issued 174 messages, 92 for work on power transformers of 110/MV kV and MV/MV kV.

Total number of unplanned and planned interruptions lasting more than three minutes reached 2,049, which is more than in the previous year.

Number of interruptions lasting more than 3 minutes	In 2020	In 2019	Index 20/19
Number of unplanned interruptions	811	689	1.177
Number of planned interruptions – disconnections	1,238	1,262	0.981
Total number of planned and unplanned interruptions	2,049	1,951	1.050

Table 18: Number of interruptions lasting more than 3 minutes

SAIFI (system average interruption frequency index)	In 2020	In 2019	Index 20/19
Average number of unplanned interruptions per customer	1.76	2.13	0.82
Average number of planned interruptions – disconnections per customer	0.84	0.86	0.97
Average number of planned and unplanned interruptions per customer	2.60	2.99	0.87

Table 19: SAIFI (system average interruption frequency index)

SAIDI (system average interruption duration index)	In 2020	In 2019	Index 20/19
Average interruption duration in hours due to unplanned interruptions	1.27	0.89	1.42
Average interruption duration in hours due to planned interruptions - disconnections	1.93	2.00	0.96
Average interruption duration in hours due to planned and unplanned interruptions	3.2	2.89	1.11

Table 20: SAIDI (system average interruption duration index)

9.4.6.3 Commercial quality

In accordance with Annex 2 of the Legal Act on the rules for monitoring the quality of electricity supply, the Company regularly monitors commercial quality indicators and reports to the Energy Agency and SODO. Commercial quality indicators for 2020 are within the expected limit values.

10. Services for External Customers

Elektro Primorska acquires contracts for the market i.e. for external customers by bidding at public tenders and also by direct negotiations with potential investors.

In 2020, services were performed mostly on the facilities and installations of medium- and low- voltage networks and public lighting. Market business covers the entire scope of work for which Elektro Primorska is specialised, namely the design and preparation of project documentation, construction or reconstruction of cable conduits, transformer stations, production of connectors for new facilities, renovation of public lighting with the reconstruction of switching points and other minor services.

In 2020, we were more successful in our bidding than in 2019, as the realisation of services increased by 15.45% compared to the previous year, up 1.21% on the plan.

	Plan(€)	Actual(€)	Actual(€)	%	%
	2020 January - December	2020 January - December	2019 Januar - December	2:1	2:3
Type of work	1	2	3	4	5
Market services	1,600,000	1,509,863	1,336,195	94.38	113.02
Other services	828,000	947,154	792,239	114.39	119.55
TOTAL	**2,428,000**	**2,457,017**	**2,128,434**	**101.21**	**115.45**

Table 21: Realisation of services for external customers in 2020

The following major services were carried out in 2020 for the market :

- Laying the cable line and setting up a new transformer station TP IntraLighting Šempeter
- Renovation of the transformer station TP Bia Separations Ajdovščina
- Laying the NN cable line for power supply of the residential complex Majske poljane - Nova Gorica
- Construction of a new transformer station TP Igrišče Selo
- Implementation of NN connections for Medicor, Sintal, Korte primary school
- Relocation of the NN network at Arze and Muzejski trg in Koper
- Laying a cable line and construction of a new transformer station TP Hotel Maestoso
- Laying a cable line and construction of a new transformer station TP Proeko Kozina
- Construction of a new transformer station TP Pet Pak Postojna
- Construction of a new transformer station TP ETA Cerkno - Diastat
- Relocation of SN cable lines to RTP Tolmin - ELES
- Replacement of public lighting switches in the municipality of Tolmin
- Replacement of JR lamps in the municipality of Bovec

These services also include provision of holiday facilities.

11. Information Support and Development

IT services cover the IT system, Intranet and Internet portal, server infrastructure inclusive of all the services, databases, network computing infrastructure for the needs of facility management and business computing, and installation of new workstations and user support.

In addition to activities related to ensuring the operation of equipment and provision of services, we also draw up documentation required by legislation in the field of critical infrastructure, business continuity and essential services.

The company Informatika d.d., our contractor, is responsible for the operation of the accounting information system and the development of new modules for processes relating to the connection, calculation of network charges and accounts payable and receivable.

The following major activities were carried out in 2020:

- The AX business information system is currently in use and we take part in the implementation of upgrades and offer user support
- The MAXIMO information system used in maintenance is currently in use and we take part in the implementation of upgrades and offer user support
- The new GIS information system is curently in use and is supported by the IT
- The CDWH data warehouse is used by key staff for reporting purposes and is continually being upgraded
- We upgraded computer network and integrated new faciliteis, mainly for the purpose of electrical power facility management
- We have integrated the SIEM traffic monitoring system in the computer network, which will be integrated within the common security operational center of distribution companies in the next financial year
- We provided regular maintenance of all wire, radio and optical communications infrastructure including FM network and participated in the upgrading of optical links;
- We purchased new workstations to replace the obsolete ones and ensured regular maintenance of the existing ones
- We provided all infrastructure services and support to subsidiary E 3, d.o.o.
- We manage documentation related to critical infrastructure
- We manage the business continuity process
- We draw up documentation required by the legislation on essential services and report to the relevant agencies and ministries.

12. Integrated Management System (ISV)

Elektro Primorska has an established and certified integrated management system based on the following standards:

- Quality Management System - ISO 9001:2015,
- Environmental Management System - ISO 14001:2015,
- Occupational Health and Safety Management System – BS OHSAS 18001:2007.

Integrated Quality Management System is mastered through the structure of formalised documents: a) the rules of quality management, b) identification of processes, c) process management, d) instructions, e) forms. Quality of the process implementation is monitored based on quality indicators. Effectiveness of the integrated management system is regularly checked through management reviews, and by internal and external audits.

Requests for improvements in the integrated management system are managed by a special software that allows all employees to communicate their ideas, comments and suggestions for improved management and organisation, as well as other activities. This system also includes management and implementation of measures arising from the internal audit recommendations and self-assessment according to the EFQM model and strategic projects.

The integrated management system was checked in 2020 as part of the planned internal audits and annual reviews such as: environmental review, vocational health and safety review and management review. Internal audits of quality management system, environment management system and the system of vocational health and safety were conducted on 23rd and 24th April 2020.

On 22nd and 23rd June 2020, SIQ (external certification company) carried out a regular assessment of the requirements of the ISO 9001:2015 standard; the re-certification of the requirements of the ISO 14001:2015 standard; the re-certification assessment of the requirements of the BS OHSAS 18001:2007 standard; and transitional assessment of the requirements of the ISO 45001:2018 standard. The reviews confirmed that the Company implements, maintains and develops its management system in accordance with the requirements of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards.

In 2020, we successfully upgraded the vocational health and safety system in line with the requirements of the new ISO 45001:2018 standard.

13. Care for the Environment

13.1 Environmental policy

Environmental policy is an important component of the Company's business policy and is integrated into all our business processes. Our business and our facilities intervene into the space and its intended use and therefore, based on the established environmental management system we manage significant environmental aspects associated with the activity of electricity transmission, maintenance and construction of facilities, the operation of electricity metal workshops and vehicle fleet. By adopting environmental programs in accordance with the Company's financial capabilities, we realise the framework and implementing environmental objectives.

13.2 The realisation of environmental programs in 2020

In accordance with established environmental objectives, the following activities of environmental programs were performed in 2020:

- We obtained a building permit for the central plants in Sežana. Construction of new central plants means that the last asbestos-cement roofing on the facilities of Elektro Primorska will be removed.
- As part of the project documentation for the central plants at Sežana, documentation was also drawn up for the storage of used and waste transformers at DE Sežana.
- In 2017, Elektro Primorska signed a partnership agreement for the project aimed at ensuring proper use of the karst grasslands and forests for the preservation of selected habitat types and species in the »Nature 2000« in the Slovenian Karst region. Elektro Primorska's task in the project is to insulate medium-voltage overhead lines and thus improve the conservation status of the Eurasian Eagle-Owl in the Slovenian Karst region. The project was successfully completed in 2020.
- In order to solve excessive noise pollution at RTP Koper, we developed a conceptual solution and interventions aimed at reducing noise levels.
- We obtained documentation for construction of a replacement transformer station at TP Labore, which will reduce negative impact on the nearby residents. We are currently waiting for the building permit to be issued.
- A replacement transformer station was set up at Volče in a more suitable location, thus reducing the impact on nearby residents.
- To reduce network losses, we obtained a building permit for construction of a 110/20kV substation in Izola and drew-up tender documentation for the implementation of a public procurement.
- To reduce the carbon footprint, we purchased five electric vehicles instead of petrol-powered cars.

14. Risk Management

In its operations, Elektro Primorska is exposed to various risk factors, whose negative impact could be limited by means of timely identification and appropriate risk monitoring. The objective of a comprehensive risk management, which is becoming increasingly important for both the Company and society as a whole, is to reduce potential risks to an acceptable level, which would in turn facilitate process management and help the Management Board and the wider management in steering the Company in the desired direction.

Elektro Primorska has adopted a comprehensive risk management methodology, based on which the risk management process is defined as a systematic and continuous process intended to support the Company in the realisation of its mission and achievement of its objectives. In addition to the coordinator who is responsible for comprehensive risk management, the Management Board and authorised employees are also involved in the risk management process. Risk management is integrated into a certified and unified quality management system of Elektro Primorska, based on the following three standards: ISO 9001, ISO 14001 and BS OHSAS 18001. The risk management process observes the principle of continuous improvement cycle that includes planning - P, implementation - D, monitoring - C, and action - A.

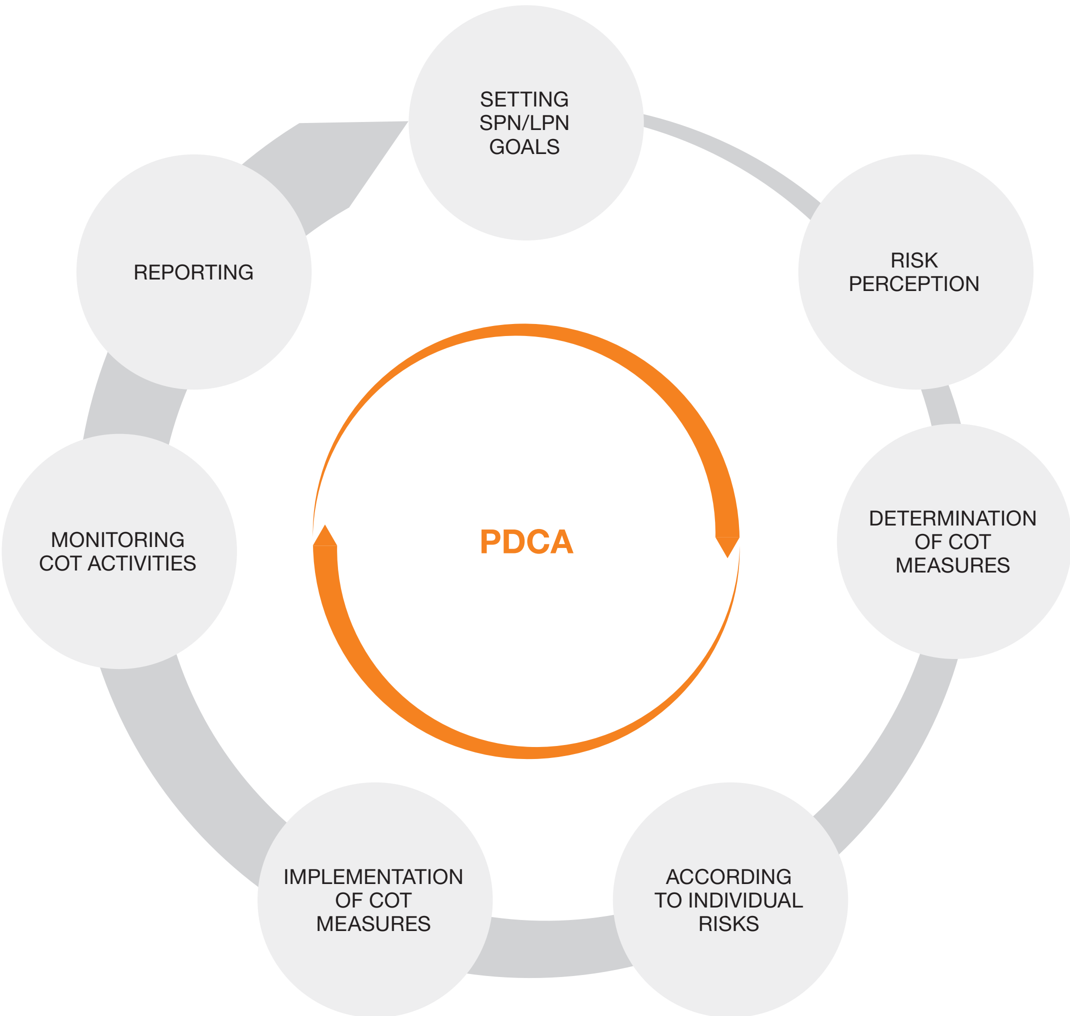


Figure 1: Risk Management - PDCA cycle

Each year, during the preparation of the Company's annual business plan, revision of the strategic business plan, or when making any major business decision, adopting a project, or after a significant change in the market or sectoral legislation, an overview is carried out of potential deviations from the set goals that may occur due to identified and anticipated new risk factors as a result of individual decisions or planned activities.

The Company identifies risks by studying closely causes that may lead to losses. Risk identification is based on two criteria that adequately define individual risks:

Presence of uncertainty: risk exists when an event or development of a particular situation is uncertain or unexpected.

Exposure to potential negative financial effects: the risk exists if an uncertain event could cause financial loss or otherwise result in a decline in the Company's financial result compared to the one expected. Financial losses can be direct, e.g. damages to buildings, equipment or other assets of the Company, or indirect, perceived as a loss of revenue.

All identified risks are classified in one of the four categories in accordance with the risk management methodology:

RISK CATEGORIES

STRATEGIC OR BUSINESS RISK:

Strategic or business risks include those risks that an entity cannot avoid, as they reflect the pursuit of its core business. The entity deliberately assumes those risks to be able to generate profits. Strategic or business risks of Elektro Primorska are associated with decisions relating to network investment and maintenance.

OPERATIONAL RISK:

Operational risks are those risks that are associated with the pursuit of business. Operational risks include human risk relating to the systems that support human conduct and the risk that internal work instructions are not in line with best practices and thus not geared towards achieving the entity's goals.

FINANCIAL OR MARKET RISK:

Financial risks are defined as financial consequences resulting from bad business decisions, unsuccessful implementation of business decisions or non-compliance with the legislation. Financial risks affect the entity's capital adequacy, cash flow and consequently its liquidity. Major risks to which Elektro Primorska is exposed include risks associated with economic investments and the economic justification of the network maintenance.

RISK OF NON-COMPLIANCE WITH REGULATIONS OR LEGISLATION:

The legislative risk category includes legislative risks or risks of non-compliance with the regulations.

Figure 2: Risk categories

In 2020, Elektro Primorska switched to a comprehensive risk management system using the Fermion software. Significant changes introduced by the application include:

- Effortless and more transparent management of the risk register;
- Easy way of tracking risk mitigation measures;
- Availability of additional options, such as tracking loss events and similar;
- An improved mathematical model for assessing risks based on monetary values instead of the current risk assessment criteria as a product of probability and impact;
- A more professionally supported value scale of risks and their impact on the operations of the Company and the Group.

The application methodology used by Elektro Primorska distinguishes between continuous and discrete risks:

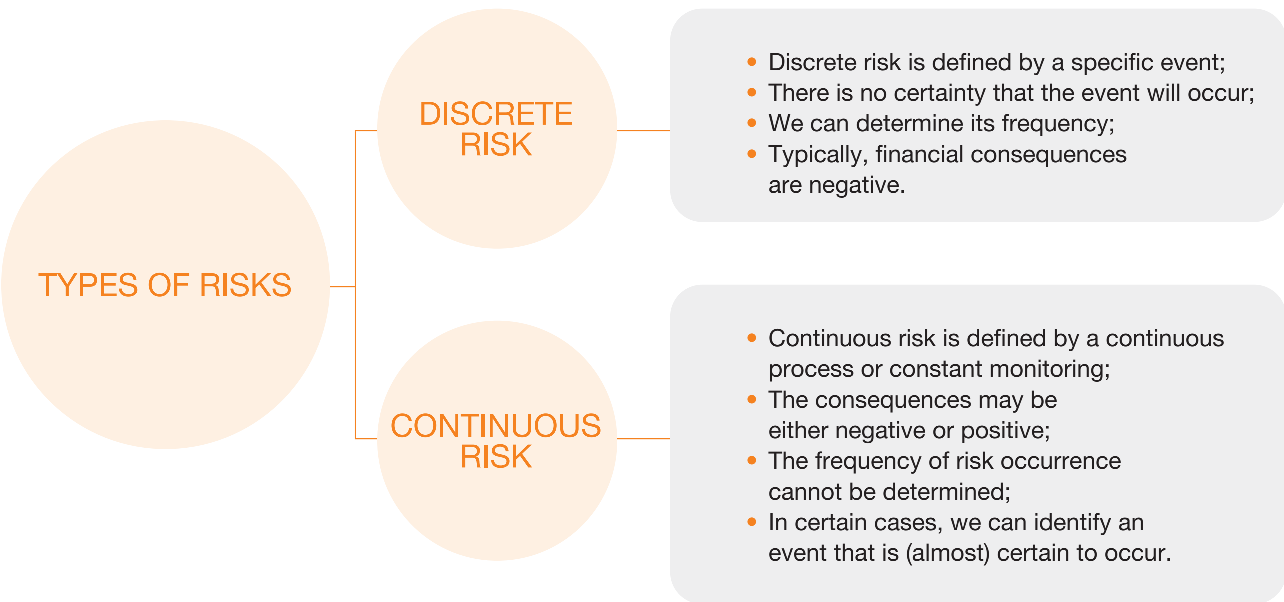


Figure 3: Types of risk

The division into continuous and discrete risk is reflected in the various characteristics that describe individual risks. Differentiation between individual type of risk is important because it determines different mechanisms and, consequently, different mathematical approaches used by the application.

RISK REGISTER

Elektro Primorska set up its risk register for the first time in April 2013, based on the identification of risks. The register is a working document and the main source of information for reporting on risk management, and as such is continually updated. The risk register covers all elements of risks that are regularly monitored and supplemented at least on a monthly basis in accordance with the comprehensive risk management methodology. Identified risks are classified according to the four categories. The Company's risk register was redesigned after the transition to the new software-supported comprehensive risk management system.

RISK PROFILE

After the establishment of the risk register, risk matrices, showing the importance of individual risk in relation to the frequency of its occurrence, are identified based on set limits. The software algorithm determines the risk profile using different approaches for discrete or continuous risks, which are then combined into a common risk profile. Determination of the risk profile is based on a large scale Monte-Carlo simulation using the following three risk parameters:

- **Frequency** (only for discrete risks, as it is impossible to estimate the frequency of continuous risks): How many times is the risk expected to occur over a period of time (in our case annually)
- **Typical loss**: A typical loss incurred in normal conditions upon the realisation of risks
- **Loss in the worst case scenario**: A loss that is realised less frequently and is incomparably higher than a typical loss.

Based on these three inputs, the application parameterizes the aggregation algorithm, which generates the risk profile.

The contribution of an individual risk to an aggregate risk (risk profile) at the Company level is calculated based on the concept of a marginal risk measure VaR (Hull, 2007), while the more precise contribution of an individual risk (in €) is calculated as follows:

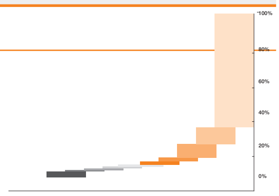
CRisk i	=	VaR 5%	Risk profile (1 to n)	— VaR 5%	Risk profile (1 to n - risk i)

(VaR 5% is calculated at the individual level as the 95th percentile of the final distribution of losses or negative financial effects of the relevant risks)

This provides the basis for the calculation of individual contributions for all risks from 1 to n. Since not all individual risk contributions are added to the aggregate risk rate (VaR) at the Company level (due to the marginal VaR), they are normalised to calculate the relative contributions of an individual risk as follows:

$$\text{CRisk } i_{\%} = \frac{\text{CRisk } i}{\Sigma^{n}_{i}\,\text{CRisk } i}$$

We should bear in mind that not all risks occur simultaneously in a given period of time. The concept of correlations or interdependence between risks must also be considered. The Fermion application uses a dimensioned normal or Gaussian dome to model the structure of interdependence, where n is the number of analysed risks, and the correlations between individual risks are integrated in the correlation matrix.

INPUT DATA	CALCULATION	RESULT
LOST IN THE WORST CASE SCENARIO	Agregation $\sqrt{\sum INS^{2}} - \sqrt{(\sum INS - INS_{i})^{2}} = € \ Contribution_{i}$ $\frac{€ \ Contribution_{i}}{\sum € \ Contribution} \cdot 100\% = \% \ Contribution$	

The result is the impact of the worst case scenario for all risks, which are expected to be realised only once every 20 years.

For Elektro Primorska, an acceptable level of risk is when the contribution of an individual risk to the risk profile does not exceed the value of €20,000. If an individual risk exceeds this limit, the risk should, if possible, be managed and reduced by relevant risk mitigating measures.

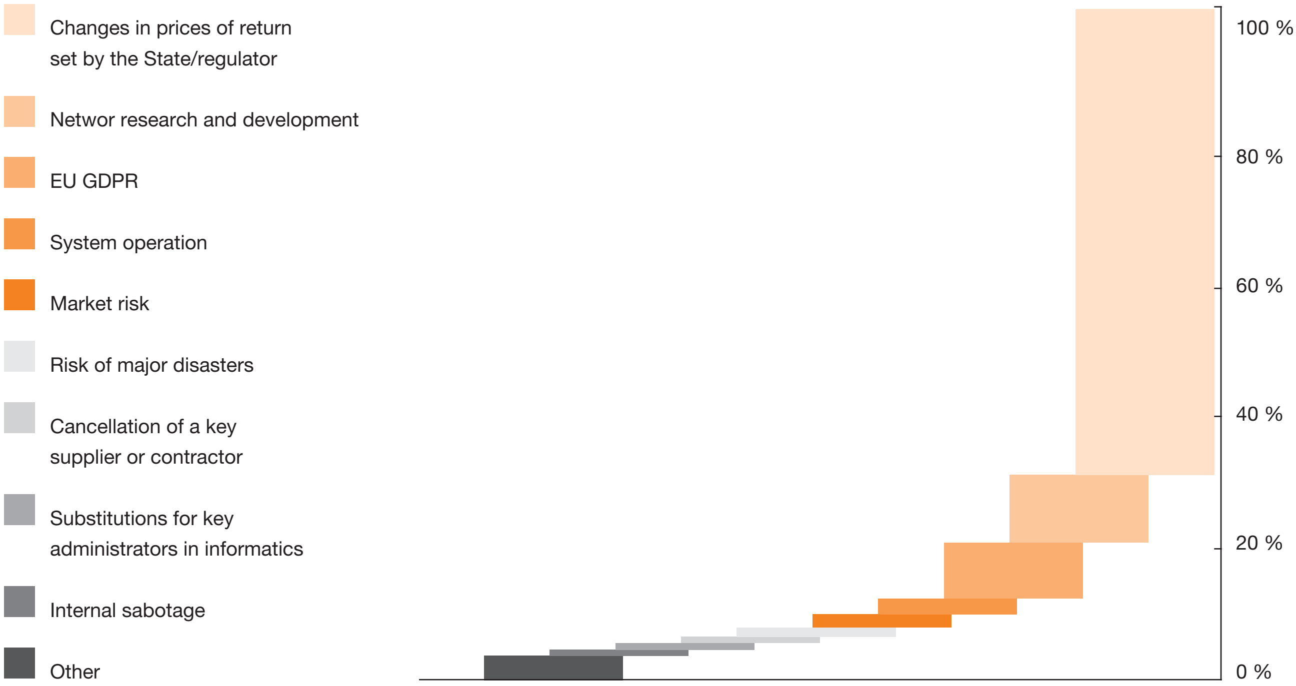


Chart 9: Risk profile as at 31 Dec 2020

Risk	Contribution to the risk profile (%)	Contribution to the risk profile (EUR)
Changes in prices or rates of return set by the State/regulator	69.14%	1,890,455
Network research and development	10.28%	280,977
EU GDPR	8.27%	226,033
System operation	2.39%	65,264
Market risk	1.65%	46,021
Risk of major disasters	1.60%	45,140
Cancellation of a key supplier or contractor	1.19%	32,424
Substitutions for key administrators in informatics	0.75%	20,383
Internal sabotage	0.60%	16,473
Other	4.10%	110,896
Total		2,734,066

Table 22: Risk profile as at 31 Dec 2020

MONITORING AND REPORTING

The authorised persons review the risk situation on a monthly basis and report on potential changes in the risk assessment, substance and the related measures. The reports are submitted to the Company's Management Board monthly.

Quarterly reports are submitted to the Management Board, the Audit Committee, and the Supervisory Board.

At the end of 2019, Elektro Primorska identified 19 risks. Upon transition to the new comprehensive risk management system in early 2020, the risk managers, jointly with the risk coordinator, updated the risk register. During the process, all the existing risks were reviewed, data was supplemented and modified and, in the opinion of the risk managers, aggregated in a meaningful way. In addition, new risks were identified after the introduction of the new system, and thus 25 risks in total were recorded in the risk register. The number of risks did not change during the year.

in EUR

Risk	
Credit risk	15,944
Market risk	46,021
External fraud	9,548
nternal fraud	1,581
System operation	65,264
Substitutions for key IT administrators	20,383
Installing/replacing MKN	4,814
Network traffic control	14,898
Risk of major disasters	45,140
Cyber risk	8,657
Cancellation of a key supplier or contractor	32,424
Supply of poor quality electricity	68
Internal sabotage	16,473
Departure or death of a key employee	1,443
Injuries at work	8,763
Risk of minor disasters	1,360
Technological equipment	6,261
Deteriorating general economic situation	5,483
Network research and development	280,977
Power outages	15,162
Energy legislation	9,964
Internal regulations	1,314
Public procurement	5,637
EU GDPR	226,033
Changes in prices or rates of return set by the State/regulator	1,890,455

Table 23: Risks and their contribution to the risk profile as at 31 December 2020.

The identified risks are classified into four categories: 4 risks belong to the category of financial risks, 12 to the category of operational risks, 4 to the category of strategic risks and 5 to the category of regulatory risks.

Upon transition to the new comprehensive risk management system, total contribution to the risk profile, calculated after the adoption of mitigating measures, amounted to €2,950,966. Risks within the regulatory risk category accounted for majority of total contribution to the risk profile. Operational and strategic risks accounted for approximately the same contribution to the risk profile, while the financial risks were found to have the least impact on the total contribution to the risk profile.

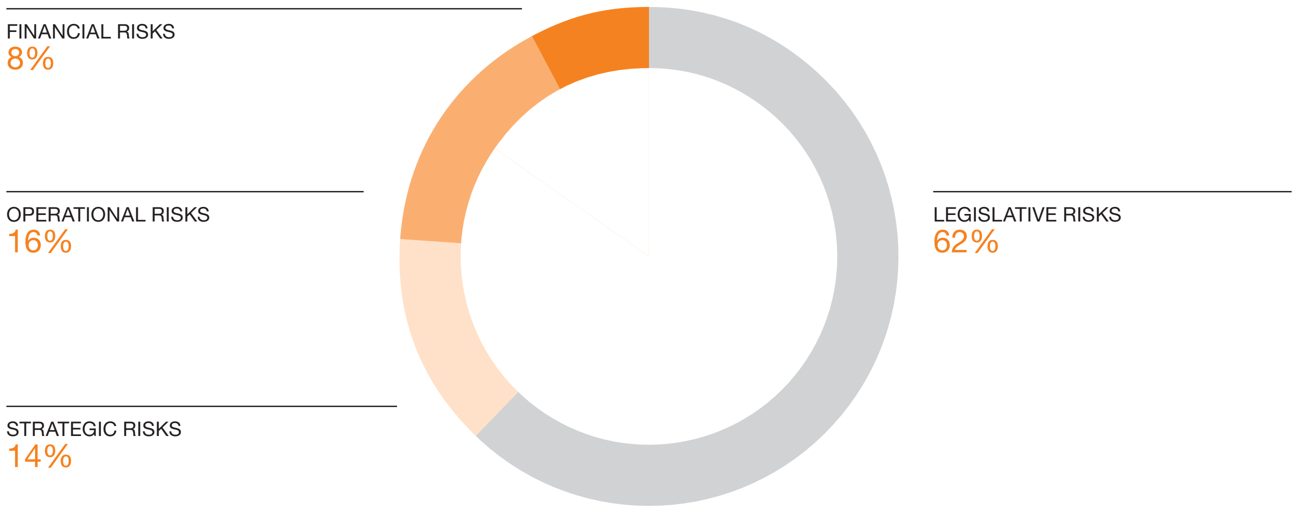


Chart 10: Contribution of individual risk categories to the overall risk profile on transition to the new system

The Company monitored identified risks throughout the year and successfully managed them by implementing additional preventive and mitigating measures. Thus, based on the risk mitigating measures taken throughout the year, total contribution to the risk profile decreased to the value of €2,734,066 as at 31 December 2020.

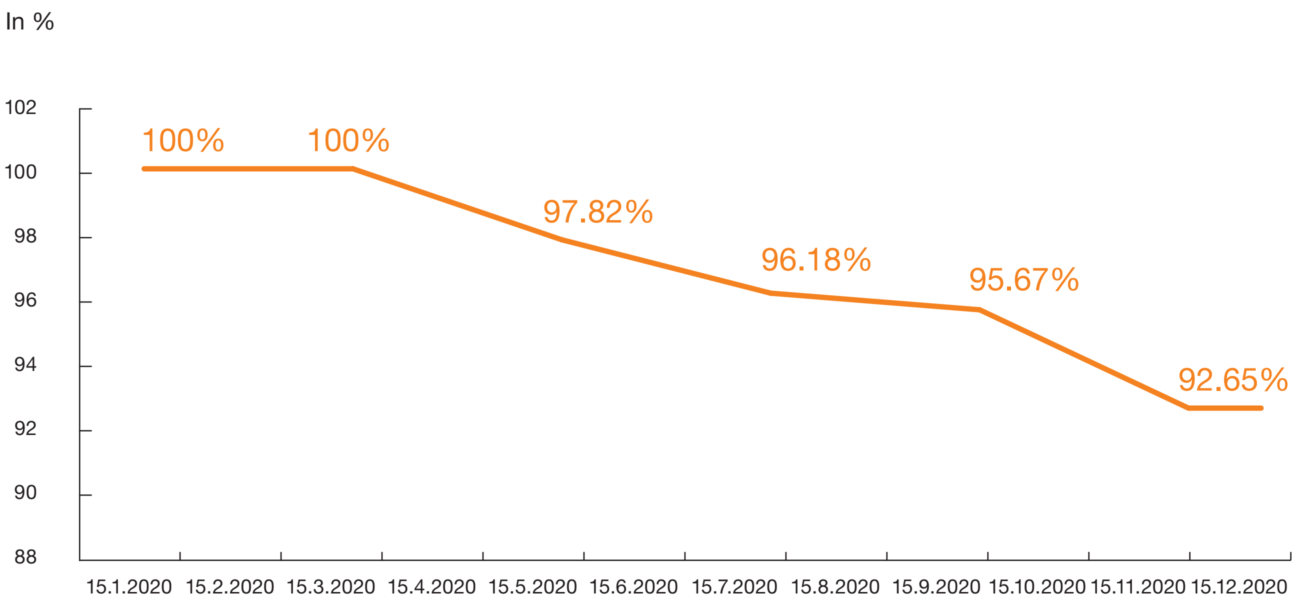


Chart 11: Total contribution to the risk profile

Despite the fact that the adopted measures successfully reduced the impact of financial, operational and strategic risk categories on the risk profile, it was impossible to implement additional measures that would successfully reduce the impact of the two main regulatory risks on the risk profile. As a result, the share of the impact of the regulatory risk category on the total contribution, increased.

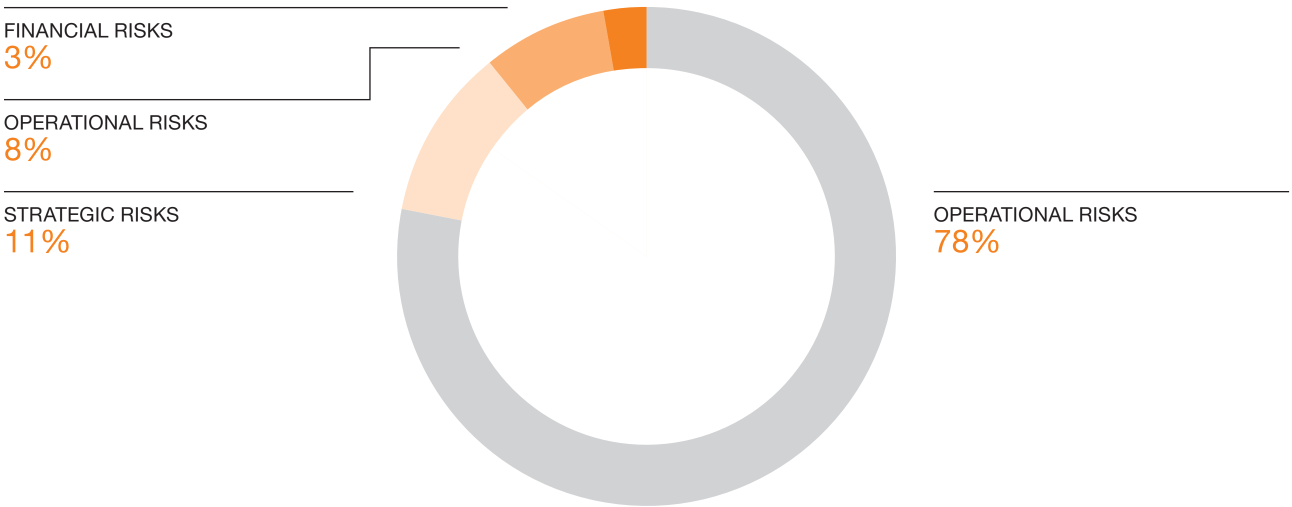


Chart 12: The share of categories to the total contribution of the risk profile as at 31 December 2020

The key risks identified by Elektro Primorska and whose contribution to the risk profile after the relevant measures adopted in accordance with the comprehensive risk management methodology exceed the value of €20,000, are managed and mitigated based on monthly monitoring of risks and the effect of the mitigating measures on their reduction. Key identified risks include:

Changes in prices or rates of return set by the State/regulator

The risk includes the impact of the WACC calculation by the regulator, which may reduce the amount of revenues generated by the Company in the new accounting period. The risk also considers government measures such as the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, which, among other things, also reduced the return on assets of distribution companies.

Network research and development

The risk is identified as underdevelopment of the network due to the expansion of electro-mobility and the installation of diffuse sources, storage tanks and heat pumps. Thus, the challenge is to develop a network that meets the demand and responds to the given challenges

EU GDPR

In pursuit of its core operation, Elektro Primorska collects and processes personal data, which poses a risk of incompatibility with the Regulation of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR).

System operation

One of the main risks identified is failure of the electricity distribution system devices due to exposure to internal factors as well as natural forces. Due to the declaration of an epidemic, an additional risk is the risk of employee infection and subsequent quarantine imposed on all employees who have been in contact with the infected, as this can lead to issues regarding the implementation, operation and maintenance of DEES.

Market risk

The risk of a recession forecast, which would result in a reduction in market demand for our services.

Risk of major disasters

The risk of major natural disasters leading to a breakdown of electrical installations over a widespread area.

Cancellation of a key supplier or contractor

The risk of a shortage of IT applications used by Elektro Primorska, which are not freely available on the market. A failure by the supplier of these applications is just one of the risks that should be considered.

Substitution for key administrators in informatics

Given the Company's growing dependence on information technology, the risk involves failure of servers which are not supervised by the key administrator responsible for the system.

15. Subsequent Events

On 26 February 2020, the Company signed a Contract with Petrol, d.d. for the sale and purchase of a 100% stake in E 3, d.o.o. On 28 October 2020, the Slovenina Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d. and E 3, d.o.o., and stating that the concentration complied with competition rules. The sale of a 100% stake in E 3, d.o.o. to Petrol d.d. was completed on 5 January 2021. The financial effect from the sale of the ownership share in E 3 d.o.o. of €8,427,983 means that the Elektro Primorska Group incurred a loss from the sale in the amount of €409,113.

In the current financial year, business operations are conducted in accordance with the adopted Business Plan of Elektro Primorska, d.d. for the 2021-2023 period. On 2 March 2021, the Supervisory Board adopted a Supplement to the Investment Plan, increasing the investment volume from €20 million to €24 million.

By the decision of the President of the Management Board, the state of the Covid-19 epidemic was declared in the Company on 13 March 2020, marking the start of the Company's operations in accordance with Instruction N.087 Conduct in the event of an epidemic of a dangerous infectious disease and other instructions. The state of the epidemic was canceled on 31 May 2020. Pursuant to the Decree declaring a state of epidemic of the infectious disease COVID-19 on the territory of the Republic of Slovenia of 18 October 2020 and in accordance with item 4.3. of the Instructions N.087, the Management Board re-declared the state of the epidemic in Elektro Primorska d.d. on 20 October 2020, which has been in effect up to the date of the Annual Report adoption (14 May 2021).

16. Performance Analysis

Elektro Primorska closed the 2020 financial year with a net profit of **€5,905,714**, which is less than planned and achieved in 2019, mostly due to a negative preliminary settlement of services (lease) provided for SODO in 2020. To limit the consequences of the Covid-19 pandemic in 2020, the Agency decided to reduce the return on all leased assets by 1.13 percent. As a result, the Company generated €2.08 million less income than planned and recorded €50,093,725 of revenue in 2020, a decrease of €808,347 or 1.6% compared to 2019. Operating revenues of €49,825,958, account for as much as 99.47% of total revenue generated by the Company. Compared to the previous year, the largest increase was on account of capitalised own products and other operating income.

The Company incurred €43,950,458 of expenses in 2020, up €2,138,976 compared to the 2019 financial year. Operating expenses of €43,617,441 account for the largest share in total expenses, while employee benefits account for the major share in operating expenses (41.88% of the Company's total operating expenses or €18,268,773), an increase of €1,071,446 compared to the previous year. This is mostly due to the transition to the gross method of posting reimbursements, higher amount of accrued cost of unused annual leave in 2020 and payment of the crisis allowance.

The assets of Elektro Primorska increased to **€220,864,212** as at 31 December 2020. The largest increase (€8,734,577) was reported in property, plant and equipment which amount to €199,194,830 at the year-end, as a result of €21,236,478 of capital expenditure the Company made in 2020. Short-term operating receivables of €6,194,471 account for the majority of current assets as at 31 December 2020, a reduction of €97,295 compared to the previous year.

The Company's equity amounted to **€162,008,442** as at 31 December 2020, an increase of €3,038,735 compared to the previous year. At the end of 2020, the share of equity in total liabilities amounted to 73.35%, down 0.32 percentage point compared to the previous year. At the year-end, long-term liabilities amounted to €41,706,256, down €3,731,937 compared to the previous year, mostly due to a decrease in long-term financial liabilities to banks. Short-term liabilities of €16,087,167 are up by €5,323,505 compared to the previous year. The largest increase of €3,466,672 is reported in short-term financial liabilities to banks, while supplier payables rose by €2,387,238.

17. Performance Ratios

Indicators that show the Company's credit rating are divided into the following groups of fundamental accounting ratios:

1. Financing state ratios
2. Basic investment ratios
3. Horizontal financial structure ratios
4. Efficiency ratios
5. Profitability ratios

From the viewpoint of financial performance evaluation, the Company has monitored its business results based on the following ratios:

in EUR

A. THE BASIC FINANCING STATE RATIOS	31.12.2020	31.12.2019
Equity	162,008,442	158,969,707
Equity and liabilities	220,864,212	215,793,342
Equity financing rate	**73.35%**	**73.67%**
Total equity and long-term debts (including provisions) and long-term accruals	203,714,698	204,407,900
Equity and liabilities	220,864,212	215,793,342
Long-term financing rate	**92.24%**	**94.72%**
Debts	57,793,423	56,201,855
Equity and liabilities	220,864,212	215,793,342
Debt financing rate	**26.17%**	**26.04%**

B. THE BASIC INVESTMENT RATIOS	31.12.2020	31.12.2019
Assets (at book values)	199,194,830	190,460,253
Assets	220,864,212	215,793,342
Operating fixed assets rate	**90.19%**	**88.26%**
Long-term and short-term investments	286,761	294,576
Assets	220,864,212	215,793,342
Investment assets rate	**0.13%**	**0.14%**
Fixed assets and long-term deferred and accrued items, investment property, long-term investments and long-term operating receivables	203,332,435	195,114,386
Assets	220,864,212	215,793,342
Long-term assets rate	**92.06%**	**90.42%**
Realised investments	21,236,478	19,506,942
Planned investments	20,000,000	18,600,000
Investment realisation ratio	**106.18%**	**104.88%**

C. THE BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS	31.12.2020	31.12.2019
Equity	162,008,442	158,969,707
Assets (at book values)	199,194,830	190,460,253
Equity to fixed assets rate	**81.33%**	**83.47%**
Liquid assets	1,837,633	2,965,633
Short-term liabilities	16,087,167	10,763,662
Acid test ratio	**11.42%**	**27.55%**
Liquid assets and short-term receivables	8,655,918	9,440,708
Short-term liabilities	16,087,167	10,763,662
Quick ratio	**53.81%**	**87.71%**
Short-term assets	16,342,698	17,182,934
Short-term liabilities	16,087,167	10,763,662
Current ratio	**101.59%**	**159.64%**

D. THE BASIC EFFICIENCY RATIOS	31.12.2020	31.12.2019
Operating revenue	49,825,958	50,673,389
Operating expenses	43,617,441	41,409,181
Operating efficiency ratio	**1.142**	**1.224**
Revenue	50,093,725	50,902,072
Expenses	43,950,458	41,811,482
Total operating efficiency ratio	**1.140**	**1.217**

E. PROFITABILITY RATIOS	31.12.2020	31.12.2019
EBITDA (operating income - operating expenses + AM + revaluation)	19,579,949	22,075,451
Gross operating yield	49,825,958	50,673,389
EBITDA margin	**39.30%**	**43.56%**
EBIT (operating revenue - operating expenses)	6,208,516	9,264,208
Gross operating yield	49,825,958	50,673,389
EBIT margin	**12.46%**	**18.28%**
Net profit or loss	5,905,714	8,020,282
Sales revenue	37,227,158	39,954,056
Net return on revenue	**15.86%**	**20.07%**
Net profit or loss	5,905,714	8,020,282
Average assets	218,328,777	213,448,843
Net return on assets ratio (ROA)	**2.70%**	**3.76%**
Net profit or loss	5,905,714	8,020,282
Average capital (excluding net profit or loss for the year)	157,536,217	152,270,364
Net return on equity ratio (ROE)	**3.75%**	**5.27%**
Total dividends paid for the year	2,629,746	2,200,470
Average share capital	94,424,806	78,562,832
Dividend to share capital ratio	**2.79%**	**2.80%**
Dividends paid in the current year	2,629,746	2,200,470
Average capital	157,536,217	152,270,364
Dividend to share capital ratio	**1.67%**	**1.45%**

F. SHARES	31.12.2020	31.12.2019
Equity	162,008,442	158,969,707
Number of shares	18,783,898	18,783,898
Number of treasury shares	0	0
Book value per share (in EUR)	**8.62**	**8.46**
Net profit or loss	5,905,714	8,020,282
Weighted average number of ordinary shares	18,783,898	18,783,955
Diluted average number of ordinary shares	18,783,898	18,783,955
Basic and diluted earnings per share (EUR/share)	**0.31**	**0.43**

Table 24: Ratios

17.1 The basic financing state ratios

THE BASIC FINANCING STATE RATIOS Year

No.	Description	2020	2019	2018	2017	2016	2015	2014
1.	**Equity financing rate** equity/liabilities	0.734	0.737	0.728	0.731	0.739	0.729	0.737
2.	**Long-term financing rate** equity + long-term liabilities (incl. provisions)/liabilities	0.922	0.947	0.922	0,919	0.921	0.909	0.916
3.	**Debt financing rate** debt/liabilities	0.262	0.260	0.269	0.265	0.258	0.266	0.260

Table 25: The basic financing state ratios

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

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

Equity financing rate shows the share of equity financing in total assets. In 2020, the equity financing rate of 73.4% declined by 0.3 percentage point compared to 2019. This is due to a higher increase in liabilities than the capital (in 2019, the Company generated a higher amount of profit and in 2020 there was an increase in the Company's financial liabilities compared to 2019, due to an increase in trade payables and long-term, and short-term financial lease liabilities), all of which is reflected in a reduced value of the ratio in 2020.

Debt financing rate shows the debt financing of the Company's assets. In 2020, the ratio stood at 92.2%, down 2.5 percentage points compared to 2019, which is primarily due to an increase in trade payables and above all supplier payables, and a decrease in long-term financial liabilities to banks for borrowings raised to finance investments in electricity distribution infrastructure.

Since the Company does not possess sufficient amount of own resources (also due to dividend payments) to finance planned and necessary investments, it is forced to raise external debt sources of financing. Own source of funds for financing investments in the energy infrastructure comprises primarily amortisation and depreciation and the generated return, especially the operating result, which the Company expects from generating regulated revenues, which mostly comprise rental income and revenues from services provided under the Contract with SODO.

Long-term financing rate amounted to 26.2% in 2020, up 0.02 percentage points compared to 2019, due to a reduction in short-term debts in the overall structure of liabilities, and an increase in liabilities. The increase in liabilities is due to short-term borrowings raised from a bank in 2020 to cover current costs and an increase in supplier payables due to intense investment activity in December 2020.

17.2 The basic investment ratios

THE BASIC INVESTMENT RATIOS Year

No.	Description	2020	2019	2018	2017	2016	2015	2014
1.	**Operating fixed assets rate** fixed assets/assets	0.902	0.883	0.868	0.869	0.897	0.887	0.906
2.	**Investment assets rate** ong-term + short-term investments/assets	0.001	0.001	0.032	0.033	0.035	0.035	0.038
3.	**Long-term assets rate** fixed assets + long-term investments + long-term operating receivables/assets	0.905	0.885	0.904	0.903	0.933	0.923	0.944

Table 26: The basic investment ratios

The basic investment ratios show the structure of an entity's assets.

The operating fixed assets rate denotes the share of the carrying amount of fixed assets in the assets. An increase in the ratio which stands at 90.2% shows that in 2020, the Company invested heavily in the renovation and expansion of its assets. The ratio's value is also influenced by the fixed assets' depreciation although the depreciation rates applied do not change from one year to the other.

Investment assets rate indicates the share of investments in the assets. The ratio remained at the same level as in the previous year and amounts to only 0.1%. The ratio's value indicates that the Company only rarely invests its assets in financial investments however, the main reason for the ratio's low value in the past two years is the fact that in 2019, the Company recognised its long-term investment in a subsidiary under current assets (disposal groups) held for sale.

Long-term assets rate indicates the share of long-term assets in the Company's total assets. In 2020, the ratio rose by 1.8 percentage point to 90.5%, on account of an increase in fixed assets in the overall structure of assets, as a result of major investments made in 2020.

17.3 Horizontal financial structure

THE BASIC RATIOS OF HORIZONTAL FINANCIAL STRUCTURE

No.	Description	2020	2019	2018	2017	2016	2015
1.	**Equity to fixed assets ratio** equity/fixed assets	0.813	0.835	0.838	0.842	0.823	0.822
2.	**Acid test ratio** liquid assets/short-term liabilities	0.114	0.276	0.144	0.309	0.124	0.266
3.	**Quick ratio** liquid assets + short-term receivables/short-term liabilities	0.538	0.877	0.607	0.791	0.594	0.730
4.	**Current ratio** current assets/short-term liabilities	1.016	1.596	0.932	0.846	0.645	0.777

Table 27: The basic ratios of horizontal financial structure

These ratios are used to make comparison between assets and liabilities and are important for assessment of the quality of funding. Regarding financing, we are interested in the extent to which the Company is financed with debts and to what extent with capital.

Equity to fixed assets ratio shows the level of financing of the carrying amount of fixed assets with equity. The ratio below 1 indicates that some of fixed assets are financed with capital and others with long-term borrowings. The ratio fell slightly (by 2 percentage points) compared to the previous year, which means that in 2020, a slightly higher share of fixed assets was financed by borrowings.

Acid test ratio shows the Company's ability to settle its short-term debts. The ratio below 1 indicates that an entity has more debts than liquid assets. In 2020, the ratio fell by 16.1 percentage points compared to 2019 to 0.114, mostly due to a reduction in cash and cash equivalents and an incrase in short-term liabilities.

Quick ratio is an indicator of the coverage of short-term liabilities with liquid assets and short-term receivables, showing the Company's short-term solvency position. In 2020, the ratio stands at 53.8%, down 33.9 percentage points compared to 2019, meaning that 53.8% of short-term liabilities are settled with liquid assets and short-term receivables. The decrease in the value of the ratio in 2020 is due to an increase in short-term liabilities.

Current ratio reflects the Company's ability to settle its short-term liabilities with short-term receivables, showing its short-term solvency position. In 2020, the ratio amounts to 101.6%, down 58 percentage points compared to 2019, due to an increase in short-term liabilities (primarily supplier payables and liabilities to banks). The ratio further shows that in 2020, the Company settled almost all of its short-term liabilities with short-term assets (receivables).

17.4 Efficiency ratios

THE BASIC EFFICIENCY RATIOS — Year

No.	Description	2020	2019	2018	2017	2016	2015	2014
1.	**Operating efficiency ratio** operating revenue/operating expenses	1.142	1.224	1.201	1.211	1.217	1.142	1.093
2.	**Total efficiency ratio** revenue/expenses	1.140	1.217	1.188	1.198	1.200	1.198	1.072

Table 28: The basic efficiency ratios

The basic efficiency (cost efficiency) ratios are indicators of an entity's business performance and explain business results in relation to the invested elements of the business process.

Operating efficiency ratio is the ratio between operating income and operating expenses and reflects efficiency of the Company's operations, since the financial income and expenses and other revenues and expenses are excluded from the ratio calculation. In 2020, the ratio amounted to 114.2%, which means that operating revenues exceeded operating expenses by 14.2%, and the cost efficiency worsened slightly in comparison with the previous year (by 8.1 percentage points).

Total efficiency ratio is the ratio between total revenue and total expenditure. The ratio stood at 114.0% in 2020, down 7.8 percentage points compared to the previous year, reflecting a decline in the overall efficiency. As a result of the epidemic, the Company achieved lower amount of recognised revenues and failed to achieve the level of efficiency in managing the available funds, profitably and the assets of the Company's owners recorded in the previous years.

17.5 The basic profitability ratios

THE BASIC PROFITABILITY RATIOS

No.	Description	2020	2019	2018	2017	2016	2015	2014
1.	**Net profit margin** profit/revenue	0.159	0.201	0.173	0.185	0.174	0.145	0.073
2.	**ROA** net profit/average assets	0.027	0.038	0.032	0.036	0.034	0.031	0.015
3.	**ROE** net profit/average equity (net of profit or loss for the financial year)	0.037	0.053	0.045	0.050	0.049	0.043	0.021

Table 29: The basic profitability ratios

By analysing the profitability ratios we can see that the Company's operation is viable as it has achieved a positive operating result. As the net profit generated in the year under review has increased, all the ratios show growth compared to the previous year.

Net return on revenue shows that the Company generated €15.9 of profit per €100 of revenue, down €4.2 compared to 2019.

Return on assets ratio (ROA) shows the share of profits that the Company achieves with its own resources and how successful the management has been in managing the Company's assets. ROA amounted to 2.7% in 2020, down 1.1 percentage point on the previous year. This is due to the increase in the Company's fixed assets (major investments in the infrastructure) and a lower net operating result of the year due to the Covid-19 epidemic.

The relatively low ratio is the consequence of major investments made by the Company in 2020, which is a prerequisite for ensuring high quality and reliable distribution of electricity and could not have been achieved without capital investments. In order for the Company to ensure high-quality electricity supply to all customers in its distribution area, the Company expects to invest heavily also in the future, which means that the ratio will probably not improve significantly.

Return on equity ratio (ROE) shows how much net profit was generated by the Company based on the average equity invested. From the viewpoint of the Company owners, profitability of capital is one of the most important ratios as it shows how well the Company manages its assets. ROE amounted to 3.7% in 2020, down 1.6 percentage point compared to the previous year, due to a decrease in the profit achieved in 2020 compared to 2019.

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Financal Statements

INDEPENDENT AUDITOR'S REPORT

EY
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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ELEKTRO PRIMORSKA podjetje za distribucijo električne energije, d.d.

Opinion

We have audited the financial statements of ELEKTRO PRIMORSKA podjetje za distribucijo električne energije, d.d. (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with Slovenian accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Own work capitalized

As at 31 December 2020, the net book value of the property, plant and equipment amounts to EUR 199.195 thousand, as disclosed in Note *3.2 – Property plant and equipment* and own work capitalised amount to EUR 10.369 thousand, as disclosed in Note 4.1.2 *Own work capitalised*, respectively. The Company capitalises significant internal labour costs and external costs in respect of major capital projects, most notably relating to electricity distribution network. In respect of valuation and allocation of assets, there is a risk that costs which do not meet the criteria for capitalisation in accordance with SAS 1 are inappropriately recorded in the balance sheet rather than expensed. Management judgement is involved in evaluation whether the criteria for capitalisation in accordance with SAS 1 are met and in the valuation of capitalised assets, mostly in relation to the calculation of hourly rate for internal labour cost. Due to the magnitude of capitalised own work as well as management judgement involved, we consider this matter to be key audit matter.	Our audit procedures included considering the appropriateness of the Company's own work capitalisation accounting policies and assessing compliance with the policies in terms of Slovenian accounting standards. We obtained an understanding of the capitalisation of own work process and evaluated and tested design of respective controls. We performed analytical procedures over own work capitalised compared to the previous years and to the budget. We obtained the list of the additions to the property, plant and equipment with capitalised own work, and reconciled it to the trail balance. We also carried out substantive testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and assessing whether conditions for assets recognition are fulfilled. We also considered the adequacy of the Company's disclosures in Note 3.2 – Property plant and equipment and Note 4.1.2 Own work capitalised and their compliance with Slovenian accounting standard 1- Property, plant and equipment. .

Held for sale treatment of subsidiary E3 d.o.o.

As disclosed in the Note 3.7. Non-current assets (disposal groups) held for sale, the Company signed a Share purchase agreement in February 2020 for the sale of its subsidiary E3 d.o.o. and presented the investment to this subsidiary as a disposal group held for sale in the amount EUR 6.522 thousand in its balance sheet. The share purchase agreement included several control-takeover conditions, which were fulfilled after the balance sheet date when the loss of control over this subsidiary occurred and when the group realised a gain of EUR 8.427 thousand as disclosed in Note 8. Subsequent events. This area is significant to our audit due to the magnitude of the impact of gain of this transaction in the period after the balance sheet date.	We assessed the accounting treatment for this transaction including the held-for-sale presentation and timing of recording of the associated gain. Our audit procedures included considering the appropriateness of the Company's accounting policies in relation to held for sale presentation and assessing compliance with the policies in terms of Slovenian accounting standards. We obtained the Share purchase agreement and other supporting documentation as well as supervisory board and management board approval for the transaction. We assessed if the conditions set in the Share Purchase Agreement regarding the loss of control by the Company had been met before 31 December 2020. We assessed if the sale of the subsidiary represents a separate major line of business and whether conditions for the presentation of disposal group are met in accordance with *Slovenian accounting standard* 1.58. We also considered the adequacy of the Company's disclosures in 3.7. - Non-current assets (disposal groups) held for sale and Note 8. Subsequent event and their compliance with Slovenian accounting standards.

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Other information

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

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

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

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

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

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

Responsibilities of management, audit committee and the supervisory board 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 audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process. The supervisory board is responsible to approve 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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• 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/Group'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/Group 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of shareholders/owners on 28 June 2019, the president of the supervisory board has signed the audit agreement on 16 October 2019. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 6 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report *(or present other date of this Additional Report, but in accordance with Article 11 of Regulation, it should be the date of this Independent Auditor's Report at the latest).*

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

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

Ljubljana, 14 May 2021

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

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

Lidija Šinkovec
Certified auditor

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1. Balance Sheet at 31 December 2020

in EUR

	Notes	31.12.2020	31.12.2019
Assets			
A. Long-term assets:			
I. Intangible assets and long-term deferred costs	**2.1.**	**3,461,125**	**3,838,017**
1. Long-term rights		3,450,454	3,749,982
2. Long-term deferred development costs		0	0
3. Other long-term deferred costs		10,670	45,549
4. Intangible assets being acquired		0	42,486
II. Property, plant and equipment	**2.2.**	**199,194,830**	**190,460,253**
1. Land		5,606,045	5,604,052
2. Buildings		128,811,592	126,730,559
3. Equipment		58,870,075	55,338,086
4. Right-of-use assets		377,262	298,623
4. Property, plant and equipment being acquired		5,529,857	2,488,933
III. Investment property	**2.3.**	**223,353**	**220,070**
IV. Long-term investments	**2.4.**	**286,761**	**294,576**
1. Investments in shares of group companies		0	0
2. Other shares and stakes		286,761	294,576
V. Long-term operating receivables	**2.5.**	**166,366**	**301,470**
1. Long-term trade receivables		136,613	272,864
2. Other long-term operating receivables		29,753	28,606
VI. Deferred tax assets	2.6.	922,689	681,583
Total long-term assets		**204,255.124**	**195,795,969**
B. Current assets:			
I. Assets held for sale	**2.7.**	**6,522,017**	**6,522,017**
II. Inventories	**2.8.**	**1,164,763**	**1,220,210**
1. Materials		1,162,953	1,214,842
2. Services to be completed		0	0
3. Products and merchandise		1,810	5,368
III. Short-term investments	**2.9.**	**0**	**0**
1. Short-term loans to others		0	0
IV. Short-term operating receivables	**2.10.**	**6,818,286**	**6,475,075**
1. Operating receivables due from the group		27,349	28,945
2. Trade receivables		6,194,471	6,291,766
3. Operating receivables due from others		596,465	154,364
V. Cash and cash equivalents	**2.11.**	**1,837,633**	**2,965,633**
Total current assets		**16,342,698**	**17,182,934**
C. Short-term deferred costs and accrued income	2.12.	266,390	2,814,439
TOTAL ASSETS		220,864,212	215,793,342

Table 30: Balance sheet (assets)

in EUR

	Notes	31.12.2020	31.12.2019
Equity and liabilities			
A. Equity:			
I. Called-up capital		**110,465,795**	**78,383,817**
1. Share capital		110,465,795	78,383,817
II. Share premium		**46,306,588**	**46,306,588**
III. Profit reserves		**4,520,061**	**33,002,245**
1. Legal reserves		1,100,257	920,267
2. Reserves for treasury shares and stakes		0	0
3. Treasury shares and stakes (as a deductible item)		0	0
5. Other profit reserves		3,419,804	32,081,977
IV. Revaluation surplus Fair value reserve		**-1,538,070**	**-1,352,689**
V. Retained earnings		**0**	**0**
VI. Net profit or loss for the year		**2,254,068**	**2,629,746**
Total capital	2.13.	162,008,442	158,969,707
B. Provisions and long-term accrued costs and deferred income	2.14.	16,101,021	15,651,283
1. Provisions		5,409,436	4,986,319
2. Long-term accrued costs and deferred income		10,691,585	10,664,963
C. Long-term liabilities	2.15.	25,605,235	29,786,910
I. Long-term financial liabilities		**25,605,235**	**29,786,910**
1. Long-term financial liabilities to banks		25,272,217	29,519,444
3, Other long-term financial liabilities		333,018	267,466
D. Short-term liabilities	2.17.	16,087,167	10,763,662
I. Short-term financial liabilities		**7,676,674**	**4,194,493**
1. Short-term financial liabilities to banks		7,622,227	4,155,556
2. Other short-term financial liabilities		54,447	38,937
II. Short-term operating liabilities		**8,410,493**	**6,569,169**
1. Short-term operating liabilities to the group		29,716	26,700
2. Supplier payables		6,832,658	4,445,419
3. Short-term operating liabilities from advances		19,231	19,666
4. Other short-term operating liabilities		1,528,889	2,077,383
Total liabilities		57,793,423	56,201,855
E. Short-term accrued costs and deferred income	2.18.	1,062,347	621,780
TOTAL EQUITY AND LIABILITIES		220,864,212	215,793,342

Table 31: Balance sheet (equity and liabilities)

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

2. Income Statement for the year ended 31 December 2020

in EUR

	Notes	2020	2019
1. Net sales	**3.1.1.**	**37,227,158**	**39,954,056**
a. on domestic market		37,227,158	39,954,056
2. Change in the value of services to be completed		**0**	**0**
3. Capitalised own products and services	**3.1.2.**	**10,369,174**	**9,571,803**
4. Other operating revenue	**3.1.3.**	**2,229,626**	**1,147,531**
5. Cost of goods, materials and services	**3.2.**	**-11,841,444**	**-11,260,952**
a. cost of goods and material sold and cost of material consumed		-6,313,113	-5,675,871
b. cost of services		-5,528,331	-5,585,081
6. Employee benefits	**3.2.**	**-18,268,773**	**-17,197,327**
a. cost of salaries		-12,884,823	-12,185,669
b. cost of supplementary pension insurance of employees		-638,029	-626,080
c. social security costs		-2,112,368	-2,024,799
d. other labour costs		-2,633,553	-2,360,779
7. Write-downs	**3.2.**	**-13,371,433**	**-12,811,242**
a. amortisation and depreciation		-12,941,305	-12,569,703
b. operating expenses from revaluation of fixed assets		-420,611	-218,500
c. operating expenses from revaluation of current assets		-9,516	-23,040
8. Other operating expenses	**3.2.**	**-135,792**	**-139,661**
9. Financial income from shares and stakes	**3.3.**	**253,494**	**205,920**
a. group companies		250,000	200,000
b. other companies		3,494	5,920
10. Financial income from loans	**3.3.**	**30**	**42**
a. granted to others		30	42
11. Financial income from operating receivables	**3.3.**	**14,244**	**22,316**
a. others		14,244	22,316
12. Financial expenses from investment impairment and write-off	**3.4.**	**0**	**0**
13. Financial expenses from financial liabilities	**3.4.**	**-261,320**	**-321,645**
a. bank borrowings		-218,488	-252,055
b. other financial liabilities		-42,832	-69,590
14. Financial expenses from operating liabilities	**4.4.**	**-3,197**	**-1,483**
a. supplier payables and bills of exchange		-87	-1,254
b. other payables		-3,110	-230
15. Other income	**3.5.**	**0**	**404**
16. Other expenses	**3.6.**	**-68,500**	**-79,173**
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD		6,143,266	9,090,590
17. Income tax	**3.7.**	**-460,020**	**-1,086,314**
18. Deferred tax	**3.7.**	**222,467**	**16,006**
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**3.8.**	**5,905,714**	**8,020,282**

Table 32: Income statement

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

3. Statement of Comprehensive Income for the Year ended 31 December 2020

in EUR

	Notes	2020	2019
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**3.9.**	**5,905,714**	**8,020,282**
Fair value reserve		-7,814	7,104
Other components of comprehensive income:		-229,418	-448,511
Actuarial gains/losses on provisions for severance pay		-248,058	-485,897
Deferred tax effect on actuarial gains/losses on provisions for severance pay		18,640	37,386
Total comprehensive income for the period		**5,668,481**	**7,578,875**

Table 33: Statement of Comprehensive Income

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

4. Cash Flow Statement for the Year ended 31 December 2020

in EUR

	Notes	2020	2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Receipts from operating activities	4.1.	77,378,318	77,839,618
a. Proceeds from sale of products and services		45,413,139	44,055,671
b. Other receipts from operating activities		31,965,179	33,783,947
2. Expenditure from operating activities	4.2.	-60,688,853	-62,030,923
a. Expenditure for purchase of materials and services		-8,876,766	-9,911,313
b. Expenditure for salaries and employees' shares in profits		-17,813,693	-17,308,480
c. Expenditure for all kinds of contributions		-3,121,347	-2,889,061
d. Other expenditure from operating activities		-30,877,048	-31,922,069
3. Net cash from operating activities		16,689,465	15,808,695
B. CASH FLOWS FROM INVESTING ACTIVITIES			
4. Cash receipts from investing activities	4.3.	690,580	6,246,399
a. Interest and profit shares		271,928	226,736
b. Proceeds from disposal of property, plant and equipment		418,652	19,663
c. Proceeds from disposal of long-term investments		0	6,000,000
d. Proceeds from disposal of short-term investments		0	0
5. Cash disbursements for investing activities	4.4.	-14,806,738	-18,671,770
a. Expenditure for acquisition of intangible assets		-1,358,155	-1,473,276
b. Expenditure for acquisition of property, plant and equipment		-13,448,584	-15,198,494
c. Expenditure for acquisition of long-term and short-term investments		0	-2,000,000
6. Net cash from investing activities		-14,116,158	-12,425,371
C. CASH FLOWS FROM FINANCING ACTIVITIES			
8. Cash receipts from financing activities	4.5.	7,100,000	15,428,000
a. Receipts from long-term borrowings		0	6,978,000
b. Receipts from short-term borrowings		7,100,000	8,450,000
9. Cash disbursements from financing activities	4.6.	-10,801,307	-18,135,851
a. Interest paid		-291,006	-302,381
b. Repayments of capital		0	0
c. Cash repayments of long-term borrowings		-4,280,556	-6,683,000
d. Cash repayments of short-term borrowings		-3,600,000	-8,950,000
e. Dividends paid		-2,629,746	-2,200,470
10. Net cash from financing activities		-3,701,307	-2,707,851
11. Total cash flows		-1,128,000	675,473
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		1,837,633	2,965,633
X. Opening balance of cash and cash equivalents		2,965,633	2,290,160
Y. CASH FLOWS FOR THE PERIOD	4.7.	-1,128,000	675,473
Closing balance of cash and cash equivalents on the last day of the accounting period		1,837,633	2,965,633

Table 34: Cash flow statement

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

5. Statement of Changes in Equity for the Year ended 31 December 2020

2020	Called-up capital		Profit reserves							
	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. At 31 Dec 2019	78,383,817	46,306,588	920,267	0	0	32,081,977	-1,352,689	0	2,629,746	158,969,706
A.2. At 31 Dec 2020	**78,383,817**	**46,306,588**	**920,267**	**0**	**0**	**32,081,977**	**-1,352,689**	**0**	**2,629,746**	**158,969,706**
B.1. Changes in equity - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,629,746**	**0**	**-2,629,746**
a) Treasury share withdrawal	0	0							0	0
b) Release of treasury share reserves				0				0	0	0
c) Dividend payment	0	0	0			0	0	-2,629,746	0	-2,629,746
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**			**0**	**-237,233**	**0**	**5,905,714**	**5,668,481**
a) Net profit or loss for the reporting period	0	0	0			0	0	0	5,905,714	5,905,714
b) Gains or losses on revaluation of investments	0	0	0			0	-7,814	0	0	-7,814
b) Other components of comprehensive income for the reporting period	0	0	0			0	-229,418	0	0	-229,418
B.3. Changes within equity	**32,081,977**	**0**	**179,990**			**-28,662,173**	**51,852**	**2,629,746**	**-6,281,392**	**0**
a) Allocation of the remaining net profit of the comparable reporting period to other components of equity	0	0	0			0	0	2,629,746	-2,629,746	0
b) Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management	0	0	179,990			3,419,804	0	51,852	-3,651,646	0
c) Allocation of part of net profit to additional reserves in accordance with decision of the AGM	32,081,977					-32,081,977		0		0
d) Other changes within equity	0	0	0			0	51,852	-51,852	0	0
C. At 31 Dec 2020	**110,465,794**	**46,306,588**	**1,100,257**	**0**	**0**	**3,419,804**	**-1,538,070**	**0**	**2,254,068**	**162,008,442**
Distributable profit 2020								0	2,254,068	2,254,068

Table 35: Statement of changes in equity in 2020

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

6. Statement of Changes in Equity for the Year ended 31 December 2019

2019	Called-up capital		Profit reserves							
	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. At 31 Dec 2018	78,562,832	46,208,187	651,328	80,613	-80,613	26,972,127	-1,003,642	0	2,200,470	153,591,303
A.2. At 1 Jan 2019	**78,562,832**	**46,208,187**	**651,328**	**80,613**	**-80,613**	**26,972,127**	**-1,003,642**	**0**	**2,200,470**	**153,591,302**
B.1. Changes in equity - transactions with owners	**-179,014**	**98,401**	**0**	**-80,613**	**80,613**	**0**	**0**	**-2,119,857**	**0**	**-2,200,470**
a) Treasury share withdrawal	-179,014	98,401			80,613				0	0
b) Release of treasury share reserves				-80,613				80,613	0	0
c) Dividend payment	0	0	0			0	0	-2,200,470	0	-2,200,470
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**			**0**	**-441,407**	**0**	**8,020,282**	**7,578,875**
a) Net profit or loss for the reporting period	0	0	0			0	0	0	8,020,282	8,020,282
b) Gains or losses on revaluation of investments	0	0	0			0	7,104	0	0	7,104
b) Other components of comprehensive income for the reporting period	0	0	0			0	-448,511	0	0	-448,511
B.3. Changes within equity	**0**	**0**	**268,939**			**5,109,850**	**92,359**	**2,119,857**	**-7,591,006**	**0**
a) Allocation of the remaining net profit of the comparable reporting period to other components of equity	0	0	0			0	0	2,200,470	-2,200,470	0
b) Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management	0	0	268,939			5,109,850	0	11,746	-5,390,536	0
c) Allocation of part of net profit to additional reserves in accordance with decision of the AGM						0		0		0
d) Other changes within equity	0	0	0			0	92,359	-92,359	0	0
C. At 31 Dec 2019	**78,383,817**	**46,306,588**	**920,267**	**0**	**0**	**32,081,977**	**-1,352,689**	**0**	**2,629,746**	**158,969,706**
Distributable profit 2019								0	2,629,746	2,629,746

Table 36: Statement of changes in equity in 2019

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

C

Notes to the Financial Statements Compiled in Accordance with the Companies Act (ZGD) and SAS

1. Basis of Preparation

The financial statements have been prepared in accordance with provisions of Slovene Accounting Standards (SRS 2016), the Energy Act (EZ-1), and the Companies Act (ZGD-1).

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

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

The Company applies the same accounting policies and methods consistently from one year to the other.

BASIS OF MEASUREMENT

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

- **EXCHANGE RATE AND TRANSLATION INTO THE LOCAL CURRENCY**

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

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

- **USE OF ESTIMATES AND JUDGEMENTS**

  In the preparation of financial statements, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying amount of assets and liabilities, revenues and expenses. Pricing and related assumptions and uncertainties are disclosed in the notes to the individual financial statement items. Those estimates, judgements and assumptions are regularly revised. Since estimates and assumptions are subject to subjective judgement and some degree of uncertainty, subsequent actual results may differ from those estimates. Any changes in accounting estimates are recognised in the period when the change occurred, providing the change only affects that particular period; however, when the change also impacts future periods, they are recognised in the period of the change occurring and future periods.

Estimates and assumptions are used primarily when making the following judgements:

LEASES

The Company has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**

  A contract is identified as a lease if it renders the Company the right to control the leased asset. The Company controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.

- **Determining the term of the lease**

  The lease term is determined as the period during which the lease cannot be terminated, inclusive of:

  a. the period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option.
  b. the period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option. Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Company's needs to use the asset, considering its plans and long-term business policies.

- **Determining the discount rate**

  The discount rate is determined based on the interest rate at which the Company can obtain comparable assets on the market with a comparable maturity.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably. Revenue is recognised when it is reasonably expected that economic benefits will flow to the Company, if it is not already realised on its occurrence.

The Company applied the following accounting judgements that significantly affect the determination of the amount and timing of revenue recognition from contracts with customers:

- **Determining the point in time when contractual obligations are fulfilled**

  Revenue from the sale of goods and services is recognised at the time of sale. From the time of sale, the Company no longer has control over the goods or services sold. In the case of sales over time, the Company recognises separately revenues from the sale of goods and financial income deferred over the entire financing period.

- **Sales made in the name and for the account of third parties**

  The Company has certain contracts with customers for the sale of merchandise for and on behalf of suppliers and supplies goods to the customers. The Company determined that it does not control the goods before they are transferred to customers, has no ability to direct the use of the goods or obtain benefits from the goods. In addition, the Company is not exposed to any risks associated with the inventory before or upon transfer of goods to the customer, since it acquires equipment only with the approval of the customer and is able to return the unsold goods to the supplier. The Company has no discretionary right in determining the price for the goods sold on behalf of third parties. The consideration for agency services is agreed in advance as the difference between the final selling price and the purchase price, both of which are agreed in advance with the supplier.

  Management has assessed the impact of the SAS 15 on the Company's financial statements and believes that the standard has no significant impact on the timing of recognition or the amount of revenue recognised.

  On 1 July, 2007, Elektro Primorska, d.d., lost its status of a public corporation and since then, it has been operating as a public limited company. By decision on granting concession, the Government of the Republic of Slovenia granted exclusive concession for the provision of public utility services of the distribution system operator for the entire territory of the Republic of Slovenia to the company SODO, d.o.o., from Maribor.

  SODO concluded an agreement for the lease of the electricity distribution infrastructure and the provision of services of the distribution system operator with Elektro Primorska, the owner of the electricity distribution infrastructure. A new contract for the lease of the electricity distribution infrastructure and the provision of services of the distribution system operator was signed between Elektro Primorska and SODO on 29 November 2019, which took effect on 1 January 2019.

Based on the contract and annexes to the contract, Elektro Primorska:

- Leases out the infrastructure for rent,
- Carries out and charges services described in the annex to the contract to SODO,
- Issues invoices for the use of the network to the end-users of the distribution network on behalf of and for the account of SODO,
- Invoices network charges, installed power and over-standard services on behalf and for the account of SODO.

Legal Act on the methodology determining the regulatory framework and network charge for the electricity distribution system for electricity system operators was published in the Official Gazette of the Republic of Slovenia, no. 46/2018, 47/2018 (with amendments) on 21 June 2018, inclusive of Appendix 1: The parameters for determining the network charge for the regulatory period from 1 January 2019 to 31 December 2021. Pursuant to this Act, on 11 December 2018, the Energy Agency by decision no. 211-42/2018-58/452 laid down the regulatory framework for the distribution system operator's activity during the regulatory period from 1 January 2019 to 31 December 2021. The decision envisages the eligible costs, broken down by individual distribution network areas, which determine the framework of funds in an individual year of the regulatory period.

The new price list of over-standard services for SODO came into effect on 1 January 2018.

2. Notes to the Balance Sheet

The Company's balance sheet is compiled in accordance with SAS (2016) 20.4.

2.1 Intangible assets

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

The intangible assets of the Company comprise development studies and studies being developed. Long-term rights include the right to use holiday facilities and land; the right to use space in the facility for the purpose of the transformer station; and software licences. Other long-term deferred costs comprise the cost of pre-paid lease liabilities.

The cost of an item of intangible asset is comprised of its purchase price or the cost of its manufacture or development.

After initial recognition, the items of intangible assets are measured at cost and amortised individually on a straight-line basis, using amortisation rates ranging from 3.33 to 33.3 percent, the same as in 2019. Amortisation of an item of intangible assets with final useful life begins when the asset is made ready for its use. Useful lives of significant items of intangible assets and long-term deferred costs are checked regularly at the end of each financial year.

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

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

The value of intangible assets increased by €1,269,876 invested in 2020 (2019: €1,418,066) in the acquisition and activation of long-term rights, primarily software licences for the new ERP system introduced in the Company.

Due to complaints in the process of obtaining a building permit, since 2004 the Company has recognised amortisation of studies in progress as the value of invested assets in the planned construction of wind power plants.

Development studies are carried at cost and are written-off against the cost of studies rather than recognised as amortisation. They are written-off at the rate of 20% per annum (the same as in the previous year), depending on the useful life of these assets, which is five years. Individual book values of intangible assets are not relevant to the financial statements as a whole.

The Company has unlimited rights to its intangible assets.

As at 31 December 2020, 28.84% of all intangible assets in use was fully amortised (2019: 41.26%). The share is calculated based on the cost of the assets.

The Company discloses €457,906 of trade payables on account of the intangible assets' acquisition as at 31 December 2020 (2019 year-end: €501,958), and €250,793 of commitments based on contracts agreed for the purchase of licenses (2019: €262,329).

Movements in intangible assets in 2020 are presented in the following Table:

in EUR

2020	Deferred costs of development studies	Long-term rights	Other long-term deferred costs	Intangible assets being acquired	Total
Cost					
At 1 Jan	645,721	9,560,518	45,549	1,147,503	11,399,292
Additions during the year	0	0	4,610	1,227,390	1,232,000
Additions from ongoing investments	0	1,269,876	0	-1,269,876	0
Disposals during the year	0	-2,097,628	-39,488	0	-2,137,116
At 31 Dec	645,721	8,732,766	10,670	1,105,017	10,494,175
Accumulated amortisation					
At 1 Jan	645,721	5,810,536	0	1,105,017	7,561,274
Amortisation for the year	0	1,569,403	0	0	1,569,403
Disposals during the year	0	-2,097,628	0	0	-2,097,628
At 31 Dec	645,721	5,282,312	0	1,105,017	7,033,050
Carrying amount					
At 1 Jan	0	3,749,982	45,549	42,486	3,838,017
At 31 Dec	**0**	**3,450,455**	**10,670**	**0**	**3,461,125**

Table 37: Movements in intangible assets in 2020

Movements in intangible assets in 2019 are presented in the following Table:

in EUR

2019	Deferred costs of development studies	Long-term rights	Other long-term deferred costs	Intangible assets being acquired	Total
Cost					
At 1 Jan	645,721	8,232,834	55,531	1,106,247	10,040,332
Additions during the year	0	0	17,693	1,459,322	1,477,015
Additions from ongoing investments	0	1,418,066	0	-1,418,066	0
Zmanjšanja v letu	0	-90.381	-27.674	0	-118.055
At 31 Dec	645,721	9,560,518	45,549	1,147,503	11,399,292
Accumulated amortisation					
At 1 Jan	645,721	4,408,741	0	1,105,017	6,159,480
Amortisation for the year	0	1,492,175	0	0	1,492,175
Disposals during the year	0	-90,381	0	0	-90,381
At 31 Dec	645,721	5,810,536	0	1,105,017	7,561,274
Carrying amount					
At 1 Jan	0	3,824,092	55,531	1,230	3,880,852
At 31 Dec	**0**	**3,749,982**	**45,549**	**42,486**	**3,838,017**

Table 38: Movements in intangible assets in 2019

2.2 Property, plant and equipment

The items of property, plant and equipment of the Company include land, buildings and equipment, as well as P, P&E under construction or manufacture. They are reported in the balance sheet at carrying amounts as the difference between their cost and written-down value. The Company recognises property, plant and equipment under the cost model.

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

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

The cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. The following costs can be directly attributed to the cost of the assets:

- cost of materials and services used in producing the asset,
- employee benefits associated with the production of the asset,
- relevant share of the overheads.

Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised under expenses. In addition, an entity recognises revenue from capitalised own products.

Expenditure on repairs or maintenance of property, plant and equipment is made to restore or maintain future economic benefits expected on the basis of the originally assessed standard of performance of the assets. These expenditures are recognised as costs or operating expenses.

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

in %

	2020	2019
Computer hardware	33.3	33.3
Real estate (land and facilities)	0.00 - 5.00	0.00 - 5.00
Transformers	2.86 - 3.33	2.86 - 3.33
Electronic counters	4.17 - 6.67	4.17 - 6.67
HGV vehicles	8.33	8.33
Cars	12.5	12.5
Other property, plant and equipment	2.50 - 20.00	2.50 - 20.00
Artwork	0.00	0.00

Table 39: Depreciation rates of property, plant and equipment

Cost of self-constructed facilities is the cost price, which does not exceed the market price of similar assets.

In accordance with SAS (2016) 1.11, the Company breaks down the cost of new acquisitions made in 2020 with different useful lives to components that are significant in relation to the total cost.

Accumulated depreciation of property, plant and equipment is recognised as an adjustment of their value.

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

Movements in the items of property, plant and equipment in 2020 are presented in the following Table:

in EUR

2020	Land	Facilities	Equipment	Assets under construction and advances	Total
Cost					
At 1 Jan 2020	5,604,052	397,697,349	163,240,432	3,317,965	569,859,799
Additions during the year	31,014	368,126	0	19,997,249	20,396,389
Additions from ongoing investments	0	7,902,516	9,053,810	-16,956,326	0
Disposals during the year	-29,021	-2,631,657	-3,641,060	0	-6,301,739
At 31 Dec 2020	5,606,045	403,336,334	168,653,182	6,358,889	583,954,449
Accumulated depreciation					
At 1 Jan 2020	0	270,966,790	107,902,346	829,032	379,698,169
Depreciation for the year	0	5,903,790	5,415,512	0	11,319,302
Disposals during the year	0	-2,345,838	-3,534,752	0	-5,880,590
At 31 Dec 2020	0	274,524,742	109,783,107	829,032	385,136,880
Carrying amount					
At 1 Jan 2020	5,604,052	126,730,559	55,338,086	2,488,933	190,161,630
At 31 Dec 2020	**5,606,045**	**128,811,592**	**58,870,075**	**5,529,857**	**198,817,568**

Table 40: Movements in property, plant and equipment in 2020

Net carrying amount of the items of property, plant and equipment increased by €8,655,938 in 2020 compared to the previous year (2019: an increase of €6,857,113). Movements in property, plant and equipment relate to new acquisitions amounting to €20,396,389 (2019: €18,117,455), depreciation of €11,319,302 (2019: €11,017,950) and disposals in the carrying amount of €421,149 (2019: €242,391).

Depreciation of fixed assets under construction of €829,032 refers to invested assets in relation to the planned investment in the construction of wind power plants, which is currently in the process of resolving complaints. Depreciation has been recognised since 2004.

The Company has not obtained any fixed assets under financial lease.

The Company reports €2,919,988 of payables to suppliers of property, plant and equipment as at 31 December 2020 (2019 year-end: €830,000), and €6,000,000 of contingencies arising from from signed binding contracts (2019 year-end: €6,600,000).

As at 31 December 2020, 41.74% of all property, plant and equipment in use was fully depreciated (2019: 41.73%). The share is calculated based on the cost of property, plant and equipment, excluding land.

Since 1 July 2007, SODO has been providing commercial public service in the area of Elektra Primorska. In accordance with the agreement between the two, Elektro Primorska has leased to SODO all the relevant infrastructure. The electricity distribution infrastructure granted under operating lease to SODO in accordance with the contract, is reported as an item of property, plant and equipment rather than investment property. The Company believes that such accounting treatment is more appropriate as the essence of the relationship is the ownership use of the assets. Moreover, the assets are not held by the Company to earn rentals or other returns.

As at 31 December 2020, the cost of leased infrastructure amounted to €513,750,529 (2019: €502,977,000), depreciation to €341,135,335 (2019: €336,461,780) and the carrying amount to €172,615,194 (2019: €166,515,220).

in EUR

	2020	2019
Land	3,439,458	3,434,128
Infrastructure facilities	115,058,307	112,313,634
Infrastructure equipment	53,276,421	50,038,623
Long-term rights	841,008	728,835
	172,615,194	**166,515,220**

Table 41: Carrying amount of leased infrastructure

A total €19,997,249 was invested in property, plant and equipment in 2020, which is slightly more than planned, mostly on account of accelerated investing activity following the assessment of the physical state of the infrastructure, poor quality of supply in certain areas and increased demand for electricity.

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMEN IN 2019

in EUR

2019	Land	Facilities	Equipment	Assets under construction and advances	Total
Cost					
At 1 Jan 2019	5,601,776	391,031,686	157,712,350	3,164,684	557,510,496
Additions during the year	0	57,862	0	18,059,593	18,117,455
Additions from ongoing investments	2,276	8,902,319	9,001,717	-17,906,312	0
Disposals during the year	0	-2,294,518	-3,473,634	0	-5,768,153
At 31 Dec 2019	5,604,052	397,697,349	163,240,432	3,317,965	569,859,799
Accumulated depreciation					
At 1 Jan 2019	0	267,330,820	106,046,128	829,032	374,205,980
Depreciation for the year	0	5,808,397	5,209,552	0	11,017,950
Disposals during the year	0	-2,172,427	-3,353,334	0	-5,525,761
At 31 Dec 2019	0	270,966,790	107,902,346	829,032	379,698,169
Carrying amount					
At 1 Jan 2019	5,601,776	123,700,866	51,666,222	2,335,652	183,304,516
At 31 Dec 2019	**5,604,052**	**126,730,559**	**55,338,086**	**2,488,933**	**190,161,630**

Table 42: Movements in property, plant and equipment in 2019

RIGHT-OF-USE ASSETS

The right-of-use assets refer to the use of various commercial real estate such as offices and other buildings, equipment and cars, which the Company obtained under lease arrangements. The terms and conditions of the lease are subject to individual contracts and vary according to the type and term of an individual lease. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company determines the lease term as the period during which the lease cannot be terminated, inclusive of the period for which the option to extend the lease applies and the period for which the period to terminate the lease applies, considering the probability that either of the two options will or will not be exercised.

The lease term depends on the type of leased asset and ranges from:

- 14 years (land),
- 10 to 17 years (offices and other buildings),
- 1 to 5 years (cars).

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lease liabilities relating to short-term leases and leases of low-value assets are recognised as an expense over the lease term.

For all other leases, the Company recognised lease liabilities and the right-of-use assets.

The Company recognises the right-of-use assets at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The depreciation rates applied to the right-of-use assets are as follows:

in %

RIGHT-OF-USE ASSETS	2020	2019
Property	5.94 - 9.3	5.94 - 9.3
Cars	20 - 70.59	25 - 64

If ownership of the leased asset transferrs to the Company at the end of the lease term or the group exercises a purchase option, the depreciation is calculated based on the estimated useful life of the asset.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to purchase). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line bass over the lease term.

Movements in the right-of-use assets in 2020:

in EUR

2020	Land	Facilities	Equipment	Total
Cost				
At 1 Jan 2020	6,053	264,732	71,722	342,506
Additions	0	0	122,474	122,474
Disposals during the year	0	0	-30,149	-30,149
At 31 Dec 2020	6,053	264,732	164,046	434,831
Accumulated depreciation				**0**
At 1 Jan 2020	432	16,873	26,578	43,883
Depreciation for the year	432	16,873	26,530	43,835
Disposals during the year			-30,149	-30,149
At 31 Dec 2020	865	33,746	22,959	57,569
Carrying amount				
At 1 Jan 2020	5,621	247,859	45,144	298,623
At 31 Dec 2020	**5,188**	**230,986**	**141,088**	**377,262**

Table 43: Movements in the right-of-use assets in 2020

Movements in the right-of-use assets in 2019:

in EUR

2019	Land	Facilities	Equipment	Total
Cost				
At 31 Dec 2018	0	0	0	0
Changes due to the adoption of IFRS 16	0	264,732	60,677	325,409
At 1 Jan 2019	6,053	264,732	60,677	331,462
Additions	0	0	22,126	22,126
Disposals during the year	0	0	-11,082	-11,082
At 31 Dec 2019	6,053	264,732	71,722	342,506
Accumulated depreciation				**0**
At 1 Jan 2019	0	0	0	0
Depreciation for the year	432	16,873	26,578	43,883
Disposals during the year			0	0
At 31 Dec 2019	432	16,873	26,578	43,883
Carrying amount				
At 1 Jan 2019	0	325,409	60,677	386,086
At 31 Dec 2019	**5,621**	**247,859**	**45,144**	**298,623**

Table 44: Movements in the right-of-use assets in 2019

2.3 Investment property

Investment property is property (land or buildings), which is held to earn rentals and/or increase its value. On initial recognition, investment property is valued at cost, consisting of purchase price and the costs that can be directly attributed to the acquisition. Subsequent to initial recognition, it is measured under the cost model the same as the items of property, plant and equipment.

Depreciation is recognised on a straight-line basis over the estimated useful lives of the investment property. The depreciation rates range from 2% to 5%, the same as in 2019.

The cost of depreciation, maintenance and operation of investment property amounted to €63,897 in 2020 (2019: €64,861), of which depreciation amounted to €8,765.

The Company generated €64,360 of revenue from the lease of its investment property in 2020 (2019: €84,828).

Fair value of investment property is equal to its carrying amount. Fair value of investment property is estimated by the Company based on the capitalised cash flow method, whereby cash flows consist mainly of received rentals from the lease of investment property. The assumptions used include 0.05 percent growth (the same as in 2019) and the required rate of return of 4.13 percent (2019: 5.26%). The expected level of growth was not achieved in 2020 as a result of the Covid-19 epidemic.

Movements in investment property in 2020:

in EUR

	Investment property - land	Investment property - facilities	Assets under construction and advances	Total
Cost				
At 1 Jan 2020	6,668	888,786	0	895,454
Additions during the year	0	345	12,048	12,393
Additions from ongoing investments	0	0	0	0
Disposals during the year	0	-48,138		-48,138
At 31 Dec 2020	6,668	840,993	12,048	859,710
Accumulated depreciation				
At 1 Jan 2020	0	675,385	0	675,385
Depreciation for the year	0	8,765		8,765
Disposals during the year	0	-47,793		-47,793
At 31 Dec 2020	0	636,357	0	636,357
Carrying amount				
At 1 Jan 2020	6,668	213,401	0	220,070
At 31 Dec 2020	**6,668**	**204,636**	**12,048**	**223,353**

Table 45: Movements in investment property in 2020

Movements in investment property in 2019:

in EUR

	Investment property - land	Investment property - facilities	Assets under construction and advances	Total
Cost				
At 1 Jan 2019	6,668	884,084	0	890,752
Additions during the year	0	0	4,702	4,702
Additions from ongoing investments	0	4,702	-4,702	0
At 31 Dec 2019	6,668	888,786	0	895,454
Accumulated depreciation				
At 1 Jan 2019	0	666,264	0	666,264
Depreciation for the year	0	9,121		9,121
Disposals during the year	0	0		0
At 31 Dec 2019	0	675,385	0	675,385
Carrying amount				
At 1 Jan 2019	6,668	217,820	0	224,488
At 31 Dec 2019	**6,668**	**213,401**	**0**	**220,070**

Table 46: Movements in investment property in 2019

2.4 Long-term investments

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

Long-term investments are those that the investing company intends to hold for a period of more than one year. Long-term investments comprise investments in equity of subsidiaries, in shares and stakes of companies, other financial investments and long-term loans granted.

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

Investments are recognised on the transaction date. The same applies to the ordinary disposal of investments.

Long-term investments in equity of subsidiaries (with over 50% holding), which are included in the consolidated financial statements, and investments in associates where the parent's holding ranges from 20% to 49.9%, are valued at cost. The share in the profit of a subsidiary is recognised in profit or loss of the controlling entity when the resolution regarding profit distribution is adopted. If the investment in a subsidiary is impaired due to a loss incurred by the subsidiary, the impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows.

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

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

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

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

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

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

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

In accordance with SAS 3 (2016), which addresses accounting treatment of investments, they are classified as available-for-sale financial assets.

Investments consist of the following items:

LONG-TERM INVESTMENTS

	31.12.2020		31.12.2019	
	In EUR	Number of shares or stakes	In EUR	Number of shares or stakes
Other shares and stakes:				
Informatika Maribor d.d.	240,755	11.88%	240,755	11.88%
Zavarovalnica Triglav d.d.	71,040	2,368	78,854	2,368
Primorski tehnološki park d.o.o.	1.808	0.144%	1.808	0.144%
Stelkom d.o.o. Ljubljana	57,837	6.32%	57,837	6.32%
Total other shares and stakes	**371,440**		**379,255**	
Impairment of investment in Eldom d.o.o.	0		0	
Impairment of investment in Informatika d.d.	-78,470		-78,470	
Impairment of investment in Stelkom d.o.o.	-6,209		-6,209	
Total other shares and stakes	-84,679		-84,679	
Total	**286,761**		**294,576**	
Total long-term investments	**286,761**		**294,576**	

Table 47: Long-term investments

Investments in shares and stakes in other companies are reported at cost, with exception of investments in shares of Zavarovalnica Triglav, which are reported as other long-term investments classified and measured at fair value through equity.

The Company has assessed that there is no need for revaluation of investments carried at cost and whose price is not published on an active market.

MOVEMENTS IN INVESTMENTS in EUR

	Investments in shares of group companies	Other shares and stakes	Total
At 1 Jan 2020	0	294,576	294,576
Increase	0	-7,814	-7,814
Decrease	0	0	0
At 31 Dec 2020	**0**	**286,761**	**286,761**

Table 48: Movements in investments

The Company holds an 11.88% of shares of Informatika, d.d., Maribor.

Reconciliation of the investment in Zavarovalnica Triglav, d.d. to the lower market value in the amount of €7,814 was recognised in other comprehensive income under equity. Reserves arising from the revaluation of Zavarovalnica Triglav d.d. shares amount to €68,570 as at 31 December 2020.

2.5 Long-term operating receivables

in EUR

	31.12.2020	31.12.2019
Due from the operators of apartment buildings	29,753	28,606
Long-term trade receivables	136,613	272,864
Total	**166,366**	**301,470**

Table 49: Long-term operating receivables

Long-term operating receivables are assets used in the maintenance of facilities, which are grouped per operators of multi-apartment buildings according to the Housing Act.

Long-term trade receivables are receivables that mature within a period of more than one year and comprise receivables on account of construction work performed for Titus Lama d.o.o. in the amount of €98,759 (receivables mature in 2022); of that, long-term receivables amount to €39,504, while the current amount payable in 2021 amounts to €59,255); receivables due from Hidria AET d.o.o. in the amount of €152,600, maturing in 2023; of that, long-term receivables amount to €97,109, while the current amount payable in 2021 amounts to €55,491).

Receivables of all categories are initially recognised at amounts arising from the relevant documents under the assumption that the amounts owed will be settled.

2.6 Deferred tax assets

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

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

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

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

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

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

The Company reports €922,689 of deferred tax assets (2019: €681,583). The applicable tax rate for financial year 2020 is 19 percent (the same as in 2019), which is expected to be applied also in the coming years. The largest increase in deferred tax assets was recognised on account of unused tax relief, i.e., investment relief in the amount of €1,228,002, which the Company intends to utilise in the coming years.

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

Based on the adopted decisions on the operation of distribution companies in Slovenia and their objectives, which the Company is required to achieve in the coming years, the Company's management believes that in the future the Company will have available sufficient taxable profits against which deferred tax assets can be utilised.

MOVEMENTS IN DEFERRED TAX ASSETS IN 2020 — in EUR

	on account of provisions	on account of deferred receivables	on account of unused tax relief	on account of investment impairment	Total
At 1 Jan 2020	473,700	192,973	0	14,909	681,583
Increase recognised in profit or loss	21,557	0	233,320	0	254,877
Increase recognised in equity	18,640	0	0	0	18,640
Decrease recognised in profit or loss	0	-32,410	0	0	-32,410
At 31 Dec 2020	**513,896**	**160,563**	**233,320**	**14,909**	**922,689**

Table 50: Movements in deferred tax assets in 2020

MOVEMENTS IN DEFERRED TAX ASSETS IN 2019 in EUR

	on account of provisions	on account of deferred receivables	on account of investment impairment	Total
At 1 Jan 2019	418,206	195,075	14,909	628,191
Increase recognised in profit or loss	18,176	0	0	18,176
Increase recognised in equity	37,386	0	0	37,386
Decrease recognised in profit or loss	-68	-2,102	0	-2,170
At 31 Dec 2019	**473,700**	**192,973**	**14,909**	**681,583**

Table 51: Movements in deferred tax assets in 2019

2.7 Non-current assets (disposal groups) held for sale

Non-current assets held for sale or assets of disposal groups are those non-current assets for which it is reasonably assumed that their carrying amount will be settled predominantly through their sale rather than their further use. This condition is deemed to have been complied with only, if the sale is highly probable and if the assets or group of assets are in the condition that makes the sale possible. The management needs to be committed to the closing of the sale process within a year from the asset's reclassification to non-current assets held for sale or to the assets of disposal group.

The assets related to the subsidiary for which it is planned that the controlling influence will be lost, are reclassified to the group of assets for disposal irrespective of whether the controlling company is planning to keep the minority stake after the sale or not.

Non-current assets held for sale and assets of disposal groups are measured at the lower of their carrying amount or fair value less costs to sell.

Investment in the subsidiary E 3 d.o.o. in the amount of €6,522,017 was recognised as an item of non-current assets held for sale. On 26 February 2020, the Company signed a Contract with Petrol, d.d. for the sale and purchase of a 100% stake in E 3, d.o.o. On 28 October 2020, the Slovenina Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d. and E 3, d.o.o., and stating that the concentration complied with competition rules. For disclosures about the sale refer to Chapter B 8.

As at 31 December 2020, subsidiary E 3 had €15,179,725 of total capital and generated €619,744 of net profit.

2.8 Inventories

Inventories consist of materials, small tools in the warehouse, unfinished services and merchandise.

Inventories also include small tools with useful life of up to one year and those with values of up to €500, whose life period exceeds more than one year. These are means of protection and small tools in stock, which are recognised in the off-balance sheet records when they are put to use.

Inventories are initially measured at cost, comprising the purchase price and direct costs of acquisition. Purchase price is reduced by obtained discounts.

At the end of the financial year the Company verifies whether inventories should be revalued due to impairment. Inventories of material are revalued due to impairment if their book value exceeds the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, decreased by the estimated costs of completion and the estimated costs related to the sale.

Declining values of inventories are accounted for using the moving average prices method.

in EUR

	31.12.2020	31.12.2019
Materials	1,134,801	1,182,364
Small tools	28,152	32,478
Merchandise	1,810	5,368
Total	**1,164,763**	**1,220,210**

Table 52: Inventories

The largest share of inventories comprise materials intended for the maintenance and construction of electric power facilities and equipment. Compared to the previous year, the inventories decreased by 4.54% in 2020.

The reason for this is the fact that at the beginning of 2019 the Company switched to a new information system, which in turn required certain changes in the warehouse operation. Thus, in addition to the main and convenient warehouses, we have also created »virtual« warehouses. The main reason for rather high quantities of inventories is primarily the stock of material in the main warehouses, material that has neither been eliminated from books of accounts nor returned to the suppliers from project warehouses, and in inventories in the main warehouses, which are kept to ensure smooth warehouse operation and automatic transfer from regular stock to individual projects.

No inventories were impaired either in 2020 or 2019, as prices of materials have remained approximately at the same level as in previous years and the Company holds no obsolete inventories of material. Furthermore, the inventory value is matched with the latest known purchase prices on a monthly basis based on physical stock count of materials and small tools. In 2020, the credit note relating to costs amounted to €9,279 (2019: cost of €6,618). In the year under review, inventories valued at €114,753 had no movements in more than 12 months (2019: €184,289 of inventories with no movement in the past three years), which accounts for 9.87% of inventories that are crucial for the maintenance of energy facilities and as such were not impaired.

2.9 Short-term investments

Investments are financial assets held by the Company in order to increase its financial revenue. They comprise investments in financial debts of other companies.

The adopted accounting policies are described in detail in Notes to long-term investments.

At the end of 2020, the Company reports no short-term deposits placed with banks.

2.10 Short-term operating receivables

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

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

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

Interest on receivables from external customers is recorded as receivables for which allowances are recognised due to a doubt regarding their recovery. Interest income is recognised on the settlement date.

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

Doubtful and disputed receivables include:

- outstanding receivables originating from previous years
- disputed receivables and
- receivables due from business partners undergoing insolvency proceedings and compulsory settlements.

SHORT-TERM OPERATING RECEIVABLES in EUR

	31.12.2020	31.12.2019
Receivables due from sales:		
– group companies	27,349	28,766
– domestic market	6,494,743	6,746,543
Allowances	**-313,980**	**-474,383**
	6,208,112	**6,300,926**
Interest receivable		
– group companies	0	0
- other customers	46,368	59,733
Allowances	**-43,199**	**-54,721**
	3,168	**5,012**
Advances:	**10,540**	**14,594**
Other receivables:		
– group companies	0	178
- from government and other institutions	547,873	100,363
- from employees	0	337
- from others	51,874	55,600
Allowances	**-3,281**	**-1,935**
	596,465	**154,543**
Total	**6,818,286**	**6,475,075**

Table 53: Short-term operating receivables

Maturity of receivables:

MATURITY OF RECEIVABLES in EUR

	31.12.2020	31.12.2019
Not past due	6,072,676	6,125,104
Due and outstanding up to 30 days	126,708	159,696
Due and outstanding from 31 to 60 days	11,123	16,868
Due and outstanding from 61 to 90 days	206	1,017
Due and outstanding from 91 to 365 days	566	3,106
Overdue for more than 365 days	0	149
Total	**6,211,280**	**6,305,939**

Table 54: Maturity structure of receivables

As at 31 December 2020, maturity structure of receivables is as follows:

- 97.77% of outstanding receivables has not matured,
- 2.04% of receivables is overdue up to 30 days,
- 0.18% of receivables is overdue from 31 to 60 days and
- 0.01% of receivables is overdue more than 60 days, amounting to €772.

SHORT-TERM RECEIVABLE ALLOWANCES | in EUR

	31.12.2020	31.12.2019
At 1 Jan	531,039	544,233
Collected written-off receivables	-7,103	-6,505
Final write-off of receivables	-171,848	-29,730
Allowances recognised in the year	8,373	23,040
At 31 Dec	**360,461**	**531,039**

in EUR

			Utilisation and reversal		
	At 31 Dec 2019	Formation	Written-off	Recovered	At 31 Dec 2020
Trade receivable allowances	474,383	4,833	160,566	4,670	313,980
Interest receivable allowances	54,721	315	9,724	2,112	43,199
Allowances for other short-term receivables	1,935	3,225	1,558	321	3,281
Total receivable allowances	**531,039**	**8,373**	**171,848**	**7,103**	**360,461**

Table 55: Allowances of short-term operating receivables

Doubtful and disputed receivables were impaired according to the individual receivable and business partner. In 2020, the Company recognised 0.12% of receivable allowances. Of total short-term operating receivable allowances recognised in 2020, 1.34% was recovered and 32.36% was written off. Majority of receivables were due for the use of the network. They were written-off after the completion of bankruptcy proceedings with no repayment made to the creditors. Receivables are not insured however, most of them are of such a nature that in the event of default and after repeated reminders, we sanction debtors through termination of access to the distribution network.

Majority of operating receivables from the State and other institutions comprise VAT receivables amounting to €109,374 and refundable salary substitutes of €74,045.

Other operating receivables are mainly due from SODO for overpayment of network charge, receivables on behalf of SODO relating to the network charge for connected load, services provided to SODO, rent receivables and receivables due from insurance companies for damages claimed.

2.11 Cash and cash equivalents

in EUR

	31.12.2020	31.12.2019
Cash at bank	1,837,633	2,965,633
Total	**1,837,633**	**2,965,633**

Table 56: Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash in hand,
- Deposit money on accounts at banks,
- Cash in transit,
- Cash equivalents are readily available investments which may in the near future be converted into a predetermined amount of cash without any significant risk (eg. deposits with maturity of up to three months).

Cash comprises cash on hand in the form of bank notes and coins, as well as cheques received.

Deposit money is cash in bank accounts, or deposited with another type of financial institution and may be used for payment purposes.

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

On initial recognition, cash is carried at amounts arising from the relevant documents. Monetary assets denominated in foreign currencies are translated into the local currency at the balance sheet at the reference rate of the European Central Bank. Exchange rate differences resulting from changes in foreign exchange rates are recognised either as a financial income or expense.

2.12 Short-term deferred costs and accrued income

in EUR

	31.12.2020	31.12.2019
VAT in advances received	652	673
Short-term deferred costs	38,046	23,805
Accrued income	227,692	2,789,912
Vouchers	0	49
Total	**266,390**	**2,814,439**

Table 57: Short-term deferred costs and accrued income

These comprise VAT included in advances received, overpayments, and deferred costs of invoices received in 2020 and referring to the financial year 2021.

Short-term accrued income refers to the short-term part of the preliminary statement of account issued by SODO for rent and services rendered in 2017, maturing in 2021 in the amount of €27,656. No accrued income was recognised in 2020 (2019: €2,658,192). In addition, the Company reports €37,845 of short-term accrued income from services rendered to its subsidiary E 3 d.o.o. (2019: €18,047). At the end of 2020 the Company reports €161,644 of receivables on account of reimbursement of eligible costs incurred on account of the Eurasian eagle-owl conservation project.

Planned formation and drawing of accruals and prepaid expenditure does not substantially deviate from the actual balance, except in reference to the preliminary settlement issued by SODO, which is accounted for at the end of the business year based on the applicable calculation methodology.

in EUR

	VAT in advances received	Short-term deferred costs	Accrued income	Vouchers	Total
At 1 Jan 2019	551	9,797	1,071,302	1,183	1,082,834
Increase	2,333	1,128,247	2,789,925	4,200	3,924,705
Decrease	-2,211	-1,114,240	-1,071,315	-5,334	-2,193,100
At 31 Dec 2019	**673**	**23,805**	**2,789,912**	**49**	**2,814,439**
Increase	740	1,148,428	114,248	0	1,263,417
Decrease	-762	-1,134,187	-2,676,469	-49	-3,811,466
At 31 Dec 2020	**652**	**38,046**	**227,692**	**0**	**266,390**

Table 58: Movements in short-term accruals and prepaid expenditure

2.13 Equity

Capital of the Company consists of:

- Share capital,
- Share premium,
- Legal reserves,
- Reserves for treasury shares and interests
- Treasury shares and interests
- Other profit reserves,
- Fair value reserve
- Retained earnings and
- Net profit for the financial year.

in EUR

	31.12.2020	31.12.2019
Share capital	110,465,795	78,383,817
Share premium	46,306,588	46,306,588
Legal reserves	1,100,257	920,267
Other profit reserves	3,419,804	32,081,977
Fair value reserve	-1,538,070	-1,352,689
Retained profit brought forward	0	0
Net profit for the year	2,254,068	2,629,746
Total	**162,008,442**	**158,969,707**

Table 59: Equity

Share capital of Elektro Primorska is divided into 18,783,898 ordinary registered no-par value shares. Each share has an equal holding and associated amount in the share capital. Ordinary shares are shares that give their holders:

- the right to participate in management of the company,
- the right to profit (dividends),
- the right to an adequate share of the assets after the liquidation or bankruptcy of the company.

All shares are of one class.

OTHER CAPITAL COMPONENTS

Share premium derives from a general capital revaluation adjustment that was converted into share premium on transition to the SAS 2006.

Fair value reserve arose on the revaluation of investments to fair value.

Retained earnings is the proportionate amount of the reversal of actuarial losses on payment of severance to employees.

All equity components other than the share capital belong to shareholders in proportion to their equity stakes in share capital.

The Company generated €5,905,714 of profit in 2020. Of that, €51,852 was allocated to cover losses brought forward from previous years incurred on derecognition of that same amount of actuarial losses. In accordance with the competencies stipulated in the Companies Act (ZGD-1) and the Articles of Association, the Management Board allocated 5% of the remainder of the net profit generated in 2020 to legal reserves and €3,419,804 to profit reserves. The profit available for distribution amounting to €2,254,068 consists of undistributed net profit generated in 2020.

According to the resolution of the General Meeting of Shareholders of 10 July 2020, the Company allocated €2,629,746 of distributable profit of the financial year 2019 to dividends.

At 31 December 2020, the carrying amount of one share stands at **€8.62** (2019: €8.46).

The changes in equity in 2019 and 2020 are disclosed in the statement of changes in equity.

2.14 Provisions and long-term accrued costs and deferred income

Provisions are made for present obligations arising from obligating past events and are expected to be settled within a period not determined with certainty, and whose amount can be reliably estimated.

Provisions for jubilee awards and severance pay upon retirement have the nature of accrued costs. They are set aside for the settlement of expected obligations that will arise from obligating past events and are reduced by the incurrence of actual costs for the settlement of which they were created.

Provisions for severance pay and jubilee awards are set aside in accordance with the Slovenian legislation and are paid to employees upon retirement in the amount of estimated future payments discounted at the balance sheet date. When an employee fulfils the requirements set for retirement, he/she is entitled to termination benefits paid in a lump sum. Furthermore, employees are entitled to jubilee awards for each full ten years of service with the same employer. Provisions for termination benefits and jubilee awards are set aside using the projected unit credit method i.e. the method based on anticipated significance of individual units or the method of accounting for employee benefits in line with the work performed. The following assumptions are considered in the formation of provisions: the number of employees on the balance sheet date; their gender, age, status, salary level and total length of service and the length of service of each employee on the balance sheet date; the amount of jubilee awards and severance pay in accordance with the relevant collective agreement; staff fluctuation and mortality tables. The following values were taken into account in 2020: SLO2007; the selection factor for the active population 75%; European Social Statistics - Accidents at work and work-related health problems 1990x and 1990y (probability of disability based on the BUZ/BV 1990x and BUZ/BV 1990y model); 3.5 percent growth in the average wage in the Republic of Slovenia (2019: 3.5 percent), the annual wage growth in the Company of 3.0 percent (the same as in 2019), the annual percentage of wage growth in the electricity sector of 3.0 percent (2019: 3.0 percent), the employer's contribution rate of 16.1 percent and a 0.3475 percent discount rate for calculating the present value of the Company's future liabilities (2019: 0.7782 percent).

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

Provisions are directly decreased by costs for the settlement of which they were originally created. Provisions are recognised based on the differences reported by the actuary as at 31 December of each year and the balance in the accounting records.

PROVISIONS

in EUR

	31.12.2020	31.12.2019
At 1 Jan	4,986,319	4,402,168
Formation	657,947	932,059
Utilisation	-234,831	-340,240
Reversal	0	-7,667
At 31 Dec	**5,409,436**	**4,986,319**

Table 60: Provisions

in EUR

	Provisions for jubilee awards	Provisions for severance pay	Total
0.5% decrease in discount rate	61,477	241,832	303,309
0.5% increase in discount rate	-56,633	-219,980	-276,613
0.5% salary increase	61,662	240,912	302,574
0.5% salary decrease	-57,498	-221,922	-279,421

Table 61: Sensitivity analysis for FY 2020

in EUR

	Provisions for jubilee awards	Provisions for severance pay	Total
0.5% decrease in discount rate	57,016	214,269	271,285
0.5% increase in discount rate	-52,614	-195,322	-247,936
0.5% salary increase	57,508	214,832	272,340
0.5% salary decrease	-53,698	-198,237	-251,935

Table 62: Sensitivity analysis for FY 2019

Additional provisions of €657,947 (2019: €932,059) were set aside on account of: payroll costs amounting to €372,913 (2019: €382,389), interest expense of €36,976 (2019: €63,772) and €248,059 recognised in equity (2019: €485,897). The reduced amount of additionally recognised provisions is due to the change in the Company's collective agreement, which reduces the employee's rights and thus also the amount of post-employment benefits they are entitled to. The Company paid a total €234,831 of jubilee awards and severance pay on retirement.

in EUR

	Severance pay	Jubilee awards	Total post-employment benefits
At 1 Jan 2019	**3,214,729**	**1,187,440**	**4,402,168**
Current employee benefits	176,677	79,522	256,199
Past service cost	126,191	0	126,191
Interest expense	46,539	17,233	63,772
Post-employment benefits paid	-250,441	-89,799	-340,240
Actuarial surplus	485,897	-7,667	478,230
Reversal	0	0	0
At 31 Dec 2019	**3,799,591**	**1,186,728**	**4,986,319**
Current employee benefits	229,469	94,084	323,552
Past service cost	0	0	0
Interest expense	28,597	8,379	36,976
Post-employment benefits paid	-124,767	-110,064	-234,831
Actuarial surplus/deficit	248,058	49,361	297,419
Reversal	0	0	0
At 31 Dec 2020	**4,180,948**	**1,228,488**	**5,409,436**

Table 63: Movements in provisions for post-employment benefits

LONG-TERM ACCRUED COSTS AND DEFERRED INCOME

in EUR

	Assets acquired free-of-charge	Average cost of connection	Co-financing of facility construction	Grants received	Co-financing of meters from cohesion	Co-financing of the eagle-owl project	Other	Total
At 1 Jan 2020	**7,061,734**	**1,883,359**	**134,689**	**120,385**	**955,067**	**467,545**	**42,185**	**10,664,963**
Formation	399,783	0	0	61,082	0	103,974	7,656	572,495
Reversal	0	0	0	-31,082	0	0	-1,873	-32,955
Transfer to revenue	-286,944	-110,299	-7,024	-19,891	-63,948	-24,811	0	-512,918
At 31 Dec 2019	**7,174,573**	**1,773,059**	**127,665**	**130,494**	**891,119**	**546,708**	**47,968**	**10,691,585**

Table 64: Long-term accrued costs and deferred income

In 2020, the Company recognised €399,783 of additional deferred income on account of free-of-charge acquisition of energy facilities from legal and natural persons (2019: €76,822). In addition, it received €55,779 of grant from the European funds for the Eurasian eagle-owl project (2019: €363,419). The Company reports €109,799 of eligible claims for financial year 2019 and an additional €48,195 of eligible costs incurred in 2020 on account of the Eurasian eagle-owl project.

Utilisation of deferred income from fixed assets obtained free-of-charge (mainly free-of-charge household connections) and co-financing of construction of facilities and equipment in the amount of €382,727 (2019: €339,064) is equal to the annual depreciation of an individual asset obtained free-of-charge or to a pro-rata amount of the co-financed item of fixed assets.

The average connection costs comprise funds collected on account of connections to the power grid and are earmarked for financing of the electricity infrastructure. Deferrals are utilised at the level of 3.33% (the same as in the previous year), which corresponds to an average depreciation rate of power facilities. In 2020, depreciation of these facilities amounted to €110,299, the same as in the previous year.

Co-financing of the facility construction is based on dedicated funds for co-financing of the energy facility construction. These funds are drawn in accordance with the charged depreciation of the relevant facility.

In 2014, the Company received State grant in the amount of €30,491 for reconstruction of the facility in Bovec after the damage caused by the earthquake, and European funds for the SUNSEED project of total €191,553, of which €23,092 was received in 2016. Both projects have now been completed. Following completion of the two investments, long-term accruals decreased by €4,788 of depreciation accounted for in 2020, which was recognised under other operating revenue (2019: €16,333).

In 2020, the Company was granted additional European funds from cohesion to co-finance the purchase and installation of smart electricity meters for the period 2017 - 2022, equal to 33% of the cost. The eligibility of these funds is subject to the audit. No funds were withdrawn from the grant in 2020. Funds are withdrawn in the amount equal to annual depreciation amounting to €63,948, calculated based on the share of each co-financed meter and recognised in other operating income.

Planned formation and drawing of long-term accrued items does not substantially deviate from their actual formation and drawing.

2.15 Long-term liabilities

Long-term financial liabilities refer to long-term borrowings raised to finance the investment activity.

Debts are classified into financial and operating debts, while depending on their maturity they are grouped into long-term and short-term.

Liabilities are initially recognised in the amounts arising from the corresponding documents about their incurrence, under assumption that creditors demand their payment. Long-term liabilities are increased by accrued interest, for which an agreement with creditors exists, and decreased by repaid amounts and any other settlements in agreement with the creditor. They are also reduced by the amounts payable in the next twelve months, which are recognised under current liabilities. Accrued interest on long-term and short-term liabilities is recognised as a financial expense.

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

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

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

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

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

in EUR

	31.12.2020	31.12.2019
Long-term financial liabilities		
Bank Sparkasse d.d.	0	625,000
Intesa Sanpaolo Bank	8,450,000	9,650,000
European Investment Bank	20,944,444	23,400,000
Total	**29,394,444**	**33,675,000**
Current amount of long-term liabilities	-4.122.227	-4,155,556
Total	**25,272,217**	**29,519,444**
Total long-term liabilities	**25,272,217**	**29,519,444**

Table 65: Long-term liabilities

Long-term financial liabilities are secured by bills and comprise borrowings that fall due after 2020. The Ministry of Finance issues consent to the borrowings raised by the Company, after the most favourable bidder is selected and approved.

No additional borrowings were raised by the Company in 2020.

All the borrowings mature by the end of December 2031 at the latest. The value of borrowings that fall due over a period of more than five years from the reporting date amounts to €20,436,111. In 2019, the value of borrowings that matured over a period of more than five years from the reporting date amounted to €20,769,444.

Interest rate agreed on one item of borrowings is one-month EURIBOR and a bank mark-up of 1.16%, while annual interest rates on the other seven borrowings are fixed ranging from 0.661% to 1.104%. Interest on borrowings is calculated and paid monthly or quarterly.

2.16 Lease liabilities

Lease liabilities arise from contracts for lease of assets, the value of which was calculated in accordance with provisions of SAS 1.

in EUR

	31.12.2020	31.12.2019
Long-term lease liabilities	333,018	267,466
Short-term lease liabilities	49,217	33,708
Total lease liabilities	**382,235**	**301,174**

MOVEMENTS IN LEASE LIABILITIES IN 2020: in EUR

	2020	2019
At 1 Jan	**301,173**	**331,462**
Increase	122,474	22,126
Interest	5,856	5,817
Lease payments	-47,268	-53,775
Decrease due to change in lease values	0	-1,722
Derecognition	0	-2,735
At 31 Dec	**382,235**	**301,173**

2.17 Short-term liabilities

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

in EUR

SHORT-TERM FINANCIAL LIABILITIES	31.12.2020	31.12.2019
Current amounts of long-term borrowings	4,122,227	4,155,556
Short-term revolving credit raised from Nova KMB	3,500,000	0
Total short-term financial liabilities to banks	**7,622,227**	**4,155,556**
Dividends payable	5,229	5,229
Short-term lease liabilities	49,217	33,708
Total short-term financial liabilities	7,676,674	4,194,493
SHORT-TERM OPERATING LIABILITIES		
Liabilities to group companies	29,716	26,548
Supplier payables	6,832,658	4,445,419
Payables for advances	19,231	19,819
Total supplier payables	**6,881,604**	**4,491,786**
Liabilities to group companies	0	0
Payables to employees	1,467,963	1,732,720
Payables to the Sate and other institutions	57,197	284,942
Other liabilities	3,729	59,721
Total other short-term operating liabilities	1,528,889	2,077,383
Total short-term operating liabilities	**8,410,493**	**6,569,169**
TOTAL SHORT-TERM LIABILITIES	16,087,167	10,763,662

Table 66: Short-term liabilities

Short-term liabilities to banks include instalments of long-term borrowings that mature in 2021.

Compared to the end of the previous year, operating liabilities increased by €1,841,324 mostly on account of an increase in supplier payables by €2,389,818 and by €62,420 of liabilities arising from assignment and payables to SODO. On the other hand, payables to employees, the State and other liabilities fell by €548,494, on account of a reduced amount of corporate income tax and liabilities from assignments.

Short-term liabilities to employees are payables for December wages and the 2020 performance bonus amounting to €97,319 in accordance with collective agreement for the industry. Final amount of the profit generated by the Company was recognised in the middle of March 2021, when SODO issued a preliminary statement for the financial year 2020. The difference between the advance payment of bonus for the financial year 2020 and the final amount was recognised in costs in December 2020.

Payables to the State comprise value added tax, and liabilities to the State and other institutions on account of payroll taxes.

2.18 Short-term accrued costs and deferred income

in EUR

	31.12.2020	31.12.2019
VAT in advances granted	1,914	1,914
Short-term deferred revenue	352,412	0
Accrued expense	708,021	619,866
Total	**1,062,347**	**621,780**

Table 67: Short-term accrued costs and deferred income

Short-term accrued costs include VAT on advances granted.

The Company reports no short-term deferred income either in 2020 or 2019.

In 2020, the Company set aside €687,666 of provisions on account of unutilsed annual (2019: €599,192), while €18,078 of provisions was recognised on account of interest payable on borrowings as at 31 December 2020. The Company is expected to receive the invoice in 2021.

The increase in the provisions for unutilised annual leave is direct result of the COVID-19 coronavirus epidemic as the employees were unable to take the annual leave.

Short-term accruals and deferrals include €352,412 of accrued expenses, i.e., a reduction in revenues based on the preliminary statement for financial year 2020, which the Company received in mid-March 2021. The invoice was issued at the end of March 2021, following the issue of a decision on preliminary settlement for financial year 2020.

in EUR

	VAT in advances granted	Short-term deferred revenue	Accrued expense	Total
At 1 Jan 2019	2,394	0	674,306	676,700
Increase	0		617,589	617,589
Decrease	-479	0	-672,029	-672,508
At 31 Dec 2019	**1,914**	**0**	**619,866**	**621,780**
Increase	0	352,412	705,744	1,058,156
Decrease	0	0	-617,589	-617,589
At 31 Dec 2020	**1,914**	**352,412**	**708,021**	**1,062,347**

Table 68: Movements in short-term accrued costs and deferred income

Planned formation and drawing of long-term deferrals does not substantially deviate from their actual formation and drawing.

3. Notes to the Income Statement

The Company compiles its income statement under provisions of SAS 21.6 (2016) in Format I.

In accordance with the newly adopted SAS 15 (2019), revenue is recognised when it is reasonably certain that the entity will receive the consideration.

Sales revenue is recognised when the Company fulfils (or is in the process of fulfilling) its contractual obligations. A contractual obligation is the Company's performance obligation to supply or render to the customer the contractually agreed goods or services. The Company fulfills its performance obligation on transfer of the contractually agreed goods or services to the customer. The goods or services are deemed transferred when the customer acquires control over those goods and services. The customer obtains control of the goods or services when he or she acquires the right to decide on their use and the right to practically all the remaining benefits of those goods or services. Such control also includes the ability to prevent others from directing the use of the goods or services or gain benefits from those goods and services. Benefits from goods or services comprise potential cash flows (receipts or cost savings) that can be obtained in different ways either directly or indirectly.

The Company achieved revenues:

- from rent,
- sale of services,
- capitalised own products and services,
- other operating revenues,
- financial income and
- other income.

Use of electricity network is charged to business customers through a special account based on the volume of transmitted energy and capacity charges. The Company charges the use of the energy network and OVE and SPTE contributions to its customers in its own name and for the account of SODO within the framework of the services it provides for SODO.

Revenues from the sale of services include electrical installation services and maintenance of devices owned by subscribers. The scope of these revenues depends on customer orders. Revenues generated in 2020 are recognised based on the prices set for supplementary activities effective since 1 January 2018. The Company also provides services to the netwrok users. These include network connections and disconnections, fuses replacement and additional on-demand scanning. Since 1 January 2013, revenues from these services are no longer included in the Company's revenues, as they are performed on behalf of SODO who transfers the funds charged to it to the Company on a monthly basis.

Revenues include rentals from the lease of infrastructure and services provided to SODO in accordance with the signed contract and annexes to the contract. The amount of rentals and services rendered is based on the regulatory framework defined by the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system. The legal Act contains Annex 1 - Parameters for setting network charges for the regulatory period from 1 January 2019 to 31 December 2021. Pursuant to this Act, on 11 December 2018, the Energy Agency by decision no. 211-42/2018-58/452 laid down the regulatory framework for the distribution system operator's activity during the regulatory period from 1 January 2019 to 31 December 2021. An Annex to the contract was concluded with SODO for the period from 2019 to 2021.

Revenues from capitalised own products and services derive from the preparation of documentation, construction, electro-installation and other works for the construction of facilities by the Company.

Other operating revenues related to products and services include the drawing of long-term accrued costs and deferred revenue, as well as revaluation operating income arising on disposal of property, plant and equipment, and on recovery of impaired receivables, subsidies received and insurance proceeds.

Financial income and expenses comprise interest and dividend income.

3.1 Operating revenue

in EUR

	2020	2019
Net sales		
– electricity	0	0
– rental income from infrastructure	15,962,081	17,169,503
– other rental income	360,277	383,811
– services SODO	18,746,032	20,617,738
– other services	1,891,032	1,761,888
– merchandise	267,736	21,116
Total	**37,227,158**	**39,954,056**
Capitalised own products and services	**10,369,174**	**9,571,803**
Other operating revenue from:		
– utilising provisions	435,392	432,888
– sale of fixed assets	186,210	33,952
– recovered written-off receivables	22,655	7,185
- other revaluation revenue	1,186,277	94,327
– received subsidies	383,546	562,257
– insurance proceeds	15,546	16,922
– other operating revenues	**2,229,626**	**1,147,531**
Total	**49,825,958**	**50,673,389**

Table 69: Operating revenue

3.1.1 Net sales

Net sales revenues are down by €2,726,898 compared to the previous year mostly due to a decrease in the preliminary settlement of account for lease of infrastructure in 2020 for SODO (for €1,308,775). As a result of mitigating the effects of the COVID-10 coronavirus crisis on network users, the Agency reduced the weighted average cost of capital for leased assets from 5.26% to 4.13%. Revenues from the sale of merchandise are up on the previous year as a result of a €249,200 increase in the sale of meters to foreign customers. Hence, revaluation operating revenues from the sale of fixed assets also rose. Revenues from services for the market rose by €129,144 compared to the previous year.

In 2020, majority of revenues amounting to €49,576,758 were achieved from sales on the domestic market.

The entire amount of sales on foreign markets relates to the sale of electricity meters.

3.1.2 Capitalised own products and services

In 2020, capitalised own products and services rose by €797,371.

3.1.3 Other operating revenue

in EUR

Other operating revenue from utilisation of provisions:	2020	2019
Depreciation of fixed assets acquired free of charge	286,944	278,402
Depreciation of FA built from the average connection costs	110,299	110,299
Use of provisions for co-financing of energy facilities construction	7,024	9,027
Reversal of provisions for jubilee awards and termination benefits	0	7,667
Reversal of provisions for unutilised annual leave	31,124	27,492
Total	**435,392**	**432,888**

Table 70: Other operating revenues from utilisation of provisions

Revenues from the sale of fixed assets relate to the surplus of the sales value over the carrying amount of fixed assets sold. The Company generated €170,500 of proceeds from the sale of apartments in 2020.

Collected receivables that were written-off previously include an amount of receivables, which were already eliminated from the accounting records, but were subsequently settled in 2020.

Subsidies received comprise State grant for the employment of workers with disabilities above the required quota, revenues from the drawing of accruals of the SUNSEED project, utilisation of cohesion funds for electricity meters and funds from the Eurasian eagle-owl conservation project, all in the amount equal to the depreciation. There was a major increase in State subsidies received pursuant to the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences, amounting to €660,017. All revenues from subsidies received pursuant to the intervention measures are unconditional.

Insurance proceeds relate to claims recognised by insurance companies for damages to the energy facilities and cars and are down by €178,710 compared to the previous year.

3.2 Operating expenses

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

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

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

€430,127 of revaluation expenses is not included in the cost analysis by functional groups as they are reported in the income statement under write-offs.

in EUR

FY	Production costs	Selling expenses	General and administrative expenses	Total
2019	32,825,139	1,376,392	7,368,411	41,569,942
2020	**34,753,331**	**1,799,554**	**6,967,446**	**43,520,331**

Table 71: Analysis of costs by functional groups

in EUR

Costs by nature	2020	2019
Cost of electricity and merchandise sold	215,243	11,514
Cost of materials	6,097,870	5,664,356
Cost of services	5,528,331	5,585,081
Employee benefits	18,268,773	17,197,327
Amortisation and depreciation	12,941,305	12,569,703
Other operating expenses	135,792	139,661
Total	**43,187,314**	**41,167,642**

Table 72: Costs by primary types

The cost of electricity and goods sold comprise €215,243 of the cost of merchandise sold (2019: €11,514). The increase is due to the purchase of meters for sale on foreign markets. Since the financial year 2017, SODO has been purchasing electricity on account of losses for all electricity distribution companies in Slovenia and thus, in 2020, the Company did not recognise any cost of electricity purchased.

The cost of materials refers to spare parts and materials used in maintenance, elimination of damages and costs of installation materials used in the provision of services for the Company's own needs and for the market of total €5,260,042 (2019: €4,784,495); cost of fuel amounting to €327,251 (2019: €404,443); electricity consumed in the amount of €178,703 (2019: €183,217); office supplies amounting to €49,666 (2019: €63,571); cost of small tools amounting to €170,904 (2019: €157,107), and the cost of ancillary material and professional literature. The Company monitors the cost of materials not only by substance, but also by the nature of work for which these materials were consumed.

The cost of services comprises the cost of fixed asset maintenance amounting to €1,707,882 (2019: €1,731,310); cost of health, advisory, legal and educational services, software and studies of total €639,127 (2019: €689,509); insurance premiums and banking charges amounting to €1,119,340 (2019: €1,076,294); cost of computer processing in the amount of €749,105 (2019: €738,352); telephone and postal services of €373,714 (2019: €375,259); and other costs incurred during ordinary operations such as membership fees, utility services, cleaning services and similar, amounting to €939,163 (2019: €974,357).

The cost of services includes €94,085 of remuneration paid to six members of the Supervisory Board (2019: €94,751). The amount includes net payments, fringe benefits, income tax and contributions. The Company did not grant any loans or issued any guarantees to members of the Supervisory Board.

Remuneration of the Supervisory Board members in 2020:

in EUR

of that:								
Member of the Supervisory Board	Gross earnings in the accounting year	Performance of a function in the Supervisory Board	Bonus	Attendance fees Supervisory Board	Reimbursements of travel expenses	Performance of function in the Audit Committee	Attendance fees Audit Committee	Reimbursement of expenses
STANISLAV RIJAVEC, Chairman	19,644,72	16,950,00	188.25	2,420.00	85.47	0.00	0	0
NIKOLAJ ABRAHAMSBERG, Deputy Chairman	15,259.99	12,430.00	0.00	2,420.00	409.02	0.00	0.00	0.00
RUDOLF PEČOVNIK	20,823.31	11,300.00	188,25	2,420.00	1,634	2,825.00	1,760.00	696.00
DARKO LIČEN	19,631.85	11,300.00	188,25	2,145.00	0.00	4,238.00	1,760.00	0.00
MARKO FIČUR	13,720.04	11,300.00	0.00	2,420.00	0.00	0.00	0.00	0.00
VALDI MORATO	13,720.04	11,300.00	0.00	2,420.00	0.00	0.00	0.00	0.00
MATEJ LONCNER	7,957.79	5,650.00	0.00	2,200.00	106.00	0.00	0.00	0.00
TOTAL	**110,754.74**	80,230.00	**565.75**	16,445.00	**2,234.49**	7,063.00	3,520.00	696.00

Table 73: Remuneration of the Supervisory Board members

A total €18,448 of remuneration was paid in 2020 to other members of the Audit Committee.

Of total cost of the audit, advisory and other financial services amounting to €142,305 (2019: €101,019) €10,500 was paid to the auditors for the audit of the Annual Report.

in EUR

Company	Ernst&Young	Ernst&Young
	2020	2019
Audit of the annual report	10,500	8,500
Other assurance services	1,000	1,000
Other non-audit services	400	400
Total audit cost	**11,900**	**9,900**

Table 74: Cost of the Annual Report audit

In 2020, the Company allocated €109,176 for advertising, sponsorships and hospitality (2019: €126,174).

in EUR

	2020	2019
Employee benefits		
Payroll cost	12,884,823	12,185,669
Cost of supplementary pension insurance	638,029	626,080
Cost of contributions and other levies on salaries	2,112,368	2,024,799
Other labour costs	2,633,553	2,360,779
Total	**18,268,773**	**17,197,327**

Table 75: Employee benefits

Other labour costs include reimbursements to employees, accident insurance, social assistance, and the cost of provisions for severance pay and jubilee awards in the amount of €1,697,371 (2019: €1,459,387). Costs of the annual leave bonus amounted to €936,182 in 2020 (2019: €901,392). Employee benefits include €687,666 of expenses for unused annual leave in the financial year 2020 (2019: €599,192).

An increase in employee benefits in 2020 is based on the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP), and payment of crisis allowance in the amount of €182,609.

In addition, the increase is due to the fact that in 2020 the Company switched to the gross principle of recognising the costs of refunded benefits and related contributions (€436,175).

A total 475 employees received salary based on the collective agreement in 2020. Average number of employees in 2020 was 473, an increase of two employees compared to the average headcount in 2019. Nine employees received €602,543 of salary based on the employment contracts, which are not subject to the tariff part of the collective agreement (in 2019, nine employees received a total €653,419), not including President of the Management Board.

Gross remuneration paid to members of the Management Board in 2020:

in EUR

	Fixed part of salary	Reimbursement of expenses	Bonus – insurance premium	Other receipts and other bonuses	Total
Blažica Uroš	99,437	1,353	219	8,133	109,141

Table 76: Gross remuneration paid to the Management Board in 2020

President of the Management Board and employees on individual employment contracts were not approved any loans or issued any guarantees by the Company.

WRITE-DOWNS

The Company applies straight-line depreciation method. During the overall useful life of an individual asset, the Company consistently allocates its depreciable amount among the individual accounting periods as depreciation of the period. All assets that are subject to depreciation are classified into depreciation groups. Each group has a technical depreciable fixed period of life, based on which the depreciation rate is calculated. Fixed assets are depreciated individually.

Table below provides an overview of depreciation rates used in 2020. The same depreciation rates were also applied in the financial year 2019.

in %:

	2020	2019
Intangible assets (excluding software)	3.33 - 20.00	3.33 - 20.00
Computer hardware and software	33.3	33.3
Real estate (land and facilities)	0.00 - 5.00	0.00 - 5.00
Transformers	2.86 - 3.33	2.86 - 3.33
Electronic counters	4.17 - 6.67	4.17 - 6.67
HGV vehicles	8.33	8.33
Cars	12.5	12.5
Other property, plant and equipment	2.50 - 20.00	2.50 - 20.00
Artwork	0.00	0.00

Table 77: Depreciation rates

in EUR

	2020	2019
Write-downs		
Amortisation of intangible assets	1,569,403	1,492,175
Depreciation of facilities	5,903,790	5,808,397
Depreciation of equipment	5,415,512	5,209,552
Depreciation of investment property	8,765	9,121
Depreciation of the right-of-use assets	43,835	50,457
Total amortisation and depreciation	**12,941,305**	**12,569,703**
Revaluation expenses from:		
- fixed assets	420,611	218,500
- current assets	9,516	23,040
Total revaluation expenses	**430,127**	**241,540**
Total write-downs	**13,371,433**	**12,811,242**

Table 78: Write-downs

In 2020, the Company recognised €420,611 of revaluation expenses from intangible assets and property, plant and equipment as a result of inventory write-off of unserviceable assets and their disposal at the lower market price than was the assets' carrying amount. Of total amount, €296,814 refers to facilities, €102,082 to equipment and €21,716 to intangibles.

Operating expenses from revaluation of current assets in the amount of €9,516 refer to allowances and write-off of receivables on account of the use of network and services, and accrued interest receivable.

in EUR

	2020	2019
Other operating expenses		
Provisions for compensation claims	0	0
Total provisions	**0**	**0**
Duties independent of profit or loss	37,012	39,739
Environmental protection expenditure	93,336	91,845
Awards to students on work experience	5,443	8,076
Total other costs	**135,792**	**139,661**
Total other operating expenses	**135,792**	**139,661**

Table 79: Other operating expenses

Majority of levies that are independent of profit or loss refers to various types of fees and taxes. Environmental protection expenditure includes compensation for the use of building land.

3.3 Financial income

Financial income arises in connection with investments and receivables in the form of accrued interest, and is recognised when there is no doubt about their size or settlement.

in EUR

	2020	2019
Financial income from shares and stakes	253,494	205,920
Financial income from loans	30	42
Financial income from trade receivables	14,244	22,316
Total	**267,767**	**228,279**

Table 80: Financial income

Income from shares and stakes comprises €250,000 dividends from the subsidiary E 3 (2019: €200,000) and accrued dividends from investments in Zavarovalnica Triglav, d.d., in the amount of €3,494 (2019: €5,920).

Interest is charged to customers using the network and services on late payments and on the amount of receivables outstanding as at 31 December 2020.

3.4 Financial expenses

in EUR

	2020	2019
Expenses from borrowings raised from group companies	218,488	252,055
Expenses from other financial liabilities	42,832	69,590
Expenses from operating liabilities	3,197	1,483
Total	**264,517**	**323,128**

Table 81: Financial expenses

Financial expenses from liabilities to banks are lower than in the previous year and comprise interest charged by the bank on short-term and long-term borrowings raised. The part of the interest on long-term borrowings that increases the cost of investments is not reported under financial expenses.

Expenses from other financial liabilities comprise €36,976 of interest from actuarial calculations and lease luiabilities of total €5,856.

Expenses from operating liabilities comprise default interest payable to suppliers and to the State for taxes and other duties, as well as accrued regulatory interest in the preliminary settlement of the account for the financial year in 2020 in the amount of EUR 2,803.

3.5 Other income

Other income and expenses are difficult to forecast as they are not expected to occur regularly. In 2020, the Company did not generate any extraordinary revenues.

in EUR

	2020	2019
Other income	0	7,035
Total	**0**	**7,035**

Table 82: Other income

Other income and expenses arise from events or transactions that do not occur regularly or frequently.

3.6 Other expenses

in EUR

	2020	2019
Cash fines	0	0
Compensation paid	12,179	2,717
Other expenses	56,321	76,456
Total	**68,500**	**79,173**

Table 83: Other expenses

Compensation is paid for damages caused during the construction or maintenance of devices located on the land owned by natural persons.

Other expenses comprise financial aid and donations of total €40,973 (2019: €30,072), expenses resulting from rounding up of figures and other expenses not indispensable for business.

3.7 Current tax and deferred tax assets/liabilities

Income tax payable by the Company in 2020 amounts to €460,020 (2019: €1,086,314).

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

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

On the balance sheet date, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

CORPORATE INCOME TAX FOR FY 2020 in EUR

	2020	2019
Pre-tax profit	**6,143,266**	**9,090,590**
Revenues that reduce the tax base	-261,260	-216,939
Expenses that increase the tax base	1,018,505	1,054,840
Expenses that reduce the tax base	-245,492	-148,493
Expenses that reduce the tax base (error elimination)	0	0
Tax base reduction on account of tax relief	-4,122,508	-3,783,722
Other	-111,354	-278,832
Tax base	**2,421,156**	**5,717,444**
Tax rate	19%	19%
Income tax payable	**-460,020**	**-1,086,314**
Effective tax rate on current tax	**7.49%**	**12.82%**
Increase/decrease in deferred tax	222,467	16,006
Effective tax rate	**3.87%**	**11.77%**

Table 84: Corporate income tax

The Company reports €460,020 of income tax payable as at 31 December 2020 (2019: €1,086,314). The Company utilised €3,095,043 of investment relief (2019: €2,797,454); the allowance for voluntary supplementary pension insurance in the amount of €646,679 (2019: €625,303); €337,715 of relief for employment of persons with disabilities (2019: €327,017); and other relief amounting in total to €43,072 (2019: €33,947). The unused part of the investment relief in the amount of €1,228,002 will be utilised in future periods.

DIFFERENCE BETWEEN ACTUAL AND COMPUTED TAX RATE

	2020		2019	
	Rate	Amount	Rate	Amount
Pre-tax profit		**6,143,266**		**9,090,590**
Income tax at applicable tax rate	19.00%	1,167,221	19.00%	1,727,212
Amounts increasing the tax base		195,924	0	202,376
- decrease in expenses to tax recognised level		193,516		200,420
- increase in revenue to taxable level		0		0
- exempt expenses for exempt dividends		2,408		1,956
- change in accounting method		0		0
Amounts lowering the tax base		**119,849**		**124,366**
- increase in expenses to tax recognised level		46,644		28,214
- decrease in revenue to taxable level		49,639		41,218
- transition to new accounting method (change in the tax base for post-employment benefits already taxed)		23,566		54,934
- elimination of error from the previous period		0		0
Tax relief		**783,277**		**718,907**
- applied, decreasing the amount of tax payable		783,277		718,907
Income tax payable for the year	**7.49%**	**-460,020**	**11.95%**	**-1,086,314**
Increase/decrease in deferred tax		222,467		16,006
Tax recognised in profit or loss	**3.87%**	**-237,553**	**11.77%**	**-1,070,308**

Table 85: Reconciliation of taxes for the financial year

Corporate income tax and deferred taxes in 2020:

TAX EXPENSE RECOGNISED IN PROFIT OR LOSS — in EUR

	2020	2019
Current income tax payable	-460,020	-1,086,314
Deferred tax assets/liabilities	222,467	16,006
Other taxes not reported under other items		
Tax expense recognised in profit or loss	**-237,553**	**-1,070,308**

CHANGES IN DEFERRED TAX RECOGNISED IN PROFIT OR LOSS — in EUR

	2020	2019
At 1 Jan	**531,569**	**515,563**
Provisions	21,557	18,108
Receivables	-32,410	-2,102
Unused tax relief	233,320	0
Investment impairment	0	0
Changes in deferred tax assets/liabilities	**222,467**	**16,006**
At 31 Dec	**754,036**	**531,569**

CHANGES IN DEFERRED TAX RECOGNISED IN EQUITY — in EUR

	2020	2019
At 1 Jan	**150,013**	**112,627**
Change in the revaluation of deferred tax on account of provisions	18,640	37,386
Receivables	0	0
Tax losses	0	0
Changes in deferred tax assets/liabilities	**18,640**	**37,386**
At 31 Dec	**168,653**	**150,013**

3.8 Net profit

in EUR

	2020	2019
Operating profit or loss	6,208,516	9,264,208
Financial profit or loss	3,250	-94,850
Profit or loss from extraordinary items	-68,500	-78,769
Pre-tax profit	6,143,266	9,090,590
Corporate income tax	-460,020	-1,086,314
Deferred tax assets	222,467	16,006
Net profit	**5,905,713**	**8,020,282**

Table 86: Net profit

In the financial year 2020, the Company generated net profit of €5,905,713.

At the time of the Annual Report preparation, the Management Board allocated €3,599,794 of net profit to reserves in accordance with Article 11 of the Articles of Association. Of that, €179,990 was allocated to legal reserves and €3,419,804 to other profit reserves. The difference of €2,254,068 remains unappropriated.

3.9 Total comprehensive income for the period

Total comprehensive income for the period amounts to €5,668,481 and consists of €7,814 relating to the negative revaluation of available-for-sale investments (shares of Zavarovalnica Triglav d.d.), and negative amount of other components of comprehensive income on account of actuarial calculation of employee benefits of €229,418 (€248,058 reported in 2020 and €18,640 of the revaluation surplus adjustment from deferred tax recognised on employee benefits).

in EUR

	Notes	2020	2019
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	**3.9**	**5,905,714**	**8,020,282**
Fair value reserve		-7,814	7,104
Other components of comprehensive income - net effect		-229,418	-448,511
Total comprehensive income for the period		**5,668,481**	**7,578,875**

4. Notes to the Cash Flow Statement

Cash flow statement is compiled under the direct method in format I of SAS 22.6 (2016). Data for the statement of cash flows is derived from records of cash receipts and payments from the Company's accounts.

4.1 Cash receipts from operating activities

Receipts from operating activities consist of inflows to the business accounts. These are the receipts from sales of products and services and other income from operations, such as the revenue to cover the cost of network use for the account of SODO, compensations not recognsied as revenue, and receipts from co-financing and network charge for connected load. Receipts from operating activities include revenue from the value added tax charged on services rendered and supplies of goods.

Cash flows from operating activities decreased in 2020 by €461,300 compared to 2019, mostly on account of a drop in operating revenues from network use, reduction in services rendered on behalf of SODO, and a reduction in the cost of materials and services. Majority of receipts from operating activities stem from services based on the contract concluded with SODO for the provision of services and lease of electricity infrastructure

4.2 Cash disbursements from operating activities

Operating expenditures are outflows from accounts consisting of operating expenses paid for materials, services, salaries, charges and other outflows. Majority of these refer to the outflows on account of the cost of the network use, which are not recognised as expenses of the Company. The operating expenses are down by €1,342,070, mainly on account of a reduction in expenses for materials and services, as well as other operating expenses, most of which comprise expenses for the use of the network and related contributions.

4.3 Receipts from investing activities

Receipts from investing are inflows arising from interest and shares in profits, as well as revenues from disposal of fixed assets and investments.

4.4 Expenditure for investing activities

Expenditures for investing comprise outflows for payment of invoices for the acquisition of intangible assets, property, plant and equipment and investments. The Company spent €14,806,738 on its investing activities in 2020, exclusive of the cost of capitalised own work.

4.5 Proceeds from financing

Receipts from the financing activities are amounts remitted to the long-term and short-term borrowings. In 2020, the Company withdrew €7,100,000 of an approved short-term revolving credit but did not raise any additional borrowings.

4.6 Cash disbursements from financing activities

Expenditures for financing activities comprise payments of interest, dividends and repayment of borrowings. Most of the Company's financing expenses (€7,880,556) refer to the repayment of long-term and short-term borrowings of which €3,600,000 refers to repayment of a short-term revolving credit and €4,280,556 to repayment of current amounts of long-term borrowings. Financing expenses include dividends paid in 2019 in the amount of €2,629,746.

4.7 Net cash for the period

The Company generated €85,168,898 of cash inflows in 2020 (2019: €99,514,017) and €86,296,898 of cash outflows (2019: €98,838,544). Cash receipts and disbursements include appropriate amounts of duties, in particular VAT and excise duties, in accordance with the invoices received or issued.

The difference between initial and closing balance of cash and cash equivalents in 2020 is the cash outflow of €1,128,000 (2019: cash inflow of €675,473).

The Company generated net cash inflow from operating activities in the amount of €16,689,465. Net cash used in investing activities amounts to €14,116,158 and is a result of major investment activity, while net cash outflow for financing activities of €3,701,307 refers to dividends paid to the shareholders.

5. Disclosure of Related Party Transactions

The Company reports receivables from and liabilities to the following related parties:

- E 3, d.o.o., Nova Gorica (the parent holds 100% interest),
- Informatika, d.d., Maribor (11.9% equity holding),
- Stelkom, d.o.o., Ljubljana (6.32% holding),
- Knešca, d.o.o., from Most na Soči, an associate of subsidiary E 3 d.o.o., and therefore indirectly related also to the parent company Elektro Primorska, d.d.

As at 31 December 2020, Elektro Primorska reports the following receivables from and liabilities to its related parties:

in EUR

Receivables:	31 Dec 2020	31 Dec 2019
Receivables due from E 3, d.o.o.	27,349	28,945
Receivables due from Stelkom, d.o.o.	54,500	61,874
Total	**81,849**	**90,818**

Liabilities:	31 Dec 2020	31 Dec 2019
Liabilities to E 3, d.o.o.	29,716	26,700
Liabilities to Informatika, d.d.	172,083	192,550
Total	**201,799**	**219,250**

Table 87: Receivables and liabilities

Elektro Primorska recognised the following revenues and expenses from transactions with its related parties in the 2020 income statement:

in EUR

Revenues:	2020	2019
Net revenues from sales E 3, d.o.o.	473,057	354,625
Net revenues from sales Stelkom, d.o.o.	142,960	134,314
Net revenues from sales Knešca, d.o.o.	0	7,435
Default interest Stelkom d.o.o.	250,000	200,000
Default interest Knešca d.o.o.	469	0
Total	**866,486**	**696,374**

Expenses:	2020	2019
Cost of purchase of material and services E 3, d.o.o.	194,284	198,468
Costs of services rendered by Informatika, d.d.	834,539	833,209
Total	**1,028,823**	**1,031,677**

Table 88: Revenue and expenses

Management estimates that in relationship with the parent company, no transactions were concluded, which would result in an advantage or disadvantage for any of the related parties involved.

6. Contingencies

In the opinion of legal experts, none of the legal actions brought against or filed by the Group is likely to have a significant impact on the Group's profit or loss. Furthermore, it was assessed that provisions set aside for such purposes are sufficient and would cover contingent liabilities of the Company.

Bid bonds and warranty guarantees issued by the banks (on account of rendering services to external clients), as well as a guarantee referring to the undrawn amount of overdraft facility are reported in the off-balance sheet records. The Company reports no liabilities arising from pledged real estate as none of the Company's properties is either mortgaged or subject to a lien

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in EUR

	31.12.2020	31.12.2019
Bank guarantees issued	146,147	29,084
Total	**146,147**	**29,084**

Table 89: Contingencies

7. Financial Risk Management

Financial risks the Company is exposed to are those risk factors that directly threaten the achievement of the Company's planned profit and capital adequacy. Significant financial risks include credit, liquidity, interest and market risks, as well as the risk of internal or external fraud.

Credit risk is the risk of the Company incurring a loss due to default by its debtors and arises on late settlement of receivables. Systematic monitoring of debtors' financial position and use of executive proposals to recover the receivables, mitigate the Company's credit risk exposure. The Company's exposure to credit risk is assessed as low.

Market risks result from failure to render services on the market, which affects the Company's cash flow. Market risks are assessed as moderate.

External fraud arises due to the theft of electricity, and affects cash flow. The risk of external fraud is assessed as low.

Internal fraud arises due to potential conclusion of false contracts and corruption, both of which impact the cash flow. The risk of external fraud is assessed as low.

Liquidity risk arises from imbalance of the inflows and outflows dynamics. The Company monitors and plans its short- and long-term solvency daily, to ensure timely adjustment and cash flow planning, and maintain liquidity risk within the acceptable parameters and manageable.

Interest rate risk - Due to short-term and long-term borrowings from domestic and foreign banks, the Company could be exposed to the risk of changes in reference interest rates, which could affect its financing costs. As a result, the Company carefully and continuously monitors its exposure to interest rate risk and takes appropriate measures to mitigate it. Due to the current economic situation and the fact that all the long-term borrowings were agreed at a fixed interest rate, it is assessed that the Company is not exposed to the interest rate risk.

Additional information is included in the risk management section of the Elektro Primorska Annual Report.

8. Subsequent Events

On 26 February 2020, the Company signed a Contract with Petrol, d.d. for the sale and purchase of a 100% stake in E 3, d.o.o. On 28 October 2020, the Slovenina Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d. and E 3, d.o.o., and stating that the concentration complied with competition rules. The sale of a 100% stake in E 3, d.o.o. to Petrol d.d. was completed on 5 January 2021. The financial effect of the sale of the ownership share in E 3, d.o.o., amounts to €8,427,983.28.

In the current financial year, business operations run in accordance with the adopted Business Plan of Elektro Primorska, d.d., for the 2021-2023 period. On 2 March 2021, the Supervisory Board adopted a Supplement to the Investment Plan, increasing the planned investment volume from €20 million to €24 million.

In the period subsequent to the reporting date (31 December 2020) and the report of an independent auditor (14 May 2021), the Company received preliminary statement of account from SODO for the 2020 regulation year. The preliminary statement of accouns is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2020, the contractual value of services and rental of electricity infrastructure already charged is by €352,412 higher than the values established on the basis of the preliminary settlement of accounts (overcharged rent in the amount of €1,308,755 and undercharged services in the amount of €956,363). Therefore, the Company increased revenues from services under the contract with SODO in the amount of €959,166 and reduced the value of rental income from the lease of energy infrastructure by €1,308,775, and recognised €2,803 of regulatory interest.

9. Notes to the Financial Statements According to the Energy Act and the Companies Act

In accordance with Article 38 of the Energy Act, the Company is required to compile financial statements separately for the energy market activities and separately for the other activities. Individual activities are business segments that the Company must, in accordance with the general disclosure under the Companies Act (ZGD), specifically disclose in its Annual Report.

At the end of the year, Elektro Primorska compiles financial statements for the Company as a whole. As an annex to the notes to the financial statements it attaches the financial statements in accordance with Article 38 of the Energy Act. In this respect the Company must distinguish the activity of electricity supply from its other activities.

Below are the criteria set for:

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

9.1 Notes to the balance sheet items

The balance sheet is a presentation of assets and liabilities as at 31 December 2020.

The physical distribution of funds per activity was carried out in 2001 by the group of experts from technical field appointed by the Company in cooperation with its financial sector.

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

The amounts of share capital and share premium were reported in the balance sheet as at 31 December 2001 and have remained unchanged. The amounts of other components of equity, such as reserves and profit are changing from one year to another.

In the balance sheet as at 31 December 2020, after the allocation of results and an unchanged share capital, receivables and liabilities between activities were offset through other profit reserves.

9.2 Notes to the profit and loss account items

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

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

Key 1	Share of employee benefits	Employee benefits of the activity
		Total employee benefits
Key 2	Share of present value of intangible assets and property, plant and equipment	Present value of fixed assets of activity ×100
		Present value of total fixed assets
Key 3	Share of revenues	Revenues from activity ×100
		Total revenues
Key 4	Share of material consumption	Consumption of material from the warehouse by activity ×100
		Total consumption of material from the warehouse
Key 5	Share of costs of materials and services	Consumption of material and services by activity ×100
		Total consumption of material and services

9.4 Sub-balance sheet according to the Energy Act as at 31 December 2020

in EUR

Assets	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
A. Long-term assets:				
I. Intangible assets	**3,451,727**	**9,398**	**3,461,125**	
1. Long-term rights	3,441,060	9,394	3,450,454	Key 2
2. Other long-term deferred costs	10,667	3	10,670	Key 2
3. Intangible assets being acquired	0	0	0	Key 2
II. Property, plant and equipment	**197,847,908**	**1,346,922**	**199,194,830**	
1. Land	4,924,363	681,682	5,606,045	Key 2
2. Buildings	128,251,378	560,214	128,811,592	Key 2
3. Equipment	58,766,148	103,928	58,870,075	Key 2
4. Right-of-use assets	376,163	1,099	377,262	Key 2
5. Property, plant and equipment being acquired	5,529,856	0	5,529,857	Key 2
a.) Property, plant and equipment under construction	5,529,834	0	5,529,834	Key 2
b.) Advances for acquisition of property, plant and equipment	23	0	23	
III. Investment property	**0**	**223,353**	**223,353**	Key 2
IV. Long-term investments	**273,142**	**13,619**	**286,761**	
1. Investments in shares of group companies	0	0	0	Key 1
2. Other shares and stakes	273,142	13,619	286,761	Key 1
V. Long-term operating receivables	**14,898**	**151,468**	**166,366**	
1. Long-term trade receivables	0	136,613	136,613	
2. Other long-term operating receivables	14,898	14,855	29,753	Key 1
VI. Deferred tax assets	**886,908**	**35,781**	**922,689**	Key 1,3
Total long-term assets	202,474,584	1,780,541	204,255,124	
B. Current assets:				
I. Assets held for sale	**6,212,267**	**309,750**	**6,522,017**	Key 1
II. Inventories	**1,099,069**	**65,694**	**1,164,763**	
1. Materials	1,099,069	63,884	1,162,953	Key 1,4
2. Services to be completed	0	0	0	
3. Products and merchandise	0	1,810	1,810	
III. Short-term investments	**0**	**0**	**0**	
1. Short-term loans to others	0	0	0	Key 1
IV. Short-term operating receivables	**6,115,946**	**702,340**	**6,818,286**	
1. Operating receivables due from the group	0	27,349	27,349	Key 3
2. Trade receivables	5,575,777	618,693	6,194,471	Key 3
3. Operating receivables due from others	540,168	56,297	596,465	Key 3
V. Cash and cash equivalents	**304,915**	**1,532,718**	**1,837,633**	Key 3
Total current assets	13,732,196	2,610,501	16,342,698	
C. Short-term deferred costs and accrued income	226,491	39,898	266,390	Key 3
TOTAL ASSETS	216,433,272	4,430,940	220,864,212	

Table 90: Sub-balance sheet (assets) according to the Energy Act as at 31 December 2020

in EUR

Equity and liabilities	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
Equity:				
I. Called-up capital	107,336,819	3,128,976	110,465,795	
1. Share capital	107,336,819	3,128,976	110,465,795	
II. Share premium	45,885,198	421,390	46,306,588	
III. Profit reserves	4,445,722	74,339	4,520,061	
1. Legal reserves	1,094,976	5,281	1,100,257	
2. Reserves for treasury shares and stakes	0	0	0	
3. Treasury shares and stakes (as a deductible item)	0	0	0	
4. Other profit reserves	3,350,746	69,058	3,419,804	
IV. Revaluation surplus	-1,465,022	-73,047	-1,538,070	Key 1
V. Retained earnings	0	0	0	
VI. Net profit or loss for the year	1,812,638	441,430	2,254,068	
Total capital	158,015,354	3,993,087	162,008,442	
B. Provisions and long-term accrued costs and deferred income	16,038,706	62,316	16,101,021	
1. Provisions	5,355,340	54,096	5,409,436	Key 1
2. Long-term accrued costs and deferred income	10,683,366	8,220	10,691,585	
C. Long-term liabilities	25,594,587	10,649	25,605,235	
I. Long-term financial liabilities	25,594,587	10,649	25,605,235	
1. Long-term financial liabilities to banks	25,272,217	0	25,272,217	
3. Other long-term financial liabilities	322,369	10,649	333,018	
D. Short-term liabilities	15,732,122	355,044	16,087,167	
I. Short-term financial liabilities	7,674,824	1,850	7,676,674	
1. Short-term financial liabilities to banks	7,622,227	0	7,622,227	
2. Other short-term financial liabilities	52,597	1,850	54,447	Key 1
II. Short-term operating liabilities	8,057,298	353,195	8,410,493	
1. Short-term operating liabilities to the group	27,487	2,229	29,716	Key 5
2. Supplier payables	6,575,983	256,675	6,832,658	Key 2, 5
3. Short-term operating liabilities from advances	3,841	15,390	19,231	Key 3
4. Other short-term operating liabilities	1,449,987	78,902	1,528,889	Key 1
Total liabilities	57,365,414	428,009	57,793,423	
E. Short-term accrued costs and deferred income	1,052,503	9,844	1,062,347	Key 3
TOTAL EQUITY AND LIABILITIES	216,433,272	4,430,940	220,864,212	

Table 91: Sub-balance sheet (equity and liabilities) according to the Energy Act as at 31 December 2020

9.5 Sub-balance sheet according to the Energy Act as at 31 December 2019

in EUR

Assets	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
A. Long-term assets:				
I. Intangible assets	**3,825,692**	**12,325**	**3,838,017**	
1. Long-term rights	3,737,666	12,316	3,749,982	Key 2
2. Other long-term deferred costs	45,540	9	45,549	Key 2
3. Intangible assets being acquired	42,486	0	42,486	Key 2
II. Property, plant and equipment	**189,100,304**	**1,359,950**	**190,460,253**	
1. Land	4,922,370	681,682	5,604,052	Key 2
2. Buildings	126,165,541	565,017	126,730,559	Key 2
3. Equipment	55,225,209	112,877	55,338,086	Key 2
4. Right-of-use assets	298,254	370	298,623	Key 2
5. Property, plant and equipment being acquired	2,488,930	4	2,488,933	Key 2
a.) Property, plant and equipment under construction	2,488,483	0	2,488,483	Key 2
b.) Advances for acquisition of property, plant and equipment	447	4	451	
III. Investment property	**0**	**220,070**	**220,070**	Key 2
IV. Long-term investments	**6,467,596**	**348,996**	**6,816,593**	
1. Investments in shares of group companies	6,188,102	333.996	6,522,017	Key 1
2. Other shares and stakes	279,494	15,082	294,576	Key 1
V. Long-term operating receivables	**34,481**	**266,990**	**301,470**	
1. Long-term trade receivables	21,505	251,359	272,864	
2. Other long-term operating receivables	12,976	15,631	28,606	Key 1
VI. Deferred tax assets	**648,263**	**33,319**	**681,583**	Key 1, 3
Total long-term assets	**200,076,336**	**2,241,650**	**202,317,986**	
B. Current assets:				
II. Inventories	**1,162,181**	**58,029**	**1,220,210**	
1. Materials	1,162,181	52,661	1,214,842	Key 1, 4
2. Services to be completed	0	0	0	
3. Products and merchandise	0	5,368	5,368	
III. Short-term investments	**0**	**0**	**0**	
1. Short-term loans to others	0	0	0	Key 1
IV. Short-term operating receivables	**5,969,811**	**505,263**	**6,475,075**	
1. Operating receivables due from the group	178	28,766	28,945	Key 3
2. Trade receivables	5,821,097	470,669	6,291,766	Key 3
3. Operating receivables due from others	148,536	5,829	154,364	Key 3
V. Cash and cash equivalents	**996,898**	**1,968,734**	**2,965,633**	Key 3
Total current assets	**8,128,891**	**2,532,026**	**10,660,917**	
C. Short-term deferred costs and accrued income	**2,794,735**	**19,704**	**2,814,439**	Key 3
TOTAL ASSETS	210,999,962	4,793,380	215,793,342	

Table 92: Sub-balance sheet (assets) according to the Energy Act as at 31 December 2019

in EUR

Equity and liabilities	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
Equity:				
I. Called-up capital	78,007,575	376,242	78,383,817	
1. Share capital	78,007,575	376,242	78,383,817	
II. Share premium	45,885,198	421,390	46,306,588	
III. Profit reserves	29,516,722	3,485,523	33,002,245	
1. Legal reserves	915,850	4,417	920,267	
2. Reserves for treasury shares and stakes	0	0	0	
3. Treasury shares and stakes (as a deductible item)	0	0	0	
4. Other profit reserves	28,600,872	3,481,106	32,081,977	
IV. Revaluation surplus	-1,283,434	-69,255	-1,352,689	Key 1
V. Retained earnings	0	0	0	
VI. Net profit or loss for the year	2,512,809	116,936	2,629,746	
Total capital	154,638,870	4,330,836	158,969,707	
B. Provisions and long-term accrued costs and deferred income	15,387,476	263,807	15,651,283	
1. Provisions	4,731,029	255,290	4,986,319	Key 1
2. Long-term accrued costs and deferred income	10,656,447	8,517	10,664,963	
C. Long-term liabilities	29,784,832	2,078	29,786,910	
I. Long-term financial liabilities	29,784,832	2,078	29,786,910	
1. Long-term financial liabilities to banks	29,519,444	0	29,519,444	
3. Other long-term financial liabilities	265,388	2,078	267,466	
D. Short-term liabilities	10,574,106	189,556	10,763,662	
I. Short-term financial liabilities	4,193,277	1,216	4,194,493	
1. Short-term financial liabilities to banks	4,155,556	0	4,155,556	
2. Other short-term financial liabilities	37,722	1,216	38,937	Key 1
II. Short-term operating liabilities	6,380,829	188,341	6,569,169	
1. Short-term operating liabilities to the group	24,455	2,245	26,700	Key 5
2. Supplier payables	4,370,013	75,407	4,445,419	Key 2, 5
3. Short-term operating liabilities from advances	11,376	8,291	19,666	Key 3
4. Other short-term operating liabilities	1,974,985	102,398	2,077,383	Key 1
Total liabilities	55,746,414	455,441	56,201,855	
E. Short-term accrued costs and deferred income	614,677	7,103	621,780	Key 3
F. Liabilities from other activities		0	0	
TOTAL EQUITY AND LIABILITIES	210,999,962	4,793,380	215,793,342	

Table 93: Sub-balance sheet (equity and liabilities) according to the Energy Act as at 31 December 2019

9.6 Profit or loss account according to the Energy Act for the year 2020

in EUR

2020	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
1. Net sales	**34,708,442**	**2,518,715**	**37,227,158**	
a. on domestic market	34,708,442	2,518,715	37.227.158	Key 3
2. Change in the value of inventory of services to be completed	**0**	**0**	**0**	
3. Capitalised own products and services	**10,366,958**	**2,215**	**10,369,174**	
4. Other operating revenue	**2,019,805**	**209,822**	**2,229,626**	Key 1, 2
5. Cost of goods, materials and services	**-10,484,582**	**-1,356,862**	**-11,841,444**	
a. cost of goods and material sold and cost of material consumed	-5,242,252	-1,070,861	-6,313,113	Key 1, 5
b. cost of services	-5,242,331	-286,000	-5,528,331	Key 2, 5
6. Employee benefits	**-17,496,195**	**-772,578**	**-18,268,773**	
a. cost of salaries	-12,327,578	-557,245	-12,884,823	Key 1
b. cost of supplementary pension insurance of employees	-622,072	-15,957	-638,029	Key 1
c. social security costs	-2,022,041	-90,327	-2,112,368	Key 1
d. other labour costs	-2,524,504	-109,049	-2,633,553	Key 1
7. Write-downs	**-13,305,777**	**-65,656**	**-13,371,433**	
a. amortisation and depreciation	-12,890,663	-50,643	-12,941,305	Key 2
b. operating expenses from revaluation of fixed assets	-409,617	-10,995	-420,611	Key 2
c. operating expenses from revaluation of current assets	-5,498	-4,018	-9,516	Key 3
8. Other operating expenses	**-128,372**	**-7,420**	**-135,792**	Key 1
9. Financial income from shares and stakes	**241,455**	**12,039**	**253,494**	
a. group companies	238,127	11,873	250,000	Key 1
c. other companies	3,328	166	3,494	Key 1
10. Financial income from loans	**28**	**2**	**30**	
a. granted to others	28	2	30	Key 1
11. Financial income from operating receivables	**13,077**	**1,167**	**14,244**	
a. others	13,077	1,167	14,244	Key 3
12. Financial expenses from investment impairment and write-off	**0**	**0**	**0**	Key 6
13. Financial expenses from financial liabilities	**-257,478**	**-3,842**	**-261,320**	
a. bank borrowings	-218,384	-104	-218,488	
b. other financial liabilities	-39,094	-3,738	-42,832	Key 5
14. Financial expenses from trade payables	**-3,178**	**-19**	**-3,197**	
a. supplier payables and bills of exchange	-98	11	-87	Key 5
b. other payables	-3,080	-30	-3,110	Key 5
15. Other income	**0**	**0**	**0**	Key 1
16. Other expenses	**-65,890**	**-2,610**	**-68,500**	Key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	5,608,292	534,974	6,143,266	
17. Income tax	**-385,163**	**-74,856**	**-460,020**	
18. Deferred tax assets	**221,413**	**1,054**	**222,467**	Key 1, 2, 3
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	5,444,542	461,172	5,905,714	

Table 94: Profit or loss account according to the Energy Act for the year 2020

9.7 Profit or loss account according to the Energy Act for the year 2019

in EUR

2019	ED infrastructure and services for SODO	Market activities	Total	Criteria for allocation of common activities
1. Net sales	**37,787,541**	**2,166,515**	**39,954,056**	
a. on domestic market	37,787,541	2,166,515	39,954,056	Key 3
2. Change in the value of inventory of services to be completed	**0**	**0**	**0**	
3. Capitalised own products and services	**9,570,552**	**1,251**	**9,571,803**	
4. Other operating revenue	**1,139,679**	**7,851**	**1,147,531**	Key 1, 2
5. Cost of goods, materials and services	**-10,380,301**	**-880,651**	**-11,260,952**	
a. cost of goods and material sold and cost of material consumed	-5,030,507	-645,364	-5,675,871	Key 1, 5
b. cost of services	-5,349,794	-235,287	-5,585,081	Key 2, 5
6. Employee benefits	**-16,384,884**	**-812,443**	**-17,197,327**	
a. cost of salaries	-11,591,677	-593,992	-12,185,669	Key 1
b. cost of supplementary pension insurance of employees	-609,767	-16,313	-626,080	Key 1
c. social security costs	-1,933,289	-91,509	-2,024,799	Key 1
d. other labour costs	-2,250,151	-110,628	-2,360,779	Key 1
7. Write-downs	**-12,740,996**	**-70,246**	**-12,811,242**	
a. amortisation and depreciation	-12,515,889	-53,814	-12,569,703	Key 2
b. operating expenses from revaluation of fixed assets	-218,217	-282	-218,500	Key 2
c. operating expenses from revaluation of current assets	-6,890	-16,150	-23,040	Key 3
8. Other operating expenses	**-129,742**	**-9,919**	**-139,661**	Key 1
9. Financial income from shares and stakes	**195,377**	**10,543**	**205,920**	
a. group companies	189,760	10,240	200,000	Key 1
c. other companies	5,617	303	5,920	Key 1
10. Financial income from loans	**40**	**2**	**42**	
a. granted to others	40	2	42	Key 1
11. Financial income from operating receivables	**21,624**	**693**	**22,316**	
a. others	21,624	693	22,316	Key 3
12. Financial expenses from investment impairment and write-off	**0**	**0**	**0**	Key 6
13. Financial expenses from financial liabilities	**-316,383**	**-5,262**	**-321,645**	
a. bank borrowings	-251,785	-270	-252,055	
b. other financial liabilities	-64,597	-4,992	-69,590	Key 5
14. Financial expenses from trade payables	**-1,373**	**-110**	**-1,483**	
a. supplier payables and bills of exchange	-1,161	-93	-1,254	Key 5
b. other payables	-212	-18	-230	Key 5
15. Other income	**383**	**21**	**404**	Key 1
16. Other expenses	**-75,252**	**-3,920**	**-79,173**	Key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	8,686,266	404,324	9,090,590	
17. Income tax	**-1,037,915**	**-48,399**	**-1,086,314**	
18. Deferred tax assets	**15,294**	**712**	**16,006**	Key 1, 3
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	7,663,645	356,636	8,020,282	

Table 95: Profit or loss account according to the Energy Act for the year 2019

9.8 Cash flow statement according to the Energy Act for the year 2020

in EUR

2020	ED infrastructure and services for SODO	Market activities	Total EP	Criteria for allocation of common activities
A. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Receipts from operating activities	**74,818,500**	**2,809,018**	**77,627,518**	
a. Proceeds from sale of products and services	42,898,927	2,763,409	45,662,336	K-1, K-3, K-4, K-5
b. Other receipts from operating activities	31,919,573	45,609	31,965,182	K-1, K-2, K-3, K-5
2. Expenditure from operating activities	**-58,043,042**	**-2,635,818**	**-60,678,860**	
a. Expenditure for purchase of materials and services	-7,256,763	-1,610,165	-8,866,928	K-3, K-4, K-5
b. Expenditure for salaries and employees' shares in profits	-16,967,831	-845.862	-17,813,693	K-1
c. Expenditure for all kinds of contributions	-2,947,282	-174,065	-3,121,347	K-1, K-3
d. Other expenditure from operating activities	-30,871,166	-5,726	-30,876,893	K-4, K-5
3. Net cash from operating activities	16,775,458	173,200	16,948,657	
B. CASH FLOWS FROM INVESTING ACTIVITIES				
4. Cash receipts from investing activities	**300,958**	**140,423**	**441,380**	
a. Interest and profit shares	257,042	14,887	271,929	K-1, K-3
b. Proceeds from disposal of property, plant and equipment	43,916	125,536	169,452	K-2
c. Proceeds from disposal of short-term investments	0	0	0	K-1
5. Cash disbursements for investing activities	**-14,792,176**	**-24,555**	**-14,816,731**	
a. Expenditure for acquisition of intangible assets	-1,347,579	-10,575	-1,358,155	K-2
b. Expenditure for acquisition of property, plant and equipment	-13,444,597	-13,979	-13,458,576	K-2
c. Expenditure for acquisition of short-term investments	0	0	0	
d. Expenditure for acquisition of long-term investments	0	0	0	K-1
6. Net cash from investing activities	**-14,491,219**	**115,868**	**-14,375,351**	
C. CASH FLOWS FROM FINANCING ACTIVITIES		0	0	
8. Cash receipts from financing activities	**6,600,000**	**500,000**	**7,100,000**	
a. Receipts from long-term borrowings	0	0	0	
b. Receipts from short-term borrowings	6,600,000	500,000	7,100,000	
9. Cash disbursements from financing activities	**-9,576,223**	**-1,225,084**	**-10,801,307**	
a. Interest paid	-290,816	-190	-291,006	K-5
b. Repayments of capital	0	0	0	K-3
c. Cash repayments of long-term borrowings	-4,280,556	0	-4,280,556	
d. Cash repayments of short-term borrowings	-2,500,000	-1,100,000	-3,600,000	
e. Dividends paid	-2,504,851	-124,894	-2,629,746	K-1
10. Net cash from financing activities	**-2,976,223**	**-725,084**	**-3,701,307**	
11. Net cash inflow or outflow	**-691,984**	**-436,017**	**-1,128,000**	
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	304,915	1,532,718	1,837,633	
X. Opening balance of cash and cash equivalents	996,899	1,968,735	2,965,633	
Y. CASH FLOWS FOR THE PERIOD	-691,984	-436,017	-1,128,000	
Closing balance of cash and cash equivalents at 31 Dec 2020	**304,915**	**1,532,718**	**1,837,633**	

Table 96: Cash flow statement according to the Energy Act for the year 2020

9.9 Cash flow statement according to the Energy Act for the year 2019

in EUR

2019	ED infrastructure and services for SODO	Market activities	Total EP	Criteria for allocation of common activities
A. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Receipts from operating activities	**75,089,325**	**2,749,863**	**77,839,188**	
a. Proceeds from sale of products and services	41,329,952	2,718,214	44,048,166	K-1, K-3, K-4, K-5
b. Other receipts from operating activities	33,759,374	31,648	33,791,022	K-1, K-2, K-3, K-5
2. Expenditure from operating activities	**-59,831,221**	**-2,192,790**	**-62,024,011**	
a. Expenditure for purchase of materials and services	-8,747,869	-1,156,532	-9,904,401	K-3, K-4, K-5
b. Expenditure for salaries and employees' shares in profits	-16,415,995	-892,485	-17,308,480	K-1
c. Expenditure for all kinds of contributions	-2,756,101	-132,960	-2,889,061	K-1, K-3
d. Other expenditure from operating activities	-31,911,256	-10,813	-31,922,069	K-4, K-5
3. Net cash from operating activities	15,258,104	557,073	15,815,177	
B. CASH FLOWS FROM INVESTING ACTIVITIES				
4. Cash receipts from investing activities	**6,233,955**	**12,874**	**6,246,829**	
a. Interest and profit shares	215,879	10,838	226,716	K-1, K-3
b. Proceeds from disposal of property, plant and equipment	18,076	2,036	20,113	K-2
c. Proceeds from disposal of short-term investments	6,000,000	0	6,000,000	K-1
5. Cash disbursements for investing activities	**-18,626,340**	**-45,431**	**-18,671,770**	
a. Expenditure for acquisition of intangible assets	-1,465,004	-8,272	-1,473,276	K-2
b. Expenditure for acquisition of property, plant and equipment	-15,161,336	-37,158	-15,198,494	K-2
c. Expenditure for acquisition of short-term investments	2,000,000	0	-2,000,000	
d. Expenditure for acquisition of long-term investments	0	0	0	K-1
6. Net cash from investing activities	**-12,392,385**	**-32,557**	-12,424,941	
C. CASH FLOWS FROM FINANCING ACTIVITIES		**0**	**0**	
8. Cash receipts from financing activities	**14,77,993**	**656,007**	**15,428,000**	
a. Receipts from long-term borrowings	6,978,000	0	6,978,000	
b. Receipts from short-term borrowings	7,793,993	**656,007**	8,450,000	
9. Cash disbursements from financing activities	**-17,334,113**	**-808,650**	**-18,142,763**	
a. Interest paid	-309,002	-291	-309,293	K-5
b. Repayments of capital	0	0	0	K-3
c. Cash repayments of long-term borrowings	-6,683,000	0	-6,683,000	
d. Cash repayments of short-term borrowings	-8,255,176	-694,824	-8,950,000	
e. Dividends paid	-2,086,935	-113,535	-2,200,470	K-1
10. Net cash from financing activities	**-2,562,120**	**-152,643**	**-2,714,763**	
11. Net cash inflow or outflow	**303,600**	**371,873**	**675,473**	
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	996,899	1,968,735	2,965,633	
X. Opening balance of cash and cash equivalents	693,299	1,596,862	2,290,160	
Y. CASH FLOWS FOR THE PERIOD	**303,600**	371,873	675,473	
Closing balance of cash and cash equivalents at 31 Dec 2019	**996,899**	**1,968,735**	**2,965,633**	

Table 97: Cash flow statement according to the Energy Act for the year 2019

D

Performance of the Elektro Primorska Group

1. Performance Analysis of the Elektro Primorska Group

Elektro Primorska Group closed the financial year 2020 with net profit of €6,236,188, which is less than planned and achieved in 2019, and is due to the COVID-19 pandemic declared in the spring of 2020 and the measures taken to mitigate its impact. Also, to mitigate the effects of the pandemic, the Agency reduced the return on assets of the parent company from 5.26% to 4.13%. The Group's total revenues from continued and discontinued operations amounted to €146,034,988 (2019: €149,077,517), down €3,042,529 or 2.04% compared to 2019. The largest group of revenues represent operating revenues amounting to €145,780,794 and accounting for 99.83% of total revenues of the Group. The largest increase was recorded in the net sales revenues, particularly from the sale of electricity by the subsidiary, and investments made by the Group.

The Group had €139,569,876 of expenses from continued and discontinued operations in 2020 (2019: €139,751,542), a drop of €181,666 compared to 2019. The largest group of expenses are operating expenses amounting to €139,153,014 (2019: €139,359,202), while the costs of goods and materials, which account for 68.24% of total operating expenses (€94,948,883), are down €939,800 compared to 2019.

The assets of both, continued and discontinued operations of Elektro Primorska increased to **€253,376,715** as at 31 December 2020, with the largest increase of €198,841,097 relating to property, plant and equipment. As at 31 December 2020, trade receivables amounting to €6,029,668 account for the majority of current assets (other than the assets held for sale).

The Group's equity of continued and discontinued operations amounted to **€170,699,728** as at 31 December 2020, an increase of €3,327,667 compared to the previous year. At the end of 2020, the share of equity in total liabilities of the Group amounted to 67.37%, down 0.25 percentage point compared to the previous year. Long-term liabilities of the Group amounted to €41,706,256 at the year-end, down €3,731,937 compared to the previous year. This is mainly on account of a decrease in long-term financial liabilities to banks. Short-term liabilities of the Group of €40,970,730 include non-current liabilities held for sale in the amount of €23,851,024.

A. THE BASIC FINANCING STATE RATIOS	31.12.2020	31.12.2019
Equity	170,699,728	167,372,061
Equity and liabilities	253,376,715	247,522,477
Equity financing rate	**67.37%**	**67.62%**
Total equity and long-term debts (including provisions) and long-term accruals	212,405,985	212,810,254
Equity and liabilities	253,376,715	247,522,477
Long-term financing rate	**83.83%**	**85.98%**
Debts	82,676,986	80,150,415
Equity and liabilities	253,376,715	247,522,477
Debt financing rate	**32.63%**	**32.38%**

B. THE BASIC INVESTMENT RATIOS	31.12.2020	31.12.2019
Fixed assets (at book values)	202,291,551	193,977,627
Assets	253,376,715	247,522,476
Operating fixed assets rate	**79.84%**	**78.37%**
Long-term and short-term investments	286,761	294,576
Assets	253,376,715	247,522,476
Investment assets rate	**0.11%**	**0.12%**
Non-current assets	204,310,074	195,850,812
Assets	253,376,715	247,522,476
Long-term assets rate	**80.63%**	**79.12%**

C. THE BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS	31.12.2020	31.12.2019
Equity	170,699,728	167,372,061
Assets (at book values)	202,291,551	193,977,627
Equity to fixed assets rate	**84.38%**	**86.28%**
Liquid assets	1,837,633	2,965,633
Short-term liabilities	40,970,730	34,712,222
Acid test ratio	**4.49%**	**8.54%**
Liquid assets and short-term receivables	8,463,196	9,246,954
Short-term liabilities	40,970,730	34,712,222
Quick ratio	**20.66%**	**26.64%**
Short-term assets	49,066,641	51,671,665
Short-term liabilities	40,970,730	34,712,222
Current ratio	**119.76%**	**148.86%**

D. THE BASIC EFFICIENCY RATIOS	31.12.2020	31.12.2019
Operating revenue	49,477,415	50,319,169
Operating expenses	43,477,708	41,330,450
Operating efficiency ratio	**1.138**	**1.217**
Revenue	49,495,182	50,386,722
Expenses	43,742,225	41,653,578
Total operating efficiency ratio	**1.132**	**1.210**

E. PROFITABILITY RATIOS	31.12.2020	31.12.2019
EBITDA (operating income - operating expenses + AM + revaluation)	19,371,703	21,856,559
Gross operating yield	49,477,415	50,319,169
EBITDA margin	**39.15%**	**43.44%**
EBIT (operating revenue - operating expenses)	5,999,707	8,988,718
Gross operating yield	49,477,415	50,319,169
EBIT margin	**12.13%**	**17.86%**
Net profit or loss	6,236,188	8,185,293
Sales revenue	36,754,101	39,599,431
Net return on revenue	**16.97%**	**20.67%**
Net profit or loss	6,236,188	8,185,293
Average assets	250,449,596	244,657,185
Net return on assets ratio (ROA)	**2.49%**	**3.35%**
Net profit or loss	6,236,188	8,185,293
Average capital (excluding net profit or loss for the year)	165,917,801	160,520,269
Net return on equity ratio (ROE)	**3.76%**	**5.10%**
Total dividends paid for the year	2,629,746	2,200,470
Average share capital	94,424,806	78,473,325
Dividend to share capital ratio	**0.028**	**0.028**
Dividends paid in the current year	2,629,746	2,200,470
Average capital	165,917,801	160,520,269
Dividend to share capital ratio	**1.58%**	**1.37%**

F. SHARES	31.12.2020	31.12.2019
Equity	170,699,728	167,372,061
Number of shares	18,783,898	18,826,797
Number of treasury shares	0	42,899
Book value per share (in EUR)	**9.09**	**8.91**
Net profit or loss	6,236,188	8,185,293
Weighted average number of ordinary shares	18,783,898	18,783,898
Diluted average number of ordinary shares	18,783,898	18,783,898
Basic and diluted earnings per share (EUR/share)	**0.33**	**0.44**

Table 98: Key performance ratios of Elektro Primorska Group

2. Profile of the Elektro Primorska group

2.1 Composition of the Group

The Elektro Primorska Group comprises the following entities:

- Elektro Primorska, d.d. as the parent company
- E 3, d.o.o., a subsidiary, in which the parent company holds a 100% stake
- Knešca, d.o.o. located at Most na Soči, in which E 3 holds a 47.27% stake, making it an associated company.

The following entities are included in the consolidation; the parent company Elektro Primorska, its subsidiary E 3, which is included in the consolidation as a discontinued operation and the associate Knešca, which is consolidated under the equity method.

The parent company Elektro Primorska, reports **€162,008,442** of equity as at 31 December 2020. The Company achieved positive result in 2020 and generated **€5,905,714** of net profit.

The subsidiary E 3, recognised as a discontinued operation (the parent company signed a contract for the sale of a 100% stake in the subsidiary in 2020), ended the financial year 2020 with a net profit of **€616,578**. As at 31 December 2020, E 3 reports €15,179,307 of equity.

The associate Knešca generated **€158,905** of net profit in 2020 and reports **€1,386,975** of equity as at 31 December 2020.

2.2 Profile of the subsidiary E 3, d.o.o.

The subsidiary E 3 energetika, ekologija, ekonomija, d.o.o., was established on 15 November 2004 by Elektro Primorska as the only shareholder. The basis for the establishment of the subsidiary was the Energy Act, which called for a legal separation of regulated market and production activities.

Name of the Company:	E 3 energetika, ekologija, ekonomija, d.o.o.	
Abbreviated name:	E 3, d.o.o.	
The registered seat:	Erjavčeva ulica 24, Nova Gorica	
VAT ID number:	17851262	
Company number:	2010593	
Business accounts are held at the following banks:	SI56 0475 0000 1095 763 Nova KBM, d.d. SI56 0294 5025 9665 734 NLB, d.d.	
The subsidiary is registered in the register of Companies at the District Court in Nova Gorica under the registration number 1/04504/00.		
Share capital:	€6,522,016.72	
Owner of the subsidiary:	Elektro Primorska holds a 100% stake	
The company representative:	Darko Pahor	
	KNEŠCA, d.o.o.	
	E 3, d.o.o., Nova Gorica	47.27% holding
	(9) individuals	52.73% holding

E 3 began regular operations on 1 January 2005, after it obtained a license for performance of energy activities of electricity production and trading on 3 December 2004.

The company E 3 is composed of three organisational units, namely:

- Purchase and sale of energy division,
- Production and services division, and
- The general services division.

The company began providing commercial public service of the heat distribution system operator in the municipality Šempeter - Vrtojba on 1 May 2010. In accordance with the concession agreement, the company assumed the task of supplying heat to the Podmark residential complex.

On 1 January 2011, the company merged with the carved part of Elektro Primorska, which is engaged in the purchase and sale of electricity. The company holds licenses for performing energy-related activities of electricity generation, heat production, distribution and supply, and trade representation and mediation in the electricity market.

In total, the company had 49 employees at the end of 2020, compared to 53 at the end of the previous year.

A contract for the sale of a 100% stake in the company was signed in 2020 and thus, E 3 is reported in the consolidated financial statements of the Group as a discontinued operation.

2.3 Profile of the associate Knešca, d.o.o.

In June 2006, subsidiary E 3 acquired a 23.61% stake in the company Knešca and in July of that same year also additional 23.66% stakes held by four (4) natural persons, bringing total stake in the company to 47.27%. The stake was subsequently (in 2012) transferred as a contribution in kind to subsidiary JOD, d.o.o.

On 1 January 2017, E 3 merged with its subsidiary and transferred the contribution in kind from JOD to E 3.

In comparison with other (9) individual owners, E 3 holds a significant 47.27% stake in Knešca d.o.o.

Name of the Company:	KNEŠCA, d.o.o., Proizvodnja električne energije	
Abbreviated name:	KNEŠCA d.o.o.	
The registered seat:	Kneža 78, Most na Soči	
VAT ID number:	92002307	
Company number:	5617383	
Business account number:	SI56 2700 0000 0204 363	
The company is registered in the register of Companies at the District Court in Nova Gorica under the registration number RC-065-2005/224.		
Share capital:	€129,361	
	E 3, d.o.o.	47.27%
Owners of the company:	Natural entities	52.73%
Director of the company:	Vincenc Hozjan	

The company performed well in 2020 and generated €196,767 of pre-tax profit (2019: €169,755). It recognised €37,862 of income tax payable (2019: €32,253), bringing the net profit for the year to €158,905 (2019: €137,501). As at 31 December 2020, the company reported €1,386,975 of equity (2019: €1,397,987).

In the consolidated financial statements, the company is reported as an associate and included in the consolidation of the Group under the equity method in accordance with the relevant IAS.

3. Risk Management

Risks are managed in accordance with the integrated risk management (IRM) methodology of the Elektro Primorska Group. Subsidiary E 3 buys and sells electricity and as such is largely exposed to the market risk.

The Elektro Primorska Group is exposed to various risks, all of which are monitored on a regular basis, and the Group adopts relevant measures to mitigate the risks and ensure stable operating conditions.

Risk management is one of the key tasks of the Elektro Primorska Group management.

It is primarily subsidiary E 3 that is exposed to the **market risk**. The risk results from uncertain price movements on the domestic and foreign electricity markets, where the company is present, and from the open positions of its trading portfolio. An open position that is exposed to market risk arises when the aggregate quantity of electricity purchased at a fixed price over a given accounting period deviates from the quantities sold at a fixed price. In doing so, the risk is managed largely by ensuring that each sale has an appropriate purchase transaction, and vice versa. To hedge open positions, the company uses the option of purchasing electricity through several »open« contracts, which allow optimum electricity purchase in several markets in addition to contracts with delivery at a fixed price, and by setting limits that prevent open positions to exceed the percentage quantities of electricity as provided by the Regulation.

Quantitative risks - This type of risks is more pronounced in the subsidiary primarily as a result of risks arising from the difference between the forecast (leased) and the actual quantities of supplied electricity. Quantitative risks are borne by the company in open agreements, i.e., in all contracts with end customers and qualified producers. The company manages these risks through a comprehensive information support used for long- and short-term forecasting of electricity consumption and delivery, and by active and daily monitoring of deviations at all measurement points included in the subgroup. Quantitative risk of E 3 is assessed as moderate.

Price risks are linked to increased competition and uncertainty in the electric power market. The EP Group manages price risks through appropriate pricing policies and coordinated maturity of the sales and purchase agreements. The price risk of the Group is assessed as moderate..

Credit risk arises as a result of losses due to untimely fulfilment or even default on the part of customers. The Group limits credit risk by carefully checking creditworthiness of its customers, continuous monitoring and managing credit exposure to individual customers according to the set limits, and by consistent monitoring of outstanding receivables. To mitigate the credit risk, sale transactions in the electricity sector are mostly secured by instruments, including appropriate collateral. Risk management is associated not only with collateral, but mainly with the defined contractual terms and conditions of sale, which the Group enforces for all types of transactions. The risk is assessed as low.

Liquidity risk and risks associated with cash flows arise, if the group companies are unable to meet their financial obligations on maturity. As the companies ensure daily monitoring and planning of short- and long-term solvency based on regular coordination and planning of cash flows, the liquidity risk is within the range of acceptable parameters and is manageable. The risk is assessed as moderate.

Interest rate risk - Due to short-term and long-term borrowings from domestic and foreign banks, the Group could be exposed to the risk of changes in reference interest rates, which could affect its financing costs. As a result, both companies carefully monitor their exposure to interest rate risk on an ongoing basis and take appropriate measures to mitigate it. Due to the current economic situation and the fact that all the long-term borrowings were agreed at a fixed interest rate, it is assssed that the Company is not exposed to the interest rate risk.

Legislative risk results from changes in market rules or legislation on the Slovenian and foreign electricity markets, and may affect business results. Developments in the relevant legislation are monitored by the parent company and its subsidiary E 3 to ensure prompt response to any potential changes by adjusting their trading and production activities. As Elektro Primorska strictly complies with the requirements of the General Data Protection Regulation (GDPR) issued by the EU with regard to the processing of personal data and on the free movement of thereof, the level of such risks is moderate.

Operational risk is present in all business operations carried out by the group companies. The risk of financial losses may arise due to lack of efficacy of information technology, quality processes or control processes. The risks are mitigated by the internal control system based on the principle that all major operations are performed under control of at least two persons, by ensuring permanent improvements to and upgrading of the information structure, and automatic control of the individual process stages. In addition, the group companies endeavour to mitigate the risk by precisely specifying all the processes, clearly defining the roles of individuals, including their powers and responsibilities, and adopting relevant policies and manuals. Operational risks are mitigated by highly professional, experienced and motivated employees. The risk is assessed as low.

Human resources risk is associated with a potential loss or shortage of qualified personnel. The group companies employed 525 staff as at 31 December 2020 (2019: 519 employees): 423 men (2019: 418) and 102 women (2019: 101). The companies manage the risk by continuous training of employees, promoting further education, by creating good working conditions, providing accident insurance, financing supplementary pension schemes, and facilitating secondary activities that affect the well-being of employees. The risk is assessed as moderate.

4. Performance of the Elektro Primorska Group

Companies in the Elektro Primorska Group are engaged in various activities. The most important of those are implemented by the parent company, as its main activities include electricity distribution and management of the network grid, and by activities carried out by its subsidiary E 3. The subsidiary E 3 is mainly engaged in the purchase and sale of electricity, as well as in electricity production from renewable resources, and co-generation and supply of steam and hot water within the scope of its public services of providing heat supply.

The two companies individually and collectively achieved and exceeded all planned objectives.

The Group closed the financial year with a profit and exceeded the 2019 plan and also the profit achieved in the previous year, mainly on account of improved performance of the parent company.

5. Subsequent Events

In the period subsequent to the reporting date (31 December 2020) and adoption of the Annual Report on 14 May 2021, the Group received preliminary statement of accounts from SODO for the 2020 regulation year. The preliminary statement of accouns is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2020, the contractual value of services and rental of electricity infrastructure already charged is by €352,412 higher than the values established based on the preliminary settlement of accounts (overcharged rent in the amount of €1,308,755 and undercharged services in the amount of €956,363). Therefore, the Group increased revenues from services under the contract with SODO in the amount of €959,166 and reduced the value of rental income from the lease of energy infrastructure by €1,308,775 and recognised €2,803 of regulatory interest.

By a decision of the President of the Management Board, the state of the Covid-19 epidemic was declared in the Company on 13 March 2020, marking the start of the Company's operations in accordance with Instruction N.087 Conduct in the event of an epidemic of a dangerous infectious disease and other instructions. The state of the epidemic was canceled on 31 May 2020. Pursuant to the Decree declaring a state of epidemic of the infectious disease COVID-19 on the territory of the Republic of Slovenia of 18 October 2020 and in accordance with item 4.3. of the Instructions N.087, the Management Board re-declared the state of the epidemic in Elektro Primorska d.d., on 20 October 2020, which has been in effect up to the date of the Annual Report adoption (14 May 2021).

The Group has taken all necessary measures to contain the spread of the infection, protect the health of employees and their families, and ensure business continuity. Thus, the Company adapted its operations in a manner that ensures social distancing and the use of protective equipment. In addition, it introduced restricted access to common areas and closed all access to external parties. Furthermore, instructions and recommendations were issued for the implementation of work processes and responsible conduct both, within the Company and in the field work.

On 26 February 2020, the Company signed a Contract with Petrol, d.d., for the sale and purchase of a 100% stake in E 3, d.o.o. On 28 October 2020, the Slovenina Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d., and E 3, d.o.o., and stating that the concentration complied with competition rules. The sale of a 100% stake in E 3, d.o.o., to Petrol d.d., was completed on 5 January 2021.

6. Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

This is a translation of the original report in Slovene language

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ELEKTRO PRIMORSKA podjetje za distribucijo električne energije, d.d.

Opinion

We have audited the consolidated financial statements of Group ELEKTRO PRIMORSKA podjetje za distribucijo električne energije, d.d. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31 2020, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated 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 (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules 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 Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Own work capitalized

As at 31 December 2020, the net book value of the property, plant and equipment amounts to EUR 198.841 thousand, as disclosed in Note *7.3.2 – Property plant and equipment* and own work capitalised amount to EUR 10.439 thousand, as disclosed in Note 7.4 .1.2 *Own work capitalised, respectively.*

The Group capitalises significant internal labour costs and external costs in respect of major capital projects, most notably relating to electricity distribution network.

In respect of valuation and allocation of assets, there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 16 are inappropriately recorded in the consolidated statement of financial position rather than expensed.

Management judgement is involved in evaluation whether the criteria for capitalisation in accordance with IAS 16 are met and in the valuation of capitalised assets, mostly in relation to the calculation of hourly rate for internal labour cost.

Due to the magnitude of capitalised own work as well as management judgement involved we consider this matter to be key audit matter.

Our audit procedures included considering the appropriateness of the Group's own work capitalisation accounting policies and assessing compliance with the policies in terms of and their compliance with International Financial Reporting Standards as adopted by the EU.

We obtained an understanding of the capitalisation of own work process and evaluated and tested design of respective controls. We performed analytical procedures over own work capitalised compared to the previous years and to the budget.

We obtained the list of the additions to the property, plant and equipment with capitalised own work, and reconciled it to the trail balance. We also carried out substantive testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and assessing whether conditions for assets recognition are fulfilled.

We also considered the adequacy of the *Group*'s disclosures in Note 7.3.2 – Property plant and equipment and 7.4 .1.2 Own work capitalised and their compliance and their compliance with International Financial Reporting Standards as adopted by the EU.

Discontinued operations and held for sale treatment of subsidiary E3 d.o.o.

As disclosed in the Note 7.2.9. Non-current assets (disposal groups) held for sale, the Group signed a Share purchase agreement in February 2020 for the sale of its subsidiary E3 d.o.o. and presented this subsidiary as a disposal group held for sale in its consolidated statement of financial position and discontinued operations in it consolidated income statement.
The share purchase agreement included several control-takeover conditions, which were fulfilled after the statement of financial position date when the loss of control over this subsidiary occurred and when the Group realised a loss of EUR 409 thousand as disclosed in Note 7.9. Subsequent events.

This area is significant to our audit due to the magnitude of the impact of discontinued operation and because it impacts the presentation in the consolidated financial statements.

We assessed the accounting treatment for this transaction including the held-for-sale presentation and timing of recording of the associated gain. Our audit procedures included considering the appropriateness of the Group's accounting policies in relation to held for sale presentation as well as discontinued operations and assessing compliance with the policies in terms of Financial Reporting Standards as adopted by the EU.

We obtained the Share purchase agreement and other supporting documentation as well as supervisory board and management board approval for the transaction. We assessed if the conditions set in the Share Purchase Agreement regarding the loss of control by the Group had been met before 31 December 2020. We assessed if the sale of the subsidiary represents a separate major line of business and whether conditions for the presentation as discontinued operations and presentation of disposal group are met in accordance with IFRS 5.

We also considered the adequacy of the Group's disclosures in 7.2.9. - Non-current assets (disposal groups) held for sale and Note 7.9. Subsequent event and their compliance with International Financial Reporting Standards as adopted by the EU.

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Impairment of property, plant and equipment as part of non-current assets (disposal groups) held for sale

As at 31 December 2020 property, plant and equipment as part of non-current assets (disposal groups) held for sale amounted to EUR 7.741 thousand representing 3.1% of total consolidated assets, as disclosed in the 7.2.9. - *Non-current assets (disposal groups) held for sale*. Out of these assets, EUR 4.568 thousand are involved in the cash generating units of heat production, for which the management assessed there are impairment indicators present and therefore conducted impairment testing.

Management's assessment of the impairment indicators and impairment testing performed for property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. In addition, the judgments and assumptions used are subject to additional uncertainty caused by COVID 19 pandemic.

We therefore determined this to be a key audit matter.

We evaluated management's assessment of impairment indicators for property, plant and equipment.

We tested management's assumptions and other input data used in the value in use calculations and assessed the appropriateness of the management's grouping of assets to separate cash generating units.

We assessed the competency, the experience and objectivity of the external appraisals who assessed recoverable amount of property, plant and equipment based on the discounted cash flows.

We involved valuation experts in the audit team to assist us in evaluation of the discount rates used and assessing the consistency of valuation methodologies applied.

We also evaluated the adequacy of the disclosures regarding the impairment considerations of these property, plant and equipment, which are included in Note 7.2.9. Non-current assets (disposal groups) held for sale of the financial statements– and their compliance with International Financial Reporting Standards as adopted by the EU.

Other information

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

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

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

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

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

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Responsibilities of management, audit committee and the supervisory board 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 audit committee and the supervisory board are responsible for overseeing the Group's financial reporting process. The supervisory board is responsible to approve the audited 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

• identify and assess the risks of material misstatement of the 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/Group'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/Group'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 consolidated 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/Group 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 our 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.

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We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied..

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group at the general meeting of shareholders/owners on 28 June 2019, the president of the supervisory board has signed the audit agreement on October 16, 2019. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 6 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o.

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report *(or present other date of this Additional Report, but in accordance with Article 11 of Regulation, it should be the date of this Independent Auditor's Report at the latest).*

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

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

Ljubljana, 14 May 2021

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

Lidija Šinkovec
Certified auditor

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

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6.1 Consolidated statement of financial position of the Group as at 31 December 2020

in EUR

Assets	Notes	31.12.2020	31.12.2019
Non-current assets			
Intangible assets	7.3.1.	3,450,454	3,792,468
Right-of-use assets	7.3.2.	377,262	298,623
Property, plant and equipment	7.3.3.	198,841,097	190,185,159
Investment property	7.3.4.	223,353	220,070
Other shares and stakes	7.3.5.	286,761	294,576
Operating receivables	7.3.7.	166,366	301,470
Non-current deferred costs	7.3.8.	10,670	45,549
Deferred tax assets	7.3.9.	954,110	712,896
Total non-current assets		**204,310,074**	**195,850,812**
Current assets			
Non-current assets held for sale		39,210,137	38,408,110
Inventories	7.3.10.	1,164,763	1,220,210
Contract assets	7.3.13.	1,149,013	2,581,131
Trade receivables	7.3.12.	6,029,668	6,127,526
Income tax credits		364,449	0
Other receivables		231,446	153,794
Other current assets	7.3.14.	38,698	215,261
Cash and cash equivalents	7.3.15.	1,837,633	2,965,633
Total current assets		**50,025,807**	**51,671,665**
Total assets		**254,335,881**	**247,522,476**

Table 99: Consolidated statement of financial position of the Group as at 31 December 2020 (assets)

in EUR

	Notes	31.12.2020	31.12.2019
Equity and liabilities			
Equity			
Share capital		110,465,795	78,383,817
Share premium		46,306,588	46,306,588
Legal reserves		1,217,430	1,037,440
Other profit reserves		11,879,220	40,291,393
Fair value reserve		-1,623,947	-1,399,772
Retained earnings		2,454,643	2,752,594
Total capital	**7.3.16.**	**170,699,728**	**167,372,061**
Non-current liabilities			
Provisions for post-employment and other long-term employee benefits	7.3.17.	5,409,436	4,986,319
Deferred income	7.3.18.	10,691,585	10,664,963
Financial liabilities	7.3.19.	25,605,235	29,786,910
Total non-current liabilities		**41,706,256**	**45,438,193**
Short-term liabilities	**7.3.21.**		
Non-current liabilities held for sale		23,851,024	23,353,481
Financial liabilities		7,676,674	4,194,493
Trade payables		8,361,454	6,332,395
Income tax payable		0	190,407
Contract liabilities	7.3.22.	19,231	19,666
Other liabilities	7.3.23.	2,021,513	621,780
Total short-term liabilities		**41,929,896**	**34,712,222**
Total liabilities		**83,636,152**	**80,150,415**
Total equity and liabilities		**254,335,881**	**247,522,477**

Table 100: Consolidated statement of financial position of the Group as at 31 December 2020 (equity and liabilities)

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

6.2 Consolidated profit and loss account for the financial year ended on 31 December 2020

in EUR

	Notes	2020	2019
Net sales	7.4.1.1.	36,754,101	39,599,431
- Revenue from contracts with customers		20,455,541	22,046,117
- Other sales revenue		16,298,560	17,553,314
Change in inventories of work in progress		0	0
Capitalised own products and services	7.4.1.2.	10,493,687	9,571,803
Other operating revenue	7.4.1.3.	2,229,626	1,147,935
Cost of goods and material	7.4.2.	-6,118,753	-5,477,403
Cost of services		-5,513,894	-5,569,047
Employee benefits	7.4.2.	-18,268,773	-17,197,327
Amortisation and depreciation	7.4.2.	-12,941,305	-12,569,703
Impairments and write-off		-430,691	-298,138
- of which net impairment and write-off of trade receivables		-10,080	-79,638
Other operating expenses	7.4.3.	-204,292	-218,833
OPERATING PROFIT OR LOSS		**5,999,707**	**8,988,718**
The share of operating profit or loss from investments valued under the equity method		**0**	**0**
Financial income	7.4.4	17,767	28,279
Financial expenses	7.4.5	-264,517	-323,128
Financial profit or loss		**-246,750**	**-294,850**
PROFIT OR LOSS BEFORE TAX		**5,752,957**	**8,693,869**
Income tax	**7.4.6**	**-460,020**	**-1,086,314**
Deferred tax		**222,574**	**26,760**
Income tax payable		**-237,446**	**-1,059,555**
NET PROFIT OR LOSS FROM CONTINUED OPERATIONS	**7.4.7.**	**5,515,511**	**7,634,314**
Discontinued operations	7.2.9.1.	720,676	550,979
NET PROFIT OR LOSS FROM CONTINUED OPERATIONS		**720,676**	**550,979**
NET PROFIT OR LOSS FROM DISCONTINUED OPERATIONS		**6,236,188**	**8,185,293**
Basic earnings per share (in EUR)		**0.33**	**0.44**
Diluted earnings per share (in EUR)		**0.33**	**0.44**
Basic earnings per share of continued operations (in EUR)		**0.29**	**0.41**
Diluted earnings per share of continued operations (in EUR)		**0.29**	**0.41**

Table 101: Consolidated profit and loss account for the financial year ended on 31 December 2020

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

6.3 Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

in EUR

	2020	2019
Net profit	**6,236,188**	**8,185,293**
Other comprehensive income for the year		
Other comprehensive income for the year, to be recognised in profit or loss at a future date		
Gains or losses on revaluation of investments at fair value through OCI - continued operations	-7,814	7,104
Net other comprehensive income for the year, to be recognised in profit or loss at a future date	-7,814	7,104
Other comprehensive income for the year that will never be recognised in profit or loss		
Actuarial gains/losses on provisions for severance pay		
- continued operations	-248,058	-485,897
- discontinued operations	-45,614	-27,438
Deferred tax effect		
- continued operations	18,640	37,386
- discontinued operations	4,072	2,313
Net other comprehensive income for the year that will never be recognised in profit or loss	**-270,960**	**-473,636**
Total other comprehensive income for the year (net of tax)	**-278,774**	**-466,532**
Total comprehensive income for the year (net of tax)	**5,957,414**	**7,718,760**

Table 102: Consolidated statement of comprehensive income for the year ended 31 December 2020

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

6.4 Consolidated cash flow statement for the year ended 31 December 2020

in EUR

	Notes	2020	2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Receipts from operating activities		**250,821,903**	**260,266,575**
a. Proceeds from sale of products and services		217,305,161	224,894,829
b. Other receipts from operating activities		33,516,742	35,371,745
2. Expenditure from operating activities		**-232,399,459**	**-247,149,409**
a. Expenditure for purchase of materials and services		-122,751,019	-127,847,243
b. Expenditure for salaries and employees' shares in profits		-19,705,134	-19,293,322
c. Expenditure for all kinds of contributions		-7,420,747	-6,971,590
d. Expenditure for income tax		-1,132,708	-1,086,283
e. Other expenditure from operating activities		-81,389,851	-91,950,971
3. Net cash from operating activities		**18,422,444**	**13,117,166**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
4. Cash receipts from investing activities		**827,965**	**6,165,473**
a. Interest received		146,135	101,978
b. Shares in the profit		68,495	28,892
c. Proceeds from disposal of property, plant and equipment		560,185	34,603
d. Proceeds from disposal of long-term investments		0	6,000,000
e. Proceeds from disposal of short-term investments		53,150	0
5. Cash disbursements for investing activities		**-16,165,642**	**-19,511,603**
a. Expenditure for acquisition of intangible assets		-1,564,648	-1,648,004
b. Expenditure for acquisition of property, plant and equipment		-14,552,043	-15,863,600
c) Expenditure for acquisition of long-term and short-term investments		-48,950	-2,000,000
6. Net cash from investing activities		**-15,337,677**	**-13,346,130**
7. Net cash from operating and investing activities		**3,084,766**	**-228,964**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
8. Cash receipts from financing activities		**51,950,000**	**40,628,000**
a. Receipts from long-term borrowings		0	6,978,000
b. Receipts from short-term borrowings		51,950,000	33,650,000
9. Cash disbursements from financing activities		**-55,810,321**	**-40,718,321**
a. Interest paid		-328,977	-340,379
b. Repayments of capital		0	0
c. Leasing capital expenditure		-54,376	-68,299
d. Cash repayments of long-term borrowings		-4,347,222	-6,749,667
e. Cash repayments of short-term borrowings		-48,450,000	-31,359,506
f. Dividends paid		-2,629,746	-2,200,470
10. Net cash from financing activities		**-3,860,321**	**-90,320**
11. Total cash flows		**-775,554**	**-319,285**
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		2,629,851	3,405,406
X. Opening balance of cash and cash equivalents		**3,405,406**	**3,724,691**
Y. CASH FLOWS FOR THE PERIOD	7.5.	-775,554	-319,285
Cash and cash equivalents eliminated on reclassification	7.2.9.1.	-792,219	-439,774
Closing balance of cash and cash equivalents on the last day of the period		1,837,633	2,965,633

Table 103: Consolidated cash flow statement for the year ended 31 December 2020

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

6.5 Consolidated Statement of Changes in Equity for the year ended 31 December 2020

in EUR

	Called-up capital		Profit reserves							
	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. At 31 Dec 2019	78,383,817	46,306,588	1,037,440	0	0	40,291,393	-1,399,772	90,257	2,662,337	167,372,061
A.2. At 1 Jan 2020	78,383,817	46,306,588	1,037,440	0	0	40,291,393	-1,399,772	90,257	2,662,337	167,372,061
B.1 . Changes in equity - transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,629,746**	**0**	**-2,629,746**
a. Treasury share withdrawal	0	0			0					0
b. Release of treasury share reserves				0				0	0	0
a. Dividend payment	0	0	0			0	0	-2,629,746	0	-2,629,746
B.2. Total comprehensive income for the reporting period	**0**	**0**	**0**			**0**	**-278,774**	**0**	**6,236,188**	**5,957,414**
a. Net profit or loss for the reporting period	0	0	0			0	0	0	6,236,188	6,236,188
b. Fair value reserve	0	0	0			0	-7,814	0	0	-7,814
b. Other components of comprehensive income for the reporting period	0	0	0			0	-270,960	0	0	-270,960
B.3. Changes within equity	**32,081,977**	**0**	**179,990**			**-28,412,173**	**54,600**	**2,539,489**	**-6,443,882**	**0**
a. Allocation of the remaining net profit of the comparable reporting period to other components of equity	0	0	0			250,000	0	2,629,746	-2,879,746	0
b. Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management	0	0	179,990			3,419,804	0	-35,657	-3,564,136	0
c. Allocation of part of net profit to additional reserves in accordance with decisions of the AGM	32,081,977					-32,081,977		0	0	0
d. Other changes within equity	0	0	0			0	54,600	-54,600	0	0
C. At 31 Dec 2020	**110,465,794**	**46,306,588**	**1,217,430**	**0**	**0**	**11,879,220**	**-1,623,947**	**0**	**2,454,643**	**170,699,728**
Distributable profit 2020								0	2,454,643	2,454,643

Table 104: Consolidated statement of changes in equity for the year ended 31 December 2020

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

6.6 Consolidated Statement of Changes in Equity for the Year ended 31 December 2019

in EUR

	Called-up capital		Profit reserves							
	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasu-ry shares	Other profit reserves	Fair value reserve	Retained earnings	Net profit for the year	Total capital
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. At 31 Dec 2018	78,562,832	46,208,187	768,501	80,613	-80,613	34,819,055	-1,028,694	115,694	2,408,196	161,853,771
A.2. At 1 Jan 2019	78,562,832	46,208,187	768,501	80,613	-80,613	34,819,055	-1,028,694	115,694	2,408,196	161,853,771
B.1 . Changes in equity - transactions with owners	**-179,014**	**98,401**	**0**	**-80,613**	**80,613**	**0**	**0**	**-2,119,857**	**0**	**-2,200,470**
a. Treasury share withdrawal	-179,014	98,401			80,613					0
b. Release of treasury share reserves				-80,613				80,613	0	0
a. Dividend payment	0	0	0			0	0	-2,200,470	0	-2,200,470
B.2. Total comprehensive income for the period	**0**	**0**	**0**			**0**	**-466,533**	**0**	**8,185,293**	**7,718,760**
a. Net profit or loss for the reporting period	0	0	0			0	0	0	8,185,293	8,185,293
b. Fair value reserve	0	0	0			0	7,104	0	0	7,104
b. Other components of comprehensive income for the reporting period	0	0	0			0	-473,637	0	0	-473,637
B.3. Changes within equity	**0**	**0**	**268,939**			**5,472,338**	**95,455**	**2,094,420**	**-7,931,152**	**0**
a.) Allocation of the remaining net profit of the comparable reporting period to other components of equity	0	0	0			233,163	0	2,175,033	-2,408,196	0
b. Allocation of part of net profit of the reporting period to other components of equity in accordance with decision of the management	0	0	268,939			5,239,175	0	14,841	-5,522,956	0
c. Allocation of part of net profit to additional reserves in accordance with decisions of the AGM						0		0	0	0
d. Other changes within equity	0	0	0			0	95,455	-95,455		0
C. At 31 Dec 2019	**78,383,817**	**46,306,588**	**1,037,440**	**0**	**0**	**40,291,393**	**-1,399,772**	**90,257**	**2,662,337**	**167,372,061**
Distributable profit 2019								**90,257**	**2,662,337**	**2,752,594**

Table 105: Consolidated statement of changes in Equity for the year ended 31 December 2019

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.
For information on retrospective error adjustment refer to Note 6.1.1.1.

7. Financial Report of the Elektro Primorska Group

7.1 General notes and disclosures

The consolidated financial statements of the Group have been compiled in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU Regulation, and which were adopted by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"), as endorsed by the European Union, and in compliance with provisions of the Companies Act (ZGD). These consolidated financial statements have been prepared under IFRS.

7.2 Basis of preparation of consolidated financial statements and significant accounting policies

7.2.1 Declaration of Conformity

The Management Board approved the separate financial statements of the Company and consolidated financial statements of the Group on 14 May 2021.

The consolidated financial statements of the Elektro Primorska Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"), as adopted by the European Union, and in compliance with the Companies Act.

7.2.2 Basis of measurement

The Group's financial statements are prepared based on the historical costs convention. Methods applied in the measurement of fair values are presented in Note 7.7.

7.2.3 Functional and presentation currency

The financial statements contained in this report are presented in euros (€) without cents, which is the functional and presentation currency of the Group. Due to rounding of figures, insignificant deviations may occur in the sums contained in the tables.

Transactions in foreign currencies are translated into euro at the exchange rate of the European Central Bank (ECB) on the transaction date. Exchange rate differences between the date of the transaction and the date of payment are recognised in profit or loss as a financial expense or income.

7.2.4 Going concern assumption

The parent company continues to operate as a going concern without any risk of its operations being jeopardized. All disclosures and assumptions used apply to going concerns within the Group for the financial year ended 31 December 2020, except for the discontinued operation, i.e., E 3, d.o.o.

7.2.5 Discontinued operations

In accordance with the contract for the sale of a 100% stake in E 3, d.o.o., signed in February 2020, in the financial years 2019 and 2020, the subsidiary was considered as a discontinued operation. The Group presents the spin-off company as a discontinued operation, which is an important segment of operations, generating revenue from the sales of electricity to end customers. Discontinued operations are excluded from continuing results and presented in the income statement as a single amount of the net profit from discontinued operations. In the statement of financial position, assets of discontinued operations are presented under non-current assets/liabilities held for sale. Additional disclosures are provided in the continuation. The cash flow statement contains transactions from continued and discontinued operations, while the cash flow by segments is disclosed in section 7.2.9.1.

7.2.6 Segment reporting

The Company is not required to apply provisions of IFRS 8 and therefore its data is not disclosed by segment.

7.2.7 Use of estimates and judgements

In the preparation of financial statements, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying amount of assets and liabilities, revenues and expenses. Pricing and related assumptions and uncertainties are disclosed in the notes to the individual financial statement items.

Those estimates, judgements and assumptions are regularly revised. Since estimates and assumptions are subject to subjective judgement and some degree of uncertainty, subsequent actual results may differ from those estimates. Any changes in accounting estimates are recognised in the period when the change occurred, providing the change only affects that particular period;

however, when the change also impacts future periods, they are recognised in the period of the change occurring and future periods.

ESTIMATES AND ASSUMPTIONS ARE USED PRIMARILY WHEN MAKING THE FOLLOWING JUDGEMENTS:

LEASES (NOTE 7.3.2.)

The Group has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**
  A contract is identified as a lease if it renders the Group the right to control the leased asset. The Group controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.

- **Determining the term of the lease**
  The lease term is determined as the period during which the lease cannot be terminated, inclusive of:

  a. the period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option.
  b. the period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option. Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Group's needs to use the asset, considering the Group's plans and long-term business policies.

- **Determining the discount rate**
  The discount rate is determined based on the interest rate at which the Group can obtain comparable assets on the market with a comparable maturity.

ASSESSMENT OF REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 7.3.1.3)

Key judgements relating to revenue recognition refer to revenues from contracts with customers and sales made in the name and on behalf of third parties.

Revenue from contracts with customers

The Group has adopted the following accounting judgements, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

- **Determining the point in time when contractual obligations are fulfilled**
  Revenue from the sale of goods and services is recognised at the time of sale. From the time of sale, the Group no longer has control of the goods or services sold.

Sales made in the name and for the account of third parties

The Group invoices network charge on behalf of SODO. These network charges are not recognised as revenue, but rather as an obligation to SODO. The Group has no discretionary right when determining the price for the network charges invoiced on behalf of third parties.

Capitalised costs to obtain contracts

The Group has examined the impact of the assessment of deferred income under IFRS 15 in terms of costs to obtain contracts with customers and found that non-capitalised costs amount to €149,131 as at 1 January 2020 and to €193,253 at 31 December 2019. The amounts are disclosed only in the Annual Report of the Group.

ASSESSMENT OF USEFUL LIVES OF DEPRECIABLE ASSETS (NOTES 7.3.1. AND 7.3.3.)

Economic life of an asset is assessed in consideration of expected physical wear and tear, technical and functional obsolescence and expected legal and other restrictions of use. The Group revises economic lives of all significant assets to determine whether due to changed circumstances, the asset's assessed economic life has changed resulting in the revaluation of the amortisation/ depreciation of an asset.

ASSETS' IMPAIRMENT TESTING

Information on significant estimates about uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements applies to and is presented within:

- Fixed assets (Notes 7.3.1. and 7.3.2.),
- Investment in associates (Note 7.2.9.1.),
- Other shares and stakes (Note 7.3.5.),
- Financial receivables (Notes 7.3.7. and 7.3.12.).

FAIR VALUE ASSESSMENT OF ASSETS (NOTE 7.2.9.)

Financial assets measured at fair value through profit or loss are recognised at fair value. All other items in the financial statements are recognised at cost or amortised cost.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - valuation techniques for which the lowest level input is directly or indirectly observable
Level 3 - valuation techniques for which the lowest level input is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting date.

The fair value measurement hierarchy of the Group's assets and liabilities is presented in Note 7.2.9., while accounting policies applied to individual financial statement items are explained in Note 3.p.

The Group regularly checks if there has been a change in control held in joint ventures and associates, thus ensuring that investments are adequately reported in the financial statements.

Evidence of investors' significant influence is shown by one or more of the following facts, namely:

- representation on the Board of Directors or equivalent decision-making body of the company in which the Group/Company has invested,
- participation in policy-making processes, including participation in decisions about dividends,
- material transactions between the investor and the company in which the Group has invested.

ASSESSMENT OF PROVISIONS FOR LEGAL DISPUTES (NOTE 7.2.9.)

Individual Group companies have filed multiple lawsuits and the Group ensures regular estimate of the need for provisions for these legal disputes. A provision is recognised when companies have present obligations (legal or constructive) as a result of past events, a reliable estimate can be made of the amount of obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their actual existence will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not completely within the control of the Group.

Management of individual companies continually assess contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. A provision is recognised in the financial statements of the period in which the change in probability occurs.

PROVISIONS FOR POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT EMPLOYEE BENEFITS (NOTE 7.2.9.)

Defined benefit obligations include the present value of termination benefits on retirement and jubilee awards. They are recognised on the basis of the actuarial calculation approved by the management. The actuarial calculation is made by using assumptions and estimates effective at the time of the calculation, and may, as a result of future changes, differ from actual assumptions applicable at that future time. This applies primarily to determination of the discount rate, assessment of employee turnover, mortality assessment, as well as assessment of the increase in salaries. Due to the complexity of the actuarial calculation and the long-term nature of the item, defined benefit obligations are sensitive to changes in the above estimates and assessments.

The assumptions are detailed in Note 7.2.9.

ASSESSMENT OF DEFERRED TAX ASSET UTILISATION

The Group recognises deferred tax assets arising from provisions for anniversary bonuses and retirement benefits, impairment of receivables and tax losses.

At the financial statement date, the Group verifies the amount of disclosed deferred tax assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7.2.8 Changes in accounting policies

The accounting policies used in the financial statement compilation are the same as those used in the previous financial year, except for newly adopted or amended standards and interpretations adopted by the Group for annual periods beginning on or after 1 January 2020, as described in continuation.

NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY AND THE GROUP, WHICH ENTERED INTO FORCE ON 1 JANUARY 2020

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The amendments had no significant impact on the Group's financial statements.

Amendments to IAS 1: Presentation of Financial Statements and IAS 8: Accounting policies, changes in accounting estimates and errors: Definition of »material«

The amendments clarify the definition of material and how it should be applied. The new definition states that, information »is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity«. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards.

The amended standard had no significant impact on the Group's financial statements.

Amendments to IFRS 3: Business combinations

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amended standard had no significant impact on the Group's financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9: Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Financial instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

Phase two (draft exposure) will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR).

The amended standard had no significant impact on the Group's financial statements.

IFRS 16: Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

The amendments to the standard did not affect the Group's financial statements, as there was no change in rents related to Covid-19.

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, RELEVANT TO THE GROUP

The standards and interpretations described below have not come into effect by the date of the consolidated financial statements. The Group will apply the new and revised standards and interpretations when they come into force. The Group did not early adopt any standards.

Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the entity issuing own equity instruments.

The amendments are effective for annual periods beginning on or after 1 January 2022. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. Early adoption is permitted. The amendments have so far not been endorsed by the EU.

The Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

Amendments to IAS 16: Property, plant and equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The amendments have so far not been endorsed by the EU.

The Group does not expect the amendments to have a significant impact on its consolidated financial statements.

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (Amendments)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The amendments have so far not been endorsed by the EU.

The Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7: Financial instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments are effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted. While application is retrospective, an entity is not required to restate prior periods.

The Group does not expect the amendments to have an impact on its consolidated/separate financial statements.

ANNUAL IMPROVEMENTS 2018–2020

Annual Improvements 2018-2020 make minor amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 9: Financial Instruments, IAS 41: Agriculture and the Illustrative Examples accompanying IFRS 16: Leases.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The amendments have so far not been endorsed by the EU.

The Group does not expect the amendments to have an impact on its consolidated/separate financial statements.

7.2.9 Significant accounting policies

Measurement of economic categories presented in the financial statements is based on historical cost and final fair values recorded in books of accounts. The following are the main accounting policies.

a. Consolidation

The following entities are included in consolidation: the parent company Elektro Primorska d.d., subsidiary E 3, d.o.o., and associate Knešca, d.o.o.

Consolidated financial statements comprise:

- Consolidated statement of financial position
- Consolidated profit and loss account
- Consolidated statement of comprehensive income
- Consolidated cash flow statement
- Consolidated statement of changes in equity and
- Notes to the consolidated financial statements.

Companies in the Elektro Primorska Group are committed to their individual calculation of corporate income tax liability.

In the consolidated financial statements, the Elektro Primorska Group is addressed as a single entity. The consolidated financial statements are compiled based on original financial statements of the group companies, with relevant consolidating adjustments, which are not posted in the separate financial statements of the group companies.

Consolidated financial statements are compiled based on full consolidation of discontinued operations of subsidiary E 3 and the equity method applied in the consolidation of the associate Knešca.

Consolidation procedures are applied to:

- settlement of the parent company's investments with the capital of the subsidiary,
- elimination of intercompany receivables and liabilities,
- elimination of intercompany revenue and expenses
- elimination of intercompany inflows and outflows,
- increase of the investment in the associated company by the attributable amount of capital, less dividends paid and the relevant financial revenue and expenses.

b. Business combinations

Business combinations are accounted for using the purchase method at the date of the merger, which is the acquisition date, i.e. the date when the Group obtains control. Control gives the Group the power to decide on the financial and operating policies of an entity so as to obtain benefits from its activities.

Contingent liabilities in a business combination are recognised at fair value at the acquisition date. If a contingent liability is classified as equity, it is not remeasured and its settlement is accounted for within equity. The Group recognises subsequent changes in fair value of contingent liabilities in profit or loss.

Accounting for acquisitions of minority interests

The Group accounts for purchases of non-controlling interests where there is no change in control of the entity, as transactions with owners and therefore no goodwill is recognised. Changes in non-controlling interests are based on the proportionate share of the net assets of the subsidiary. Any surplus, i.e., the difference between the cost of the additional investment and the carrying amount of the assets is recognised in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when:

- the investor is entitled to variable returns from its involvement in the business of the investee,
- the investor has the ability to affect the return based on its control of the investee, i.e., the investment recipient,
- there is a link between power and return.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. Accounting policies of subsidiaries are consistent with those of the Group.

After loss of control, the Group derecognises the assets and liabilities of the subsidiary, non-controlling interests and the other components of equity related to the subsidiary. Any surpluses or deficits that arise from the loss of control are recognised in profit or loss. Any stakes retained by the Group in its former subsidiary are measured at fair value at the date when the control is lost. Subsequently, it is accounted for as an investment in associate (accounted for under the equity method) or as available-for-sale financial asset depending on the level of control. Changes in equity interest of the parent company in a subsidiary that do not result in loss of control are accounted for as equity transactions (i.e., transactions with owners) and recognised as other profit reserves.

Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but does not control their financial or operating policies. Joint ventures are those entities over whose activities the Group has joint control and which are based on contractual agreement requiring unanimous consent for financial and operating decisions. On initial recognition, investments in associates and joint ventures are measured at cost; after the initial recognition they are accounted for under the equity method. The consolidated financial statements include the Group's share in the profits and losses of jointly controlled companies accounted for under the equity method (after relevant adjustments in the accounting policies) from the date that significant influence commences and until the date it ceases. If the Group's share of losses in an associate or jointly controlled entity is greater than its stake, the carrying amount of the Group's interest is reduced to nil and its share in any further losses is no longer recognised.

Transactions eliminated from the consolidated financial statements

Balances, profits and losses arising from intra-group transactions have been eliminated from the consolidated financial statements of the Group. Unrealised gains arising from transactions with associates are accounted for under the equity method and are eliminated to the extent of the Group's stake in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c. Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group entities at exchange rates prevailing on the transaction date. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rate. Foreign exchange rate gains or losses are differences between amortised cost denominated in the functional currency at the beginning of the period adjusted for effective interest and payments made during the period, and the amortised cost in foreign currency translated at the exchange rate prevailing at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate prevailing at the date when the fair value is determined. Non-monetary items denominated in foreign currencies that are reported at cost are translated into the functional currency at the exchange rate applicable on the transaction date. Any differences arising from the translation of foreign currency are recognised in profit or loss.

Financial statements of the Group companies

The consolidated financial statements are presented in euros. For the purpose of the consolidated financial statements, items of each individual company in the Group that is included in the consolidation are translated into the reporting currency as follows:

- Assets and liabilities in each individual statement of financial position (including goodwill), are translated at the ECB exchange rate prevailing at the reporting date,
- Revenues and expenses of foreign operations are translated into euros at the exchange rates prevailing at the date of conversion.

Foreign exchange differences are recognised in other comprehensive income as translation reserve and as a component of equity. The relevant share of foreign exchange rate differences arising from foreign subsidiaries that are not wholly owned, is allocated to non-controlling interest. When a foreign operation is disposed of in part or in full, the relevant amount in the translation reserve is reclassified to profit or loss as revenue or expense arising from disposal. If the Group disposes of only one part of its interest in a subsidiary that includes a foreign operation while maintaining control, the relevant share of the amount is reclassified to non-controlling interest. If the Group disposes of only one part of its investment in an associate or jointly controlled entity that includes a foreign operation, and maintains significant influence or joint control, the relevant share of the amount is reclassified to profit or loss.

d. Financial instruments

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on the following criteria: the entity's business model for managing the assets; and whether the instrument's contractual cash flows represent solely »payments of principal and interest« on the principal amount outstanding.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical benefit are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section »Revenue from contracts with customers«.

In order for financial assets to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are »solely payments of principal and interest (SPPI)« on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to associates and the director, recognised under other long-term investments.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI include investments in debt instruments quoted on an active market, recognised under other long-term investments.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and which are not held for trading purposes. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as an item of other income in the statement of profit or loss when the entity's right to payment is established, unless such income is used by the entity to recover part of the cost of the asset, in which case such profits are recognised in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred the right to receive cash flows from the asset or assumed and obligation to pay in due course the cash flows to third parties under a »pass-through« arrangement, and or (a) the Group has transferred all risks and rewards of the asset, or (b), the Group neither transferred nor retained all risks and rewards of the asset, but transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a »pass-through« arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, it continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Initially, all financial liabilities are measured at fair value, including loans, borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other liabilities, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This group also includes derivatives that are not designated as hedging instruments in the hedging relationship as defined by hedging instruments in hedge accounting under IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

On initial recognition, financial liabilities are classified to the fair value through profit or loss group only if, they meet the criteria prescribed by IFRS 9. The Group has not designated any of its financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Any gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Amortisation of EIR is recognised in the profit or loss as an item of financial expenses.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing obligation are substantially modified, such and exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable right to offset the recognised amounts and if there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e. Equity

Total capital of an entity is its liability towards its owners which falls due if the entity ceases to operate. It is determined by the amounts invested by owners and the amounts generated in the course of operation that belong to the owners.

Total capital consists of:

Called-up capital

Called-up capital of the parent company Elektro Primorska, Nova Gorica, is the share capital, which is defined in the Articles of Association, registered at the Court and was paid by the owners. Dividends paid on ordinary shares are recognised as a liability in the period in which they are approved at the General Meeting.

Legal reserves

Legal reserves are amounts of retained profit from previous years, earmarked mainly for the settlement of potential future losses. They are recognised on their occurrence by the body responsible for preparation of the annual report, or based on the decision of the relevant authority.

The fair value reserve comprises effects of measurement of available-for-sale financial assets at fair value and actuarial gains or losses from provisions for post-employment and other long-term employee benefits.

Reserves for treasury shares

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity as treasury shares until such shares are cancelled, reissued or disposed of. If treasury shares are subsequently sold or reissued, the consideration received net of transaction costs and related tax effects is included in the share premium.

Dividends

Dividends are recognised in the Group’s consolidated financial statements in the period in which they are declared by the Annual Meeting.

f. Intangible assets

Development studies and long-term rights

Development studies and long-term rights include the design and production of new or substantially improved software applications. The Group capitalises development costs of software solutions providing the following conditions are met: the costs can be measured reliably; the development of software solution is technically and commercially feasible; there is likelihood of future economic benefits flowing to the entity; the Group has sufficient resources to complete the development and aims to use the relevant software solution. Capitalised development costs of software solutions include direct costs of labour and other costs that can be directly attributed to making the asset ready for its intended use.

Other intangible assets

Other intangible assets with limited useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an item intangible assets includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of the asset. Intangible assets are subsequently measured using the cost model. In addition to goodwill and rights arising from the concession for construction of gas networks and distribution described below, the majority of the Group's intangible assets comprise software. The Group has no intangible assets with indefinite useful life other than goodwill.

Subsequent expenditure

Subsequent expenditures on an item of intangible assets are added to the carrying amount of the asset if it is reasonable to believe that the future economic benefits from the asset will flow to the Group and if its costs can be reliably measured. All other expenditure is recognised in profit or loss when incurred.

Amortisation

Amortisation is recognised according to the straight-line method in the period of the estimated expected functional life periods of individual items of intangible asset. Amortisation begins when the asset becomes available for its use.

Assessed useful lives of intangible assets in the current and comparable financial period

in %

	2020	2019
Intangible assets (excluding software)	3.33–20.00	3.33–20.00
Software	33.3	33.3

Table 106: Amortisation rates applied to intangible assets

Impairment of assets is explained in detail in point k.

g. Property, plant and equipment

The items of property, plant and equipment are reported at cost less accumulated depreciation and accumulated impairment losses, except for land which is recognised at cost less accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of the asset. The items of property, plant and equipment are subsequently measured under the cost model.

The cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. The following costs can be directly attributed to the cost of the assets:

- cost of materials and services used to manufacture the asset,
- employee benefits arising from the manufacture of the asset,
- relevant share of the overheads.

Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised under expenses. In addition, an entity recognises revenue from capitalised own products.

Subsequent expenditure

Subsequent expenditures on an item of property, plant and equipment are added to the carrying amount of the asset if it is reasonable to believe that the future economic benefits from the asset will flow to the Group and if its costs can be reliably measured. All other expenditure (e.g. regular maintenance) is recognised in profit or loss when incurred.

Depreciation

Depreciation is accounted for using the straight line method, taking into account the useful life of each individual (component) part of an asset. Leased assets are depreciated over the term of the lease and their useful lives. Land is not depreciated. Depreciation begins when the asset becomes available for its use. Construction in progress is not depreciated.

Assessed useful lives of the assets in the current and comparable financial period:

in %

	2020	2019
Real estate (land and buildings)	0.00–5.00	0.00–5.00
Computer hardware	33.3– 50.00	33.3-50.00
Transformers	2.86–3.33	2.86–3.33
Electronic counters	4.17–6.67	4.17–6.67
HGV vehicles	8.33	8.33
Cars	12.5	12.5
Other property, plant and equipment	2.50–20.00	2.50–20.00
Artwork	0.00	0.00

Table 107: Depreciation rates applied to property, plant and equipment

The assets' residual values and useful lives are reviewed annually and adjusted as and when necessary.

Gains and losses on disposal or elimination of the assets are determined by comparison of the proceeds from sale and their carrying amount. Gains and losses on disposal are recognised in profit or loss. The items of property, plant and equipment that are available for sale are recognised separately from other assets. Depreciation of those assets is not accounted for in the year of their disposal.

Impairment of assets is explained in detail in point k.

h. Investment property

Investment properties are properties which are held by the Group to earn rental income or for their appreciation or both. Investment properties are recognised at cost less accumulated depreciation and accumulated impairment losses. Investment property is measured at cost.

Depreciation method and rates are the same as those applied to other property, plant and equipment.

Impairment of assets is explained in detail in point k.

i. Leases

The Group has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**
  A contract is identified as a lease if it renders the Group the right to control the leased asset. The Group controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.
- **Determining the term of the leas**
  The Group determines the lease term as the period during which the lease cannot be terminated, inclusive of:
  a. the period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option.
  b. the period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option.

Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Group's needs to use the asset, considering the Group's plans and long-term business policies. A lease is classified as a finance lease if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are considered operating leases where leased assets (lease of assets) or long-term financial receivables (assets leased out) are not recognised in the consolidated statement of financial position of the Group.

- **Determining the discount rate**
  The discount rate is determined based on the interest rate at which the Group can obtain comparable assets on the market with a comparable maturity.

j. Inventory

Inventories of merchandise and materials are measured at the lower of their cost or net realisable value.

The cost includes the asset's purchase price, import duties and direct costs of purchase. Any discounts received are deducted from the cost. Direct costs of acquisition comprise transport costs, costs of loading, reloading and unloading, transport insurance costs, costs of monitoring the goods, agency costs and similar costs incurred to the initial storage if they are borne by the buyer, and non-refundable duties (excise duty). Purchase price discounts include those listed on the invoice as well those obtained subsequently in relation to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs of sale. The Group assesses the net realisable value of inventories at each reporting date. If the net realisable value of inventories is lower than their carrying amount, the Group recognises impairment of inventories. Write-down of damaged, expired and obsolete inventories is made regularly during the year for individual items of inventories.

The declining values of inventories are accounted for using the weighted average price method.

k. Imapirment of assets

Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since the initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Non-financial assets

The carrying amounts of the Group's material non-financial assets are reassessed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is assessed.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, the assets that cannot be tested individually are grouped into the smallest cash generating groups from continued use and which are predominantly independent of cash generated by other assets or groups of assets (cash generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment loss on a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit (group of units) in proportion to the carrying amount of each asset in the unit.

Goodwill that is part of the carrying amount of the investment in the associate or joint venture using the equity method is not recognised separately and is not tested for impairment separately. Instead, the total amount of investment in an associate is tested for impairment as a single asset when there is objective evidence that an investment in the associate is impaired.

l. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the liability.

The most significant provisions include:

Provisions for post-employment benefits and other non-current employee benefits

Pursuant to the legislation, collective agreement and internal rules, the Group is liable to pay to its employees anniversary bonuses and termination benefits upon retirement. For these purposes the Group sets aside relevant amount of provisions. There are no other obligations relating to post-employment benefits.

Provisions are determined by discounting, at the reporting date, the estimated future benefits in respect of retirement benefits and anniversary bonuses paid to employees. The obligation is calculated by estimating the cost of retirement benefits upon retirement and the cost of all expected anniversary bonuses until retirement. The calculation is made by a certified actuary using the projected unit credit method. Payments made for retirement benefits and jubilee awards reduce the amount of provisions set aside.

Employee benefit costs and interest charges are recognised in profit or loss, whereas the restatement of post-employment benefits or unrealised actuarial gains or losses arising from severance payments are recognised in other comprehensive income as a revaluation surplus.

Provisions for disputes

A provision for disputes is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their existence will be confirmed by future events which can not be predicted.

m. Long-term deferred revenues

Government grants and other subsidies received to cover costs are recognised as revenue in the periods in which the costs to be compensated by those grants and subsidies are incurred. Other revenue is recognised when it is reasonable to expect that it will result in receipts.

Long-term deferred revenues

Long-term deferred revenue includes primarily deferred revenues from fixed assets acquired free-of-charge, which are decreased in line with the depreciation of these assets and Government grants, which are transferred to revenues in accordance with the contract.

n. Revenue recognition

The Elektro Primorska Group's core activity is managing the infrastructure for the distribution of electricity and the purchase and sale of electricity and other energy sources on the retail and wholesale market. Furthermore, it generates operating revenues in the segment of the cogeneration and production of electricity from renewable sources and sale of services on the market.

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, while considering specific terms and conditions of an individual contract. Transfer of control over those goods and services depends on terms and conditions of the contract. In general, control is transfered when goods are accepted by the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration and the existence of significant financing components.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group does not award subsequent bonuses and discounts to customers, and thus, the consideration is not variable.

Significant financing component

In some cases, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15.63, the Group does not adjust the promised amount of consideration for the effects of a significant financng component if it expects, at contract inception, that the period between the ransfer of the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less.

Contract balances

Contract assets
A contract asset is the right to an amount of consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of consideration is

due). Refer to accounting policies aaplicable to finanial assets in section »Initial recognition and measurement«.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Cost to obtain contracts
The Group pays sales commission to its sales agents for each contract they conclude for the supply of electricity. The Group has elected to expense the cost of sales commission paid to its sales agents.

o. Financial income and expense

Financial income comprises interest income from financial assets, income from disposal of available-for-sale financial assets, recovered written-off or impaired receivables, change in fair value of financial assets designated at fair value through profit or loss, foreign exchange gains, and gains from hedging instruments which are recognised in profit or loss. Interest income is recognised as it accrues using the applicable statutory interest rate method.

Financial expenses include borrowing costs (unless they are capitalised), foreign exchange losses, changes in fair value of financial assets designated at fair value through profit or loss, impairment losses recognised on financial assets, and receivable impairments recognised in profit or loss.

Borrowing costs are recognised in profit or loss using the effective interest rate method.

p. Taxation

Taxes include current tax and deferred tax. Taxes are recognised in profit or loss, except to the extent they relate to business combinations or items recognised directly in other comprehensive income.

The current tax liabilities is disclosed entirely using the »balance sheet« liability method based on temporary differences as the difference between the amount attributed to an asset or liability for tax purposes (tax base) and the carrying amount of that asset or liability in the separate financial statements of the group companies. Deferred tax is calculated based on tax rates (and legislation) effective as at the reporting date and which are expected to be in use when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax is disclosed entirely using the »balance sheet« liability method based on temporary differences as the difference between the amount attributed to an asset or liability for tax purposes (tax base) and the carrying amount of that asset or liability in the separate financial statements of the group companies. Deferred tax is calculated based on tax rates (and legislation) effective as at the reporting date and which are expected to be in use when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

q. Determination of fair value

According to the adopted accounting policies, the Group determines fair value of non-financial and financial assets and liabilities, either for the purpose of measuring individual assets (valuation techniques or a business combination) or for additional disclosure of fair values.

Fair value is estimated price at which an asset can be sold or a liability transferred in an orderly transaction between knowledgeable buyer and knowledgeable seller in an arm's length transaction. In determining the fair value of financial instruments, the Group observes the following fair value hierarchy in accordance with IFRS 13:

- Level 1 - values based on quoted prices in active markets for identical assets or liabilities,
- Level 2 - values other than quoted prices from Level 1, but which can be obtained directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (eg. values derived from quoted prices in an active market based on interest rates and yield curves, implied volatilities and credit spreads),
- Level 3 - inputs that are not based on observable market data, however unobserved data must reflect the assumptions that market

participants would use in pricing the asset or liability, including risk assumptions.

For assessing 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 applies level 2 or level 3 inputs to determine the fair value of a financial instrument.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair values have been determined for measurement and/or disclosure purposes based on the methods presented below.

Intangible assets

Fair value of intangible assets is determined using the future discounted cash flows expected to be derived from the use or sale of the assets.

Property, plant and equipment

Fair value of property, plant and equipment is their market value. Market value of property is the estimated amount for which a property could be sold on the valuation date. Market value of equipment is based on quoted market prices for similar assets.

Investment property

Fair value of investment property is assessed using the total value of expected cash flows from lease of the property. In determining fair value of property, a yield that reflects the risk specific to the asset is considered in the calculation based on the annual discounted net cash flows.

Inventory

Fair value of inventories acquired in a business combination is determined based on the estimated selling price achieved in the ordinary course of business, less estimated costs to sell.

Receivables and loans

The fair value of receivables and loans is estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. The fair value assessment takes into account credit risk arising from these financial assets.

Non-derivative financial liabilities

For reporting purposes, fair value is calculated as the present value of future principal and interest payments discounted at the market interest rate at the end of the reporting period. In accordance with IFRS 7, fair value of short-term financial liabilities is not determined as the carrying amounts of these liabilities are a reasonable approximation of their fair value.

r. Net earnings per share

The Group discloses basic and diluted earnings per share. The basic earnings per share is calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding in the financial period for the effects of all potential ordinary shares, which are convertible bonds and stock options granted to employees. As the Group has no convertible bonds or share options granted to employees, the basic earnings per share is equal to diluted earnings per share.

s. Cash flow statement

The cash flow statement comprises cash flows from operating, investing and financing activities.

The cash flow statement is compiled using the direct method.

Cash flows from operating activities comprise inflows from the sale of products and services, as well as inflows from other receipts from operations, and operating costs paid in the financial year such as costs of materials, services, salaries, levies and other outflows from operating activities.

Cash flows from investing activities comprise payments in connection with acquisition and disposal of intangible assets and property, plant and equipment, and materials for the acquisition of property, plant and equipment.

Cash flows from financing activities present changes in the amount or composition of equity, increase or decrease of debts, and dividend payments.

7.2.9.1 Non-current assets (disposal groups) held for sale

Non-current assets held for sale or assets of disposal groups are those non-current assets for which it is reasonably assumed that their carrying amount will be settled predominantly through their sale rather than their further use. This condition is deemed to have been complied with only if the sale is highly probable and if the assets or group of assets are in the condition that makes the sale possible. The management needs to be committed to the closing of the sale process within a year from the asset's reclassification to non-current assets held for sale or to the assets of disposal group.

The assets related to the subsidiary for which it is planned that the contolling influence will be lost, are reclassified to the group of assets for disposal irrespective of whether the controlling company is planning to keep the minority stake after the sale or not.

Non-current assets held for sale and assets of disposal groups are measured at the lower of carrying amount or fair value less costs to sell. The main groups of assets and liabilities classified as held for sale are disclosed separately in the notes below.

In accordance with the contract for the sale of a 100% stake in the subsidiary E 3 signed in 2020, which was effected in the beginning of 2021, the operations of the subsidiary are presented under »Discontinued operations«.

The profit or loss of discontinued operations in 2020 is presented below:

in EUR

EUR	Notes	2020	2019
Net sales	7.4.1.1.	95,543,486	98,076,570
- Revenue from contracts with customers		95,543,486	98,076,570
- Other sales revenue		0	0
Change in inventories of work in progress		0	0
Capitalised own products and services	7.4.1.2.	168,920	86,944
Other operating revenue	7.4.1.3.	590,974	345,565
Cost of goods and material	7.4.2.	-88,830,130	-90,422,795
Cost of services		-3,697,016	-4,369,165
Employee benefits	7.4.2.	-1,970,788	-1,985,825
Amortisation and depreciation		-828,765	-805,714
Impairments and write-off		-265,249	-330,676
- of which net impairment and write-off of trade receivables		-264,466	-330,676
Other operating expenses	7.4.3.	-201,133	-114,576
OPERATING PROFIT OR LOSS		**510,297**	**480,327**
The share of operating profit or loss from investments valued under the equity method		**71,936**	**62,247**
Financial income	7.4.4.	164,490	158,745
Financial expenses	7.4.5.	-34,569	-69,212
Financial profit or loss		**129,921**	**89,533**
PROFIT OR LOSS BEFORE TAX		**712,154**	**632,106**
Income tax	**7.4.6.**	**-18,131**	**-112,864**
Deferred tax		**26,653**	**31,737**
Income tax payable		**8,522**	**-81,127**
NET PROFIT OR LOSS FROM DISCONTINUED OPERATIONS	**7.4.7.**	**720,676**	**550,979**

The reclassification was made as a transfer of equal amounts of assets and liabilities and thus, there was no effect on equity.

As at 31 December 2020, the Group discloses the following non-current assets held for sale:

in EUR

	2020	2019
Intangible assets	445,774	457,048
Land	273,927	267,857
Buildings	4,675,210	4,715,276
Equipment	2,792,196	2,068,878
Right-of-use assets	25,339	211,445
Investments in associates	924,713	917,777
Contract assets	1,304,566	1,564,776
Trade receivables	25,576,112	25,648,218
Other receivables	1,370,458	1,206,782
Other assets held by E 3	1,821,843	1,350,051
Total	**39,210,137**	**38,408,110**

The items of property, plant and equipment are checked for signs of impairment at each reporting day. If such indications exist, the asset's recoverable amount is assessed.

In 2020, the Group made impairment test of long-term assets for individual cash-generating units including SPTE Meblo, boiler room at Majske poljane, SPTE Sabotin, SPTE Park, geoprobes at Cerkno and boiler room at Brinje.

Deviations from the planned values of some facilities are due to the Covid-19 pandemic, as several facilities were forced to suspend their operations, which resulted in a suspension or reduction in supply, i.e., consumption of energy and heat by these facilities.

The valuation report was made by an independent appraiser for the financial reporting purposes (an impairment test in accordance with IAS 36) as at 31 December 2020.

The object of the valuation was the recoverable amount of the cash-generating units pertaining to long-term assets, namely their value in use, while for the Kenog facility the appraiser assessed the fair value as the price received from the sale of the asset or paid for the transfer of liabilities in a regulated transaction between market participants on the valuation day.

The valuations were made in accordance with the Hierarchy of Valuation Rules (Official Gazette of the RS No. 106/2010). Business projections of individual cash-generating units were used for the purpose of the assessment based on the return on assets. These were based on the historical business results over the past years and the plan for the period from 2021 to 2025, as well as by taking into account the residual values in the most recent forecasts until the end of their useful life. The model takes into account the value until the end of economic life of an individual cash-generating unit. Value assessment in terms of the cash generating unit assumed a going concern that uses assets in the ordinary course of business.

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

The estimated free cash flow was discounted at the weighted average cost of capital (WACC) of 9.96 percent before tax as at 31 December 2020.

Valuation of the above mentioned cash-generating units showed that there was no need for impairment of long-term assets.

As no indications of impairment were identified in 2019, the valuation was not made.

MOVEMENTS IN TRADE RECEIVABLES in EUR

	31.12.2020	31.12.2019
Trade receivables due from sales:		
– to group companies	0	0
- on domestic market	27,478,296	27,694,893
- on foreign markets	37,923	416,733
Receivable allowance	**-2,159,709**	**-2,522,332**
Total	**25,356,510**	**25,589,294**
Interest receivable		
– group companies	0	0
- other customers	253,716	296,739
Receivable allowance	**-242,475**	**-248,625**
Total	**11,240**	**48,115**
Advances		
Advances granted to group companies	0	153
Advances	222,761	25,056
Receivable allowance	**-14,400**	**-14,400**
Total	**208,361**	**10,809**
Other receivables		
- from group companies		
- from government and other institutions	1,360,597	1,188,145
- from employees	0	0
- from others	25,001	33,777
Receivable allowance	**-15,140**	**-15,140**
Total	**1,370,458**	**1,206,782**
Total trade receivables	**26,946,570**	**26,855,000**

TRADE RECEIVABLE ALLOWANCES in EUR

	31. 12. 2020	31. 12. 2019
At 1 Jan	**2,800,496**	**2,359,548**
Collected written-off receivables	-122,427	-55,191
Final write-off of receivables	-513,918	-109,742
Allowance formation	267,573	605,881
At 31 December	**2,431,724**	**2,800,496**

MATURITY STRUCTURE OF RECEIVABLES - DISCONTINUED OPERATIONS in EUR

	31.12.2020	31.12.2019
Not past due	22,538,716	22,317,704
Due and outstanding up to 30 days	1,729,710	1,937,374
Due and outstanding 31 to 60 days	694,895	690,142
Due and outstanding 61 to 90 days	121,382	536,555
Due and outstanding 91 to 365 days	283,048	155,633
Overdue more than 365 days	-	0
Total receivables	**25,367,750**	**25,637,409**

Liabilities for non-current assets held for sale as at 31 December 2020:

in EUR

	2020	2019
Deferred income	598,039	641,268
Financial liabilities	3,257,643	3,511,911
Trade payables	17,844,315	16,719,083
Contract liabilities	1,089,841	1,092,155
Other liabilities of E 3	1,061,186	1,389,064
Total	**23,851,024**	**23,353,481**

Contract liabilities refer to advances, most of which are payments for electricity and credits based on an annual settlement of advance accounts for household electricity.

Net cash flow from discontinued operations:

in EUR

	2020	2019
Opening balance	439,773	1,434,532
Operating activity	1,872,079	-2,732,662
Investment activity	-1,144,151	-746,695
Financing activity	-375,482	2,484,598
Net cash flow in 2020	352,446	-994,758
Closing balance of cash	**792,219**	**439,774**

Under the equity method, the Group attributed to the associated Knešča the corresponding profit in the amount of €75,114, reduced by €65,001 of dividends received from the profit of the previous year and by €3,178 of fringe benefits paid to the director of the associated company.

7.3 Notes to consolidated statement of financial position

Consolidated statement of financial position comprises assets, equity and liabilities of the parent Elektro Primorska, its subsidiary E 3 and the associated company.

7.3.1 Intangible assets

The value of intangible assets increased in 2020 following the acquisition of long-term rights in the amount of €1,227,390 (2019: €1,459,322), mostly on account of the new ERP software.

Reduction in intangible assets being acquired relates to the assets transferred to development studies or long-term rights.

Due to complaints in the process of obtaining building permits, since 2014 the Group has recognised amortisation of studies in progress as the value of invested assets in the planned construction of wind power plants.

The Group has unlimited rights to its intangible assets.

Movements in intangible assets in 2020 are presented in the following Table:

in EUR

2020	Deferred costs of development studies	Long-term rights	Intangible assets being acquired	Total
Cost				
At 1 Jan	**645,721**	**9,560,518**	**1,147,503**	**11,353,742**
Additions during the year	0	0	1,227,390	1,227,390
Additions from ongoing investments	0	1,269,876	-1,269,876	0
Disposals during the year	0	-2,097,628	0	-2,097,628
At 31 Dec	**645,721**	**8,732,766**	**1,105,017**	**10,483,504**
Accumulated amortisation				
At 1 Jan	**645,721**	**5,810,536**	**1,105,017**	**7,561,274**
Amortisation for the year	0	1,569,403	0	1,569,403
Write-off during the year	0	0	0	0
Disposals during the year	0	-2,097,628	0	-2,097,628
At 31 Dec	**645,721**	**5,282,312**	**1,105,017**	**7,033,050**
Carrying amount				
At 1 Jan	**0**	**3,749,982**	**42,486**	**3,792,468**
At 31 Dec	**0**	**3,450,454**	**0**	**3,450,454**

Table 108: Movements in intangible assets in 2020

The following are the most significant items of intangible assets held by the Group:

- IBM software for the new ERP system,
- Software for GIZ data and
- Licenses for the new AX ERP system and Maximo.

The Group reports no commitments for the acquisition of intangible assets as at 31 December 2020 or 31 December 2019.

As at 31 December 2020, 41.74% of all intangible assets in use was fully amortised (2019: 41.26%). The share is calculated based on the cost of the assets.

Movements in intangible assets in 2019 are presented in the following Table:

in EUR

2019	Deferred costs of development studies	Long-term rights	Intangible assets being acquired	Total
Cost				
At 1 Jan	**718,312**	**9,733,892**	**1,138,666**	**11,590,870**
Additions during the year	0	0	1,459,322	1,459,322
Additions from ongoing investments	0	1,418,066	-1,418,066	0
Disposals during the year	0	-90,381	0	-90,381
Reclassification*	-72,591	-1,501,059	-32,420	-1,606,070
At 31 Dec	**645,721**	**9,560,518**	**1,147,503**	**11,353,741**
Accumulated amortisation				
At 1 Jan	**659,564**	**5,588,803**	**1.105.017**	**7,353,383**
Amortisation for the year	0	1,492,175	0	1,492,175
Disposals during the year	0	-90,381	0	-90,381
Reclassification*	-13,843	-1,180,062	0	-1,193,904
At 31 Dec	**645,721**	**5,810,536**	**1,105,017**	**7,561,274**
Carrying amount				
At 1 Jan	**58,748**	**4,145,089**	**33.649**	**4,237,487**
At 31 Dec	**0**	**3,749,982**	**42.486**	**3,792,468**

Table 109: Movements in intangible assets in 2019

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

7.3.2 Right-of-use assets

The right-of-use assets stem from the use of various commercial real estate such as offices and other buildings, equipment and cars, which the Company obtained under lease arrangements. The terms and conditions of the lease are subject to individual contracts and vary according to the type and term of an individual lease. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the period during which the lease cannot be terminated, inclusive of the period for which the option to extend the lease applies and the period for which the period to terminate the lease applies, considering the certainty that either of the two options may or may not be exercised.

The lease term depends on the type of leased asset and ranges from:

- 14 years (land),
- 10 to 17 years (offices and other buildings),
- 1 to 5 years (cars).

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lease liabilities relating to short-term leases and leases of low-value assets are recognised as an expense over the lease term.

For all other leases, the Group recognised lease liabilities and the right-of-use assets.

The Group recognises the right-of-use assets at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The depreciation rates applied to the right-of-use assets are as follows:

in %

Right-of-use assets	2020	2019
Property	5.94 - 9,3	5.94 - 9.3
Cars	20 - 70.59	25 - 64

If ownership of the leased asset transfers to the Group at the end of the lease term or the Group exercises a purchase option, the depreciation is calculated based on the estimated useful life of the asset

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to purchase). It also applies the lease of low-value assets recognition exemption to leases of low value assets in connection with the lease of assets considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Movements in the right-of-use assets in 2020:

in EUR

2020	Land	Facilities	Equipment	Total
Cost				
At 1 Jan 2020	**6,053**	**264,732**	**71,722**	**342,506**
Additions	0	0	122,474	122,474
Disposals during the year	0	0	-30,149	-30,149
At 31 Dec 2020	**6,053**	**264,732**	**164,046**	**434,831**
Accumulated depreciation				**0**
At 1 Jan 2020	432	16,873	26,578	43,883
Depreciation for the year	432	16,873	26,530	43,835
Disposals during the year			-30,149	-30,149
At 31 Dec 2020	**865**	**33,746**	**22,959**	**57,569**
Carrying amount				
At 1 Jan 2020	**5,621**	**247,859**	**45,144**	**298,623**
At 31 Dec 2020	**5,188**	**230,986**	**141,088**	**377,262**

Table 110: Movements in the right-of-use assets in 2020

Movements in the right-of-use assets in 2019:

in EUR

2019	Land	Facilities	Equipment	Total
Cost				
At 1 Jan 2019	**6,053**	**284,163**	**274,895**	**565,111**
Additions	0	0	22,126	22,126
Disposals during the year	0	0	-11,082	-11,082
Reclassification*	0	-19,432	-214,217	-233,649
Stanje 31. 12. 2019	**6,053**	**264,732**	**71,722**	**342,506**
Accumulated depreciation				**0**
At 1 Jan 2019	**0**	**0**	**0**	**0**
Depreciation for the year	432	16,873	33,152	50,457
Disposals during the year	0	0	-6,574	-6,574
At 31 Dec 2019	**432**	**16,873**	**26,578**	**43,883**
Carrying amount				
At 1 Jan 2019	**6,053**	**284,163**	**274,895**	**565,111**
At 31 Dec 2019	**5,621**	**247,859**	**45,144**	**298,623**

Table 111: Movements in the right-of-use assets in 2019

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

7.3.3 Property, plant and equipment

The items of property, plant and equipment are checked for signs of impairment at each reporting day. If any such indication exists, the asset's recoverable amount is assessed.

The cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. The following costs can be directly attributed to the cost of the assets:

- cost of materials and services used to manufacture the asset,
- employee benefits arising from the manufacture of the asset,
- relevant share of the overheads.

Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised in expenses. In addition, an entity recognises revenue from capitalised own products.

The Elektro Primorska Group reports the following property, plan and equipment:

in EUR

	31.12.2020	31.12.2019
Land	5,629,573	5,627,581
Buildings	128,811,592	126,730,559
Equipment	58,870,076	55,338,086
Property, plant and equipment being acquired	5,529,834	2,488,266
Advances for property, plant and equipment	23	667
Total property, plant and equipment	**198,841,097**	**190,185,159**

Table 112: Property, plant and equipment

Movements in property, plant and equipment in 2020:

in EUR

2020	Land	Facilities	Equipment	Assets under construction and advances	Total
Cost					
At 1 Jan	**5,627,581**	**397,697,349**	**163,240,432**	**3,317,965**	**569,883,327**
Additions during the year	31,014	368,126	0	19,997,249	20,396,389
Additions from ongoing investments	0	7,902,516	9,053,810	-16,956,326	0
Disposals during the year	-29,021	-2,631,657	-3,641,060	0	-6,301,739
At 31 Dec	**5,629,573**	**403,336,334**	**168,653,182**	**6,358,888**	**583,977,977**
Accumulated depreciation					
At 1 Jan		**270,966,790**	**107,902,346**	**829,032**	**379,698,168**
Depreciation for the year	0	5,903,790	5,415,512	0	11,319,302
Disposals during the year	0	-2,345,838	-3,534,752	0	-5,880,590
Additions during the year	0	0	0	0	0
At 31 Dec		274,524,742	109,783,106	829,032	385,136,880
Carrying amount					
At 1 Jan	**5,627,581**	**126,730,559**	**55,338,087**	**2,488,933**	**190,185,159**
At 31 Dec	**5,629,573**	**128,811,592**	**58,870,076**	**5,529,856**	**198,841,097**

Table 113: Movements in property, plant and equipment in 2020

Borrowing costs relating to property, plant and equipment amounted to €68,294 in 2020 (2019: €46,224).

Of total property, plant and equipment in use at 31 December 2020, 41.74% was fully depreciated (2019 year-end: 41.73%). The share of fully depreciated property, plant and equipment is calculated in consideration of their cost. Land is excluded from the calculation.

The items of property, plant and equipment of the Group increased on account of new purchases made in 2020 amounting to €20,396,389 (2019: €18,059,593). The largest investment of €17,718,119 was made in the electricity infrastructure.

Accumulated depreciation of property, plant and equipment of the Group increased in 2020 by the amount of annual depreciation of €11,319,302 (2019: €11,017,950) and reduced by the assets' disposal and impairment.

Depreciation of property, plant and equipment being acquired was made in the past on account of investments in the construction of wind power plants.

None of the Elektro Primorska Group's assets were acquired under finance lease and all the assets are currently being used.

All the items of property, plant and equipment are free of liens.

As at 31 December 2020, financial commitments for acquisition of property, plant and equipment amounted to €33,675,000, the same as in 2019.

An additional €6,000,000 of commitments as at 31 December 2020 relates to contracts for the supply of property, plant and equipment (2019: €6,600,000).

Movements in property, plant and equipment in 2019:

in EUR

2019	Land	Facilities	Equipment	Assets under construction and advances	Total
Cost					
At 1 Jan	**5,892,908**	**396,367,342**	**163,552,020**	**3,710,721**	**569,522,991**
Additions during the year		57,862		18,059,593	18,117,455
Additions from ongoing investments	2,276	8,902,319	9,001,717	-17,906,312	0
Disposals during the year	0	-2,294,518	-3,473,634	0	-5,768,153
Reclassification*	-267,603	-5,335,656	-5,839,670	-546,036	-11,988,966
At 31 Dec	**5,627,581**	**397,697,349**	**163,240,432**	**3,317,965**	**569,883,327**
Accumulated depreciation					
At 1 Jan		**268,940,537**	**109,573,935**	**829,032**	**379,343,504**
Depreciation for the year	0	5,808,397	5,209,552	0	11,017,950
Disposals during the year	0	-2,172,427	-3,353,334	0	-5,525,761
Reclassification*	0	-1,609,717	-3,527,808	0	-5,137,525
Additions during the year	0	0	0	0	0
At 31 Dec		**270,966,790**	**107,902,346**	**829,032**	**379,698,168**
Carrying amount					
At 1 Jan	**5,892,908**	**127,426,805**	**53,978,085**	**2,881,689**	**190,179,487**
At 31 Dec	**5,627,581**	**126,730,559**	**55,338,086**	**2,488,933**	**190,185,159**

Table 114: Movements in property, plant and equipment in 2019

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

7.3.4 Investment property

The Group generated €64,360 of income from lease of investment property in 2020 (2019: €84,828).

in EUR

	Investment property - land	Investment property - facilities	Assets under construction and advances	Total
Cost				
At 1 Jan 2020	**6,668**	**888,786**	**0**	**890,752**
Additions during the year	0	345	12,048	12,393
Additions from ongoing investments	0	4,702	-4,702	0
Disposals during the year	0	-48,138	0	-48,138
At 31 Dec 2020	**6,668**	**845,696**	**7,346**	**855,008**
Accumulated depreciation				
At 1 Jan 2020	**0**	**675,385**	**0**	**666,264**
Depreciation for the year	0	8,765		8,765
Disposals during the year	0	-47,793		-47,793
At 31 Dec 2020	**0**	**636,357**	**0**	**627,236**
Carrying amount				
At 1 Jan 2020	**6,668**	**213,401**	**0**	**220,070**
At 31 Dec 2020	**6,668**	**209,339**	**7,346**	**223,353**

Table 115: Investment property in 2020

Increase in the investment property arises on account of investments in holiday facilities owned by the parent company.

in EUR

	Investment property - land	Investment property - facilities	Assets under construction and advances	Total
Cost				
At 1 Jan 2019	**6,668**	**884,084**	**0**	**890,752**
Additions during the year	0	0	4,702	4,702
Additions from ongoing investments	0	4,702	-4,702	0
At 31 Dec 2019	**6,668**	**888,786**	**0**	**895,454**
Accumulated depreciation				
At 1 Jan 2019	**0**	**666,264**	**0**	**666,264**
Depreciation for the year	0	9,121		9,121
Disposals during the year	0	0		0
At 31 Dec 2019	**0**	**675,385**	**0**	**675,385**
Carrying amount				
At 1 Jan 2019	**6,668**	**217,820**	**0**	**224,488**
At 31 Dec 2019	**6,668**	**213,401**	**0**	**220,070**

Table 116: Investment property in 2019

According to official estimates of the Surveying and Mapping Authority of the Republic of Slovenia (GURS), the market value of the property is €1,680,004 and as such is, according to our estimates, a good approximation of its fair value. The Group did not obtain valuation of its investment property from a certified assessor of real estate.

7.3.5 Long-term investments

Long-term investments of Elektro Primorska Group include investments in stakes and shares of other companies amounting to €286,761 (2019: €294,576), investment in the associate Knešca in the amount of €924.713, recognised as an item of non-current assets held for sale, while the investment in the Aeronautical Museum in Nova Gorica was fully impaired in 2019 and written-off in 2020 following completion of the bankruptcy proceedings with no repayments made to the crediotors.

in EUR

Investments in shares of associates:	31.12.2020	31.12.2019
Knešca d.o.o.	0	917,777
Reclassification*	0	-917,777
Total	**0**	**0**
Other shares and stakes:		
Informatika Maribor d.d.	240,755	240,755
Zavarovalnica Triglav d.d.	71,040	78,854
Primorski tehnološki park d.o.o.	1,808	1,808
Stelkom d.o.o. Ljubljana	57,837	57,837
VIRS	0	0
Aeronavtični muzej Nova Gorica	0	20,000
Reclassification*	0	-20,000
Impairment of investment in Informatika d.d.	-78,470	-78,470
Impairment of investment in Stelkom d.o.o.	-6,209	-6,209
Impairment of investment in "Aeronavtični muzej" Nova Gorica	0	-20,000
Reclassification*	0	20,000
	-84,679	-84,679
Total	**286,761**	**294,576**
Total long-term investments	**286,761**	**294,576**

Table 117: Investments of the Group

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

The Group's investments in equity of non-listed companies held for the foreseeable future, are measured and classified as equity instruments at fair value through other comprehensive income. The Group irrevocably classified to this group its investments in shares and stakes in companies, as well as investments in mutual funds and bonds. No impairment loss was recognised in profit or loss on these investments in prior periods. .

Movements in listed equity instruments at fair value through other comprehensive income:

in EUR

At 1 Jan 2019	71,750
Adjustment to market value	7,104
At 31 Dec 2019	78,854
At 1 Jan 2020	78,854
Adjustment to market value	-7,814
At 31 Dec 2020	**71,040**

Table 118: Movements in listed equity instruments at fair value through OCI

In 2020, the Group recognised €7,814 of negative adjustment to listed non-current investments (financial assets at fair value through OCI) to the market value or fair value in other comprehensive income (2019: €7,104). The Group recognised no adjustments in profit or loss either in 2020 or 2019.

7.3.6 Non-current financial receivables (long-term loans issued))

The Group reports no loans issued or long-term deposits placed.

7.3.7 Non-current operating receivables

Long-term operating receivables of €166,366 (2019: €301,470) comprise:

- Long-term operating receivables that mature over a period of more than one year comprise receivables on account of construction work performed for Titus Lama d.o.o., in the amount of €98,759 (receivables mature in 2022); of that, long-term receivables amount to €39,504, while €59,255 of the current amount is payable in 2021; receivables due from Hidria AET d.o.o., in the amount of €152,600 (maturing in 2023); of that, long-term receivables amount to €97,109, while the current amount payable in 2021 amounts to €55,491.
- Long-term receivables in the amount of €29,753 are due from the operators of facilities, who accrue funds intended for the maintenance of facilities in accordance with the Housing Act.

in EUR

	31.12.2020	31.12.2019
Receivables from the operators of apartment buildings	29,753	28,606
Long-term operating receivables	136,613	272,864
Total	**166,366**	**301,470**

7.3.8 Non-current deferred costs

in EUR

	31.12.2020	31.12.2019
Deferred rent	1,589	1,606
Preliminary settlement	4,191	27,656
Deferred cost of licences	4,472	15,204
Other deferred costs	419	1,083
Total	**10,670**	**45,549**

Table 119: Non-current deferred costs

Non-current deferred costs of the Group comprise pre-paid lease liabilities in the amount of €1,589, long-term amount of the preliminary settlement for the year 2018 issued by SODO amounting to €4,191, long-term deferred costs of licence fees amounting to €4,472 and €419 of other long-term deferred costs.

Costs that are transferred to profit or loss within 12 moths after the reporting date are recognised under current assets.

7.3.9 Deferred tax assets

Deferred tax assets of €954,110 (2019: €712,896) are recognised under long-term assets. Deferred tax assets increased by €241,214 in 2020, on account of an increase in receivables arising from tax relief not utilised and actuarial calculations made by the parent company. On the other hand, the amount of deferred tax assets on account of trade receivables fell in 2020.

Deferred tax assets are calculated based on the future income tax rate of 19%, the same as in 2019.

DEFERRED TAX ASSETS

	on account of provisions	on account of receivable impairment	on account of investment impairment	on account of retained earnings	on account of unused tax relief	Total
At 1 Jan 2019	**441,170**	**717,052**	**42,838**	**18**		**1,201,078**
Increase	55,562	31,621	0	0	0	87,183
Decrease	-68	-22,969	0	0	0	-23,037
Reclassification*	-22,964	-501,417	-27,929	-18	0	-552,327
At 31 Dec 2019	**473,701**	**224,286**	**14,909**	**0**	**0**	**712,896**
At 1 Jan 2020	**473,701**	**224,286**	**14,909**	**0**	**0**	**712,896**
Increase	40,196	107	0	0	233,320	273,624
Decrease	0	-32,410	0	0	0	-32,410
At 31 Dec 2020	**513,897**	**191,983**	**14,909**	**0**	**233,320**	**954,110**

Table 120: Deferred tax assets

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

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

TAX EXPENSE RECOGNISED IN PROFIT OR LOSS — in EUR

	2020	2019
Current income tax payable	-460,020	-1,086,314
Deferred tax assets/liabilities	222,574	26,760
Other taxes not reported under other items		
Tax expense recognised in profit or loss	**-237,446**	**-1,059,555**

Table 121: Tax expense recognised in profit or loss

CHANGES IN DEFERRED TAXES RECOGNISED IN PROFIT OR LOSS — in EUR

	2020	2019
At 1 Jan	**562,883**	**1,085,821**
Provisions	21,557	18,108
Assets	-32,303	8,651
Tax losses	0	0
Investment impairment	0	0
Unused tax relief	233,320	0
Reclassification*	0	-549,697
Changes in deferred tax assets/liabilities	**222,574**	**-522,937**
At 31 Dec	**785,457**	**562,883**

Table 122: Movements in deferred taxes recognised in profit or loss

MOVEMENTS IN DEFERRED TAXES RECOGNISED IN EQUITY — in EUR

	2020	2019
At 1 Jan	**150,013**	**115,257**
Change in the revaluation of deferred taxes on account of provisions	18,640	37,386
Reclassification*	0	-2,630
Changes in deferred tax assets/ liabilities	**18,640**	**34,756**
At 31 Dec	**168,653**	**150,013**

Table 123: Movements in deferred taxes recognised in equity

MOVEMENTS IN DEFERRED TAX ASSETS IN 2020 in EUR

Deferred tax	1.01.2020	Formation	Utilisation	Reversal	31.12.2020
Temporary differences from revaluation of receivables	224,286	1,915	-32,663	-1,555	191,983
Temporary differences from provisions	473,701	62,505	-22,309	0	513,897
Temporary differences from investment impairment	14,909	0	0	0	14,909
Temporary differences from unused tax relief	0	233,320	0	0	233,320
Temporary differences from intermediate profits	0	0	0	0	0
Total	712,896	297,741	-54,972	-1,555	954,110

Table 124: Movements in deferred tax assets in 2020

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

The Group estimates that in future it will have sufficient amount of taxable profits against which all deferred tax assets can be utilised.

The Group did not recognise any deferred tax liabilities.

7.3.10 Inventories

No inventories were impaired in 2020 or 2019, since inventory values are matched with the latest known purchase prices on a monthly basis based on physical stock count of materials and small tools. In 2020, the cost amounted to €9,279 (while in 2019, the value was negative in the amount of €6,618).

in EUR

	31.12.2020	31.12.2019
Materials	1,134,801	1,182,364
Small tools	28,152	32,478
Merchandise	1,810	5,368
Total	1,164,763	1,220,210

Table 125: Inventories

7.3.11 Short-term investments

The Group reports no short-term investments as at 31 December 2020.

in EUR

	2020	2019
At 1 Jan	0	4,001,343
Invested	0	0
Transfer from long-term to short-term investments	0	0
Transfer from long-term to short-term deposits	0	0
Repayments	0	-4,000,000
Derecognition	0	-1,343
As 31 Dec	0	0

Table 126: Short-term investments

7.3.12 Trade and other receivables

in EUR

	31.12.2020	31.12.2019
Trade receivables	6,193,907	6,127,526
Current tax credits	364,449	0
Other receivables	232,016	153,794
Total trade and other receivables	6,790,373	6,281,321

Table 127: Trade and other receivables

in EUR

	31.12.2020	31.12.2019
Trade receivables due from sales on:		
– domestic market	4,673,575	4,931,281
- foreign markets	0	0
Allowances	**-478,309**	**-638,149**
	4,195,266	**4,293,132**
Rent receivables:	**1,821,168**	**1,815,262**
Interest receivable	46,368	59,733
- other customers	**-43,673**	**-55,195**
Allowances	**2,694**	**4,539**
Advances	**10,540**	**14,594**
Allowances	**0**	**0**
	10,540	**14,594**
Other receivables:		
- from government and other institutions	547,873	100,363
of which tax credits	364,449	0
- from employees	0	337
- from others	51,874	55,600
Allowances	**-3,851**	**-2,505**
	595,895	**153,794**
Total	**6,625,563**	**6,281,321**

Table 128: Trade receivables of the Group

in EUR

	31.12.2020	31.12.2019
Not past due	5,881,014	5,963,754
Due and outstanding up to 30 days	126,531	133,907
Due and outstanding from 31 to 60 days	10,811	9,370
Due and outstanding from 61 to 90 days	206	1,017
Due and outstanding from 91 to 365 days	566	4,885
Overdue for more than 365 days	0	0
Total	**6,019,128**	**6,112,933**

Table 129: Maturity structure of trade receivables and interest receivable

The Elektro Primorska Group recognises allowances of individual receivables per individual business partner for all receivables believed not to be settled. These include:

- Outstanding receivables from past periods,
- Disputed receivables and
- Receivables due from business partners undergoing bankruptcy and compulsory settlement, as well as
- The amounts of individual groups of receivables, which the Group believes will not be settled.

The share of trade receivable allowances accounts for 8.74% of total receivables. In 2020, receivable write-downs and impairments recognised in operating expenses amounted to €10,080 compared to €79,638 reported in 2019, which shows a much improved receivable recovery process.

in EUR

	31.12.2020	31.12.2019
At 1 Jan	**695,849**	**3,281,653**
Collected written-off receivables	-7,103	-23,409
Final write-off of receivables	-171,848	-106,988
Allowances recognised in the year	8,936	187,849
Reclassification	0	-2,643,257
At 31 Dec	**525,834**	**695,849**

Table 130: Movements in trade receivable allowances

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

7.3.12.1 Other receivables

Of total other receivables amounting to €595,895 (2019: €153,794), the largest amount is due from the State on account of corporate income tax credit referring to the financial year 2020, and VAT refund of €153,071 (2019: €100,358). The remaining amount comprises other receivables.

7.3.13 Contract assets and cost to obtain contracts

Contract assets comprise €1,149,013 of deferred revenues from the sale of services rendered (2019: €2,581,131), majority of which refers to assets from the preliminary statement, which the Group received in March 2021 from SODO in reference to services rendered in the financial year 2020, amounting to €959,166. The Group does not disclose any costs to obtain contracts either in 2020 or 2019.

in EUR

	31.12.2020	31.12.2019
Contract assets	1,149,013	2,581,131
Cost to obtain contracts	0	0
Total	**1,149,013**	**2,581,131**

Table 131: Contract assets

Contract assets from the preliminary settlement for the financial year 2020, which the Group received in March 2021 and considered in the financial statements for the financial year 2020, decreased compared to €2,467,681 recognised in 2019.

No contract assets were impaired.

7.3.14 Other current assets

Other current assets of the Group comprise deferred costs and expenses and short-term accrued income as presented in the table below:

in EUR

	31.12.2020	31.12.2019
VAT in advances received	652	673
Short-term deferred costs and expenses	38,046	23,805
Accrued income	0	190,734
Vouchers	0	49
Total	**38,698**	**215,261**

Table 132: Deferred costs and accrued income

Deferred costs or expenses of total €38,698 (2019: €215,261) comprise the following items:

- VAT on advances received and overpayments;
- Short-term deferred costs include deferred costs of annual licences in the amount of €1,542, and other deferred costs such as the cost of subscriptions, insurance premiums and similar amounting to €36,504;
- Compared to the previous year, the Group discloses no short-term accrued income in 2020 (2019: €190,511 of rental income).

7.3.15 Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash in hand,
- Deposit money in accounts at banks,
- Cash in transit,
- Cash equivalents as readily available investments which may in the near future be converted into a predetermined amount of cash without any significant risk (eg. deposits with maturity of up to three months).

Cash comprises cash on hand in the form of bank notes and coins, as well as cheques received.

Deposit money is cash in bank accounts, or deposited with another type of financial institution and may be used for payment purposes.

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

On initial recognition, cash is carried at amounts arising from the relevant documents. Monetary assets denominated in foreign currencies are translated into the local currency at the balance sheet at the reference rate of the European Central Bank. Exchange rate differences resulting from changes in foreign exchange rates are recognised either as a financial income or expense.

Cash also includes cash on transaction accounts held by group companies at commercial banks.

in EUR

	31.12.2020	31.12.2019
Cash at bank	1,837,633	2,965,633
Total	**1,837,633**	**2,965,633**

Table 133: Cash and cash equivalents of the Group

7.3.16 Equity

As at 31 December 2020, the Group's equity of €170,699,728 is composed of:

- Share capital,
- Share premium,
- Legal reserves,
- Reserves for treasury shares,
- Other profit reserves,
- Fair value reserve,
- Retained earnings and
- Net profit for the financial year.

in EUR

	31.12.2020	31.12.2019
Share capital	110,465,795	78,383,817
Share premium	46,306,588	46,306,588
Legal reserves	1,217,430	1,037,440
Other profit reserves	11,879,220	40,291,393
Fair value reserve	-1,623,947	-1,399,772
Retained profit brought forward	0	90,257
Retained earnings	2,454,643	2,662,337
Total	**170,699,728**	**167,372,061**

Table 134: Equity of the Group

Share capital of the Elektro Primorska Group consists of the equity of the parent company, which is divided into 18,783,898 ordinary registered shares. Each share has an equal interest and attributable amount in the share capital. The share capital is fully paid. The share capital increased in 2020 by €32,081,977, as a result of the transfer of other profit reserves based on the resolution adopted at the General Meeting on 10 July 2020. The change in the amount of share capital was entered in the court register on 15 October 2020.

Share premium – of the Group originates from the general capital revaluation adjustment of the parent company, which was transferred to the share premium on transition to SAS 2006. Share premium may be used under the terms and for the purposes provided by law. There were no changes to the amount of share premium in 2020.

Profit reserves – Legal and other profit reserves are amounts of retained profit from previous years, mainly to cover potential future losses. Following the resolution adopted by the General Meeting on 10 July 2020, the Group transferred €32,081,977 of profit reserves to the share capital. Based on the proposal of the Management Board of the Group, on adoption of the Annual Report, the Supervisory Board allocated €3,419,804 of the net profit for the year to other profit reserves in accordance with Article 230 of the Companies Act (ZGD-1) and paid €2,629,746 of dividends to shareholders.

Treasury shares If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity as treasury shares until such shares are cancelled, reissued or disposed of. If treasury shares are subsequently sold or reissued, the consideration received net of transaction costs and related tax effects is included in equity.

As at 31 December 2020 or 31 December 2019, the controlling company held no treasury shares.

The fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets and post-employment benefits. Compared to the previous period, the fair value reserve decreased by €224,175 to €1,623,947 as at 31 December 2020. Total change results from a €7,814 decrease in the fair value of available-for-sale financial assets; a reduction of €239,072 is on account of restatement of post-employment benefits; and a €22,712 increase refers to the deferred tax effect on restatement of post-employment benefits.

Undistributed net profit for the financial year in the amount of €2,454,643 (2019: €2,662,337) consists of the profits of the parent company and its subsidiary E 3, and the attributable profit of the associated company Knešca amounting to €75,114 (2019: €64,997). Total profit of the associated company Knešca amounted to €158.905 in 2020 (2019: €137,501), reduced by €65,001 of the profit shares paid (2019: €22,972).

Compared to the previous year, retained earnings decreased by €207,694 in 2020. Retained earnings comprise €6,236,188 of profit achieved in 2020, decreased by the appropriation of €2,629,746 of distributable profit to dividends according to the resolution of the 25th General Meeting held on 10 July 2020, and €3,419,804 transferred to other profit reserves, as well as other changes in equity.

Movements in equity of the Group in 2019 and 2020 are presented in the statement of changes in equity.

Dividend per share – In 2020, gross dividend per share amounted to €0.14 (2019: €0.1171).

Earnings per share – basic earnings per share amounted to €0.33 in 2020, down 24.19% compared to 2019, when it stood at €0.44. Profit of the Group in the amount of €6,236,188 (2019: €8,185,293) was considered in the calculation, as was the weighted average number of issued shares (18,783,898 shares, the same as in 2019.

Basic earnings per share is calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares (excluding treasury shares). The Group has no diluted ordinary shares, therefore there is no difference between basic and diluted earnings per share.

	31.12.2020	31.12.2019
Net profit or loss (in EUR)	6,236,188	8,185,293
Number of shares issued	18,783,898	18,783,898
Number of treasury shares at the beginning of the year	0	42,899
Number of treasury shares at the end of the year	0	0
Weighted average number of ordinary shares	18,783,898	18,783,898
Diluted average number of ordinary shares	18,783,898	18,783,898
Basic and diluted earnings per share (EUR/share)	**0.33**	**0.44**

Table 135: Earnings per share

All shares issued by the controlling company are ordinary registered shares.

Distributable profit

The Group recognised distributable profit in accordance with the provisions of the Companies Act. It also recognsied the prescribed amount of legal reserves. The Group's Management Board proposed to allocate €179,990 of profit to legal reserves, €3,419,804 to other profit reserves, relevant amount to cover past losses incurred on reversal of actuarial losses, and relevant amount to unappropriated profit for distribution to shareholders. The appropriation of the distributable profit of €2,454,643 as at the year-end will be decided by the General Meeting based on the proposal of the Management and the Supervisory Boards.

Final amount of dividends for the year ended 31 December 2020 has not yet been proposed or confirmed at the General Meeting and therefore, no liabilities for dividends are reported in the financial statements.

7.3.17 Provisions and long-term deferred income

Provisions are made for present obligations arising from obligating past events and are expected to be settled within a period that cannot be determined with certainty, and whose size can be reliably estimated.

in EUR

	31.12.2020	31.12.2019
At 1 Jan	**4,986,319**	**4,664,168**
Formation	657,947	932,059
Utilisation	-234,831	-340,240
Reversal	0	-7,667
Reclassification*	0	-262,000
At 31 Dec	**5,409,436**	**4,986,319**

Table 136: Provisions of the Group

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

The Group reports €5,409,436 of provisions for post-employment and other non-current employee benefits (2019: €4,986,319).

PROVISIONS FOR POST-EMPLOYMENT AND OTHER NON-CURRENT EMPLOYEE BENEFITS

Provisions for obligations to employees arising from post-employment and other non-current benefits are based on actuarial calculation using the following assumptions:

- The number of employees at the reporting date; their gender, age, status, salary level and total length of service and the length of service of each employee at the reporting date;
- 0.3475-percent annual discount rate was applied in the calculation of the present value of future obligations of the entity (2019: 0.7782-percent);
- The amount of jubilee awards and severance pay in accordance with the applicable collective agreement;
- Staff turnover, which depends largely on their age;
- Mortality rate, considering the following: SLO2007; 75% selection factor for active population, the same as in 2019;
- 3.0% wage growth in the company, the same as in 2019;
- 3.5% increase in the average wage in the Republic of Slovenia (2019: 3.5%).

in EUR

	Jubilee awards	Severance pay	Total post-employment benefits
At 1 Jan 2019	**1,256,972**	**3,386,920**	**4,643,892**
Post-employment benefit costs	0	126,191	126,191
Current employee benefit costs	79,522	176,677	256,199
Interest expense	17,233	46,539	63,772
Actuarial gains	-7,667	0	-7,667
Actuarial losses	0	485,897	485,897
Fringe benefits	-89,799	-250,441	-340,240
Reclassification*	-69,532	-172,191	-241,724
At 1 Jan 2020	**1,186,728**	**3,799,591**	**4,986,319**
Post-employment benefit costs	0	0	0
Current employee benefit costs	94,084	229,469	323,552
Interest expense	8,379	28,597	36,976
Actuarial losses	49,361	248,058	297,419
Fringe benefits	-110,064	-124,767	-234,831
At 31 Dec 2020	**1,228,488**	**4,180,948**	**5,409,436**

Table 137: Provisions for post-employment benefits

Additional provisions of total €657,947 (2019: €932,059) were set aside on account of: payroll costs amounting to €323,552 (2019: €382,389); interest expense of €36,976 (2019: €63,772); and €297,419 (2019: €485,897) of actuarial losses recognised in equity as the revaluation reserve. Of that, €248,058 refers to termination benefits on retirement and €49,361 to jubilee awards. In 2020, the Group paid €234,831 in jubilee awards and severance pay (€340,240 was paid in 2019) however, it did not recognise any reversal of provisions (2019: €7,667 was reversed on account of actuarial gains referring to jubilee awards).

Sensitivity analysis:

in EUR

	Provisions for jubilee awards	Provisions for severance pay	Total
0.5% decrease in discount rate	61,477	241,832	303,309
0.5% increase in discount rate	-56,633	-219,980	-276,613
0.5% salary increase	61,662	240,912	302,574
0.5% salary decrease	-57,498	-221,922	**-279,421**

Table 138: Sensitivity analysis of post-employment benefits

7.3.18 Long-term deferred income

	Assets acquired free-of-charge	Average cost of connection	Co-financing of facility construction	Donations and grants received	Co-financing of meters from cohesion	Co-financing of the eagle-owl project	Other	Total in EUR
At 1 Jan 2020	**7,061,734**	**1,883,359**	**134,689**	**120,384**	**955,067**	**467,545**	**42,185**	**10,664,963**
Formation	399,783	0	0	61,082	0	103,974	7,656	572,495
Reversal	0	0	0	-31,082	0	0	-1,873	-32,955
Transfer to revenue	-286,944	-110,299	-7,024	-19,891	-63,948	-24,811	0	-512,918
At 31 Dec 2020	**7,174,573**	**1,773,059**	**127,665**	**130,494**	**891,119**	**546,708**	**47,968**	**10,691,585**

	Assets acquired free-of-charge	Average cost of connection	Co-financing of facility construction	Co-financing of the eagle-owl project	Co-financing of meters from cohesion	Donations and grants received	Other	Total in EUR
At 1 Jan 2019	**7,289,119**	**1,993,659**	**143,716**	**0**	**543,337**	**789,544**	**0**	**10,759,375**
Formation	76,822	0	0	473,219	457,691	33,013	44,588	1,085,332
Reversal	-25,804	0	0	0	0	-1,343	-2,403	-29,550
Transfer to revenue	-278,402	-110,299	-9,027	-5,674	-45,962	-16,333	0	-465,697
Reclassification*	0	0	0	0	0	-684,496	0	-684,496
At 31 Dec 2019	**7,061,734**	**1,883,359**	**134,689**	**467,545**	**955,067**	**120,384**	**42,185**	**10,664,963**

Tabela 139: Long-term deferred income in 2020 and 2019

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

In 2020, the Group recognised additional €399.783 of long-term deferred income on account of free-of-charge acquisition of energy facilities from legal and natural persons. Property, plant and equipment acquired free-of-charge consists of customer connections that the parent company accepted as its fixed assets and assumed the responsibility for their maintenance and renovation in accordance with applicable regulations (General Conditions for connection to the distribution Electric system, Official Gazette of the RS Nos. 126/07, 37/11). Utilisation of deferred income from fixed assets obtained free-of-charge (mainly free-of-charge household connections) and co-financing of construction of facilities and equipment in the amount of €293,968 (2019: €287,429) is equal to the annual depreciation of an individual asset obtained free-of-charge or to the proportionate amount of the co-financed item of fixed assets.

The average connection costs comprise funds collected on account of connections to the power grid. These were accrued until 30 June 2007 in connection with the implementation of the GJS SODO on the basis and in accordance with the regulations, in particular the Act determining the methodology for charging for the network charge, the methodology for setting the network charge, and the criteria for establishing eligible costs for electricity networks (Official Gazette of the RS, No 121/2005 and beyond). The average connection cost is a one-off amount paid for connection to the network or an increase in the connected load. The funds thus collected are earmarked for financing of the electricity infrastructure construction and renovation. Deferrals are utilised at the level of 3.33% (the same as in the previous year), which corresponds to an average depreciation rate of power facilities. In 2020, depreciation of these facilities amounted to €110,299, the same as in the previous year.

Co-financing of the facility construction is based on dedicated funds for co-financing of the energy facility construction. These funds are drawn in accordance with the charged depreciation of the relevant facility.

In 2020, the Group was granted additional European Cohesion funds for co-financing the purchase and installation of smart electricity meters for the period 2017 - 2022, in the proportion of 33% of the cost. Funds are withdrawn in the amount equal to annual depreciation amounting to €63,948, calculated based on the share of each co-financed meter and recognised in other operating income.

Planned formation and drawing of long-term deferrals does not substantially deviate from their actual formation and drawing.

In 2014, the Group received State grant in the amount of €30,491 for reconstruction of the facility in Bovec, which was damaged by the earthquake, and the European funding for the SUNSEED project of total €191,553 (2016: €23,092). Renovation of the facility in Bovec is now completed as is the SUNSEED project. For the purpose of completion of the two investments, long-term deferrals decreased by €19,891 of depreciation accounted for in 2020, which was recognised under other operating revenue (2019: €16,333).

No additional liabilities are reported by the Group on account of long-term deferred income from compensation claims.

In 2020, the Group recognised €103,974 of additional provisions on account of the co-financing of the Eurasian eagle-owl project (2019: €473,319). The funds are used for the insulation of medium voltage power lines. In 2020, the Group drew on €24,811 of funds, equal to the depreciation recognsied in 2020.

The project falls under the auspices of »Ensuring appropriate use of karst grasslands and rock walls for conservation of selected habitat types and species in the Natura 2000 network – Karst » in short »FOR THE KARST«, which is a nature conservation project aimed at improving status of significant habitat types and species in the Natura 2000 - Karst region. The project is co-financed from the European Regional Development Fund by the European Union and the Republic of Slovenia. A variety of nature protection measures implemented over a period from 1 September 2017 to 31 July 2021 worth in total €3,189,527.95, will improve the status of the three most endangered habitat types, helping to preserve 27 endangered species of plants and animals in the Natura 2000 Karst area. The project area extends throughout the Karst region, from Hrastovlje on the southern edge of the Karst to Štanjel in the north.

7.3.19 Non-current financial liabilities

in EUR

	31.12.2020	31.12.2019
Long-term financial liabilities	29,776,680	33,976,174
Current amount of long-term liabilities	-4,171,444	-4,189,264
Long-term financial liabilities	**25,605,235**	**29,786,910**
Total long-term liabilities	**25,605,235**	**29,786,910**

Table 140: Non-current financial liabilities

Debts are classified into financial and operating debts, while depending on their maturity they are grouped into long-term and short-term.

The long-term financial liabilities to the Intesa Sanpaolo bank are collateralised by bills of exchange, while the long-term financial liabilities to the European Investment Bank are uncollateralised. All borrowings are due and payable by no later than December 2031. A total €20,436,110 of borrowings falls due within 5 years of the reporting date (2019: €20,769,444).

The Group did not raise any new borrowings in the financial year under review.

Interest rates agreed on borrowings are one-month or three-month EURIBOR and a bank premium ranging from 1% to 1.16%. Five of the borrowings were agreed at a fixed rate of interest. Interest on borrowings is calculated and paid monthly or quarterly.

Credit agreements with the European Investment Bank include financial covenants made at the level of the Elektro Primorska Group, which the Group must comply with.

In 2020, the covenants are as follows:

in %

CALCULATION	Achieved at 31 Dec 2020	Covenant - Art. 6.10 of the Contract
Financial liabilities/EBITDA	1.72	= < 2.0
Financial liabilities/Equity	0.19	< 0.25
EBITDA/Interest expense	73.20	= > 15.0
Current assets/Current liabilities	1.20	> 0.75

Movements in financial liabilities in 2020 and 2019:

in EUR

	At	Cash flow		Non-monetary changes	At
Movements in financial liabilities	**1.01.2020**	**Inflows**	**Outflows**		**31.12.2020**
Bank borrowings	33,675,000	7,100,000	-7,880,556	0	**32,894,444**
Dividends	5,229		-2,629,746	2,629,746	**5,229**
Interest payable on borrowings	18,713		-291,006	288,557	**16,264**
Lease liabilities	301,174		-47,268	128,330	**382,235**
Total	**34,000,117**	**7,100,000**	**-10,848,576**	**3,046,632**	**33,298,173**

Table 141: Financial liabilities 2020

in EUR

	At	Cash flow		Non-monetary changes	Reclas-sification*	At
Movements in financial liabilities	**1.01.2019**	**Inflows**	**Outflows**			**31.12.2019**
Bank borrowings	34,425,840	15,428,000	-15,633,000	22,000	-567,840	**33,675,000**
Dividends	5,227		-2,200,470	2,200,472	0	**5,229**
Treasury shares	0		0	0	0	**0**
Interest payable on borrowings	29,269		-302,381	291,993	-168	**18,713**
Lease liabilities	565,111		-49,939	0	-213,998	**301,174**
Total	**35,025,447**	**15,428,000**	**-18,185,790**	**2,514,465**	**-782,005**	**34,000,117**

Table 142: Financial liabilities 2019

7.3.20 Lease liabilities

Lease liabilities of the Group arise from contracts for the lease of assets, the value of which was calculated in accordance with IFRS 16.

in EUR

	31.12.2020	31.12.2019
Long-term lease liabilities	333,018	267,466
Short-term lease liabilities	49,217	33,708
Total lease liabilities	**382,235**	**301,174**

Movements in lease liabilities in 2020 and 2019:

in EUR

	2020	2019
At 1 Jan	**301,174**	**565,111**
Increase	122,474	22,126
Interest	5,856	5,818
Lease payments	-47,268	-53,775
Decrease due to change in lease values	0	-1,722
Derecognition	0	-2,735
Reclassification*	0	-233,649
At 31 Dec	**382,235**	**301,174**

7.3.21 Short-term liabilities

in EUR

	31.12.2020	31.12.2019
SHORT-TERM FINANCIAL LIABILITIES		
Short-term financial liabilities to banks	3,500,000	0
Short-term financial liabilities to others	0	0
Current amounts of long-term borrowings	4,122,227	4,155,556
Current amount of long-term lease liabilities	49,217	33,708
Dividends payable	5,229	5,229
Total short-term financial liabilities	**7,676,674**	**4,194,493**
Supplier payables	6,832,565	4,445,419
Total supplier payables	**6,832,565**	**4,445,419**
Payables to employees	1,467,963	1,732,720
Payables to the State and other institutions (excluding income tax)	57,197	94,534
Other liabilities	3,729	59,721
Total other payables	**1,528,889**	**1,886,976**
Total short-term operating liabilities	**8,361,454**	**6,332,395**
Corporate income tax payable	**0**	**190,407**
Total	8,361,454	6,522,803
TOTAL SHORT-TERM LIABILITIES	**16,038,128**	**10,717,295**

Table 143: Short-term liabilities of the Group

Short-term financial liabilities of the Group include current amounts of long-term borrowings and short-term lease liabilities maturing in 2021.

Supplier payables of the Group increased by €2,387,146 compared to the previous year, due to accelerated investment activity at the end of the year (in 2019 they were lower than those recorded in 2018 by €20,916,200, due to the transfer of liabilities to non-current liabilities held for sale). Liabilities are not collateralised and no assets were pledged or guarantees issued for them.

Payables to the State fell by €37,337 compared to the previous year, mostly on account of a reduction in the value added tax payable.

Payables to employees are obligations for the December salaries and bonus for successful performance in 2020.

7.3.22 Contract liabilities

The Group recognised €19,231 of contract liabilities on account of advances and securities received (2019: €19,666). Most of these refer to performance bonds and overpayments for services rendered.

7.3.23 Other liabilities

in EUR

	31.12.2020	31.12.2019
VAT in advances granted	1,914	1,914
Short-term deferred income	1,311,578	0
Accrued expense	708,021	619,866
Total	**2,021,513**	**621,780**

Table 144: Other liabilities

Other liabilities include deferred rental income and short-term accrued expenses, as well as VAT in advances granted.

Accrued expenses comprise:

- Provisions on account of annual leave not utilised in 2020 amounting to €687,666 (2019: €599,192).
- Accrued expenses based on the preliminary settlement of rent for the electricity network in 2020 in the amount of €1,311,578;
- Accrued interest expense on borrowings amounting to €18,078 (2019: €18,396).
- Other liabilities in the amount of €4,192.

7.3.24 Contingencies and guarantees issued

In the opinion of legal experts, none of the legal actions brought against or filed by the Group is likely to have a significant impact on the Group's profit or loss. The Group believes that provisions set aside for these purposes are sufficient to cover any contingencies.

Bid bonds and warranty guarantees issued by the banks (on account of rendering services to external clients) are reported in the off-balance sheet records. As at 31 December, the value of bank guarantees is recognised as a liability of the Group in respect of which guarantees were issued.

In 2020, the Group obtained €146,147 worth of bank guarantees as performance bonds.

in EUR

	31.12.2020	31.12.2019
Bank guarantees issued	146,147	29,084
Total	**146,147**	**29,084**

Table 145: Contingencies of the Group

7.4 Notes to consolidated profit or loss account

7.4.1 Operating revenue

in EUR

	2020	2019
Net sales	36,754,101	39,599,431
Capitalised own products and services	10,493,687	9,571,803
Other operating revenue	2,229,626	1,147,531
Total operating revenue	**49,477,415**	**50,318,764**

Table 146: Operating revenue of the Group

7.4.1.1 Net sales

Net sales:

in EUR

	2020	2019
Revenue from contracts with customers	**20,455,541**	**22,046,117**
a. Revenue from the sale of products	0	0
b. Revenue from the rendering of services	20,187,805	22,025,001
c. Revenue from the sale of merchandise	267,736	21,116
Other sales revenue	**16,298,560**	**17,553,314**
Total operating revenue	**36,754,101**	**39,599,431**

Table 147: Net sales

Revenue from contracts with customers on the domestic market in 2020:

in EUR

	2020	2019
Revenue from the sale of maintenance services on the power distribution network	18,746,032	20,617,738
Revenue from the rendering of services for the market	1,709,509	1,407,263
Total revenue from the rendering of services	**20,455,541**	**22,025,001**

Other revenue from sale comprises revenues from rental agreements, the largest share of which (€15,962,081) refers to the revenues from renting the electricity network to SODO.

7.4.1.2 Capitalised own products and services

Majority of revenues from capitalised own products and services and other operating revenues was recognised by the parent company. In 2020, the Group recognised €10,493,687 of revenues from capitalised own products and services (2019: €9,571,803). Revenues from capitalised own products and services were earned from drawing up project documentation and from participating in the construction of investment facilities.

7.4.1.3 Other operating revenue

Other operating revenues comprise revenues from drawing on accrued depreciation of assets acquired free-of-charge, co-financing of facility construction, average connection charges, and reversal of provisions for post-employment benefits on account of severance pay and jubilee awards. Major increase in subsidies received in 2020 is mainly due to the government grants as part of the intervention measures to curb the spread of the Covid-19 pandemic. Total amount of subsidies received in 2020 of €660,071 is unconditional. A large part of other operating revenue in the amount of €383,546 relates to insurance proceeds on account of damages to the assets (2019: €557,883). Other operating revenue increased in 2020 by €1,082,096, mainly on account of government subsidies as an intervention package to curb the spread of the Covid-19 pandemic, and due to the change in the method of recording refunds. In 2020, the Group switched from the net principle of recording refunds to the gross method of accounting and recognised €364,029 of subsidies and labour costs.

in EUR

Other operating revenue from:	2020	2019
- provision utilisation and reversal	435,392	432,888
- sale of fixed assets	186,210	33,952
- recovered written-off receivables	7,767	7,185
- other revaluation revenue	14,889	0
- received subsidies	1,186,277	94,327
- insurance proceeds, compensation	383,546	562,257
- other operating revenues	15,546	16,922
Total	**2,229,626**	**1,147,531**

Table 148: Other operating revenue of the Group

7.4.2 Operating expenses

Costs by nature	2020	2019
		in EUR
Cost of materials and services	11,632,647	11,046,450
Employee benefits	18,268,773	17,197,327
Write-downs	13,371,996	12,867,841
Other operating expenses	204,292	139,661
Total	**43,477,708**	**41,251,278**

Table 149: Operating expenses of the Group

Operating expenses include costs recognised per individual types, such as costs of energy, materials and services, employee benefits, write-downs and other operating expenses.

COST OF MATERIALS:	2020	2019
		in EUR
Energy costs	311,594	389,192
Cost of materials	4,769,835	4,277,928
Cost of ancillary material	89,969	60,880
Cost of spare parts and materials used in maintenance	490,208	506,567
Write-off of small tools	170,904	157,107
Cost of stationery and professional literature	58,219	76,270
Cost of goods and materials sold	215,243	11,514
Other cost of materials	12,783	-2,056
Total cost of materials	**6,118,753**	**5,477,403**

Table 150: Cost of materials of the Group

COST OF SERVICES: in EUR

	2020	2019
Cost of services in the production of products and rendering of services	42,632	34,886
Cost of transportation	266	2,084
Cost of maintenance	1,707,882	1,731,310
Rent	100,841	84,605
Reimbursement of work-related expenses to employees	10,262	20,308
Cost of banking services and insurance premiums	1,118,038	1,076,294
Fee and commission paid	1,302	1,123
Cost of intellectual and personal services	624,690	673,475
Cost of trade fairs, publicity and hospitality	109,176	126,174
Cost of services of individuals, including duties	139,207	173,728
Cost of other services	1,659,598	1,645,061
Total cost of services	**5,513,894**	**5,569,047**

Table 151: Cost of services of the Group

In 2020, the cost of services fell by €55,153, mostly on account of a reduction in the cost of licenses and education, while the cost of insurance premiums and legal fees increased mainly due to the sale of the subsidiary.

The Elektro Primorska Group expenses include meeting fees paid to members of the Supervisory Boards of the group companies. In 2020, total remuneration of the Supervisory Boards amounted to €115,092 (2019: €118,502) and was paid in the parent company. The cost of intellectual and personal services includes fees paid for the audit of the Annual Report of the Group in the amount of €15,500 (2019: €12,000).

The cost of audit of the entire Group (continued and discontinued operations):

in EUR

Company	Ernst&Young	Ernst&Young
	2020	2019
Audit of the annual report	15,500	12,000
Other assurance services	1,000	1,000
Other non-audit services	400	400
Total audit cost	**18,300**	**13,400**

Table 152: Amounts paid for the audit of the annual report of the Group

LEASE PAYMENTS

in EUR

	2020	2019
Depreciation of the right-of-use assets	43,835	50,457
Financial expenses	5,856	5,817
Lease payments	100,841	84,605
Total recognised as costs or expenses	**150,532**	**140,879**

Table 153: Lease payments

Lease payments include short-term lease payments, payments for lease of low-value assets and lease payments for assets not controlled by the Group.

EMPLOYEE BENEFITS: in EUR

	2020	2019
Gross wages and salaries and continued pay	12,884,823	12,185,669
Pension insurance costs	638,029	626,080
Other social insurance costs	2,112,368	2,024,799
Reimbursement of transportation cost	442,847	405,481
Reimbursement of costs of meals during working hours	596,371	573,892
Holiday pay	936,182	901,392
Post-employment benefits and other non-current employee benefits	372,913	382,389
Other reimbursements and substitutes	285,240	97,624
Total employee benefit costs	**18,268,773**	**17,197,327**

Table 154: Employee benefits of the Group

Individual Management Boards of Group companies have a single member each. In total, they received €109,141 of remuneration in 2020 (2019: €101,833).

On average, the Elektro Primorska Group had **522** employees in 2020 considering both, continued and discontinued operations (2019: 524). The average number of employees of the continued operations is 473.

Education level according to BP	Average number of employees	Average number of employees
	2019	2020
8/2	2	1
8/1	8	7
7	56	58
6/2	62	64
6/1	64	67
5	182	184
4	132	127
3	15	11
2	2	2
1	2	1
Total	**524**	**522**

Table 155: Headcount per level of formal education

Members of the Management Board and employees on individual employment contracts were not approved any loans or granted any sureties for their obligations.

AMORTISATION AND DEPRECIATION:		in EUR
	2020	2019
Amortisation of intangible assets	1,569,403	1,492,175
Depreciation of property, plant and equipment - facilities	5,903,790	5,808,397
Depreciation of property, plant and equipment - equipment	5,415,512	5,209,552
Depreciation of investment property	8,765	9,121
Depreciation of the right-of-use assets	43,835	50,457
Total amortisation and depreciation	**12,941,305**	**12,569,703**

Table 156: Depreciation costs of the Group

A total €12,941,305 of depreciation was recognised by the Group in 2020 (2019: €12,569,703).

IMPAIRMENTS AND WRITE-OFF:		in EUR
	2020	2019
Operating expenses from revaluation of intangible assets and P, P&E	420,611	218,500
Operating expenses from revaluation of current assets	10,080	79,638
Total revaluation expenses	**430,691**	**298,138**

Table 157: Impairment and write-off

The Group recognised €430,691 of the write-off and impairment of intangible assets, property, plant and equipment, and working capital (2019: €298,138). Of that, €420,611 (2019: €218,500) relates to impairment and write-off of fixed assets, and €10,080 to receivable allowances (2019: €79,638). The Group did not recognise any inventory allowances in 2020 or 2019.

7.4.3 Other operating expenses

OTHER OPERATING EXPENSES:		in EUR
	2020	2019
Sponsorships and donations	40,973	30,072
Charges for environmental protection and duties independent of business activities	135,792	139,661
Other operating expenses	27,527	49,101
Total other operating expenses	**204,292**	**218,833**

Table 158: Other operating expenses of the Group

Charges independent of profit or loss relate to the land and water contribution in the amount of €93,336 (2019: €91,845); accrued compensation for damages caused by the parent company Elektro Primorska primarily to individuals on their land during the facility construction or maintenance; financial aid and donations; administrative and legal fees; and other expenses that are not essential to the business.

7.4.4 Financial income

Financial income of the Elektro Primorska Group amounted to €17,767 in 2020 (2019: €28,279). Of that, €3,494 (2019: €5,920), relates to income from stakes held and the remaining amount to interest income.

FINANCIAL INCOME:		in EUR
	2020	2019
Financial income from shares and stakes	3,494	5,920
Financial income from loans	30	42
Financial income from trade receivables	14,244	22,316
Total	**17,767**	**28,279**

Table 159: Financial income of the Group

7.4.5 Financial expenses

Financial expenses of €264,517 (2019: €323,128) consist of interest on short- and long-term bank borrowings, default interest charged by suppliers, interest from actuarial calculations, regulatory default interest and financial lease liabilities. Compared to the previous year, financial expenses from bank borrowings decreased by €33,568, default interest payable to suppliers fell by €1,166, while interest from actuarial calculations are lower by €26,796 compared to 2019. In 2020, the Group recognised €2,803 of regulatory interest based on the preliminary settlement for the financial year under review.

FINANCIAL EXPENSES : in EUR

	2020	2019
Expenses due to investment impairment and write-off	0	0
Expenses from financial liabilities to banks	218,488	252,055
Financial expenses from lease liabilities	5,856	5,817
Expenses from financial liabilities based on actuarial calculations	36,976	63,772
Expenses from financial liabilities to suppliers	87	1,254
Expenses from financial liabilities to others	3,110	230
Total	264,517	323,128

Table 160: Financial expenses of the Group

7.4.6 Current tax and deferred tax assets/ liabilities

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

The Elektro Primorska Group recognised €268,759 of income tax payable in 2020 (2019: €1,059,555). Corporate income tax rate applicable in 2020 was 19%, the same as in 2019.

The Group recognised €222,574 of deferred tax assets (2019: €26,730).

TAX EXPENSE RECOGNISED IN PROFIT OR LOSS in EUR

	2020	2019
Current income tax payable	-460,020	-1,086,314
Deferred tax assets/liabilities	222,574	26,760
Tax expense recognised in profit or loss	**-237,446**	**-1,059,555**

The increase in deferred taxes compared to 2019, is on account of non-utilised tax relief in 2020 and additional provisions for post-employment benefits.

in EUR

	2020	2019
Provisions	21,557	18,108
Assets	-32,303	8,651
Unused tax relief	233,320	0
Changes in deferred tax assets/liabilities	**222,574**	**26,758**

Table 161: Movements in deferred tax assets

Movements in deferred tax assets are disclosed in Note 6.2.7.

7.4.7 Net profit

The Group achieved pre-tax profit of €5,752,957 from continued operations in 2020 (2019: €8,693,869).

The net profit from continuing operations amounts to €5,515,511, while the total net profit of the Group (inclusive of the profit of discontinued operations) for the financial year 2020, amounts to €6,236,188 (2019: €8,185,293).

TAX EXPENSE RECOGNISED IN PROFIT OR LOSS in EUR

	2020	2019
Current income tax payable	-460,020	-1,086,314
Deferred tax	222,574	26,760
Other taxes not reported under other items		
Income tax	**-237,446**	**-1,059,555**
Profit or loss before tax	5,752,957	8,733,144
Tax calculated at the applicable tax rate of 19%	**1,093,062**	**1,659,297**
Adjustment of revenue to the level of tax-deductible	-261,260	-216,939
Adjustment of expenses to the level of tax-deductible	773,576	1,179,368
Utilisation of tax relief	-4,122,508	-3,783,722
Other (change in accounting method)	-111,354	-278,832
Total tax base	**2,031,410**	**5,633,019**
Taxes	-237,446	-1,059,555
Effective tax rate	**4.13%**	**12.13%**

Table 162: Corporate income tax

7.5 Notes to consolidated cash flow statement

The consolidated cash flow statement is compiled under the direct method based on data and balances reported in books of account, showing movements in cash flows during the accounting period.

Difference between the opening and closing balance of cash and cash equivalents in 2020 is the cash outflow of €775,554 (2019: cash outflow of €319,285).

The consolidated cash flow statement is presented jointly for continued and discontinued operations, free of offset transactions. The result of cash flows from discontinued operations is disclosed in Note **7.2.9.1**.

While the Group achieved net cash inflow from operating activities, it reports net cash outflows from investing and financing activities.

Receipts from operating activities consist of inflows to the business accounts. These are the receipts from sales of products and services and other income from operations, such as the revenue to cover the cost of network use for the account of SODO, compensations not recognsied as revenue, and receipts from co-financing and network charge for connected load. Receipts from operating activities include revenue from the value added tax charged on services rendered and supplies of goods.

Cash flows from operating activities decreased in 2020 by €9,444,672 compared to 2019, mainly due to a reduction in operating revenues from the sale of electricity (inflow of €170,571,954, which accounts for the major item of operating inflows), and the use of network and services performed on behalf and for the account of SODO (inflows of €26,080,622). Major amount of receipts from operating activities of €42,729,584 was earned on services based on the contract concluded with SODO for the provision of services and lease of electricity infrastructure.

Operating expenditures are outflows from accounts consisting of operating expenses paid for materials, services, salaries, charges and other outflows. Majority of these refers to the outflows on account of the cost of the network use (€91,702,843), which are not recognised as expenses of the Group.

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

Expenditures for investing comprise outflows for payment of invoices for the acquisition of intangible assets, property, plant and equipment and investments. The Group spent €16,116,692 on investments in 2020, exclusive of the cost of capitalised own work.

Receipts from financing activities refer to the long-term and short-term borrowings. In 2020, the Group did not raise any new long-term borrowings, but it did draw €7.1 million of funds from short-term revolving credits.

Expenditures for financing activities comprise payments of interest, dividends and repayment of borrowings. Most of the financing expenses refer to the repayment of long-term and short-term borrowings of €52,797,222, of which €48,450,000 refers to the repayment of a short-term revolving credit and €4,347,222 to repayment of current amounts of long-term borrowings raised for the purpose of investment activity. Financing expenses include dividends paid in 2020 in the amount of €2,629,746.

Net cash for the period

The Group generated €303,599,868 of cash inflows in 2020 (2019: €307,060,047) and €304,375,422 of cash outflows (2019: €307,379,333). Cash receipts and disbursements include appropriate amounts of duties, in particular VAT and excise duties, in accordance with the invoices received or issued.

The difference between the opening and closing balance of cash and cash equivalents in 2020 is the cash outflow of €775,554 (2019: cash outflow of €319,285). When considering the eliminations due to the reclassification in the amount of €792,219, the cash flow in 2020 stands at €1,837,633.

7.6 Financial instruments and risk management

This section includes disclosures relating to financial instruments, financial risks and risk management, while risk management procedures and controls are detailed in the business report in section »Risk Management«.

The Group is exposed to liquidity risk, credit risk and market risk, which comprises the interest rate risk associated with existing assets and liabilities, and anticipated future transactions, as well as price risks.

The Group does not use derivative financial instruments to hedge against these risks.

7.6.1 Credit risk

The receivable recovery process is a key element of the working capital management of the Elektro Primorska Group. The credit control process, powers for authorisation of payment terms extension and control over receivable recovery are determined in internal rules. The system of regular reporting on trade receivables' maturity and customers' payment discipline is an integral part of credit control. The reporting system enables timely detection of customers with an increased risk of default and ensures effective credit risk management.

In 2020, the Group actively monitored its trade receivable balances and pursued its adopted policy of granting limited sales on hire purchase and requiring relevant amount and quality of collateral.

In addition to the internal receivable recovery system, the Group ensures receivable recovery by engaging help of qualified agencies, in particular for receivables of the subsidiary for which all means of receivable recovery had been exhausted.

The maximum exposure to credit risk is equal to the carrying amount of financial assets from continued operations. The carrying amount of financial assets as at 31 December 2020 is presented in the table below:

in EUR

	31.12.2020	31.12.2019
Financial assets at fair value through OCI	924,713	917,777
Non-current financial receivables	0	0
Non-current operating receivables	166,366	301,470
Short-term financial receivables	0	0
Trade receivables (net of receivables due from the State)	6,019,128	6,112,933
Other receivables (excluding receivables due from the State)	48,592	53,431
Contract assets	189,847	2,581,131
Cash and cash equivalents	1,837,633	2,965,633
Total	**9,186,278**	**12,932,375**
Non-derivative financial liabilities at amortised cost		
Bank borrowings and other financial liabilities	-33,281,909	-33,981,403
Trade payables (excluding other long-term liabilities and	-6,836,387	-4,505,141
payables to the State and employees, and advances)		
Total non-derivative financial liabilities	**-40,118,296**	**-38,486,544**

Table 163: The carrying amount of financial assets as at 31 December 2020

At the reporting date, trade receivables are mostly exposed to the credit risk.

in EUR

	Not-past due	Due and out-standing up to 30 days	Due and out-standing from 31 to 60 days	Due and out-standing from 61 to 90 days	Due and out-standing from 91 to 365 days	Due and out-standing in excess of 365 days	Total
Trade receivables	5,881,014	126,531	10,811	206	566	0	6,019,128
Other receivables (excluding receivables from the State)	36,444	956	458	423	1,073	9,239	48,592
Total at 31 Dec 2020	**5,917,458**	**127,487**	**11,269**	**629**	**1,638**	**9,239**	**6,067,720**

	Not-past due	Due and out-standing up to 30 days	Due and out-standing from 31 to 60 days	Due and out-standing from 61 to 90 days	Due and out-standing from 91 to 365 days	Due and out-standing in excess of 365 days	Total
Trade receivables	5,963,754	133,907	9,370	1,017	4,885	0	6,112,933
Other receivables (excluding receivables from the State)	34,769	4,965	569	382	1,757	10,991	53,431
Total at 31 Dec 2019	**5,998,523**	**138,871**	**9,938**	**1,399**	**6,642**	**10,991**	**6,166,364**

Table 164: Maturity structure of trade and other receivables

in EUR

	Trade receivable allowances	Interest receivable allowances	Other receivable allowances (excluding receivables from the State)	Total
At 1 Jan 2019	**2,956,071**	**290,197**	**17,722**	**3,263,990**
Receivable allowances	183,900	2,013	1,937	187,849
Reversal of receivable allowances	-21,004	-1,265	-1,140	-23,409
Write-off	-103,534	-3,151	-303	-106,988
Reclassification*	-2,377,283	-232,600	-15,710	-2,625,593
At 31 Dec 2019	**638,149**	**55,195**	**2,505**	**695,849**
At 1 Jan 2020	**638,149**	**55,195**	**2,505**	**695,849**
Receivable allowances	5,396	315	3,225	8,936
Reversal of receivable allowances	-4,670	-2,112	-321	-7,103
Write-off	-160,566	-9,724	-1,558	-171,848
At 31 Dec 2020	**478,309**	**43,673**	**3,851**	**525,834**

Table 165: Movements in receivable allowances

Insured receivables – In 2020 and 2019, none of the Group's receivables were insured.

7.6.2 Liquidity risk

Liquidity risk is the risk of the Group not being able to settle its liabilities on maturity. The aim of an entity is to always have at disposal sufficient amount of liquid assets to meet its obligations both, under normal operating conditions, as well as in the event of unexpected circumstances.

The Elektro Primorska Group pursues a policy of strict payment discipline and stable cash flows. In 2020, the Group only occasionally had to draw on its short-term borrowings. The Group settles all of its liabilities regularly and within agreed deadlines. Liquidity risk of the Group is assessed as moderate.

in EUR

	Carrying amount of liabilities	Contractual cash flows				
		Liabilities	0 to 6 months	7 to 12 months	1-5 years	Over 5 years
Non-current financial liabilities	24,247,222	24,966,335	0	0	15,865,341	9,100,994
Short-term financial liabilities	8,647,222	8,890,244	6,864,142	2,026,102	0	0
Supplier payables (excluding advances)	6,832,565	6,832,565	6,824,678	1,523	6,364	0
Lease liabilities	367,960	418,587	27,453	27,453	211,030	152,650
Other liabilities excluding amounts owed to the State, to employees and advances	3,729	3,729	3,729	0	0	0
Total liabilities at 31 Dec 2020	**40,098,698**	**41,111,459**	**13,720,002**	**2,055,079**	**16,082,735**	**9,253,644**

Table 166: Maturity of liabilities from continued operations in 2020

v EUR

	Carrying amount of liabilitie	Contractual cash flows				
		Liabilities	0 to 6 months	7 to 12 months	1-5 years	Over 5 years
Non-current financial liabilities	29,394,444	30,398,504	0	0	17,260,885	13,137,619
Short-term financial liabilities	4,280,556	4,568,023	2,522,997	2,045,026	0	0
Supplier payables (excluding advances)	20,444,992	20,444,992	20,335,607	90,419	18,966	0
Contract liabilities (except advances)	0	0	0	0	0	0
Other liabilities excluding amounts owed to the State, to employees and advances	59,721	59,721	59,721	0	0	0
Total liabilities at 31 Dec 2019	**54,179,713**	**55,471,240**	**22,918,325**	**2,135,444**	**17,279,851**	**13,137,619**

Table 167: Maturity of liabilities from continued operations in 2019

7.6.3 Interest rate risk

Interest rate risk is the risk of a loss occurring due to unfavourable interest rate fluctuations. Exposure to interest rate risk is mostly associated with the increase in the Euribor reference rate, as the Group's borrowings are tied to Euribor. Interest rate risk is assessed as low and hence, no hedging instruments are used to hedge the risk. The Group is exposed to interest rate risk associated with borrowings raised at a variable Euribor rate.

Exposure to interest rate risk of the Group:

in EUR

	31.12.2020	31.12.2019
Financial liabilities	29,394,444	33,050,000
Net financial instruments at fixed rate of interest	**29,394,444**	**33,050,000**

Table 168: Financial instruments at fixed rate of interest

in EUR

	31.12.2020	31.12.2019
Financial receivables	0	4,084,323
Financial liabilities	-3,887,464	-4,443,317
Net financial instruments at variable rate of interest	**-3,887,464**	**-358,994**

Table 169: Financial instruments at variable rate of interest

As at the reporting date, a change in interest rates by 100 or 200 base points would increase/decrease net profit by the amounts reported below. Cash flow sensitivity analysis associated with financial instruments at variable rates of interest assumes that all other variables remain unchanged. Considering the fact that the Euribor is negative, the change of 100 base points would have a minimum impact on the cash flow variability in 2019.

AN INCREASE OF 100 BASE POINTS WOULD HAVE THE FOLLOWING EFFECT ON THE PROFIT OR LOSS

in EUR

	31.12.2020
Net cash flow variability - 100bt	1,590
Net cash flow variability + 100bt	-1,590

	31.12.2019
Net cash flow variability - 100bt	22,222
Net cash flow variability + 100bt	34,648

7.6.4 Currency risk

Financial and operating receivables and liabilities as at 31 December 2020 and 31 December 2019 are denominated in euros and therefore, the Group's exposure to currency risk is assessed as low and as such is not disclosed.

7.7 Capital management

The key purpose of capital management is to ensure capital adequacy of the Group and the greatest possible financial stability and solvency for the purpose of financing operations, and for increasing the value of the group companies for the shareholders. Hence, the Group pursues a stable dividend policy.

The Group uses net debt to equity ratio to monitor its capital adequacy. The net financial debt comprises borrowings less cash and cash equivalents.

The Group is financially stable, as evidenced by the net debt to equity ratio from continued and discontinued operations.

in EUR

	31.12.2020	31.12.2019
Non-current financial liabilities	25,773,713	30,204,198
Short-term financial liabilities	10,765,839	7,289,116
Total financial liabilities	36,539,552	37,493,314
Total capital	170,699,728	167,372,061
Debt/equity	**0.214**	**0.224**
Cash and cash equivalents	2,629,851	2,965,633
Net financial liabilities	33,909,701	34,527,681
Net debt/equity	**0.199**	**0.206**

Table 170: Net debt/equity ratio

7.8 The fair value and carrying amounts of financial instruments

in EUR

	31.12.2020		31.12.2019	
	Carrying amount	Fair amount	Carrying amount	Fair amount
Non-derivative financial assets at fair value				
Financial assets at fair value through OCI	71,040	71,040	78,854	78,854
Non-derivative financial assets at amortised cost				
Financial receivables	0	0	0	0
Trade receivables (net of receivables due from the State)	6,019,128	6,019,128	6,112,933	6,112,933
Non-current operating receivables	166,366	166,366	301,470	301,470
Contract assets	189,847	189,847	2,581,131	2,581,131
Cash and cash equivalents	1,837,633	1,837,633	2,965,633	2,965,633
Total non-derivative financial assets	**8,284,014**	**8,284,014**	**12,040,021**	**12,040,021**
Non-derivative financial liabilities at amortised cost				
Bank borrowings and other financial liabilities incl. lease liabilities	-33,281,909	-33,281,909	-33,981,403	-33,981,403
Trade payables (excluding other long-term liabilities and payables to the State, to employees, and advances)	-6,836,387	-6,836,387	-4,505,140	-4,505,140
Total non-derivative financial liabilities	**-40,118,296**	**-40,118,296**	**-38,486,543**	**-38,486,543**

Table 171: The fair value and carrying amounts of financial instruments

In terms of fair value, assets and liabilities are classified in three levels:

- **Level 1** – assets at market price;
- **Level 2** – assets not classified within level 1 and the value of which is determined directly or indirectly based on observable market data;
- **Level 3** – assets the value of which cannot be determined using observable market data.

Fair values of financial assets according to the fair value hierarchy:

	31.12.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets at fair value						
Liabilities for which fair value is disclosed						
Non-current financial liabilities (incl. lease liabilities)	0	0	-25,605,235	0	0	-29,786,910
Short-term financial liabilities (incl. lease liabilities)	0	0	-7,676,674	0	0	-4,194,493
Trade payables (excluding other long-term liabilities and payables to the State, to employees, and advances)	0	0	-6,836,387	0	0	-4,505,140
Total liabilities for which fair value is disclosed	0	0	-40,118,296	0	0	-38,486,543

Table 172: Fair values of financial liabilities according to the fair value hierarchy

7.9 Subsequent events

In the period subsequent to the reporting date (31 December 2020) and adoption of the Annual Report on 14 May 2021, the Group received preliminary statement of accounts from SODO for the 2020 regulation year. The preliminary statement of accouns is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2020, the contractual value of services and rental of electricity infrastructure already charged is €352,412 higher than the values established in the preliminary settlement of accounts (rent in the amount of €1,308,755 and services undercharged by €956,363). Therefore, the Group increased revenues from services under the contract with SODO in the amount of €959,166 and reduced the value of rental income from the lease of energy infrastructure by €1,308,775, and recognised €2,803 of regulatory interest.

The Group is making regular repayments of its borrowings and settles its tax liabilities when due. In addition, it has no liquidity issues due to the pandemic.

On 26 February 2020, the Company signed a Contract with Petrol, d.d., for the sale and purchase of a 100% stake in E 3, d.o.o. On 28 October 2020, the Slovenina Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d., and E 3, d.o.o., and stating that the concentration complied with competition rules. The sale of a 100% stake in E 3, d.o.o., to Petrol d.d., was completed on 5 January 2021. Based on the sale, the Elektro Primorska Group incurred a loss in the amount of €409,113.

7.10 Operating leases

7.10.1 Group as a lessee

The Group recognised liabilities from operating lease of property, plant and equipment, which primarily relate to leases of business premises, fibre optics for telecommunications, and lease of electricity infrastructure for the provision of public service of electricity distribution, which the Group did not recognise as the right-of-use assets, as they are not under control of the Group and are being shared.

in EUR

Maturity	31.12.2020	31.12.2019
Up to 1 year	100,841	84,605
From 1 up to and including 5 years	504,205	423,023
Total	605,046	507,628

Table 173: Operating lease liabilities relating to property, plant and equipment

Real estate, in particular offices, are leased for a period of 1-5 years, while equipment and cars are leased for a period of up to 12 months.

Lease contracts are concluded for an indefinite period of time (for duration of services provision), while lease of electricity infrastructure has been agreed for a period of 30 years with an option to extend the lease.

In 2020, the Group recognised €100,841 of operating lease liabilities (2019: €86,065).

7.10.2 Group as a lessor

The Group discloses receivables for operating lease of property, plant and equipment. They relate to rental of apartments, commercial premises and, above all, electricity infrastructure of the parent company.

in EUR

Maturity	31.12.2020	31.12.2019
Up to 1 year	16,298,560	17,477,868
From 1 up to and including 5 years	81,587,991	87,691,124
Total	97,886,551	105,168,993

Table 174: Receivables for operating lease of property, plant and equipment

Lease contracts are mostly concluded for an indefinite period, while lease of energy infrastructure is agreed for the duration of the concession agreement (until 30 June 2057), granted to the infrastructure lessee SODO by the Republic of Slovenia.

In the profit or loss, the Group recognised rental income of €16,298,560 in 2020 (2019: €17,477,868), under revenue from sale of services on the domestic market.

8. Statement of Management Responsibility – Group Operations

The Management has approved the financial statements and business report for the year ending 31 December 2020 and the accompanying accounting policies and notes thereto contained in the proposed Annual Report.

The Management Board is responsible for the preparation of the Annual Report that gives a true and fair presentation of the financial position of the Group and of its financial performance for the year ended 31 December 2020.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. Furthermore, the Management Board confirms that the financial statements and notes thereto have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and International Financial Reporting Standards (IFRS) as endorsed by the EU.

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

In its operations, the Group strictly abides by the laws and tax regulations, and the Management Board does not expect any significant obligations in this respect.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management is not aware of any circumstances that may result in a significant tax liability.

Uroš Blažica,
President of the Management Board

Nova Gorica, 14 May 2021

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LIST OF ABBREVIATIONS

BDP	gross domestic product
CUO	price for network use
COT	comprehensive risk management
D	electricity distribution
DE	distribution unit
DCV	remote control centre
DV	transmission line
DVPLM	remotely controlled switch point
DVE	domestic energy sources
EFQM	The European Foundation for Quality Management
EIMV	Elektroinštitut Milan Vidmar
ERP	enterprise resource planning
EBIT	earnings before interest and tax
GIS	geographic information system
GIZ	economic interest grouping
I	investments
IIS	integrated information system
ISV	integrated management system
JR	public lighting
KBV	cable conduit
KEE	quality of electricity
NIS	network information system
NN	low voltage
NR	internal audit
OVE	renewable energy resources
RAST	program of operating costs rationalisation
REDOS	development of Slovenian electricity distribution network
RP	substation
RS	Republic of Slovenia
RTP	transformer substation
SAIDI	average interruption duration index
SAIFI	average interruption frequency index
SCADA	distribution networks system monitoring
SDH	Slovenian Sovereign Holding
SM	standing place
SN	medium voltage
SOD	Slovenian Compensation Fund
SODO	distribution network system operator
SODO EP	activity of Elektro Primorska d.d., implementing a service for SODO
SPTE	co-generation of heat and electricity
TP	transformer station
UDO	distribution network management
URE	efficient use of electricity
UMAR	Institute of Macroeconomic Analysis and Development
UKV	ultra-short waves
VN	high voltage
VZD	maintenance
ZSDH	Slovenian Sovereign Holding Act

Elektro Primorska
podjetje za distribucijo električne energije, d.d.