gen-i ANNUAL REPORT **2018**

PERFORMANCE OF THE GEN-I GROUP AND GEN-I, D.O.O.
DURING THE 2018 BUSINESS YEAR

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1. KEY INDICATORS FOR THE GROUP

AMOUNTS IN € ITEMS	2018	2017	INDEX 2018/2017	2016	2015	2014
Operating results						
Revenues	2,357,715,456	2,370,030,061	99.5	1,582,148,485	1,731,202,568	1,303,276,200
Change in value of inventories	337,458	183,770	183.6	0	0	0
Historical cost of goods sold	-2,292,741,493	-2,322,178,734	98.7	-1,562,830,947	-1,705,903,428	-1,274,086,756
Other recurring operating revenues or expenses	-10,663,114	11,367,755	-	0	0	0
Gross operating profit*[1]	**54,648,307**	**59,402,851**	**92.0**	**19,317,538**	**25,299,140**	**29,189,443**
Earnings before interest, taxes, depreciation and amortization (EBITDA)* [2]	**20,414,366**	**24,937,979**	**81.9**	**12,205,436**	**12,552,663**	**13,951,005**
Earnings before interest and taxes (EBIT)	**16,279,578**	**19,753,825**	**82.4**	**10,299,118**	**10,960,799**	**12,646,797**
Net operating profit after tax (NOPAT)	13,246,670	15,590,619	85.0	8,507,326	9,061,849	10,464,095
Net profit	**12,908,860**	**13,463,405**	**95.9**	**7,313,188**	**7,028,423**	**5,224,283**
Financial position						
Total assets*	279,084,911	277,727,818	100.5	254,066,360	253,365,959	252,651,330
Equity	83,192,918	75,316,700	110.5	65,885,154	62,629,412	58,825,101
Inventories	749,083	357,986	209.2	0	0	0
Current receivables	188,748,973	201,401,139	93.7	183,073,781	223,269,469	194,014,070
Non-current liabilities*	119,216,914	135,398,050	88.0	132,683,489	163,278,875	147,406,020
Cash and cash equivalents	60,094,389	49,886,492	120.5	47,143,359	21,198,123	49,643,491
Working capital (inventories + current receivables - current liabilities)*	70,281,142	66,361,075	105.9	50,390,292	59,990,594	46,608,050
Non-current financial liabilities	45,115,248	32,662,782	138.1	24,410,558	5,798,740	1,008,870
Current financial liabilities*	30,717,892	33,653,321	91.3	30,224,044	21,324,575	45,152,451
Financial debt*	75,833,140	66,316,103	114.4	54,634,602	27,123,315	46,161,321
Net financial debt*	15,738,750	16,429,612	95.8	7,491,243	5,925,192	-3,482,170
Debt, leverage and coverage ratios						
Equity/(financial debt + equity)*	52.3%	53.2%	98.4	54.7%	69.8%	56.0%
Equity/total assets	29.8%	27.1%	109.9	25.9%	24.7%	23.3%
EBITDA/interest expense*	12.8	15.0	85.3	14.3	10.1	6.6
Net financial debt/EBITDA*[3]	0.8	0.7	117.0	0.6	0.5	-0.2
Profitability indicators						
Gross margin*[4]	2.32%	2.51%	92.5	1.22%	1.46%	2.24%
EBITDA margin*	0.87%	1.05%	82.3	0.77%	0.73%	1.07%
EBIT margin	0.69%	0.83%	82.8	0.65%	0.63%	0.97%
ROA (net profit/average total assets)	4.64%	5.06%	91.6	2.88%	2.78%	2.08%
ROE (net profit/average equity)	16.29%	19.07%	85.4	11.38%	11.57%	9.04%

1 Gross operating profit = difference between revenues and costs of sales.
2 EBITDA = earnings before interest, taxes, depreciation and amortization + impairments and write-offs.
3 Net financial debt/EBITDA = (non-current and current financial liabilities – cash and cash equivalents)/EBITDA
4 Difference between revenues and costs of sales/sales revenue.

* Result of changes to the classification of transactions on the wholesale and retail electricity and natural gas markets, which are measured at fair value, i.e. in accordance with the IFRS, as hedge accounting instruments, and the creation of provisions for unexpected credit risks, all in accordance with changes to IFRS 9.

The difference are shown in the table below.

Operating results: In 2018, we changed the treatment and booking of transactions that derive from the GEN-I Group's core activity, so that they are all included in gross operating profit and not as previously, when certain transactions were included in other revenues and thus excluded from gross profit. The same treatment in 2017 would have resulted in higher values for gross operating profit and EBITDA for 2017 than was disclosed in the annual report for 2017.

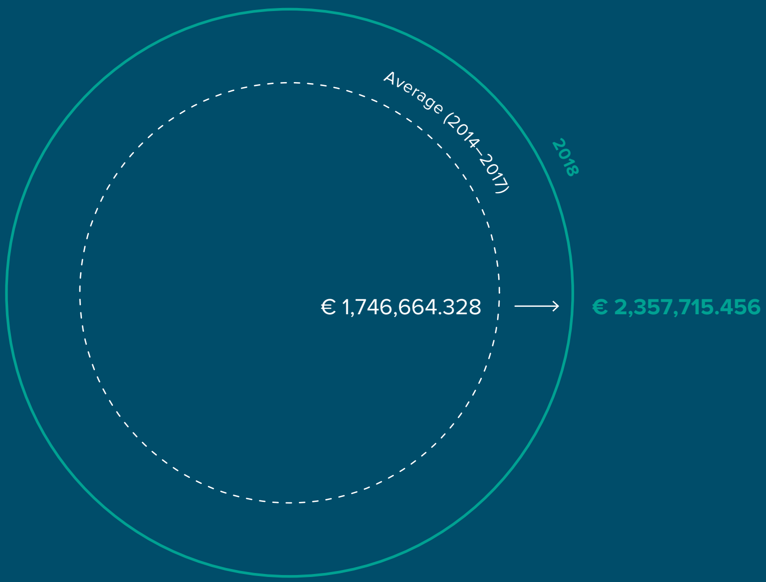
Profitability indicators: Profitability indicators would have also been higher in 2017 as the result of the booking of all transactions from the Group's core activity in gross operating profit.

Current financial liabilities / financial debt / net financial debt: The reason for the lower value of comparable data (by €1,380,257) disclosed for current financial liabilities and thus total financial debt and net financial debt in 2017 lies in the fact that liabilities for derivatives are now disclosed in the separate item 'Derivatives'.

Total assets: The reason for the lower value of total assets (by €697,993) for 2017 lies in the fact that receivables for derivatives are netted with liabilities for derivatives. As a result, only the net value of all derivatives is now disclosed in the statement of financial position.

Current liabilities / working capital: The reason for the higher value of comparable data (by €682,264) disclosed for current operating liabilities for 2017 is the result of the above-mentioned separate item 'Derivatives', and is the sum of the increase of €1,380,257 EUR and decrease of €697,993. Working capital was also down as a result in the comparable data for 2017.

AMOUNTS IN € ITEMS	2017 (IN 2018 ANNUAL REPORT)	2017 (IN 2017 ANNUAL REPORT)	DIFFERENCE
OPERATING RESULTS			
Gross operating profit	**59,402,851**	**48,035,096**	**11,367,755**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**24,937,979**	**21,662,888**	**3,275,091**
FINANCIAL POSITION			
Total assets	277,727,818	278,425,811	-697,993
Current liabilities	135,398,050	134,715,786	682,264
Working capital (inventories + current receivables - current liabilities)	66,361,075	67,043,339	-682,264
Current financial liabilities	33,653,321	35,033,578	-1,380,257
Financial debt	66,316,103	67,696,360	-1,380,257
Net financial debt	16,429,612	17,809,869	-1,380,257
DEBT, LEVERAGE AND COVERAGE RATIOS			
Equity/(financial debt + equity)	53.2%	52.7%	0.5 percentage points
EBITDA/interest expense	15.0	13.0	1.97
Net financial debt/EBITDA	0.7	0.8	-0.16
PROFITABILITY INDICATORS			
Gross margin	2.51%	2.03%	0.48%
EBITDA margin	1.05%	0.91%	0.14%



REVENUES

€ 2.4 BILLION

+35%

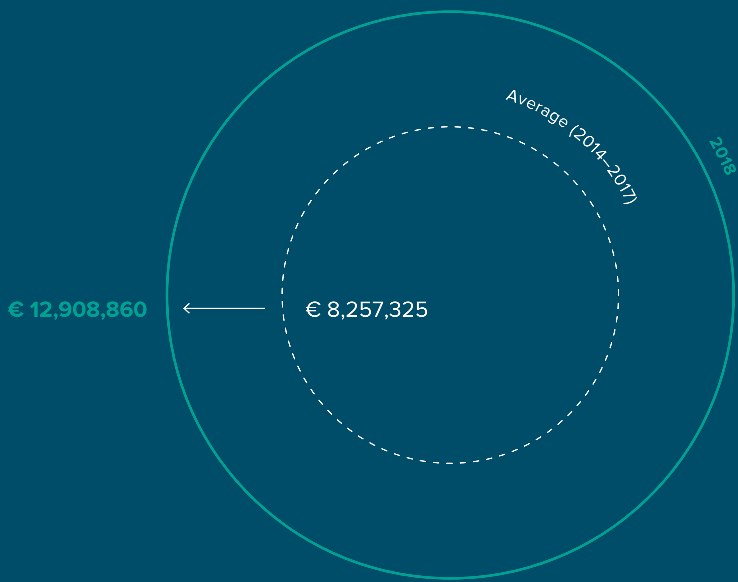
Revenues remain at a level comparable with the previous year, but are still 35% higher than the average of the previous four years.

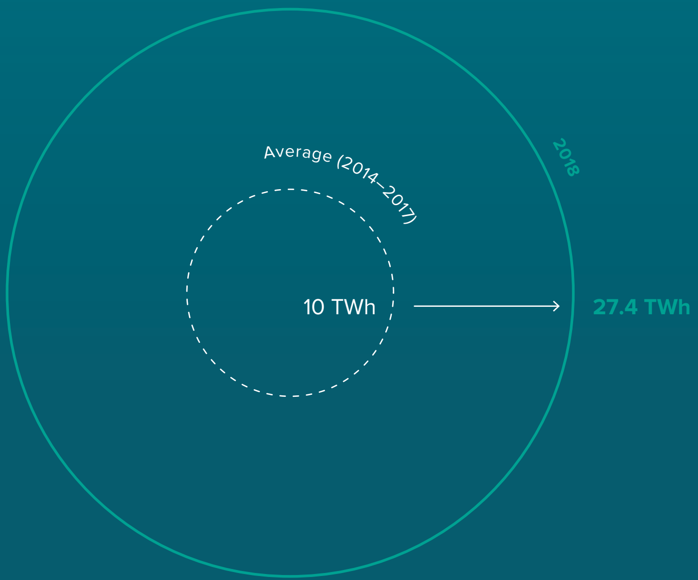
NET PROFIT

€ 13 MILLION

+56%

Despite being lower than the previous year's record level, net profit remains an enviable 56% higher than the average of the previous four years.





FUTURES CONTRACTS

27.4 TWH

+174%

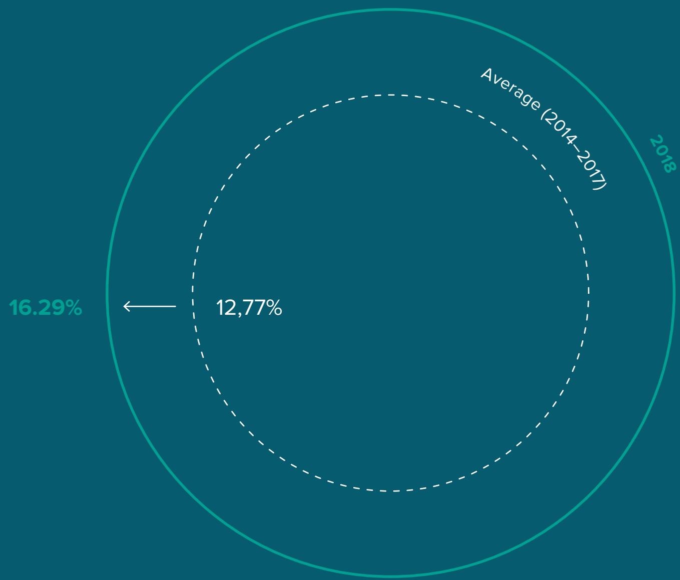
Successful planned transformation of a portion of trading from contracts for final supply to financial contracts, primarily to hedge against market risks.

ROE (NET PROFIT/ AVERAGE EQUITY)

16.29%

+28%

Despite significant growth in capital, return-on-equity remains high and is 28% higher than the average of the previous four years on account of a moderate dividend policy.



2. MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Business Partners, Investors, Owners and Employees,

The GEN-I Group achieved new milestones in 2018. For the second consecutive year, we generated more than €2.3 billion in revenues, which was 35% higher than the average of the previous four years. Net profit remained at last year's record level. We significantly increased owners' return on their investment. Last year, we sold 47.4 terawatt hours of electricity and an additional 27.4 terawatt hours via futures contracts, through which we effectively manage market risks.

The GEN-I Group remains a success story with sound foundations in place for the future. We are one of the fastest growing and innovative companies on the European energy market. In 2018, we consolidated our position in the 22 countries in which the GEN-I Group operates, and solidified our reputation as a reliable energy supplier. We are a leading player on the market of Southeast Europe, and are also strengthening our position in Central Europe. As part of the international Risk & Energy Risk survey, energy sector experts ranked the GEN-I Group as the best electricity trader in Eastern Europe for the second year in a row, while we ranked fourth among all European traders. For the fifth consecutive year, GEN-I received the Trusted Brand 2018 award as the most trustworthy brand in Slovenia in the 'Energy Supplier' category.

By combining our knowledge of global markets with knowledge of local markets, we provide end-customers the best prices and services. Through the careful monitoring of developments on the international energy markets and the successful forecasting of trends, we are able to provide business partners accurate advice regarding their energy purchases. The Group's focus on customer satisfaction was recognized last year by the European Consumer Organization (BEUC), which from a total of 300 bills from ten European countries, selected GEN-I's bill for Affordable Electricity and Affordable Natural Gas as an example of good practice in the designing of a consumer-friendly bill and as an example for other market players.

The GEN-I Group always looks forward. Before is a decade-long energy revolution, where the old energy system with large, centralized energy facilities will give way to a new system. Representing the future of a carbon-free society are renewable sources, e-mobility, demand response, efficient energy consumption, digitalization and the electrification of everything.

The GEN-I Group is doing more than just preparing for those changes. The Group's aim is to actively contribute to the creation of success stories on the path to a carbon-free future and a clean environment for future generations. We will empower every individual and company to transition to carbon-free energy sources. Through smart energy solutions, we will facilitate the integration of diversified renewable energy sources, mobility and demand response. The digitalization of operations and the use of the most advanced technologies for the processing of large quantities of data will facilitate the effective implementation of green technologies.

We are pursuing our commitment to the rapid transition to a green, carbon-free society via the GEN-I Sonce brand, through which we are developing the third pillar of the GEN-I Group – a portfolio of energy services for end-customers – to complement the trading and supply of energy products. GEN-I recognizes the sun as a practical, unlimited and accessible energy source, with the greatest potential in Slovenia. We are a leading promoter of the self-sufficient supply of households and companies in Slovenia. To date, we have built more than 700 home solar power plants according to the 'turnkey' principle and set-up the first solar power plant on an apartment building, while we have already entered the Croatian market, where we set-up the first solar power plant on a commercial building

Our aim over the long term is to become the leading regional player in e-mobility. With our partner companies, Metron and Netis, we have developed a pilot system for managing the autonomous charging of electric vehicles, which is based on blockchain technology. We are developing autonomous electric vehicle charging stations that function on the basis of distributed ledger technology.

The energy sector of the future will be digitalized. We are therefore committed to innovation and participation in numerous development projects. In the scope of the four-year international FutureFlow development project that includes 12 partners from eight European countries, our experts analyzed the possibility of demand response for more than 600 industrial customers in four countries. We continued with the 'Active Customer' project, which focuses on the development and demonstration of consumption and production technologies for small customers.

We are increasingly establishing ourselves as an aggregator of active customers, who we connect with dynamic energy markets in our role as manager of a virtual power plant. We are developing diversified production services for secondary and tertiary reserve power with great success. We are testing machine learning and artificial intelligence technologies.

Because we are aware of the importance of knowledge, we continue to enhance investments in employees. The Group had 403 employees at the end of 2018. Their average age is 35 years, while more than 80% of employees have completed a minimum of post-secondary education. The GEN-I Group will continue to be an excellent environment for career development. The GEN-I Group was recognized as the most reputable employer in the energy and electricity sector in the scope of the 'Reputable Employer 2018' project, which was organized for the eighth consecutive year by the largest Slovenian job portal, MojeDelo.com.

The enormous amount of confidence shown by investors is also confirmation of the GEN-I Group's sound reputation, its excellent performance and the correctness of its overall policy. Last year, GEN-I, d.o.o. successfully completed the simultaneous issue of bonds (with a maturity of 45 months and an annual interest rate of 2.4%) and commercial paper (with a maturity of 360 days and an annual interest rate of 1.1%), for which it received binding offers in an amount that was two times higher than the Company's planned borrowing on the capital market.

Through a stable ownership structure, a high-quality portfolio of customers, a sound market position, financial stability, innovative business models, the best employees, effective risk management, clear strategic objectives and a responsible approach to the environment, we are prepared for the future, which will be green, sunny and bright.

I ask our esteemed business partners, investors and owners to accept my thanks for your loyalty and trust. My sincerest congratulations to all GEN-I Group employees for all that we achieved in 2018.

Robert Golob, Ph. D.
President of the Management Board

BUSINESS REPORT
OF THE GEN-I GROUP

3. BUSINESS REPORT

3.1. Presentation of the Group

The GEN-I Group, which comprises GEN-I, d.o.o. and its 14 subsidiaries, is one of the fastest growing and most innovative players on the European energy market.

The GEN-I Group is active on the following markets through its own subsidiaries: Austria, Italy, Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Macedonia, Kosovo, Albania, Greece, Turkey, Ukraine, Georgia and Slovenia.

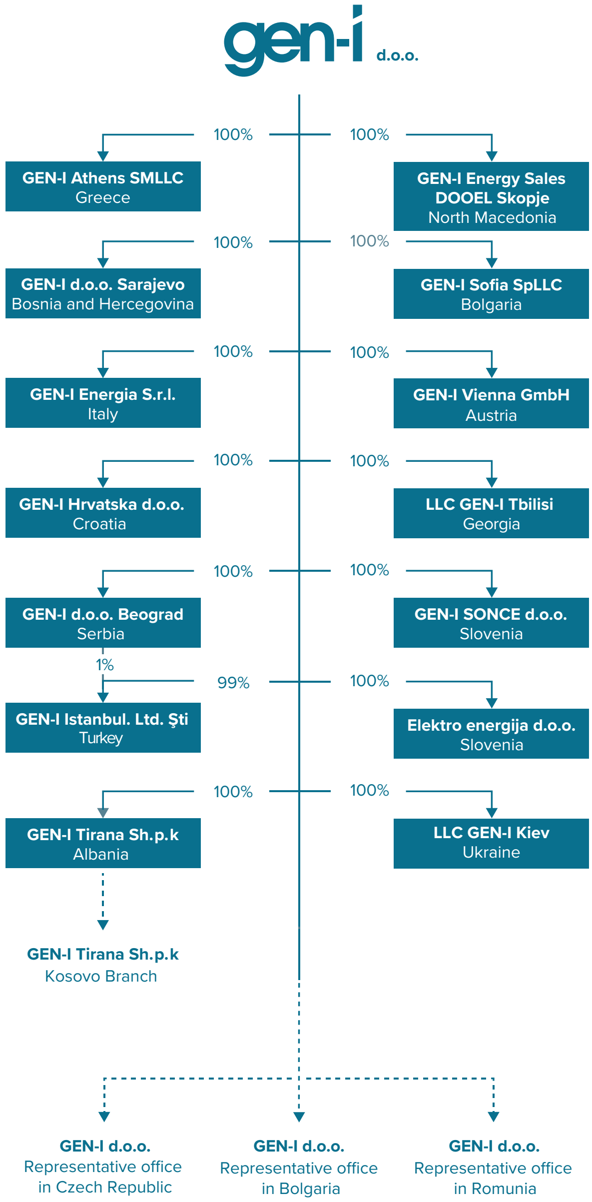
The Group's subsidiaries have at their disposal the complete infrastructure required to participate on the electricity and natural gas market. That infrastructure is ensured indirectly by GEN-I, d.o.o., which also provides subsidiaries expertise, financial resources and guarantee lines. The GEN-I Group also has in place the necessary infrastructure for the sale and supply of energy products to end-customers on eight markets.

The GEN-I Group's core activities are as follows:

- the supply of electricity and natural gas to end-customers;
- the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants;
- the provision of services for the energy self-sufficiency and efficiency of individuals and companies;
- the provision of advanced services to business partners and customers; and
- electricity and natural gas trading.

The core activities of the parent company and subsidiaries of the GEN-I Group remain the purchase and supply of electricity and natural gas on the wholesale and retail markets. In 2017, the GEN-I Group further expanded its core activity with the sale, supply and installation of solar power plants and other products aimed at increasing the energy efficiency of households. We expanded those activities to include companies in 2018. The aforementioned services are provided by the subsidiary GEN-I Sonce, d.o.o.

The GEN-I Group supplies energy products to all segments of the end-user market, households and small business customers, and ensures affordable prices and the reliable supply of electricity and natural gas in the scope of its own brands.



Through a highly developed global business infrastructure for the natural gas and electricity sectors, we have combined all information and decision-making in one place. Through such a centralized approach, we achieve synergies for all business partners: both electricity producers and electricity and natural gas traders, and business and household customers who are supplied both energy products.

Through the innovative organization of our activities, we are able to provide the Group's business partners advanced trading services, and direct access to international markets and structured products and services tailored to their needs, which are changing the purchase and sale of energy products into a manageable, transparent and significantly more affordable business process.

The GEN-I Group's competitive advantages are as follows:

Continuous adaptation to market changes.

Optimization and flexibility are two of the key factors for successful growth on existing markets. We strive for the optimization of our operations, while remaining flexible and responsive to new opportunities.

Managing risk.

The energy market of Southeast Europe requires additional adjustments in terms of managing risk. Understanding the market, the regular monitoring of market changes and making timely decisions are important for risk management and for recognizing business opportunities. A local presence on individual markets allows us to understand local specifics, while the Group's centrally organized structure allows us to respond quickly, make a quality assessment of the situation on markets and adapt to local activities in real time, thereby mitigating operational risks.

Customer orientation.

We are proud of the satisfaction our customers show with the services we provide. The sales team knows how to listen to the needs of customers and offers them innovative comprehensive solutions.

Brands

Our retail brands – Poceni elektrika (Affordable Electricity in Slovenia), Poceni plin (Affordable Natural Gas in Slovenia), Elektro energija (Slovenia) and Jeftina struja (Affordable Electricity in Croatia) – allow us to successfully pursue our mission to provide affordable energy accompanied by high-quality services. The total number of end-consumers for all four brands has risen steadily in recent years. We added the new GEN-I Sonce brand to our portfolio in 2016.

Information regarding the parent company GEN-I, trgovanje in prodaja električne energije, d.o.o.

Registered office: Vrbina 17, 8270 Krško, Slovenija
Abbreviated company name: GEN-I, d.o.o.
Telephone: +38674881840
Email: info@gen-i.si | pocenielektrika@gen-i.si | poceniplin@gen-i.si | sonce@gen-i.si | jeftinastruja@gen-i.hr | info@elektro-energija.si
Website: www.gen-i.si | www.pocenielektrika.si | www.poceniplin.si | www.gen-isonce.si | www.jeftinastruja.hr | www.elektro-energija.si

Company size: Large company
Core activity: Electricity trading and supply of electricity and natural gas to end-customers
Year of establishment: 2001

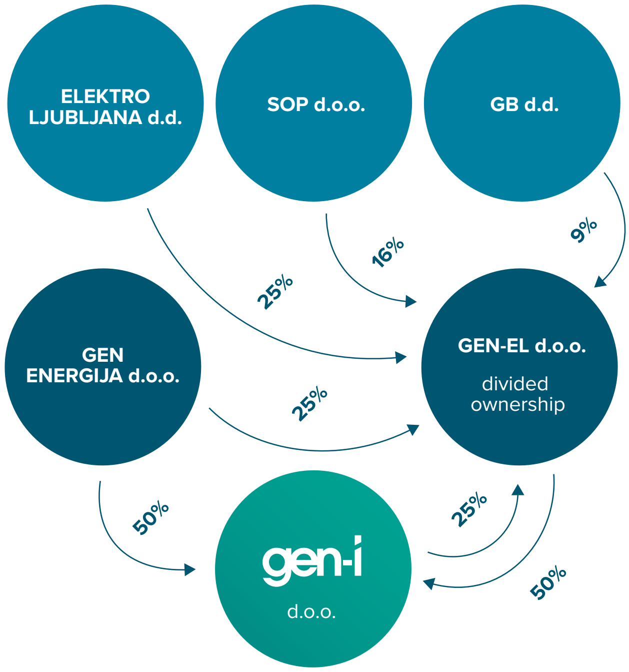
Registration application no.: 1/04524/00; registered at the Krško District Court; date of last court register entry: December 14, 2016ID za DDV: SI71345442
VAT ID no.: SI71345442
Registration number: 1587714000
Share capital: 19.877.610,00 EUR

Ownership of the parent company

As the result of ownership consolidation at the end of 2016, GEN energija, d.o.o. and GEN-EL, d.o.o. (which replaced IGES, d.o.o. in the ownership structure) hold equal participating interests in GEN-I, and must adopt unanimous decisions.

Elektro Ljubljana, d.d., GEN energija, d.o.o. and GEN-I, d.o.o. became indirect owners through the new owner GEN-EL naložbe, d.o.o. in 2016, while Gorenjska banka, d.d. and the Fund for Craftsmen and Entrepreneurs entered the ownership structure in 2018.

GEN energija, d.o.o., Elektro Ljubljana, d.d. and GEN-I, d.o.o each hold 25% participating interests in the share capital of GEN-EL naložbe, d.o.o., while Gorenjska banka, d.d. and the Fund for Craftsmen and Entrepreneurs together hold a 25% participating interest.



3.2. Corporate governance statement

In accordance with the provision of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), GEN-I, d.o.o. hereby issues the following corporate governance statement:

Statement of compliance with the Code

In addition to the provisions of the law, the provisions of the Memorandum of Association and other internal acts, and generally accepted best business practices, the governance of GEN-I, d.o.o. also takes into account, mutatis mutandis, the recommendations of the Corporate Governance Code issued in May 2016 by the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology and the Slovenian Directors' Association. That code is accessible on the websites of the aforementioned organizations.

GEN-I, d.o.o. consistently respects the guiding principles of the aforementioned Code, and primarily complies with its recommendations at an advanced level, while it complies with other recommendations at a fundamental level. Given below are deviations from the Code that are primarily the result of the Company's legal organizational form as a limited liability company, and due its stable but limited ownership by only two owners:

- The Company's Memorandum of Association includes all of the necessary substantive definitions and mechanisms for successful corporate governance, but does not follow the principle of avoiding the allocation of voting rights to two equal stakes. Ownership is divided between only two owners, each of which holds a 50% participating interest in the share capital of GEN-I, d.o.o.

- GEN-I, d.o.o.'s Memorandum of Association is only published on the website www.ajpes.si, in the collection of documents of the Business Register. The rules of procedure of the governing body are also not published.

- The governing body has not adopted a separate governance policy, but defines certain substantive elements of such a policy and communicates them via other corporate documents and implements them via the work of the general meeting.

- Because it is a limited liability company, which results in a closer link between the Company's owners, one owner only has the right to freely dispose of its participating interest with the prior consent of the other owner.

- When it is briefed on and adopts the annual financial statements, the general meeting does not require the presence of the Company's certified auditor.

- The structure of the powers of the Company's owners and governing bodies are evident from the Memorandum of Association, but a separate supervisory body has not been established. The effective supervision of the Company's operations is the responsibility of GEN-I, d.o.o.'s general meeting, which functions within the scope of its powers in accordance with the law and Memorandum of Association.

- Through an extensive system of controls and the clearly defined responsibilities of individual departments, the Company exercises and ensures control over the structure and efficiency of its operations, in accordance regulations and internal acts, without the appointment of a separate internal auditing body.

Description of the main features of the Company's internal control and risk management systems in connection with financial reporting procedures

The Group implements internal controls at all levels with the aim of ensuring the accuracy, reliability and completeness of accounting records, true and fair financial reporting, compliance with valid laws and other regulations, and operational efficiency. Accounting controls are based on the appropriate control environment, which includes the governance system, the organizational structure, competences, responsibilities and ethical values, and based on control activities, which include transaction approval procedures, the segregation of tasks and responsibilities, clear work instructions, the reconciliation of balances and supervision. The reliability of financial reporting is also ensured through the use of an appropriate information system that in turn facilitates completeness and accuracy in the capture and processing of data, and through the education and training of employees. The Group manages the risks to which the Company is exposed in connection with financial reporting procedures through centralized guidance and control over the accounting function of all subsidiaries, and by auditing the financial statements of major Group companies. Risk management and control mechanisms in connection with the assessment of individual risks are presented in detail in the section 'Risk management'.

Information regarding the work of the general meeting

In accordance with the Companies Act, the Company's highest body is its general meeting. Through the latter, the Company's owners exercise their rights and make decisions on matters that are defined by the law or Memorandum of Association. The general meeting is convened by the Company's executive staff, while the actual convening of the general meeting is governed by the Memorandum of Association in accordance with valid legislation. Invitations to the general meeting must include the agenda and all proposed resolutions, accompanied by appropriate explanations.

The general meeting is convened at least once a year, or more frequently as required. The general meeting is deemed quorate if all of the Company's share capital is represented, while decisions are adopted unanimously. Two regular general meetings were convened in 2018, at which the Company's owners adopted decisions regarding the confirmation of the audited annual report for 2017, the allocation of distributable profit and the appointment of an auditor for 2018. The business plan of the GEN-I Group for 2019 was adopted by the owners at the regular general meeting held on January 24, 2019.

Information regarding the composition of the governance body

GEN-I, d.o.o. is managed by a four-member Management Board, whose five-year term of office began on November 18, 2016. The composition of that body is as follows:

Robert Golob, Ph.D.,
President of the Management Board

One of the leading experts on energy matters in Slovenia, he completed his undergraduate education at the Faculty of Electrical Engineering in 1989, his master's degree three years later, and his doctoral education in 1994. His areas of expertise include the functioning and deregulation of the electricity system, and the restructuring of the energy sector and electricity market. After receiving his doctoral degree, he was awarded a Fulbright grant for a visiting position at the Georgia Institute of Technology in Atlanta. In 1997, he was employed as an assistant professor at the Faculty of Electrical Engineering of the University of Ljubljana. In 1998, he was appointed head of a negotiation team working for the EU in the area of energy. From 1999 to 2002, he served as State Secretary for Energy Matters and helped draft several important energy-related acts. He has written numerous publications and papers on markets, the optimization of energy sources and electricity system planning. He has also managed several basic research and industry-applicable projects for the Slovenian energy sector. In 2002, he founded and became the general manager of Istrabenz Gorenje, d.o.o. (now IGES). Dr. Golob is also an associate professor at the Faculty of Electrical Engineering at the University of Ljubljana. In 2016, he began a new five-year term as President of the Management Board of GEN-I, d.o.o., a position he has held since 2006.

Danijel Levičar, MBA,
Member of the Management Board

A physicist with a master's degree in management, Mr. Levičar has been gaining experience in the fields of energy and the functioning of the electricity system since 2000, at the Krško Nuclear Power Plant and at GEN energija, d.o.o., where he participated in preparations for the JEK2 project. From 2005 on, he worked abroad for seven years, at the European Commission in Luxembourg and at the International Atomic Energy Agency in Vienna. In 2013, as the head of the Energy Directorate at the Ministry of Infrastructure, Mr. Levičar and his colleagues drafted a proposal for Slovenia's energy concept, aimed at the development of a low-carbon society. He advocated for the inclusion of transportation in the energy strategy and for the transition to alternative energy sources, with an emphasis on e-mobility. His responsibilities also included preparations for the new energy legislation adopted in 2014, which finally put in place the necessary conditions for the introduction of market principles for the functioning of all energy sectors. He joined the GEN-I Group at the end of 2016 as a member of the GEN-I, d.o.o.'s Management Board, and is tasked with establishing closer cooperation with the parent company GEN energija, d.o.o. and with the monitoring of regulations and compliance.

Igor Koprivnikar, MBA, Ph.D.,
Member of the Management Board

An expert with sixteen years of executive corporate experience in diverse areas within the energy sector, focused on electricity and commodities trading and market liberalization processes. He possesses substantial expertise with respect to market mechanisms and trading models in Central and Southeast Europe. A graduate of the Faculty of Natural Sciences at the Technical University of Graz, Austria in 1999, he holds a doctorate in nuclear physics from the Institute for Theoretical Physics from the Technical University of Graz and started his working career with a number of scientific institutes around the world. Afterwards, he was engaged in the development of the EXAA Energy Exchange Austria, and began working for GEN-I in 2004 when it was founded. He laid the foundations of the business model for international and cross-border electricity trading that is still used today across the GEN-I Group. As a member of the Management Board, he is responsible for the trading activities of the GEN-I Group. He also is in charge of the Group's finance and legal functions, as well as being the executive director of nine of the Group's foreign subsidiaries. In 2018, he earned his Executive MBA degree from the University of Chicago's Booth School of Business, and thus considerably strengthened his leadership, capital markets and corporate finance competences.

Andrej Šajn, MSc,
Member of the Management Board

The initiator of many new solutions and the manager of development projects mainly associated with information technologies for electricity sales and trading, he began his career in 2001 as an assistant in the laboratory for energy strategies of the Faculty of Electrical Engineering at the University of Ljubljana, where he completed his master's degree in electricity production optimization in 2004. That same year, he started working for Istrabenz energetski sistemi, d.o.o., taking on different roles within that business group. His areas of expertise include information technology and the management of pilot development projects, or so-called internal incubators. From 2007 onwards, he worked as an executive director in research and development and information technology at Istrabenz Gorenje, d.o.o., while acting as a coordinator of business information technology at GEN-I, d.o.o., where he was in charge of preparations for GEN-I, d.o.o.'s entry into the household customer electricity segment in 2008 and in charge of preparations for GEN-I, d.o.o.'s entry into the household customer natural gas segment in 2012. Mr. Šajn is the head of the IT department, and in 2016 began a new five-year term as member of the Management Board of GEN-I, d.o.o., a position he has held since November 2011.

Functioning of the governance body

The executive staff, i.e. the Management Board, manages the Company in accordance with the applicable laws, the Memorandum of Association, and the resolutions and instructions of the general meeting.

The executive staff manages the Company's operations and work process. Its most important tasks in that regard are as follows: proposing the bases of the Company's business policy, drafting and proposing the Company's business plan, defining measures for the implementation of the business policy, implementing general meeting resolutions, defining the Company's internal organizational structure, reporting to the general meeting on achieved operating results, making decision on matters relating to employment relations, adopting measure to ensure the legality of work and the efficiency of operations, defining what constitutes a trade secret at the Company and measures to protect trades secrets, making decisions regarding all other issues in connection with operations and internal relations, and authorizing persons to sign agreements for both individual transactions and certain types of transactions, or for a specific period of time.

The executive staff adopts decisions in accordance with the rules of procedure of the aforementioned body, which were adopted by the general meeting on December 13, 2016. Those rules of procedure define in detail, inter alia, legal transactions and actions that the executive staff may only undertake with the prior approval of the general meeting, and other rules important for the work and decisions of the executive staff. As a rule, the executive staff makes decisions at meetings in writing or, if the majority of the executive staff agree, orally. In 2018, the executive staff met at 47 regular sessions and three correspondence sessions, at which it discussed matters for which it is competent.

The Company's executive staff includes managers and experts with many years of experience in the electricity sector. Individual members of GEN-I, d.o.o.'s Management Board are appointed by the general meeting, where the owner GEN energija, d.o.o. proposes the appointment of the President and one member of the Management Board and the other owner GEN-EL naložbe, d.o.o. proposes the appointment of two members. Each member of the Management Board casts one vote in the adoption of decisions, which are deemed valid if the majority of members in attendance vote for in favor. Members of the Management Board represent the Company collectively, according to the principle of cross-representation, such that two members of the Management Board, appointed based on the proposal of different owners, always represent the Company together. The decision-making method, representation of the Company, and the competences and limitations of the executive staff are defined in detail in Articles 29 to 32 of the Memorandum of Association.

Description of diversity policy

GEN-I, d.o.o. provides its employees equal opportunities, regardless of gender, race, skin color, age, medical condition or disability, religion, political or other beliefs, nationality or social background, social status, financial situation, sexual orientation or other personal circumstances. The Company has not yet adopted a separate policy to further govern the structure of governance bodies in terms of gender, age, education and other personal circumstances.

Management of GEN-I Group companies

In accordance with the principles of centralized strategic governance, the management functions at individual subsidiaries of the GEN-I Group are performed by Robert Golob, President of the Management Board, Igor Koprivnikar, member of the Management Board responsible for trading and Dejan Paravan, Director of Strategic Innovation at the parent company GEN-I, d.o.o., as follows:

- Robert Golob is the President of the Management Board of GEN-I Hrvatska d.o.o., Croatia and GEN-I Energia S.r.l., Italy;
- Igor Koprivnikar is the manager of: GEN-I d.o.o. Belgrade, Serbia, GEN-I Energy Sales DOOEL Skopje, North Macedonia, GEN-I Tirana Sh.p.k., Albania, GEN-I d.o.o. Sarajevo, Bosnia and Herzegovina, GEN-I Athens SMLLC, Greece, GEN-I Sofia – Electricity Trading and Sales SpLLC, Bulgaria, GEN-I Istanbul Wholesale Electricity Limited Company, Turkey, GEN-I Kiev LLC, Ukraine and GEN-I Tbilisi, Georgia. He is also a member of the Management Board of GEN-I Hrvatska d.o.o, Croatia;
- Dejan Paravan is the manager of: GEN-I Vienna GmbH, Austria and GEN-I Energia S.r.l., Italy. He is also a member of the Management Board of GEN-I Hrvatska d.o.o, Croatia;
- Majda Leban is the manager of Elektro energija, d.o.o.; and
- Robert Jelenc and Gregor Hudohmet serve as managers of GEN-I Sonce d.o.o.

»An energy revolution is just around the corner. Vast renewable sources, e-mobility and demand response are the future of global energy. The GEN-I Group is extremely well-prepared for that reality. Together with the digitalization of operations and the use of the most advanced technologies for the processing of large quantities of data, a focus on green technologies will be the central development point of our future operations. We are aware that Slovenia has the opportunity to successfully implement a green transformation and rank among the global winners of the energy transition movement. And we wish to play an active role in that story.«

Robert Golob, Ph.D.,
President of the Management Board

3.3. Strategic policies

We are living in a time of revolutionary changes in the energy sector. The environment in which the GEN-I Group operates is also changing. We have already entered a period marked by the decentralization, decarbonization, digitalization and democratization of the energy sector. Those changes will threaten the existing business models of energy companies and will represent an opportunity for the development of new business models. We have already proven in the past that the development of innovative products and business models intended to generate added value for our business partners is one of the most recognizable traits of the GEN-I Group's operations.

We implement development projects and make improvements to business processes in both of the GEN-I Group's core activities, i.e. in the trading and supply of energy products. We are also accelerating the pace of investments in the development of the third pillar: energy services.

The GEN-I Group will continue to pursue its commitment to sustainable development in the coming years primarily through the business model of GEN-I Sonce. Through new services and products for end-customers, the GEN-I Group will attract new customers, while bolstering the reasons for the future loyalty of existing customers. Our common objective is a green transformation. Using our knowledge and established infrastructure, the GEN-I Group strives to ensure an increase in self-sufficient supply, more efficient energy consumption, smart energy management and the reduction of the carbon footprint. That will be our combined contribution in the battle against climate change.

Our aim is to maintain our status as the leading player on the electricity market of Southeast Europe, with a significant impact and presence in Central Europe, as well. This allows us to formulate a targeted global portfolio, which indirectly ensures the best services and prices for our end-customers.

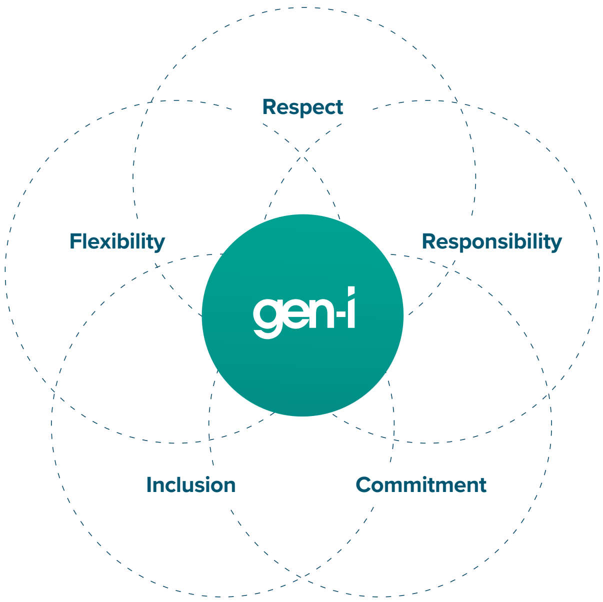
All business models, improved services and products, and the GEN-I Group itself remain committed to our mission and vision and especially our values.

MISSION: a reliable partnership

Our professional and innovative approach helps us market electricity efficiently by offering production sources competitive purchasing prices, and by providing end-customers with high-quality services, a reliable supply and the management of costs associated with energy purchases.

VISION: the first choice

Our intention is to become the most progressive and reliable player on the energy market of Southeast Europe by 2020. Our objective is to be the first choice for all segments of the energy chain through the optimization of production, trading and the optimization of energy consumption. We achieve that objective through the application of balanced global trading principles, by adapting to the specifics of local markets, through an innovative approach and by nurturing long-term partnerships.



Values

Respect is demonstrated by integrating the work of the individual, through willingness to accept the opinions of others and openness to proposals and ideas, and through the active search for solutions that contribute to the pursuit of common objectives.

Responsibility is demonstrated in a diligent approach to work, the assumption of responsibility for one's own results and by constantly striving for good common results. We establish fair, open and diligent relationships with customers and business partners, and provide them the optimal solutions, even in difficult circumstances.

Commitment is a part of our corporate culture and is expressed in our employees' attitude to knowledge, work, their co-workers and to the Group's business partners. We understand commitments as an individual's desire to continuously improve and develop the competences that contribute to the enhancement of the Group's business processes.

Inclusion is sought in and expected of every employee. To the Group it means striving actively to achieve common objectives, the engaged search for new solutions and putting forth initiatives to implement those solutions. This value results in constant improvements to our business processes and the optimization of services, something our partners also appreciate.

Flexibility means a positive approach to changes. The environment in which the Group operates is extremely dynamic. Changes and the new challenges that arise as a result are therefore a part of our operations. We see changes as an opportunity for growth. Our ability to respond rapidly to them further strengthens our competitive advantages.

A view to energy sector of the future – advanced services and development projects

The GEN-I Group's strategic policies in the coming period are defined by its business plan for 2019 with forecasts of operations until 2021, which represents the core corporate document, approved by GEN-I, d.o.o.'s general meeting, and takes into account the expectations of owners to increase the value of the Group, as well as the latter's vision, values and mission.

Supply of energy products and trading

The most attention in the supply of energy products is dedicated to the process of digitalization. For this reason, we have redesigned internal processes and upgraded certain information systems. The Company strengthened its core of experts in the areas of analysis and information technology significantly in 2018. It enhanced the role and functioning of business and process analysis. A large portfolio of customers and the resulting large volume of data require completely digitalized processes and an analytical approach to the generation of added value.

The digitalization process is also friendlier to our customers. Since last year, we offer customers the option of concluding contracts electronically, which is only one step towards the established strategic objective of paperless operations. We are also upgrading and improving the user experience. To that end, we are redesigning the Moj GEN-I customer relationship application.

The EU directive on the single energy market is a reflection of increasing integration between individual markets. This, in turn, makes markets more effective, competition even tighter and the co-dependence between markets even more complex. The development of information and communication technologies is bringing trading increasingly closer to the moment of supply, which reduces the uncertainty of key factors. Short-term, intraday trading can only be effective if processes are appropriately automated and digitalized.

The latter is also extremely important in trading activities and processes. Only in this way can we make the best decisions regarding energy management and trading in the context of such a large number of local markets and portfolios, and regarding the leasing of cross-border transfer capacities. As a result, we began the comprehensive conceptual redesign of the core information system in 2018, together with the automation of key short-term trading processes, which will continue in 2019 with the purchase of a new energy trading and risk management (ETRM) system.

Development also focuses on the improved analysis of events on the market. We enhanced market and portfolio analytics with the hiring of new experts, and upgraded and improved internal fundamental models and analytical tools. We would like to upgrade our quantitative approach to understanding the market and managing portfolios at all operational levels with the aim establishing algorithmic trading in target segments.

Digitalization

As part of the GEN-I Group's overall digitalization activity, we combine various initiatives that have in common the use of advanced technology and digital channels to achieve business objectives, and to increase the efficiency of operations and reliability. This allows us to expand information systems and establish a two-way link with customers and partners.

We chose a comprehensive approach for the implementation of the digitalization strategy, which encompasses the strong support of executive staff, the management of internal business processes and processes associated with the development of technological solutions, their continuous coordination with business objectives and challenges, and effective cooperation with technical partners.

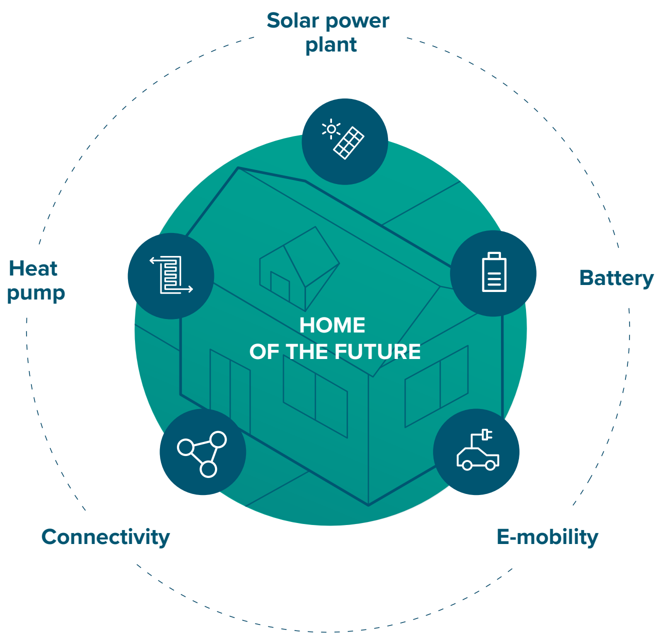
DIGITALIZATION		OBJECTIVES
Digitalization of services for end-customers	→	New innovative services
Digitalization and automation of internal processes	→	Optimized existing services
Use of artificial intelligence, machine learning	→	Optimized internal processes
Internal development and research capacities	→	Reduced operational risk

We formed and trained a team at GEN-I in 2018 for process analysis, the management of development projects and the development of software solutions. We set ourselves medium-term objectives for faster and more flexible development and for the upgrading of key internal solutions and systems. This includes the use of advanced cloud solutions. Special attention is given to the management of technologies that are already present at the company and to the optimal use of those technologies. Through the continuous development of analytical teams, we tested machine learning and artificial intelligence technologies, and other cloud technologies and compared them with traditional approaches. We closely monitor developments in the area of high technology and continuously search for those technologies that we can use in new innovative services over the short and long term, for the optimization of existing services and internal processes, or to mitigate operational risks. By introducing innovative project management approaches in IT projects, we shortened the time required to introduce solutions, and ensured that solutions address challenges and adapt to them over time.

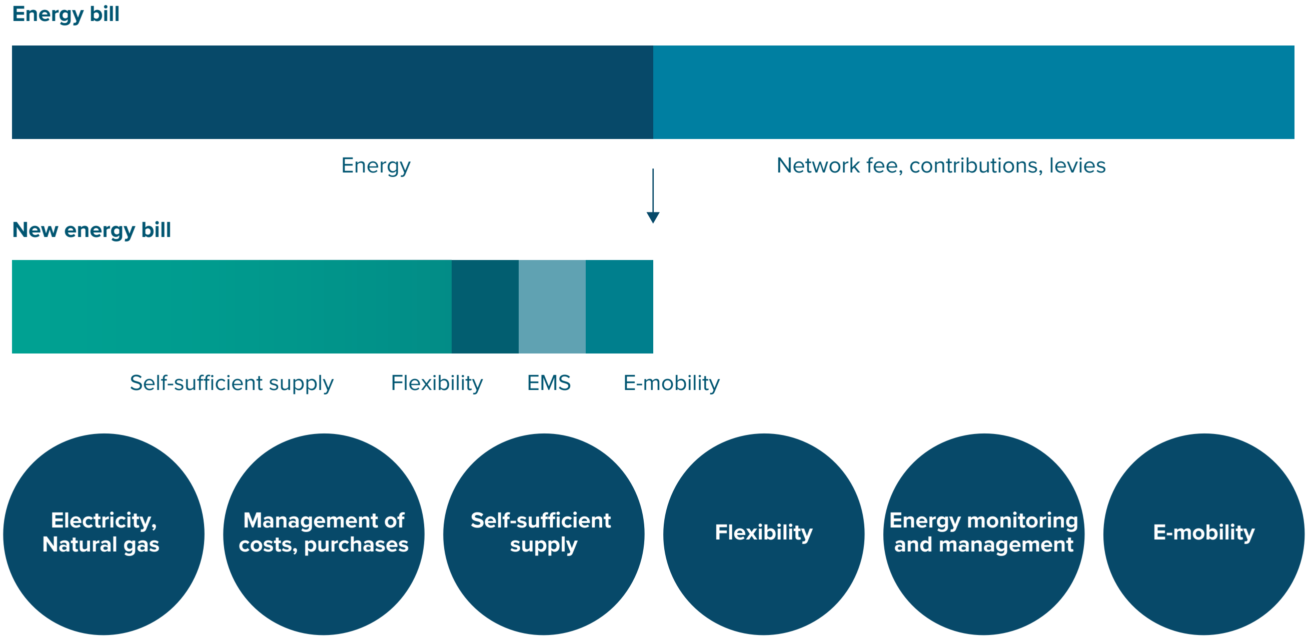
The work we have completed has brought us a major step closer to using advanced technologies to better respond to the challenges presented to us by changes on the market, to using technology as a competitive advantage and to accelerating the testing and introduction of new solutions for our customers and partners.

Energy services

The supply of electricity is a service that is becoming less competitive and losing its added value. It will exist in the coming years as nothing more than a core service to which a range of ancillary, yet equally important services to customers are linked. Those services will facilitate customers' green transformation and a reduction in their carbon footprint in terms of energy consumption. These services are based on advanced technologies and the convergence of activities (energy, transport and information-communication technologies) and follow global trends referred to as 4D: decentralization, decarbonization, digitalization and democratization.



GEN-I AS A PARTNER ON THE ROAD TO A GREEN TRANSFORMATION



In the development of services for the household segment, the GEN-I Group pursues the vision of the home of the future. The home of the future will be supported by advanced technologies in the areas of energy production and storage, and electrified transport and heating, which are mutually linked and function in harmony, while making it possible for the owner to become an energy-conscious citizen and an active participant in the green energy transformation process.

Development activities in this area focus on business model solutions for collective self-sufficient supply and e-mobility, the development of an infrastructure for dynamic charging, and solutions for an overview of consumption and the energy management of the home of the future.

We are developing services in the business customer segment that will facilitate a green transformation in the area of energy for companies. These services include self-sufficient supply, e-mobility, and energy monitoring and management services, while demand response services allow customers to generate an additional revenue stream. While GEN-I was known in the past solely as an electricity and natural gas supplier, the company will provide business customers numerous energy services in the future aimed at managing energy supply costs and reducing the carbon footprint, in addition to energy products.

Active customers will thus address challenges at two levels: through the electricity meter at home and in relation to the electricity network and energy markets. GEN-I is the proven first choice among customers in terms of access to and operations on the energy markets, while our strategic objective is to become the first and best choice for services at the homes of household customers through the development of new services for the home of the future and green transformation.

Key financial objectives of the GEN-I Group in 2019

The GEN-I Group's objective for 2019 in the area of finance is to maintain stable and secure operations, which in turn facilitates the continuation of moderate organic growth. The GEN-I Group uses various financial indicators to monitor the achievement of that objective. Certain indicators take the form of commitments to financial institutions and partners, while others are the result of Group's conservative internal policy on the take-up of risks.

GEN-I Group	ACTUAL IN 2018	PLANNED FOR 2019
EBITDA	€ 20.4 million	€ 20.1 million
Net profit	€ 12.9 million	€ 13.6 million
Net financial debt/EBITDA	0.8x	0.3x
Revenues	€ 2.4 billion	€ 2.4 billion
Equity/assets	29.8%	32.8%
EBITDA/interest expense	12.8x	10.9x
Financial debt/total equity	47.7%	43.4%
EBITDA margin	0.87%	0.84%

3.4. Overview of significant events

- Initial offering of negative tertiary reserve power through diversified sources in Slovenia.
- Organization of the 11th meeting of GEN-I's business partners, which was attended by more than 70 representatives from the largest companies in Slovenia.
- Initial participation in monthly auctions of positive tertiary reserve power through diversified sources in Slovenia.
- The international Climate Bonds Initiative organization presented the 'Green Bond Pioneer Award' to GEN-I Sonce, d.o.o. at its third annual conference in London. The award is a distinguished honor intended for companies, financial institutions and governments for their achievements in the development of green bonds.
- As part of the 'Energy Billing: Landscape Report and Summary of Good Practice' survey, GEN-I's bill for Affordable Electricity and Affordable Natural Gas was selected out of 300 bills from 10 European countries as an example of good practice in the designing of a consumer-friendly bill and as an example for other market players.
- Start of testing of secondary regulation through diversified sources in Slovenia, Austria, Romania and Hungary.
- Demonstration of an autonomous micro grid, supported by blockchain technology, which linked an electric vehicle charging station, solar power plant, battery storage unit and electric vehicle, with the possibility of returning energy to the micro grid. We offered customers in Croatia the purchase of electricity produced in solar power plants.

- We offered customers in Croatia the purchase of electricity produced in solar power plants.
- GEN-I was again selected as the most trustworthy brand in the ‘Energy Supplier’ category in the Trusted Brand 2018 survey.
- GEN-I Sonce, d.o.o. received a silver medal for one of the best innovative solutions in the Posavje region for its innovative turnkey solar power plant service.
- We set-up the first solar power plant in Croatia, intended for the self-sufficient supply of energy, without any subsidies whatsoever.
- GEN-I was selected as the most favorable supplier of electricity and natural gas by the Association of Healthcare Institutions of Slovenia.
- An agreement on the supply of natural gas was signed in Slovenia with the newly established company, Magna.
- Organization of the 8th meeting of GEN-I’s partner-producers, which was attended by more than 90 representatives from electricity producers who use renewable energy sources and high-efficiency cogeneration plants. During that meeting, we presented a smart charging infrastructure with the micro-production of solar energy for electric vehicles, which is the fruit of domestic development efforts.
- GEN-I Hrvatska d.o.o. received an award as the most successful small and medium-sized enterprise in the area of exports.
- Start of intraday trading in Bulgaria.
- Implementation of new instruments for the hedging of the global optimization portfolio.

Recognitions and events

Reliable partnerships, the values we pursue, and increasingly high levels of expertise and innovation led the GEN-I Group to historical financial achievements last year. We also achieved a great deal in terms of operations, a fact that did not go unnoticed by the external public. We can boast of the following recognitions and awards during the previous year:

GEN-I, d.o.o. successfully issued both new debt securities (in the form of a bond) in the amount of €20.0 million and a money market instrument (in the form of commercial paper) in the amount of €25.0 million on the capital market.

In addition to the relisting of commercial paper on the regulated market of the Ljubljana Stock Exchange, bonds issued by GEN-I, d.o.o. were listed for the first time on the aforementioned exchange.

The Group ranked first among electricity traders in Eastern Europe (in the category ‘Eastern Europe – power dealers’) in the Risk & Energy Risk 2018 survey, which on the basis of votes received determines the best traders and intermediaries in individual categories. In addition to the aforementioned success, the GEN-I Group also ranked second among all European electricity traders.

3.5. Analysis of operations

Another successful business year is behind us. We achieved exceptional results, comparable with those achieved during the record year of 2017, in all key areas of the core activity and further strengthened the financial stability of the GEN-I Group. This is also confirmed by the enormous amount of confidence shown in the Group by investors and creditors on the capital and banking markets.

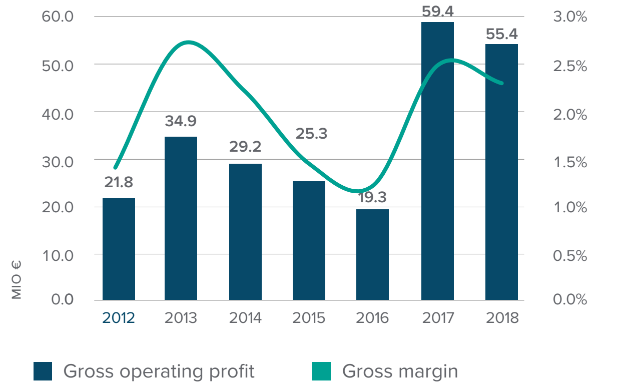
Operating revenues

The GEN-I Group once again generated sales revenue in excess of EUR 2.3 billion in 2018, which is half a percent down on the record sales revenue generated in 2017. The slightly lower revenues were primarily the result of the planned redirection of a portion of trading from physical contracts to financial contracts, mostly futures.

The main generator of revenues remains GEN-I, d.o.o. which, in the scope of its business model and single global portfolio, has subsidiaries established in specific countries to ensure its presence on local markets.

Gross margin, EBIT and net profit

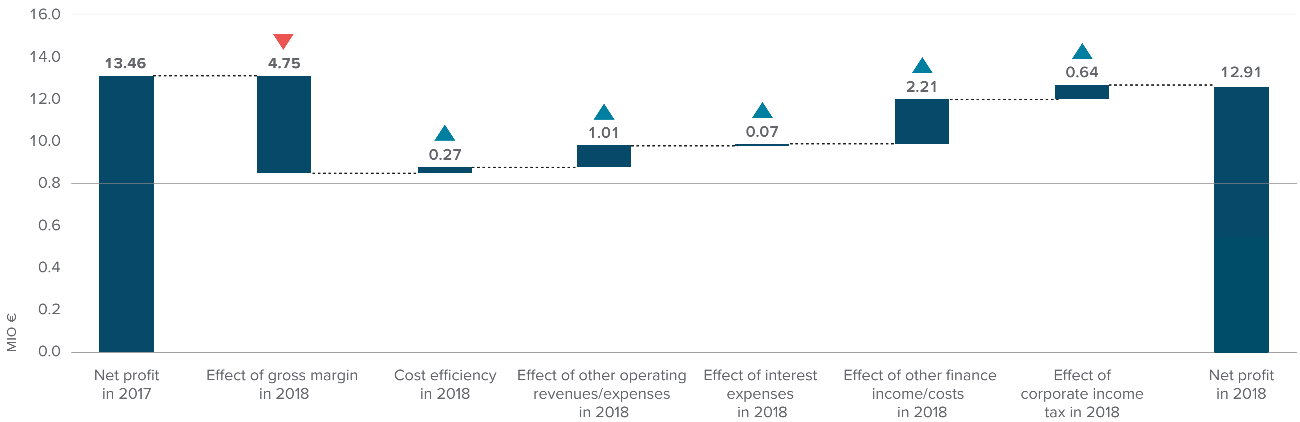
Despite demanding market conditions and increasing pressures from the competition, the GEN-I Group maintained a gross margin in excess of two percent, which for the Group is internally defined as the desired and acceptable threshold of profitability over the medium term. The gross margin was 2.3%. In that context, we maintained gross operating profit at a high level of €54.6 million.



Gross operating profit [in € million]

Cost-efficiency in 2018 was similar to the level recorded the previous year and had no significant impact on the final results of the GEN-I Group. We maintained earnings before interest, taxes, depreciation and amortization (EBITDA) at a very high level of €20.4 million, while achieving an EBITDA margin of 0.87%. The GEN-I Group maintained investments in fixed assets (CAPEX), and the rate of amortization and depreciation at the previous level. Depreciation and amortization costs in 2018 were thus close to the level recorded the previous two years.

Due to amendments to IFRS 9 Financial Instruments, the GEN-I Group slightly altered its method for calculating impairments. In addition to past data regarding losses, that calculation is now also based on expected losses. In 2018, the GEN-I Group recognized €2.2 million in impairments and write-offs of operating receivables and contract assets, which is still one third less than in 2017. Earnings before interest and taxes (EBIT) thus amounted to €16.3 million.



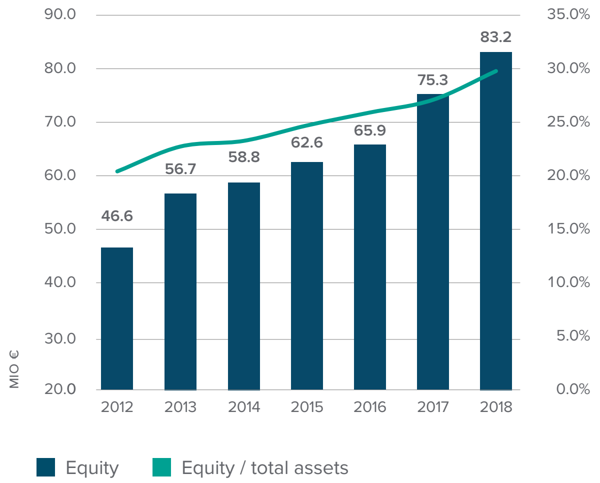
Net profit in 2018 [in € million]

Despite the fact that gross debt was up slightly in 2018, primarily due to the issue of debt securities, interest expenses were at the level recorded in 2017.

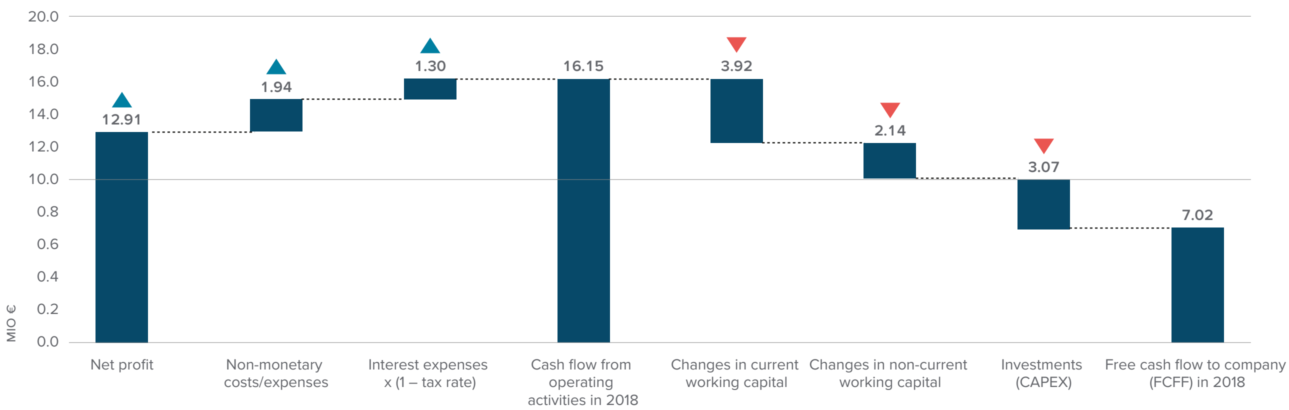
The GEN-I Group ended the 2018 business year with a net profit of €12.9 million. That amount is down slightly on the previous year, but still in line with expectations and above average, as 2017 was a record year in terms of net profit.

Capital structure and total assets

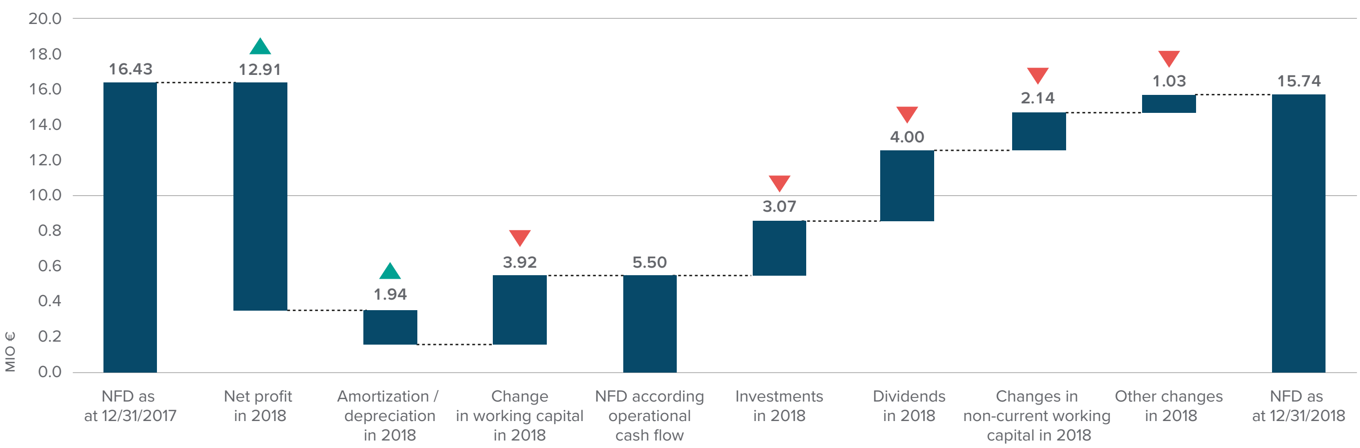
The GEN-I Group successfully increases its capital every year. The security of its operations continues to be reflected in part in a high coverage of interest expenses. The ratio of EBITDA to interest expenses was 12.8 in 2018, which is considerably higher than the ratio expected by the financial public.



Equity [in € million]



Free cash flow in 2018 [in € million]



Change in net financial debt in 2018 [in € million]

The net profit generated in 2018 and GEN-I's continuing conservative dividend policy once again contributed to an increase in capital, which amounted to €83.2 million at the end of the year, the highest figure to date. Given that total assets amounted to just under €280 million, capital adequacy was also up to reach a record level of 29.8%.

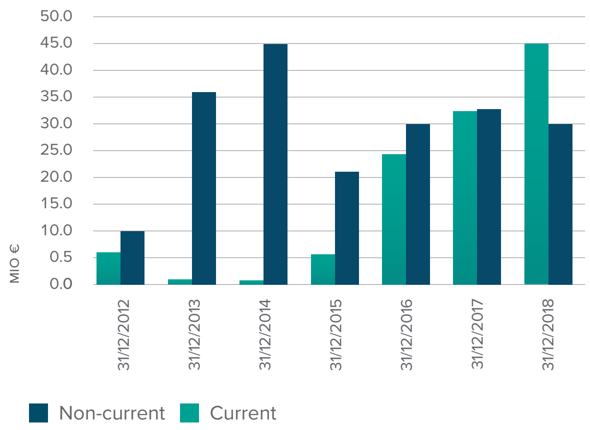
Accordingly, the GEN-I Group's equity to debt capital ratio at the end of 2018 was similar to the last several years, despite an increase in gross debt. That higher gross debt did not affect net financial debt, which was actually down slightly relative to the balance at the end of 2017. Contributing most to that fact was the positive free cash flows generated in 2018. The positive results of the GEN-I Group and maintaining net financial debt at an appropriate level are also reflected in the maintenance of low leverage, which we measure at the ratio of net financial debt to EBITDA. The latter amounted to 0.77 in 2018 and was well below the internally defined maximum level of 3.7.

Debt and net debt

The financing of the GEN-I Group remains centralized, which means GEN-I, d.o.o. is responsible for securing sources of financing from both banks and on the capital market. Financing remains diversified between various banks and investors, allowing us to keep refinancing risk at a low level. The ratio between sources secured from banks and on the capital market remains virtually unchanged, particularly taking into account the Group's sufficient secondary liquidity reserves in the form of undrawn credit lines.

Investor confidence remains high, as the parent company GEN-I, d.o.o. successfully issued both new debt securities (in the form of a bond) in the amount of €20.0 million and a money market instrument (in the form of commercial paper) in the amount of €25.0 million on the capital market. Both issues were again well-received, as the interest shown by investors was significantly greater than the planned amount of borrowing. In addition to the relisting of commercial paper on the regulated market of the Ljubljana Stock Exchange, bonds issued by GEN-I, d.o.o. were listed for the first time on the aforementioned exchange.

Similar to the previous year, the GEN-I Group maintained good relationships with financial institutions in 2018. We added a new financial institution to an already highly diversified portfolio. We also increased the available scope of both credit and guarantee lines, and thus further strengthened the financial stability of the GEN-I Group's operations, as the Group further increased the proportion of long-term sources of financing in 2018 relative to short-term sources. Contributing most to this was the issue of new bonds in the amount of €20.0 million.



Financial debt with respect to maturity [in € million]

Financial debt with respect to source of financing [in € million]

3.6. Events after the end of the reporting period

The business plan of the GEN-I Group for 2019 was adopted by GEN-I, d.o.o.'s general meeting held on January 24, 2019.

The GEN-I Group was recognized as the most reputable employer in the energy and electricity sector in the scope of the 'Reputable Employer 2018' project, which was organized for the eighth consecutive year by the largest Slovenian job portal, MojeDelo.com.

In the city of Jesenice, the GEN-I Group set-up the first solar power plant on an apartment building in Slovenia. The owners of that building will be the first to receive electricity from us via a collective self-sufficient supply system. The return on the investment, valued at €36,400, is seven years.

GEN-I was again selected as the most trustworthy brand in the Trusted Brand 2019 survey. We are proud of the fact that we have received that title in the 'Energy Supplier' category in Slovenia every year since 2014. GEN-I is also a two-time recipient of recognition in the area of environmental protection.

There were no other events after the reporting date that could have a significant impact on the GEN-I Group and the presented report on operations for 2018.

3.7. Business activities

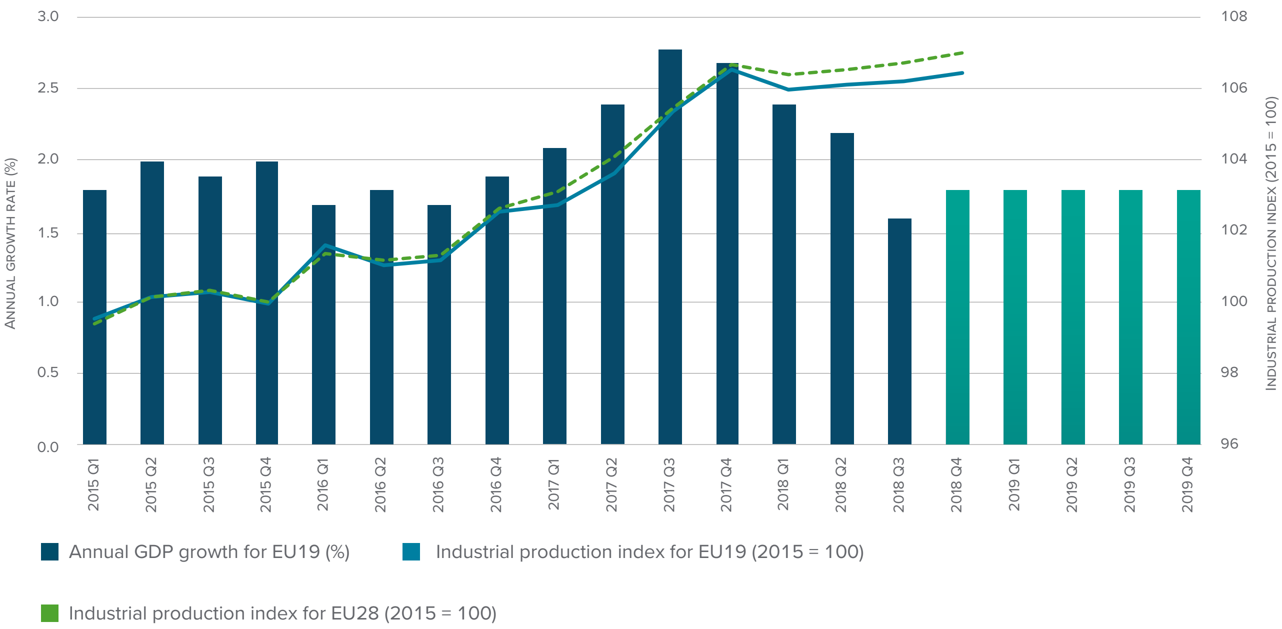
Market conditions

Economic growth continued in Europe in 2018, but at a lower rate than in 2017. Despite milder weather conditions and the resulting drop in consumption during the winter and summer, total electricity consumption in Europe was up by around 0.3%. This indicates that rising electricity consumption was the result of economic growth in the majority of countries. Germany, Poland and Hungary recorded the sharpest rises in consumption.

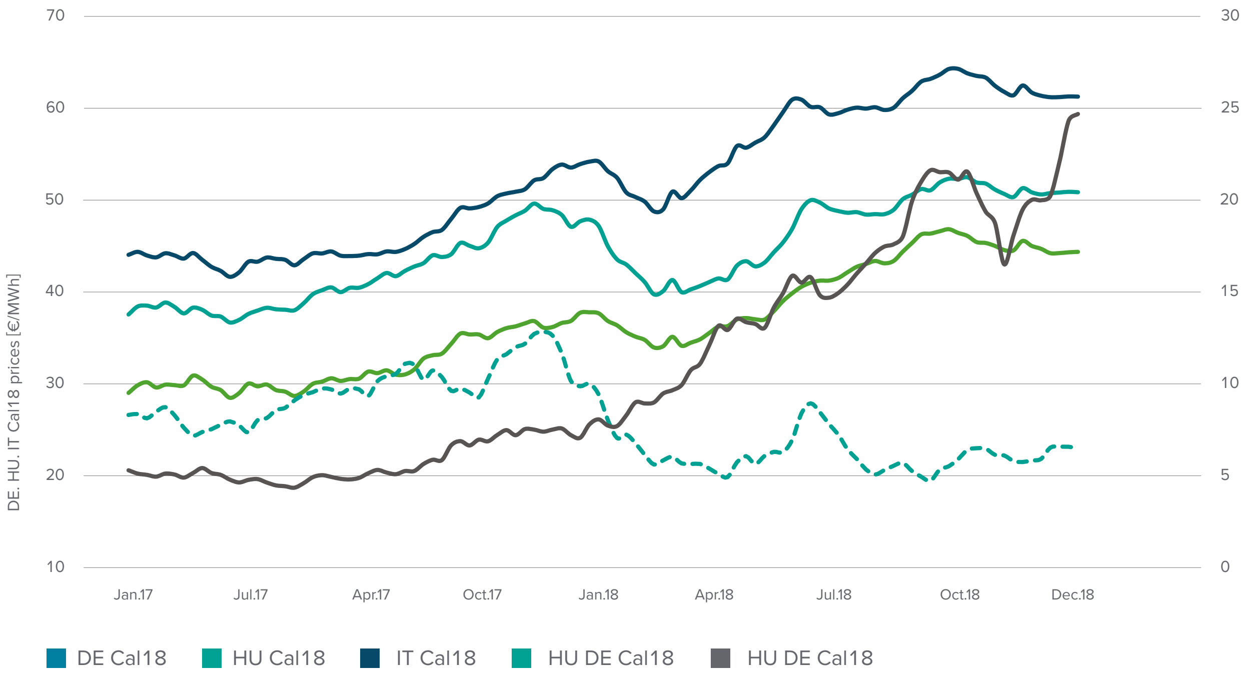
Wholesale electricity prices were up in 2018, primarily on account of a sharp rise in the prices of CO2 emission coupons. The latter rose on account of expectations that announced regulatory changes in the scope of reforms of the EU Emission Trading System could limit the current supply surplus on the emission coupon market in 2019. After fluctuating between €3/t and €9/t for five years, the prices of emission coupons rose drastically in 2018. Those prices were around €8/t at the beginning of the year, and were three times higher in mid-September, when they reached €24/t. Prices then fell for a short period to around €20/t, before reaching close to €24/t again at the end of the year.

Prices on the forward electricity markets of Western Europe continued to rise from March 2018 on, as they tracked changes in the prices of emission coupons and primary energy sources. Growth in installed capacities of renewable electricity sources continued. Nevertheless, in Germany, which boasts the highest proportion of renewable sources in Europe, those sources still account for only 25% of total electricity production. In the context of a decrease in installed capacities of conventional electricity sources in Germany and rising electricity consumption, electricity prices remain dependent on the prices of coal, natural gas, oil and emission coupons over the medium term.

Following very dry conditions in 2017, hydrologic conditions in the Balkans improved considerably during the first half of 2018. Additional rainfall at the end of June and beginning of July contributed significantly to the fact that stored energy at pumped-storage hydroelectric power plants in the majority of countries in Southeast Europe remained above the long-term average until the beginning of September. A rather hot and dry period began in Western and Northern Europe in June. In addition to lower production by hydroelectric power plants, the low water levels of rivers in Germany also hindered the transport of coal to thermal power plants, resulting in an increase in the production costs of coal-fired thermal power plants.



Annual growth in GDP (in %) and the industrial production index for the EU19 and EU28 (source: ECB)



Fluctuations in electricity prices for supply in 2018 and CO2 emission coupon prices

In the context of significantly better hydrologic conditions in Southeast Europe, the gap between prices on the markets of the aforementioned region and Germany, the largest European market, narrowed considerably (Figure 2). With higher absolute prices on the German market, it is economically justified for the majority of conventional power plants in Southeast Europe to operate, which in the context of favorable hydrologic conditions reduces the need for imports and thus the price gaps between the markets of Southeast and Central Europe.

The rise in natural gas prices was driven by a cold end to the winter, a reduction in the production of natural gas in Europe and an increase in demand due to growth in the prices of CO2 emission coupons. Following a mild start to the winter, Europe was gripped by a wave of polar cold at the end of February, which resulted in a 30% increase in natural gas consumption in Europe relative to the previous year. This was reflected in natural gas prices, as the daily price via the Dutch TTF Virtual Trading Point reached a record level of €100/MWh. The cold winter also led to the increased consumption of liquefied gas in Southeast Asia, particularly in China, where imports of liquefied gas have more than double over the last two years. Due to a deficit of liquefied gas on the global market, imports of liquefied gas to Europe fell by more than 15% during the first half of 2018. Conditions had stabilized on the European natural gas market by the end of winter. However, rising prices of CO2 emission coupons drove up the demand of gas power plants which, in the context of empty natural gas depots and lower imports of liquefied gas, resulted in an increase in futures prices of natural gas. The latter fully tracked the futures prices of electricity until October, when Russia increased exports of liquefied gas to EU countries significantly. In the context of an expected reduction in the production of natural gas in Europe due to earthquakes at pumping stations in the Netherlands, growth in the consumption of natural gas in China will have a major impact on fluctuations in natural gas prices in the future.

The coupling of European markets continues. In terms of market integration, the Slovenian and Croatian electricity markets were coupled in July 2018, which will lead to the more efficient utilization of cross-border transfer capacities. Another significant event occurred in October, when the previously linked electricity markets of Germany and Austria were split into two price zones. Due to low river levels in Austria, the gap between prices on the daily electricity markets of Germany and Austria stood at almost €9/MWh in October, which was considerably wider than the price gaps on the futures market. The price of Austrian futures contracts for delivery in 2019 was around €2/MWh above the price of German futures contracts for 2019, while that gap rose to around €4/MWh following that split. Another consequence of the splitting of the German and Austrian price zones is the increased volume of available transfer capacities between Austria and the markets of Southeast Europe. This converges those markets with the markets of Western Europe, which are highly dependent on the prices of natural gas, coal, oil and CO2 emission coupons.

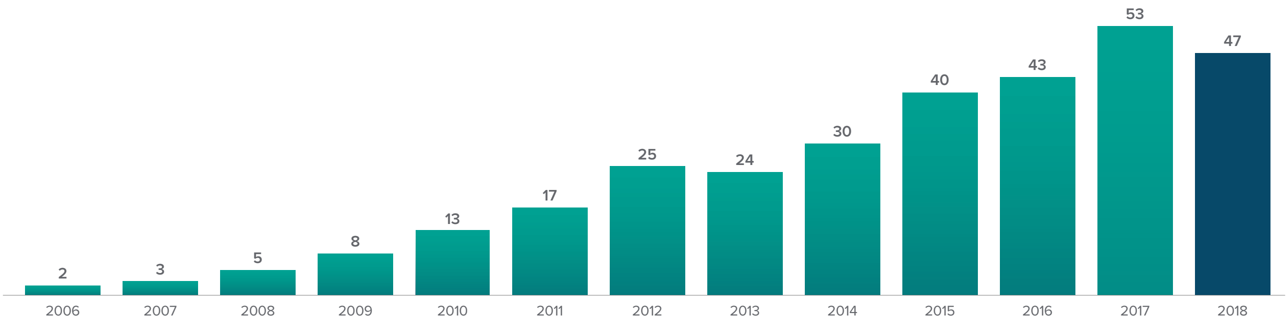
The balance of available energy from pumped-storage hydroelectric power plants in Southeast Europe, which was above-average for most of the year, fell continuously from the end of July 2018, and was below the long-term average at the end of the year. We thus entered 2019 with below-average values of stored energy at pumped-storage hydroelectric power plants in Southeast Europe.

The inclusion of new markets in European market coupling will contribute to the more efficient utilization of cross-border transfer capacities, while the construction of new connections will increase cross-border transfer capacities between markets. Wholesale prices on European markets will be significantly more interdependent in the future due to the increased integration of European electricity markets.

In addition to the management of hydrologic factors and the neighboring Austrian market, the management of factors that affect prices on other Western electricity markets will be crucial for the successful forecasting of prices on the markets of Southeast Europe. With the closure of coal and nuclear power plants and the increased supply of natural gas to the EU from Russia, the proportion of total production accounted for by gas power plants will rise. The effect of natural gas prices on the electricity will also increase as a result. The monitoring and understanding of the natural gas market, at both the European and global levels, will thus be of increasing importance in the coming years.

According to macroeconomic forecasts, economic growth and thus growth in electricity consumption are expected to continue in 2019, but at a slightly lower rate than in 2018 (Figure 1). In the context of continuing global economic growth, albeit at a slightly slower pace, no major drop in energy prices is expected.

Trading and supply of energy products



Electricity sales in TWh in the GEN-I Group

Trading

The GEN-I Group sold a total of 47.4 TWh of electricity and 2.8 TWh of natural gas in 2018. Through operations in 22 countries via 14 subsidiaries, we connect Germany and France in the West with Turkey in the East.

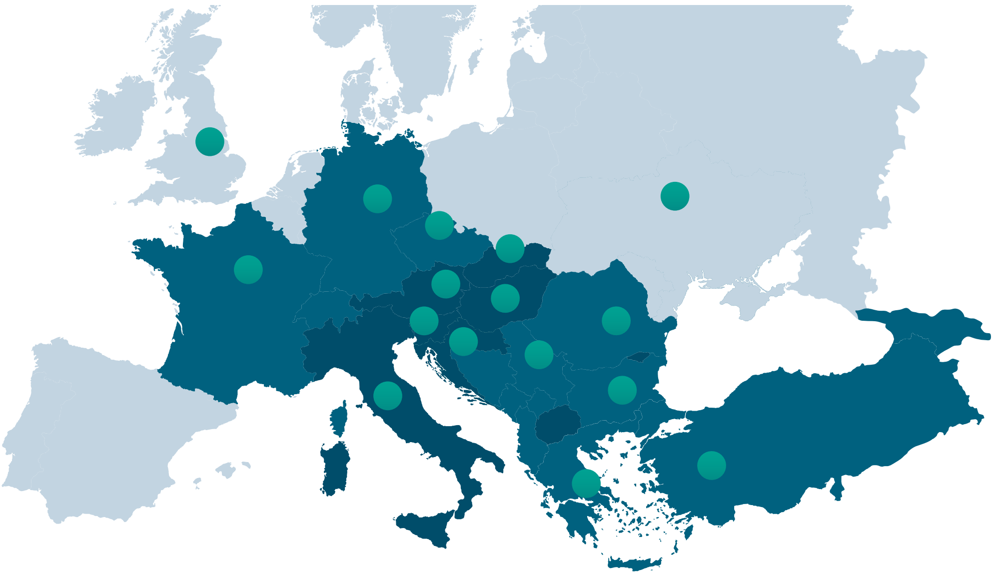
Our responsible and professional approach, know-how and an in-depth understanding of energy markets are the main elements that continue to rank the GEN-I Group as one of the most reliable and insightful traders. The GEN-I Group remains a leading electricity trader on the markets of Southeast Europe and an increasingly important player on the liquid markets of Western Europe.

Market coupling continued on the wholesale markets in 2018 with the aim of improving efficiency. Transparency is also improving from year to year through the increasing availability of publicly accessible data regarding market developments. All of this brings transparent and clear price signals to an increasingly broader geographical area of European countries.

The production of electricity from renewable sources is less certain than production from conventional sources, resulting in the increased instability of short-term electricity prices as the proportion of total production from renewable sources rises. As a result, electricity trading is moving closer to real-time supply/production. For that purpose, countries in Southeast Europe have started to upgrade market models in the area of electricity trading and thus begun preparing for the opening of intraday trading exchanges. The GEN-I Group has been present on that market for a number of years already, and has a well-developed infrastructure and knowledge that it builds on from year to year. Our objective is to keep pace with the competition on Western markets and to remain a step ahead of the competition on the markets of Southeast Europe, where we have closely monitored the establishment of intraday trading and actively participated in the definition of rules. Our aim in that respect was to ensure the transparency and connectivity of those markets with the possibility of cross-border trading. Over the long term, both mean an increase in intraday liquidity on all markets and thus a further increase in the added value offered by the GEN-I Group due to its highly diversified trading infrastructure.

Changes to the cross-border trading approach in the European Union, which is gradually introducing a so-called flow-based trading mechanism with the establishment of a single European energy market, require global operations and the global presence of trading companies throughout the entire electricity trading chain, from long-term management to supply itself.

As a global player on the electricity market, we exploit the synergistic effects between access to developed Western markets and the Southeast Europe region and borders with Asian countries. The trading and sale of natural gas also represent added value. Through the close monitoring of conditions on the markets of other energy products, we improve the strategies we employ to manage our entire portfolio, as we have recently noted an even closer correlation between the prices of electricity and other energy products. Uncertainty regarding future trends in global macroeconomic indicators point to sharp fluctuations in the prices of energy products, including electricity.



18 European energy exchanges

Electricity and natural gas

Electricity

Highly advanced tools and support algorithms, which help us achieve the optimal management of the global energy portfolio through a predefined risk-appetite policy, further highlight our competitive advantage in such conditions, which further widens the gap between the GEN-I Group and the competition. The diversity of the development of new advanced services on developed markets in the context of changing conditions and the subsequent transfer of that knowledge via entry to less developed markets open opportunities for continued growth and the generation of added value.

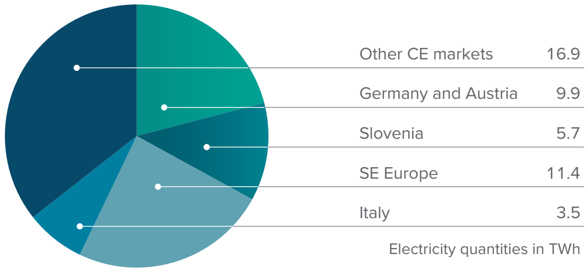
Major progress was made in the establishment of a system for capturing real data, and the management of production and consumption by end-customers on the ancillary services market in Austria. Using the aforementioned system, the GEN-I Group can unite several small producers and customers in a virtual power plant used to manage the intraday market, the deviation market and the ancillary services market. Through this new business opportunity, the GEN-I Group is also generating higher added value for its partners and thus further strengthening sound long-term business relationships. We made further progress in the development of products tailored to the needs of partners on the wholesale market. Together with our partners, we are developing both purchase and sales products that derive from the potential dynamics of their consumption or production portfolio, which facilitates the marketing of flexibility and thus an increase in added value, all while limiting the associated level of risk.

The synergistic effects of the GEN-Group's global operations facilitate stability in the generation of added value in the scope of its activities on the wholesale market. Those activities are still carried out centrally and coordinated through the parent company and subsidiaries. The Group's extensive trading infrastructure and its close links to local markets constantly ensure an excellent basis for the development of local purchase and sales activities, and the supply of energy products to end-customers on the retail market.

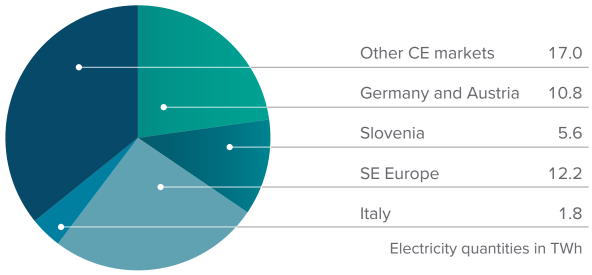
In 2018, the GEN-I Group was present on 22 European markets in various stages of development. It is precisely the diversification of our comprehensive portfolio that allows us to maintain our leading position in the region. We successfully manage market risks within predefined frameworks through the use of advanced models for market modelling and through the upgrading of those models with a portfolio simulation. The primary focus of the GEN-I Group's operations remained on Southeast Europe where, during an extraordinarily demanding year in 2018, we maintained our leading role in cross-border electricity trading and in the supply of electricity to end-customers.

We will remain very active on 18 European energy exchanges in the future, and thus reinforce our position as one of the most respected players on the energy market in Central and Southeast Europe. We also increased our shares on the liquid markets of Central Europe.

Our main sales markets are Germany, Hungary, Slovenia and Italy, followed by Romania and Bulgaria.



Sales markets



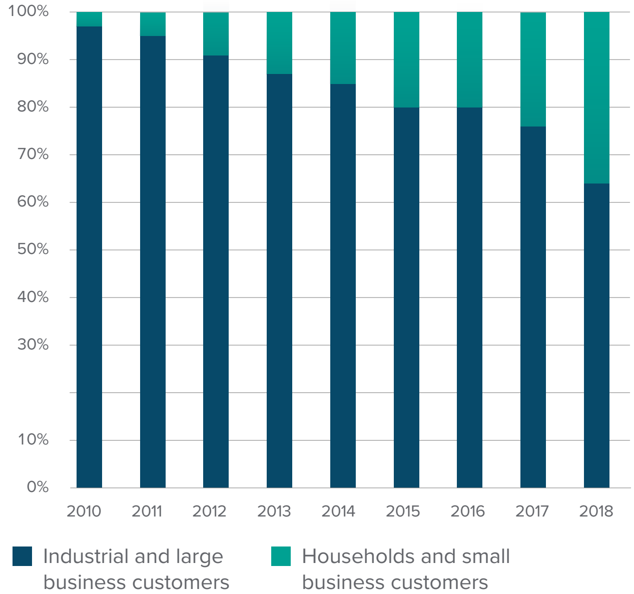
Purchase markets (excluding ELEN)

Supply

The customer remains the focus of our energy supply activities. We remain the most-recognized and trustworthy energy supplier in Slovenia, which represents our key market. We achieve this through the continuous strengthening of our competitive advantages, such as a predictable and low energy supply price, transparent and fair customer relations and the development of innovative products and services.

We supplied electricity and natural gas to 391 thousand customers on six different markets in 2018. We sold 5,955 GWh of energy to customers broken down as follows: 4,925 GWh of electricity and 1,030 GWh of natural gas.

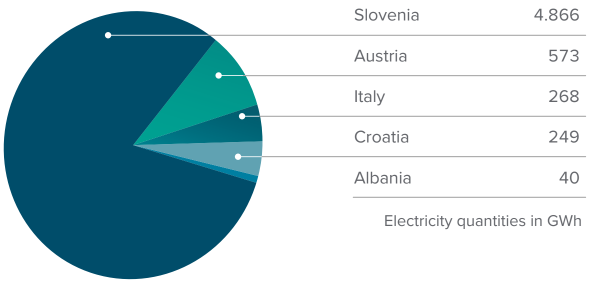
We still sell the majority of energy to the industrial and large business customer segment. However, that proportion is declining from year to year, in line with our long-term strategy to strengthen the household and small business customer segment, and to increase our target margin. At 64%, the B2B segment accounted for the highest proportion of sales, while the B2C segment accounted for 36%.



At 4,866 GWh, Slovenia still represents the largest market, followed by Austria at 573 GWh, Italy at 268 GWh, Croatia at 249 GWh and Albania at 40 GWh of supplied energy to end customers.

Electricity

In Slovenia, we supplied 3,370 GWh of electricity to large and medium-sized business customers in 2018. We remain the largest supplier in the household and small business customer segment, where we supplied 1,446 GWh of electricity to 330,514 customers.



Sales quantities in the end-customer segment by market

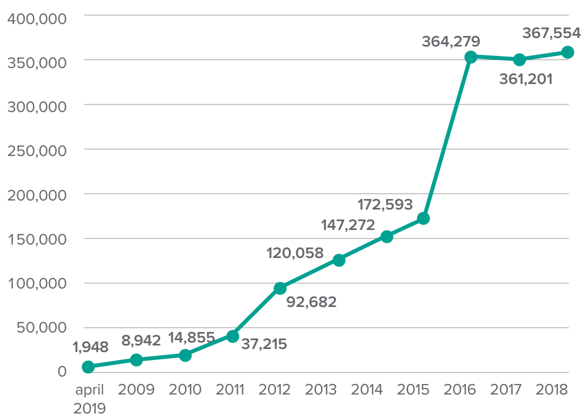
Through continuous improvements, we are strengthening customers' trust in our brands. We made 14 special offers to customers in 2018. In the scope of the digitalization of our operations and the provision of high-quality services, we facilitated the electronic signing of contracts for customers wishing to switch suppliers. In this way, the switching of suppliers is faster and simpler, with just a single click, while we also contribute to environmental protection through the use of paperless operations. We introduced the option of payments via e-billing and online banking, while we simplified payments using a QR code for bills accessible via the Moj GEN-I portal. We constantly measure and ensure a high level of customer satisfaction with our services and the work of call-center advisers. In 2018, we achieved an average rating of 4.80 (out of a maximum score of 5.00), and thus exceeded the industry standard.

The continuous improvement of the user experience does not go unnoticed. In the 'Energy Billing' survey, GEN-I's bill for Affordable Electricity and Affordable Natural Gas was selected out of 300 bills from 10 European countries as an example of good practice in the designing of a consumer-friendly bill and as an example for other market players. GEN-I was again selected as the most trustworthy brand in the Trusted Brand 2018 survey. The Company has received that title in the 'Energy Supplier' category for four years in a row, while it was recognized in the area of 'Environmental Protection' for the second time this year.

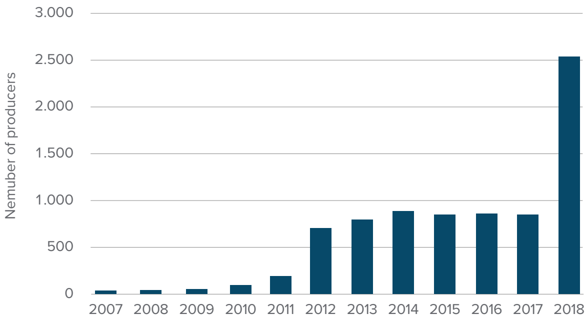
We have recorded a drop in the supply of electricity to the industrial and large business customer segment as the result of a stricter credit risk policy (due to the increased possibility of the emergence of an economic crisis) and the minimal required margin. For the same reasons, we have also recorded a drop in sales in this segment on other markets, with the exception of Austria, where sales were up by 13%.

Sales volumes were up in the Croatian household and small business customer segment in 2018. Nevertheless, conditions in Croatia remain uncertain, as evidenced by the withdrawal of the majority of alternative suppliers from the aforementioned market. The reason for such decisions lies in the malfunctioning of the market, the unstable regulatory environment and the dominant position of the state-owned supplier. Thus, only GEN-I and the RWE Group remain on that market, besides HEP.

In terms of purchasing energy from diversified sources on the Slovenian market, we maintained our position as the largest purchaser of electricity from producers who use renewable resources and high-efficiency cogeneration plants. We purchased 492 GWh of electricity, meaning growth of 76% relative to the previous year. The main reason for that growth was the auction for Borzen's Eco balance subgroup, where GEN-I was selected as the most favorable bidder for the purchase of energy. We purchased electricity from a total of 2,513 producers who use renewable resources and high-efficiency cogeneration plants in 2018, meaning that we further increased our market share, despite stiff competition.



Growth in the number of household and small business electricity customers from 2009 to 2018

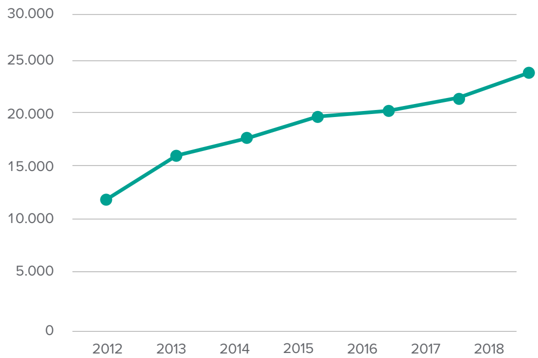


Changes in the number of producers who use renewable resources and high-efficiency cogeneration plants

Natural gas

Since our entry on the Slovenian market in 2012, we have offered customers the reliable supply of natural gas at competitive prices, and maintained our position as the second largest supplier of natural gas. We supplied 1,030 GWh of natural gas in 2018, similar to the level recorded the previous year. We supplied 307 GWh of natural gas to more than 23 thousand households and small business customers.

We also supplied natural gas to customers in Austria and Croatia.



Growth in the number of household and small business natural gas customers from 2012 to 2018

Energy services and GEN-I Sonce

After offering customers the reliable and affordable supply of electricity in the past, we have now outlined a new strategy. Our underlying objective is to help our partners, both households and industrial customers, carry out their own green transformation and reduce their carbon footprint. We are therefore developing energy services that facilitate the aforementioned transformation in a way that is most efficient for customers, while at the same time facilitating their integration into the electricity system. We thus serve as an aggregator for our customers and a promoter of the introduction of new, green technologies. That is our primary vision moving forward.

Self-sufficient supply

Representing the flagship service for smart homes are self-sufficient solar power plants that we market through the subsidiary GEN-I Sonce, d.o.o. We offer customers who opt for a self-sufficient supply system modern and efficient systems for the electrification of heating (heat pumps).

Through the subsidiary GEN-I Sonce, d.o.o., the GEN-I Group actively and continuously facilitates a green energy breakthrough. We are not laying a path in Slovenia only, but also in neighboring countries. In 2018, we successfully increased the energy self-sufficiency of households and small business customers. We have set-up more than 700 solar power plants to date according to the 'turnkey' principle, ranking us as the leader in this area. We believe that the aforementioned number will continue to rise in 2019, and thus make Slovenia's transition to a green society easier, and above all faster.

The Slovenian decree on the self-supply of electricity was amended in May 2018 and allows for the possibility of setting-up a self-supply solar power plant on apartment buildings. Last year, GEN-I Sonce designed a model that will facilitate the self-supply of energy to the residents of apartment buildings who were unjustifiably excluded in the past. At the end of 2018, we succeeded in breaking through administrative barriers and obtained the requisite authorizations to set-up the first solar power plant for collective energy self-sufficiency in Slovenia, which will be built and connected to the grid at the beginning of 2019.

gen-isonce

We are expanding our commitment to promote the more rapid transition to green energy, reduce the carbon footprint and ensure the well-being of the planet to other markets where the GEN-I Group is present. We thus achieved a new milestone in Croatia, where we built the first solar power plant, despite the currently unfavorable regulatory framework and less-than-ideal market conditions. Satisfied customers and the successful implementation of the project give us the impetus to take an even more active approach on that market in 2019.

At the end of 2012, a change to the market support scheme (reduced support) resulted in a profound drop in the market for the construction of solar power plants and in the production of electricity from that renewable source. The pronounced volatility of electricity prices in 2018 and a drop in the prices of components required for the construction of solar power plants were the underlying reasons for renewed interest in the set-up of solar power plants by large electricity customers. Such solar power plants produce electricity for own use and are not included in the self-sufficient supply model known as the PX3 scheme. Due to the shortening of the return period, an investment in the production of renewable energy is becoming increasingly acceptable to the market, even without government incentives. GEN-I Sonce thus became active on the market in 2018 in the construction of solar power plants according to the PX3 scheme, with a maximum power of 184.2 kWp.

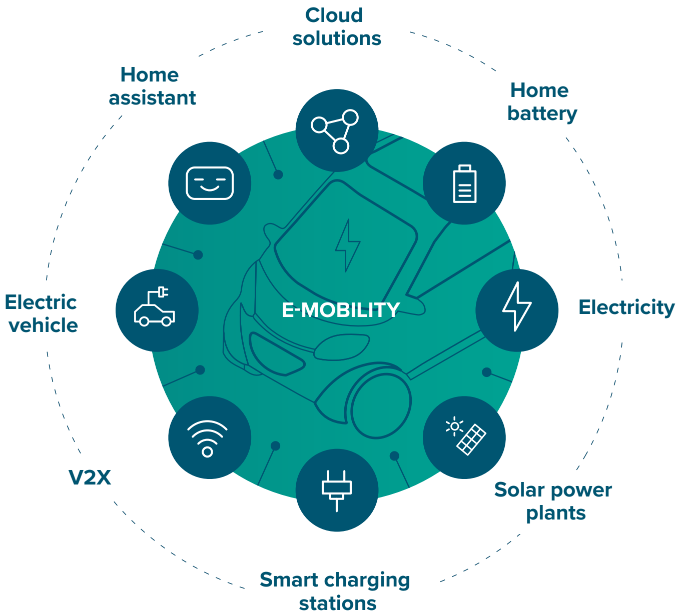
GEN-I Sonce's aim is to offer an innovative business model that will generate synergies with the existing activities of the GEN-I Group through sustainable and advanced solutions, and facilitate expansion to neighboring countries. Through such a comprehensive service, we are already responding today to certain decarbonization challenges and contributing to an increase in the proportion of carbon-free energy sources. GEN-I Sonce has also responded decisively to the new challenge of e-mobility.

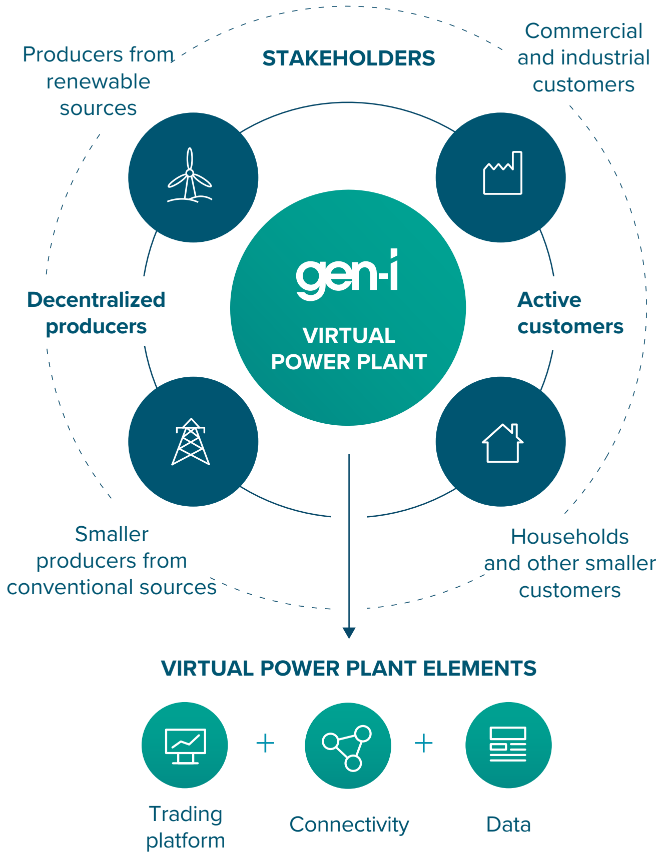
E-mobility

Following an analysis of the overall customer experience and the identification of global trends and challenges in sectors linked by e-mobility, we implemented planned pilot projects, which have provided us insights into the entire e-mobility cycle. We transformed the experience and knowledge we gained into the development of services and products that a contemporary, digitalized user really needs, and established for them a sustainable, simple and user-friendly way to use electric vehicles.

Our aim in the coming years in the area of e-mobility is to establish an innovative business model that will generate synergies with the existing activities of the GEN-I Group through various solutions, and facilitate expansion to neighboring countries.

With our external partners, Metron and Netis, we developed a pilot system in 2018 for managing the autonomous charging of electric vehicles, which is based on blockchain technology. That system links an electric vehicle charging station, solar power plant, battery storage unit and electric vehicle, with the possibility of returning energy to the micro grid.





Aggregator and active customer

We are developing services for customers that will facilitate a green transformation in the area of energy. These services include self-sufficient supply, e-mobility, and energy monitoring and management services. Demand response services allow customers to generate an additional revenues.

Through its extensive network of customers, knowledge and established infrastructure, the GEN-I Group is increasingly establishing itself as a leading aggregator (consolidator) of active customers. As the manager of a virtual power plant, we are linking energy solutions at the premises of customers on the one hand and dynamic energy markets on the other.

The majority of the GEN-I Group's innovations during the last three years were achieved in the development of demand response services and diversified production for the purpose of providing secondary and tertiary reserve power. Following a very successful initial phase, we are planning to continue expansion on the secondary regulation market in Austria and Slovenia in the future, as well as increased capacities with the aim of more active participation on the tertiary reserve market, where the provision of ancillary services is possible through active demand response.

In 2018, the GEN-I Group increased its presence on the ancillary services market as an aggregator of reserve power in Slovenia and Austria. For the fourth year in a row, we reliably provided negative and positive tertiary reserve power in Austria. In addition to positive tertiary reserve power, we also began providing negative tertiary reserve power in Slovenia in January 2018, through the aggregation of diversified sources and customers. In March, we participated for the first time in monthly auctions of positive tertiary reserve power and thus further increased trading volumes on the ancillary services market.

Through the use of diversified sources in Slovenia, Austria, Romania and Hungary, we began the pilot provision of secondary regulation, which included more than 40 units with a total available power of 50 MW.

Activities in international R&D projects

The GEN-I Group is very active in the area of development. We constantly search for opportunities to include our efforts in domestic and international projects, and thus secure grants that enhance total financial investments in development.

In 2018, GEN-I remained an active partner in the international FutureFlow project in the area of smart grids. It is aimed at providing advanced solutions for cross-border cooperation between transmission system operators in the exchange of secondary regulation ancillary services, which are ensured through demand response and diversified energy sources. The project is being financed by the European Commission in the scope of the Horizon 2020 Initiative.

The GEN-I Group is also the coordinator of the "Active Customer" demonstration-development project, in which we are demonstrating the usefulness of demand response for small customers, together with a consortium of eight well-established Slovenian companies. The project involves technologies for energy production from renewable sources (demand-driven production from solar power plants), the electrification of heating (heat pumps and hot water boilers), energy storage technologies and technologies for the dynamic charging of electric vehicles. We have also applied for a new project in the area of energy communities in the scope of the Horizon 2020 program.

3.8. Risk management

By expanding its presence to the international business environment in the areas of trading and the supply of energy products, the GEN-I Group has become an important player in the wider social environment. This requires us to be even more responsible when developing the processes and activities that will ensure the Group's long-term existence.

The centralized risk management department is responsible for effectively identifying, reviewing, managing and reporting on exposures to various risks, both at GEN-I, d.o.o and at GEN-I Group level. That department functions completely independently and in accordance with the Company’s adopted risk management policy, and reports directly to the Management Board.

Its tasks in the broadest sense, in addition to spreading a culture of awareness about risks, are to coordinate the management and minimization of risks of other departments, and to coordinate the functioning of departments if exceptional events occur that could result in negative effects on the Group’s operations. In addition to comprehensive risk-review, the credit committee and Management Board also control the risk management department’s effectiveness.

The relevant risks can be broken down into the following key categories:

- credit risks,
- market risks,
- liquidity risks,
- operational risks,
- IT risks,
- legal and regulatory risks,
- currency risks, and
- other risks.

Credit risk

We continue with our exceptionally strict handling of business partners, first through the know-your-customer process and then through in-depth internal and external credit analyses.

The decision as to whether we should enter into a business relationship with a partner and under what conditions is the result of an in-depth analysis by the risk management department and the approval of such relationships by the credit committee. We follow precisely defined rules on the assignment of partners to credit rating categories when optimizing the portfolio and selecting partners. The range of products and services, payment and delivery conditions and collateral requirements are adjusted to the assessed level of risk that derives from the assignment of credit ratings.

An extensive infrastructure and a local presence via regional representatives on individual markets facilitate the more efficient flow of information and the opportunity to adapt more rapidly to new conditions.

Investing in a high-quality and highly diversified portfolio, under the watchful eyes of the Management Board, credit committee and risk management department, is seen in relatively low values of overdue unpaid receivables and secure operations.

Last year, we fortified the portfolio of partners, secured via external insurance companies. We further upgraded models used to monitor exposure and manage risks, and strengthened cooperation with external partners, which facilitates the effective monitoring of their operations.

Market risks

We are aware that opportunities are closely linked to risks that could affect the value of the Group's portfolio. We therefore ensure the continuous development of tools to successfully manage those risks. In addition to the proper aggregation of risks, the development and constant upgrading of models for measuring exposure to market risks represent two of the main goals of the risk management department, as this facilitates the continuous and comprehensive monitoring of such risks at the Group level.

The market risk committee is responsible for managing market risks, for formulating guidelines, and for defining competences and operational frameworks.

Market risks are managed using predefined strategies based on sensitivity analyses of portfolios, analyses of the price elasticity of sales portfolios, analyses of CVaR indicators and quantity exposure, as well as an overview of the depth and liquidity of the markets of all portfolios within the GEN-I Group.

Hedging rules, as well as exposure in terms of quantity and transaction approval, are described precisely in the Group's rules. The actual amount of open positions is controlled by the portfolio strategy committee, the risk management department and the market risk committee. Daily positions and changes thereto, as well as a comprehensive overview of the evolution of changes, are controlled and reported daily, in accordance with the Group's policy, to key departments that are involved in daily portfolio management processes, including the risk management department.

The management and optimization of the global trading portfolio are the responsibility of traders, with support from the market and portfolio analysis department.

We continuously invest in the development of the Group's so-called scenario-based approach and sensitivity analyses of the value of the global trading portfolio and local sales portfolios. We place special emphasis on the formulation of strategies and on analyses of the effectiveness thereof, in terms of changes in prices prior to the conclusion of transactions, and on analyses of the elasticity of sales portfolios, which further improves the Group's management of market risks. We also invested a great deal of effort in the development of processes, models and information systems used to manage financial and real options and flexible agreements, which facilitates the additional hedging of portfolio values, particularly in the event of major, sudden and unexpected deviations from expected market prices.

Quantity risks are a special form of market risks associated with the delivery and acceptance of electricity or natural gas. They occur because of differences between the electricity or natural gas quantities envisaged in contracts and the quantities that are actually delivered or accepted.

We manage those risks in two ways:

- by providing comprehensive information support for the long-term and short-term forecasting of electricity and natural gas consumption and supply; and
- by consistently monitoring quantity deviations at the majority of metering points that are included in the GEN-I balance group.

The portfolio has a high proportion of purchase contracts with producers who use renewable energy sources, in particular solar and hydroelectric power plants. The volatility of production from these sources is higher. We therefore developed special models for this segment for forecasting the production of small and large hydroelectric and solar power plants. These models are based on meteorological models used to forecast rainfall, sun exposure and cloud cover.

Liquidity risks

The treasury department is responsible for managing liquidity risks. Liquidity is managed centrally by optimizing and controlling the liquidity of each company separately and then the liquidity of the Group as a whole. We hedge against unexpected events that have a direct impact on liquidity risk through:

- liquidity reserves in the form of approved credit lines with various commercial banks;
- the diversification of financial liabilities;
- the continuous matching of maturities of receivables and liabilities;
- limiting exposure to partners; and
- the consistent collection of overdue receivables.

Undesirable events are simulated daily on the basis of various scenarios. We are thus able to anticipate the robustness of the Group's liquidity position in extreme conditions.

Liquidity risk was exceptionally low last year on account of a high level of capital adequacy, higher cash reserves and unused credit lines.

Operational risks

The increase in the number of employees and the expansion of the Group's operations require additional activities from support departments for the purpose of mitigating and managing operational risks. These encompass the processes of business units and those of individual departments. A large amount of funds are invested in the development of IT support with the aim of mitigating key operational risks.

The core internal precept for avoiding procedural risk is the continuous pursuit of the principle of at least 'four eyes'. The GEN-I Group mitigates risks through clearly defined processes, the unambiguous demarcation of roles, the clear delegation of responsibilities and authority, and by implementing codes of conduct and internal rules.

We began upgrading operational risk management processes last year.

Risks associated with information technologies and the infrastructure, and security

IT risks comprise risks associated with possible losses or errors in data records arising from inappropriate information technology or inadequate processing, which can lead to the disclosure of erroneous results and balances, and the resulting erroneous business decisions. Important aspects of risk management include ensuring audit trails, limiting or controlling access to data and the results of processing, the mutual integration of specific subsystems, ensuring the continuous availability of key IT services and ensuring disaster recovery as required. Our operations are fully supported by information technology, enabling us to carry out and manage our daily operations in an efficient manner.

In 2018, we further enhanced the IT department's competences as they relate to the IT architecture. That department's cores tasks include defining and issuing the bases and guidelines for the development or upgrading of existing IT solutions, and ensuring that those bases and guidelines are taken into account in development. Changes were introduced to software development processes, with an emphasis on managing changes, testing and the placement of solutions in the production environment. The aim of those changes was to ensure the high-quality and availability of software in the production environment.

In the area of information security, a security information and event management (SIEM) system was implemented and facilitates the collection and processing of data regarding security events in real time, with the aim of detecting potential security events, and facilitating correlation analyses and an overview in the event of security incidents.

Legal and regulatory risks

Legal risks derive from the unpredictability of the legal environment and from the degree of legal certainty. They are associated with losses due to breaches of regulations, and with losses linked to uncertainty regarding the protection of legal interests in the event of breaches of previously concluded agreements. We manage the latter through due diligence reviews of contracting parties before entering into contractual relations and for the duration thereof.

We enter into contractual relations with wholesale partners based on standardized general contracts recommended by the European Federation of Energy Traders (EFET) or those recommended by the International Swaps and Derivatives Association (ISDA).

We use a similar level of contractual provisions in retail electricity sale contracts. We also ensure the regular monitoring of changes to regulations that govern the Company's operations.

Regulatory risks derive from potential losses due to incomplete regulatory requirements and trading limitations, or (sudden) legislative changes in countries in which the Group operates. These risks are managed by closely monitoring developments on the Group's key markets, which is facilitated by a local presence in the form of regional representatives, and by working closely with individual institutions in the energy sector.

We have harmonized operations with the European Market Infrastructure Regulation (EMIR), the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the Markets in Financial Instruments Directive (MiFID), in accordance with the requirements of the applicable legislation to ensure transparency.

Currency risks

The activities that are exposed to currency risks are electricity trading and trading in cross-border transfer capacities. The Group is exposed to risks associated with currencies that are not directly linked to the euro such as the Serbian dinar (RSD), the Hungarian forint (HUF), the Croatian kuna (HRK), the Romanian leu (RON) and the Turkish lira (TRY). To hedge currency risks, the Group employs FX trading counter positions to transactions concluded on the energy markets where currency risk arises due to the settlement of contractual obligations in a foreign currency. The Group also uses currency clauses or futures contracts as a hedge when entering into contracts that envisage settlement in a foreign currency and currency trading is limited or liquidity is low.

Other risks

Interest-rate risk

Based on monitoring and an analysis of events on the financial markets, we did not enter into interest-rate hedging agreements last year, but did roll-over long-term loan agreements with a fixed interest rate and issued bonds with a fixed interest rate. In contrast to previous years, the majority of the Group's borrowing in 2018 was with a fixed interest rate. A small portion of financial liabilities remained linked to a variable interest rate, meaning we are exposed to interest-rate risk in connection with those liabilities. We are aware of the risks associated with a potential rise in key interest rates, and therefore analyze the potential consequences in detail.

Human resource risks

Managing risks associated with human capital is particularly important for the GEN-I Group because of its rapid growth and the international expansion of operations. The achievement of business plans requires employees to constantly build on their existing knowledge, to learn new skills and to develop competencies to function in a thinking business environment. They must also demonstrate the ability to work effectively as part of a team and show a high level of flexibility, a dynamic approach to work, self-initiative, and excellent interpersonal and communication skills. We prevent the potential loss of key employees through the strategic transformation of the HR function, by managing the organizational culture, through the constant professional growth of employees, by ensuring stimulating work challenges, and through good communication with and between employees. We also ensure the traceability of work processes, supported by digital transformation, and are introducing an HR information system. By strengthening the employer's brand and through the diversification of employee recruiting channels, we ensure the necessary influx of the best employees to our work core. Internal knowledge is one of the most important competitive advantages of the GEN-I Group, as well as a significant risk that we manage through mentoring programs and the strengthening of managerial skills.

4. SUSTAINABLE DEVELOPMENT

Employees as human capital

Employees within the GEN-I Group are recognized as motivated and proactive agents of planned changes. They represented an important core of the Group's operations and development again in 2018. Employees helped to create the vision to be the first choice in all segments of the energy chain, and proactively accepted the challenge of the green energy transformation. They identify with our values: respect, responsibility, commitment, inclusion and flexibility. We recognized employees who personify these values through their behavior, successes, abilities and work methods, and awarded them the title of 'GEN-I-uses' of the year for 2018.

People represent an important competitive advantage of the GEN-I Group. For that reason, we addressed the strategic management of human capital in 2018, and planned and implemented a range of mutually related activities to establish an innovative and inspiring work environment. The latter is based on commitment, honest feedback, opportunities for continuous growth and development, and an environment where managers also serve as mentors and coaches to employees.

Because our greatest challenge is linked to successful operations in a disruptive business environment, we enhanced employees' agility, capacity for innovative and creative thinking, and ability to plan complex solutions. We employed people who are committed to continuous learning, and the acquisition of new knowledge and skills.

We continuously improved the work environment, and provided employees timely and credible feedback. We also stimulated their career and personal growth in the mentoring process. Through learning, perseverance and passion, we facilitated the sustained development of employees' talents in line with our needs and market opportunities.

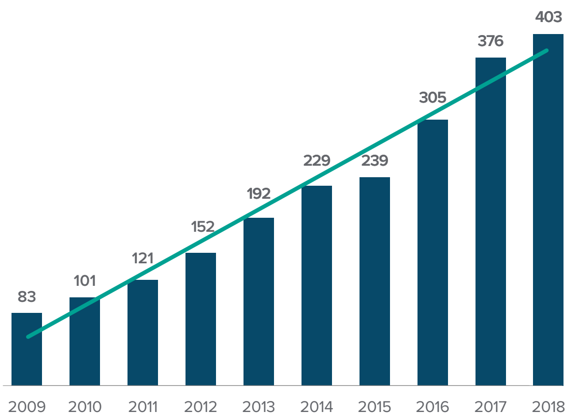
In operational terms, the focus of the strategic management of human capital in 2018 was on ensuring the right people in the right jobs, through the timely recognition of needs, the search for employees, recruitment, and the acquisition and development of the appropriate skills. We linked remuneration to managing performance and increasing productivity.

The past development of the GEN-I Group's operations, in connection with intensive growth in the number of employees, dictated the transformation of the HR function and the associated urgent need for digitalization, and its transformation, in terms of substance, from the performance of operational tasks into a strategic function.

For the effective operational implementation of human capital content and the achievement of the objectives of the strategic management of human capital, we transformed existing IT solutions in 2018. Those solutions were based on work with spreadsheets, and highly dispersed and fragmented data. We selected an effective tool for the collection and processing of information for all processes associated with hiring, the development of employees, managers and talents, the conducting of development-appraisal interviews, and the monitoring of the mentoring process.

Growth in the number of employees

The GEN-I Group had a total of 403 employees at the end of 2018. The number of employees was up 7% relative to 2017.



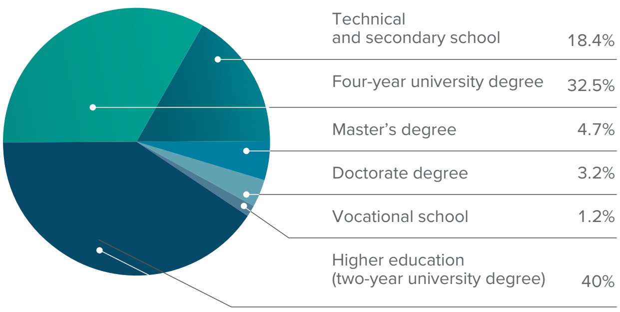
Number of employees in the GEN-I Group

Educational and age structure

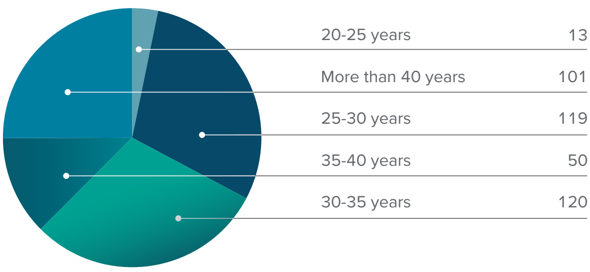
The GEN-I Group employees a large number of highly educated employees. More than three quarters of employees have at least a Level VI education, while the proportion of employees with the highest levels of formal education (e.g. a master's degree or doctorate) is around 8%.

The average age of Group employees was around 35 years in 2018, an indication of a relatively young team. Employment at one of the Group's companies represents the first job for many employees.

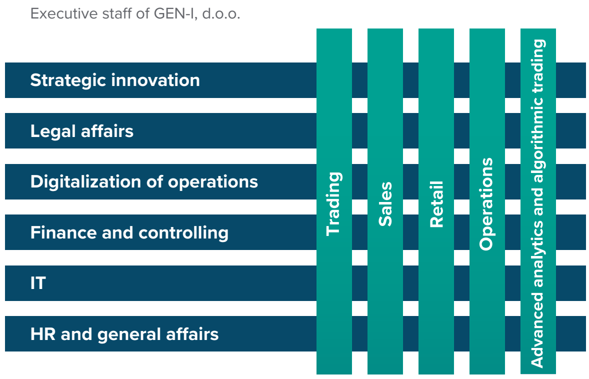
Both genders are almost equally represented in the employee structure. Women accounted for 51% of all employees within the Group at the end of 2018.



Educational structure of employees in the GEN-I Group



Age structure of employees in the GEN-I Group



Revised organizational structure of the GEN-I Group and management by objectives

The GEN-I Group began 2017 with a new organizational structure. We appointed directors of business areas, who became direct strategic links to the Company's executive staff. We thus took a step towards the leaner and more efficient operations of the Group. We upgraded the organizational model further in 2018 with the introduction of a matrix organizational structure that will address the challenges of the rapid development of the GEN-I Group.

Together with the need to implement the green energy transformation, we also harmonized and restructured the organization of the Company so that we will function according to a matrix model in 2019. We integrated a horizontal structure of functional responsibilities, competences, influence and communication into the vertical structure of portfolios and associated business processes.

Regular discussions between managers and employees represent the core tool for the management and development of the GEN-I Group's employees. On an annual and semi-annual basis, managers and employees discuss objectives and activities, the competences and development expectations of individuals, review the achievement of established objectives and agree on further steps in the work and development of employees. Through this systematic approach, we strengthen understanding of the Company's objectives and their link with the everyday work and development of the individual. With the aim of achieving the most effective management by objectives possible, we introduced quarterly interviews for certain jobs back in 2017, where objectives are set and assessed.

Education and training

We organize various ways for employees to acquire new knowledge, abilities and skills with the aim of developing their potential. We further enhanced our practice of facilitating highly specialized training for employees in technical fields, which individuals require as part of their specialized jobs. Employees thus attended various professional trainings events and conferences at home and abroad.

The internal transfer of knowledge represents one important element of a company's successful functioning. We share expertise with a large number of our employees through mentoring, team work, internal lectures and workshops.

We can only ensure the successful inclusion of new employees in work processes through the successful sharing of knowledge. The program of induction training introduces new employees to the Group's work environment in a systematic and effective way. In 2018, we successfully organized an employee induction program for new jobs (onboarding), which included both online e-learning and group meetings with lectures at the various business units.

Events for employees

Formal and informal gatherings of employees represent one key indicator of a cooperative organizational climate. In addition to the traditional pre-New Year's party, employees attended traditional picnics, and strengthened their athletic skills in the scope of department gatherings outside of working hours.

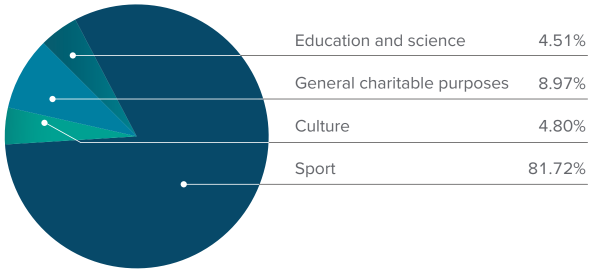
The old saying, 'a healthy mind in a healthy body' promotes the idea that physical activity is also crucial for improving mental well-being. Previously organized sporting activities for employees were also expanded in the scope of GEN-I's Sports Club, in which 11 sports sections function and provide active guidance to our employees.

Selection of "GEN-I-uses" of the year for 2018

Similar to every year, we selected from the GEN-I Group's employees those persons who stood at most during the previous year in terms of their energy, responsibility, and attitude towards their work and fellow employees.

Responsibility to the social environment

The Group uses a reactive sponsorship model. This means that there is no predefined umbrella program. Instead, more than half of all funds are unallocated, and are earmarked for specific purposes during the business year, depending on performance and the need to make our presence felt in the local environment and the media. All decisions regarding sponsorship funds and donations are made by the Management Board.



Structure of sponsorships in 2018

We again dedicated special attention to local sports associations and clubs in 2018. This included support for the GEN-I Volley volleyball club from Nova Gorica, the Gorica soccer club, the handball and track and field clubs from Sevnica, the Pivovarna Laško, Krško and Brežice handball clubs, the Nova Gorica and Ilirska Bistrica basketball clubs, the Nova Gorica skiing club, the Ilirija skiing-ski jumping club, and the Novo Gorica track and field club. At the national level, we also supported the Slovenian Track and Field Association.

In the professional field, we earmarked sponsorship funds for activities aimed at education and training, and the search for best energy practices and solutions.

Responsibility to the natural environment

GEN-I, d.o.o. is the leading buyer of energy from producers who use renewable energy sources and high-efficiency cogeneration plants, as we hold the highest market share in Slovenia. The number of electricity producers who have concluded purchase agreements with the Group exceeds one thousand. We offer them the most favorable purchase prices and help them optimize the energy purchase process. By assuming risks within our portfolio, we also facilitate secure and stable operations.

TYPE OF POWER PLANTS	NUMBER OF UNITS	QUANTITY IN MWh
Hydroelectric power plants	212	178,051
Solar power plants	2,142	140,061
Natural gas-powered power plants	19	22,066
Biogas-powered power plants	27	110,620
Cogeneration plants	98	35,897
Wind power plants	6	2
TOTAL	**2,504**	**486,697**

In 2018, GEN-I purchased electricity from a total of 212 hydroelectric power plants, 2,142 solar power plants, 19 natural gas-powered power plants, 27 biogas-powered power plants, 98 cogeneration plants and six wind power plants. Total energy purchases amounted to 486,697MWh, which is sufficient to supply 130 thousand Slovenian households with an average annual consumption of 3,760 kWh.

Through GEN-I Sonce, d.o.o., the GEN-I Group built and handed over to households nearly 400 solar power plants in 2018, while that number has reached close to 700 since the aforementioned company began offering this solution.

The innovative and sustainability oriented business model of GEN-I Sonce, which can be seen in the systematic pursuit of environmental principles, is not merely an empty promise, but has already provided the first measurable positive effects. We reduced CO_2 emissions by 4,601,953 kg and increased the annual production of green energy by 4,907,263 kWh in 2018.

The GEN-I Group is committed to supporting sustainable development and the rapid transition to a low-carbon society, and remains the leading promoter of ideas and best practices in the area of environmentally friendly solutions for end-customers in Slovenia and the wider region, with the aim of increasing energy efficiency and independence.

Responsibility to the public

The Group divides the public into the internal public represented by employees and the external public represented by the media, the business world and other stakeholders. We are an open Group that responds dynamically to the requirements of the environment, and thus communicates with all stakeholders in accordance with their needs.

We understand public relations as a strategic tool used when we enter new markets; a tool with which we strengthen the recognition of the Company and its brands, and the primary tool for attracting new customers. The basic tool for public relations is the Group's corporate website, which is designed for the Slovenian market and the foreign markets on which the Group operates, while product websites for the Affordable Electricity and Affordable Natural Gas brands in Slovenia and Croatia and the Elektro energy brand are designed for our electricity and natural gas end-customers. There is also the GEN-I Sonce website for potential investors in self-sufficient solar power plants.

There is an intranet site available to all employees, where current topics are presented daily and employees are informed about internal and external events.

Brand communication

Public relations were characterized most in 2018 by the intensive advertising of the new GEN-I Sonce brand and PR support for the presentation of the comprehensive solution for the construction of solar power plants according to the 'turnkey' principle for the self-sufficient supply of electricity, as well as television advertising of the Affordable Electricity and Affordable Natural Gas brands during the second half of the year.

We attended the international trade fair in Celje, where we presented the GEN-I Sonce brand.

Marketing activities in 2018 in Slovenia focused primarily on further growth and gaining market share in the household and small business customer electricity and natural gas segments.

We continued with systematic and intensive digital marketing activities, through which we accelerated the conversion of end-customers considerably.

Events for business partners

Two events a year are organized for business partners. Every year, we organize what has become a traditional event for large business customers where, with the help of experts, we present the latest trends in the area of electricity and natural gas, and prepare advice and recommendations for the most efficient management of energy costs by our business partners. During the second half of the year, we also meet with producers who use renewable energy sources and high-efficiency cogeneration plants. The aforementioned events are an excellent opportunity to exchange opinions, make new acquaintances and socialize.

CONSOLIDATED FINANCIAL STATEMENTS
OF THE GEN-I GROUP

5. INTRODUCTION

The GEN-I Group (hereinafter: the Group), for which the consolidated financial statements are prepared, includes the parent company GEN-I, d.o.o. and the following fully owned subsidiaries:

- GEN-I d.o.o. Beograd, Vladimira Popovića 6, Belgrade
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb
- GEN-I d.o.o. Sarajevo, Ul. Fra Anđela Zvizdovića 1, Sarajevo
- GEN-I DOOEL Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I Tirana Sh.p.k., Ish-Noli Business Center, Rruga Ismail Qemali Nr. 27, Tirana
- GEN-I Athens SMLLC, 6 Anapafseos Street, Marousi
- GEN-I Bucharest-Electricity Trading and Sales S.R.L., no. 1-3 Remus Street, Bucharest
- GEN-I Sofia EOOD, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofia
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milan
- GEN-I Vienna GmbH, Heinrichsgasse 4, Vienna
- GEN-I Istanbul Ltd., Meşrutiyet Cad. Bilsar Binası No: 90 K 1/4 Şişhane 34430 Beyoğlu - Istanbul
- GEN-I Prodažba na energija DOOEL, Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I Sonce, d.o.o., Dunajska cesta 119, Ljubljana
- GEN-I Kiev LLC, 45-B Olesia Honchara Str., Kiev
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi
- Elektro energija, d.o.o., Dunajska cesta 119, Ljubljana

6. CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2018

6.1. Consolidated statement of financial position of the GEN-I Group for 2018

AMOUNTS IN € ITEMS	NOTE	12/31/2018	12/31/2017
Property, plant and equipment	1	8,002,371	5,528,972
Intangible assets and goodwill	2	2,658,785	3,239,895
Investment property	3	1,973,457	1,636,065
Investments in associates	4	11,257,554	12,395,804
Financial investments	5	256,722	218,519
Operating receivables	6	3,957,312	1,791,429
Deferred tax assets	20	1,346,854	1,232,000
Non-current assets		**29,453,055**	**26,042,683**
Inventories	7	749,083	357,986
Trade and other receivables	8	107,680,520	112,974,447
Prepayments, contract assets and other assets	9	47,664,990	65,593,193
Financial investments	10	39,410	39,519
Derivative financial instruments	11	6,702,852	0
Current tax assets	12	26,700,611	22,833,498
Cash and cash equivalents	13	60,094,389	49,886,492
Current assets		**249,631,856**	**251,685,135**
Assets		**279,084,911**	**277,727,818**
Share capital	14	19,877,610	19,877,610
Legal reserves	14	1,987,761	1,987,761
Fair value reserves	14	-47,483	-19,972
Translation reserve	14	-960,738	-883,876
Net profit or loss for the period	14	12,908,860	13,463,405
Retained earnings	14	49,426,908	40,891,772
Non-controlling interest		**0**	**0**
Equity		**83,192,918**	**75,316,700**
Financial liabilities	15	45,115,248	32,662,782
Trade and other payables	17	45,782	45,782
Provisions	18	750,194	651,182
Deferred income	19	45,963	0
Non-current liabilities		**45.957.187**	**33,359,746**
Financial liabilities	15	30,717,892	33,653,321
Derivative financial instruments	11	43,098	4,769,757
Trade and other payables	21	100,079,372	107,925,910
Advances payable, contract liabilities and other liabilities	22	15,243,360	16,503,869
Curent tax liabilities	23	3,851,084	6,198,514
Current liabilities		**149,934,806**	**169,051,371**
Liabilities		**195,891,993**	**202,411,118**
Total equity and liabilities		**279,084,911**	**277,727,818**

The notes are a constituent part of the financial statements and must be read in connection with them.

6.2. Consolidated income statement of the GEN-I Group for 2018

AMOUNTS IN € ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues	25	2,357,715,456	2,370,030,061
Change in value of inventories	26	337,458	183,770
Cost of goods sold	27	-2,292,741,493	-2,322,178,734
Other operating recurring income or expense	25	-10,663,114	11,367,755
Gross profit or loss		**54,648,307**	**59,402,851**
Cost of materials	27	-750,315	-689,111
Cost of services	27	-14,849,955	-14,306,102
Labor costs	28	-18,192,008	-18,320,409
Other operating income or expenses	29	-441,662	-1,149,250
Operating profit or loss before amortization and depreciation (EBITDA)		**20,414,366**	**24,937,979**
Amortization and depreciation	30	-1,944,678	-1,909,062
Impairment loss on trade receivables and contract assets	35	-2,190,109	-3,275,091
Operating profit or loss (EBIT)		**16,279,578**	**19,753,825**
Finance income	31	617,573	268,568
Finance costs	31	-1,998,752	-2,954,371
Profit or loss from financing		**-1,381,179**	**-2,685,803**
Recognized results of associates		**966,026**	**-9,446**
Profit before tax		**15,864,425**	**17,058,576**
Income tax expense	32	-2,955,564	-3,595,171
Profit or loss from continuing operations		**12,908,860**	**13,463,405**

The notes are a constituent part of the financial statements and must be read in connection with them.

6.3. Consolidated statement of other comprehensive income of the GEN-I Group for 2018

AMOUNTS IN € COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Profit or loss for the period	**12,908,860**	**13,463,405**
Items that are or may be reclassified to the income statement	**-110,848**	**19,640**
Exchange rate differences	-110,848	19,640
Deferred tax from comprehensive income		0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-27,511**	**17,577**
Other comprehensive income for the period, net of tax	**-138,360**	**37,217**
Total comprehensive income for the period	**12,770,501**	**13,500,622**

The notes are a constituent part of the financial statements and must be read in connection with them.

6.4. Consolidated cash flow statement of the GEN-I Group for 2018

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	12,908,860	13,463,405
ADJUSTMENTS FOR		
Amortization and depreciation	1,944,678	1,909,062
Write-downs of property, plant and equipment	2,397,169	12,661
Gain on the sale of property, plant and equipment, intangible assets and investment property	-29,055	-55,555
Reversal of negative goodwill	0	-55,186
Reversal of write-downs and write-down of liabilities	0	143,515
Non-monetary expenses	40,318	0
Financial income	-745,947	-268,568
Financial costs	1,998,752	2,155,043
Recognized results of associates under the equity method	-966,026	9,446
Income tax	2,955,564	3,595,171
Operating profit before changes in net current assets and taxes	**20,504,314**	**20,908,995**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	285,848	-1,336,399
Change in inventories	-391,097	0
Change in prepayments and other assets	-2,049,291	-18,451,438
Change in operating liabilities	-5,345,516	1,834,317
Change in advances received and other current liabilities	-1,260,509	10,054
Change in provisions	99,012	-166,150
Change in deferred income	45,963	0
Income tax paid	-3,109,088	-1,548,731
Net cash flow from operating activities	**8,779,635**	**1,250,648**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	477,100	260,773
Dividends received	152,589	0
Proceeds from the sale of property, plant and equipment and intangible assets	55,443	164,232
Proceeds from sale of associates	12,403,940	0
Proceeds from decrease in loans granted	0	2,046
Acquisitions of property, plant and equipment and intangible assets	-4,044,301	-2,126,967
Acquisitions of investment property	-403,519	-1,636,065
Acquisitions of associates	-11,275,000	0
Acquisitions of other investments		-1,183,564
Net cash flow from investing activities	**-2,633,748**	**-4,519,545**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,738,062	-1,087,524
Repayment of long-term loans	-7,300,000	-277,226
Repayment of short-term loans	-151,207,902	-145,486,612
Proceeds from long-term loans received	25,000,000	14,586,056
Proceeds from short-term loans received	143,307,975	142,277,334
Dividends paid	-4,000,000	-4,000,000
Net cash flow from financing activities	**4,062,011**	**6,012,029**
Cash and cash equivalents at beginning of period	**49,886,492**	**47,143,359**
Net increase in cash and cash equivalents	**10,207,898**	**2,743,132**
Cash and cash equivalents at end of period	**60,094,389**	**49,886,492**

The notes are a constituent part of the financial statements and must be read in connection with them.

6.5. Consolidated statement of changes in equity of the GEN-I Group

Changes in 2018

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance at 12/31/2017	**19,877,610**	**1,987,761**
ADJUSTMENT ON INITIAL APPLICATION OF IFRS9, NET OF TAX		
Adjusted balance at 01/01/2018	**19,877,610**	**1,987,761**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
Other comprehensive income		
Exchange rate differences	0	0
Actuarial gains (losses)	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive income (loss) for the period	**0**	**0**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
Balance at 12/31/2018	**19,877,610**	**1,987,761**

The notes are a constituent part of the financial statements and must be read in connection with them.

Changes in 2017

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR
Balance at 12/31/2016	**19,877,610**	**1,987,761**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Net profit or loss for the period	**0**	**0**	
OTHER COMPREHENSIVE INCOME			
Exchange rate differences	0	0	
Actuarial gains (losses)	0		
Total other comprehensive income	**0**	**0**	
Total comprehensive income (loss) for the period	**0**	**0**	
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY			
Allocation of remaining portion of net profit to other equity components	0	0	
Dividends (shares) paid out	0	0	
Other reversals of equity components	0	0	
Balance at 12/31/2017	**19,877,610**	**1,987,761**	

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
-19,972	**-883,876**	**13,463,405**	**40,891,772**	**75,316,700**
			-653.100	**-653.100**
-19,972	**-883,876**	**13,463,405**	**40.238.672**	**74.663.600**
0	0	12,908,860	0	12,908,860
0	-76,862	0	-33,986	-110,848
-27,511	0	0	0	-27,511
-27,511	**-76,862**	**0**	**-33,986**	**-138,359**
-27,511	**-76,862**	**12,908,860**	**-33,986**	**12,770,501**
0	0	-13,463,405	13,463,405	0
0	0	0	-4,000,000	-4,000,000
0	0	0	-241,183	-241,183
-47,483	**-960,738**	**12,908,860**	**49,426,908**	**83,192,918**

VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
-37,549	**-903,516**	**7,313,188**	**37,647,659**	**65,885,154**
0	**0**	**13,463,405**	**0**	**13,463,405**
0	19,640	0	0	19,640
17,577	0	0	0	17,577
17,577	**19,640**	**0**	**0**	**37,217**
17,577	**19,640**	**13,463,405**	**0**	**13,500,622**
0	0	-7,313,188	7,313,188	0
0	0	0	-4,000,000	-4,000,000
0	0	0	-69,075	-69,075
-19,972	**-883,876**	**13,463,405**	**40,891,772**	**75,316,700**

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2018

7.1. Reporting entity

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is domiciled in Slovenia. Its registered office is at Vrbina 17, SI-8270 Krško, Slovenia. The consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2018 comprise the Company and its subsidiaries (together referred to as the GEN-I Group or the Group). The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

The GEN-I Group's core activities include the supply of electricity and natural gas to endcustomers, the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants, the provision of services aimed at the energy self-sufficiency, efficiency and independence of households, the provision of advanced services to business partners, and electricity and natural gas trading.

7.2. Basis of accounting

(A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the provisions of the Companies Act. The financial statements were approved by the parent company's Management Board on March 10, 2019.

The financial statements were compiled in accordance with the assumption of a going concern.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied.

(B) MEASUREMENT BASIS

These consolidated financial statements were compiled on a historical cost basis, except in the case of derivatives and financial instruments at fair value through profit or loss, where fair value was used.

(C) FUNCTIONAL AND REPORTING CURRENCY

The consolidated financial statements are expressed in euros, which is the Company's functional currency. All accounting data presented in euros are rounded to the nearest integer.

(D) USE OF ESTIMATES AND JUDGEMENTS

When preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- measurement of ECL allowance for trade receivables and contract assets,
- employee earnings,
- provisions,
- contingent liabilities, and
- derivatives.

(E) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of amendments to existing standards are also effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognised on financial assets (see B(ii)).

A. IFRS 15 Revenue from Contracts with Customers

IFRS15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method. The information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group recognizes revenue from its core activities over time. In a power or natural gas agreement, a seller transfers control over time and the customer simultaneously receives and consumes the benefits provided by the seller's performance as it performs; therefore, the seller satisfies its performance obligations and recognizes revenue over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity or natural gas by using the output method, that is the invoiced amounts method, which is based on the delivered electricity or natural gas.

Following the above IFRS 15 did not have a significant impact on the Group's accounting policies.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Group's approach was to include the impairment of trade receivables in other operating expenses. Consequently, the Group reclassified impairment losses amounting to € 3,275,091, recognized under IAS 39, from 'other operating expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss for the year ended 31 December 2017. Impairment losses on other financial assets are not significant and are also presented under 'impairment loss on trade receivables and contract assets'.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see (iv)).

AMOUNTS IN € RETAINED EARNINGS	NOTE	IMPACT OF ADOPTING IFRS 9 ON OPENING BALANCE
Recognition of expected credit losses under IFRS 9	(ii)	(653.100)
Related tax		0
Impact at 1 January 2018		**(653.100)**

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (hereinafter FVOCI) and fair value through profit and loss (hereinafter FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (iii)).

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3.3 (c).

The Group has reclasiffied one equity investment amounting to € 100,000 from Held-to-maturity financial instrument to FVTPL without any impact on the Group's financial statements. This equity investment represents investment that the Group intends to hold for the long term and is an unqoted equity instrument. The Group uses a cost as an appropriate estimate of fair value for unqoted equity instruments.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements and amounts to € 653,100. An increase of € 653,100 in the allowance for impairment over trade and other receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.a Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 3.3 (h).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

AMOUNTS IN € LOSS ALLOWANCE AT 31 DECEMBER 2017 UNDER IAS 39	12,094,997
Adiitional impairment recognized at 1 January on:	
Trade and contract assets	522,034
Cash, cash equivalents and other financial assets	131,066
Loss allowance at 1 January 2018 under IFRS 9	**12,748,097**

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group meets hedge accounting requirements for hedges against market risks associated with changes in electricity and natural gas prices.

In order to meet the qualifying criteria for hedge accounting under IFRS 9, the Group has updated hedge documentation for all existing hedging relationships under IAS 39 that continue to be eligible under IFRS 9 by incorporating the hedge ratio and the expected sources of ineffectiveness.

The Group has also removed the retrospective effectiveness test.

Hedging relationships that qualified for hedge accounting in accordance with IAS 39, that also qualify for hedge accounting in accordance with IFRS 9 (after taking into account any rebalancing of the hedging relationship on transition), are regarded as continuing hedging relationships. There were no gain or loss from such rebalancing recognized in P&L.

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FTPL.

Changes to hedge accounting policies have been applied prospectively.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

7.3. Significant accounting policies

Companies of the GEN-I Group have consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

In certain cases, amounts were reclassified between specific items. The amounts in the comparable financial statements were also reclassified for the sake of comparability.

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accounting policies applied by subsidiaries are adapted to the Group’s accounting policies.

(ii) Investments in associates

Associates are entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence exists if the Group owns at least 20% of voting rights in another company, unless it can prove that this is not the case.

Investments in associates are initially recognized at historical cost, and subsequently accounted for using the equity method.

The consolidated financial statements include the Group’s share in the profit and loss of associates, calculated using the equity method after reconciling accounting policies, from the day significant influence is established until the day it ceases.

If the Group’s share in the loss of an associate exceeds its share in that company, the carrying amount of the Group’s share is reduced to zero, and the recognition of further losses is discontinued.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss and presented within finance costs.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The revenues and expenses of foreign companies, with the exception of companies in hyperinflationary economies, are converted into euros at average exchange rates applicable for a specific period.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

(C) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables, loans and deposits are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 3.7). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note c)(v) for derivatives designated as hedging instruments.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;

- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  held for trading;
  derivative hedging instruments; or
  designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss. However, see Note c)(v) for derivatives designated as hedging instruments.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note c)(v) for financial liabilities designated as hedging instruments.

(iii) **Derecognition**

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Group uses derivatives to hedge against market and currency risks.

The Group uses forward contracts and various financial trading instruments to hedge against market risks caused by electricity and natural gas price fluctuations. The Group primarily uses forward currency contracts to hedge against currency risks.

The Group uses non-standardized forward contracts to hedge against market risks that arise from electricity and natural gas prices and currency risks. These are agreements on the sale or purchase of an underlying instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The prices of forward transactions are determined based on the underlying financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardized forward contract is equal to the difference between the current price of an underlying instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity of the contract, depending on changes in current market prices and the residual maturity of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction; they only need to agree on the price of individual forward contracts. Transactions are concluded without the physical presence of goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts, on the other hand, are not liquid because the exchange of these contracts is practically impossible. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivatives also include option contracts that the Group classifies to financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date. If the transaction price is not equal to fair value at the measurement date, the difference is recognized in profit or loss for marketable assets, or deferred and released subsequently in profit loss in accordance with the Group's policy.

Contracts to buy or sell a non-financial item (such as commodity) that can be settled net (either in cash or by exchanging financial instruments) are within the scope of IFRS 9 and are subject to fair value accounting, unless they were entered to, and continue to be held, for the purpose of the receipt or delivery of the non-financial item in accordance with group's expected purchase, sale or usage requirements – the so called "own use" exemption. (IFRS 9.2.4). Contracts within the scope of IFRS 9 are treated as derivatives and are marked to market through the income statement, unless management can and does elect hedge accounting.

Contracts that result in physical delivery of commodity and the Group does not have a practice to do net settlement and are not entered into for trading, speculative or hedging purposes are accounted for as a normal purchase or sales contract – i.e an unrecognized executory contract. The contracts that result in physical delivery of commodity, but the Group has a practice to do net settlement and have other objectives than just deliver or purchase electricity or natural gas are treated as derivatives and are measured at fair value through profit and loss.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

At least once a year, during the compilation of the annual financial statements, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value.

Gains and losses as the result of changes in fair value are recognized in profit or loss.

Hedge accounting

The Group meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

At the inception of the hedging relationship, and on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge accounting requirements. The assessment relates to expectations and is therefore only forward-looking. To qualify for hedge accounting, a hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship,
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

At each reporting date, the Group measures hedge ineffectiveness, that is the extent to which the changes in the fair value of the hedging instrument are greater or less than those on the hedged item.

Fair value hedges

The Group calculates fair value hedges against the risk of fluctuating prices for standardized and non-standardized forward contracts and transactions by recognizing changes in the fair value of derivatives immediately in profit or loss. Gains or losses from hedged items that can be attributed to hedged risks must be adjusted to the book value of the hedged items and recognized in profit or loss. If an unrecognized firm commitment is defined as a hedge item, the subsequent cumulative change in the fair value of the firm commitment that can be attributed to a hedge is recognized as an asset or liability, with the relevant gain or loss recognized in profit or loss. The initial book value of an asset or liability arising from the fulfillment of a firm commitment by the Group is adjusted by including the cumulative change in fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2017 is similar to that applied for 2018.

(D) SHARE CAPITAL

Share capital is the called-up capital contributed by shareholders. The Group's total equity comprises called-up capital, legal reserves, fair value reserves, the translation reserve and retained earnings.

(E) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are disclosed at historical cost, less depreciation costs and impairment losses.

The historical cost includes the costs that can be directly attributed to the procurement of assets. Costs of assets produced comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of assets for their intended purpose, costs of disposal and removal, costs of restoring the location of an asset to its original state and capitalized borrowing costs. Any computer software that contributes significantly to an asset's functionality should be capitalized as part of these assets.

Components of items of property, plant and equipment that have different useful lives are accounted for as separate items.

(ii) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized at the carrying amount if future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in profit or loss immediately after they arise.

(iii) Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognized as costs in profit or loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant and equipment.

(iv) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant and equipment. This is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative period are as follows:

- Buildings 33 years
- Parts of buildings 16 years
- Plant and equipment 2 to 5 years

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 10 years).

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if necessary. Estimates regarding the useful lives of plant and equipment were not revised during the business year.

(F) INTANGIBLE ASSETS AND GOODWILL

(i) Other intangible assets and goodwill

Other intangible assets with limited useful lives acquired by the Group are disclosed at historical cost, less amortization costs and accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Subsequent costs

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost relates. All other costs are recognized as expenses in profit or loss immediately after they arise.

(iii) Amortization

Amortization is calculated based on an asset's historical cost or another amount that is used in its place.

Amortization is recognized in profit or loss using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date an asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with an asset. The estimated useful life for the current and comparative year is as follows:

- Software 5 years.

Other intangible assets such as trading and selling licenses are amortized according to the validity of the issued license in question.

Amortization methods, useful lives and other values are reviewed at the end of each business year and adjusted if necessary.

(G) INVESTMENT PROPERTY

Investment property comprises real estate owned by the Group with the aim of generating rental income, increasing the value of non-current investments or both. Investment property is disclosed at historical cost less accumulated depreciation and impairment losses. Investment property is measured according to the historical cost model. Depreciation is recognized in profit or loss according to the straight-line method, while the estimated useful life of investment property is 25 years.

(H) IMPAIRMENT

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for excpected credit losses (hereinafter ECLs) on:

- financial assets measured at amortised cost and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof, that is in the cases of final court decision on a completed bankruptcy proceedings, completed compulsory settlement or completed execution procedure and for financial assets where the Group expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

The Group assessed the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. A financial asset was considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with a financial asset that is disclosed at fair value in other comprehensive income was measured as the difference between the carrying amount and the fair value of the asset.

Impairment loss associated with a financial asset disclosed at amortized cost was measured as the difference between the asset's carrying amount and the value of estimated future cash flows, discounted at the original effective interest rate.

Impairment loss associated with available-for-sale financial assets was calculated using the current fair value of the asset.

Impairment assessments of significant financial assets were carried out individually. The impairment of remaining financial assets were assessed collectively with regard to their common risk exposure characteristics.

The Group disclosed all impairment losses in profit or loss for the period.

Impairment losses were derecognized if they can be objectively associated with events that occurred after their recognition. Impairment losses associated with financial assets that are stated at amortized cost and with available-for-sale financial assets that are considered debt instruments were derecognized in profit or loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amount of non-financial assets (except deferred tax assets) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. Impairment of goodwill and intangible assets with an indefinite useful life not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value, less costs of sale. In determining an asset's value in use, estimated future cash flows are discounted to their current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows.

The impairment of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. The impairment is recognized in the income statement.

With respect to other assets, impairment losses from previous periods are evaluated on the balance sheet date, to determine whether or not there has been a reduction of loss and whether or not the loss still exists. Impairment losses are derecognized if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(I) EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(J) PROVISIONS

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability in question.

Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement and internal rules, the Group is obliged to pay long-service bonuses and severance payments to employees, and has created non-current provisions for this purpose. There are no other obligations relating to pensions. Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period.

The Group created non-current provisions in 2018 for long-service bonuses and severance payments at retirement as the present value of future payments required to settle liabilities arising from employees' service in the current and future periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 2% was set for the calculation at December 31, 2018, based on the published yields on Slovenian government bonds at December 28, 2018.

Labor costs and interest expenses are recognized in the income statement, while recalculated post-employment benefits and unrealized actuarial gains or losses from severance pay are recognized as an equity item in other comprehensive income.

(K) REVENUES

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 25. There was no effect of initially applying IFRS 15.

Revenues from rents are recognized on a straight-line basis over the term of the lease.

(L) GOVERNMENT GRANTS

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(M) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes interest income, the net gain on financial assets at fair value through profit or loss and positive exchange rate differences . Interest income is recognized when it arises at a contractually agreed interest rate.

Dividend income is recognized in profit and loss on the date on which the Group's right to receive payment is established.

Financial costs include interest expense, the net loss on financial assets at fair value through profit or loss and negative exchange rate differences. Interest expense is recognized in the income statement at a contractually agreed interest rate.

(N) INCOME TAX

Income tax includes current and deferred tax. Income tax is recognized in the income statement, except where it relates to business combinations or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the business year, using tax rates in force at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is disclosed by taking into account the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the relevant amounts for tax reporting purposes. Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they are reversed, based on laws that are in force at the end of the reporting period.

The Group reconciles deferred tax assets and liabilities if it has an enforceable right to do so and if these assets and liabilities relate to income tax for the same tax authority and the same taxable unit, or if the tax relates to different taxable units that intend to pay or receive the resulting net amount or settle their liabilities and reverse the assets.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(O) SEGMENT REPORTING

In view of the fact that the financial report consists of the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

An operating segment is a part of the Group that carries out business activities from which it generates revenues and incurs costs that relate to transactions with other members of the same group. The results of operating segments are reviewed regularly by the management to make decisions about resources to be allocated to a segment and assess the Group's performance.

Although the management monitors a more detailed information of each operating segment, due to the sensitivity of this information, the following reportable segments have been determined in the preparation of these financial statements:

- Trading and sales of electricity and natural gas;
- Self-sufficient supply of electricity generated by the sun and advanced services.

The Group's operating segments in 2018

(AMOUNTS IN €)	TRADING AND SALES	SELF-SUFFICIENT SUPPLY AND ADVANCED SERVICES	STATEMENT OF PROFIT AND LOSS/STATEMENT OF FINANCIAL POSITION
External revenue	2,352,469,807	5,245,649	2,357,715,456
Inter-segment revenue	0	0	0
Segment profit (loss) before tax	15,842,630	21,795	15,864,425
Interest income	319,030	14,910	333,940
Interest expense	-1,365,821	-227,887	-1,593,708
Depreciation and amortisation	-1,873,735	-70,943	-1,944,678
Share of profit or loss of equity accounted investees	966,026	0	966,026
Total assets	262,162,475	16,922,436	279,084,911
Current and non-current operating and financial liabilities	179,961,042	15,930,952	195,891,993

The Group's operating segments in 2017

(AMOUNTS IN €)	TRADING AND SALES	SELF-SUFFICIENT SUPPLY AND ADVANCED SERVICES	STATEMENT OF PROFIT AND LOSS/STATEMENT OF FINANCIAL POSITION
External revenue	2,366,313,475	3,716,586	2,370,030,061
Inter-segment revenue	0	0	0
Segment profit (loss) before tax	16,580,483	478,093	17,058,576
Interest income	263,870	325	264,195
Interest expense	-1,474,003	-187,428	-1,661,431
Depreciation and amortisation	-1,887,328	-21,734	-1,909,062
Share of profit or loss of equity accounted investees	-9,446	0	-9,446
Total assets	262,361,428	15,366,390	277,727,818
Current and non-current operating and financial liabilities	187,526,388	14,884,730	202,411,118

(P) START OF APPLICATION OF NEW AMENDMENTS TO EXISTING STANDARDS THAT ENTER INTO FORCE DURING THE CURRENT REPORTING PERIOD

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period:

- **IFRS 9 'Financial Instruments';** adopted by the EU on November 22, 2016 (applies to annual periods beginning on or after January 1, 2018);
- **IFRS 15 'Revenue from Contracts with Customers'** and amendments to IFRS 15 Effective Date of IFRS 15; adopted by the EU on September 22, 2016 (apply to annual periods beginning on or after January 1, 2018);
- **Amendments to IFRS 2 'Share based payment'** – Classification and Measurement of Share-based Payment Transactions, adopted by EU on February 26, 2018 (apply to annual periods beginning on or after January 1, 2018);
- **Amendments to IFRS 4 'Insurance contracts'** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; adopted by the EU on November 3, 2017 (apply to annual periods beginning on or after January 1, 2018 or when IFRS 9 is applied for the first time);
- **Amendments to IFRS 15 'Revenue from Contracts with Customers'** – Clarifications to IFRS 15 Revenue from Contracts with Customers, adopted by the EU on October 31, 2017 (apply to annual periods beginning on or after January 1, 2018);
- **Amendments to IAS 40 'Investment property'** – Transfers of Investment Property, adopted by the EU on March

14, 2018 (apply to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 1 and IAS 28 'Annual improvements to IFRSs 2014-2016 Cycle' (IFRS 1, IFRS 12, IAS 28),** primarily to eliminate discrepancies and to provide interpretations, adopted by the EU on February 7, 2018 (amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1, 2018);

- **IFRIC 22 'Foreign Currency Transactions and Advance Consideration',** adopted by the EU on March 28, 2018 (apply to annual periods beginning on or after January 1, 2018);

The effect of initially applying IFRS 9 'Financial Instruments' is mainly attributed to an increase in impairment losses recognised on financial assets (see B(ii)). IFRS 15 'Revenue from Customers' did not have any significant impact on its financial statements during the initial application.

(Q) STANDARDS AND AMENDMENTS TO EXI-STING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

On the day that these financial statements were approved, the following new standards and amendments to existing standards had been issued by the IASB and adopted by the EU, but were not yet effective:

- **IFRS 16 Leases,** adopted by the EU on October 31, 2017 (applies to annual periods beginning on or after January 1, 2019);

- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation, adopted by the EU on March 22, 2018 (apply to annual periods beginning on or after January 1, 2019);

- **FRIC 23 Uncertainty over Income Tax Treatments,** adopted by the EU on October 23, 2018 (applies to annual periods beginning on or after 1 January 2019).

The adoption of IFRS 16 Leases will increase the Group's balance sheet assets and liabilities in amount of approximately 2 million €.

(R) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB BUT NOT YET ADOPTED BY THE EU

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the IASB, with the exception of the following new standards, amendments to existing standards and new interpretations, which at December 31, 2018 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

- **IFRS 14 Regulatory Deferral Accounts** (applies to annual periods beginning on or after January 1, 2016). The European Commission opted not to begin procedures to adopt this interim standard, but will wait for the issue of the final version;

- **IFRS 17 Insurance Contracts** (applies to annual periods beginning on or after January 1, 2021);

- **Amendments to IFRS 3 'Business Combinations'** – Definition of a business (applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January, 2020, and to assets acquistions that occur on or after the beginning of that period);

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Subsequent Amendments (date of application postponed indefinitely until the completion of a research project in connection with the equity method);

- **Amendments to IAS 1 Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'** – Definition of materiality (apply to annual periods beginning on or after January 1,2020),

- **Amendments to IAS 19 Employee Benefits** – Plan Amendment, Curtailment or Settlement (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to IAS 28 Investments in Associates and Joint Ventures** – Long-term Interests in Associates and Joint Ventures (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to various standards (Improvements to IFRS, 2015–2017 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to References to Conceptual Framework in IFRS Standards** – (apply to annual periods beginning on or after January 1, 2020).

The Group does not expect the introduction of these new standards and amendments to existing standards to have a significant impact on its financial statements during initial application.

Hedge accounting in connection with the portfolio of financial assets and liabilities is not yet regulated, as the EU has not adopted the relevant principles.

The Group does not expect that the application of hedge accounting under IFRS 39 'Financial instruments' would have a significant impact on its financial statements if applied on the balance sheet day.

7.4. Cash flow statement

The Group compiles the cash flow statement according to the indirect method.

7.5. Overview of all subsidiaries in the GEN-I Group

GROUP COMPANIES	% OWNERSHIP		CARRYING AMOUNT		EQUITY OF SUBSIDIARIES		SHARE CAPITAL OF THE MAJORITY SHAREHOLDER	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
GEN-I Athens SMLLC.	100,00%	100,00%	600,000	600,000	970,560	973,872	600,000	600,000
GEN-I BUCHAREST S.R.L.	0,00%	100,00%	0	500,000	0	533,147	0	452,206
GEN-I d.o.o. Beograd	100,00%	100,00%	150,000	150,000	784,873	1,031,318	649,578	648,319
GEN-I Sonce, d.o.o.	100,00%	100,00%	1,000,000	500,000	991,485	481,659	1,000,000	500,000
Gen-I Istanbul LtD.	99,00%	99,00%	844,566	844,566	627,890	862,960	330,098	439,908
Gen-I Energia S.r.l.	100,00%	100,00%	380,000	380,000	172,595	246,499	100,000	100,000
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100,00%	100,00%	39,951	39,951	454,939	412,461	9,934	9,998
GEN-I d.o.o. Sarajevo	100,00%	100,00%	512,847	512,847	770,429	712,750	511,292	511,292
GEN-I dooel Skopje	100,00%	100,00%	20,000	20,000	7,867	7,609	19,940	20,067
GEN-I Sofia SpLLC	100,00%	100,00%	100,830	100,830	-2.932,375	-2,735,393	100,004	100,005
GEN-I Tirana Sh.p.k.	100,00%	100,00%	46,452	46,452	567,957	1,533,995	48,747	45,475
Gen-I Vienna GmbH	100,00%	100,00%	50,000	50,000	922,580	535,526	50,000	50,000
GEN-I Hrvatska d.o.o.	100,00%	100,00%	991,692	991,692	1,459.,13	1,269,551	1,011,804	1,008,065
GEN-I Kiev LLC	100,00%	100,00%	248,224	248,224	836,246	139,790	227,945	227,136
GEN-I Tbilisi LLC	100,00%	100,00%	50,000	50,000	36,140	39,610	41,124	39,182
Elektro energija, d.o.o.	100,00%	100,00%	10,149,750	10,149,750	11,638,941	11,466,512	3,000,000	3,000,000
Total			15,184,311	15,184,311	17,309,937	17,511,866	7,700,466	7,751,653

7.6. Notes to the financial statements

Note 1: **Property, plant and equipment**

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	12/31/2018	12/31/2017
Land	400,660	400,660
Buildings	3,225,002	3,456,286
Other plant and equipment	2,308,055	1,672,026
Property, plant and equipment under construction and advances	2,068,654	0
Total property, plant and equipment	8,002,371	5,528,972

The building and associated land in Kromberk account for the majority of property, plant and equipment. Vehicles, computer equipment, furniture and other equipment account for the majority of other plant and equipment.

The Group has cars under finance leases in the amount of €315,386.

Total investments in property, plant and equipment in 2018 amounted to €3,583,943 and relate to purchases of land in Ljubljana, vehicles, computer equipment, investments in fixed assets owned by third parties, furniture and other equipment. Property, plant or equipment are not pledged.

ASSETS OF THE SUBSIDIARY		LIABILITIES OF THE SUBSIDIARY		REVENUE OF THE SUBSIDIARY		NET PROFIT OR LOSS OF THE SUBSIDIARY		NUMBER OF EMPLOYEES IN THE SUBSIDIARY	
12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
21,324,989	18,769,083	20,354.429	17,795,211	186,002,371	172,782,711	304,772	323,872	1	1
0	535,413	0	2,266	0	0	-11,342	-10,744	0	0
24,665,565	17,016,735	23,880,692	15,985,416	227,163,886	301,853,369	376,598	374,427	5	5
16,922,436	15,366,390	15,930,952	14,884,730	5,212,239	3,595,884	10.,79	72,742	26	21
7,232,503	6,500,250	6,604,613	5,637,290	47,052,758	39,917,432	228,384	397,550	3	3
5,193,382	12,458,127	5,020,787	12,211,628	12,295,425	23,391,901	-73,905	126,499	1	1
15,275,729	13,427,986	14,820,790	13,015,525	146,991,341	122,319,657	346,550	302,248	2	0
14,522,741	14,214,988	13,752,312	13,502,237	123,020,480	179,510,197	259,137	201,458	1	1
7,867	8,730	0	1,122	0	0	306	-415	0	0
2,507,771	1,974,805	5,440,146	4,710,198	31,543	30,965	-194,184	-2,876,187	1	1
18,187,366	20,901,984	17,619,409	19,367,988	43,293,314	56,586,613	429,316	1,414,111	2	2
9,307,473	4,912,662	8,384,893	4,377,137	22,986,329	19,247,580	409,513	148,601	1	1
15,129,261	10,314,855	13,669,448	9,045,304	122,028,471	176,398,589	447,667	260,656	9	9
942,651	490,850	106,405	351,060	5,604,111	39,057	689,817	-46,464	1	1
36,464	39,909	324	299	0	0	-5,544	742	0	0
21,661,181	26,451,501	10,022,240	14,984,989	62,105,011	77,572,755	2,072,428	1,915,813	6	20
172,917,379	**163,384,267**	**155,607,442**	**145,872,400**	**1,003,787,278**	**1,173,246,709**	**5,289,893**	**2,604,909**	**59**	**66**

Changes in 2018

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
COST					
Balance at 1/1/2018	**400,660**	**6,482,993**	**5,917,170**	**0**	**12,800,823**
Acquisitions	0	0	213,851	3,370,092	3,583,943
Write-downs	0	-866	-11,672	0	-12,538
Disposals	0	0	-155,824	0	-155,824
Transfers within property, plant and equipment	0	22,275	1,281,344	-1,303,619	0
Other transfers	0	0	0	2,181	2,181
Exchange rate differences	0	0	-1,790	0	-1,790
Balance at 12/31/2018	**400,660**	**6,504,402**	**7,243,079**	**2,068,654**	**16,216,795**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2018	**0**	**3,026,707**	**4,245,145**	**0**	**7,271,852**
Write-downs	0	-577	-4,039	0	-4,616
Disposals	0	0	-129,436	0	-129,436
Depreciation expense	0	253,269	823,226	0	1,076,495
Other transfers	0	0	129	0	129
Exchange rate differences	0	0	0	0	0
Balance at 12/31/2018	**0**	**3,279,399**	**4,935,025**	**0**	**8,214,424**
Carrying amount at 1/1/2018	**400,660**	**3,456,286**	**1,672,026**	**0**	**5,528,972**
Carrying amount at 12/31/2018	**400,660**	**3,225,003**	**2,308,055**	**2,068,654**	**8,002,371**

Changes in 2017

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
COST					
Balance at 1/1/2017	**400,660**	**6,411,328**	**5,513,272**	**3,141**	**12,328,401**
Acquisitions	0	0	17,806	1,097,437	1,115,243
Write-downs	0	0	-497,088	0	-497,088
Disposals	0	0	-148,383	0	-148,383
Transfers within property, plant and equipment	0	71,665	1,028,913	-1,100,578	0
Other transfers	0	0	2,347	0	2,347
Exchange rate differences	0	0	303	0	303
Balance at 12/31/2017	**400,660**	**6,482,993**	**5,917,170**	**0**	**12,800,823**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2017	**0**	**2,688,069**	**4,002,268**	**0**	**6,690,336**
Write-downs	0	0	-392,956	0	-392,956
Disposals	0	0	-144,145	0	-144,145
Depreciation expense	0	338,638	778,029	0	1,116,667
Other transfers	0	0	2,347	0	2,347
Exchange rate differences	0	0	-398	0	-398
Balance at 12/31/2017	**0**	**3,026,707**	**4,245,145**	**0**	**7,271,851**
Carrying amount at 1/1/2017	**400,660**	**3,723,259**	**1,511,005**	**3,141**	**5,638,065**
Carrying amount at 12/31/2017	**400,660**	**3,456,286**	**1,672,026**	**0**	**5,528,972**

Note 2: **Intangible assets and goodwill**

AMOUNTS IN € INTANGIBLE ASSETS	12/31/2018	12/31/2017
Non-current deferred operating costs	18,651	20,078
Goodwill	228,130	228,130
Other intangible assets	1,925,713	2,502,960
Intangible assets in acquisition and development, and advances	486,291	488,727
Total intangible assets	**2,658,785**	**3,239,895**

The Group's other intangible assets include property rights in the form of software and long-term licenses for trading on foreign markets.

Total investments in intangible assets amounted to €460,358, and were made primarily by the parent company. Investments comprised software for information support for common services, support for the sale of electricity to end-customers and server support.

Changes in 2018

AMOUNTS IN € INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
COST					
Balance at 1/1/2018	**20,078**	**228,130**	**8,465,472**	**488,727**	**9,202,407**
Acquisitions	2,937	0	10,930	446,491	460,358
Write-downs	0	0	-525,178	0	-525,178
Transfers within intangible assets	0	0	448,927	-448,927	0
Other transfers	-4,364	0	0	0	-4,364
Exchange rate differences	0	0	-1,640	0	-1,640
Balance at 12/31/2018	**18,651**	**228,130**	**8,398,511**	**486,291**	**9,131,583**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2018	**0**	**0**	**5,962,512**	**0**	**5,962,512**
Write-downs	0	0	-320,941	0	-320,941
Other transfers	0	0	18,301	0	18,301
Amortization expense	0	0	802,081	0	802,081
Exchange rate differences	0	0	10,845	0	10,845
Balance at 12/31/2018	**0**	**0**	**6,472,798**	**0**	**6,472,798**
Carrying amount at 1/1/2018	**20,078**	**228,130**	**2,502,960**	**488,727**	**3,239,895**
Carrying amount at 12/31/2018	**18,651**	**228,130**	**1,925,713**	**486,291**	**2,658,785**

Changes in 2017

AMOUNTS IN € INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
COST					
Balance at 1/1/2017	**136,759**	**228,130**	**7,672,327**	**200,923**	**8,238,139**
Acquisitions	2,692	0	22,039	986,993	1,011,724
Transfers within intangible assets	0	0	699,189	-699,189	0
Other transfers	-119,373	0	70,641		-48,732
Exchange rate differences	0	0	1,276	0	1,276
Balance at 12/31/2017	**20,078**	**228,130**	**8,465,472**	**488,727**	**9,202,407**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2017	**0**	**0**	**5,176,707**	**0**	**5,176,707**
Amortization expense	0	0	775,869	0	775,869
Exchange rate differences	0	0	9,936	0	9,936
Balance at 12/31/2017	**0**	**0**	**5,962,512**	**0**	**5,962,512**
Carrying amount at 1/1/2017	**136,759**	**228,130**	**2,495,620**	**200,923**	**3,061,432**
Carrying amount at 12/31/2017	**20,078**	**228,130**	**2,502,960**	**488,727**	**3,239,895**

Note 3**: Investment property**

AMOUNTS IN € INVESTMENT PROPERTY	12/31/2018	12/31/2017
Investment property	1,973,457	1,636,065
Total investment property	**1,973,457**	**1,636,065**

In 2018 GEN-I Sofia acquired an additional real estate in Bulgaria in bankruptcy proceedings against a Bulgarian electricity supplier.

Note 4**: Investments in associates**

AMOUNTS IN € INVESTMENTS IN ASSOCIATES	12/31/2018	12/31/2017
Investments in associates	11,275,554	12,395,804
Total investments in associates	**11,275,554**	**12,395,804**

In 2018 the parent company acquired an additional 25% interest in GEN-EL naložbe, d.o.o. and later sold 27.5% interest in GEN-EL naložbe, d.o.o. The Group holds a 25% participating interest in GEN-EL naložbe, d.o.o. as per December 31, 2018.

Note 5**: Financial investments**

AMOUNTS IN € FINANCIAL INVESTMENTS	12/31/2018	12/31/2017
Financial investments	256,722	218,519
Total financial investments	**256,722**	**218,519**

Note 6**: Non-current operating receivables**

The effect of initially applying IFRS 15 and IFRS 9 is described in Note 7.2.

AMOUNTS IN € NON-CURRENT OPERATING RECEIVABLES	12/31/2018	12/31/2017
Non-current operating receivables	3,957,312	1,791,429
Total non-current operating receivables	**3.957.312**	**1.791.429**

Non-current operating receivables comprise receivables from the sale of small power plants in subsidiary GEN-I Sonce.

Note 7: **Inventories**

AMOUNTS IN € INVENTORIES	12/31/2018	12/31/2017
Material	227,856	174,216
Work in progress	521,228	183,770
Total inventories	**749,083**	**357,986**

Inventories of material and work in progress relate to the manufacture of small solar power plants for the self-supply of electricity. In 2017, the subsidiary GEN-I Sonce entered the self-sufficient energy supply market, and offers Slovenian household customers and small businesses the construction of “turnkey” micro solar power plants that facilitate energy independence.

During 2018, the Group recognised €2,579,151 of inventory as an expense. There were no write-downs recognized as an expense, nor was any reversal of any write-down recognized as a reduction of the inventory expense for 2018.

Note 8: **Trade and other receivables**

The effect of initially applying IFRS 15 and IFRS 9 is described in Note 7.2.

Information about the Group’s exposure to credit and market risks, and impairment losses for trade receivables is included in Note 7.7.

AMOUNTS IN € TRADE AND OTHER RECEIVABLES	12/31/2018	12/31/2017
Trade receivables	105,630,706	111,635,226
Deafult interest receivable	385,917	398,033
Current portion of non-current operating recivables	716,013	281,593
Other receivables	947,884	659,595
Total trade and other receivables	**107,680,520**	**112,974,447**

Other receivables in the amount of €947,884 arose mainly from operations to third party accounts.

Note 9: **Prepayments, contract assets and other assets**

AMOUNTS IN € PREPAYMENTS, CONTRACT ASSETS AND OTHER ASSETS	12/31/2018	12/31/2017
Advances and deposits	8,008,817	16,776,724
Current deferred costs and expenses	4,043,436	8,355,280
Contract assets	35,612,737	40,461,189
Total prepayments, contract assets and other assets	**47,664,990**	**65,593,193**

Advances and deposits paid by the Group in the amount of €8,008,817 mostly comprise advances for the purchase of electricity and natural gas and cross-border capacities.

The majority of current deferred costs and expenses in the amount of €4,034,436 comprise deferred expenses for the purchase of electricity and natural gas in the amount which relates to the first quarter of 2019.

Current accrued revenues in the amount of €35,612,737 mainly comprise accrued revenues from customers whose electricity and natural gas purchases for 2018 will be invoiced in 2019 in accordance with contractual provisions.

Note 10**: Current financial investments**

AMOUNTS IN € FINANCIAL INVESTMENTS	12/31/2018	12/31/2017
Current deposits	39,410	39,518
Total financial investments	**39,410**	**39,518**

Current deposits were placed as security in favor of the Italian customs office.

Note 11**: Current derivative financial instruments**

AMOUNTS IN € CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	12/31/2018	12/31/2017
Equity option	697,993	697,993
Options, SWAPs and other derivatives related to business	855,903	0
Derivatives from fx hedging	676,179	-1,380,257
Firm commitment recognized for fair value hedges	-12,551,412	-4,087,493
Fair value for commodity contracts	16,981,091	0
Total current derivative financial instruments	**6,659,754**	**-4,769,757**

Fair value for commodity contracts under IFRS 9 in the amount of €16,981,091 relate to the following periods:

- the 2019 business year in the amount of €20,994,224;
- the 2020 business year in the negative amount of €4,127,884;
- the 2021 business year in the amount of €114,751.

Firm commitment recognized for fair value hedges in the amount of -€12,551,412 primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that were hedged using derivatives (futures) and relate to the following periods:

- the 2019 business year in the amount of €4;
- the 2020 business year in the negative amount of €9,933,646;
- the 2021 business year in the negative amount of €2,617,770.

Note 12**: Current tax assets**

AMOUNTS IN € CURRENT TAX ASSETS	12/31/2018	12/31/2017
Value added tax receivables	24,644,694	22,149,012
Corporate income tax receivables	679,454	429,587
Other tax assets	1,376,463	254,899
Total current tax assets	**26,700,611**	**22,833,498**

Other tax assets mainly comprise excise duty receivables in Italy.

Note 13**: Cash and cash equivalents**

AMOUNTS IN € CASH AND CASH EQUIVALENTS	12/31/2018	12/31/2017
Cash in banks	47,089,654	33,476,573
Call deposits	100,000	4,178,486
Deposits with a maturity of up to 3 months	12,904,275	12,231,180
Cash in hand	460	252
Cash and cash equivalents	**60,094,389**	**49,886,492**

Note 14**: Equity and reserves**

Share capital comprises the owners' cash contributions in the amount of €19,877,610.

Reserves

AMOUNTS IN € RESERVES	12/31/2018	12/31/2017
Legal reserves	1,987,761	1,987,761
Fair value reserves	-47,483	-19,972
Translation reserve	-960,738	-883,876
Total	**979,540**	**1,083,913**

The Group's share capital was unchanged in 2018. Legal reserves amounted to €1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of €47,483 at the end of 2018.

Exchange rate differences which arose from the conversion of the financial statements of foreign subsidiaries are recognized in other comprehensive income as a foreign currency translation reserve.

Retained earnings

AMOUNTS IN € RETAINED EARNINGS	12/31/2018	12/31/2017
Net profit or loss for the period	12,908,860	13,463,405
Retained net profit or loss	49,426,908	40,891,772
Total	**62,335,768**	**54,355,177**

Total retained earnings, which amounted to €54,355,177 at the end of the previous year, were increased by net profit in the amount of €12,908,860 and reduced by dividend payments to the parent company's owners in the amount of €4,000,000, adjustment on initial application of IFRS9 in the amount of €653,100, exchange rate differences in the amount of €33,986 and other elimination of retained earnings in amount of €241,183.

Note 15: **Financial liabilities**

AMOUNTS IN € NON-CURRENT FINANCIAL LIABILITIES	12/31/2018	12/31/2017
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	258,294	387,441
Non-current liabilities for bonds	39,700,000	27,000,000
Non-current finance lease liabilities	156,954	275,341
Total long-term loans and borrowings	**45,115,248**	**32,662,782**

AMOUNTS IN € CURRENT FINANCIAL LIABILITIES	12/31/2018	12/31/2017
Bank loans	5,000,000	5,819,036
Loans and borrowings from others	129,147	129,147
Current interest payable	626,080	756,863
Other current financial liabilities	24,867,778	26,839,852
Current finance lease liabilities	94,887	108,423
Total short-term loans and borrowings	**30,717,892**	**33,653,321**

The parent company issued bonds in 2016 in the amount of €13,000,000 out of which were repaid in 2018 in the amount of €7,300,000 and issued new bonds in 2018 in the amount of €20,000,000.

The Compay received new non-current loan in the amount of €5,000,000 and reduced non-current loans by €5,000,000 as a result of the transfer of the current portion of the loan that matures in 2019. Subsidiary Elektro energija, d.o.o. paid the current loan in amount of €819,036 in 2018. Other current financial liabilities relates to commercial paper at the parent company that matures in June 2019.

Loans received were recognized at fair value less acquisition costs. At the reporting date, they were measured at amortized cost less principal payments, taking into account acquisition costs, discounts and premiums.

Note 16: **Cost and maturity of financial lilbilities**

At the reporting date, the Group's liabilities from bank loans totaled €10,000,000. A long-term loan matures in 2020. Loans from Slovenian commercial banks are secured with bills of exchange. The Group also has liabilities in the amount of €387,441 relating to loans from the Eko Sklad. Of the aforementioned amount, a portion of a loan in the amount of €129,147 matures in 2019, while the remainder represents a part of a long-term loan in the amount of €258,294 that matures till 2021. The Group issued bonds in 2016 and

2018 that mature in 2019 and 2022. In 2018 the bonds were listed on the organized market of the Ljubljana Stock Exchange.

Loans bear variable interest rates tied to the 3 and 6-month EURIBOR plus a mark-up, while bonds bear a fixed interest rate. Interest expenses for long-term, short-term and revolving loans from domestic commercial banks and others, commercial paper, bonds, equity option contracts, finance leases an default interests amounted to €1,593,708 during the 2018 business year. The Group's current interest payable amounted to €626,080 on the final day of the business year.

Note 17: **Non-current trade and other payables**

AMOUNTS IN € ITEMS	12/31/2018	12/31/2017
Non-current trade and other payables	45,782	45,782
Total non-current trade and other payables	**45,782**	**45,782**

Note 18: **Provisions**

AMOUNTS IN € PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	TOTAL PROVISIONS
Balance at 1/1/2018	**651,182**	**651,182**
Creation of provisions	224,115	224,115
Provisions used	-22,245	-22,245
Reversal of provisions	-102,858	-102,858
Balance at 12/31/2018	**750,194**	**750,194**

The Group created provisions for long-service bonuses and for severance payments at retirement and in the event of employment termination based on the current value of its liabilities to employees. Additional provisions were created at the parent company in 2018 in the amount of €215,666 and at GEN-I Milano in the amount of €8,449.

Note 19: **Deferred income**

AMOUNTS IN € ITEMS	12/31/2018	12/31/2017
Deferred government grants	45,963	0
Total deferred income	**45,963**	**0**

Note 20**: Deferred tax assets**

AMOUNTS IN € DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES 2018	2017
Intangible assets	157,080	139,613
Property, plant and equipment	811	811
Operating receivables	1,102,562	1,014,250
Provisions for severance payments and long-service bonuses	86,401	77,326
Deferred tax assets (liabilities)	**1,346,854**	**1,232,000**

The Group has created deferred tax assets for operating receivables, for provisions created for long-service bonuses and severance payments, and for differences in the amortization of intangible assets for reporting and tax purposes.

Deferred tax assets that effect operating results are recognized in the income statement.

Changes in temporary differences

AMOUNTS IN € CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2016	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2017	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2017
intangible assets	113,567	26,046	0	139,613	17,467	0	157,080
Property, plant and equipment	0	811	0	811	0	0	811
Operating receivables	1,053,222	-38,972	0	1,014,250	88,312	0	1,102,562
Provisions for severance payments and long-service bonuses	77,230	96	0	77,326	9,075	0	86,401
Total	**1,244,019**	**-12,019**	**0**	**1,232,000**	**114,854**	**0**	**1,346,854**

Deferred tax assets are calculated at a rate of 19%.

Note 21: **Current trade and other payables**

AMOUNTS IN € CURRENT TRADE AND OTHER PAYABLES	12/31/2018	12/31/2017
Trade payables	96,003,453	102,426,039
Current liabilities from third-party transactions	52,877	52,877
Current liabilities to employees	4,013,156	5,403,110
Current liabilities to others	11,182	45,439
Current interest payable to others	-1,296	-1,555
Total current trade and other payables	**100,079,372**	**107,925,910**

Current liabilities to employees comprise liabilities for December salaries, bonuses and other employee earnings.

Note 22: **Advances payable, contract liabilities and other current liabilities**

AMOUNTS IN € ADVANCES PAYABLE, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2018	12/31/2017
Current operating liabilities based on advances	**5,805,156**	**4,237,188**
Accrued costs and expenses	8,887,256	11,416,011
Deferred revenues	550,948	850,670
Accrued costs and deferred revenues	**9,438,204**	**12,266,681**
Total advances payable, contract liabilities and other current liabilities	**15,243,360**	**16,503,869**

Current liabilities for advances received relate to advances received for electricity and natural gas sales to domestic and foreign entities.

Current operating liabilities from accrued costs and expenses in the amount of €8,887,256 primarily relate to purchases of electricity and natural gas that were taken into account in the compilation of the financial statements based on contracts signed with business partners in 2018, but for which the Company had not received invoices by the time the annual report was prepared.

Note 23: **Current tax liabilities**

AMOUNTS IN € CURRENT TAX LIABILITIES	12/31/2018	12/31/2017
Value-added tax liabilities	2,332,795	1,855,743
Corporate income tax liabilities	175,468	2,971,054
Other tax liabilities	1,342,821	1,371,717
Total current tax liabilities	**3,851,084**	**6,198,514**

Other tax liabilities to state and other institutions mainly included liabilities for taxes and contributions for December salaries and for other employment earnings payable by the employer.

Note 24**: Contingent liabilities and assets**

AMOUNTS IN € CONTINGENT LIABILITIES	12/31/2018	12/31/2017
Guarantees and securities	140,681,497	136,354,129
Guarantees and securities – domestic subsidiaries	15,506,632	17,327,918
Guarantees and securities – foreign subsidiaries	32,970,000	39,959,734
Other contingent liabilities	7,696,058	35,331,468
Total contingent liabilities and assets	**196,854,186**	**228,973,250**

Contingent liabilities comprise liabilities from bank guarantees that were issued to various beneficiaries at the request of GEN-I, d.o.o. and its subsidiaries. They may include performance bonds, bid guarantees and guarantees issued by banks for the timely payment of goods and services.

In addition to contingent liabilities, the Group recorded receivables from guarantees and securities received, and other contingent receivables in the amount of €75,331,983. These included guarantees for timely and reliable payment, and performance bonds.

Note 25**: Revenue**

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 7.2. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

The Group recognizes revenue from its core activities over time. In a power or natural gas agreement, a seller transfers control over time and the customer simultaneously receives and consumes the benefits provided by the seller's performance as it performs; therefore, the seller satisfies its performance obligations and recognizes revenue over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity or natural gas by using the output method, that is the invoiced amounts method, which is based on the delivered electricity or natural gas. The same method applies to the sales of small power plants and services. Revenues from rents are recognized on a straight-line basis over the term of the lease.

AMOUNTS IN € SALES REVENUE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues from the sale of goods and materials	2,303,227,980	2,317,253,857
Revenues from the sale of services	54,472,548	52,769,374
Rental income	14,928	6,830
Total	**2,357,715,456**	**2,370,030,061**

The Group's revenues from electricity and natural gas sales amounted to €2,303,227,980 in 2018.

Revenues from services mainly include sales of cross-border transfer capacities.

AMOUNTS IN € REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2018		
Revenues from the sale of goods and materials		1,840,189,538	2,303,227,980
Revenues from the sale of services	7,543,326	46,929,222	54,472,548
Rental income	14,928	0	14,928
Total	**470,596,696**	**1,887,118,760**	**2,357,715,456**

The Group generated 80% of its revenues on foreign markets and 20% on the domestic market in 2018.

AMOUNTS IN € OTHER OPERATING RECURRING INCOME OR EXPENSE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Fair value from commodity contracts	15,991,605	0
Fair value from financial contracts	-30,709,508	0
Hedge ineffectiveness from fair value hedges	555.564	12,753,200
Fair value from FX hedging	3,224,329	-1,440,206
Other operating recurring income	274.896	54,761
Total other operating recurring income or expense	**-10,663,114**	**11,367,755**

Note 26: **Change in value of inventories**

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Change in value of inventories	337,458	183,770
Change in value of inventories	**337.458**	**183.770**

Note 27: **Costs of goods, materials and services**

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Costs of goods and materials sold	2,292,741,493	2,322,178,734
Costs of goods and materials sold	**2,292,741,493**	**2,322,178,734**

The cost of goods sold includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN € COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Costs of energy	322,290	264,745
Materials and spare parts	113,115	95,201
Office supplies	299,940	316,709
Other costs of materials	14,971	12,456
Total cost of materials	**750,315**	**689,111**

AMOUNTS IN € COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Transportation and costs of employees' business trips	285,731	236,148
Maintenance	859,085	906,532
Rents	1,136,088	1,040,682
Bank charges and other fees	2,904,254	3,072,669
Intellectual services	2,093,086	2,341,447
Sponsorship, advertising, promotions and public relations	947,018	1,048,226
Costs of IT services	515,164	378,202
Other services	6,109,529	5,282,196
Total cost of services	**14,849,955**	**14,306,102**

Other services primarily included telecommunications costs, the costs of the trading infrastructure and sales of electricity and natural gas, and costs associated with the manufacture of small solar power plants.

AMOUNTS IN € AUDITING SERVICES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Audit of annual report	89,300	78,100
Other assurance services	3,900	3,900
Total auditing services	**93,200**	**82,000**

AMOUNTS IN € MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2018	2017
< 1 year	801,507	779,913
> 1 < 5 years	1,173,287	1,378,723
> 5 years	721,544	281,696
Total minimum lease payments under non-cancellable operating leases	**2,696,338**	**2,440,332**

Expected liabilities from long-term contracts signed by the Group comprise liabilities for the lease of business premises.

Note 28: **Labor costs**

AMOUNTS IN € LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Wages and salaries	13,592,532	13,957,034
Social security contributions	2,336,954	2,365,533
Other labor costs	2,262,522	1,997,843
Total labor costs	**18,192,008**	**18,320,409**

In 2018, the Group calculated labor costs in line with collective agreements for the electricity sector in countries where the parent company GEN-I, d.o.o. and its subsidiaries operate, the job classifications used by individual companies within the GEN-I Group, and individual employment contracts.

Labor costs include wages and salaries, including the variable element of wages linked to the performance of the Group, social security contributions, additional pension insurance and other labor costs.

Other labor costs include allowances for transportation to and from work and meal allowances, annual leave pay, contributions for additional pension insurance, severance payments and long-service bonuses, and fringe benefits.

Note 29: **Other operating income or expense**

AMOUNTS IN € OTHER OPERATING INCOME	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues from the use and reversal of non-current provisions	86,472	423,883
Gains on the sale of property, plant and equipment and intangible assets	29,055	55,555
Other operating revenues	1,594,326	558,926
Revenues from subsidies, grants and compensation	760,414	597,977
Reversal of negative goodwill	0	55,186
Total other operating income	**2,470,267**	**1,691,527**

Other operating revenues mainly comprise income from sale of receivables and income from penalties received.

AMOUNTS IN € OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Taxes and levies	1,855,698	1,395,983
Losses on sale of property, plant and equipment, and intangible assets, and impairment and write-downs of fixed assets	207,060	12,661
Donations	51,070	60,794
Other operating expenses	757,783	1,371,339
Reversal of goodwill	40,318	0
Total	**2,911,929**	**2,840,777**

AMOUNTS IN € DONATIONS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Humanitarian purposes	12,700	12,214
Charitable purposes	15,120	13,504
Educational ans scientific purposes	6,200	4,300
Sports purposes	10,350	28,376
Cultural purposes	6,700	2,000
Religious and healthcare purposes	0	400
Total	**51,070**	**60,794**

Note 30: **Amortization and depreciation**

AMOUNTS IN € AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Amortization of intangible assets	802,081	775,869
Depreciation of investment property	66,103	16,526
Depreciation of property, plant and equipment	1,076,495	1,116,667
Total amortization and depreciation	**1,944,678**	**1,909,062**

Note 31: **Profit or loss from financing**

AMOUNTS IN € PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Dividend income from interests in subsidiaries	152,589	0
Interest income	333,940	264,195
Net foreign exchange gains	128,375	
Net income from settlement of financial instruments	0	4,046
Other financial income	2,669	327
Financial income	**617,573**	**268,568**
Interest expense	-1,593,708	-1,661,431
Loss on disposal of interests in associates	-1,440	0
Changes in fair value of derivatives	-390,032	-485,571
Net foreign exchange losses	0	-799,328
Other financial costs	-13,572	-8,040
Financial costs	**-1,998,752**	**-2,954,371**
Profit or loss from financing	**-1,381,179**	**-2,685,803**

The majority of financial income was accounted for by default interest, interest from deposits and interest from positive account balances.

Interest expenses included interest on commercial paper, bonds, loans received from banks and other institutions, equity options, finance leases, default interest and from negative account balances.

Expenses in the amount of €390,032 from changes in fair value relate to changes in the fair value of equity and other options.

Note 32: **Income tax expense**

INCOME TAX EXPENSE AMOUNTS IN €	2018	2017
Current tax	3,070,418	3,583,152
Deferred tax	-114,854	12,019
Total	2,955,564	3,595,171

Effective tax rate

AMOUNTS IN €	2018	2017
Gross profit before tax	15,864,425	17,058,576
Statutory tax rate	19%	19%
Income tax at statutory tax rate, prior to changes in tax base	3,014,41	3,241,129
Tax-exempt income	-153,890	98,965
Non-deductible expenses	391,553	339,979
Tax relief	-164,712	-136,220
Non-deductible receivables for tax losses	-170,666	350,531
Effect of tax rates in foreign jurisdictions	39,038	-299,214
Effective tax rate	18,63%	21.08%
Current and deferred income tax	2,955,564	3,595,171

Note 33: **Data on related parties**

Gross earnings in 2018

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	2018	
	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	657,858	3,578,887
Fringe benefits and other remuneration	948,662	2,212,035
Total	1,606,520	5,790,922

Gross earnings in 2017

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	2017	
	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	628,361	2,715,727
Fringe benefits and other remuneration	95,286	815,631
Total	723,647	3,531,358

None of the Group's companies have any outstanding receivables from or liabilities to Management Board members.

7.7. Financial instruments - fair values and and risk management

(A) DETERMINING FAIR VALUE

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

(i) Property, plant and equipment

The fair value of property, plant and equipment from business combinations is equal to their market value. The market value of property is equal to the estimated value for which property, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment and small tools is based on the quoted market price of similar objects.

(ii) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the discounted estimated future value of royalties whose payment will not be necessary thanks to the ownership of the patent or trademark. The fair value of customer relationships obtained through business combinations is determined using a special multi-period excess earnings method, while the value of individual assets is determined after the fair return from all assets that contribute to the cash flow is deducted.

(iii) Operating and other receivables

The fair value of operating and other receivables is equal to the carrying value of future cash flows, discounted using the market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of forward contracts is equal to their quoted market price at the end of the reporting period if the market price is available. If it is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the residual maturity of the contract and using a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at a market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

Note 34**: Classification of financial instruments and fair values**

AMOUNTS IN €	12/31/2018		12/31/2017	
FAIR VALUES	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE				
Derivatives	6,702,852	6,702,852	0	0
Financial assets at fair value through profit or loss	100,000	100,000	0	0
Total	**6,802,852**	**6,802,852**	**0**	**0**
ASSETS CARRIED AT AMORTIZED COST				
Financial assets available for sale	0	0	100,000	100,000
Non-current financial investments	156,722	156,722	118,519	118,519
Non-current operating receivables	3,957,312	3,957,312	1,791,428	1,791,428
Current deposits	39,410	39,410	39,518	39,518
Trade and other receivables	134,381,131	134,381,131	135,807,945	135,807,945
Cash and cash equivalents	60,094,389	60,094,389	49,886,492	49,886,492
Total	**198,628,965**	**198,628,965**	**187,743,902**	**187,743,902**
LIABILITIES CARRIED AT FAIR VALUE				
Derivatives	-43,098	-43,098	-4,769,757	-4,769,757
Total	**-43,098**	**-43,098**	**-4,769,757**	**-4,769,757**
LIABILITIES CARRIED AT AMORTIZED COST				
Unsecured bank loans	-10,000,000	-10,000,000	-10,819,036	-10,819,036
Other financial liabilities	-25,493,858	-25,493,858	-27,596,714	-27,596,714
Liabilities for finance leases	-251,840	-251,840	-383,764	-383,764
Bonds	-39,700,000	-39,700,000	-27,000,000	-27,000,000
Trade and other liabilities	-103,976,238	-103,976,238	-114,170,206	-114,170,206
Borrowings from others	-387,441	-387,441	-516,588	-516,588
Total	**-179,809,377**	**-179,809,377**	**-180,486,310**	**-180,486,310**

At the end of 2018, the Group recognized derivative asset from two call options for a participating interest in GEN-EL in the amount of €697,993 that were classified to Level 2 of the fair value hierarchy. Those assets were valued based on the discounted cash flow method, which in turn is based on data regarding the past operations and assumptions regarding the future operations of GEN-EL, d.o.o. (and the GEN-I Group), a discount rate of 11.51%, annual growth in residual free cash flow of 1% and a discount for lack of marketability.

At the end of 2018, the Company also had two put options for a participating interest in GEN-EL. Based on the valuation method described above, both options are valued 'out of the money', and it is assessed that there are no financial conditions for those options to be exercised.

The remaining value of the derivatives relates to financial and physical commodity deals, currency deals and other derivatives connected to the trading.

Financial and physical commoditiy exchange deals that do not qualify for own use exemption are evaluated according to adequate quotes. For evaluation, settlement prices from relevant exchanges and for relevant products are used. Currency deals are evaluated according to adequate FX rate (official middle exchange rate or forward exchange rate). For evaluation, relevant official middle exchange rates or forward exchange rates are used. Data source for official middle exchange rates are acquired relevant Central Banks, for forward exchange rates we use available market data. These assets and liabilities represent level 1 fair value measurement.

Other physical deals that do not qualify for own use exemption and non-exchange financial deals are evaluated according to adequate price forward curves. Cross border transmission deals are evaluated according to adequate difference between price forward curves. These assets and liabilities represent level 2 fair value measurement.

Financial assets at FTPL represent an equity investment that the Company intends to hold for the long term and is an unqoted equity instrument. The Company uses a cost as an appropriate estimate of fair value for unqoted equity instruments.

The fair value of other current assets and liabilities is practically equal to their carrying amount. The fair value of non-current assets and liabilities is roughly equal to their amortized cost. Those liabilities are classified to Level 3 of the fair value hierarchy.

(B) RISK MANAGEMENT FRAMEWORK

The Company's Management board has overall responsibility for the establishment and overview of the Group's risk management framework. The Management board has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Management board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (currency risk, interest rate risk, commodity price risk).

Note 35**: Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers for electricity and natural gas and from small power plants.

(i) Trade receivables and contract assets

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT 2018	2017
Domestic	27,954,821	38,935,579
Euro area countries	17,776,216	17,857,173
Other European countries	22,530,923	25,309,320
Countries of the former Yugoslavia	23,000,774	28,026,595
Other regions	14,367,973	1,506,559
Total	**105,630,707**	**111,635,226**

AMOUNTS IN € RECEIVABLES	CARRYING AMOUNT 2018	2017
Wholesale customers	79,774,609	63,681,563
Retail customers	25,856,098	47,953,663
Total	**105,630,707**	**111,635,226**

The GEN-I Group uses an active approach to managing credit risks and financial exposure to individual business partners. Its approach is based on the consistent application of internal by-laws and precisely defined procedures for identifying credit risks and assessing exposure to them, determining the permissible limits of risk exposure, and the constant monitoring of the Group's exposure to risks in its dealings with individual business partners. In line with the parent company's credit risk management rules, the Risk Management Department analyzes the creditworthiness of each new trading partner and large customer that wishes to purchase electricity or natural gas from the Group, and assesses the associated risks. This risk assessment serves as the basis for future cooperation, enabling the Group to define credit lines to hedge risks and offer the appropriate payment and delivery conditions with respect to an individual contractual relationship. When monitoring credit risks and daily credit line exposure, the Group divides individual partners into groups according to their credit characteristics (whether it is a company or a group of companies, trading partner, end-customer, or retail customer), geographical position, industry, age structure and maturity of receivables, financial difficulties in the past, and any breaches of contractual obligations based on the estimated level of risk. In order to minimize risks associated with business partners' inability to settle outstanding receivables, the Group pays particular attention to the use of appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are met. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and relevant risk assessments.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

Age structure and changes in impairments of trade and other receivables

AMOUNTS IN € AGING OF RECEIVABLES	GROSS AMOUNT 12/31/2018	IMPAIRMENTS 12/31/2018	GROSS AMOUNT 12/31/2017	IMPAIRMENTS 12/31/2017
Not past due	101,802,249	174,251	101,966,848	7,785
Past due up to 90 days	5,499,755	414,758	9,300,580	-15,535
Past due from 91 to 180 days	446,878	402,190	362,896	251,548
Past due from 181 to 365 days	394,740	361,742	741,956	728,411
More than one year past due	8,666,011	7,776,172	12,697,164	11,122,788
Total	**116,809,633**	**9,129,113**	**125,069,444**	**12,094,997**

AMOUNTS IN € CHANGES IN IMPAIRMENTS	IMPAIRMENTS 2018	IMPAIRMENTS 2017
Opening balance at 1/1	12,748,098	9,001,252
Creation of impairments	2,159,500	3,270,760
Increase as the result of the acquisition of subsidiaries	0	0
Reversal of impairments	0	-105
Write-downs of receivables charged to impairments	-1,550,541	-208,420
Exchange rate differences	0	31,510
Closing balance at 12/31	**13,357,057**	**12,094,997**

The closing balance of ECLs and impairments comprise ECLs and impairments from trade receivables and contracts assests in amount of €9,129,113 and ECLs and impairments from other receivables and financial assets in amount of €4,227,944, out of which the main portion relates to impairments at the subsidiary GEN-I Sofia.

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics –type of customer (retail B2B, retail B2C, trading and small power plants).

ECLs for trade receivables and contract assets are calculated for all open trade receivables and contract assets with the maturity up to 90 days using the relevant loss rates per different time buckets.

Impairments for trade receivables and contracts assets are calculated as the amount representing 90% of trade receivables and contract assets with the maturity of 90 days or more.

In measuring the ECLs and impairments, the Company also takes into consideration the financial and legal instruments used to manage the relevant credit exposure.

(i) **Cash, cash equivalents and other financial assets**
ECLs for other financial assets are measured based on the credit ratings for the relevant country the other financial assets are placed in.

Note 36**: Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Current year (2018)

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	2018						
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,175,917	5,046,528	43,444	5,085,944	0	0
Bonds issued	39,700,000	42,519,807	700,014	5,838,700	3,500,616	29,636,353	2,844,124
Other liabilities	25,927,082	26,751,872	25,378,283	66,332	131,507	175,750	0
Finance lease liabilities	251,840	257,758	109,624	48,151	78,937	21,044	0
Trade and other payables	103,930,456	103,930,456	103,930,456	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	43,098	43,098	43,098	0	0	0	0
Inflow	-6,702,852	-6,702,852	-6,702,852	0	0	0	0
Total	**173,149,624**	**175,976,055**	**128,505,152**	**5,996,628**	**8,797,005**	**29,833,147**	**2,844,124**

Previous year (2017)

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
				2018			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,819,036	10,926,170	5,872,545	49,833	5,003,792	0	0
Bonds issued	27,000,000	28,733,460	220,014	316,333	13,536,348	8,928,636	5,732,129
Other liabilities	28,159,085	28,178,109	27,269,482	468,457	132,970	307,201	0
Finance lease liabilities	383,764	383,764	58,157	50,266	95,281	180,060	0
Trade and other payables	114,124,424	114,124,424	114,124,424	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	4,769,757	4,769,757	4,769,757	0	0	0	0
Inflow	0	0	0	0	0	0	0
Total	**185,256,066**	**187,115,684**	**152,314,379**	**884,889**	**18,768,390**	**9,415,897**	**5,732,129**

The liquidity of the entire Group is managed by the parent company, which carefully monitors and plans short-term solvency and ensures it by coordinating and planning all cash flows within the Group. At the same time, the Group takes into account risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the Group's investment activities.

The Group also constantly monitors and optimizes short-term surpluses and shortages of monetary assets, both at the level of individual companies and at the Group level. A liquidity reserve in the form of credit lines approved by commercial banks, the diversification of financial liabilities, the constant adjustment of the maturities of liabilities and receivables, and the consistent collection of receivables are all factors that facilitate the Group's successful cash-flow management, thus ensuring its purchasing power and reducing the level of short-term solvency risks. Thanks to the Group's active approach to financial markets, its good performance in the past and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely manageable.

The Group's long-term solvency is ensured by preserving and increasing its share capital and maintaining an appropriate financial balance. To achieve this, the Group adjusts the structure of its financial position to match the maturity of its financial liabilities. As part of liquidity risk management activities, the Management Board intends to further strengthen the Group's long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 37: **Currency risk**

Current year (2018)

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	MKD	BAM
	12/31/2018					
Trade receivables	72,727,808	0	0	1,697,186	6,582,858	4,982,303
Unsecured bank loans	-10,000,000	0	0	0	0	0
Trade payables	-60,448,759	-5,785	-19,576	-1,662,079	-1,515,879	-6,619,414
Gross balance sheet exposure	**2,279,049**	**-5,785**	**-19,576**	**35,107**	**5,056,979**	**-1,637,111**
Estimated forecast sales	2,383,314,549	0	0	0	0	0
Estimated forecast purchases	-2,327,085,262	0	0	0	0	0
Gross exposure	**56,229,287**	**0**	**0**	**0**	**0**	**0**
Net exposure	**58,508,336**	**-5,785**	**-19,576**	**35,107**	**5,056,979**	**-1,637,111**

Previous year (2017)

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	MKD	BAM
	12/31/2017					
Trade receivables	80,051,808	0	0	3,215,000	6,938,015	4,467,787
Unsecured bank loans	-10,819,036	0	0	0	0	0
Trade payables	-79,513,526	-16,438	-6,334	-1,041,583	-1,311,661	-2,680,597
Gross balance sheet exposure	**-10,280,754**	**-16,438**	**-6,334**	**2,173,417**	**5,626,354**	**1,787,191**
Estimated forecast sales	2,309,431,654					
Estimated forecast purchases	-2,256,422,717					
Gross exposure	**53,008,937**	**-16,438**	**-6,334**	**2,173,417**	**5,626,354**	**1,787,191**
Net exposure	**42,728,183**	**-16,438**	**-6,334**	**2,173,417**	**5,626,354**	**1,787,191**

The GEN-I Group is actively involved in establishing a suitable infrastructure for foreign currency transactions and implementing other currency-hedging mechanisms, including forward contracts and currency clauses, particularly in foreign markets outside the euro area.

The GEN-I Group is mainly exposed to currency risks when it carries out its core activities, i.e. electricity and natural gas trading and sales, and cross-border capacity trading, and also with regard to loans and participating interests held in foreign subsidiaries. Given the scope of its operations, the GEN-I Group is exposed to currency risks associated with the Croatian kuna (HRK), Macedonian denar (MKD), Romanian leu (RON) and Turkish lira (TRY).

The Group minimizes currency risks by linking the selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are “naturally” hedged because a portion of expected inflows is balanced out by the expected outflows in the same currency. If necessary, the Group also uses derivatives and a number of forward currency contracts to hedge against these risks.

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
				12/31/2018					
0	9,605,330	0	0	360,604	963,125	167,977	8,543,515	0	0
0	0	0	0	0	0	0	0	0	0
0	-626,527	-2,130	-452,802	-281	-715,755	-2,459,633	-21,464,832	0	0
0	**8,978,803**	**-2,130**	**-452,802**	**360,323**	**247,370**	**-2,291,656**	**-12,921,317**	**0**	**0**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	**8,978,803**	**-2,130**	**-452,802**	**360,323**	**347,370**	**-2,291,656**	**-12,921,317**	**0**	**0**

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
				12/31/2017					
0	1,207,055	0	0	46,572	145,910	88,082	15,474,998	0	0
0	0	0	0	0	0	0	0	0	0
-299	-522,168	-1,012	-751,865	-41,036	-558,121	-1,937,432	-13,394,275	-3,910	-645,782
-299	**684,887**	**-1,012**	**-751,865**	**5,536**	**-412,211**	**-1,849,350**	**2,080,722**	**-3,910**	**-645,782**
-299	**684,887**	**-1,012**	**-751,865**	**5,536**	**-412,211**	**-1,849,350**	**2,080,722**	**-3,910**	**-645,782**
-299	**684,887**	**-1,012**	**-751,865**	**5,536**	**-412,211**	**-1,849,350**	**2,080,722**	**-3,910**	**-645,782**

Note 38**: Interest-rate risk**

AMOUNTS IN € FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/31/2018	12/31/2017
FIXED-RATE INSTRUMENTS		
Financial assets	0	0
Financial liabilities	-64,819,618	-54,223,615
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-10,387,441	-11,335,625

The Group manages interest-rate risks by constantly assessing risk exposure and the possible effects of changing reference interest rates (the variable part) on its costs from financing activities. The Group also monitors its loan portfolio, which could be affected by a change in the relevant interest rates. As part of its risk management activities, the Group monitors interest rate fluctuations on the domestic and foreign markets, and on derivatives markets. The purpose of continuous monitoring activities and analyses is to propose timely protective measures by balancing assets and liabilities in its statement of financial position.

Note 39**: Commodity price risk and hedge accounting**

The core activities of GEN-I Group are international trading of electricity and natural gas, sale of both to end-customers and the related purchase of energy from producers.

The nature of business activity demands that the group carries out constant hedging activities to mitigate the market risk. This hedging activity is carried out through the parent company GEN-I, d.o.o. which is responsible for the centralised management of the Group's portfolio and also needs infrastructure for undertaking hedging activities on commodity exchanges.

Hedging activities to reduce market risk are carried out according to the policy and procedures set by the Risk management department.

Commodity price risk arises from changes in the price resulting from market structure, demand/supply, import/export fees, changes in the price of cross border capacity. This is the risk of losing money as a result of price movements in the energy markets. These market risks are managed using predefined strategies based on sensitivity analyses of portfolios, analyses of the price elasticity of sales portfolios, analyses of CVaR indicators and quantity exposure, as well as an overview of the depth and liquidity of the markets of all portfolios within the GEN-I Group.

The hedged item is a firm commitment. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Hedged items of the group (commodities) are physical electricity and natural gas deals.

The hedging instrument is a standardized forward contract (futures). The group operates on the several commodity exchanges using the following hedging instruments: Futures – Electricity, Natural Gas and Other commodities.

The hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. In general, hedged item and hedging instrument can be of same or different commodity, delivered at same or different times and on same or different markets. However, the hedge should be efficient, which implicitly implies that there should be strong correlation between hedged item and hedging instrument; it is more common that hedged item and hedging instrument belong to same commodity and have same or similar delivery periods.

Expected sources of ineffectiveness that are expected to affect the hedging relationships during their term are the following:

- Profile differences,
- Location differences,
- Timing differences,
- Quantity or notional amount differences,
- Proxy hedging,
- Early Terminations,
- Credit risk.

To demonstrate the economic relationship, there must be an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction as a result of the common underlying or hedged risk. For assessment we usually use qualitative test, that is the assessment if critical terms match. When a hedge relationship is not obvious, the Group also uses quantitative testing, that is a simple scenario analysis method to assess the economic relationship.

Hedging instruments

AMOUNTS IN € PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	<1 YEAR	1-5 YEARS	>5 YEARS
Commodity price risk	29,074,162	16,299,732	0

AMOUNTS IN € THE HEDGING INSTRUMENT	NOMINAL AMOUNT OF THE HEDGING INSTRUMENT	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE THE HEDGING INSTRUMENT IS LOCATED	CHANGES IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2018
		ASSETS	LIABILITIES		
Commodity price risk	45,373,894	n/a*	n/a*	n/a*	13,106,978

* The financial instrument is standardized forward contract (futures) that is daily cash settled.

Hedged item

AMOUNTS IN € THE HEDGED ITEM	CARRYING AMOUT OF THE HEDGED ITEM		CUMULATIVE CHANGE IN THE FAIR VALUE OF THE FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE THE FIRM COMMITMENT IS LOCATED	CHANGES IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2018
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodity price risk	n/a*	n/a*		12,648,611	Derivative financial instruments*	12,551,414

*The hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN € FAIR VALUE HEDGES	HEDGE INEFFECTIVENESS RECOGNIZED IN P&L	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	555,564	Other operating recurring income or expense

8. EVENTS AFTER THE REPORTING PERIOD

9. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2018, including the notes to the consolidated financial statements from page 62 of the financial report onwards.

The Management Board hereby certifies that all relevant accounting principles were consistently used in drafting the consolidated financial statements of the GEN-I Group. Accounting estimates were prepared according to the principles of prudence and due diligence. The Management Board also certifies that this annual report provides a true and fair picture of the assets of the GEN-I Group and its performance in 2018.

The consolidated financial statements and accompanying notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Danijel Levičar,
Member of the Management Board

Robert Golob, Ph.D.
President of the Management Board

Andrej Šajn, MSc
Member of the Management Board

Igor Koprivnikar, Ph.D.
Member of the Management Board

Krško, March 10, 2019

10. CERTIFIED AUDITOR'S REPORT

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenija

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INDEPENDENT AUDITOR'S REPORT
to the owners of GEN-I, d.o.o.

Opinion

We have audited the consolidated financial statements of the company GEN-I, d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2018, 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 (hereinafter 'IFRS').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. 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 for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 year ended 31 December 2018. 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.

Key Audit Matter	**Audit procedures for Key Audit Matter**
Derivatives and Hedge Accounting	
Derivatives are used to manage and protect price risks, currency risks and interest rate risks. In the context of the review, we focused on the adequacy of the fair value calculation and the adequacy of the hedge accounting policy / methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use noticeable inputs.	Our audit procedures covered the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - reconciliation of data on derivatives with third-party approvals;

We were focused on this due to number of contracts, their measurement and complexity related to hedging accounting. Due to the importance and the high degree of judgment / assessment, we considered this accounting estimate as a key audit matter. In the framework of the hedge accounting, we reviewed the appropriateness of the methodology and its implementation. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements and a high degree of judgment / assessment.	- comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing on the basis of a sample of usability and the accuracy of the hedge accounting; - the adequacy of the methodology for accounting for hedging against risks, its implementation and the verification of the calculation of the effectiveness of the hedge; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. In the framework of audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 13.6. Financial instruments - fair value and risk management.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the consolidated financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Group's financial reporting process and for approving 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 auditing rules 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 auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 Group's internal controls.
- 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 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 organization 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 concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 21 June 2018. Our total uninterrupted engagement has lasted 4 years.

Confirmation to the Audit Committee
We confirm that 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 24 April 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Barbara Žibret Kralj, certified auditor.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 24 April 2019

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

11. LIST OF DISCLOSURES

CONSOLIDATED FINANCIAL STATEMENTS

OF GEN-I, D.O.O.

12. SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2018

12.1. Separate statement of financial position of GEN-I, d.o.o. for 2018

AMOUNTS IN € ITEMS	NOTE	12/31/2018	12/31/2017
Property, plant and equipment	1	6,766,803	4,223,682
Intangible assets	2	1,931,339	2,153,975
Interests in subsidiaries	3	15,184,311	15,184,311
Investments in associates	4	11,276,310	12,405,250
Financial investments	5	256,722	218,519
Operating receivables	6	116,780	117,883
Deferred tax assets	19	223,700	194,353
Non-current assets		**35,755,966**	**34,497,973**
Trade and other receivables	7	134,262,961	124,190,363
Prepayments, contract assets and other assets	8	28,607,404	42,705,421
Financial investments	9	6,456,272	6,519,905
Derivative financial instruments	10	6,848,953	0
Current tax assets	11	10,853,238	10,190,470
Cash and cash equivalents	12	28,176,199	21,211,447
Current assets		**215,205,028**	**204,817,606**
Assets		**250,960,993**	**239,315,579**
Share capital	13	19,877,610	19,877,610
Legal reserves	13	1,987,761	1,987,761
Fair value reserves	13	-47,483	-19,536
Net profit or loss for the period	13	12,963,418	13,538,452
Retained earnings	13	46,732,317	37,354,549
Equity		**81,513,623**	**72,738,836**
Financial liabilities	14	31,056,450	18,580,878
Trade and other payables	16	45,782	45,782
Provisions	17	721,657	583,507
Deferred income	18	20,900	0
Non-current liabilities		**31,844,790**	**19,210,168**
Financial liabilities	14	30,534,547	32,650,940
Derivative financial instruments	10	0	4,769,757
Trade and other payables	20	98,396,151	102,898,469
Advances payables, contract liabilities and other liabilities	21	7,987,700	2,984,694
Current tax liabilities	22	684,183	4,062,715
Current liabilities		**137,602,580**	**147,366,574**
Liabilities		**169,447,370**	**166,576,742**
Total equity and liabilities		**250,960,993**	**239,315,579**

The notes are a constituent part of the financial statements and must be read in connection with them.

12.2. Separate income statement of GEN-I, d.o.o. for 2018

AMOUNTS IN € ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues	24	2,368,140,875	2,440,413,032
Cost of goods sold	25	-2,318,568,736	-2,408,176,452
Other operating recurring income or expense	24	-10,357,301	11,147,944
Gross profit or loss		**39,214,837**	**43,384,525**
Cost of materials	25	-583,897	-509,564
Cost of services	25	-10,501,627	-9,272,581
Labor costs	26	-15,506,560	-15,358,765
Other operating income or expenses	27	-844,683	-597,931
Earnings before interest, tax depreciation and amortization (EBITDA)		**11,778,070**	**17,645,684**
Amortization and depreciation	28	-1,348,868	-1,385,177
Impairment loss on trade receivables and contracts assets	29	21,272	-413,903
Operating profit or loss		**10,450,475**	**15,846,604**
Finance income	30	6,194,390	3,108,960
Finance costs	30	-1,836,966	-2,854,151
Profit or loss from financing		**4,357,394**	**254,809**
Profit before tax		**14,807,869**	**16,101,413**
Income tax expense	31	-1,844,451	-2,562,962
Net profit or loss for the period		**12,963,418**	**13,538,452**

The notes are a constituent part of the financial statements and must be read in connection with them.

12.3. Separate statement of other comprehensive income of GEN-I, d.o.o. for 2018

AMOUNTS IN € COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Net profit or loss for the period	**12,963,418**	**13,538,452**
Items that are or may be reclassified to the income statement	**0**	**0**
Change in fair value of cash flow hedges transferred to the income statement	0	0
Deferred tax from comprehensive income	0	0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-27,948**	**18,017**
Other comprehensive income for the period, net of tax	**-27,948**	**18,014**
Total comprehensive income (loss) for the period	**12,935,470**	**13,556,466**

The notes are a constituent part of the financial statements and must be read in connection with them

12.4. Separate cash flow statement of GEN-I, d.o.o. for 2018

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	12,963,418	13,538,452
Adjustments for		
Amortization and depreciation	1,348,868	1,385,177
Write-downs of property, plant and equipment	812	1,732
Gain on the sale of property, plant and equipment, intangible assets and investment property	-19,016	-46,498
Financial income	-6,194,390	-3,108,960
Financial costs	1,768,462	2,103,258
Income tax	1,844,451	2,562,962
Operating profit before changes in net current assets and taxes	**11,712,604**	**16,436,123**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	-29,614,584	-24,675,238
Change in prepayments and other assets	14,098,017	-4,061,282
Change in operating liabilities	-7,880,849	9,973,645
Change in advances received and other current liabilities	5,003,006	-5,105,534
Change in provisions	138,150	237,988
Change in deferred income	20,900	0
Income tax paid	-2,393,308	-1,212,489
Net cash flow from operating activities	**-8,916,065**	**-8,406,787**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	112,714	79,115
Dividends received	6,095,593	3,022,108
Proceeds from the sale of property, plant and equipment and intangible assets	35,941	57,965
Proceeds from sale of subsidiaries	516,381	0
Proceeds from sale of associates	12,403,940	0
Proceeds from decrease in loans granted	68,480,000	80,183,992
Acquisitions of property, plant and equipment and intangible assets	-3,689,003	-1,633,893
Acquisitions of subsidiaries	-500,000	-1,050,000
Acquisitions of associates	-11,275,000	0
Acquisitions of other investments	-175,000	-1,183,564
Outflows for increase in loans granted	-68,405,500	-83,660,900
Net cash flow from investing activities	**3,600,067**	**-4,185,177**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,509,212	-1,180,531
Repayment of long-term loans	0	-277,226
Repayment of short-term loans	-150,518,013	-132,390,988
Proceeds from long-term loans received	25,000,000	504,152
Proceeds from short-term loans received	143,307,975	132,201,849
Dividends paid	-4,000,000	-4,000,000
Net cash flow from financing activities	**12,280,750**	**-5,142,743**
Cash and cash equivalents at beginning of period	**21,211,447**	**38,946,153**
Net increase in cash and cash equivalents	**6,964,752**	**-17,734,706**
Cash and cash equivalents at end of period	**28,176,199**	**21,211,447**

The notes are a constituent part of the financial statements and must be read in connection with them.

12.5. Separate statement of changes in equity of GEN-I, d.o.o.

2018

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2017	**19,877,610**	**1,987,761**	**-19,536**	**13,538,452**	**37,354,549**	**72,738,837**
Adjustment on initial application of IFRS9, net of tax					**-177,403**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Net profit or loss for the period	0	0	0	12,963,418	0	12,963,418
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0	0	0	0
Actuarial gains (losses)	0	0	-27,948	0	0	-27,948
Total other comprehensive income	**0**	**0**	**-27,948**	**0**	**0**	**-27,948**
Total comprehensive income (loss) for the period	**0**	**0**	**-27,948**	**12,963,418**	**0**	**12,935,470**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	-13,538,452	13,538,452	0
Dividends (shares) paid out	0	0	0	0	-4,000,000	-4,000,000
Other reversals of equity components	0	0	0	0	16,719	16,719
Balance at 12/31/2018	**19,877,610**	**1,987,761**	**-47,483**	**12,963,418**	**46,732,317**	**81,513,623**

The notes are a constituent part of the financial statements and must be read in connection with them.

2017

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2016	**19,877,610**	**1,987,761**	**-37,549**	**8,614,357**	**32,745,392**	**63,187,570**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Net profit or loss for the period	0	0	0	13,538,452	0	13,538,452
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0	0	0	0
Actuarial gains (losses)	0	0	18,014	0	0	18,014
Total other comprehensive income	**0**	**0**	**18,014**	**0**	**0**	**18,014**
Total comprehensive income (loss) for the period	**0**	**0**	**18,014**	**13,538,452**	**0**	**13,556,465**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	-8,614,357	8,614,357	0
Dividends (shares) paid out	0	0	0	0	-4,000,000	-4,000,000
Other reversals of equity components	0	0	0	0	-5,199	-5,199
Balance at 12/31/2017	**19,877,610**	**1,987,761**	**-19,536**	**13,538,452**	**37,354,549**	**72,738,836**

The notes are a constituent part of the financial statements and must be read in connection with them.

13. NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2018

13.1. Reporting entity

The reporting company GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is domiciled in Slovenia. Its registered office is at Vrbina 17, SI-8270 Krško, Slovenia.

The Company's core activities include the supply of electricity and natural gas to end customers, the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants, the provision of advanced services to business partners, and electricity and natural gas trading.

The financial statements of GEN-I, d.o.o. have been compiled for the business year that ended on December 31, 2018. GEN-I, d.o.o. is the controlling company of the GEN-I Group, for whom consolidated financial statements are compiled. The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

13.2. Basis of preparation

(A) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the provisions of the Companies Act.

The financial statements were approved by the Company's Management Board on March 10, 2019.

The financial statements were compiled in accordance with the assumption of a going concern.

This is the first set of Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied.

(B) MEASUREMENT BASIS

The financial statements were compiled on a historical cost basis, except in the case of derivatives and financial instruments at fair value through profit or loss, where fair value was used.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are expressed in euros, the Company's functional currency. All accounting data presented in euros is rounded to the nearest integer.

(D) USE OF ESTIMATES AND JUDGMENTS

When preparing these financial statements, the Company's management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- measurement of ECL allowance for trade receivables and contract assets,
- employee earnings,
- provisions,
- contingent liabilities, and
- derivatives.

(E) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of amendments to existing standards are also effective from 1 January 2018, but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognized on financial assets (see B(ii)).

A. IFRS 15 Revenue from Contracts with Customers

IFRS15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method. The information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Company recognizes revenue from its core activities over time. In a power or natural gas agreement, a seller transfers control over time and the customer simultaneously receives and consumes the benefits provided by the seller's performance as it performs; therefore, the seller satisfies its performance obligations and recognizes revenue over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity or natural gas by using the output method, that is the invoiced amounts method, which is based on the delivered electricity or natural gas.

Following the above IFRS 15 did not have a significant impact on the Company's accounting policies.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in other operating expenses. Consequently, the Company reclassified impairment losses amounting to €413,903, recognized under IAS 39, from 'other operating expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss for the year ended 31 December 2017. Impairment losses on other financial assets are not significant and are also presented under 'impairment loss on trade receivables and contract assets'.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see (iv)).

AMOUNTS IN € RETAINED EARNINGS	NOTE	IMPACT OF ADOPTING IFRS 9 ON OPENING BALANCE
Recognition of expected credit losses under IFRS 9	(ii)	(177.403)
Related tax		0
Impact at 1 January 2018		**(177.403)**

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (hereinafter FVOCI) and fair value through profit and loss (hereinafter FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (iii)).

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 13.3 (b).

The Company has reclasiffied one equity investment amounting to €100,000 from Held-to-maturity financial instrument to FVTPL without any impact on the Company's financial statements. This equity investment represent investment that the Company intends to hold for the long term and is an unqoted equity instrument. The Company uses a cost as an appropriate estimate of fair value for unqoted equity instruments.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements and amounts to €177,403. An increase of €177.403 in the allowance for impairment over trade and other receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.a Under IFRS 9, credit losses are recognized earlier than under IAS 39 – see Note 13.3 (f).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 has resulted in an additional allowance for impairment as follows.

AMOUNTS IN € LOSS ALLOWANCE AT 31 DECEMBER 2017 UNDER IAS 39	1.762.915
Adiitional impairment recognized at 1 January on:	
Trade receivables and contract assets	154.775
Cash, cash equivalents and other financial assets	22.628
Loss allowance at 1 January 2018 under IFRS 9	**1.940.318**

Additional information about how the Company measures the allowance for impairment is described in Note 34.

(iii) iii. Hedge accounting

The Company has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Company meets hedge accounting requirements for hedges against market risks associated with changes in electricity and natural gas prices.

In order to meet the qualifying criteria for hedge accounting under IFRS 9, the Company updated hedge documentation for all existing hedging relationships under IAS 39 that continue to be eligible under IFRS 9 by incorporating the hedge ratio and the expected sources of ineffectiveness. The Company also removed the retrospective effectiveness test.

Hedging relationships that qualified for hedge accounting in accordance with IAS 39, that also qualify for hedge accounting in accordance with IFRS 9 (after taking into account any rebalancing of the hedging relationship on transition), are regarded as continuing hedging relationships. There were no gain or loss from such rebalancing recognized in P&L.

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FTPL.

Changes to hedge accounting policies have been applied prospectively.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

13.3. Significant accounting policies

GEN-I, d.o.o. consistently applied the following accounting policies to all periods presented in its financial statements.

In certain cases, amounts were reclassified between specific items. The amounts in the comparable financial statements were also reclassified for the sake of comparability.

(A) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in profit or loss and presented within finance costs.

(B) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables, loans and deposits are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 2.6). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see Note b)(v) for derivatives designated as hedging instruments.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss. However, see Note b)(v) for derivatives designated as hedging instruments.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

See Note b)(v) for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cashflows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Company uses derivatives to hedge against market and currency risks.

The Company uses forward contracts and various financial trading instruments to hedge against market risks caused by electricity and natural gas price fluctuations. The Company primarily uses forward currency contracts to hedge against currency risks.

The Company uses non-standardized forward contracts to hedge against market risks arising from electricity and natural gas prices and currency risks. These are agreements on the sale or purchase of an underlying instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The prices of forward transactions are determined based on the underlying financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardized forward contract is equal to the difference between the current price of an underlying instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity of the contract depending on changes in current market prices and the residual maturity of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction; they only need to agree on the price of individual forward contracts. Transactions are concluded without the physical presence of goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts, on the other hand, are not liquid because the exchange of these contracts is practically impossible. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivatives also include option contracts that the Company classifies to financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date. If the transaction price is not equal to fair value at the measurement date, the difference is recognized in profit or loss for marketable assets, or deferred and released subsequently in profit loss in accordance with the Company's policy.

Contracts to buy or sell a non-financial item (such as commodity) that can be settled net (either in cash or by exchanging financial instruments) are within the scope of IFRS 9 and are subject to fair value accounting, unless they were entered to, and continue to be held, for the purpose of the receipt or delivery of the non-financial item in accordance with Company's expected purchase, sale or usage requirements –the so called "own use" exemption. (IFRS 9.2.4). Contracts within the scope of IFRS 9 are treated as derivatives and are marked to market through the income statement, unless management can and does elect hedge accounting.

Contracts that result in physical delivery of commodity and the Company does not have a practice to do net settlement and are not entered into for trading, speculative or hedging purposes are accounted for as a normal purchase or sales contract - i.e an unrecognized executory contract. The contracts that result in physical delivery of the commodity, but the Company's practice is to do net settlement and have objectives other than just deliver or purchase electricity or natural gas are treated as derivatives and are measured at fair value through profit and loss.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

At least once a year, during the compilation of the annual financial statements, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value. Gains and losses as the result of changes in fair value are recognized in profit or loss.

Hedge accounting

The Company meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

At the inception of the hedging relationship, and on an ongoing basis, the Company assesses whether a hedging relationship meets the hedge accounting requirements. The assessment relates to expectations and is therefore only forward-looking. To qualify for hedge accounting, a hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship,
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

At each reporting date, the Company measures hedge ineffectiveness, that is the extent to which the changes in the fair value of the hedging instrument are greater or less than those on the hedged item.

Fair value hedges

The Company calculates fair value hedges against the risk of fluctuating prices for standardized and non-standardized forward contracts and transactions by recognizing changes in the fair value of derivatives immediately in profit or loss. Gains or losses from hedged items that can be attributed to hedged risks must be adjusted to the book value of the hedged items and recognized in profit or loss. If an unrecognized firm commitment is defined as a hedge item, the subsequent cumulative change in the fair value of the firm commitment that can be attributed to a hedge is recognized as an asset or liability, with the relevant gain or loss recognized in profit or loss. The initial book value of an asset or liability arising from the fulfillment of a firm commitment by the Company is adjusted by including the cumulative change in fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2017 is similar to that applied for 2018.

(C) SHARE CAPITAL

Share capital is the called-up capital contributed by shareholders. The Company's total equity comprises called-up capital, legal reserves, fair value reserves and retained earnings.

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are disclosed at historical cost, less depreciation costs and impairment losses.

The historical cost includes the costs that can be directly attributed to the procurement of assets. Costs of assets produced comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of assets for their intended purpose, costs of disposal and removal, costs of restoring the location of an asset to its original state and capitalized borrowing costs. Any computer software that contributes significantly to an asset's functionality should be capitalized as part of these assets.

Components of items of property, plant and equipment that have different useful lives are accounted for as separate items.

(ii) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized at the carrying amount if future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in profit or loss immediately after they arise.

(iii) Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognized as costs in profit or loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant and equipment.

(iv) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant and equipment. This is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative period are as follows:

• Buildings	33 years
• Parts of buildings	16 years
• Plant and equipment	2 to 5 years.

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 10 years).

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if necessary. Estimates regarding the useful lives of plant and equipment were not revised during the business year.

(E) INTANGIBLE ASSETS

(i) Other intangible assets

Other intangible assets with limited useful lives acquired by the Company are disclosed at historical cost, less amortization costs and accumulated impairment losses.

(ii) Subsequent costs

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost relates. All other costs are recognized as expenses in profit or loss immediately after they arise.

(iii) Amortization

Amortization is calculated based on an asset's historical cost or another amount that is used in its place.

Amortization is recognized in profit or loss using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date an asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with an asset. The estimated useful life for the current and comparative year is as follows:

- Software 5 years.

Other intangible assets such as trading and selling licenses are amortized according to the validity of the issued license in question.

Amortization methods, useful lives and other values are reviewed at the end of each business year and adjusted if necessary.

(F) IMPAIRMENT

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (hereinafter ECLs) on:

- financial assets measured at amortised cost and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, that is in the cases of final court decision on a completed bankruptcy proceedings, completed compulsory settlement or completed execution procedure and for financial assets where the Company expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

The Company assessed the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. A financial asset was considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with a financial asset that is disclosed at fair value in other comprehensive income was measured as the difference between the carrying amount and the fair value of the asset.

Impairment loss associated with a financial asset disclosed at amortized cost was measured as the difference between the asset's carrying amount and the value of estimated future cash flows, discounted at the original effective interest rate.

Impairment loss associated with available-for-sale financial assets was calculated using the current fair value of the asset.

Impairment assessments of significant financial assets were carried out individually. The impairment of remaining financial assets were assessed collectively with regard to their common risk exposure characteristics.

The Company disclosed all impairment losses in profit or loss for the period.

Impairment losses were derecognized if they can be objectively associated with events that occurred after their recognition. Impairment losses associated with financial assets that are stated at amortized cost and with available-for-sale financial assets that are considered debt instruments were derecognized in profit or loss.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amount of non-financial assets (except deferred tax assets) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. Impairment of goodwill and intangible assets with an indefinite useful life not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value, less costs of sale. In determining an asset's value in use, estimated future cash flows are discounted to their current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows.

The impairment of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. The impairment is recognized in the income statement.

With respect to other assets, impairment losses from previous periods are evaluated on the balance sheet date, to determine whether or not there has been a reduction of loss and whether or not the loss still exists. Impairment losses are derecognized if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(G) EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(H) PROVISIONS

Provisions are recognized if the Company has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability in question.

Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement and internal rules, the Company is obliged to pay long-service bonuses and severance payments to employees, and has created long-term provisions for this purpose. There are no other obligations relating to pensions. Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period.

The Company created non-current provisions in 2018 for long-service bonuses and severance payments at retirement as the present value of future payments required to settle liabilities arising from employees' service in the current and future periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 2% was set for the calculation at December 31, 2018, based on the published yields on Slovenian government bonds at December 28, 2018.

Labor costs and interest expenses are recognized in the income statement, while recalculated post-employment benefits and unrealized actuarial gains or losses from severance pay are recognized as an equity item in other comprehensive income.

(I) REVENUES

The Company has initially applied IFRS 15 from 1 January 2018. Information about the Company's accounting policies relating to contracts with customers is provided in Note 24. There was no effect of initially applying IFRS 15.

Revenues from rents are recognized on a straight-line basis over the term of the lease.

(J) GOVERNMENT GRANTS

Government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

(K) FINANCE INCOME AND FINANCE COSTS

Finance income includes dividend income fom interests in subsidiaries and associates, interest income, the net gain on financial assets at fair value through profit or loss and positive exchange rate differences. Interest income is recognized when it arises at a contractually agreed interest rate.

Dividend income is recognized in profit and loss on the date on which the Company's right to receive payment is established.

Finance costs include interest expense, the net loss on financial assets at fair value through profit or loss and negative exchange rate differences. Interest expense is recognized in the income statement at a contractually agreed interest rate.

(L) INCOME TAX

Income tax includes current and deferred tax. Income tax is recognized in the income statement, except where it relates to business combinations or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the business year, using tax rates in force at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is disclosed by taking into account the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the relevant amounts for tax reporting purposes. Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they are reversed, based on laws that are in force at the end of the reporting period.

The Company must reconcile deferred tax assets and liabilities if it has an enforceable right to do so and if these assets and liabilities relate to income tax for the same tax authority and the same taxable unit, or if the tax relates to different taxable units that intend to pay or receive the resulting net amount or settle their liabilities and reverse the assets.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(M) SEGMENT REPORTING

An operating segment is a part of the Company that carries out business activities from which it generates income and incurs costs that relate to transactions with other members of the same group.

In view of the fact that the financial report consists of the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

(N) START OF APPLICATION OF NEW AMENDMENTS TO EXISTING STANDARDS THAT ENTER INTO FORCE DURING THE CURRENT REPORTING PERIOD

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period:

- **IFRS 9 'Financial Instruments';** adopted by the EU on November 22, 2016 (applies to annual periods beginning on or after January 1, 2018);

- **IFRS 15 'Revenue from Contracts with Customers'** and amendments to IFRS 15 Effective Date of IFRS 15; adopted by the EU on September 22, 2016 (apply to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 2 'Share based payment'** – Classification and Measurement of Share-based Payment Transactions, adopted by EU on February 26, 2018 (apply to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 4 'Insurance contracts'** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; adopted by the EU on November 3, 2017 (apply to annual periods beginning on or after January 1, 2018 or when IFRS 9 is applied for the first time);

- **Amendments to IFRS 15 'Revenue from Contracts with Customers'** – Clarifications to IFRS 15 Revenue from Contracts with Customers, adopted by the EU on October 31, 2017 (apply to annual periods beginning on or after January 1, 2018);

- **Amendments to IAS 40 'Investment property'** – Transfers of Investment Property, adopted by the EU on March 14, 2018 (apply to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 1 and IAS 28 'Annual improvements to IFRSs 2014-2016 Cycle' (IFRS 1, IFRS 12, IAS 28),** primarily to eliminate discrepancies and to provide interpretations, adopted by the EU on February 7, 2018 (amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1, 2018);

- **IFRIC 22 'Foreign Currency Transactions and Advance Consideration',** adopted by the EU on March 28, 2018 (apply to annual periods beginning on or after January 1, 2018);

The adoption of these amendments to existing standards did not lead to any significant changes in the Company's financial statements.

(O) STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET IN EFFECT

On the day that these financial statements were approved, the following new standards and amendments to existing standards had been issued by the IASB and adopted by the EU, but were not yet in effect:

- **IFRS 16 Leases,** adopted by the EU on October 31, 2017 (applies to annual periods beginning on or after January 1, 2019);

- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation, adopted by the EU on March 22, 2018 (apply to annual periods beginning on or after January 1, 2019);

- **IFRIC 23 Uncertainty over Income Tax Treatments,** adopted by the EU on October 23, 2018 (applies to annual periods beginning on or after 1 January 2019).

The adoption of IFRS 16 Leases will increase the company's balance sheet assets and liabilities in amount of approximately 2 mio €.

(P) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB BUT NOT YET ADOPTED BY THE EU

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the IASB, with the exception of the following new standards, amendments to existing standards and new interpretations, which at December 31, 2018 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

- **IFRS 14 Regulatory Deferral Accounts** (applies to annual periods beginning on or after January 1, 2016). The European Commission opted not to begin procedures to adopt this interim standard, but will wait for the issue of the final version;

- **IFRS 17 Insurance Contracts** (applies to annual periods beginning on or after January 1, 2021);

- **Amendments to IFRS 3 'Business Combinations'** – Definition of a business (applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January, 2020, and to assets acquistions that occur on or after the beginning of that period);

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Subsequent Amendments (date of application postponed indefinitely until the completion of a research project in connection with the equity method);

- **Amendments to IAS 1 Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'** – Definition of materiality (apply to annual periods beginning on or after January 1,2020),

- **Amendments to IAS 19 Employee Benefits** – Plan Amendment, Curtailment or Settlement (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to IAS 28 Investments in Associates and Joint Ventures** – Long-term Interests in Associates and Joint Ventures (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to various standards (Improvements to IFRS, 2015–2017 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations (apply to annual periods beginning on or after January 1, 2019);

- **Amendments to References to Conceptual Framework in IFRS Standards** – (apply to annual periods beginning on or after January 1, 2020).

The Company does not expect the introduction of these new standards and amendments to existing standards to have a significant impact on its financial statements during initial application.

13.4. Cash flow statement

The Company compiles the cash flow statement according to the indirect method.

13.5. Notes to the financial statements

Note 1: **Property, plant and equipment**

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	12/31/2018	12/31/2017
Land	375,461	375,461
Buildings	2,535,141	2,715,587
Other plant and equipment	1,787,547	1,132,634
Property, plant and equipment under construction and advances	2,068,654	0
Total property, plant and equipment	**6,766,803**	**4,223,682**

The building and associated land in Kromberk account for the majority of property, plant and equipment. Vehicles, computer equipment, furniture and other equipment account for the majority of other plant and equipment.

The Company has cars under finance leases in the amount of €244,781.

Total investments in property, plant and equipment in 2018 amounted to €3,367,987, and relate to purchases of land in Ljubljana, vehicles, computer equipment, investments in fixed assets owned by third parties, furniture and other equipment. Property, plant or equipment are not pledged.

Changes in 2018

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
COST					
Balance at 1/1/2018	**375,461**	**4,427,984**	**4,640,514**	**0**	**9,443,959**
Other acquisitions	0	0	0	3,367,987	3,367,987
Write-downs	0	0	-829	0	-829
Disposals	0	0	-105,551	0	-105,551
Transfers within property, plant and equipment	0	22,275	1,279,239	-1,301,514	0
Other transfers	0	0	0	2,182	2,182
Balance at 12/31/2018	**375,461**	**4.450.259**	**5,813,373**	**2,068,654**	**12,707,747**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2018	**0**	**1,712,396**	**3,507,880**	**0**	**5,220,277**
Write-downs	0	0	-286	0	-286
Disposals	0	0	-88,626	0	-88,626
Other transfers	0	0	0	0	0
Depreciation expense	0	202,721	606,859	0	809,580
Balance at 12/31/2018	**0**	**1,915,118**	**4,025,826**	**0**	**5,940,944**
Carrying amount at 1/1/2018	**375,461**	**2,715,587**	**1,132,634**	**0**	**4,223,682**
Carrying amount at 12/31/2018	**375,461**	**2,535,141**	**1,787,547**	**2,068,654**	**6,766,803**

Changes in 2017

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
COST					
Balance at 1/1/2017	**375,461**	**4,387,011**	**4,074,357**	**0**	**8,836,828**
Other acquisitions	0	0	0	869,166	869,166
Write-downs	0	0	-114,552	0	-114,552
Disposals	0	0	-147,484	0	-147,484
Transfers within property, plant and equipment	0	43,320	825,846	-869,166	0
Other transfers	0	-2,347	2,347	0	0
Balance at 12/31/2017	**375,461**	**4,427,984**	**4,640,514**	**0**	**9,443,959**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2017	**0**	**1,425,926**	**3,189,303**	**0**	**4,615,229**
Write-downs	0	0	-107,653	0	-107,653
Disposals	0	0	-144,145	0	-144,145
Other transfers		-2,347	2,347	0	0
Depreciation expense	0	288,817	568,029	0	856,846
Balance at 12/31/2017	**0**	**1,712,396**	**3,507,880**	**0**	**5,220,277**
Carrying amount at 1/1/2017	**375,461**	**2,961,085**	**885,054**	**0**	**4,221,599**
Carrying amount at 12/31/2017	**375,461**	**2,715,587**	**1,132,634**	**0**	**4,223,682**

Note 2**: Intangible assets**

AMOUNTS IN € INTANGIBLE ASSETS	12/31/2018	12/31/2017
Non-current deferred operating costs	0	4,364
Other intangible assets	1,689,301	1,905,136
Intangible assets in acquisition and development, and advances	242,038	244,474
Total intangible assets	**1,931,339**	**2,153,975**

A major share of the Company's other intangible assets includes property rights in the form of software, which amounted to €1,628,400.

Total investments in intangible assets in 2018 in the amount of €321,016 comprise software for information support for common services, support for the sale of electricity to end customers and server support.

Changes in 2018

AMOUNTS IN € INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
COST				
Balance at 1/1/2018	**4,364**	**6,913,879**	**244,474**	**7,162,717**
Other acquisitions	0	7,948	313,068	321,016
Transfers within intangible assets	0	315,504	-315,504	0
Other transfers	-4,364	0	0	-4,364
Balance at 12/31/2018	**0**	**7,237,332**	**242,038**	**7,479,369**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
Balance at 1/1/2018	**0**	**5,008,743**	**0**	**5,008,743**
Amortization expense		539,288	0	539,288
Balance at 12/31/2018	**0**	**5,548,030**	**0**	**5,548,030**
Carrying amount at 1/1/2018	**4,364**	**1,905,137**	**244,474**	**2,153,975**
Carrying amount at 12/31/2018	**0**	**1,689,301**	**242,038**	**1,931,339**

Changes in 2017

AMOUNTS IN € INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
COST				
Balance at 1/1/2017	**0**	**6,192,703**	**200,923**	**6,393,626**
Other acquisitions	0	21,987	742,741	764,727
Transfers within intangible assets	0	699,189	-699,189	0
Other transfers	4,364	0	0	0
Balance at 12/31/2017	**4,364**	**6,913,879**	**244,474**	**7,162,717**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
Balance at 1/1/2017		**4,480,410**	**0**	**4,480,410**
Amortization expense		528,331	0	528,331
Balance at 12/31/2017	**0**	**5,008,743**	**0**	**5,008,743**
Carrying amount at 1/1/2017	**0**	**1,712,292**	**200,923**	**1,913,215**
Carrying amount at 12/31/2017	**4,364**	**1,905,137**	**244,474**	**2,153,975**

Note 3**: Interests in subsidiaries**

GROUP COMPANIES	% OWNERSHIP		CARRYING AMOUNT		EQUITY OF SUBSIDIARIES		SHARE CAPITAL OF THE MAJORITY SHAREHOLDER	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
GEN-I Athens SMLLC.	100,00%	100,00%	600,000	600,000	970,560	973,872	600,000	600,000
GEN-I BUCHAREST S.R.L.	0,00%	100,00%	0	500,000	0	533,147	0	452,206
GEN-I d.o.o. Beograd	100,00%	100,00%	150,000	150,000	784,873	1,031,318	649,578	648,319
GEN-I Sonce, d.o.o.	100,00%	100,00%	1,000,000	500,000	991,485	481,659	1,000,000	500,000
Gen-I Istanbul LtD.	99,00%	99,00%	844,566	844,566	627,890	862,960	330,098	439,908
Gen-I Energia S.r.l.	100,00%	100,00%	380,000	380,000	172,595	246,499	100,000	100,000
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100,00%	100,00%	39,951	39,951	454,939	412,461	9,934	9,998
GEN-I d.o.o. Sarajevo	100,00%	100,00%	512,847	512,847	770,429	712,750	511,292	511,292
GEN-I dooel Skopje	100,00%	100,00%	20,000	20,000	7,867	7,609	19,940	20,067
GEN-I Sofia SpLLC	100,00%	100,00%	100,830	100,830	-2.932,375	-2,735,393	100,004	100,005
GEN-I Tirana Sh.p.k.	100,00%	100,00%	46,452	46,452	567,957	1,533,995	48,747	45,475
Gen-I Vienna GmbH	100,00%	100,00%	50,000	50,000	922,580	535,526	50,000	50,000
GEN-I Hrvatska d.o.o.	100,00%	100,00%	991,692	991,692	1,459.,813	1,269,551	1,011,804	1,008,065
GEN-I Kiev LLC	100,00%	100,00%	248,224	248,224	836,246	139,790	227,945	227,136
GEN-I Tbilisi LLC	100,00%	100,00%	50,000	50,000	36,140	39,610	41,124	39,182
Elektro energija, d.o.o.	100,00%	100,00%	10,149,750	10,149,750	11,638,941	11,466,512	3,000,000	3,000,000
Total			**15,184,311**	**15,184,311**	**17,309,937**	**17,511,866**	**7,700,466**	**7,751,653**

Investments in subsidiaries were increased by € 500,000 in 2018 related to subsidiary GEN-I Sonce, and reduced by €500,000 due to the liquidation of GEN-I Bucharest to stand at €15,184,311 on December 31, 2018.

Note 4**: Investments in associates**

AMOUNTS IN € INVESTMENTS IN ASSOCIATES	12/31/2018	12/31/2017
Investments in associates	11,276,310	12,405,250
Total investments in associates	**11,276,310**	**12,405,250**

In 2018 the Company acquired an additional 25% interest in GEN-EL naložbe, d.o.o. and later sold 27.5% interest in GEN-EL naložbe, d.o.o. The Company holds a 25% participating interest in GEN-EL naložbe, d.o.o. as per December 31, 2018.

ASSETS OF THE SUBSIDIARY		LIABILITIES OF THE SUBSIDIARY		REVENUE OF THE SUBSIDIARY		NET PROFIT OR LOSS OF THE SUBSIDIARY		NUMBER OF EMPLOYEES IN THE SUBSIDIARY	
12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
21,324,989	18,769,083	20,354.429	17,795,211	186,002,371	172,782,711	304,772	323,872	1	1
0	535,413	0	2,266	0	0	-11,342	-10,744	0	0
24,665,565	17,016,735	23,880,692	15,985,416	227,163,886	301,853,369	376,598	374,427	5	5
16,922,436	15,366,390	15,930,952	14,884,730	5,212,239	3,595,884	10.,79	72,742	26	21
7,232,503	6,500,250	6,604,613	5,637,290	47,052,758	39,917,432	228,384	397,550	3	3
5,193,382	12,458,127	5,020,787	12,211,628	12,295,425	23,391,901	-73,905	126,499	1	1
15,275,729	13,427,986	14,820,790	13,015,525	146,991,341	122,319,657	346,550	302,248	2	0
14,522,741	14,214,988	13,752,312	13,502,237	123,020,480	179,510,197	259,137	201,458	1	1
7,867	8,730	0	1,122	0	0	306	-415	0	0
2,507,771	1,974,805	5,440,146	4,710,198	31,543	30,965	-194,184	-2,876,187	1	1
18,187,366	20,901,984	17,619,409	19,367,988	43,293,314	56,586,613	429,316	1,414,111	2	2
9,307,473	4,912,662	8,384,893	4,377,137	22,986,329	19,247,580	409,513	148,601	1	1
15,129,261	10,314,855	13,669,448	9,045,304	122,028,471	176,398,589	447,667	260,656	9	9
942,651	490,850	106,405	351,060	5,604,111	39,057	689,817	-46,464	1	1
36,464	39,909	324	299	0	0	-5,544	742	0	0
21,661,181	26,451,501	10,022,240	14,984,989	62,105,011	77,572,755	2,072,428	1,915,813	6	20
172,917,379	**163,384,267**	**155,607,442**	**145,872,400**	**1,003,787,278**	**1,173,246,709**	**5,289,893**	**2,604,909**	**59**	**66**

Note 5: **Financial investments**

AMOUNTS IN € FINANCIAL INVESTMENTS	12/31/2018	12/31/2017
Financial investments	256,722	218,519
Total financial investments	**256,722**	**218,519**

Note 6: **Non-current operating receivables**

The effect of initially applying IFRS 15 and IFRS 9 is described in Note 13.2.

AMOUNTS IN € NON-CURRENT OPERATING RECEIVABLES	12/31/2018	12/31/2017
Non-current operating receivables	116,780	117,883
Total non-current operating receivables	**116,780**	**117,883**

Note 7: **Trade and other receivables**

The effect of initially applying IFRS 15 and IFRS 9 is described in Note 13.2.

Information about the Company’s exposure to credit and market risks, and impairment losses for trade receivables, is included in Note 13.6.

AMOUNTS IN € TRADE AND OTHER RECEIVABLES	12/31/2018	12/31/2017
Trade receivables – subsidiaries	82,405,800	67,945,333
Trade receivables – others	51,090,892	56,006,533
Trade receivables	**133,496,692**	**123,951,867**
Default interest receivable	**20,962**	**34,879**
Other receivables	**745,306**	**203,618**
Total operating receivables	**134,262,961**	**124,190,363**

Other receivables in amount of €738,555 arise from operations to third party accounts.

Note 8: **Prepayments, contract assets and other assets**

AMOUNTS IN € PREPAYMENTS, CONTRACT ASSETS AND OTHER ASSETS	12/31/2018	12/31/2017
Advances and deposits	5,083,872	13,066,531
Current deferred costs and expenses	1,482,652	6,261,134
Contract assets	22,040,880	23,377,756
Total prepayments, contract assets and other assets	**28,607,404**	**42,705,421**

Advances and deposits paid by the Company in the amount of €5,083,872 accounted for by advances for the purchase of electricity and natural gas.

Current deferred costs and expenses in the amount of €1,482,652 primarily comprise deferred expenses for the purchase of electricity and natural gas in the amount of €961,825, which relates to the first quarter of 2019.

Contract assets in the amount of €22,040,880 comprise accrued revenues from customers whose electricity and natural gas purchases for 2018 will be invoiced in 2019 in accordance with contractual provisions.

Note 9: **Current financial investments**

AMOUNTS IN € CURRENT FINANCIAL INVESTMENTS	12/31/2018	12/31/2017
Loans to subsidiaries	6,376,500	6,451,000
Current interest receivable	79,772	68,904
Total current financial investments	**6,456,272**	**6,519,905**

Loans to subsidiaries, all of which fall due for payment in 2019, earn interest at rates that are recognized for tax purposes, in accordance with the Rules on recognized interest rates.

Note 10: **Current derivative financial instruments**

AMOUNTS IN € CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	12/31/2018	12/31/2017
Equity option	697,993	697,993
Options, SWAPs and other derivatives related to business	855,903	0
Derivatives from fx hedging	719,277	-1,380,257
Firm commitment recognized for fair value hedges	-12,551,412	-4,087,493
Fair value for commodity contracts under IFRS 9	17,127,192	0
Total current derivative financial instruments	**6,848,953**	**-4,769,757**

Fair value for commodity contracts under IFRS 9 in the amount of €17,127,192 relate to the following periods:

- the 2019 business year in the amount of €21,140,324;
- the 2020 business year in the negative amount of €4,127,884;
- the 2021 business year in the amount of €114,751.

Firm commitment recognized for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that were hedged using derivatives (futures) and relate to the following periods:

- the 2019 business year in the amount of €4;
- the 2020 business year in the negative amount of €9,933,646;
- the 2021 business year in the negative amount of €2,617,770.

Note 11: **Current tax assets**

AMOUNTS IN € CURRENT TAX ASSETS	12/31/2018	12/31/2017
Value added tax receivables	10,325,403	10,190,470
Corporate income tax receivables	520,123	0
Other tax assets	7,712	0
Total current tax assets	**10,853,238**	**10,190,470**

Note 12: **Cash and cash equivalents**

AMOUNTS IN € CASH AND CASH EQUIVALENTS	12/31/2018	12/31/2017
Cash in banks	25,535,032	15,801,781
Call deposits	100,000	4,178,486
Deposits with a maturity of up to 3 months	2,541,167	1,231,180
Total	**28,176,199**	**21,211,447**

Note 13: **Equity and reserves**

In 2018, share capital comprised the owners' cash contributions in the amount of €19,877,610.

Reserves

AMOUNTS IN € RESERVES	12/31/2018	12/31/2017
Legal reserves	1,987,761	1,987,761
Fair value reserves	-47,483	-19,535
Total	**1,940,278**	**1,968,226**

Legal reserves amounted to €1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of €47,483 at the end of 2018.

Retained earnings

AMOUNTS IN € RETAINED EARNINGS	12/31/2018	12/31/2017
Net profit or loss for the period	12,963,418	13,538,452
Retained net profit or loss	46,732,317	37,354,549
Total	**59,695,735**	**50,893,001**

Allocation of retained earnings from previous years

In accordance with a decision of the general meeting of shareholders held in June 2018, the Company paid €4,000,000 in dividends to its two shareholders from its retained earnings from previous years, which totaled €50,893,001. The remaining profit was not distributed. The balance of retained earnings was decreased in 2018 due to the initial application of IFRS 9 in the amount of €177,403 and relate to recognition of expected credit losses and increased as a result of the transfer of provisions to retained net profit or loss in the amount of €16,719.

Distributable profit

GEN-I, d.o.o.'s distributable profit thus amounted to €59,695,735 at December 31, 2018, and comprised net profit from the 2018 business year in the amount of €12,963,418 and retained earnings from previous years in the amount of €46,732,317.

Taking into account the Company's strategy regarding the distribution of profit to owners in the amount of 30% of the net profit generated by the GEN-I Group for each previous business year, and in accordance with Article 20 of the Company's Memorandum of Association and the provisions of Article 494 of the Companies Act (ZGD-1), the Company's Management Board will propose that the general meeting of shareholders distribute and pay out a portion of GEN-I, d.o.o.'s distributable profit in the total amount of €4,000,000 to the Company's owners as follows:

- 50% or €2,000,000 to GEN-EL, d.o.o.
- 50% or €2,000,000 to GEN energija, d.o.o.

The remaining distributable profit in the amount of €55,695,735 remains undistributed.

Note 14: **Financial liabilities**

AMOUNTS IN € NON-CURRENT FINANCIAL LIABILITIES	12/31/2018	12/31/2017
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	258,294	387,441
Non-current liabilities for bonds	25,700,000	13,000,000
Non-current finance lease liabilities	98,156	193,437
Total long-term loans and borrowings	**31,056,450**	**18,580,878**

AMOUNTS IN € CURRENT FINANCIAL LIABILITIES	12/31/2018	12/31/2017
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	442,735	573,518
Other current financial liabilities	24,867,778	26,839,852
Current finance lease liabilities	94,886	108,423
Total short-term loans and borrowings	**30,534,547**	**32,650,940**

The Company issued bonds in 2016 in the amount of €13,000,000 out of which were repaid in 2018 in the amount of €7,300,000 and issued new bonds in 2018 in the amount of €20,000,000.

The Compay received new non-current loan in the amount of €5,000,000 and reduced non-current loans by €5,000,000 due to the transfer of the current portion of the loan that matures in 2019. Other current financial liabilities relates to commercial paper that matures in June 2019.

Loans received were recognized at fair value less acquisition costs. At the reporting date, they were measured at amortized cost less principal payments, taking into account acquisition costs, discounts and premiums.

Note 15: **Cost and maturity of financial liabilities**

At the reporting date, the Company's liabilities from bank loans totaled €10,000,000. A long-term loan matures in 2020. Loans from Slovenian commercial banks are secured with bills of exchange. The Company also has liabilities in the amount of €387,441 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of a loan in the amount of €129,147 matures in 2019, while the remainder represents a part of a long-term loan in the amount of €258,294 that will mature in 2021. The Company issued bonds in 2016 and 2018 that will mature in 2019 and 2022.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR plus a mark-up, while bonds bear a fixed interest rate. Interest expenses for long-term, short-term and revolving loans from domestic commercial banks and others, commercial papers, bonds, equity option contracts, finance leases and default interests amounted to €1,365,082 during the 2018 business year. The Company's current interest payable amounted to €442,735 on the final day of the business year. Of that amount, €16,436 relates to interest on short-term and long-term loans, €314,113 relates to interest on bonds and €112,186 relates to interest on options.

The balance of bank loans at the end of the year was unchanged relative to the previous year.

Note 16: **Non-current trade and other payables**

AMOUNTS IN € ITEMS	12/31/2018	12/31/2017
Non-current trade and other payables	45,782	45,782
Total non-current trade and other payables	**45,782**	**45,782**

Note 17: **Provisions**

The Company created provisions for long-service bonuses and for severance payments at retirement and in the event of employment termination based on the current value of its liabilities to employees. Additional provisions in the amount of €215,666 were created in 2018.

AMOUNTS IN € NON-CURRENT PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	
	2018	2017
Opening balance at 1/1	**583,507**	**345,520**
Provisions created	215,666	347,020
Provisions used	-16,571	-109,032
Provisions reversed	-60,944	0
Closing balance at 12/31	**721,657**	**583,507**

Note 18: **Deferred income**

The Company created deferred income for the subsidy for electric cars received.

AMOUNTS IN € ITEMS	12/31/2018	12/31/2017
Deferred income	20,900	0
Total deferred income	**20,900**	**0**

Note 19: **Deferred tax assets**

AMOUNTS IN € DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES	
	2018	2017
Intangible assets	154,492	139,613
Provisions for severance payments and long-service bonuses	69,208	54,740
Deferred tax assets (liabilities)	**223,700**	**194,353**

The Company created deferred tax assets for provisions for long-service bonuses and severance payments, and for differences in the amortization of intangible assets for reporting and tax purposes.

Deferred tax assets that effect operating results are recognized in the income statement.

Changes in temporary differences

AMOUNTS IN € CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2016	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2017	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2018
Intangible assets	113,567	26,046	0	139,613	14,879	0	154,492
Provisions for severance payments and long-service bonuses	32,866	21,874	0	54,740	14,468	0	69,208
Total	**146,433**	**47,920**	**0**	**194,353**	**29,347**	**0**	**223,700**

Deferred tax assets are calculated at a rate of 19%.

Note 20: **Current trade and other payables**

AMOUNTS IN € CURRENT TRADE AND OTHER PAYABLES	12/31/2018	12/31/2017
Trade payables	74,832,031	79,906,620
Trade payables to subsidiaries	19,729,506	17,833,937
Trade payables	**94,561,537**	**97,740,557**
Current liabilities from third-party transactions	52,877	52,877
Current liabilities to employees	3,782,801	5,117,825
Current liabilities to others	232	-11,237
Other operating liabilities	**3,835,910**	**5,159,465**
Current interest payable to others	**-1,296**	**-1,554**
Total operating liabilities	**98,396,151**	**102,898,469**

Current liabilities to employees comprise liabilities for December salaries, bonuses and other employee earnings.

Note 21: **Advances payable, contract liabilities and other current liabilities**

AMOUNTS IN € ADVANCES PAYABLE, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2018	12/31/2017
Current liabilities based on advances	**3,658,921**	**1,186,654**
Accrued costs and expenses	4,191,285	1,207,504
Deferred revenues	137,493	590,536
Accrued costs and deferred revenues	**4,328,778**	**1,798,040**
Advances payable and other current liabilities	**7,987,700**	**2,984,694**

Current operating liabilities from accrued costs and expenses in the amount of €4,191,285 primarily relate to purchases of electricity and natural gas that were taken into account in the compilation of the financial statements based on contracts signed with business partners in 2018, but for which the Company had not received invoices by the time the annual report was prepared.

Note 22: **Current tax liabilities**

AMOUNTS IN € CURRENT TAX LIABILITIES	12/31/2018	12/31/2017
Value added tax liabilities	0	1,502,324
Corporate income tax liabilities	0	1,635,505
Other tax liabilities	684,183	924,886
Total current tax liabilities	**684,183**	**4,062,715**

Other tax liabilities to state and other institutions mainly included liabilities for taxes and contributions for December salaries and for other employment earnings payable by the employer.

Note 23**: Contingent liabilities and assets**

AMOUNTS IN € CONTINGENT LIABILITIES	12/31/2018	12/31/2017
Guarantees and securities – other	139,281,498	134,454,129
Guarantees and securities – foreign subsidiaries	42,095,839	37,452,765
Other contingent liabilities	5,133,623	26,104,708
Total	**186,510,959**	**198,011,601**

Bank guarantees and securities include payment guarantees, performance guarantees, and tender guarantees. The sureties of subsidiaries and other contingent liabilities relate to guarantees for timely payment.

Note 24**: Revenue**

The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in Note 13.2. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

AMOUNTS IN € REVENUES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues from the sale of goods and materials	2,304,331,448	2,381,062,143
Revenues from the sale of services	63,807,777	59,350,889
Rental income	1,650	0
Total	**2,368,140,875**	**2,440,413,032**

Revenues from the sale of goods and materials in the amount of €2,304,331,448 comprise revenues from the sale of electricity in the amount of €2,270,478,896 and revenues from the sale of natural gas in the amount of €33,852,552.

Revenues from services primarily include revenues from cross-border transfer capacities and other services connected to trading of elelctricity and natural gas.

The Company recognizes revenue from its core activities over time. In a power or natural gas agreement, a seller transfers control over time and the customer simultaneously receives and consumes the benefits provided by the seller's performance as it performs; therefore, the seller satisfies its performance obligations and recognizes revenue over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity or natural gas by using the output method, that is the invoiced amounts method, which is based on the delivered electricity or natural gas. The same method applies to the sales of small power plants and services. Revenues from rents are recognized on a straight-line basis over the term of the lease.

AMOUNTS IN € REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2018
Revenues from the sale of goods and materials	461,434,806	1,842,896,642	2,304,331,448
Revenues from the sale of services	7,062,116	56,745,660	63,807,777
Rental income	1,650	0	1,650
Total	**468,498,572**	**1,899,642,303**	**2,368,140,875**

In 2018, revenues from goods and services sold in Slovenia accounted for 19,78% of total revenues, while revenues from goods and services sold on foreign markets accounted for 80,22% of all revenues.

AMOUNTS IN € OTHER OPERATING RECURRING INCOME OR EXPENSE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Fair value from commodity contracts	16,137,707	0
Fair value from financial contracts	-30,549,797	0
Hedge ineffectiveness from fair value hedges	555.564	12,753,200
Fair value from FX hedging	3,224,329	-1,440,206
Other operating recurring income	274.896	54,761
Total other operating recurring income or expense	**-10,357,301**	**11,367,755**

Note 25: **Costs of goods, materials and services**

AMOUNTS IN € COST OF GOODS SOLD	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Cost of goods sold	2,318,568,736	2,408,176,452
Total	**2,318,568,736**	**2,408,176,452**

The cost of goods sold amounted to €2,318,568,736 in 2018, and includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN € COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Costs of energy	250,412	203,818
Materials and spare parts	111,819	93,861
Office supplies	214,666	202,802
Other costs of materials	7,000	9,082
Total	**589,897**	**509,564**

AMOUNTS IN € COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Maintenance	786,673	771,192
Rents	816,726	674,475
Bank charges and other fees	2,417,615	2,559,023
Intellectual services	1,563,887	1,358,174
Contractual works, meeting attendance fees and student work	384,499	339,066
Advertising, sales promotion and public relations	565,809	622,277
Sponsorship	295,869	326,780
Insurance	210,811	70,217
Entertainment	49,787	38,090
Costs of employees' business travels	91,390	60,004
Telecommunication	1,134,536	957,441
Transportation	130,690	105,212
Public utility services	12,986	10,935
Security	16,116	13,990
Cleaning	148,147	106,525
Training	160,280	231,045
Other services	1,205,505	791,453
Costs of IT services	510,300	236,683
TOTAL	**10,501,627**	**9,272,581**

Costs of services increased in 2018 comparing to 2017 due the accelerated development of two ongoing projects, digitalization and e-mobility.

Costs of other services primarily include the costs of accessing databases for electricity and natural gas trading purposes.

The Company signed an agreement on the auditing of its financial statements for the 2018 business year with the auditors of Deloitte revizija, d.o.o. in the amount of €29,500.

AMOUNTS IN € MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2018	2017
< 1 year	561,186	568,661
> 1 < 5 years	1,059,485	1,345,750
> 5 years	718,544	279,296
Total	**2,339,215**	**2,193,707**

Liabilities from long-term contracts signed for the lease of business premises are expected to amount to a minimum of €2,339,215 in the coming years.

Note 26: **Labor costs**

AMOUNTS IN € LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Wages and salaries	11,701,272	11,891,062
Social security contributions	1,928,324	1,967,354
Other labor costs	1,876,964	1,500,349
Total	**15,506,560**	**15,358,765**

In 2018, the Company calculated labor costs in accordance with the Collective Agreement for the Slovene Electricity Industry, the Company's current job classification and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance and other labor costs.

Other labor costs include allowances for transportation to and from work and meal allowances, annual leave pay, contributions for additional pension insurance, long-service bonuses, and fringe benefits.

Note 27: **Other operating income or expense**

AMOUNTS IN € OTHER OPERATING INCOME OR EXPENSE	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Revenues from the use and reversal of non-current provisions	44,558	19,122
Gains on the sale of property, plant and equipment and intangible assets	19,016	46,498
Other operating revenues	404,903	349,793
Revenues from subsidies, grants and compensation	576,077	392,805
Total	**1,044,555**	**808,217**

AMOUNTS IN € OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Taxes and levies	1,214,826	801,205
Donations	36,050	58,069
Write-downs and impairments of fixed assets	812	1,732
Other operating expenses	637,550	545,142
Total	**1,889,238**	**1,406,149**

The majority of other operating revenues is accounted for by damages received and reminders.

Other operating expenses in the amount of €637,550 primarily comprises membership fees, non-deductible expenses for tax purposes, and taxes.

AMOUNTS IN € DONATIONS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Humanitarian purposes	12,700	11,964
Charitable purposes	2,600	12,029
Healthcare purposes	0	400
Scientific objectives	200	0
Educational purposes	6,000	4,300
Sports purposes	10,350	28,376
Cultural purposes	4,200	1,000
Total	**36,050**	**58,069**

Note 28**: Amortization and depreciation**

AMOUNTS IN € AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Amortization of intangible assets	539,288	528,331
Depreciation of property, plant and equipment	809,580	856,846
Total	**1,348,868**	**1,385,177**

Note 29**: Impairment loss on trade receivables and contracts assets**

AMOUNTS IN € IMPAIRMENT LOSS ON TRADE RECEIVABLES AND CONTRACTS ASSETS	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Impairment loss and revaluation on trade receivables and contracts assets	-21,272	413,903
Total	**-21,272**	**413,903**

Note 30**: Profit or loss from financing**

AMOUNTS IN € PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2018	GENERATED FROM 1/1 TO 12/31/2017
Dividend income from interests in subsidiaries	5,122,033	3,022,108
Dividend income from interests in associates	973,560	0
Interest income	98,746	82,514
Net income from settlement of financial instruments	0	4,046
Other financial income	51	291
Financial income	**6,194,390**	**3,108,960**
Interest expense	-1,365,082	-1,430,403
Losses on the liquidation of subsidiaries	0	-186,975
Changes in fair value of derivatives	-390,032	-485,571
Net foreign exchange losses	-68,535	-750,893
Other financial costs	-13,348	-308
Financial costs	**-1,836,996**	**-2,854,151**
Profit or loss from financing	**4,357,394**	**254,809**

The following subsidiaries paid dividends in 2018: Elektro Energija, d.o.o. in the amount of €1,900,000, GEN-I Tirana Sh.p.k. in the amount of €1,506,496, GEN-I d.o.o. Beograd in the amount of €383,322, GEN-I Prodažba na energija dooel Skopje in the amount of €300,531, GEN-I Athens SMLLC in the amount of €299,977, GEN-I Zagreb in the amount of €263,398, GEN-I Istanbul in the amount of €250,344 and GEN-I d.o.o. Sarajevo in the amount of €201,556. The Company recognized financial income from the liquidation of the subsidiary gen-I Bucharest in amount of €16,408.

In 2018, the Company received dividends also from associate Company GEN EL, d.o.o. in the amount of €975,000.

Interest income included default interest, interest from loans granted, and interest from deposits and positive bank balances.

The net effect of exchange rate differences were expenses in the amount of €68,535.

Interest expenses included interest on commercial paper, bonds, loans received from banks and other institutions, equity options, finance leases, default interest and from negative account balances.

Expenses in the amount of €390,032 from changes in fair value relate to changes in the fair value of equity and other options.

Note 31**: Income tax expense**

INCOME TAX EXPENSE AMOUNTS IN €	2018	2017
Current tax	1,873,798	2,610,882
Deferred tax	-29,347	-47,920
Total	**1,844,451**	**2,562,962**

Effective tax rate

AMOUNTS IN €	2018	2017
Gross profit before tax	14,807,869	16,101,413
Statutory tax rate	19%	19%
Income tax at statutory tax rate, prior to changes in tax base	2,813,495	3,059,268
Tax-exempt income	-941,992	-547,280
Non-deductible expenses	102,810	167,439
Tax relief	-129,863	-116,465
Effective tax rate	**12.46%**	**15.92%**
Current and deferred income tax	**1,844,451**	**2,562,962**

Note 32: Data on related parties

Gross earnings in 2018

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	571,133	2,939,633
Fringe benefits and other remuneration	863,499	1,983,219
Total	**1,434,632**	**4,922,852**

Gross earnings in 2017

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	589,493	2,251,561
Fringe benefits and other remuneration	48,294	708,796
Total	**637,787**	**2,960,357**

Net Remuneration of members of the Management Board in 2018

2018	NET					
AMOUNTS IN € REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE BONUS	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	74,239	9,579	796	136,193	14,371	235,178
Andrej Šajn, MSc	59,596	7,691	1,292	70,624	5,523	144,726
Igor Koprivnikar, Ph.D.	67,209	8,674	1,212	103,427	7,115	187,637
Danijel Levičar	55,538	7,164	1,236	37,175	7,951	109,064
Total	**256,582**	**33,108**	**4,536**	**347,419**	**34,960**	**676,605**

Net Remuneration of members of the Management Board in 2017

2017 AMOUNTS IN € REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	NET FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	80,503	9,545	588	12,548	103,184
Andrej Šajn, MSc	64,203	6,892	1,120	5,351	77,566
Igor Koprivnikar, Ph.D.	67,001	6,689	1,047	15,881	90,618
Danijel Levičar	56,057	5,532	1,236	6,855	69,680
Total	**267,764**	**28,658**	**3,991**	**40,635**	**341,048**

The Company does not have any outstanding receivables from or liabilities to Management Board members.

13.6. Financial instruments – fair values and risk management

(A) DETERMINING FAIR VALUE

In accordance with the Company's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Company's individual assets or liabilities.

(i) Property, plant and equipment

The fair value of property, plant and equipment from business combinations is equal to their market value. The market value of property is equal to the estimated value for which property, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment and small tools is based on the quoted market price of similar objects.

(ii) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the discounted estimated future value of royalties whose payment will not be necessary thanks to the ownership of the patent or trademark. The fair value of customer relationships obtained through business combinations is determined using a special multi-period excess earnings method, while the value of individual assets is determined after the fair return from all assets that contribute to the cash flow is deducted.

(iii) Operating and other receivables

The fair value of operating and other receivables is equal to the carrying value of future cash flows, discounted using the market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of forward contracts is equal to their quoted market price at the end of the reporting period if the market price is available. If it is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the residual maturity of the contract and using a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at a market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

Note 33**: Classification of financial instruments and fair values**

AMOUNTS IN € FAIR VALUES	NOTE	12/31/2018		12/31/2017	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE					
Derivatives	10	6,848,953	6,848,953	0	0
Financial assets at fair value through profit or loss	5	100,000	100,000		
Total		**6,948,953**	**6,948,953**	**0**	**0**
ASSETS CARRIED AT AMORTIZED COST					
Financial assets available for sale	5	0	0	100.000	100.000
Non-current financial receivables	5	156,722	156,722	118,519	118,519
Non-current operating receivables	6	116,780	116,780	117,883	117,883
Current loans	9	6,456,272	6,456,272	6,519,905	6,519,905
Trade and other receivables	7,11	145.116.199	145.116.199	134.380.833	134.380.833
Cash and cash equivalents	12	28,176,199	28,176,199	21,211,447	21,211,447
Total		**180,022172**	**180,022,172**	**162,448,586**	**162,448,586**
LIABILITIES CARRIED AT FAIR VALUE					
Derivatives	19			-4,769,757	-4,769,757
Total		**0**	**0**	**-4,769,757**	**-4,769,757**
LIABILITIES CARRIED AT AMORTIZED COST					
Unsecured bank loans	14	-10,000,000	-10,000,000	-10,000,000	-10,000,000
Other financial liabilities	14	-25,310,513	-25,310,513	-27,413,370	-27,413,370
Liabilities for finance leases	14	-193,042	-193,042	-301,860	-301,860
Bonds	14	-25,700,000	-25,700,000	-13,000,000	-13,000,000
Trade and other liabilities	16,20,22	-99,126,116	-99,126,116	-107,006,965	-107,006,965
Borrowings from others	14	-387,441	-387,441	-516,588	-516,588
Total		**-160,717,113**	**-160,717,113**	**-158,238,784**	**-158,238,784**

At the end of 2018, the Company recognized derivative assets from two call options for a participating interest in GEN-EL in the amount of €697,993 that were classified to Level 2 of the fair value hierarchy. Those assets were valued based on the discounted cash flow method, which in turn is based on data regarding the past operations and assumptions regarding the future operations of GEN-EL, d.o.o. (and the GEN-I Group), a discount rate of 11.51 %, annual growth in residual free cash flow of 1% and a discount for lack of marketability.

At the end of 2018, the Company also had two put options for a participating interest in GEN-EL. Based on the valuation method described above, both options are valued 'out of the money', and it is assessed that there are no financial conditions for those options to be exercised.

The remaining value of the derivatives relates to financial and physical commodity deals, currency deals and other derivatives connected to the trading.

Financial and physical commoditiy exchange deals that do not qualify for own use exemption are evaluated according to adequate quotes. For evaluation settlement prices from relevant exchanges and for relevant products are used. Currency deals are evaluated according to adequate FX rate (official middle exchange rate or forward exchange rate). For evaluation relevant official middle exchange rates or forward exchange rates are used. Data source for official middle exchange rates are acquired relevant Central Banks, for forward exchange rates we use available market data. These assets and liabilities represent level 1 fair value measurement.

Other physical deals that do not qualify for own use exemption and non-exchange financial deals are evaluated according to adequate price forward curves. Cross-border transmission deals are evaluated according to adequate difference between price forward curves. These assets and liabilities represent level 2 fair value measurement.

Financial assets at FTPL represent an equity investment that the Company intends to hold for the long term and is an unqoted equity instrument. The Company uses a cost as an appropriate estimate of fair value for unquoted equity instruments.

The fair value of other current assets and liabilities is practically equal to their carrying amount. The fair value of non-current assets and liabilities is roughly equal to their amortized cost. Those liabilities are classified to Level 3 of the fair value hierarchy.

(B) RISK MANAGEMENT FRAMEWORK

The Company's Management board has overall responsibility for the establishment and overview of the Company's risk management framework. The Management board has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Management board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (currency risk, interest rate risk, commodity price risk).

Note 34**: Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers for electricity and natural gas.

(i) Trade receivables and contract assets

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT	
	12/31/2018	12/31/2017
Domestic	25,243,153	32,427,283
Euro area countries	32,564,096	25,837,566
Other European countries	31,816,127	27,142,694
Countries of the former Yugoslavia	36,879,456	18,020,068
Other regions	6,993,860	20,524,255
Total	**133,496,692**	**123,951,867**

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT	
	12/31/2018	12/31/2017
Wholesale customers	112,305,985	93,222,050
Retail customers	21,190,707	30,729,817
Total	**133,496,692**	**123,951,867**

As explained in greater detail in the business report, GEN-I, d.o.o. uses an active approach to manage credit risks and financial exposure to individual business partners. This approach is based on the consistent application of the Company's internal rules and precisely defined procedures for identifying credit risks and assessing exposure to them, determining the permissible limits of risk exposure, and the constant monitoring of companies' exposure to risks in their dealings with individual business partners. In line with the parent company's credit risk management rules, the Risk Management Department analyzes the creditworthiness of each new trading partner and large customer that wishes to purchase electricity or natural gas from the Company, and assesses the associated risks. This risk assessment serves as the basis for future cooperation, enabling the Company to define credit lines to hedge risks and offer the appropriate payment and delivery conditions with respect to an individual contractual relationship. When monitoring credit risks and daily credit line exposure, the Company divides individual partners into groups according to their credit characteristics (whether it is a company or a group of companies, trading partner, end-customer, or retail customer), geographical position, industry, age structure and maturity of receivables, financial difficulties in the past, and any breaches of contractual obligations based on the estimated level of risk. In order to minimize risks associated with business partners' inability to settle outstanding receivables, the Company pays particular attention to the use of appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are met. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and relevant risk assessments.

Impairment losses on financial assets and contract assets recognized in profit or loss were as follows.

Age structure and changes in impairments of trade and other receivables

AMOUNTS IN € AGING OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENTS	GROSS AMOUNT	IMPAIRMENTS
	12/31/2018		12/31/2017	
Not past due	93,901,692	51,707	92,862,251	0
Past due up to 90 days	38,744,272	40,466	29,194,807	0
Past due from 91 to 180 days	1,539,309	32,933	1,681,714	0
Past due from 181 to 365 days	96,402	83,958	794,790	331,447
More than one year past due	1,663,209	1,472,858	1,419,717	1,431,468
Total	**135,944,883**	**1,681,922**	**125,953,278**	**1,762,915**

AMOUNTS IN € CHANGES IN IMPAIRMENTS OF RECEIVABLES	IMPAIRMENTS	
	2018	2017
Opening balance at 1/1	1,762,914	1,504,949
Creation of impairments	150,403	322,976
Reversal of impairments	0	-105
Write-downs of receivables charged to impairments	-231,396	-64,905
Closing balance at 12/31	**1,681,922**	**1,762,914**

The Company uses an allowance matrix to measure the ECLs of trade receivables and contract assests.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics –type of customer (retail B2B, retail B2C and trading).

ECLs for trade receivables and contract assets are calculated for all open trade receivables and contract assets with the maturity up to 90 days, using the relevant loss rates per different time buckets.

Impairments for trade receivables and contracts assets are calculated as the amount representing 90% of trade receivables and contract assets with the maturity of 90 days or more.

In measuring the ECLs and impairments, the Company also takes into consideration the financial and legal instruments used to manage the relevant credit exposure.

(ii) Cash, cash equivalents and other financial assets

ECLs for other financial assets are measured based on the credit ratings for the relevant country the other financial assets are placed in.

Note 35: **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Current year (2018)

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,175,917	5,046,528	43,444	5,085,944	0	0
Bonds issued	25,700,000	27,639,028	480,000	5,838,700	480,000	20,840,328	0
Other liabilities	25,743,737	25,568,527	25,194,938	66,332	131,507	175,750	0
Finance lease liabilities	193,042	198,960	50,827	48,151	78,937	21,044	0
Trade and other payables	99,080,334	99,080,334	99,080,334	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts used for hedging							
Outflow	0	0	0	0	0	0	0
Inflow	-6,848,953	-6,848,953	-6,848,953	0	0	0	0
Total	**153,868,160**	**155,813,812**	**123,003,674**	**5,996,628**	**5,776,389**	**21,037,122**	**0**

Previous year (2017)

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,103,535	5,049,910	49,833	5,003,792	0	0
Bonds issued	13,000,000	13,632,667	0	316,333	13,316,333	0	0
Other liabilities	27,975,740	27,994,764	27,086,137	468,457	132,970	307,201	0
Finance lease liabilities	301,860	301,860	58,157	50,266	95,281	98,156	0
Trade and other payables	106,961,183	106,961,183	106,961,183	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts used for hedging							
Outflow	4,769,757	4,769,757	4,769,757	0	0	0	0
Inflow	0	0	0	0	0	0	0
Total	**163,008,540**	**158,994,008**	**143,925,144**	**884,889**	**18,548,376**	**405,357**	**0**

The liquidity of the entire Group is managed by the parent company, which carefully and conscientiously monitors and plans short-term solvency on a daily basis, and ensures it by coordinating and planning all cash flows within the Group. At the same time, the Company takes into account risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the Group's investment activities.

The Company also constantly monitors and optimizes short-term surpluses and shortages of monetary assets. A liquidity reserve in the form of credit lines approved by commercial banks, the diversification of financial liabilities, the constant adjustment of the maturities of liabilities and receivables, and the consistent collection of receivables are all factors that facilitate GEN-I, d.o.o.'s successful cash-flow management, thus ensuring its purchasing power and reducing the level of short-term solvency risks. Thanks to the Company's active approach to financial markets, its good performance in the past and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely manageable.

The Company's long-term solvency is ensured by preserving and increasing its share capital and maintaining an appropriate financial balance. To achieve this, the Company adjusts the structure of its financial position to match the maturity of its financial liabilities. As part of liquidity risk management activities, the Management Board intends to further strengthen the Group's long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 36**: Currency risk**

Current year (2018)

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK
		12/31/2018		
Trade receivables	119,532,595	0	0	0
Unsecured bank loans	-10,000,000	0	0	0
Trade payables	-68,740,231	-5,461	-19,576	-610
Gross balance sheet exposure	**40,792,364**	**-5,461**	**-19,576**	**-610**
Estimated forecast sales	2,236,598,528	0	0	0
Estimated forecast purchases	-2,212,229,270	0	0	0
Gross exposure	**24,369,258**	**0**	**0**	**0**
Net exposure	**65,161,622**	**-5,461**	**-19,576**	**-610**

Previous year (2017)

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK
		12/31/2017		
Trade receivables	103,526,632	0	0	0
Unsecured bank loans	-10,000,000	0	0	0
Trade payables	-80,988,554	-16,438	-6,334	-33
Gross balance sheet exposure	**12,538,078**	**-16,438**	**-6,334**	**-33**
Estimated forecast sales	2,378,015,030	0	0	0
Estimated forecast purchases	-2,339,985,278	0	0	0
Gross exposure	**38,029,752**	**0**	**0**	**0**
Net exposure	**50,567,830**	**-16,438**	**-6,334**	**-33**

GEN-I, d.o.o. is actively involved in establishing a suitable infrastructure for foreign currency transactions and implementing other currency-hedging mechanisms, including forward contracts and currency clauses, particularly in foreign markets outside the euro area.

The Company is most exposed to currency risks when carrying out its core activities, i.e. trading and selling electricity and natural gas, and cross-border transfer capacities. Given the scope of the Company's operations, it is exposed to currency risks primarily from the following currencies: the Romanian leu (RON) and the Turkish lira (TRY).

The Company minimizes currency risks by linking the selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are “naturally” hedged because a portion of expected inflows is balanced out by the expected outflows in the same currency. If necessary, the Company also uses derivatives and a number of forward currency contracts to hedge against these risks.

	HUF	TRY	BGN	RON	CZK	PLN
			12/31/2018			
0	5,256,644	163,938	8,543,515	0	0	0
0	0	0	0	0	0	0
-452,802	-1,422,593	-2,455,430	-21,464,832	0	0	0
-452,802	**3,834,050**	**-2,291,492**	**-12,921,317**	**0**	**0**	**0**
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**
-452,802	**3,834,050**	**-2,291,492**	**-12,921,317**	**0**	**0**	**0**

	HUF	TRY	BGN	RON	CZK	PLN
			12/31/2017			
	0	4,867,917	82,321	15,474,998	0	0
	0	0	0	0	0	0
	-751,865	0	-1,934,188	-13,393,453	-3,910	-645,782
	-751,865	**4,867,917**	**-1,851,868**	**2,081,544**	**-3,910**	**-645,782**
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
	-751,865	**4,867,917**	**-1,851,868**	**2,081,544**	**-3,910**	**645,782**

Note 37: **Interest-rate risk**

AMOUNTS IN € FINANCIAL INSTRUMENTS	CARRYING AMOUNT 2018	2017
Fixed-rate instruments		
Financial assets	6,376,500	6,451,000
Financial liabilities	-50,760,820	-40,141,712
Variable-rate instruments		
Financial liabilities	-10,387,441	-10,516,588

The Company manages interest-rate risks by constantly assessing risk exposure and the possible effects of changing reference interest rates (the variable part) on its costs from financing activities. The Company also monitors its loan portfolio, which could be affected by a change in the relevant interest rates. As part of its risk management activities, the Company monitors interest rate fluctuations in the domestic and foreign markets, and in derivatives markets. The purpose of continuous monitoring activities and analyses is to propose timely protective measures by balancing assets and liabilities in its statement of financial position.

Note 38: **Commodity price risk and hedge accounting**

The core activities of GEN-I Group are international trading of electricity and natural gas, sale of both to end-customers and the related purchase of energy from producers.

The nature of business activity demands that the group carries out constant hedging activities to mitigate the market risk. This hedging activity is carried out through the parent company GEN-I, d.o.o. which is responsible for the centralised management of the Group's portfolio and also needs infrastructure for undertaking hedging activities on commodity exchanges.

Hedging activities to reduce market risk are carried out according to the policy and procedures set by the Risk management department.

Commodity price risk arises from changes in the price resulting from market structure, demand/supply, import/export fees, changes in the price of cross-border capacity. This is the risk of losing money as a result of price movements in the energy markets. These market risks are managed using predefined strategies based on sensitivity analyses of portfolios, analyses of the price elasticity of sales portfolios, analyses of CVaR indicators and quantity exposure, as well as an overview of the depth and liquidity of the markets of all portfolios within the GEN-I Group.

The hedged item is a firm commitment. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Hedged items of the Company (commodities) are physical electricity and natural gas deals.

The hedging instrument is a standardized forward contract (futures). The group operates on the several commodity exchanges using the following hedging instruments: Futures – Electricity, Natural Gas and Other commodities.

The hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. In general, hedged item and hedging instrument can be of same or different commodity, delivered at same or different times and on same or different markets. However, the hedge should be efficient, which implicitly implies that there should be strong correlation between hedged item and hedging instrument; it is more common that hedged item and hedging instrument belong to same commodity and have same or similar delivery periods.

Expected sources of ineffectiveness that are expected to affect the hedging relationships during their term are the following:

- profile differences,
- location differences,
- timing differences,
- quantity or notional amount differences,
- proxy hedging,
- early terminations,
- credit risk.

To demonstrate the economic relationship, there must be an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction as a result of the common underlying or hedged risk. For assessment the Company uses qualitative test, that is the assessment if critical terms match. When hedge relationship is not obvious, the Company uses also quantitative testing, that is simple scenario analysis method to assess the economic relationship.

Hedging instruments

AMOUNTS IN € PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF THE HEDGING INSTRUMENTS	NOMINAL AMOUNT 1-5	YEARS	>5 YEARS
Commodity price risk	29,074,162	16,299,732	0

AMOUNTS IN € THE HEDGING INSTRUMENT	NOMINAL AMOUNT OF THE HEDGING INSTRUMENT	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE THE HEDGING INSTRUMENT IS LOCATED	CHANGES IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2018
		ASSETS	LIABILITIES		
Commodity price risk	45,373,894	n/a*	n/a*	n/a*	13,106,978

*The financial instrument is standardized forward contract (futures) that is daily cash settled.

Hedged item

AMOUNTS IN € THE HEDGED ITEM	CARRYING AMOUT OF THE HEDGED ITEM		CUMULATIVE CHANGE IN THE FAIR VALUE OF THE FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE THE FIRM COMMITMENT IS LOCATED	CHANGES IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2018
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodity price risk	n/a*	n/a*		12,648,611	Derivative financial instruments*	12,551,414

*The hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN € FAIR VALUE HEDGES	HEDGE INEFFECTIVENESS RECOGNIZED IN P&L	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	555,564	Other operating recurring income or expense

14. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

15. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the financial statements of GEN-I, d.o.o. for the business year that ended on December 31, 2018, including the notes to the financial statements from page 122 of the financial report onwards.

The Management Board hereby certifies that all relevant accounting principles were consistently used in drafting the Company's financial statements. Accounting estimates were prepared according to the principles of prudence and due diligence. The Management Board hereby certifies that this annual report provides a true and fair picture of GEN-I, d.o.o.'s assets and performance in 2018.

The financial statements and accompanying notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Danijel Levičar,
Member of the Management Board

Robert Golob, Ph.D.
President of the Management Board

Andrej Šajn, MSc
Member of the Management Board

Igor Koprivnikar, Ph.D.
Member of the Management Board

Krško, March 10, 2019

16. CERTIFIED AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of GEN-I, d.o.o.

Opinion

We have audited the financial statements of the company GEN-I, d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter 'IFRS').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 year ended 31 December 2018. 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.

Key Audit Matter	**Audit procedures for Key Audit Matter**
Derivatives and Hedge Accounting	
Derivatives are used to manage and protect price risks, currency risks and interest rate risks. In the context of the review, we focused on the adequacy of the fair value calculation and the adequacy of the hedge accounting policy / methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use noticeable inputs.	Our audit procedures covered the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - reconciliation of data on derivatives with third-party approvals; - comparison of input data used in valuation models, with independent sources and external market data available;

We were focused on this due to number of contracts, their measurement and complexity related to hedging accounting. Due to the importance and the high degree of judgment / assessment, we considered this accounting estimate as a key audit matter. In the framework of the hedge accounting, we reviewed the appropriateness of the methodology and its implementation. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements and a high degree of judgment / assessment.	- a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing on the basis of a sample of usability and the accuracy of the hedge accounting; - the adequacy of the methodology for accounting for hedging against risks, its implementation and the verification of the calculation of the effectiveness of the hedge; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. In the framework of audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 7.7. Financial Instruments - fair value and risk management.

Other information

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

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing 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

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving 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 auditing rules 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 auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization 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.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 21 June 2018. Our total uninterrupted engagement has lasted 4 years.

Confirmation to the Audit Committee
We confirm that 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 24 April 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Barbara Žibret Kralj, certified auditor.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 24 April 2019

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

17. LIST OF DISCLOSURES

GEN-I, trgovanje in prodaja električne energije, d.o.o.
Vrbina 17,
8270 Krško, Slovenija
T: +386 7 48 81 840
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GEN-I, d.o.o.
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W: www.gen-i.si

Klicni center: 080 1558
E: pocenielektrika@gen-i.si
E: poceniplin@gen-i.si

GEN-I SONCE, energetske storitve, d.o.o.
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1000 Ljubljana, Slovenija
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E: sonce@gen-i.si
W: www.gen-isonce.si

Elektro energija, podjetje za prodajo elektrike in drugih energentov, svetovanje in storitve, d.o.o.
Dunajska cesta 119,
1000 Ljubljana, Slovenija
T: +386 1 32 06 400
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W: www.elektro-energija.si

Klicni center: 080 2808
E: moja@elektro-energija.si

GEN-I Hrvatska d.o.o. trgovina i prodaja električne energije
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