gen-i ANNUAL REPORT 2017

PERFORMANCE OF THE GEN-I GROUP AND GEN-I, D.O.O.
DURING THE 2017 BUSINESS YEAR

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1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear business partners, owners and employees,

Behind us is a record year in which we solidified our reputation as one of the fastest growing energy companies in Europe. The GEN-I Group operates on 22 European markets, where it sold a record 52.7 TWh of electricity last year. The Group generated revenues of more than EUR 2.3 billion and thus exceeded planned revenues by more than 50%. It generated a profit of EUR 13.5 million, an increase of 84% relative to 2016.

Today, GEN-I is an internationally oriented group that generates nearly four-fifths of its revenues on foreign markets, while the Group has maintained its leading position in Slovenia as the first independent supplier of electricity and natural gas to end-customers.

The Group's record operating results were driven by the right strategic decisions made at the beginning of the Management Board's new term of office in 2016. In the area of trading, we focused on less-risky short-term products that require a great deal of investment in analytical knowledge and tools. In the retail segment, we have transformed from a traditional energy supplier into a provider of services to end-customers. We merged this strategic shift and the Group's commitment to the rapid transition to a low-carbon society under the GEN-I Sonce brand, through which we became the first energy supplier in the region to enter the self-sufficient energy supply market. To date, we have set up more than 300 solar power plants according to the turn-key principle.

We were also the first company in Slovenia to issue green bonds. Through those bonds, GEN-I Sonce, a subsidiary 100% owned by the GEN-I Group, secured EUR 14 million in funding. The bonds will mature in 2024. To that end, we followed best practices regarding the issue of green bonds abroad, which was also recognized internationally. At its conference in London this March, the international Climate Bonds Initiative organization presented the "Green Bond Pioneer Award" to the Group for achievements in the development of green bonds.

We are proud of the fact that our reliability, flexibility, efficiency and fair relationships with customers has been recognized by numerous organizations in Slovenia and abroad. Energy sector experts once again ranked the GEN-I Group as the best electricity trader in Eastern Europe in the Risk & Energy Risk survey. From a total of 300 bills from 10 European countries, the European Consumer Organization (BEUC) 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.

We offer our customers the reliable supply of electricity and natural gas, an excellent user experience and significant savings in energy costs. At the auction organized by Slovene Consumers' Association in the scope of the "Switch and Save #2" campaign, GEN-I tendered the lowest electricity and natural gas prices of all participants. It also means a great deal to us that our efforts were once again recognized by consumers, who selected GEN-I as the most trustworthy brand.

In the context of all of those achievements, we are constantly gazing into the future. With the support of the Spirit program, we kicked off the "Active Customer" project in 2017, with a focus on the development and demonstration of consumption and production technologies for small customers. 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.

In the context of nearly continuous expansion for more than ten years, financial stability is the most crucial factor for the Group. Last year, we issued 12-month commercial paper with a total nominal value of EUR 27 million.

The GEN-I Group monitors global trends and technological development very closely. We are living in a time of a new energy revolution. The energy sector will change fundamentally over the next decade. On account of accelerated electrification, the phasing out of fossil fuels will likewise pick up pace in the areas of heating, traffic and industry. Technological changes will facilitate the development of new business models that will enable energy independence for ordinary people. Every company and household will have the ability to be its own power plant. Due to the rapid development of digital and electricity-related technologies, no one will be able to avoid the current and coming changes in the energy sector.

This year, the GEN-I Group will reap the benefits of the completion of digital transformation, with a special emphasis on business analytics. Strengthened as such, we will be that much more prepared for new future challenges that are already included in our new business models.

The knowledge base that the Group continuously builds on is crucial to keeping up us a step ahead of others at all times. We will continue to increase investments in development and employees. Two-thirds of the GEN-I Group's employers are less than 35 years of age, while 83% of them have completed a minimum of post-secondary education. Innovative solutions and continuous investments to improve the efficiency of all business processes contribute to growth in added valued per employee, which already exceeds EUR 127,000 at the Group level.

The GEN-I Group will do more than simply follow the trends of the future; it also intends to be one of the co-creators of the future. Through a sound ownership structure, a high-quality portfolio of customers, financial stability and knowledge, we are prepared for the challenges of the next decade.

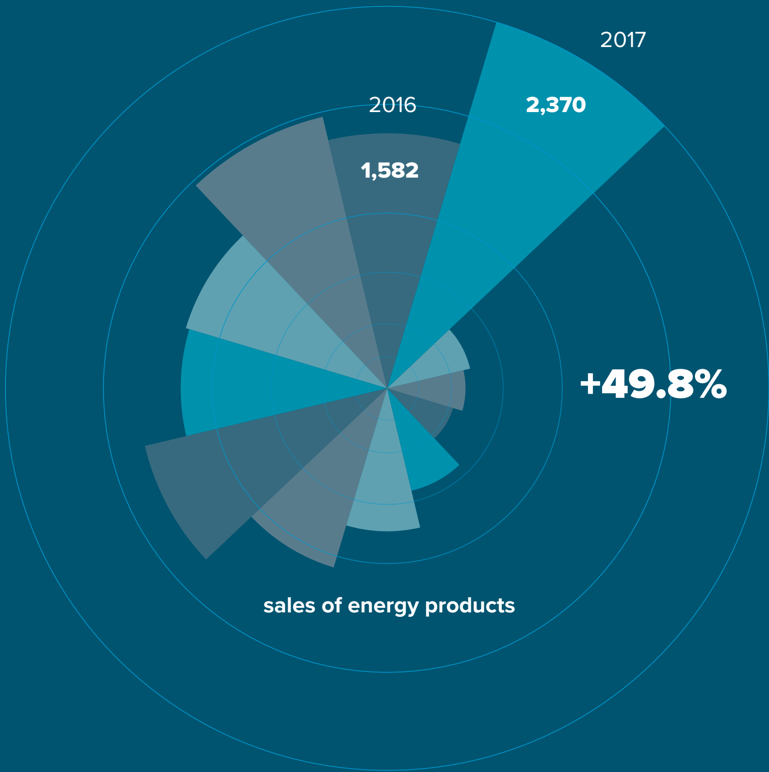
I ask our esteemed business partners and owners to accept my thanks for your loyalty and trust. My sincerest congratulations to all GEN-I Group employees for all that we achieved in 2017.

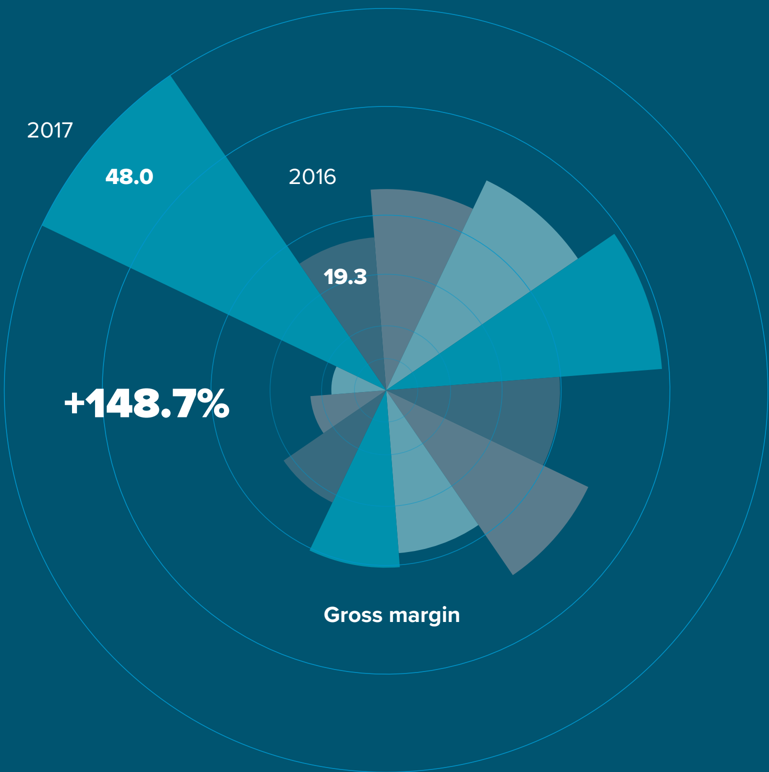
Robert Golob, Ph.D.
President of the Management Board

2. FINANCIAL ACHIEVEMENTS

55.0 TWh

Record revenues, with the majority of growth driven by record sales of energy products in the amount of 55.0 TWh.



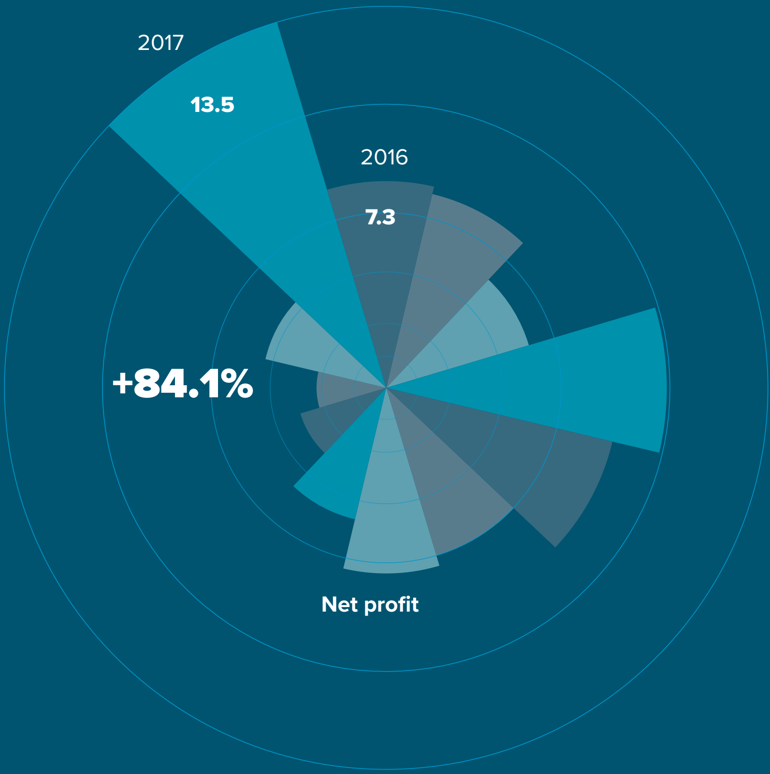


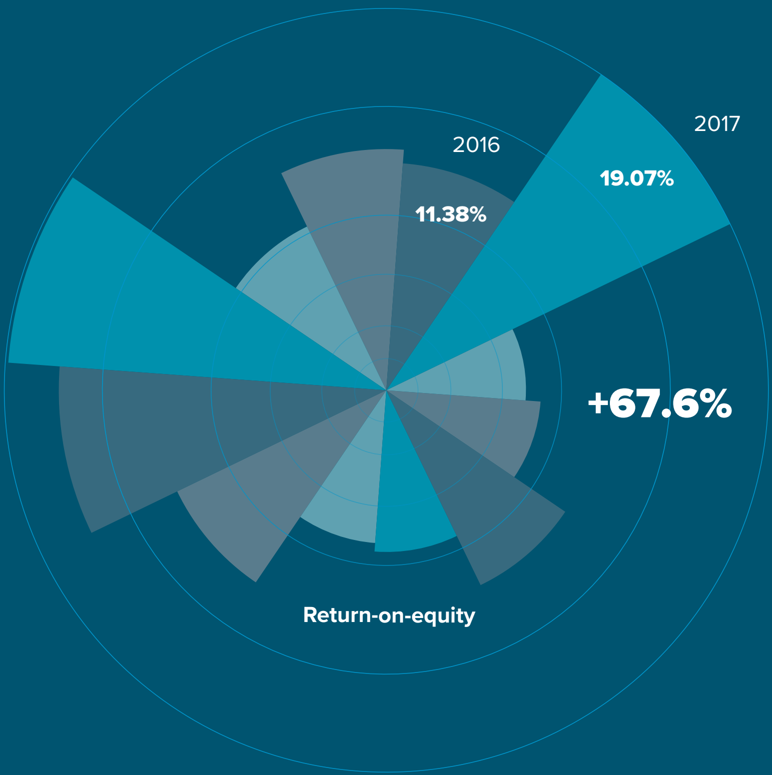
EUR 48 mio

We generated record gross operating profit of EUR 48 million.

EUR 13.5 mio

Highest net profit in recent years, while a large number such as EUR 13.5 million is overshadowed by 84.1% growth.





19%

Despite significant growth in capital in recent years, return-on-equity has risen to an enviable 19% on account of a moderate dividend policy.

3. KEY INDICATORS FOR THE GROUP

In EUR ITEMS	2017	2016	INDEX 2017/2016	2015	2014	2013
OPERATING RESULTS						
Revenues	2,370,030,061	1,582,148,485	149.8	1,731,202,568	1,303,276,200	1,280,362,389
Historical cost of goods sold	-2,322,178,734	-1,562,830,947	148.6	-1,705,903,428	-1,274,086,756	-1,245,425,522
Gross operating profit[1]	**48,035,096**	**19,317,538**	**248.7**	**25,299,140**	**29,189,443**	**34,936,867**
Total operating revenues	2,383,089,343	1,599,177,586	149.0	1,740,372,001	1,308,855,614	1,281,185,227
Total operating expenses	-2,361,610,225	-1,586,972,150	148.8	-1,727,819,338	-1,294,904,609	-1,267,100,808
Earnings before interest, taxes, depreciation and amortization (EBITDA)[2]	**21,662,888**	**12,205,436**	**177.5**	**12,552,663**	**13,951,005**	**14,084,419**
Earnings before interest and taxes (EBIT)	**19,753,825**	**10,299,118**	**191.8**	**10,960,799**	**12,646,797**	**12,875,902**
Net operating profit after tax (NOPAT)	15,590,619	8,507,326	183.3	9,061,849	10,464,095	11,014,328
Net profit or loss	**13,463,405**	**7,313,188**	**184.1**	**7,028,423**	**5,224,283**	**9,868,220**
FINANCIAL POSITION						
Total assets	278,425,811	254,066,360	109.6	253,365,959	252,651,330	249,153,041
Equity	75,316,700	65,885,154	114.3	62,629,412	58,825,101	56,698,277
Current operating receivables	201,401,139	183,062,246	110.0	222,701,167	193,972,790	214,955,790
Current operating liabilities	134,715,786	132,384,454	101.8	162,168,018	147,393,268	154,879,645
Cash and cash equivalents	49,886,492	47,143,359	105.8	21,198,123	49,643,491	22,287,115
Working capital (inventories + operating receivables - operating liabilities)	67,043,339	50,677,792	132.3	60,533,149	46,579,522	60,076,145
Non-current financial liabilities	32,662,782	24,410,558	133.8	5,798,740	1,008,870	1,096,810
Current financial liabilities	35,033,578	30,523,079	114.8	22,435,432	45,165,203	36,185,073
Financial debt	67,696,360	54,933,637	123.2	28,234,172	46,174,073	37,281,883
Net financial debt	17,809,869	7,790,278	228.6	7,036,049	-3,469,418	14,994,768
DEBT, LEVERAGE AND COVERAGE RATIOS						
Equity/(financial debt + equity)	52.7%	54.5%	96.6	68.9%	56.0%	60.3%
Equity/total assets	27.1%	25.9%	104.3	24.7%	23.3%	22.8%
EBITDA/interest expense	13.0	14.3	91.3	10.1	6.6	6.5
Net financial debt/EBITDA[3]	0.8	0.6	128.8	0.6	-0.2	1.1
PROFITABILITY INDICATORS						
Gross margin[4]	2.03%	1.22%	166.0	1.46%	2.24%	2.73%
EBITDA margin	0.91%	0.77%	118.5	0.73%	1.07%	1.10%
ROA (net profit/average total assets)	5.06%	2.88%	175.4	2.78%	2.08%	4.13%
ROE (net profit/average equity)	19.07%	11.38%	167.6	11.57%	9.04%	19.10%

1 Gross operating margin = difference between revenues and costs of sales.

2 EBITDA = earnings before interest, taxes, depreciation and amortization.

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.

4. BUSINESS REPORT

4.1. Presentation of the group

The GEN-I Group, which comprises GEN-I, d.o.o. and its 16 subsidiaries, is one of the fastest growing and innovative players on the European energy market.

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

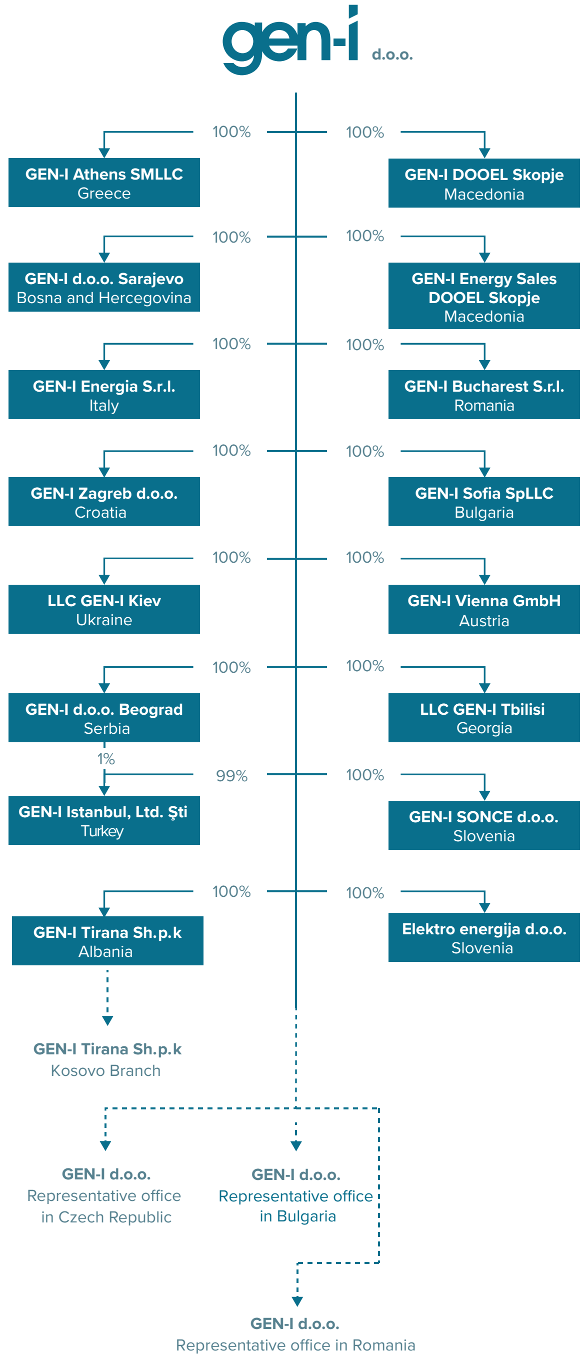
The Group's subsidiaries have at their disposal the complete infrastructure required to participate on the electricity and natural gas market. That infrastructure is ensured indirectly by GEN-I, d.o.o., which also provides subsidiaries knowledge, financial resources and guarantee lines. The GEN-I Group 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 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.

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 energy efficiency. These services are provided by the subsidiary GEN-I Sonce.

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 less costly 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), Poceni plin (Affordable Natural Gas) and Elektroenergija in 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 number of end-consumers for all three 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, Slovenia
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

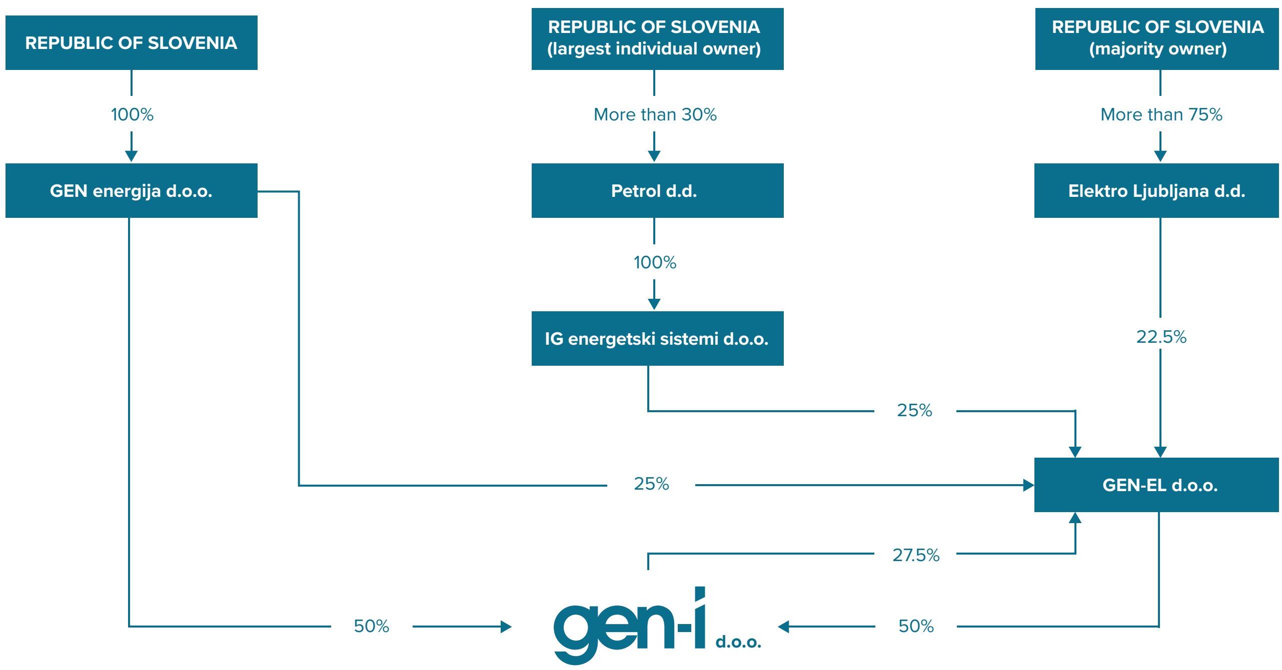
Company size: Large company
Core activity: Electricity trading and supply of electricity and natural gas to end-customers
Registration application no.: 1/04524/00; registered at the Krško District Court; date of last court register entry: December 14, 2016
Tax number: 71345442
VAT ID no.: SI71345442
Registration number: 1587714000
Share capital: EUR 19,877,610.00

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.

Through the new owner GEN-EL naložbe, d.o.o., Elektro Ljubljana, d.d., GEN energija, d.o.o., IGES, d.o.o. (owned by Petrol, d.d., Ljubljana) and GEN-I, d.o.o. have held indirect participating interests with equal shares of voting rights since 2016, broken down as follows: GEN energija, d.o.o. and IGES, d.o.o. with equal stakes of 25%, GEN-I, d.o.o. with a stake of 27.5% and Elektro Ljubljana, d.d. with a 22.5% stake in the capital of GEN-EL naložbe, d.o.o. There were no changes in the ownership structures of GEN-I, d.o.o. or GEN-EL naložbe, d.o.o. last year.

In conjunction with ownership changes, GEN-I, d.o.o. signed a new Memorandum of Association with its owner GEN energija, d.o.o. in December 2016, as well as a new three-year master agreement on the purchase and sale of electricity. That master agreement, which will remain in force in 2018, allows the two aforementioned companies to strengthen cooperation at all levels, particularly in the areas of trading and the development of innovative products for the market with the aim of protecting their common interests.



Ownership structure following the takeover of Elektro energija and the sale of Petrol's participating interest in IG Energetski sistemi to GEN-EL in 2016

4.2. 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:

Corporate Governance 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.

For the most part, GEN-I, d.o.o. complies with the provisions of the Code and respects its guiding principles at a fundamental level, while at the same time complying with certain requirements at an advanced 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, as voting rights are a reflection of the participating interests of the Company's two owners, each of which holds a 50% stake 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 in the Business Register. The rules of procedure of the governing body are not published on its own website.
- The governing body has not adopted a separate governance policy. It therefore defines certain substantive elements of that policy in other corporate documents, and communicates them to the Company's two owners via the general meeting, which represents GEN-I, d.o.o.'s supervisory body.
- As a limited liability company and thus due to the stronger link between the Company's owners, a single owner only has the right to freely dispose of its participating interest in GEN-I, d.o.o. 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 GEN-I, d.o.o.'s 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 with regulations and the Company's 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 performs internal controls at all levels to ensure the reliability of financial reporting and compliance with valid regulations. 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 ensures 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.

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 when so required 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. The general meeting adopts unanimous decisions. Four ordinary general meetings were convened in 2017, where the Company's owners made decisions regarding matters for which it is competent.

Information regarding the composition of governance bodies

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 industry and electricity markets. 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 on the EU's energy policy. From 1999 to 2002, he was 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). Mr. Golob is an associate professor at the Faculty of Electrical Engineering at the University of Ljubljana. In 2016, he started a new five-year term as President of the Management Board of GEN-I, d.o.o., a position he has held since that time.

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, 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 and with the monitoring of regulations and compliance.

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

An expert with international experience and expertise in different business areas associated with electricity trading and market liberalization processes in Central and Eastern Europe, he graduated from the Faculty of Natural Sciences of the Technical University of Graz, Austria in 1999, and holds a doctorate in nuclear physics from the Institute for Theoretical Physics of the Technical University of Graz. Since completing his studies, he has worked with a number of scientific institutes around the world. From 2002 to 2004, he was responsible for the development of the EXAA energy exchange in Austria. He started working for Istrabenz Gorenje, d.o.o. (GEN-I's predecessor) in 2004 when it was first 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. From 2004 to 2005, he was a member of the management board at Austrian Power Vertriebs GmbH in Vienna. As member of GEN-I, d.o.o.'s Management Board responsible for trading, he is in charge of implementing business strategies in the electricity trading segment on European markets, and is responsible for the Group's treasury and accounting functions. He is the executive director of eleven of the Group's foreign subsidiaries.

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 at companies within the 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 governance bodies

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. 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 2017, the executive staff met at 50 regular sessions, three correspondent sessions and one extraordinary 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 shareholder GEN energija, d.o.o. proposes the appointment of the President and one member of the Management Board and the other shareholder 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. Decision making, 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.

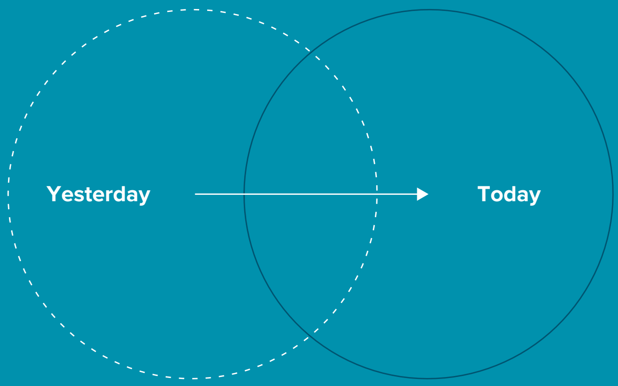
Description of diversity policy

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, Executive Sales Director at the parent company GEN-I, d.o.o., as follows:

- Robert Golob is the President of the Management Board of GEN-I d.o.o. Zagreb, Croatia and GEN-I Energia S.r.l., Italy;
- Igor Koprivnikar is the manager of: GEN-I d.o.o. Belgrade, Serbia, GEN-I DOOEL Skopje and GEN-I Energy Sales DOOEL Skopje, 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 Bucharest – Electricity Trading and Sales S.R.L., Romania, 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 Zagreb 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 Zagreb d.o.o, Croatia;
- Bojan Kumer 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.



We live in a time when changes in the energy sector are unavoidable due to the rapid development of digital and electricity-related technologies. If you live today according to the patterns of the previous millennium, you will suffer defeat. GEN-I's strategic policies have been thoroughly revised due to those changes: this involves a complete reversal from the policies we laid out three years ago in order to purse that which we see today as real challenges and opportunities. In 2018, the GEN-I Group will reap the benefits of the completion of digital transformation, with a special emphasis on business analytics. Strengthened as such, we will be that much more prepared for new future challenges that are already included in our new business models.

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

4.3. Strategic policies

Despite changing conditions, the GEN-I Group continuously meets its commitment to supply its customers reliable and affordable electricity and natural gas.

Due to the merging of wholesale electricity markets, temporarily low price volatility or extended periods of an unchanged correlation in price movements between countries, and changes in the overall picture on European energy markets, GEN-I's activities and growth in the future will be increasingly focused on the end-customer segment.

The GEN-I Group was strengthened in December 2016 with the addition of a new member: Elektro energija. With the successful completion of integration in 2017, the GEN-I Group has strengthened its portfolio of end-customers, in particular households as the most important segment.

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.

The energy sector will be driven by three key factors in the future: decentralization, decarbonization and digitalization (3D). For some time now, those factors are more than mere words for the GEN-I Group. Instead, they represent commitments that lead to action. We will accomplish a great deal in that area as early as next year.

Through the use of advanced business analytics, we will be able to offer customers even better services, while improving the efficiency of internal processes. The GEN-I Group has thus taken a very serious approach to the new paradigm in the world of electricity, as this is where we see the future, both for the GEN-I Group and its customers.

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 the optimal global portfolio, which indirectly ensures the best services for our end-customers.

The emphasis going forward will thus remain on the development of trading activities and innovative products, and on the cultivation of long-term partnerships. The Group's speed, flexibility, and cutting-edge knowledge will enable it to seize opportunities on developing energy markets, in particular in the renewable energy market, which requires more intense short-term trading.

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 competencies 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.

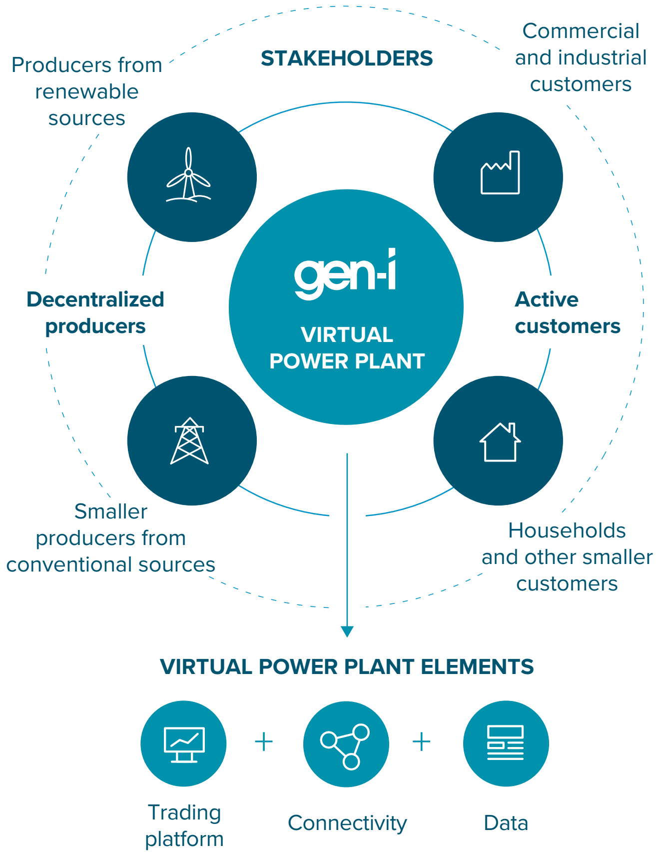
Flexibility means a positive approach to changes. The environment in which the Group operates is extremely dynamic. Changes and the new challenges that arise as a result are therefore a part of our operations. We see changes as an opportunity for growth. Our ability to respond rapidly to them further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

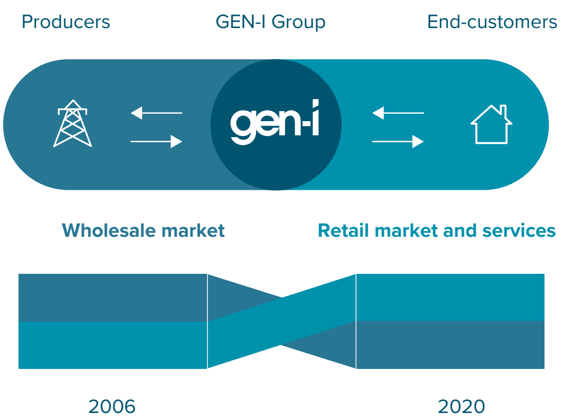
New times – advanced services and development projects

The GEN-I Group's strategic policies in the coming period are defined by its business plan for 2018 with forecasts of operations until 2020, which represents the Group's core corporate document, and takes into account its vision, values and mission. That document was adopted in December 2017.

It requires the GEN-I Group to continuously pursue the development of innovative products and business models, the primary aim of which is to create added value for our customers.

The GEN-I Group recorded exceptional growth on the wholesale electricity market in previous years. Through expansion to numerous European markets between 2008 and 2018, it established the bases for successful and efficient trading, and the cost-effective supply of electricity to end-customers. It is the latter that will become increasingly important for the GEN-I Group in the coming years, as it aims to establish a long-term, stable balance between activities on the wholesale electricity and natural gas market and supply and services on the retail electricity and natural gas market. To ensure such a balance, the strategic focus of development is on services for customers that today can be grouped into so-called 3D services: decentralization, decarbonization and digitalization.

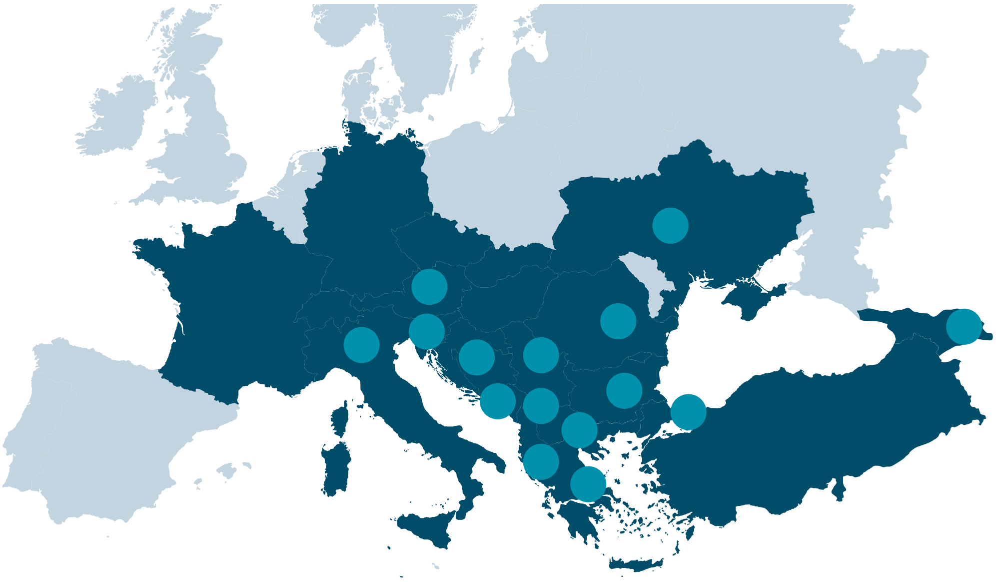




Electricity and natural gas end-customers, and all other energy-related services will remain the center of attention when the GEN-I Group makes future strategic decisions.

The supply of electricity is a service that is losing its competitive edge and will continue to exist in the future as nothing more than a core service, to which a range of ancillary, yet equally important services to the customer, will be linked.

A large portfolio of customers and data, and the use thereof, represent a competitive advantage that will only be reflected positively if digitalization is implemented effectively in the coming years, both at the level of internal processes and at the level of direct business relationships with customers. Rising production of electricity from renewable sources is increasingly accepted as the primary response to the above challenges, which simultaneously positions the future customer at the center of developments.



Wholesale market

22 On electricity markets 8 On natural gas markets 16 Subsidiaries

The customer will become an active player with the possibility of making selections on both the production and consumption sides. If we offer the same possibility to large legal entities, we get an entirely new and powerful participant on the electricity market. The GEN-I Group's aim is to add such a new participant to its team. Through its extensive network of customers, knowledge and established infrastructure, the GEN-I Group will increasingly link active customers in the coming years in its role of optimal virtual power plant manager.

The company remained an active partner in the international FutureFlow project in the area of smart networks in 2017. The aim of the aforementioned project is to provide 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. In addition, GEN-I is also the coordinator of the "Active Customer" demonstration-development project, in which we will demonstrate the usefulness of demand response for small customers, together with a consortium of eight well-established Slovenian companies.

Notwithstanding the priority and focus placed on the end-customer, the GEN-I Group remains a global player on the wholesale electricity and natural gas market through its ability to exploit synergistic effects between developed Western markets and the countries of Southeast Europe, and on the borders of Asian countries.

GEN-I Sonce

The GEN-Group believes that the appropriate conditions are in place and sufficient demand exists for a green energy breakthrough, both in Slovenia and the majority of the developed world. Our aim is to be more than one of many suppliers in the new energy revolution in Slovenia and immediate region; our objective is to be the leading player. To that end, we established the subsidiary GEN-I Sonce, which back in 2017 made the first decisive step towards energy self-sufficiency amongst household customers.

Since the middle of March 2017, GEN-I Sonce has offered a comprehensive service that comprises the set-up and financing of the construction of solar power plants, as well as the maintenance and insurance thereof. The Slovenian market for the construction of solar power plants is still in its initial phase of development. Nevertheless, GEN-I Sonce exceeded established plans already in its first year of existence. The GEN-I Group thus has optimistic expectations for the coming years. The first solar power plants could also be set up outside of our borders in 2018, a task for which the appropriate infrastructure is already in place. With such an innovative and comprehensive service, GEN-I Sonce is already responding to the challenges of decarbonization and decentralization, while promoting the increased use of green energy facilitates the transition to green companies that will use electricity as a source of energy for heating, mobility, etc.

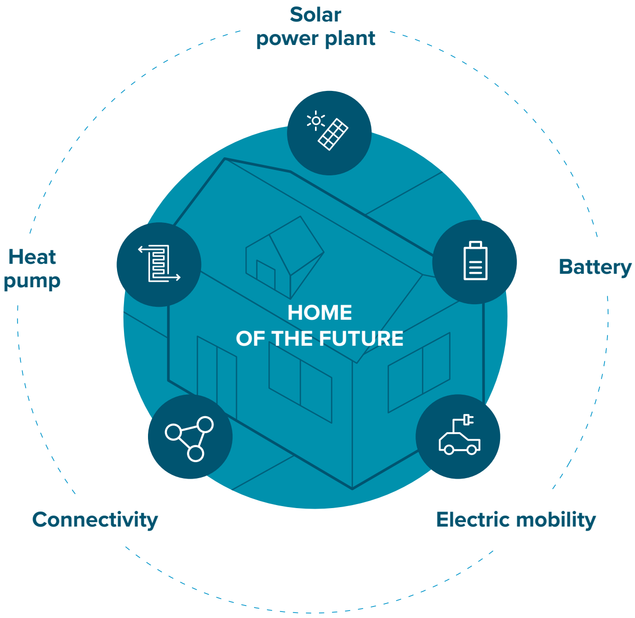
Rapid growth in e-mobility has presented an opportunity that opens the door for GEN-I, as an electricity supplier, to expand electricity consumption to the transport sector. We are still studying whether to take a passive or active approach to market entry. To that end, we have conducted market research and developed potential products, through which we will offer e-mobility services to business and household customers. We have, of course, decided to play an active role in the development of e-mobility in Slovenia and Southeast Europe, through which we have maintained and enhanced our commitment to sustainable development.

Through the development of potential new activities and services, the current focus on renewable sources at GEN-I Sonce will be further reinforced within the GEN-I Group. The GEN-I Group believes that electricity is the energy source of the future.

gen-i sonce

More than 300 solar power plants set up according to the turn-key principle in 2017. For the self-sufficient supply of households and increased energy efficiency.

Result: reduction in annual CO^2 emissions by 1,600,000 kg and an increase in the annual production of green energy by 3,400,492 kWh in 2017.



4.4. Overview of significant events

Trading and services on the wholesale market

In 2017, we again searched for new markets and partners to increase the added value of the global electricity portfolio. We concluded our first transaction on the border with Poland, as well as the first transaction with the subsidiary in the Ukraine. We participated in NOME auctions in Greece for the very first time.

New markets and partners are not enough for progress. We therefore updated are business model with new products in 2017, and offered customers services tailored to their needs.

Certain external factors during the previous year made it difficult to ensure the stability of the global portfolio: the cold winter in Southeast Europe at the beginning of the year and the resulting limit on exports of electricity from Bulgaria, and an accident at the Baumgarten natural gas hub in Austria at the end of the year.

In our pursuit to ensure the stability of the basic trading infrastructure, which brings security and efficiency, we carried out an analysis of the upgrading of the ETRM system in 2017.

Supply to and services for end-customers

We are most proud of the successful launch of the innovative product of GEN-I Sonce. At the beginning of 2017, we became the first market player in Slovenia to offer households the self-sufficient supply of electricity using solar power plants and thus facilitated their energy independence.

Another key event in 2017 was the successful integration of the customer portfolio and employees of Elektro energija, which provides the GEN-I Group new added value in the sale of electricity and natural gas to end-customers.

Evidence that we are the first choice of our customers was seen in the largest auction organized by a consumer association, where GEN-I was recognized as the best supplier of both electricity and natural gas. We have also been selected numerous times in specific tenders in the broader area of the supply of electricity and natural gas in Slovenia.

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 for the previous year:

- The Group ranked first among electricity traders in Eastern Europe (in the category “Eastern Europe – power dealers”) in the Risk & Energy Risk 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 fourth in the Risk & Energy Risk survey among all European electricity traders this year.

- For the fourth consecutive year, GEN-was recognized as the most trustworthy brand in the “Energy Supplier” category in the Trusted Brand 2017 survey. The research conducted by Reader’s Digest Slovenia included more than 5,900 of the aforementioned magazine’s subscribers who cast their votes for the most trustworthy brand in 32 contested categories. This is only the third time an award for the most trusted energy supplier has been awarded, making us that much prouder of the fact that GEN-I remains the absolute winner among energy suppliers.

We also look back with fond memories on two extremely well-attended events organized for our customers in 2017, where we hosted the customers of GEN-I and Elektro energija together for the first time. Such a high level of attendance fills us with optimism and confirms GEN-I as the first choice in the B2B segment, as well.

New markets

UKRAINE
GEN-I Kiev executes first transaction on the Ukrainian electricity market.

POLAND
First electricity purchase on the Polish border.

GREECE
Participation in NOME auctions for the purchase of electricity.

Extraordinary events

COLD WINTER
Cold winter at the beginning of the year in SE Europe and the resulting increased demand for electricity lead to record electricity prices.

BULGARIA
Bulgaria imposes limits on electricity exports due extremely cold winter.

AUSTRIA
An accident at the Baumgarten natural gas hub in Austria results in limited trading.

New products and services

VIRTUAL POWER PLANT
First transactions executed on the Slovenian market in the scope of the virtual power plant.

MODEL FOR THE EFFICIENT MANAGEMENT OF FLEXIBILITY
First to manage a pumped-storage hydroelectricity facility in Bosnia and Herzegovina using a new model.

NEW FLEXIBLE CONTRACTS WITH PARTNERS
Presentation of new agreements for industrial customers with a flexibility option.

IT solutions

PREPARATIONS FOR UPGRADING OF ETRM SYSTEM
Preparations for the comprehensive upgrading of trading systems for the purpose of tracking the stability of the basic trading infrastructure with the aim of increased security and efficiency.

Merger

Successful completion of the integration of the electricity end-customer portfolio.

Successful completion of the merger of the sales teams of GEN-I and Elektro energija.

Tenders

Once again selected as must favorable bidder in the tender organized by the Slovene Consumers' Association.

Also selected as most favorable bidder in the natural gas tender for public administration in Slovenia.

Selected as most favorable bidder in an auction organized by Borzen for guaranteed purchases.

Selected as most favorable bidder in the ELES tender for regulation.

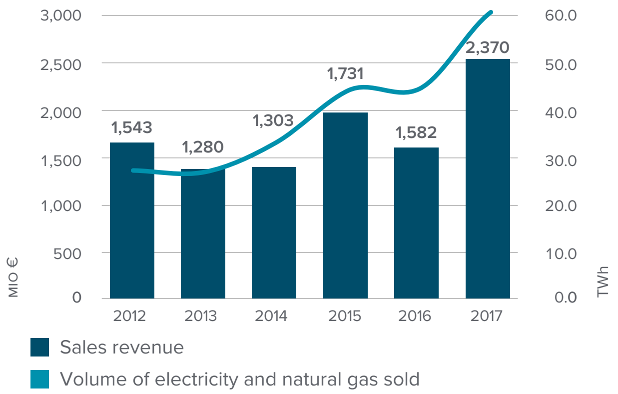
Selected as most favorable bidder in the public tender for the "active customer" demonstration project

4.5. Analysis of operations

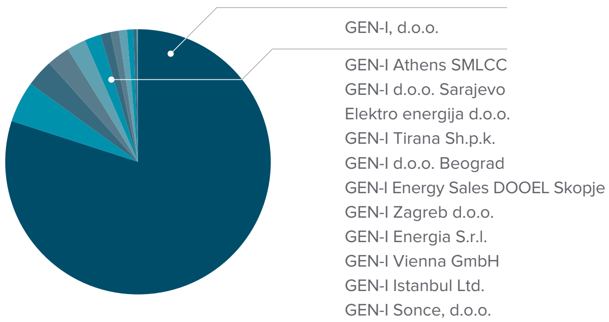
An extremely successful business year is behind us. We achieved growth in all key areas of the core activity and further strengthened the financial stability of the GEN-I Group. This is also confirmed by the enormous amount of confidence shown in the Group by investors and creditors on the capital and banking markets.

We successfully responded to financial investors on the capital market through the new issue of commercial paper, in which demand once again exceeded supply, and through the first issue of so-called green bonds in Slovenia. The latter received special recognition in March 2018 from the international Climate Bond Initiative organization in London, where we were recognized as pioneers in the implementation of innovative solutions for securing sources of financing for investments in renewable resources.

The 2017 business year was equally successful in terms of maintaining and enhancing business cooperation with banks. Guarantee lines, which are required at all times for the operations of the GEN-I Group, were further increased, while the portfolio of partner banks was expanded at the end of the year with a new creditor that will facilitate the expansion of operations in the coming years through its sound banking network in the region.



Sales revenue



Revenue by GEN-I Group company in 2017

Operating revenues

The GEN-I Group generated more than EUR 2.3 billion in revenues in 2017, an increase of more than 50% relative to the previous year. In terms of quantities, electricity and natural gas sales were up by nearly 30%, meaning that revenues were up in part due to a general rise in energy prices.

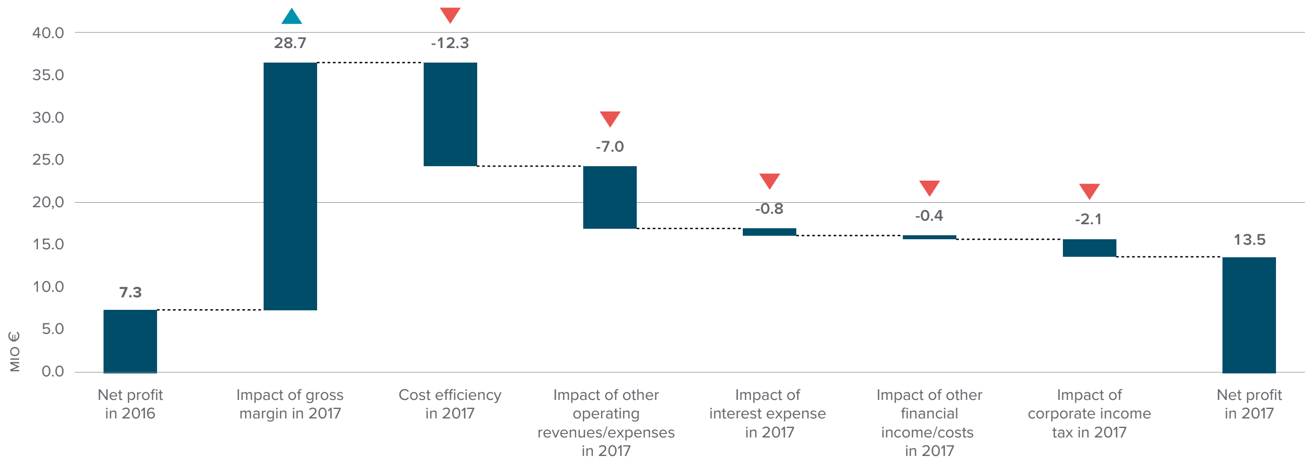
The main generator of revenues remains GEN-I, d.o.o. which, in the scope of its business model and single global portfolio, has subsidiaries established in specific countries to ensure its presence on those markets.

Operating results

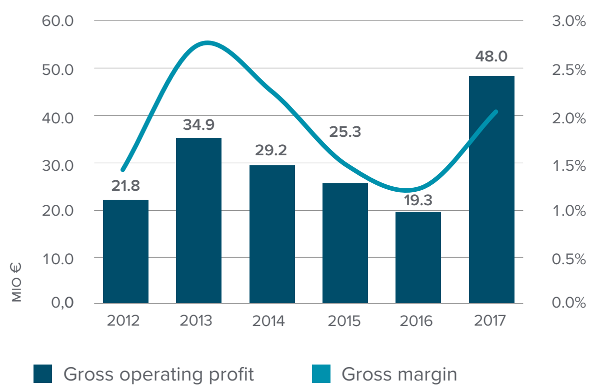
Gross margin, EBIT and net profit

Since 2014, gross margin has repeatedly risen above 2%, which for the GEN-I Group is internally defined as the desired and acceptable threshold of profitability over the medium term. Gross operating profit was up by more than 60% relative to the previous year and by EUR 28.7 million in nominal terms, as the result of the optimization of transactions on both the wholesale and retail electricity markets.

A major jump in profitability relative to 2016 was also recorded at the level of earnings before interest and taxes (EBIT margin), where the Group neared the 1% threshold. This was also very evident in the Group's final operating results, which were up by an exceptional 80% to stand at a respectably high EUR 19.8 million. Gross operating profit was up by EUR 28.7 million relative to 2016.



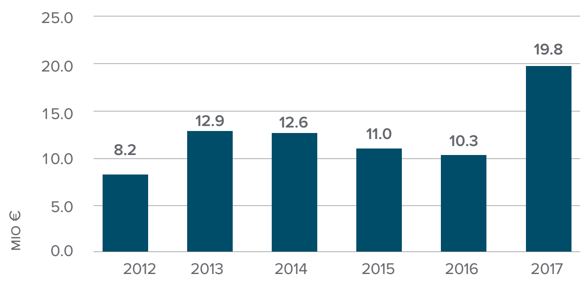
Net profit in 2017



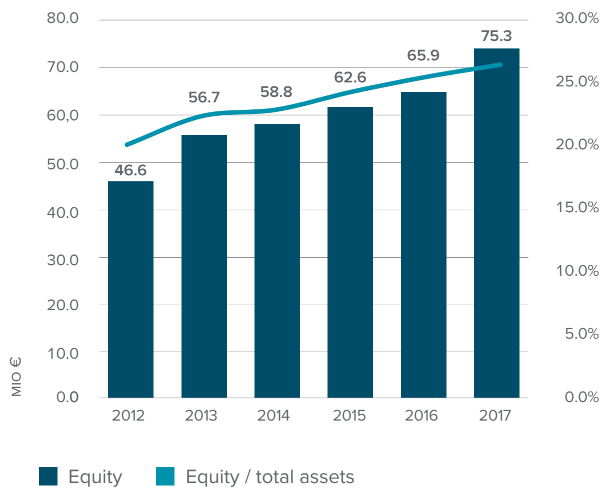
Gross operating profit

Capital structure and total assets

The GEN-I Group successfully increases its capital every year. The main factors in that regard are growth in operating profit and the conservative and rational dividend policies of both owners, as only a portion of generated profit in the amount of EUR 4 million was paid out in 2017. Capital adequacy, measured as the proportion of capital to total assets, was up in 2017 and once again exceeded 25%.

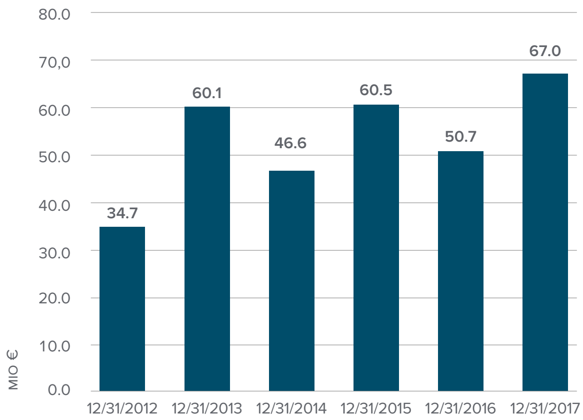


Earnings before interest and taxes (EBIT)



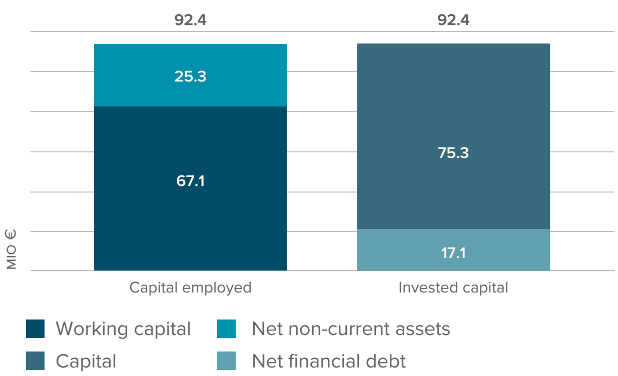
Growth in equity and equity as a proportion of total assets (2012–2017)

Despite sharp growth in quantities of electricity and natural gas sold, the GEN-I Group's total assets were up by only 10% last year. The majority of that growth was the result of an increase in the balance of current operating receivables, while growth in operating liabilities was somewhat lower.



Working capital

We thus recorded an increase in working capital relative to 2016, meaning needs for the financing of working capital were up during the year.



Structure of capital employed at the GEN-I Group in 2017

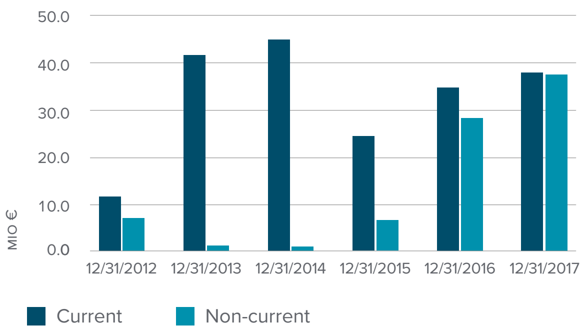
Due to its high level, equity (which is sufficient to cover the financing of all non-current assets) is also sufficient to cover the majority of needs for working capital. Only a minor portion of total invested capital in the amount of EUR 17.1 million takes the form of net debt capital, which provides the GEN-I Group additional financial security and mitigates the risks associated with refinancing and a lack of liquidity. As a result, the Group operates with a low leverage ratio.

Debt and net debt

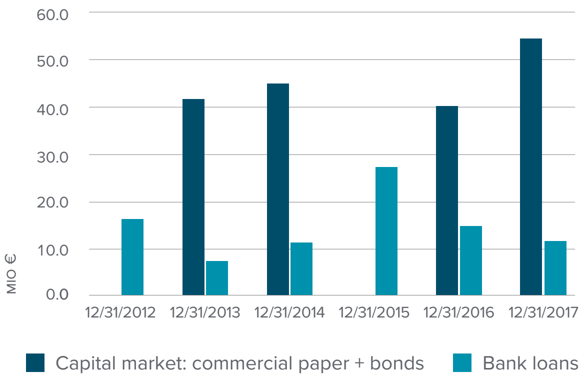
GEN-I, d.o.o. remains responsible for the financing of the entire GEN-I Group, and continues to secure sources of financing from banks and on the capital market. The GEN-I Group continues to maintain a diverse portfolio of sources of financing, which significantly reduces refinancing risks and its exposure to banks.

Similar to 2016, the Group recorded further growth in long-term versus short-term sources, and in capital versus banking sources of financing during the past year, as the result of the issue of new bonds.

The GEN-I Group continues to maintain sound secondary liquidity reserves, as it still had close to EUR 50 million in unused credit lines at banks during the year, meaning that sources of financing from banks are comparable with sources from the capital market.

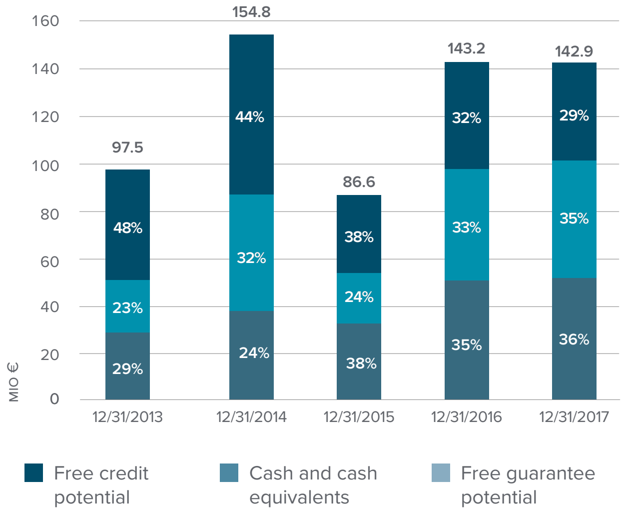


Financial debt with regard to maturity



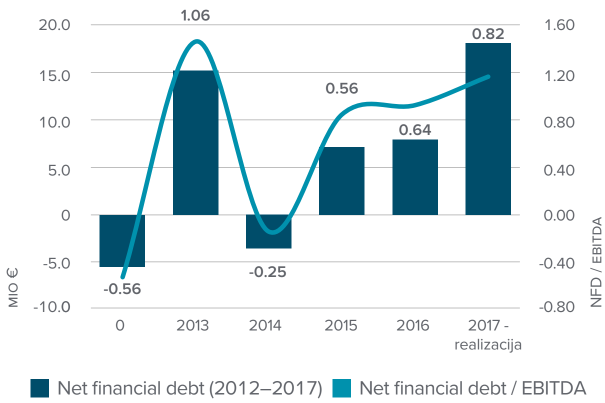
Financial debt with regard to source

In addition to unused credit lines, the Group also holds additional liquidity reserves at banks in the form of cash on account in the amount of EUR 50 million and unused guarantee lines in the amount of EUR 40 million.



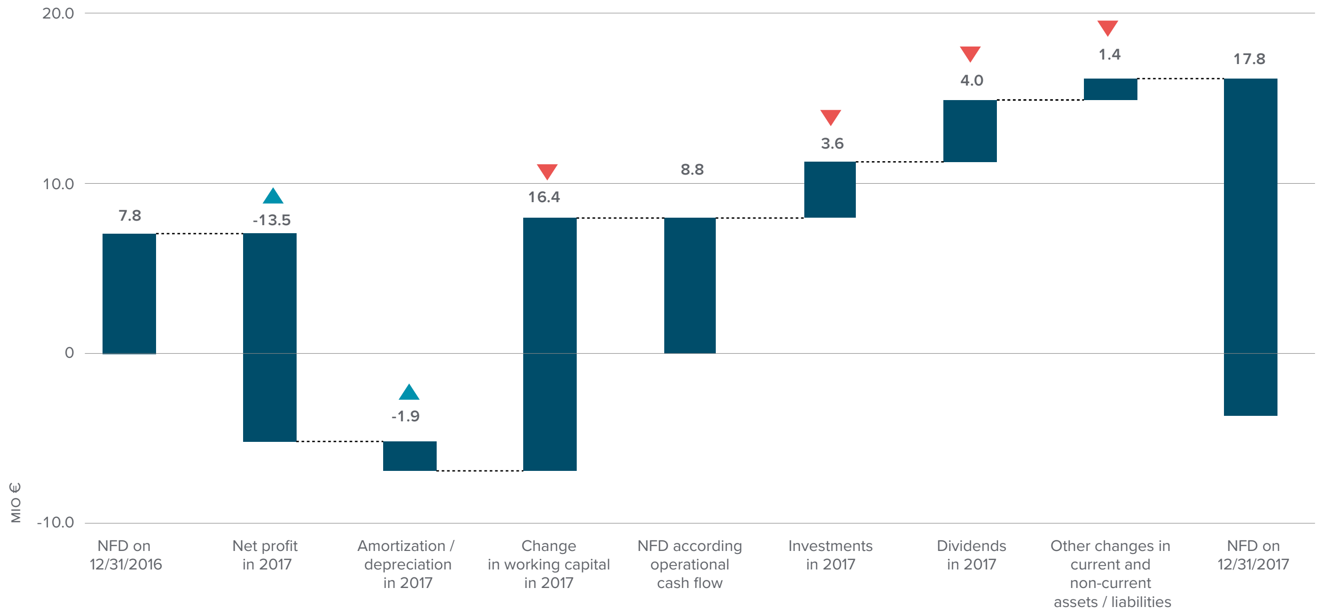
Structure of available funds

Net debt was also up slightly as a result, due to an increase in working capital. However, the key net financial debt/ EBITDA ratio remained low again last year, as the increase in EBITDA mostly offset the negative effect of the increase in working capital.



Net financial debt

The main factor in the increase in financial debt in 2017 was thus the increase in working capital, which is seasonal or short term in nature.



Change in net financial debt in 2017

4.6. Events after the end of the reporting period

The best of the best

The Chamber of Commerce and Industry of Slovenia presented a distinguished award to Robert Golob, Ph.D., President of the GEN-I Group's Management Board, for his outstanding economic and entrepreneurial achievements in 2017. On March 26, 2018, Mr. Golob received the most prestigious award a business leader can receive at the national level for his many successful years at the company's helm: the award for outstanding economic and entrepreneurial achievements in 2017. That award was presented by the Chamber of Commerce and Industry of Slovenia for the 50th consecutive year.

"It's all about the power of the imagination, intellect, vision, knowledge, excellence, passion and courage that have placed GEN-I and Mr. Golob amongst the stars of the present and the visionaries of a responsible future," said the extraordinary actress, writer, essayist and dramatist, Ms. Saša Pavček, who presented the award to Mr. Golob and honored the greatness of the recipient with the words of Albert Einstein: "Imagination is more important than knowledge".

Training

The freely accessible online iEnergija education-research platform on the flexibility and reliability of the supply of energy was launched in the scope of the EN-LITE project aimed at energy literacy, which included experts from GEN-I. The purpose of iEnergija is to provide students from different fields and other interested citizens an overview of emerging new relationships in the energy sector, with an emphasis on the importance of energy flexibility and the active role of electricity customers.

Events

At the 11th meeting of business partners held in Krško, GEN-I presented its positive operating results in the previous year, as well as trends on the energy markets for the efficient purchase of electricity in the coming years.

Best practices

- GEN-I is aware how important transparent electricity and natural gas bills are for our customers. We are proud of the fact that our commitment in this regard was recognized in March 2018 by the European Consumer Organization, BEUC. 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. In terms of recommendations, the survey took into account the basic objective and content of a bill, understandability, call for payment, usefulness, design solutions and the responsiveness of customers following the receipt of a bill.

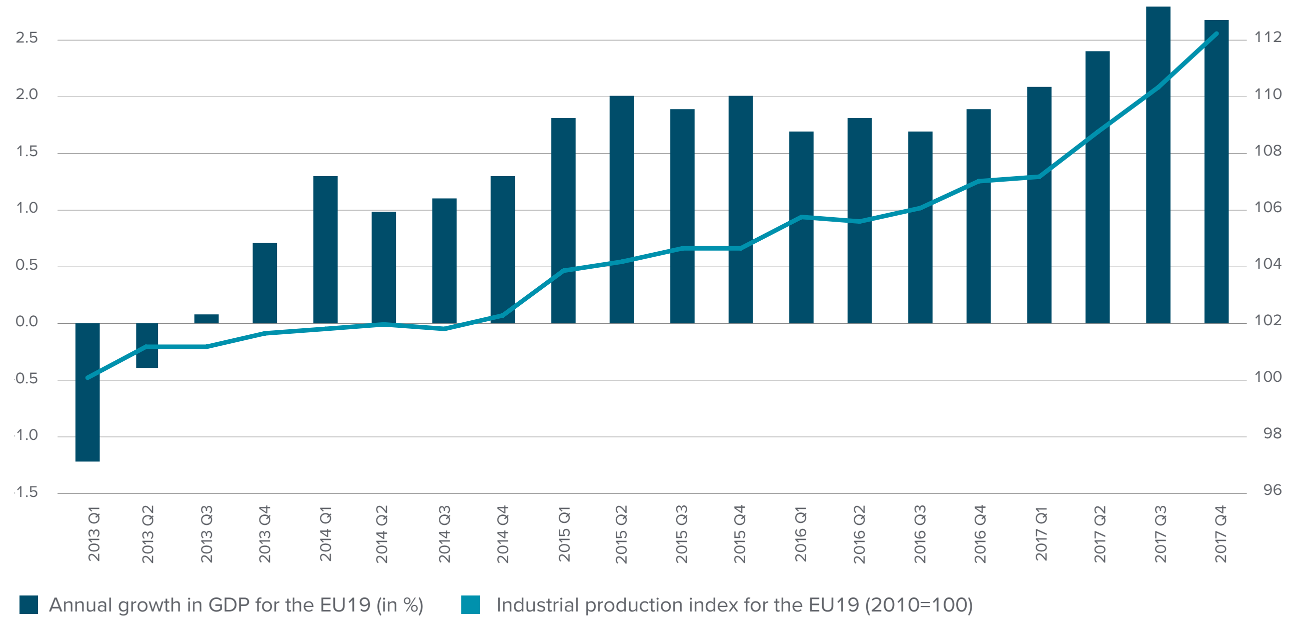
- The first so-called green bonds in Slovenia, issued by GEN-I in 2017, received special recognition in March 2018 from the international Climate Bond Initiative organization in London, where we were recognized as pioneers in the implementation of innovative solutions for securing sources of financing for investments in renewable resources.

4.7. Business activities

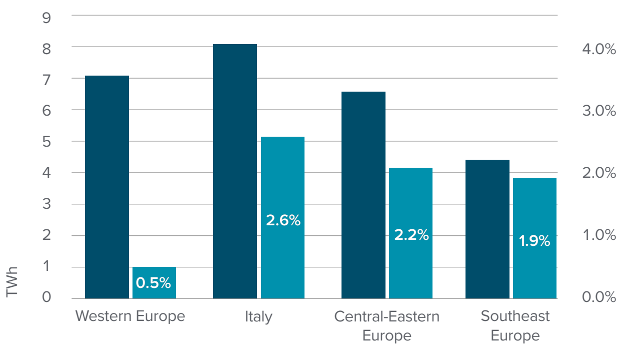
Market conditions

The trend of growth in gross domestic product (GDP) and the industrial production index continued in Europe in 2017 for the fourth year in a row. Both indicators of economic growth were up by around 2.7% relative to 2016, while energy consumption was also up, by 0.5% in Western Europe, and by around 2.3% in Central and Southeast Europe, and Italy. A portion of the aforementioned growth in electricity consumption was the result of an exceptionally cold January, one of the coldest of the last 30 years, and above-average temperatures in August.

Excluding the two aforementioned months, average growth in electricity consumption in Central and Southeast Europe, and Italy was around 1.7%, an indication that the majority of that growth was driven by economic growth. Lower growth in electricity consumption relative to economic growth indicates that the trend of the declining intensity of electricity consumption continues. That trend is particularly evident in Germany, where growth in electricity consumption was lowest relative to GDP growth.



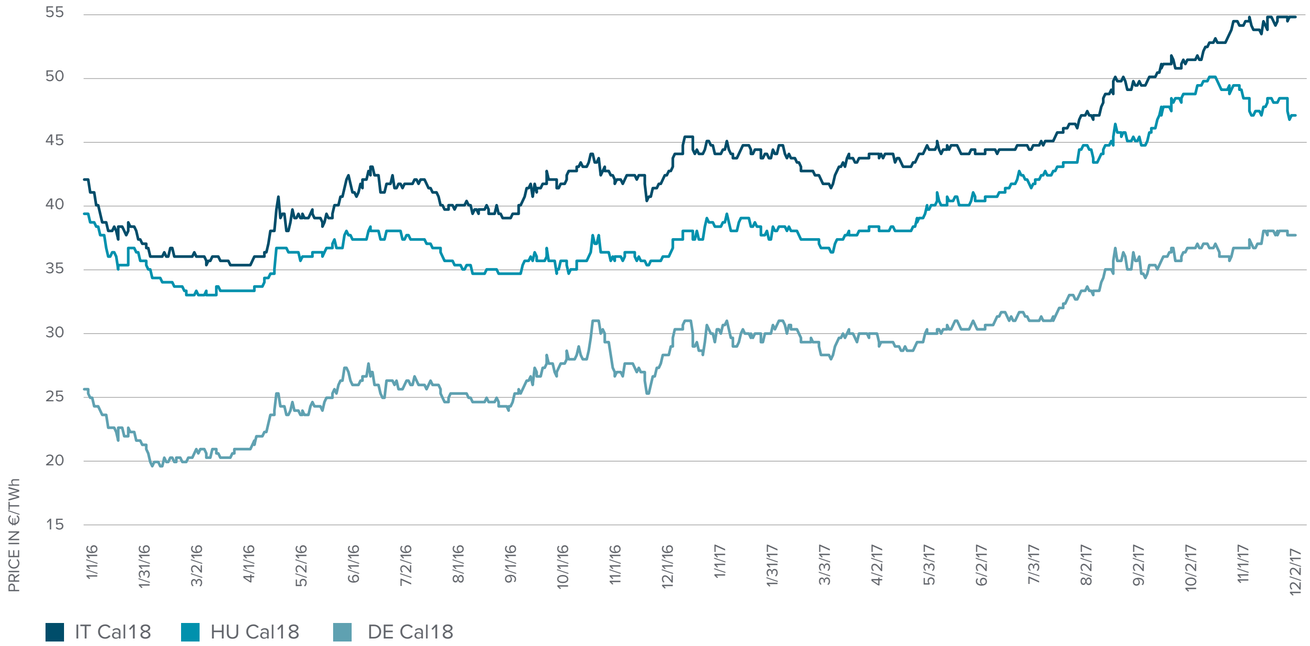
Annual growth in GDP for the EU19 in % (Source: ECB)



Change in electricity consumption in Europe in 2017 relative to 2016 (Source: ENTSO-E)

Growth in installed capacities of renewable electricity sources continued in 2017, primarily in the countries of Western Europe. Nevertheless, that proportion on the largest European market of Germany, where the proportion of renewable electricity sources is highest, remains just 25% of total electricity production. On the other hand, Germany is reducing the installed capacities of conventional electricity sources. Renewable energy sources are thus gradually replacing conventional production methods. Over the medium term, however, electricity prices remain dependent on the prices of coal, natural gas and oil. Over the short term, electricity prices on the German market are still dependent on weather conditions, which have a direct impact on production from wind and solar power plants.

Southeast Europe lags behind in terms of growth in installed renewable energy sources, such as the wind and sun, and is highly dependent on hydrologic conditions due to the high proportion of production from hydroelectric power plants. A lack of investments in competitive and flexible conventional production could result in increasing uncertainty in the event of unfavorable weather conditions, as was the case in 2017. In the context of a simultaneous drought that began back in December 2016 and extremely low temperatures, electricity consumption was up sharply throughout Europe, while extremely high electricity prices were recorded in January 2017 on the daily electricity markets of Southeast Europe, France and Italy. Dry conditions and high water consumption resulted in a decrease in available energy from hydroelectric power plants, while spring runoff from rivers and inflows to reservoirs were below expected long-term averages. The majority of countries in Southeast Europe thus entered the summer with low water levels in reservoirs, which resulted in the highest prices of the last five years on the daily markets of the aforementioned region.



Prices of forward contracts for baseload electricity deliveries in 2018 on the markets of Germany, Slovenia and Italy

Prices on the forward electricity markets of Central Europe tracked energy prices, which continued to rise in the context of strong economic growth. By the end of 2017, the price of coal had more than doubled relative to the price recorded in February 2016 due to the higher global consumption of the aforementioned energy source. The price of oil likewise doubled from its lowest level of $30/barrel at the beginning of 2016 to around $65/barrel in December 2017. The prices of CO2 emission coupons fluctuated for the most part in the narrow range of EUR 4/t to EUR 6/t in 2016 and 2017. Sharper growth occurred during the second half of 2017, primarily due to expectations of reforms to the EU's emission coupon trading system, which could significantly limit the number of emission coupons in circulation, and due to the expected higher production from coal and gas power plants. In September 2017, the French Nuclear Safety Authority repeated its demand for the inspection of all 58 nuclear power plants in France by December 2018, which meant the lower expected availability of nuclear power plants in Central Europe and thus higher production from coal and gas power plants. The prices of emission coupons also rose, to stand at EUR 8/t by the end of 2017. Until then, the prices of forward contracts for electricity deliveries in 2018 rose on the markets of Central Europe in the context of rising energy prices.

Record electricity prices were recorded in January 2017 on the daily electricity markets of Southeast Europe.

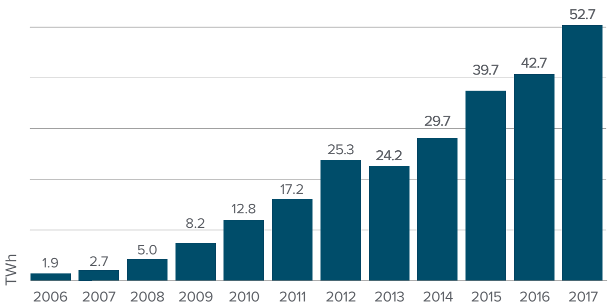
With the continuation of unfavorable hydrologic conditions in Southeast Europe until November, forward prices for electricity deliveries in 2018 rose faster on that region's markets than on the markets of Central Europe, and reached nearly EUR 50/MWh in November. Forward prices on the markets of Southeast Europe rose by 30% relative to the level recorded at the beginning of the year, while the spread relative to the prices of German forward contracts for deliveries in 2018 nearly doubled. Heavy precipitation in December resulted in a significant improvement in hydrologic conditions. Forward prices on the markets of Southeast Europe thus ended the year somewhat lower. Most importantly, the spread relative to the prices of German forward contracts for deliveries in 2018 narrowed.

Here it should be mentioned that the quantity of available cross-border transfer capacities that link the market of Southeast Europe with Western markets (Austria, Germany and Italy) also has a direct impact on wholesale electricity prices in Southeast Europe. There was a sustained increase in available quantities of cross-border transfer capacities to Germany on the Slovakian-Hungarian in the fall of 2017, which resulted in downward pressure on prices in Southeast Europe, with the possibility of increased imports of energy from the markets of Central Europe.

The combination of rising energy prices and a protracted period of extremely dry conditions was also reflected in the increased volatility of electricity prices, both in short-term trading and in forward products. The higher volatility in 2017 was reflected directly in the higher added value of market participants whose portfolios facilitate flexibility in terms of consumption and production.

Trading and services

The GEN-I Group sold a total of 52.7 TWh of electricity (with trading and supply to end-customers accounting for 46.2 TWh and 6.5 TWh of that amount, respectively) and 2.3 TWh of natural gas in 2017. Through operations in 22 countries via 16 subsidiaries, we connect Germany and France in the West with Turkey in the East.



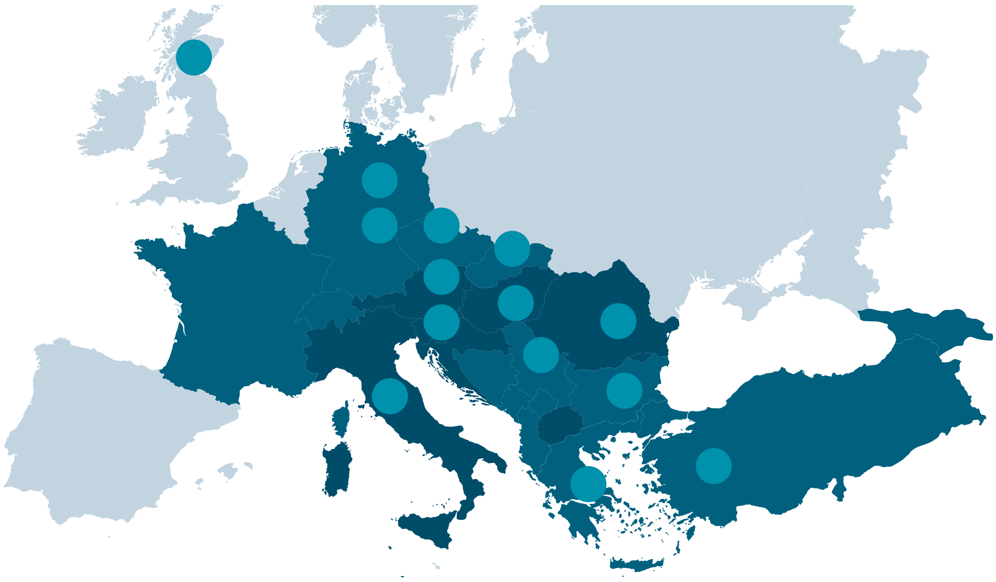
Electricity sales in the GEN-I Group

Our responsible and professional approach, know-how and an in-depth understanding of energy markets are the main elements that 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.

We experienced a number positive changes on the wholesale markets in 2017 in the area of market coupling and the transparency thereof through clear price signals. Electricity is always traded in close to real time, and intraday platforms (HUPX and OKTE) were launched back in 2016 for that purpose. At the same time, several new day-ahead exchanges (IBEX, CROPEX and SEEPEX) were opened in Southeast Europe. This facilitates the transparent setting of prices on three of GEN-I's major markets. We monitored the aforementioned process closely and were prepared to transact on those exchanges as soon as trading began. Our presence stimulated the functioning of the market and facilitated liquidity on those platforms.

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.

As a global player on the electricity market, we exploit the synergistic effects between access to developed Western markets, Southeast Europe and borders with Asian countries. The trading and sales of natural gas to the countries of Central and Eastern Europe also represents added value. The diversity of the development of new advanced services on developed markets and access to less developed markets open opportunities for continued growth and the generation of added value.



13 European energy exchanges

Electricity

Electricity and natural gas

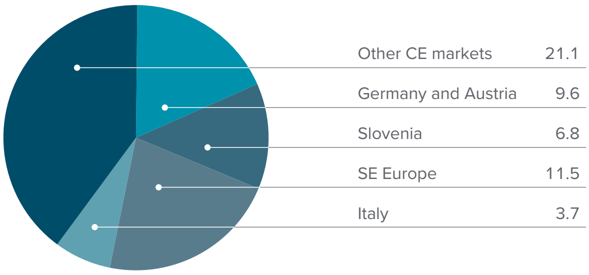
Major progress was made in the establishment of a system for capturing real data, and the management of production and consumption by end-customers on the ancillary services market in Austria. Using the aforementioned system, GEN-I can unite several small producers and customers in a virtual power plant used to manage the intraday market, the deviation market and the ancillary services market. Through this new business opportunity, GEN-I is also generating higher added value for its partners and thus further strengthening sound long-term business relationships. We continued to develop 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.

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 carried out centrally and coordinated through the parent company and its 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 2017, the GEN-I Group was present on 22 European markets in various stages of development. Our primary focus was on operations in Southeast Europe where, during an extraordinarily demanding year in 2017, we maintained our leading role in cross-border electricity trading and in the supply of electricity to end-customers.

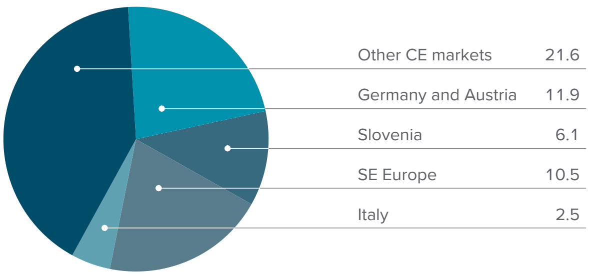
Our activity on 13 European energy exchanges reinforces our position as one of the most respected players on the energy market in Central and Southeast Europe. We also maintained and even increased our shares on the liquid markets of Central Europe on account of financial trading.

Our main sales markets are Germany, Hungary, Slovenia and Italy, followed by Greece, Macedonia and Turkey and, depending on hydrological conditions, Serbia, Kosovo, Albania and Montenegro.



Overview of sales quantities in 2017 by market

Our main purchase markets include Hungary, Germany and Slovenia, followed by Romania, Bulgaria and Italy.



Overview of purchased quantities in 2017 by market

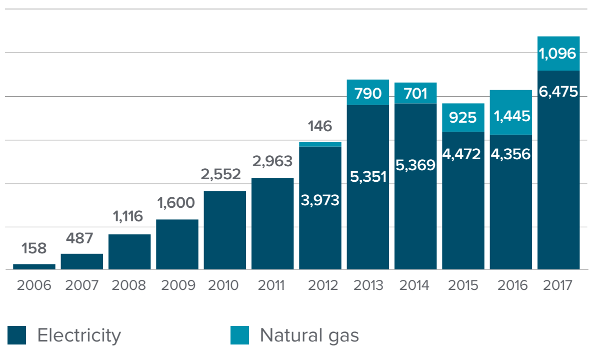
In 2017, the GEN-I Group supplied electricity directly to end-customers on seven markets, and supplied natural gas to end-customers on three markets.

Supply of energy products to end-customers

In 2017, the GEN-I Group supplied electricity directly to end-customers on seven markets and natural gas on three markets.

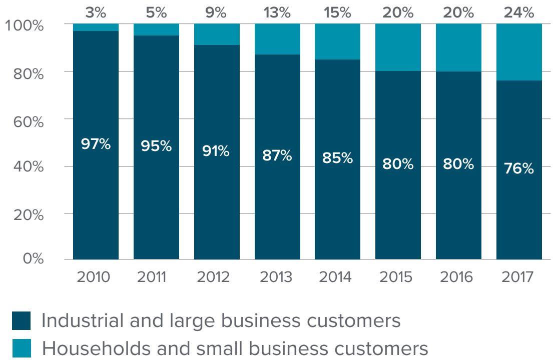
GEN-I has been the most affordable supplier of electricity to household customers in Slovenia for seven consecutive years, and our aim is to further strengthen that reputation in the coming years. In addition to the lowest prices, GEN-I's customers also receive premium services, which is evidenced by the measurement of customer satisfaction and ultimately confirmed by annual awards. In 2017, GEN-I was recognized for the fourth consecutive year as the most trustworthy brand in the "Energy Supplier" category in the Trusted Brand survey. Slovenia is our most important retail market, where we supply electricity using the optimal combination of available sources from our overall portfolio.

In 2017, the GEN-I Group supplied nearly 7.5 million MWh of electricity and natural gas to end-customers in Slovenia, Croatia, Austria, Serbia, Italy, Albania, Romania and Hungary (with Elektro energija accounting for 1.3 MWh). Contributing most to overall growth was electricity, which the GEN-I Group supplied in historically high annual quantities on account of the merger with Elektro energija.

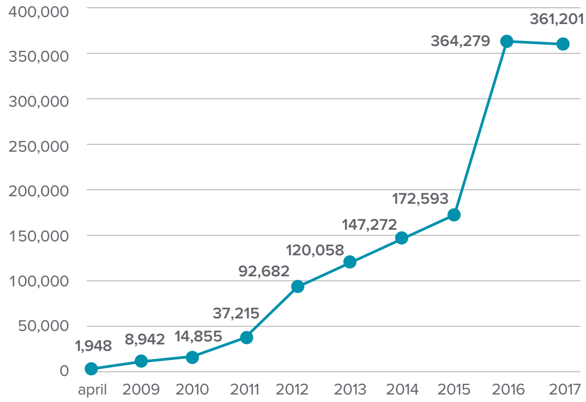


Quantities of electricity and natural gas supplied to end-customers in GWh in the period 2006 to 2017 on all markets combined

The B2B segment accounted for the highest proportion of electricity and natural gas sales to end customers (76% or 5,755 GWh), while the B2C segment accounted for 24%.



Sales quantities and structure of electricity and natural gas consumption from GEN-I from 2010 to 2017



Growth in the number of household and small business electricity customers from 2009 to 2017

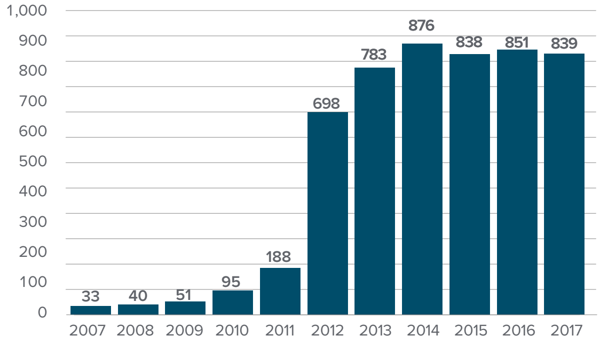
Electricity market

In 2017, GEN-I not only defended its position as the most affordable electricity supplier in Slovenia, it further strengthened that position through its merger with Elektro energija. The Group thus supplied 3,290 GWh of electricity to large and medium-sized business customers in 2017 and 1,436 GWh of electricity to households and small business customers, together representing a market share of 29.3%, while its share of just the household segment is 39.3%.

We recorded 35.8% growth in quantities supplied to large and medium-sized business customers in 2017 relative to 2016 (3,289 GWh in 2017 compared with 2,422 GWh in 2016). We achieved growth in electricity supplied to households and small business customers in 2017 relative to the previous year (1,436 GWh in 2017 compared with 804 GWh in 2016).

The Company maintained its position on the Slovenian market as the largest purchaser of electricity from producers who use renewable resources and high-efficiency cogeneration plants. It purchased 279 GWh of electricity from those producers.

We purchased electricity from a total of 839 producers who use renewable resources and high-efficiency cogeneration plants, meaning that we maintained nearly all of those producers (851 producers in 2016), despite stiff competition.



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

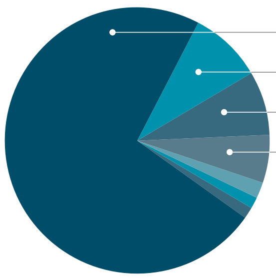
There was a sharp decline in sales quantities in Croatia in 2017, as the result of strategic decisions and a reduction in sales activities, primarily in certain business customer segments. A total of 380 GWh of electricity was thus supplied to end-customers in Croatia during the year.

We supplied 506 GWh of electricity to business customers in Austria in 2017, an increase of 13.4% relative to 2016 as the result increased sales activities.

Increased sales activities resulted in a significant increase in quantities sold on the electricity market in Italy. By the end of the year, we had supplied 568 GWh of electricity, representing growth of 543.64% relative to 2016 when 88.2 GWh of electricity were sold.

We did not encounter any major changes relative to the previous year on the electricity market in Serbia, where we supplied 51 GWh of electricity in 2017.

We increased sales activities in Albania and Hungary, where we supplied 122 GWh and 101 GWh of electricity, respectively.



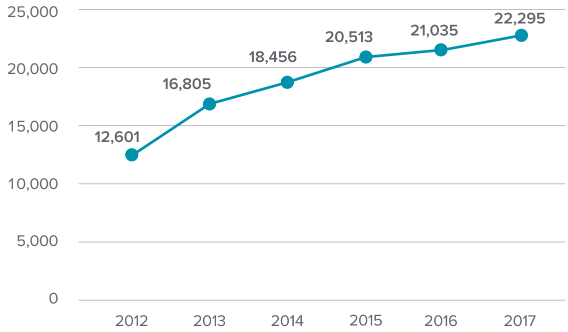
Slovenia	4,726
Italy	568
Austria	506
Croatia	380
Albania	122
Hungary	102
Serbia	72

Sales quantities in the end-customer segment by market

Due to conditions on and the development of the market, we will take even more advantage of our leading position and in-depth knowledge of conditions on the electricity market, both of which allow us to offer our customers more complex products in combination with energy services. At the same time, we are limiting simple “naked” fixed-price offers that do not bring customers the added value of optimization in terms of their orders in relation to price.

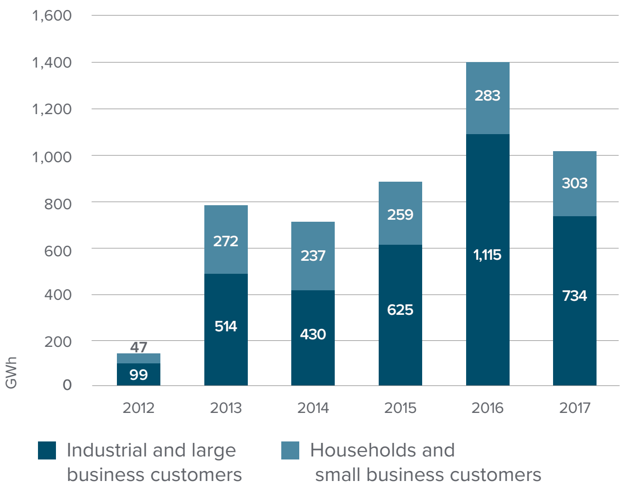
Natural gas market

We entered the Slovenian natural gas market in September 2012, and have maintained our position as the second largest natural gas supplier in Slovenia through reliable supply and competitive prices. We supplied 1,038 TWh of natural gas in 2017, including 303 GWh to more than 23 thousand households and small business customers.



Growth in the number of household and small business natural gas customers from 2012 to 2017

Growth is evident primarily in the household segment. The reason lies in a more intensive sales strategy during 2017.



Quantities of natural gas sold to end-customers (separately for the B2B and B2C segments) in GWh in the period 2012 to 2017

There were no significant changes on the Austrian natural gas market relative to the previous year. We supplied 54 GWh of natural gas in 2017, representing growth of 17.7% relative to 2016.

We are increasing sales on the Croatian natural gas market in accordance with the Group's established strategy. We thus supplied 4.4 GWh of natural gas in 2017, representing an increase of 98% relative to 2016.

4.8. Risk management

By expanding its presence to the international business environment in the areas of trading and the supply of energy products, GEN-I 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 the Company 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 risk management, 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 functions, the credit committee and Management Board also control the risk management department's effectiveness.

In 2017, we established the concept of the comprehensive allocation of capital and risks within the GEN-I Group in the scope of the project aimed at the allocation of capital within portfolios (theoretical model) in cooperation with external contractors. The updating of models and processes is in progress. We thus established guidelines over the long term that will provide the Group additional stability while optimizing the risk/reward ratio.

Risks can be broken down into the following key categories:

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

Credit risk

The increased scope of the operations of the GEN-I Group could result in an increase in credit risk. In order to avoid that situation, we transferred a portion of credit risk to external credit insurers in 2017 for the first time.

We also continued 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.

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.

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.

All receivables that arose in 2017 in sales on the wholesale electricity and natural gas market were settled. There were thus no impairments created for those receivables.

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 one of the main goals of the risk management department, as this facilitates the continuous and comprehensive monitoring of such risks at the Group level.

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 controlling department and the risk management department. 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.

Liquidity risk was exceptionally low in 2017 on account of a high level of capital adequacy, higher cash reserves and unused credit lines.

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.

Operational and IT 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.

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.

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 GEN-I'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 the Group's 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 forward financial 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

The majority of GEN-I Group's borrowings bear a variable interest, exposing it to interest-rate risk. We are aware of the risks associated with a potential rise in key interest rates, and therefore analyze the potential consequences in detail. We did not enter into interest-rate hedging agreements last year based on monitoring and analyses, but did enter into several longer-term loan agreements with a fixed interest rate and issued bonds with a fixed interest rate.

Human resource risks

Managing human resource risks is particularly important for the GEN-I Group because of its rapid growth and the international expansion of operations. To achieve operational plans, employees must constantly build on their existing knowledge, and learn new skills and competencies. They must also demonstrate the ability to work 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. To prevent the loss of key employees, we maintain a healthy organizational climate, ensure constant professional growth, create stimulating working conditions, and maintain good communication with and among employees. We also ensure that work processes and internal knowledge are well documented, as they represent one GEN-I Group's most important competitive advantages.

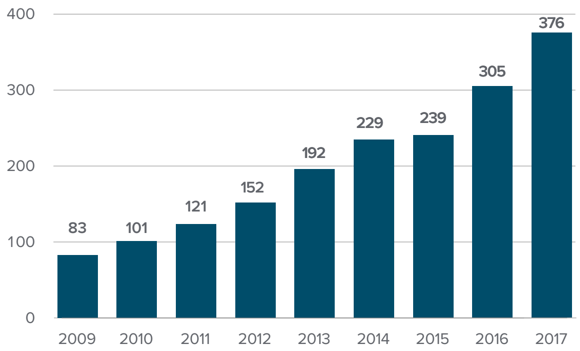
5. SUSTAINABLE DEVELOPMENT

5.1. Responsibility to employees

Growth in the number of employees

The GEN-I Group had a total of 376 employees at the end of 2017. The number of employees was up 23% relative to 2016.

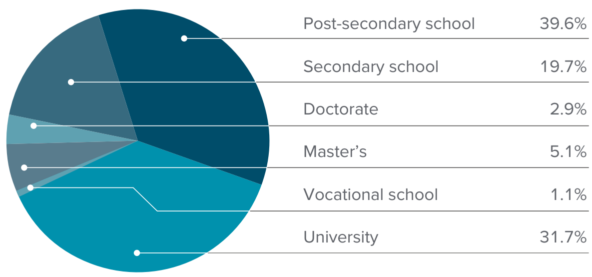
Recruitment was a key activity in 2017. The GEN-I Group increased activities aimed at the hiring of new employees in accordance with its development plans and policies. We hired new employees at the parent company GEN-I, d.o.o. and at the subsidiary GEN-I Sonce, d.o.o., which had 21 employees at the end of 2017. In addition to new hires, we further strengthened our team of experts in Slovenia with employees from Elektro energija, d.o.o., who joined the GEN-I Group at the beginning of 2017.



Number of employees in the GEN-I Group

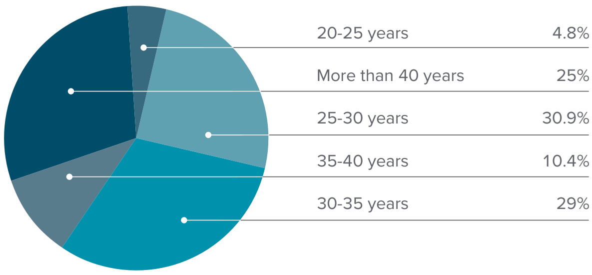
Professional and young employees

The GEN-I Group comprises a team 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 close to 8%.



Educational structure of employees in the GEN-I Group

The average age of Group employees was 35 years in 2017, an indication of a relatively young team. Employment at one of the Group's companies represents the first job for many employees.



Age structure of employees in the GEN-I Group

The GEN-I Group remains a friendly company for the employment of young workers just beginning their careers. We offer students the opportunity to enhance and enrich knowledge acquired from the university through internships and student work.

Both genders are almost equally represented in the employee structure. Women accounted for 55% of all employees within the Group at the end of 2017.

Revised organizational structure of the GEN-I Group

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 management. We thus took a step towards leaner and even more efficient operations of the Group.

Successful merger of the employees of Elektro energija and GEN-I

The 2017 business year was characterized by the merging of processes and employees at GEN-I, d.o.o. and Elektro energija, d.o.o. The employees of Elektro energija, d.o.o. moved to the business premises of the parent company GEN-I, d.o.o. in January 2017. We thus made a significant step forward in our collective story. Mutual cooperation, open communication and trust represent the bases on which we have built our common path and culture. A year later, we are proud to say that clearly established, common objectives, and well-conceived and planned merger activities resulted in the successful merging of two business cultures.

Management by objective

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 the link between the objectives of the Company and 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 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 trainings events and conferences at home and abroad, where they acquired new knowledge and learned about best practices.

The internal transfer of knowledge represents one important element of a company's successful functioning. We share expertise with a large number of employees through 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. We thus began to organize training in various areas of the Group's operations at the end of 2017.

Events for employees

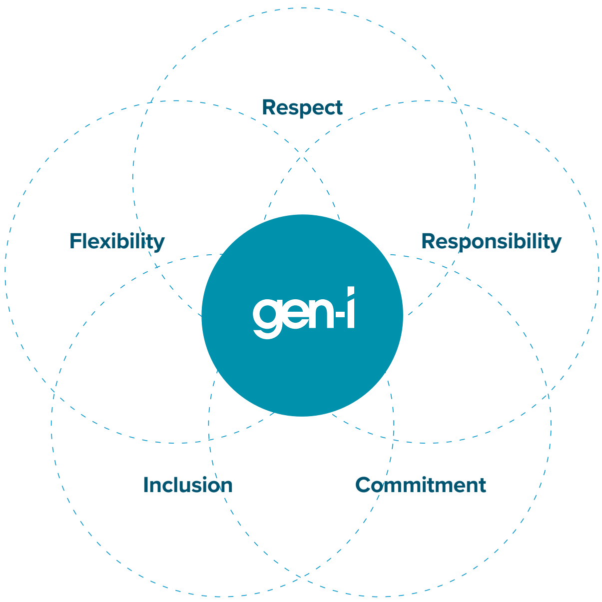
Formal and informal gatherings of employees represent one key indicator of a positive organizational climate. In addition to the traditional pre-New Year's party, employees attended the now traditional fall picnic, and demonstrated their athletic skills at a picnic held in the spring. We encouraged the collaborative mindset of employees, and organized enjoyable social events for departments and sectors outside of regular working hours, as well.

A healthy mind in a healthy body

The old saying, "a healthy mind in a healthy body" promotes the idea that physical activity is crucial for mental well-being. Previously organized sporting activities for employees were part of GEN-I's Sports Club, which was officially established in June 2017. A total of 11 sports sections function within the aforementioned club and provide active guidance to our employees.

Selection of "GEN-I-uses" of the year for 2017

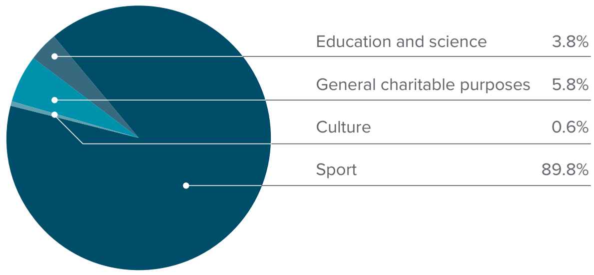
Izbor GEN-I-jalca/ke leta smo v letošnjem izboru prepletli z vrednotami Skupine GEN-I:



The emphasis on these five values was the underlying theme of the 2017 selection, as we wanted to recognize employees who embody those values in their everyday work. Through the help of nominations by employees, we recognized five employees who personify the GEN-I Group's values through their behavior, successes, abilities and work methods. We thus encourage employees to develop and promote the core values of the GEN-I Group.

5.2. 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 2017

We again dedicated special attention to local sports associations and clubs in 2017. This included support for the Gorica and Krško soccer clubs, the GEN-I Voley volleyball team from Nova Gorica, the handball and track and field clubs from Sevnica, the Krško handball club, the Novo Gorica track and field club, the Pivovarno Laško handball club and the Novo Mesto women's handball club. At the national level, we also supported the Slovenian Track and Field Association and the Association of Slovenian Surfers.

In the professional field, we earmarked sponsorship funds for activities aimed at education and training, and the search for best energy practices and solutions. In 2017, we also sponsored one of the largest international energy trading conferences, Energy Trading Central & South Eastern Europe 2017.

5.3. Responsibility to the natural environment

GEN-I 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.

2017 TYPE OF POWER PLANT	GEN-I GROUP	
	NO. OF UNITS	VOLUME IN MWh
Hydroelectric	183	124,052
Solar	964	79,356
Natural gas	9	15,525
Biogas	13	48,540
Cogeneration	29	11,512
Wind power	1	0,538
TOTAL	**1.199**	**278.986**

In 2017, GEN-I purchased electricity from a total of 183 hydroelectric power plants, 964 solar power plants, nine natural gas power plants, 13 biogas power plants, 29 cogeneration plants and one wind power plant. Total energy purchases amounted to 278,986 MWh, which is sufficient to supply 74 Slovenian households with an average annual consumption of 3,760 kWh.

The old city power plant was the sight of GEN-I's introduction of the new GEN-I Sonce service in November 2016, which made it significantly easier for households and small business customers in Slovenia to make the decision to switch to the self-sufficient supply of electricity generated by the sun. GEN-I was thus the first energy supplier in the region to enter the self-sufficient energy supply market back in 2017. With the construction of nearly 300 solar power plants, the Company has exceeded all expectations in this area.

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. The first measurable positive effects were seen already in 2017 in the form of a decrease in annual CO2 emissions by 1,600,000 kg and an increase in the annual production of green energy by 3,400,492 kWh.

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.

5.4. 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, Affordable Natural Gas and Elektroenergija brands in Slovenia and the Affordable Electricity brand in Croatia are designed for our electricity and natural gas end-customers. GEN-I Sonce also has a 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 2017 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 private solar power plants according to the "turn-key" principle for the self-sufficient supply of electricity.

Marketing activities in 2017 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, and completed the comprehensive redesign of the website for the Jeftina struja (Affordable Electricity) brand.

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

6. 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 Zagreb, d.o.o., Radnička cesta 54, Zagreb;
- GEN-I Budapest Kft., Tusnádi u 39. fszt. 3., Budapest;
- 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, Milano;
- GEN-I Vienna GmbH, Heinrichsgasse 4, Vienna;
- GEN-I Istanbul Ltd., Garden Office, Marmara Forum Sltesi, Osmaniye mah., Çobançeşme Koşuyolu Blv No 3/3, Kat 4, Bakırköy, İstanbul;
- 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, 18 Pavlivska Str., Kiev;
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi;
- Elektro energija, d.o.o., Dunajska cesta 119, Ljubljana.

7. CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2017

7.1. Consolidated statement of financial position of the GEN-I Group for 2017

AMOUNTS IN EUR ITEMS	NOTE	12/31/2017	12/31/2016
Property, plant and equipment	1	5,528,972	5,638,065
Intangible assets	2	3,239,895	3,061,432
Investment property	3	1,636,065	0
Investments in associates	4	12,395,804	12,404,915
Other non-current financial assets	4	100,000	100,000
Non-current receivables and loans	5	1,909,947	360,123
Deferred tax assets	17	1,232,000	1,244,019
Non-current assets		**26,042,683**	**22,808,554**
Inventories	6	357,986	0
Operating receivables	7	135,342,655	135,137,620
Prepayments and other assets	8	65,593,193	47,141,756
Investments and loans	9	737,511	1,052,202
Income tax receivables from the state		465,291	782,870
Cash and cash equivalents	10	49,886,492	47,143,359
Current assets		**252,383,128**	**231,257,806**
Assets		**278,425,811**	**254,066,360**
Share capital	11	19,877,610	19,877,610
Legal reserves	11	1,987,761	1,987,761
Fair value reserves	11	-19,972	-37,549
Translation reserve	11	-883,876	-903,516
Net profit or loss for the period	11	13,463,405	7,313,188
Retained earnings	11	40,891,772	37,647,659
Non-controlling interest		**0**	**0**
Equity		**75,316,700**	**65,885,154**
Loans and borrowings	12	32,387,441	24,335,624
Other financial liabilities	14	275,341	74,934
Non-current operating liabilities	15	45,782	45,782
Provisions	16	651,182	817,333
Non-current liabilities		**33,359,746**	**25,273,673**
Loans and borrowings	12	6,705,046	3,324,201
Other financial liabilities, including derivatives	18	28,328,532	27,198,878
Operating liabilities	19	118,211,917	115,890,639
Advances payable and other current liabilities	20	16,503,869	16,493,815
Current liabilities		**169,749,364**	**162,907,534**
Liabilities		**203,109,111**	**188,181,206**
Total equity and liabilities		**278,425,811**	**254,066,360**

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

7.2. Consolidated income statement of the GEN-I Group for 2017

AMOUNTS IN EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues	23	2,370,030,061	1,582,148,485
Other operating revenues	23	13,059,282	17,029,101
Change in value of inventories	24	183,770	0
Cost of goods sold	25	-2,322,178,734	-1,562,830,947
Cost of materials	25	-689,111	-491,924
Cost of services	25	-14,306,102	-9,808,329
Labor costs	26	-18,320,409	-10,741,708
Amortization and depreciation	27	-1,909,062	-1,906,317
Other operating expenses	28	-6,115,868	-3,099,241
Operating profit or loss		**19,753,825**	**10,299,118**
Financial income	29	268,568	368,432
Financial costs	29	-2,954,371	-1,813,741
Profit or loss from financing		**-2,685,803**	**-1,445,308**
Recognized results of associates		**-9,446**	**-335**
Profit before tax		**17,058,576**	**8,853,475**
Income tax expense	30	-3,595,171	-1,540,286
PROFIT OR LOSS FROM CONTINUING OPERATIONS		13,463,405	7,313,188

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

7.3. Consolidated statement of other comprehensive income of the GEN-I Group for 2017

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Profit or loss for the period	**13,463,405**	**7,313,188**
Items that are or may be reclassified to the income statement	**19,640**	**-45,934**
Exchange rate differences	19,640	-45,934
Deferred tax from comprehensive income	0	0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**17,577**	**-22,985**
Other comprehensive income for the period, net of tax	**37,217**	**-68,919**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,500,622	7,244,269

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

7.4. Consolidated cash flow statement of the GEN-I Group for 2017

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	13,463,405	7,313,188
ADJUSTMENTS FOR		
Amortization and depreciation	1,909,062	1,906,317
Write-downs of property, plant and equipment	12,661	64,344
Gain on the sale of property, plant and equipment, intangible assets and investment property	-55,555	-5,563
Reversal of negative goodwill	-55,186	-106,369
Reversal of negative goodwill	143,515	0
Non-monetary expenses/revenues	0	2,645,475
Financial income	-268,568	-714,692
Financial costs	2,155,043	1,181,934
Recognized results of associates under the equity method	9,446	335
Income tax	3,595,171	1,540,288
OPERATING PROFIT BEFORE CHANGES IN NET CURRENT ASSETS AND TAXES	**20,908,995**	**13,825,257**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	-1,336,399	51,635,287
Change in prepayments and other assets	-18,451,438	-11,734,615
Change in operating liabilities	1,834,317	-26,964,754
Change in advances received and other current liabilities	10,054	-2,671,291
Change in provisions	-166,150	-65,179
Change in deferred income	0	0
Income tax paid	-1,548,731	-1,552,417
NET CASH FLOW FROM OPERATING ACTIVITIES	**1,250,648**	**22,472,288**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	260,773	359,545
Proceeds from the sale of property, plant and equipment and intangible assets	164,232	75,771
Proceeds from sale of other financial assets	0	0
Proceeds from decrease in loans granted	2,046	0
Proceeds from settlement of derivatives	0	0
Acquisitions of property, plant and equipment and intangible assets	-2,126,967	-1,688,010
Acquisitions of investment property	-1,636,065	0
Acquisitions of associates	0	-12,404,915
Acquisitions of other investments	-1,183,564	-100,000
Outflows for increase in loans granted	0	0
Outflows for settlement of derivatives	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	**-4,519,545**	**-13,757,609**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,087,524	-876,110
Repayment of long-term loans	-277,226	-1,589,791
Repayment of short-term loans	-145,486,612	-273,683,681
Proceeds from long-term loans received	14,586,056	18,170,134
Proceeds from short-term loans received	142,277,334	279,210,005
Dividends paid	-4,000,000	-4,000,000
NET CASH FLOW FROM FINANCING ACTIVITIES	**6,012,029**	**17,230,557**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**47,143,359**	**21,198,123**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,743,132**	**25,945,236**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**49,886,492**	**47,143,359**

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

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

Changes in 2017

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
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	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

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

Changes in 2016

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
BALANCE AT 12/31/2015	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 12/31/2016	19,877,610	1,987,761

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

FAIR 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

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
-14,564	-857,582	7,028,422	34,607,764	62,629,412
0	0	7,313,188	0	7,313,188
0	-45,934	0	0	-45,934
-22,985	0	0	0	-22,985
-22,985	-45,934	0	0	-68,919
-22,985	-45,934	7,313,188	0	7,244,270
0	0	-7,028,422	7,028,422	0
0	0	0	-4,000,000	-4,000,000
0	0	0	11,472	11,472
-37,549	-903,516	7,313,188	37,647,659	65,885,154

8. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2017

8.1. Reporting company

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is based 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, 2017 include data on GEN-I, d.o.o. and its subsidiaries (hereinafter: 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 trading electricity and natural gas internationally, selling electricity and natural gas to end-customers, and purchasing the necessary quantities from producers for both activities.

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

8.2. Basis of preparation

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements were 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 20, 2018.

(B) MEASUREMENT BASIS

The 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, the functional currency of the parent company GEN-I, d.o.o. All accounting data presented in euros are rounded to the nearest integer.

(D) USE OF ESTIMATES AND JUDGEMENTS

When preparing the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may vary from these estimates.

The estimates and underlying assumptions must be reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- employee earnings,
- provisions,
- contingent liabilities, and
- derivatives.

8.3. Significant accounting policies

Companies of the GEN-I Group consistently applied the accounting policies described below to all periods presented in the 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 parent company. Control exists when an investor is exposed to variable returns, or has the right to variable returns from a participating interest in a company in which it invests and the ability to affect those returns though control over the investee. Influence is assessed based on the existence and effect of potential voting rights that are currently exercisable or convertible. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is established to the date it 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 business 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 cos, 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**

Balances, gains or losses, and revenues and expenses that arise from transactions within the Group were not included in the consolidated financial statements.

(B) FOREIGN CURRENCY

(i) **Foreign currency transactions**

Foreign currency transactions are converted into the functional currency of Group companies using the exchange rate applied on the day they arise. Cash, cash equivalents and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applicable at the end of the reporting period. Positive or negative exchange differences are differences between the amortized cost in the functional currency at the beginning of the period, increased or decreased by the amount of applicable interest and payments in the period, and the amortized cost expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Exchange rate differences are recognized in the income statement.

(ii) **Foreign operations**

The assets and liabilities of foreign companies are converted into euros using the exchange rate applicable at the end of the reporting period. 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. Any exchange rate differences are recognized in other comprehensive income and disclosed in the foreign currency translation reserve (FCTR) as an item of equity.

(C) FINANCIAL INSTRUMENTS

(i) **Non-derivative financial assets**

Loans, receivables and deposits are initially recognized on the day they arise. Other financial assets (including assets measured at fair value through profit or loss) are initially recognized on the exchange date or on the day the Group becomes a party to the instrument's contractual provisions. Financial assets are derecognized when the contractual rights to cash flows from these assets expire, or when the Group transfers the rights to cash flows from financial assets based on a contract that involves the transfer of all risks and benefits associated with the ownership of the financial asset. Each share in the transferred financial asset generated or transferred by the Group is recognized as an individual asset or liability. Financial assets and liabilities are netted, and the net amount is disclosed in the statement of financial position if and only if the Group has the legal right to settle the net amount or cash in the asset and settle its liability. Non-derivative financial instruments include the following: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets are stated at fair value through profit or loss if they are available for sale or if they are classified as such after initial recognition. Related transaction costs are recognized in profit or loss when they arise. Financial assets at fair value through profit or loss are measured at fair value, and the amount of any changes in the fair value is recognized in profit or loss.

Held-to-maturity financial assets

These assets are initially recognized at fair value increased by costs that can be directly attributed to the assets. After initial recognition, they are measured at amortized cost using the effective interest rate method, less impairment losses.

Available-for-sale financial assets

These assets are initially recognized at fair value increased by costs that can be directly attributed to the assets. After initial recognition, they are measured at fair value, and changes in value, except impairment losses and exchange rate difference from debt securities, are recognized in other comprehensive income and disclosed in equity as fair value reserves. When such assets are derecognized, all cumulative gains and losses in equity are transferred to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted on an active market. They are initially recognized at fair value and increased by any direct transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables include operating and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and sight deposits. Bank overdraft facilities repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents in the cash flow statement. Cash and cash equivalents also include cash equivalents such as short-term deposits and bank deposits with a maximum maturity of three months.

(ii) **Non-derivative financial liabilities**

Any debt securities issued and the underlying liabilities are initially recognized on the day they arise. All other financial liabilities are initially recognized on the trading day when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized if the obligations set out in the contract are fulfilled, cancelled or have lapsed.

Financial assets and liabilities are netted, and the amount is disclosed in the statement of financial position if and only if the Group has the legally recognized right to offset the recognized amounts and intends to either settle the net amount or cash in the asset and settle its liability.

Non-derivative financial instruments are initially recognized at fair value increased by any costs directly attributable to the transaction. After initial recognition, financial liabilities are measured at amortized cost less principal payments.

Other financial liabilities include loans, bank overdrafts, and operating and other liabilities.

(iii) **Loans received, and financial and operating liabilities**

Loans received, and other financial and operating liabilities are initially recognized at fair value on the day they arise, after which time all categories of liabilities are measured at amortized cost using the effective interest rate method.

Liabilities are only derecognized if they have been extinguished, meaning that they have been fulfilled, cancelled or have lapsed. The difference between the carrying amount of liabilities that have been extinguished or transferred to another party and the consideration paid (including non-monetary assets or assumed liabilities) is recognized immediately in profit or loss.

(iv) **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.

Dividends

Dividends are recognized as liabilities and stated in the period in which the general meeting of shareholders decides on their payment.

(v) **Derivatives**

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 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 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.

The Group meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices, and changes in exchange rates. When introducing hedge accounting, the Group prepared formal documentation of the hedge relationship, the Group's risk management objectives and a strategy for undertaking hedges. The Group defined hedging instruments, hedged items, the nature of the risks being hedged, and the method for assessing hedge effectiveness.

The Group assesses the effectiveness of hedging instruments at the start of a hedge relationship and also on a regular quarterly basis. A hedge is deemed successful if changes in the hedging instrument offset the changes in the cash flow of the hedged item by between 80% and 125%. When hedging against cash flow risks, the forecast transaction, which is the subject of the hedge, must be highly probable and exposed to cash flow changes that may significantly affect profit or loss.

Derivatives are initially recognized at fair value; any transaction costs are recognized in profit or loss. After initial recognition, derivatives are measured at fair value. Any gain or loss arising from the remeasurement of fair value is calculated as described below.

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 Company's policy.

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.

Cash flow hedging

The Group accounts for cash flow hedges used for standardized forward contracts and non-standardized forward transactions by recognizing the proportion of the gain or loss from a hedging instrument that is deemed effective in other comprehensive income; the amount is recognized as a hedging reserve and disclosed directly in equity. The ineffective proportion of the gain or loss from a hedging instrument is recognized in profit or loss as other operating revenues or expenses. The amounts recognized in equity as a hedging reserve are transferred to profit or loss in the period in which the hedged item affects profit or loss.

If a hedging instrument no longer meets hedge accounting criteria, or if it is terminated, sold, revoked, or exercised, hedge accounting ceases. The accumulated gain or loss recognized in equity remains in equity until the forecast transaction occurs.

Fair value hedging

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.

(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 Group 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) 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.

(G) IMPAIRMENT OF ASSETS

(i) **Financial assets (including receivables)**

The Group assesses the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. A financial asset is 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 is 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 is 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 is calculated using the current fair value of the asset.

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

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

Impairment losses are 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 are 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.

(H) EMPLOYEE BENEFITS

Liabilities from short-term employee benefits are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term benefit is completed.

(I) 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 2017 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 between 0.75% and 1.8% was set for the calculation at December 31, 2017, based on the published yields on 10- to 20-year Slovenian government bonds at December 29, 2017.

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.

(J) REVENUES

(i) **Revenues from goods sold**

Revenues from goods sold are recognized at the fair value of payments received or the resulting receivables, reduced by returns, discounts and quantity discounts. Revenues from sales are recognized at the moment when all significant forms of risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs are certain, and when the Group ceases to have effective control over decisions regarding the goods sold. If discounts are likely to be approved and their amount can be measured reliably, they are recognized as revenue reductions at the time when the sale itself is recognized.

(ii) **Revenues from services rendered**

Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) **Commissions**

If a company within the Group acts as the intermediary in a transaction and not as a company, the Group's net commission is disclosed as revenue.

(iv) **Revenues from rents**

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

(K) GOVERNMENT GRANTS

All types of government grants are initially recognized in the financial statements as deferred revenue if there is reasonable assurance that the grants will be received and that the Group will comply with the associated conditions. Government grants that compensate the Group for costs are recognized as revenues on a systematic basis in the period in which the costs occur. Government grants associated with assets are recognized as other operating revenues in the income statement on a systematic basis over the useful life of the asset.

(L) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes interest from investments, changes in the fair value of financial assets at fair value through profit or loss, positive exchange rate differences and gains from hedging instruments recognized in the income statement. Interest income is recognized when it arises at a contractually agreed interest rate.

Financial costs include borrowing costs, negative exchange rate differences, changes in the fair value of financial assets at fair value through profit or loss and losses from hedging instruments recognized in the income statement. Borrowing costs are recognized in the income statement at a contractually agreed interest rate.

(M) 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 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.

(N) SEGMENT REPORTING

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.

(O) 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:

- **Amendments to IAS 7 Statement of Cash Flows –** Disclosure Initiative; adopted by the EU on November 6, 2017 (apply to annual periods beginning on or after January 1, 2017);

- **Amendments to IAS 12 Income Taxes** – Recognition of Deferred Tax Assets for Unrealized Losses; adopted by the EU on November 6, 2017 (apply to annual periods beginning on or after January 1, 2017); and

- **Amendments to various standards (Improvements to IFRS, 2014–2016 cycle)**, proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations; adopted by the EU on February 8, 2018 (amendments to IFRS 12 apply to annual periods beginning on or after January 1, 2017).

The adoption of these amendments to existing standards did not lead to any significant changes in the Group's financial statements.

(P) STANDARDS AND AMENDMENTS TO EXISTING 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 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 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);
- **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 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); and
- **Amendments to various standards (Improvements to IFRS, 2014–2016 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations; adopted by the EU on February 8, 2018 (amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1, 2018).

(Q) 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, 2017 (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 2 Share-Based Payment** – Classification and Measurement of Share-Based Payment Transactions (apply to annual periods beginning on or after January 1, 2018);
- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation (apply to annual periods beginning on or after January 1, 2019);
- **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 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 IAS 40 Investment property** – Transfers of Investment Property (apply to annual periods beginning on or after January 1, 2018);
- **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);

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (applies to annual periods beginning on or after January 1, 2018); and

- **IFRIC 23 Uncertainty over Income Tax Treatments** (applies to annual periods beginning on or after 1 January 2019).

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.

8.4. 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.

8.5. Financial risk management

The GEN-I Group is exposed to the following risks in its operations:

- strategic,
- financial and
- operational risks.

The GEN-I Group's prudent approach to risk management helps it maintain its high level of operational quality and is crucial for achieving its business goals. The use of standard methodologies and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the GEN-I Group to major risks.

8.6. Cash flow statement

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

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

GROUP COMPANIES	% OF OWNERSHIP		INVESTMENT VALUE		EQUITY OF SUBSIDIARY		SHARE CAPITAL OF MAJORITY SHAREHOLDER	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
GEN-I Athens SMLLC	100.00%	100.00%	600,000	150,000	973,872	490,585	600,000	150,000
GEN-I BUCHAREST S.R.L.	100.00%	100.00%	500,000	500,000	533,147	557,998	452,206	464,111
GEN-I Budapest Kft.	100.00%	100.00%	0	203,915	0	-51,290	0	187,540
GEN-I, d.o.o. Beograd	100.00%	100.00%	150,000	150,000	1,031,318	902,222	648,319	622,407
GEN-I Sonce, d.o.o.	100.00%	100.00%	500,000	50,000	481,659	-41,146	500,000	50,000
GEN-I Istanbul Ltd.	100.00%	100.00%	844,566	844,566	862,960	859,674	439,908	539,491
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	246,499	237,846	100,000	100,000
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100.00%	100.00%	39,951	39,951	412,461	332,799	9,998	9,903
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	712,750	759,501	511,292	511,292
GEN-I dooel Skopje	100.00%	100.00%	20,000	20,000	7,609	7,949	20,067	19,877
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	-2,735,393	140,794	100,005	100,005
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	1,533,995	479,012	45,475	44,423
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	535,526	402,056	50,000	50,000
GEN-I Zagreb, d.o.o.	100.00%	100.00%	991,692	991,692	1,269,551	1,145,254	1,008,065	992,103
GEN-I Kiev LLC	100.00%	100.00%	248,224	98,224	139,790	42,510	227,136	96,318
GEN-I Tbilisi LLC	100.00%	100.00%	50,000	50,000	39,610	46,023	39,182	46,290
Elektro energija, d.o.o.	100.00%	100.00%	10,149,750	10,149,750	11,466,512	10,551,551	3,000,000	3,000,000
TOTAL			15,184,311	14,338,226	17,511,867	16,863,338	7,751,652	6,983,760

ASSETS OF SUBSIDIARIES		LIABILITIES OF SUBSIDIARIES		REVENUE OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
18,769,083	15,575,026	17,795,211	15,084,441	172,782,711	169,270,015	323,872	290,585	1	1
535,413	577,970	2,266	19,972	0	2,150,247	-10,744	1,076	0	2
0	9,900	0	61,189	0	0	69,075	-105,738	0	0
17,016,735	20,935,298	15,985,416	20,033,075	301,853,369	179,760,244	374,427	281,401	5	5
15,366,390	29,353	14,884,730	70,499	3,595,884	12,058	72,742	-28,246	21	2
6,500,250	7,973,910	5,637,290	7,114,236	39,917,432	59,180,466	397,550	333,562	3	3
12,458,127	2,469,656	12,211,628	2,231,810	23,391,901	4,680,905	126,499	117,846	1	1
13,427,986	7,418,320	13,015,525	7,085,521	122,319,657	63,637,722	302,248	225,490	0	0
14,214,988	9,954,320	13,502,237	9,194,819	179,510,197	115,749,908	201,458	248,209	1	1
8,730	9,017	1,122	1,067	0	0	-415	-1,396	0	0
1,974,805	3,031,158	4,710,198	2,890,364	30,965	10,285	-2,876,187	171,830	1	1
20,901,984	8,377,549	19,367,988	7,898,537	56,586,613	19,849,990	1,414,111	370,939	2	2
4,912,662	6,097,232	4,377,137	5,695,176	19,247,580	13,795,149	148,601	302,056	1	1
10,314,855	10,808,440	9,045,304	9,663,186	176,398,589	123,633,785	260,656	153,688	9	12
490,850	48,985	351,060	6,475	39,057	0	-46,464	-46,797	1	1
39,909	46,384	299	361	0	0	742	-111	0	0
26,451,501	35,896,304	14,984,989	25,344,753	77,572,755	11,409,434	1,915,813	3,275,901	20	70
163,384,267	**129,258,821**	**145,872,400**	**112,395,481**	**1,173,246,709**	**763,140,208**	**2,673,984**	**5,590,296**	**66**	**102**

8.8. Notes to the financial statements

Note 1: Property, plant and equipment

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/31/2017	12/31/2016
Land	400,660	400,660
Buildings	3,456,286	3,723,259
Other plant and equipment	1,672,026	1,511,005
Property, plant and equipment under construction and advances	0	3,141
TOTAL PROPERTY, PLANT AND EQUIPMENT	5,528,972	5,638,065

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 EUR 499,565.

Total investments in property, plant and equipment in 2017 amounted to EUR 1,115,243, and relate to purchases of vehicles, computer equipment, investments in fixed assets owned by third parties, furniture and other equipment, primarily at the parent company.

Changes in 2017

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL 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
IMPAIRMENTS					
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

Changes in 2016

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2016	**375,461**	**4,310,650**	**4,003,322**	**898**	**8,690,330**
Acquisitions through the purchase of subsidiaries	25,199	1,783,505	1,097,052	314,941	3,220,697
Acquisitions	0	0	15,571	483,142	498,713
Write-downs	0	0	-13,613	0	-13,613
Disposals	0	0	-68,520	0	-68,520
Transfers within property, plant and equipment	0	317,173	478,667	-795,840	0
Exchange rate differences	0	0	793	0	793
BALANCE AT 12/31/2016	400,660	6,411,328	5,513,272	3,141	12,328,401
IMPAIRMENTS					
Balance at 1/1/2016	**0**	**1,165,335**	**2,915,745**	**0**	**4,081,079**
Acquisitions through the purchase of subsidiaries	0	1,259,000	582,469	0	1,841,469
Write-downs	0	0	-13,612	0	-13,613
Disposals	0	0	-62,345	0	-62,345
Depreciation expense	0	263,734	579,707	0	843,441
Exchange rate differences	0	0	305	0	305
BALANCE AT 12/31/2016	0	2,688,069	4,002,268	0	6,690,336
CARRYING AMOUNT AT 1/1/2016	375,461	3,145,315	1,087,577	898	4,609,251
CARRYING AMOUNT AT 12/31/2016	400,660	3,723,259	1,511,005	3,141	5,638,065

Note 2: Intangible assets

AMOUNTS IN EUR INTANGIBLE ASSETS	12/31/2017	12/31/2016
Non-current deferred operating costs	20,078	136,759
Goodwill	228,130	228,130
Other intangible assets	2,502,960	2,495,619
Intangible assets in acquisition and development, and advances	488,727	200,923
TOTAL INTANGIBLE ASSETS	3,239,895	3,061,432

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 EUR 1,011,724, 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 2017

AMOUNTS IN EUR INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL 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	0	-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
IMPAIRMENTS					
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

Changes in 2016

AMOUNTS IN EUR INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2016	**0**	**0**	**5,820,784**	**105,703**	**5,926,487**
Acquisitions through the purchase of subsidiaries	190,040	0	1,590,856	0	1,780,896
Intangible assets created by the Company	0	228,130	0	0	228,130
Acquisitions	0	0	322,599	638,567	961,166
Disposals	0	0	-605,442	0	-605,442
Transfers within intangible assets	0	0	543,348	-543,348	0
Other transfers	-53,281	0	0	0	-53,281
Exchange rate differences	0	0	182	0	182
BALANCE AT 12/31/2016	136,759	228,130	7,672,327	200,923	8,238,139
IMPAIRMENTS					
Balance at 1/1/2016	**0**	**0**	**3,541,485**	**0**	**3,541,485**
Acquisitions through the purchase of subsidiaries	0	0	1,104,210	0	1,104,210
Disposals	0	0	-541,408	0	-541,408
Amortization expense	0	0	1,062,877	0	1,062,877
Exchange rate differences	0	0	9,544	0	9,544
BALANCE AT 12/31/2016	0	0	5,176,707	0	5,176,707
CARRYING AMOUNT AT 1/1/2016	0	0	2,279,300	105,703	2,385,003
CARRYING AMOUNT AT 12/31/2016	136,759	228,130	2,495,620	200,923	3,061,432

Note 3: Investment property

AMOUNTS IN EUR INVESTMENT PROPERTY	12/31/2017	12/31/2016
Investment property	1,636,065	0
TOTAL INVESTMENT PROPERTY	**1,636,065**	**0**

GEN-I Sofia received real estate in Bulgaria in bankruptcy proceedings against a Bulgarian electricity supplier.

Note 4: Investments in associates and other investments

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12/31/2017	12/31/2016
Investments in associates	12,395,804	12,404,915
Other financial investments	100,000	100,000
TOTAL INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	**12,495,804**	**12,504,915**

The Group continued to hold a 27.5% participating interest in GEN-EL naložbe, d.o.o. in 2017.

Note 5: Non-current receivables and loans

AMOUNTS IN EUR NON-CURRENT RECEIVABLES AND LOANS	12/31/2017	12/31/2016
Non-current operating receivables	117,883	274,161
Non-current financial receivables	1,792,065	83,576
Loans to others	0	2,387
TOTAL NON-CURRENT RECEIVABLES AND LOANS	**1,909,947**	**360,123**

Non-current financial receivables comprise receivables from the sale of small solar power plants.

Note 6: Inventories

AMOUNTS IN EUR INVENTORIES	12/31/2017	12/31/2016
Material	174,216	0
Work in progress	183,770	0
TOTAL INVENTORIES	**357,986**	**0**

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.

Note 7: Operating receivables

AMOUNTS IN EUR OPERATING RECEIVABLE	12/31/2017	12/31/2016
Trade receivables	111,635,226	102,462,665
Interest receivable	398,033	31,439
Other receivables relating to financial income	281,593	11,863,959
Other operating receivables	22,839,035	20,561,740
Operating receivables on behalf of third parties	188,767	217,585
Current unpaid called-up capital	0	231
TOTAL OPERATING RECEIVABLES	**135,342,655**	**135,137,620**

Other operating receivables primarily comprised receivables from deductible VAT in the amount of EUR 22,344,533.

Age structure and changes in impairments of receivables

AMOUNTS IN EUR AGING OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENTS	GROSS AMOUNT	IMPAIRMENTS
	12/31/2017		12/31/2016	
Not past due	124,335,055	7,785	121,349,810	0
Past due up to 90 days	9,300,580	-15,535	8,977,059	0
Past due from 91 to 180 days	362,896	251,548	206,782	98,670
Past due from 181 to 365 days	741,956	728,411	410,679	387,656
More than one year past due	12,697,164	11,122,788	13,194,542	8,514,927
TOTAL	**147,437,651**	**12,094,997**	**144,138,872**	**9,001,252**

The Group's parent company created impairments of trade receivables in the amount of EUR 1,762,915. In addition to the parent company, receivables were impaired in the amount of EUR 5,418,130 at Elektro energija, in the amount of EUR 3,036,293 at GEN-I Sofia, in the amount of EUR 1,086,858 at GEN-I Zagreb, in the amount of EUR 453,495 at GEN-I Tirana, in the amount of EUR 123,576 at GEN-I Prodažba na energija, in the amount of EUR 102,630 at GEN-I Beograd, in the amount of EUR 77,567 at GEN-I Vienna and in the amount of EUR 33,533 at GEN-I Energia.

AMOUNTS IN EUR CHANGES IN IMPAIRMENTS OF RECEIVABLES	IMPAIRMENTS	
	2017	2016
OPENING BALANCE AT 1/1	**9,001,252**	**2,779,206**
Creation of impairments	3,270,760	1,187,407
Increase as the result of the acquisition of subsidiaries	0	5,760,908
Reversal of impairments	-105	-4,849
Write-downs of receivables charged to impairments	-208,420	-733,661
Exchange rate differences	31,510	12,241
CLOSING BALANCE AT 12/31	**12,094,997**	**9,001,252**

Impairments of trade receivables were created at GEN-I Sofia in the full amount of EUR 2,709,565, at the parent company in the amount of EUR 322,976, at GEN-I Zagreb in the amount of EUR 103,221, at GEN-I Vienna in the amount of EUR 77,567, at GEN-I Energija in the amount of EUR 29,201 and at Elektro energija in the amount of EUR 28,230.

Impairments of trade receivables in the amount of EUR 143,515 were reversed at Elektro energija. The parent company also made a reversal in the amount of EUR 64,905.

Note 8: Prepayments and other assets

AMOUNTS IN EUR PREPAYMENTS AND OTHER ASSETS	12/31/2017	12/31/2016
Advances and deposits	16,776,724	6,139,937
Current deferred costs and expenses	8,355,280	9,356,067
Current accrued revenues	40,461,189	31,645,752
TOTAL PREPAYMENTS AND OTHER ASSETS	**65,593,193**	**47,141,756**

Advances and deposits paid by the Group in the amount of EUR 16,776,724 comprise deposits placed as collateral for equity options in the amount of EUR 10,600,000 at the parent company. The remainder is accounted for by advances for the purchase of electricity and natural gas.

The majority of current deferred costs and expenses comprise deferred expenses for cross-border transfer capacities in the amount of EUR 3,501,444, and deferred expenses for the purchase of electricity and natural gas in the amount of EUR 3,969,423, which relates to the first quarter of 2018.

Current accrued revenues in the amount of EUR 40,461,189 mainly comprise accrued revenues from customers whose electricity and natural gas purchases for 2017 will be invoiced in 2018 in accordance with contractual provisions.

Note 9: Investments and loans

AMOUNTS IN EUR INVESTMENTS AND LOANS, INCLUDING DERIVATIVES	12/31/2017	12/31/2016
Derivatives	697,993	11,535
Short-term deposits	39,518	1,038,591
Loans to others	0	2,046
Current interest receivable	0	30
TOTAL INVESTMENTS AND LOANS	**737,511**	**1,052,202**

Derivatives relate to the revaluation of equity options to their fair value.

Current deposits were placed as security in favor of foreign distribution companies.

Note 10: Cash and cash equivalents

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/31/2017	12/31/2016
Cash in banks	33,476,573	39,165,806
Call deposits	4,178,486	7,100,518
Deposits with a maturity of up to 3 months	12,231,180	876,552
Cash in hand	252	483
CASH AND CASH EQUIVALENTS	**49,886,492**	**47,143,359**

Note 11: Equity and reserves

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

Reserves

AMOUNTS IN EUR RESERVES	12/31/2017	12/31/2016
Legal reserves	1,987,761	1,987,761
Fair value reserves	-19,972	-37,549
Translation reserve	-883,876	-903,516
TOTAL	**1,083,913**	**1,046,696**

The Group's share capital was unchanged in 2017. Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of EUR 19,972 at the end 2017.

Exchange rate differences arising 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 EUR RETAINED EARNINGS	12/31/2017	12/31/2016
Net profit or loss for the period	13,463,405	7,313,188
Retained net profit or loss	40,891,772	37,647,659
TOTAL	**54,355,177**	**44,960,847**

Retained earnings, which amounted to EUR 44,960,847 at the end of the previous year, were increased by net profit in the amount of EUR 13,463,405, and reduced by dividend payments to the parent company's owners in the amount of EUR 4,000,000 and by EUR 69,075 due to the liquidation of GEN-I Budapest.

Note 12: Loans and borrowings

AMOUNTS IN EUR LONG-TERM LOANS AND BORROWINGS	12/31/2017	12/31/2016
Non-current loans received from banks	5,000,000	10,819,036
Long-term borrowings from others	387,441	516,588
Non-current liabilities for bonds	27,000,000	13,000,000
TOTAL LONG-TERM LOANS AND BORROWINGS	**32,387,441**	**24,335,624**

AMOUNTS IN EUR SHORT-TERM LOANS AND BORROWINGS	12/31/2017	12/31/2016
Bank loans	5,819,036	3,020,139
Short-term borrowings from others	129,147	129,147
Current interest payable	756,863	174,915
TOTAL SHORT-TERM LOANS AND BORROWINGS	6,705,046	3,324,201

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 13: Cost and maturity of loans

At the reporting date, the Group's liabilities from short-term loans maturing in full in 2018 totaled EUR 5,819,036, while a long-term loan maturing in 2019 amounted to EUR 5,000,000. Loans from Slovenian commercial banks are secured with bills of exchange. The Group also has liabilities in the amount of EUR 516,588 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of a loan in the amount of EUR 129,147 matures in 2018, while the remainder represents a part of a long-term loan in the amount of EUR 387,441 that matures in 2021.

The Group issued new bonds in 2017 in the amount of EUR 14,000,000 that mature in 2024. Bonds were also issued last year in the amount of EUR 13,000,000 and mature in 2019.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR. Interest expenses for long-term, short-term and revolving loans from domestic commercial banks and others, commercial paper, bonds and finance leases amounted to EUR 1,661,431 during the 2017 business year. The Group's current interest payable amounted to EUR 756,863 on the final day of the business year. Of that amount EUR 18,858 relates to interest on short-term and long-term loans, EUR 336,605 relates to interest on bonds and EUR 401,400 relates to interest on options.

Short-term loans from Slovenian banks in the amount of EUR 3,020,139 were repaid during the 2017 business year, while the Group issued bonds in the amount of EUR 14,000,000.

Note 14: Other financial liabilities

AMOUNTS IN EUR OTHER NON-CURRENT FINANCIAL LIABILITIES	12/31/2017	12/31/2016
Non-current liabilities for finance leases	275,341	74,933
TOTAL NON-CURRENT FINANCIAL LIABILITIES	275,341	74,933

Note 15: Non-current operating liabilities

AMOUNTS IN EUR NON-CURRENT OPERATING LIABILITIES	12/31/2017	12/31/2016
Non-current operating liabilities	45,782	45,782
TOTAL NON-CURRENT OPERATING LIABILITIES	45,782	45,782

Note 16: Non-current provisions

AMOUNTS IN EUR PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	TOTAL PROVISIONS
BALANCE AT 1/1/2017	**817,333**	**817,333**
Creation of provisions	361,802	361,802
Provisions used	-123,190	-123,190
Reversal of provisions	-404,762	-404,762
BALANCE AT 12/31/2017	**651,182**	**651,182**

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 2017 in the amount of EUR 347,020, at Elektro energija in the amount of EUR 8,692 and at GEN-I Energia in the amount of EUR 6,090.

Note 17: Deferred taxes

AMOUNTS IN EUR DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES 2017	 2016
Intangible assets	139,613	113,567
Property, plant and equipment	811	0
Operating receivables	1,029,571	1,053,222
Provisions for severance payments and long-service bonuses	62,006	77,230
DEFERRED TAX ASSETS (LIABILITIES)	**1,232,000**	**1,244,019**

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 EUR CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2015	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CHANGES DUE TO THE PURCHASE (SALE) OF NEW COMPANIES	12/31/2016	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2017
Intangible assets	91,707	21,860	0	0	113,567	26,046	0	139,613
Property, plant and equipment	0	0	0	0	0	811	0	811
Operating receivables	0	-9,796	0	1,061,145	1,051,349	0	0	1,051,349
Provisions for severance payments and long-service bonuses	37,710	1,381	0	38,139	77,230	96	0	77,326
Other provisions	0	1,873	0	0	1,873	-38,972	0	-37,099
TOTAL	129,417	15,318	0	1,099,284	1,244,019	-12,019	0	1,232,000

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

Note 18: Other current financial liabilities

AMOUNTS IN EUR OTHER CURRENT FINANCIAL LIABILITIES	12/31/2017	12/31/2016
Other current financial liabilities	26,839,852	26,808,168
Current liabilities for finance leases	108,423	91,675
Derivatives	1,380,257	299,035
TOTAL OTHER CURRENT FINANCIAL LIABILITIES	28,328,532	27,198,878

The majority of other current financial liabilities relates to commercial paper issued by the parent company in the amount of EUR 27,000,000 that matures in June 2018.

Note 19: Current operating liabilities

AMOUNTS IN EUR OPERATING LIABILITIES	12/31/2017	12/31/2016
Other trade payables	102,426,039	111,743,066
Current liabilities from third-party transactions	52,877	162,080
Current liabilities to employees	5,403,110	1,467,135
Current liabilities to state and other institutions	6,198,514	2,504,183
Current liabilities to others	4,132,932	14,194
Current interest payable to others	-1,554	-18
TOTAL OPERATING LIABILITIES	118,211,917	115,890,639

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

Liabilities to state and other institutions accounted for a significant portion of the Group's current operating liabilities; they mainly included liabilities for VAT, corporate income tax and excise duties, and liabilities for taxes and contributions for December and for taxes and contributions on other employment earnings payable by the employer.

Current liabilities to others 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 2018 business year in the negative amount of EUR 1,229,881;
- the 2019 business year in the amount of EUR 3,931,046;
- the 2020 business year in the amount of EUR 1,166,517; and

changes in the fair value of open physical contracts that are treated as financial instruments in the amount of EUR 219,811.

The effect of changes in the fair value of physical contracts for purchases and sales of electricity subject to hedging was fully offset against changes in the fair value of the associated derivatives.

Note 20: Advances payable and other current liabilities

AMOUNTS IN EUR ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	12/31/2017	12/31/2016
Current operating liabilities based on advances	**4,237,188**	**4,191,164**
Accrued costs and expenses	11,416,011	11,979,194
Deferred revenues	850,670	323,457
Accrued costs and deferred revenues	**12,266,681**	**12,302,651**
ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	16,503,869	16,493,815

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

Accrued costs and expenses in the amount of EUR 1,207,504 were recorded by the parent company, and at subsidiaries in the amount of EUR 10,208,507. They mainly include costs for electricity and natural gas purchases, the acquisition of cross-border capacities, the differences between expected electricity supply and consumption according to schedules and actual realization, and other costs from invoices not yet received.

Current deferred revenues at the parent company, Elektro energija d.o.o. in GEN-I Vienna comprise amounts of unpaid default interest and funds received in the scope of the FutureFlow project that will be used to cover costs in future periods.

Note 21: Classification of financial instruments and fair values

AMOUNTS IN EUR FAIR VALUES	12/31/2017		12/31/2016	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE				
Derivatives	697,993	697,993	11,535	11,535
TOTAL	**697,993**	**697,993**	**11,535**	**11,535**
ASSETS CARRIED AT AMORTIZED COST				
Long-terms loans	0	0	2,387	2,387
Non-current financial receivables	1,792,065	1,792,065	83,576	83,576
Non-current operating receivables	117,883	117,883	274,151	274,161
Short-term deposits	39,518	39,518	1,038,591	1,038,591
Short-term loans	0	0	2,076	2,076
Operating receivables	135,342,655	135,342,655	135,137,620	135,137,620
Cash and cash equivalents	49,886,492	49,886,492	47,143,359	47,143,359
TOTAL	**187,178,612**	**178,178,612**	**183,681,769**	**183,681,769**
LIABILITIES CARRIED AT FAIR VALUE				
Derivatives	-1,380,257	-1,380,257	-299,035	-299,035
TOTAL	**-1,380,257**	**-1,380,257**	**-299,035**	**-299,035**
LIABILITIES CARRIED AT AMORTIZED COST				
Unsecured bank loans	-10,819,036	-10,819,036	-13,839,175	-13,839,175
Other financial liabilities	-27,596,714	-27,596,714	-26,983,084	-26,983,084
Liabilities for finance leases	-383,764	-383,764	-166,608	-166,608
Bonds	-27,000,000	-27,000,000	-13,000,000	-13,000,000
Operating liabilities	-118,257,699	-118,257,699	-115,936,421	-115,936,421
Borrowings from others	-516,588	-516,588	-645,736	-645,736
TOTAL	**-184,573,803**	**-184,573,803**	**-170,571,024**	**-170,571,024**

At the end of 2017, the Group recognized assets carried at fair value from a call option for a participating interest in GEN-EL in the amount of EUR 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 2017, the GEN-I Group also had a call option and a put option for a participating interest in GEN-EL. Those options have no accounting and financial effects through profit or loss as, 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 Group also recognized liabilities carried at fair value in the amount of EUR 1,380,257 that were valued based on available data regarding market prices, meaning Level 2 of the fair value hierarchy.

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.

Note 22: Contingent liabilities and assets

AMOUNTS IN EUR CONTINGENT LIABILITIES	12/31/2017	12/31/2016
Guarantees and sureties	136,354,129	102,594,337
Guarantees and sureties – domestic subsidiaries	17,327,918	28,708,925
Guarantees and sureties – foreign subsidiaries	39,959,734	27,912,877
Other contingent liabilities	35,331,468	1,050,501
TOTAL	**228,973,250**	**160,266,640**

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 sureties received, and other contingent receivables in the amount of EUR 108,041,326. These included guarantees for timely and reliable payment, and performance bonds.

Note 23: Revenues

AMOUNTS IN EUR SALES REVENUE	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues from the sale of goods and materials	2,317,253,857	1,551,859,279
Revenues from the sale of services	52,769,374	30,289,207
Rental income	6,830	0
TOTAL	**2,370,030,061**	**1,582,148,485**

The Group's revenues from electricity and natural gas sales amounted to EUR 2,317,253,857 in 2017.

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

AMOUNTS IN EUR REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2017		
Revenues from the sale of goods and materials	496,382,354	1,820,871,502	2,317,253,857
Revenues from the sale of services	5,224,360	47,545,014	52,769,374
Rental income	0	6,830	6,830
TOTAL	**501,606,715**	**1,868,423,346**	**2,370,030,061**

The Group generated 78.84% of its revenues on foreign markets and 21.16% on the domestic market in 2017.

AMOUNTS IN EUR OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues from the use and reversal of non-current provisions	423,883	14,715
Gains on the sale of property, plant and equipment and intangible assets	55,555	5,563
Other operating revenues	11,926,681	16,616,534
Revenues from subsidies, grants and compensation	597,977	285,920
Reversal of negative goodwill	55,186	106,369
TOTAL	13,059,282	17,029,101

Revenues from the use and reversal of non-current provisions in the amount of EUR 423,883 relate to the reversal of provisions for severance payments and long-service bonuses.

The majority of other operating revenues is accounted for by gains from the ineffective portion of fair value hedges and changes in the fair value of financial instruments that are not hedged in the amount EUR 11,367,755, damages received, reminders and the reversal of expenses from the previous year.

Note 24: Change in value of inventories

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Change in value of inventories	183,770	0

Note 25: Costs of goods, materials and services

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Costs of goods and materials sold	2,322,178,734	1,562,830,947

The cost of goods sold amounted to EUR 2,322,178,734 in 2017, and includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Costs of energy	264,745	237,639
Materials and spare parts	95,201	66,017
Office supplies	316,709	179,089
Other costs of materials	12,456	9,178
TOTAL	689,111	491,924

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Transportation and costs of employees' business travels	236,148	191,739
Maintenance	906,532	833,840
Rents	1,040,682	893,970
Bank charges and other fees	3,072,669	2,396,396
Intellectual services	2,341,447	1,271,155
Sponsorship, advertising, promotions and public relations	1,048,226	872,281
Costs of IT services	378,202	99,288
Other services	5,282,196	3,249,660
TOTAL	14,306,102	9,808,329

Bank charges and other fees accounted for the highest proportion of costs of services. They are followed by intellectual services, which included business and tax consultancy services, legal and notary fees, auditing and accounting services, and human resource services (consulting and selection of employees).

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 EUR AUDITING SERVICES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Audit of annual report	80,000	66,967
TOTAL	80,000	66,967

AMOUNTS IN EUR MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2017	2016
< 1 year	779,913	723,125
> 1 < 5 years	1,378,723	957,935
> 5 years	281,696	308,480
TOTAL	2,440,332	1,989,540

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

Note 26: Labor costs

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Wages and salaries	13,957,034	8,189,972
Social security contributions	2,365,533	1,468,057
Other labor costs	1,997,843	1,083,679
TOTAL	18,320,409	10,741,708

In 2017, 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 27: Amortization and depreciation

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Amortization of intangible assets	775,869	1,062,989
Depreciation of investment property	16,526	0
Depreciation of property, plant and equipment	1,116,667	843,328
TOTAL	**1,909,062**	**1,906,317**

Note 28: Other operating expenses

AMOUNTS IN EUR OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Taxes and levies	1,395,983	1,153,829
Losses on sale of property, plant and equipment, and intangible assets, and impairment and write-downs of fixed assets	12,661	64,344
Donations	60,794	36,212
Creation of provisions	0	0
Other operating expenses	4,646,430	1,844,856
TOTAL	**6,115,868**	**3,099,241**

The majority of other operating expenses comprises impairments and write-downs of operating receivables in the amount of EUR 3,275,091, membership fees, non-deductible expenses for tax purposes, and taxes and expenses from changes in the fair value of open physical contracts that are treated as financial instruments.

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Humanitarian purposes	12,214	3,128
Charitable purposes	13,504	5,700
Educational purposes	4,300	9,150
Sports purposes	28,376	10,734
Cultural purposes	2,000	4,100
Religious and healthcare purposes	400	3,400
TOTAL	**60,794**	**36,212**

Note 29: Profit or loss from financing

AMOUNTS IN EUR PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Interest income	264,195	312,170
Net income from settlement of financial instruments	4,046	56,003
Other financial income	327	259
FINANCIAL INCOME	**268,568**	**368,432**
Interest expense	-1,661,431	-854,542
Changes in fair value of derivatives	-485,571	-94,532
Net foreign exchange losses	-799,328	-864,314
Other financial costs	-8,040	-352
FINANCIAL COSTS	**-2,954,371**	**-1,813,741**
PROFIT OR LOSS FROM FINANCING	**-2,685,803**	**-1,445,308**

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 and finance leases, and default interest.

Expenses in the amount of EUR 485,571 from changes in fair value relate to changes in the fair value of equity options.

Net foreign exchange losses amounted to EUR 799,328 in 2017, with the parent company accounting for EUR 750,893 of the aforementioned amount.

Note 30: Income tax expense

INCOME TAX EXPENSE AMOUNTS IN EUR	2017	2016
Current tax	3,583,152	1,566,119
Deferred tax	12,019	-25,832
TOTAL	**3,595,171**	**1,540,286**

Effective tax rate

AMOUNTS IN EUR	2017	2016
Gross profit before tax	**17,058,576**	**8,853,475**
Statutory tax rate	19%	17%
Income tax at statutory tax rate, prior to changes in tax base	3,241,129	1,505,091
Tax-exempt income	98,965	-3,825
Non-deductible expenses	339,979	231,415
Tax relief	-136,220	-114,438
Non-deductible receivables for tax losses	350,531	-147,701
Effect of tax rates in foreign jurisdictions	-299,214	69,745
Effective tax rate	**21.08%**	**17.40%**
Current and deferred income tax	**3,595,171**	**1,540,286**

Note 31: Data on related parties

Gross earnings in 2017

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	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

Gross earnings in 2016

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	453,834	2,248,155
Fringe benefits and other remuneration	61,214	469,129
TOTAL	515,048	2,717,284

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

8.9. Financial instruments and risk exposure

Note 32: Credit risk

The Group is exposed to credit risk primarily with respect to trade receivables for electricity and natural gas.

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	2017	2016
Domestic	38,935,579	50,019,636
Euro area countries	17,857,173	14,753,827
Other European countries	25,309,320	17,761,140
Countries of the former Yugoslavia	28,026,595	15,817,280
Other regions	1,506,559	4,110,782
TOTAL	111,635,226	102,462,665

AMOUNTS IN EUR RECEIVABLES	CARRYING AMOUNT 2017	 2016
Wholesale customers	63,681,563	52,419,745
Retail customers	47,953,663	50,042,920
TOTAL	111,635,226	102,462,665

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 bylaws 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.

Impairments of receivables and their maturity structure are described in Note 5.

Note 33: Liquidity risk

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2017							
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
Operating liabilities	118,211,917	118,211,917	118,211,917	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
OTHER FORWARD EXCHANGE CONTRACTS							
Outflow	1,380,257	1,380,257	1,380,257	0	0	0	0
Inflow	-697,993	-697,993	-697,993	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

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2016							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	13,839,175	14,147,330	2,636,391	585,420	5,921,456	5,004,063	0
Bonds issued	13,000,000	13,949,000	0	316,333	316,333	13,316,333	0
Other liabilities	27,674,601	28,289,356	693,097	27,067,796	134,397	394,066	0
Finance lease liabilities	166,608	166,608	50,274	41,400	50,117	24,817	0
Operating liabilities	115,890,639	115,890,639	115,877,453	13,186	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
OTHER FORWARD EXCHANGE CONTRACTS							
Outflow	299,035	299,035	299,035	0	0	0	0
Inflow	-11,535	-11,535	-11,535	0	0	0	0
TOTAL	**170,858,523**	**172,730,433**	**119,544,716**	**28,024,136**	**6,422,303**	**18,739,279**	**0**

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 34: Currency risk

AMOUNTS IN EUR 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	0	0	0	0	0
Estimated forecast purchases	-2,256,422,717	0	0	0	0	0
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

AMOUNTS IN EUR RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	MKD	BAM
						12/31/2016
Trade receivables	86,609,239	0	0	1,628,144	2,522,599	5,045,604
Unsecured bank loans	-13,839,175	0	0	0	0	0
Trade payables	-95,336,832	-2,589	-15,518	-634,058	-571,390	-4,194,756
Gross balance sheet exposure	**-22,566,767**	**-2,589**	**-15,518**	**994,086**	**1,951,209**	**850,848**
Estimated forecast sales	1,551,359,382	0	0	0	0	0
Estimated forecast purchases	-1,507,046,534	0	0	0	0	0
Gross exposure	**44,312,848**	**-2,589**	**-15,518**	**994,086**	**1,951,209**	**850,848**
NET EXPOSURE	21,746,081	-2,589	-15,518	994,086	1,951,209	850,848

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 on foreign markets outside the euro area.

The GEN-I Group is mainly exposed to currency risks when performing 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
									12/31/2017
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**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
-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

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK
								12/31/2016
0	4,799,744	0	0	0	684,750	0	1,172,585	0
0	0	0	0	0	0	0	0	0
-361	-505,459	-828	-3,234	-643	-655,815	-2,839,065	-6,979,058	-3,460
-361	**4,294,285**	**-828**	**-3,234**	**-643**	**28,935**	**-2,839,065**	**-5,806,473**	**-3,460**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
-361	**4,294,285**	**-828**	**-3,234**	**-643**	**28,935**	**-2,839,065**	**-5,806,473**	**-3,460**
-361	4,294,285	-828	-3,234	-643	28,935	-2,839,065	-5,806,473	-3,460

Note 35: Interest-rate risk

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT	
	12/31/2017	12/31/2016
FIXED-RATE INSTRUMENTS		
Financial assets	697,993	15,968
Financial liabilities	-55,220,109	-40,107,203
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-11,719,389	-14,651,519

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.

9. EVENTS AFTER THE REPORTING PERIOD

10. 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, 2017, including the notes to the consolidated financial statements from page 60 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 2017.

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, MBA
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, March 20, 2018

11. CERTIFIED AUDITOR'S REPORT

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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 2017, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information.

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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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

Responsibilities of Management 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, management is responsible for assessing the Group's 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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 statements of group companies or their business activities 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 management we communicate the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 23 April 2018

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

12. LIST OF DISCLOSURES

SEPARATE FINANCIAL STATEMENTS

of GEN-I, d.o.o.

13. SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2017

13.1. Separate statement of financial position of GEN-I, d.o.o. for 2017

AMOUNTS IN EUR ITEMS	NOTE	12/31/2017	12/31/2016
Property, plant and equipment	1	4,223,682	4,221,599
Intangible assets	2	2,153,975	1,913,215
Interests in subsidiaries	3	15,184,311	14,338,226
Investments in associates	4	12,405,250	12,405,250
Other non-current financial assets	4	100,000	100,000
Non-current receivables and loans	5	236,401	307,530
Deferred tax assets	16	194,353	146,433
Non-current assets		**34,497,973**	**33,432,254**
Operating receivables	6	134,380,833	109,796,730
Prepayments and other assets	7	42,705,421	38,644,139
Investments, loans and derivatives	8	7,217,898	3,014,340
Cash and cash equivalents	9	21,211,447	38,946,153
Current assets		**205,515,599**	**190,401,362**
Assets		**240,013,572**	**223,833,616**
Share capital	10	19,877,610	19,877,610
Legal reserves	10	1,987,761	1,987,761
Fair value reserves	10	-19,536	-37,549
Net profit or loss for the period	10	13,538,452	8,614,357
Retained earnings	10	37,354,549	32,745,391
Equity		**72,738,836**	**63,187,570**
Loans and borrowings	11	18,387,441	23,516,588
Other financial liabilities	13	193,437	74,934
Non-current operating liabilities	14	45,782	45,782
Provisions	15	583,507	345,520
Non-current liabilities		**19,210,168**	**23,982,824**
Loans and borrowings	11	5,702,665	299,084
Other financial liabilities, including derivatives	17	28,328,532	27,198,878
Operating liabilities	18	111,048,676	101,075,032
Advances payable and other current liabilities	19	2,984,694	8,090,228
Current liabilities		**148,064,567**	**136,663,222**
Liabilities		**167,274,735**	**160,646,046**
Total equity and liabilities		**240,013,572**	**223,833,616**

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

13.2. Separate income statement of GEN-I, d.o.o. for 2017

AMOUNTS IN EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues	22	2,440,413,032	1,635,799,278
Other operating revenues	22	12,175,972	15,880,665
Cost of goods sold	23	-2,408,176,452	-1,623,942,308
Cost of materials	23	-509,564	-419,730
Cost of services	23	-9,272,581	-7,679,190
Labor costs	24	-15,358,765	-9,253,547
Amortization and depreciation	25	-1,385,177	-1,784,354
Other operating expenses	26	-2,039,862	-1,862,237
OPERATING PROFIT OR LOSS		15,846,604	6,738,576
Financial income	27	3,108,960	4,423,385
Financial costs	27	-2,854,151	-1,623,250
PROFIT OR LOSS FROM FINANCING		254,809	2,800,134
PROFIT BEFORE TAX		16,101,413	9,538,710
Income tax expense	28	-2,562,962	-924,353
NET PROFIT OR LOSS FOR THE PERIOD		13,538,452	8,614,357

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

13.3. Separate statement of other comprehensive income of GEN-I, d.o.o. for 2017

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Net profit or loss for the period	**13,538,452**	**8,614,357**
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	**18,014**	**-22,985**
Other comprehensive income for the period, net of tax	**18,014**	**-22,985**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	13,556,466	8,591,372

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

13.4. Separate cash flow statement of GEN-I, d.o.o. for 2017

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	13,538,452	8,614,357
ADJUSTMENTS FOR		
Amortization and depreciation	1,385,177	1,784,354
Write-downs of property, plant and equipment	1,732	311
Gain on the sale of property, plant and equipment, intangible assets and investment property	-46,498	-5,563
Financial income	-3,108,960	-4,769,645
Financial costs	2,103,258	1,164,992
Income tax	2,562,962	924,353
OPERATING PROFIT BEFORE CHANGES IN NET CURRENT ASSETS AND TAXES	**16,436,123**	**7,713,159**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	-25,905,119	80,495,910
Change in prepayments and other assets	-4,061,282	-11,601,672
Change in operating liabilities	11,203,525	-46,680,629
Change in advances received and other current liabilities	-5,105,534	-7,400,950
Change in provisions	237,988	70,193
Change in deferred income	0	0
Income tax paid	-1,212,489	-1,071,429
NET CASH FLOW FROM OPERATING ACTIVITIES	**-8,406,787**	**21,524,583**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	79,115	103,359
Dividends received	3,022,108	4,305,093
Proceeds from the sale of property, plant and equipment and intangible assets	57,965	11,737
Proceeds from decrease in loans granted	80,183,992	7,553,000
Acquisitions of property, plant and equipment and intangible assets	-1,633,893	-1,121,709
Acquisitions of subsidiaries	-1,050,000	-10,199,750
Acquisitions of associates	0	-12,405,250
Acquisitions of other investments	-1,183,564	-100,000
Outflows for increase in loans granted	-83,660,900	-5,513,000
Outflows for settlement of derivatives	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	**-4,185,177**	**-17,366,520**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,180,531	-864,146
Repayment of long-term loans	-277,226	-152,697
Repayment of short-term loans	-132,390,988	-273,683,680
Proceeds from long-term loans received	504,152	18,170,134
Proceeds from short-term loans received	132,201,849	279,210,005
Dividends paid	-4,000,000	-4,000,000
NET CASH FLOW FROM FINANCING ACTIVITIES	**-5,142,743**	**18,679,616**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**38,946,153**	**16,108,474**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-17,734,706**	**-22,837,679**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**21,211,447**	**38,946,153**

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

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

2017

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
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		
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to the income statement	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 12/31/2017	19,877,610	1,987,761

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

2016

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
BALANCE AT 12/31/2015	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
OTHER COMPREHENSIVE INCOME		
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to the income statement	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 12/31/2016	19,877,610	1,987,761

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

FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
-37,549	**8,614,357**	**32,745,392**	**63,187,570**
0	13,538,452	0	13,538,452
0	0	0	0
0	0	0	0
18,014	0	0	18,014
18,014	**0**	**0**	**18,014**
18,014	**13,538,452**	**0**	**13,556,465**
0	-8,614,357	8,614,357	0
0	0	-4,000,000	-4,000,000
0	0	-5,199	-5,199
-19,536	**13,538,452**	**37,354,549**	**72,738,837**

FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
-14,564	**8,071,481**	**28,662,439**	**58,584,726**
0	8,614,357	0	8,614,357
0	0	0	0
0	0	0	0
-22,985	0	0	-22,985
-22,985	**0**	**0**	**-22,985**
-22,985	**8,614,357**	**0**	**8,591,372**
0	-8,071,481	8,071,481	0
0	0	-4,000,000	-4,000,000
0	0	11,472	11,472
-37,549	**8,614,357**	**32,745,392**	**63,187,570**

14. NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2017

14.1. Reporting entity

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

The Company's core activities include trading electricity and natural gas internationally, selling electricity and natural gas to end-customers, and purchasing the necessary quantities from producers for both activities.

The financial statements of GEN-I, d.o.o. were prepared for the business year that ended on December 31, 2017. GEN-I, d.o.o. is the controlling company of the GEN-I Group, for which consolidated financial statements are compiled.

14.2. Basis of preparation

(A) STATEMENT OF COMPLIANCE

The financial statements were 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 20, 2018.

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

(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 the financial statements, the Company's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may vary from these estimates.

The estimates and underlying assumptions must be reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- employee earnings,
- provisions,
- contingent liabilities, and
- derivatives.

14.3. Significant accounting policies

GEN-I, d.o.o. consistently applied the accounting policies described below 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

Foreign currency transactions are converted into the functional currency of the Company using the exchange rate applied on the day they arise. Cash, cash equivalents and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applicable at the end of the reporting period. Positive or negative exchange differences are differences between the amortized cost in the functional currency at the beginning of the period, increased or decreased by the amount of applicable interest and payments in the period, and the amortized cost expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Exchange rate differences are recognized in the income statement.

(B) FINANCIAL INSTRUMENTS

(i) Non-derivative financial assets

Loans, receivables and deposits are initially recognized on the day they arise. Other financial assets (including assets measured at fair value through profit or loss) are initially recognized on the exchange date or on the day the Company becomes a party to the instrument's contractual provisions. Financial assets are derecognized when the contractual rights to cash flows from these assets expire, or when the Company transfers the rights to cash flows from financial assets based on a transaction that involves the transfer of all risks and benefits associated with the ownership of the financial asset. Each share in the transferred financial asset generated or transferred by the Company is recognized as an individual asset or liability. Financial assets and liabilities are netted, and the net amount is disclosed in the statement of financial position if and only if the Company has the legal right to settle the net amount or cash in the asset and settle its liability. The Company's non-derivative financial instruments include the following: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets are stated at fair value through profit or loss if they are available for sale or if they are classified as such after initial recognition. Related transaction costs are recognized in profit or loss when they arise. Financial assets at fair value through profit or loss are measured at fair value, and the amount of any changes in the fair value is recognized in profit or loss.

Held-to-maturity financial assets

These assets are initially recognized at fair value increased by costs that can be directly attributed to the assets. After initial recognition, they are measured at amortized cost using the effective interest rate method, less impairment losses.

Available-for-sale financial assets

These assets are initially recognized at fair value increased by costs that can be directly attributed to the assets. After initial recognition, they are measured at fair value, and changes in value, except impairment losses and exchange rate difference from debt securities, are recognized in other comprehensive income and disclosed in equity as fair value reserves. When such assets are derecognized, all cumulative gains and losses in equity are transferred to profit or loss.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at historical cost, less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted on an active market. They are initially recognized at fair value and increased by any direct transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables include operating and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and sight deposits. Bank overdraft facilities repayable on demand, which form an integral part of cash management, are included as a component of cash and cash equivalents in the cash flow statement. Cash and cash equivalents also include cash equivalents such as short-term deposits and bank deposits with a maximum maturity of three months.

(ii) Non-derivative financial liabilities

Any debt securities issued and the underlying liabilities are initially recognized on the day they arise. All other financial liabilities are initially recognized on the trading day when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognized if the obligations set out in the contract are fulfilled, cancelled or have lapsed.

Financial assets and liabilities are netted, and the amount is disclosed in the statement of financial position if and only if the Company has the legally recognized right to offset the recognized amounts and intends to either settle the net amount or cash in the asset and settle its liability.

Non-derivative financial instruments are initially recognized at fair value increased by any costs directly attributable to the transaction. After initial recognition, financial liabilities are measured at amortized cost less principal payments.

Other financial liabilities include loans, bank overdrafts, and operating and other liabilities.

(iii) **Loans received, and financial and operating liabilities**
Loans received, and other financial and operating liabilities are initially recognized at fair value on the day they arise, after which time all categories of liabilities are measured at amortized cost using the effective interest rate method.

Liabilities are only derecognized if they have been extinguished, meaning that they have been fulfilled, cancelled or have lapsed. The difference between the carrying amount of liabilities that have been extinguished or transferred to another party and the consideration paid (including non-monetary assets or assumed liabilities) is recognized immediately in profit or loss.

(iv) **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.

Dividends

Dividends are recognized as liabilities and stated in the period in which the general meeting of shareholders decides on their payment.

(v) **Derivatives**
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 fluctuations in electricity and natural gas price. 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.

The Company meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices, and changes in exchange rates. When introducing hedge accounting, the Company prepared formal documentation of the hedge relationship, the Company's risk management objectives and a strategy for undertaking hedges. The Company defined hedging instruments, hedged items, the nature of the risks being hedged, and the method for assessing hedge effectiveness.

The Company assesses the effectiveness of hedging instruments at the start of a hedge relationship and also on a regular quarterly basis. A hedge is deemed very successful if changes in the hedging instrument offset the changes in the cash flow of the hedged item by between 80% and 125%. When hedging against cash flow risks, the forecast transaction, which is the subject of the hedge, must be highly probable and exposed to cash flow changes that may significantly affect profit or loss.

Derivatives are initially recognized at fair value; any transaction costs are recognized in profit or loss. After initial recognition, derivatives are measured at fair value. Any gain or loss arising from the remeasurement of fair value is calculated as described below.

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.

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.

Cash flow hedging

The Company accounts for cash flow hedges used for standardized forward contracts and non-standardized forward transactions by recognizing the proportion of the gain or loss from a hedging instrument that is deemed effective in other comprehensive income; the amount is recognized as a hedging reserve and disclosed directly in equity. The ineffective proportion of the gain or loss from a hedging instrument is recognized in profit or loss as other operating revenues or expenses. The amounts recognized in equity as a hedging reserve are transferred to profit or loss in the period in which the hedged item affects profit or loss.

If a hedging instrument no longer meets hedge accounting criteria, or if it is terminated, sold, revoked, or exercised, hedge accounting ceases. The accumulated gain or loss recognized in equity remains in equity until the forecast transaction occurs.

Fair value hedging

The Company calculates fair values hedges against the risk of fluctuating prices for standardized forward contracts 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.

(C) 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 carrying value 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 fixed assets were not revised during the business year.

(D) INTANGIBLE ASSETS
(i) **Other intangible assets**
Other intangible assets with limited useful lives 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, 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.

(E) ASSET IMPAIRMENT
(i) **Financial assets (including receivables)**
The Company assesses the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. A financial asset is 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 is 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 is 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 is calculated using the current fair value of the asset.

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

The Company discloses all impairment losses in profit or loss for the period.

Impairment losses are 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 are 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.

(F) EMPLOYEE BENEFITS

Liabilities from short-term employee benefits are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term benefit is completed.

(G) 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 2017 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 1.8% was set for the calculation at December 31, 2017, based on the published yields on 20-year Slovenian government bonds at December 29, 2017.

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.

(H) REVENUES

(i) Revenues from goods sold

Revenues from goods sold are recognized at the fair value of payments received or the resulting receivables, reduced by returns, discounts and quantity discounts. Revenues from sales are recognized at the moment when risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs are certain, and when the Company ceases to have effective control over decisions regarding the sale of the goods. If discounts are likely to be offered and their amount can be measured reliably, they are recognized as revenue reductions at the time when the sale itself is recognized.

(ii) **Revenues from services rendered**
Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) **Commissions**
If the Company acts as an intermediary in a transaction and not as the main party, the resulting net commission is disclosed as revenues.

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

(I) GOVERNMENT GRANTS

All types of government grants are initially recognized in the financial statements as deferred revenues if there is reasonable assurance that the grants will be received and that the Company will comply with the associated conditions. Government grants that compensate the Company for costs are recognized as revenues on a systematic basis in the period in which the costs occur. Government grants associated with assets are recognized as other operating revenues in the income statement on a systematic basis over the useful life of the asset.

(J) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes interest from investments, dividend income, changes in the fair value of financial assets at fair value through profit or loss, positive exchange rate differences and gains from hedging instruments recognized in the income statement. Interest income is recognized when it arises at a contractually agreed interest rate.

Financial costs include borrowing costs, negative exchange rate differences, changes in the fair value of financial assets at fair value through profit or loss and losses from hedging instruments recognized in the income statement. Borrowing costs are recognized in the income statement at a contractually agreed interest rate.

(K) 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.

(L) 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.

(M) 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:

- **Amendments to IAS 7 Statement of Cash Flows** – Disclosure Initiative; adopted by the EU on November 6, 2017 (apply to annual periods beginning on or after January 1, 2017);
- **Amendments to IAS 12 Income Taxes** – Recognition of Deferred Tax Assets for Unrealized Losses; adopted by the EU on November 6, 2017 (apply to annual periods beginning on or after January 1, 2017); and
- **Amendments to various standards (Improvements to IFRS, 2014–2016 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations; adopted by the EU on February 8, 2018 (amendments to IFRS 12 apply to annual periods beginning on or after January 1, 2017).

The adoption of these amendments to existing standards did not lead to any significant changes in the Company's financial statements.

(N) STANDARDS AND AMENDMENTS TO EXISTING 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 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 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);
- **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 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); and
- **Amendments to various standards (Improvements to IFRS, 2014–2016 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations; adopted by the EU on February 8, 2018 (amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1, 2018).

(O) 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, 2017 (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 2 Share-Based Payment** – Classification and Measurement of Share-Based Payment Transactions (apply to annual periods beginning on or after January 1, 2018);
- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation (apply to annual periods beginning on or after January 1, 2019);
- **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 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 IAS 40 Investment property** – Transfers of Investment Property (apply to annual periods beginning on or after January 1, 2018);
- **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);
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (applies to annual periods beginning on or after January 1, 2018); and
- **IFRIC 23 Uncertainty over Income Tax Treatments** (applies to annual periods beginning on or after 1 January 2019).

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.

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.

14.4. 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.

14.5. Financial risk management

GEN-I, d.o.o. is exposed to the following risks in its operations:

- strategic,
- financial and
- operational risks.

GEN-I's prudent approach to risk management helps the Company maintain its high level of operational quality and is crucial for achieving its business goals. The use of standard methodologies and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the Company to major risks. All individual risks and the associated risk management procedures are discussed in detail in the business report in Chapter 8 Risk management.

14.6. Cash flow statement

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

14.7. Notes to the financial statements

Note 1: Property, plant and equipment

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/31/2017	12/31/2016
Land	375,461	375,461
Buildings	2,715,587	2,961,085
Other plant and equipment	1,132,634	885,054
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,223,682	4,221,599

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 EUR 398,827.

Total investments in property, plant and equipment in 2017 amounted to EUR 869,166, and relate to purchases of vehicles, computer equipment, investments in fixed assets owned by third parties, furniture and other equipment.

Changes in 2017

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL 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
IMPAIRMENTS					
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

Changes in 2016

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2016	**375,461**	**4,310,649**	**3,709,319**	**897**	**8,396,327**
Other acquisitions	0	0	0	483,142	483,142
Write-downs	0	0	-13,613	0	-13,613
Disposals	0	0	-29,027	0	-29,027
Transfers within property, plant and equipment	0	76,361	407,679	-484,040	0
BALANCE AT 12/31/2016	375,461	4,387,011	4,074,357	0	8,836,828
IMPAIRMENTS					
Balance at 1/1/2016	**0**	**1,165,335**	**2,711,031**	**0**	**3,876,366**
Write-downs	0	0	-13,613	0	-13,613
Disposals	0	0	-22,853	0	-22,853
Depreciation expense	0	260,591	514,739	0	775,330
BALANCE AT 12/31/2016	0	1,425,926	3,189,303	0	4,615,229
CARRYING AMOUNT AT 1/1/2016	375,461	3,145,315	998,288	898	4,519,961
CARRYING AMOUNT AT 12/31/2016	375,461	2,961,085	885,054	0	4,221,599

Note 2: Intangible assets

AMOUNTS IN EUR INTANGIBLE ASSETS	12/31/2017	12/31/2016
Non-current deferred operating costs	4,364	0
Other intangible assets	1,905,136	1,712,291
Intangible assets in acquisition and development, and advances	244,474	200,923
TOTAL INTANGIBLE ASSETS	2,153,975	1,913,215

The Company's other intangible assets include property rights in the form of software, which amounted to EUR 1,852,622, and other intangible assets in the amount of EUR 52,514.EUR

Total investments in intangible assets in 2017 in the amount of EUR 764,727 comprise software for information support for common services, support for the sale of electricity to end-customers and server support.

Changes in 2017

AMOUNTS IN EUR INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL 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
IMPAIRMENTS				
Balance at 1/1/2017	**0**	**4,480,410**	**0**	**4,480,410**
Amortization expense	0	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

Changes in 2016

AMOUNTS IN EUR INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST			
Balance at 1/1/2016	**5,649,355**	**105,703**	**5,755,058**
Other acquisitions	0	638,567	638,567
Transfers within intangible assets	543,348	-543,348	0
BALANCE AT 12/31/2016	6,192,703	200,923	6,393,626
IMPAIRMENTS			
Balance at 1/1/2016	**3,471,386**	**0**	**3,471,386**
Amortization expense	1,009,024	0	1,009,024
BALANCE AT 12/31/2016	4,480,410	0	4,480,410
CARRYING AMOUNT AT 1/1/2016	2,177,969	105,703	2,283,672
CARRYING AMOUNT AT 12/31/2016	1,712,292	200,923	1,913,215

Note 3: Investments in subsidiaries

GROUP COMPANIES	% OF OWNERSHIP		INVESTMENT VALUE		EQUITY OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
GEN-I Athens SMLLC	100.00%	100.00%	600,000	150,000	973,872	490,585	323,872	290,585
GEN-I BUCHAREST S.R.L.	100.00%	100.00%	500,000	500,000	533,147	557,998	-10,744	1,076
GEN-I Budapest Kft.	100.00%	100.00%	0	203,915	0	-51,290	69,075	-105,738
GEN-I, d.o.o. Beograd	100.00%	100.00%	150,000	150,000	1,031,318	902,222	374,427	281,401
GEN-I Sonce, d.o.o.	100.00%	100.00%	500,000	50,000	481,659	-41,146	72,742	-28,246
GEN-I Istanbul Ltd.	99.00%	99.00%	844,566	844,566	862,960	859,674	397,550	333,562
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	246,499	237,846	126,499	117,846
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100.00%	100.00%	39,951	39,951	412,461	332,799	302,248	225,490
Elektro energija, d.o.o.	100.00%	100.00%	10,149,750	10,149,750	11,466,512	10,551,551	1,915,813	3,275,901
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	712,750	759,501	201,458	248,209
GEN-I dooel Skopje	100.00%	100.00%	20,000	20,000	7,609	7,949	-415	-1,396
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	-2,735,393	140,794	-2,876,187	171,830
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	1,533,995	479,012	1,414,111	370,939
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	535,526	402,056	148,601	302,056
GEN-I Zagreb, d.o.o.	100.00%	100.00%	991,692	991,692	1,269,551	1,145,254	260,656	153,688
GEN-I Kiev LLC	100.00%	100.00%	248,224	98,224	139,790	42,510	-46,464	-46,797
GEN-I Tbilisi LLC	100.00%	100.00%	50,000	50,000	39,610	46,023	742	-111
TOTAL			15,184,311	14,338,226	17,511,866	16,863,338	2,673,984	5,590,296

Investments in subsidiaries were increased by EUR 1,050,000 in 2017 due to the recapitalization of GEN-I Kiev, GEN-I Athens and GEN-I Sonce, and reduced by EUR 203,915 due to the liquidation of GEN-I Budapest to stand at EUR 15,184,311 on December 31, 2017.

Note 4: Investments in associates and other investments

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12/31/2017	12/31/2016
Investments in associates	12,405,250	12,405,250
Other financial investments	100,000	100,000
TOTAL INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12,505,250	12,505,250

The Company continued to hold a 27.5% participating interest in GEN-EL naložbe, d.o.o. in 2017.

Note 5: Non-current receivables and loans

AMOUNTS IN EUR NON-CURRENT RECEIVABLES AND LOANS	12/31/2017	12/31/2016
Total non-current operating receivables	117,883	221,568
Non-current financial receivables and finance leases	118,519	83,576
Loans to others	0	2,387
TOTAL NON-CURRENT RECEIVABLES AND LOANS	236,401	307,530

Note 6: Operating receivables

AMOUNTS IN EUR OPERATING RECEIVABLES	12/31/2017	12/31/2016
Trade receivables – subsidiaries	67,945,333	44,070,754
Trade receivables – others	56,006,533	47,137,265
Trade receivables	**123,951,867**	**91,208,019**
Default interest receivable	**34,879**	**31,190**
Other receivables relating to financial income – others	0	11,863,959
Other receivables relating to financial income	**0**	**11,863,959**
Other operating receivables	**10,394,088**	**6,693,563**
TOTAL OPERATING RECEIVABLES	134,380,833	109,796,730

Other operating receivables primarily comprised receivables from deductible VAT in the amount of EUR 10,190,470.

Age structure and changes in impairments of receivables

AMOUNTS IN EUR AGING OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENTS	GROSS AMOUNT	IMPAIRMENTS
	12/31/2017		12/31/2016	
Not past due	103,052,721	0	88,301,523	0
Past due up to 90 days	29,194,807	0	17,318,381	0
Past due from 91 to 180 days	1,681,714	0	4,012,240	16,767
Past due from 181 to 365 days	794,790	331,447	326,866	184,981
More than one year past due	1,419,717	1,431,468	1,342,669	1,303,201
TOTAL	136,143,748	1,762,915	111,301,680	1,504,949

AMOUNTS IN EUR CHANGES IN IMPAIRMENTS OF RECEIVABLES	IMPAIRMENTS	
	2017	2016
OPENING BALANCE AT 1/1	1,504,949	1,461,251
Creation of impairments	322,976	150,678
Reversal of impairments	-105	-4,849
Write-downs of receivables charged to impairments	-64,905	-102,131
CLOSING BALANCE AT 12/31	1,762,914	1,504,949

Note 7: Prepayments and other assets

AMOUNTS IN EUR PREPAYMENTS AND OTHER ASSETS	12/31/2017	12/31/2016
Advances and deposits	13,066,531	1,478,629
Current deferred costs and expenses	6,261,134	7,815,870
Current accrued revenues	23,377,756	29,349,641
TOTAL PREPAYMENTS AND OTHER ASSETS	42,705,421	38,644,139

Advances and deposits paid by the Company in the amount of EUR 13,066,531 comprise deposits placed as collateral for equity options in the amount of EUR 10,600,000. The remainder is accounted for by advances for the purchase of electricity and natural gas.

Current deferred costs and expenses in the amount of EUR 6,261,134 primarily comprise deferred expenses for cross-border transfer capacities in the amount of EUR 3,030,274, and deferred expenses for the purchase of electricity and natural gas in the amount of EUR 2,868,430, which relates to the first quarter of 2018.

Current accrued revenues in the amount of EUR 23,377,756 comprise accrued revenues from customers whose electricity and natural gas purchases for 2017 will be invoiced in 2018 in accordance with contractual provisions.

Note 8: Investments and loans

AMOUNTS IN EUR INVESTMENTS AND DERIVATIVES	12/31/2017	12/31/2016
Derivatives	697,993	11,535
Loans to subsidiaries	6,451,000	2,970,000
Loans to others	0	2,046
Current interest receivable	68,904	30,759
TOTAL CURRENT INVESTMENTS AND LOANS	7,217,898	3,014,340

Derivatives relate to the revaluation of equity options to their fair value.

Loans to subsidiaries, all of which fall due for payment in 2018, earn interest at rates that are recognized for tax purposes, in accordance with the Rules on recognized interest rates.

Note 9: Cash and cash equivalents

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/31/2017	12/31/2016
Cash in banks	15,801,781	30,969,082
Call deposits	4,178,486	7,100,518
Deposits with a maturity of up to 3 months	1,231,180	876,552
TOTAL	21,211,447	38,946,153

Note 10: Share capital and reserves

In 2017, share capital comprised the owners' cash contributions in the amount of EUR 19,877,610.

Reserves

AMOUNTS IN EUR RESERVES	12/31/2017	12/31/2016
Legal reserves	1,987,761	1,987,761
Fair value reserves	-19,535	-37,549
TOTAL	**1,968,226**	**1,950,212**

Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of EUR 19,535 at the end 2017.

Retained earnings

AMOUNTS IN EUR RETAINED EARNINGS	12/31/2017	12/31/2016
Net profit or loss for the period	13,538,452	8,614,357
Retained net profit or loss	37,354,549	32,745,392
TOTAL	**50,893,001**	**41,359,749**

Allocation of retained earnings from previous years

In accordance with a decision of the general meeting of shareholders held in June 2017, the Company paid EUR 4,000,000 in dividends to its two shareholders from its retained earnings from previous years, which totaled EUR 41,359,749. The remaining profit was not distributed. The balance of retained earnings was down in 2017 due to the transfer of provisions to retained net profit or loss in the amount of EUR 5,200.

Distributable profit

GEN-I, d.o.o.'s distributable profit thus amounted to EUR 50,893,001 at December 31, 2017, and comprised net profit from the 2017 business year in the amount of EUR 13,538,452 and retained earnings from previous years in the amount of EUR 37,354,549.

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 EUR 4,000,000 to the Company's owners as follows:

- 50% or EUR 2,000,000 to GEN-EL, d.o.o.
- 50% or EUR 2,000,000 to GEN energija, d.o.o.

The remaining distributable profit in the amount of EUR 46,893,001 remains undistributed.

Note 11: Loans and borrowings

AMOUNTS IN EUR LONG-TERM LOANS AND BORROWINGS	12/31/2017	12/31/2016
Bank loans	5,000,000	10,000,000
Loans and borrowings from others	387,441	516,588
Non-current liabilities for bonds	13,000,000	13,000,000
TOTAL LONG-TERM LOANS AND BORROWINGS	**18,387,441**	**23,516,588**

AMOUNTS IN EUR SHORT-TERM LOANS AND BORROWINGS	12/31/2017	12/31/2016
Bank loans	5,000,000	0
Loans and borrowings from others	129,147	129,147
Current interest payable	573,518	169,937
TOTAL SHORT-TERM LOANS AND BORROWINGS	**5,702,665**	**299,084**

The Company issued bonds in 2016 in the amount of EUR 13,000,000. A non-current loan was reduced by EUR 5,000,000 due to the transfer of the current portion of the loan that matures in 2018.

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 12: Cost and maturity of loans

At the reporting date, the Company's liabilities from bank loans totaled EUR 10,000,000. A long-term loan matures in 2019. Loans from Slovenian commercial banks are secured with bills of exchange. The Company also has liabilities in the amount of EUR 516,588 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of a loan in the amount of EUR 129,147 matures in 2018, while the remainder represents a part of a long-term loan in the amount of EUR 387,441 that matures in 2021. The Company issued bonds in 2016 that mature in 2019.

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 and finance leases amounted to EUR 1,430,403 during the 2017 business year. The Company's current interest payable amounted to EUR 573,518 on the final day of the business year. Of that amount EUR 18,718 relates to interest on short-term and long-term loans, EUR 153,400 relates to interest on bonds and EUR 401,400 relates to interest on options.

The balance of bank loans at the end of the year was unchanged relative to the previous year.

Note 13: Other financial liabilities

AMOUNTS IN EUR OTHER NON-CURRENT FINANCIAL LIABILITIES	12/31/2017	12/31/2016
Non-current liabilities for finance leases	193,437	74,934
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**193,437**	**74,934**

Note 14: Non-current operating liabilities

AMOUNTS IN EUR ITEMS	12/31/2017	12/31/2016
Non-current operating liabilities based on advances	45,782	45,782
TOTAL NON-CURRENT OPERATING LIABILITIES	**45,782**	**45,782**

Note 15: Non-current 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 EUR 347,020 were created in 2017.

AMOUNTS IN EUR PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	
	2017	2016
OPENING BALANCE AT 1/1	**345,520**	**275,326**
Provisions created	347,020	111,823
Provisions used	-109,032	-41,629
CLOSING BALANCE AT 12/31	**583,507**	**345,520**

Note 16: Deferred taxes

AMOUNTS IN EUR DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES	
	2017	2016
Intangible assets	139,613	113,567
Provisions for severance payments and long-service bonuses	54,740	32,866
DEFERRED TAX ASSETS (LIABILITIES)	**194,353**	**146,433**

The Company has 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 EUR CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2015	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2016	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2017
Intangible assets	91,707	21,860	0	113,567	26,046	0	139,613
Financial instruments	0	0	0	0	0	0	0
Provisions for severance payments and long-service bonuses	37,710	-4,844	0	32,866	21,874	0	54,740
TOTAL	129,417	17,016	0	146,433	47,920	0	194,353

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

Note 17: Other current financial liabilities

AMOUNTS IN EUR OTHER CURRENT FINANCIAL LIABILITIES	12/31/2017	12/31/2016
Other current financial liabilities	26,839,852	26,808,168
Current liabilities for finance leases	108,423	91,675
Derivatives	1,380,257	299,035
TOTAL OTHER CURRENT FINANCIAL LIABILITIES	28,328,532	27,198,878

The majority of other current financial liabilities relates to commercial paper in the amount of EUR 27,000,000 that matures in June 2018.

Note 18: Current operating liabilities

AMOUNTS IN EUR OPERATING LIABILITIES	12/31/2017	12/31/2016
Trade payables	79,906,620	83,919,618
Trade payables to subsidiaries	17,833,937	15,048,717
Trade payables	**97,740,557**	**98,968,335**
Current liabilities from third-party transactions	52,877	162,080
Current liabilities to employees	5,117,825	1,185,261
Current liabilities to state and other institutions	4,062,715	761,490
Current liabilities to others	4,076,256	-2,117
Other operating liabilities	**13,309,673**	**2,106,715**
Current interest payable to others	**-1,554**	**-18**
TOTAL OPERATING LIABILITIES	111,048,676	101,075,032

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

Current liabilities to state and other institutions and other current liabilities comprise liabilities for VAT, corporate income tax and excise duties, and liabilities for taxes and contributions for December and for taxes and contributions on other employment earnings payable by the employer.

Current liabilities to others 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 2018 business year in the negative amount of EUR 1,229,881;
- the 2019 business year in the amount of EUR 3,931,046;
- the 2020 business year in the amount of EUR 1,166,517; and

changes in the fair value of open physical contracts that are treated as financial instruments in the amount of EUR 219,811.

The effect of changes in the fair value of physical contracts for purchases and sales of electricity subject to hedging was fully offset against changes in the fair value of the associated derivatives.

Note 19: Advances payable and other current operating liabilities

AMOUNTS IN EUR ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	12/31/2017	12/31/2016
Current liabilities based on advances	**1,186,654**	**1,108,376**
Accrued costs and expenses	1,207,504	6,658,395
Deferred revenues	590,536	323,457
Accrued costs and deferred revenues	**1,798,040**	**6,981,852**
ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	2,984,694	8,090,228

Current operating liabilities from accrued costs and expenses in the amount of EUR 1,207,504 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 2017, but for which the Company had not received invoices by the time the annual report was prepared.

Note 20: Contingent liabilities

AMOUNTS IN EUR CONTINGENT LIABILITIES	12/31/2017	12/31/2016
Guarantees and sureties – other	134,454,129	102,594,337
Guarantees and sureties – foreign subsidiaries	37,452,765	22,571,678
Other contingent liabilities	26,104,708	46,795
TOTAL	198,011,601	125,212,811

Bank guarantees and sureties include payment guarantees, performance guarantees, and tender guarantees. The sureties of subsidiaries and other contingent liabilities relate to guarantees for timely payment.

Note 21: Classification of financial instruments and fair values

AMOUNTS IN EUR FAIR VALUES	NOTE	12/31/2017		12/31/2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE					
Derivatives	8	697,993	697,993	11,535	11,535
TOTAL		**697,993**	**697,993**	**11,535**	**11,535**
ASSETS CARRIED AT AMORTIZED COST					
Long-terms loans	5	0	0	2,387	2,387
Non-current financial receivables	5	118,519	118,519	83,576	83,576
Non-current operating receivables	5	117,883	117,883	221,568	221,568
Short-term loans	8	6,519,905	6,519,905	3,002,805	3,002,805
Operating receivables	6	134,380,833	134,380,833	109,796,730	109,796,730
Cash and cash equivalents	9	21,211,447	21,211,447	38,946,153	38,946,153
TOTAL		**162,348,586**	**162,348,586**	**152,053,218**	**152,053,218**
LIABILITIES CARRIED AT FAIR VALUE					
Derivatives	17	-1,380,257	-1,380,257	-299,035	-299,035
TOTAL		**-1,380,257**	**-1,380,257**	**-299,035**	**-299,035**
LIABILITIES CARRIED AT AMORTIZED COST					
Unsecured bank loans	11	-10,000,000	-10,000,000	-10,000,000	-10,000,000
Other financial liabilities	11.17	-27,413,370	-27,413,370	-26,978,106	-26,978,106
Liabilities for finance leases	13.17	-301,860	-301,860	-166,608	-166,608
Bonds	11	-13,000,000	-13,000,000	-13,000,000	-13,000,000
Operating liabilities	14.18	-111,094,458	-111,094,458	-101,120,814	-101,120,814
Borrowings from others	11	-516,588	-516,588	-645,736	-645,736
TOTAL		**-162,326,277**	**-162,326,277**	**-151,911,263**	**-151,911,363**

AMOUNTS IN EUR FAIR VALUE HIERARCHY	12/31/2017			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	0	697,993	0	697,993
TOTAL	**0**	**697,993**	**0**	**697,993**
LIABILITIES AT FAIR VALUE				
Derivatives	0	-1,380,257	0	-1,380,257
TOTAL	**0**	**-1,380,257**	**0**	**-1,380,257**

AMOUNTS IN EUR FAIR VALUE HIERARCHY	12/31/2016			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	0	11,535	0	11,535
TOTAL	**0**	**11,535**	**0**	**11,535**
LIABILITIES AT FAIR VALUE				
Derivatives	0	-299,035	0	-299,035
TOTAL	**0**	**-299,035**	**0**	**-299,035**

At the end of 2017, GEN-I recognized assets carried at fair value from a call option for a participating interest in GEN-EL in the amount of EUR 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 2017, GEN-I also had a call option and a put option for a participating interest in GEN-EL. Those options have no accounting and financial effects through profit or loss as, 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 Company also recognized liabilities carried at fair value in the amount of EUR 1,380,257 that were valued based on available data regarding market prices, meaning Level 2 of the fair value hierarchy.

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

Note 22: Revenues

AMOUNTS IN EUR SALES REVENUE	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues from the sale of goods and materials	2,381,062,143	1,601,888,222
Revenues from the sale of services	59,350,889	33,911,056
TOTAL	2,440,413,032	1,635,799,278

Revenues from the sale of goods and materials in the amount of EUR 2,381,062,143 comprise revenues from the sale of electricity in the amount of EUR 2,338,273,950 and revenues from the sale of natural gas in the amount of EUR 42,788,193.

Revenues from services primarily include revenues from cross-border transfer capacities in the amount of EUR 45,379,849, management fees in the amount of EUR 2,362,178 and revenues from other services in the amount of EUR 6,997,865.

AMOUNTS IN EUR REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2017
Revenues from the sale of goods and materials	485,973,525	1,895,088,618	2,381,062,143
Revenues from the sale of services	5,604,641	53,746,248	59,350,889
TOTAL	491,578,166	1,948,834,866	2,440,413,032

In 2017, revenues from goods and services sold in Slovenia accounted for 20.14% of total revenues, while revenues from goods and services sold on foreign markets accounted for 79.86% of all revenues.

AMOUNTS IN EUR OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Revenues from the use and reversal of non-current provisions	19,122	14,715
Gains on the sale of property, plant and equipment and intangible assets	46,498	5,563
Other operating revenues	11,717,548	15,574,467
Revenues from subsidies, grants and compensation	392,805	285,920
TOTAL	12,175,972	15,880,665

The majority of other operating revenues is accounted for by gains from the ineffective portion of fair value hedges and changes in the fair value of financial instruments that are not hedged in the amount EUR 11,367,755, while the remainder is accounted for by damages received and reminders.

Note 23: Costs of goods, materials and services

AMOUNTS IN EUR COST OF GOODS SOLD	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Cost of goods sold	2,408,176,452	1,623,942,308
TOTAL	2,408,176,452	1,623,942,308

The cost of goods sold amounted to EUR 2,408,176,452 in 2017, and includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Costs of energy	203,818	190,687
Materials and spare parts	93,861	65,375
Office supplies	202,802	156,284
Other costs of materials	9,082	7,385
TOTAL	509,564	419,730

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Maintenance	771,192	807,946
Rents	674,475	594,722
Bank charges and other fees	2,559,023	2,106,908
Intellectual services	1,358,174	536,261
Contractual works, meeting attendance fees and student work	339,066	572,374
Advertising, sales promotion and public relations	622,277	618,400
Sponsorship	326,780	233,413
Insurance	70,217	54,422
Entertainment	38,090	35,648
Costs of employees' business travels	60,004	50,139
Telecommunication	957,441	844,227
Transportation	105,212	78,253
Public utility services	10,935	9,965
Security	13,990	14,726
Cleaning	106,525	120,595
Training	231,045	35,898
Other services	791,453	922,564
Costs of IT services	236,683	42,728
TOTAL	9,272,581	7,679,190

Bank charges and other fees accounted for the highest proportion of costs of services. They are followed by intellectual services, which included human resource services (consulting and selection of employees), legal and notary fees, auditing services, business and tax consultancy services, telecommunication services, maintenance, rents, advertising and promotions.

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 2017 business year with the auditors of Deloitte revizija, d.o.o. in the amount of EUR 20,200.

AMOUNTS IN EUR MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2017	2016
< 1 year	568,661	426,357
> 1 < 5 years	1,345,750	701,539
> 5 years	279,296	308,480
TOTAL	**2,193,707**	**1,436,375**

Liabilities from long-term contracts signed for the lease of business premises are expected to amount to a minimum of EUR 2,193,707 in the coming years.

Note 24: Labor costs

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Wages and salaries	11,891,062	7,074,491
Social security contributions	1,967,354	1,178,903
Other labor costs	1,500,349	1,000,154
TOTAL	**15,358,765**	**9,253,547**

In 2017, 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, including the variable element of wages linked to the performance of the Company, 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 25: Amortization and depreciation

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Amortization of intangible assets	528,331	1,009,024
Depreciation of property, plant and equipment	856,846	775,330
TOTAL	**1,385,177**	**1,784,354**

Note 26: Other operating expenses

AMOUNTS IN EUR OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Taxes and levies	801,205	789,452
Donations	58,069	34,712
Write-downs and impairments of fixed assets	1,732	311
Other operating expenses	1,178,856	1,037,763
TOTAL	**2,039,862**	**1,862,237**

Other operating expenses in the amount of EUR 1,178,856 primarily comprises impairments and write-downs of operating receivables, membership fees, non-deductible expenses for tax purposes, and taxes and expenses from changes in the fair value of open physical contracts that are treated as financial instruments.

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Humanitarian purposes	11,964	3,128
Charitable purposes	12,029	5,700
Healthcare purposes	400	3,400
Educational purposes	4,300	7,650
Sports purposes	28,376	10,734
Cultural purposes	1,000	4,100
TOTAL	**58,069**	**34,712**

Note 27: Profit or loss from financing

AMOUNTS IN EUR PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2017	GENERATED FROM 1/1 TO 12/31/2016
Dividend income from interests in subsidiaries	3,022,108	4,305,093
Interest income	82,514	62,030
Net income from settlement of financial instruments	4,046	56,003
Other financial income	291	259
FINANCIAL INCOME	**3,108,960**	**4,423,385**
Interest expense	-1,430,403	-837,600
Losses on the liquidation of subsidiaries	-186,975	0
Changes in fair value of derivatives	-485,571	-94,532
Net foreign exchange losses	-750,893	-690,766
Other financial costs	-308	-352
FINANCIAL COSTS	**-2,854,151**	**-1,623,250**
PROFIT OR LOSS FROM FINANCING	**254,809**	**2,800,134**

The following subsidiaries paid dividends in 2017: Elektro Energija, d.o.o. in the amount of EUR 1,000,000, GEN-I Tirana Sh.p.k. in the amount of EUR 383,317, GEN-I Istanbul in the amount of EUR 357,163, GEN-I d.o.o. Beograd in the amount of EUR 281,874, GEN-I Athens SMLLC in the amount of EUR 252,211, GEN-I d.o.o. Sarajevo in the amount of EUR 248,187, GEN-I Prodažba na energija dooel Skopje in the amount of EUR 225,402, GEN-I Zagreb in the amount of EUR 156,108 and GEN-I Energia S.R.L. in the amount of EUR 117,846.

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 EUR 750,893.

The subsidiary GEN-I Budapest was liquidated in 2017, resulting in financial costs in the amount of EUR 186,975.

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

Expenses in the amount of EUR 485,571 from changes in fair value relate to changes in the fair value of equity options.

Note 28: Income tax expense

INCOME TAX EXPENSE AMOUNTS IN EUR	2017	2016
Current tax	2,610,882	951,883
Deferred tax	-47,920	-27,530
TOTAL	2,562,962	924,353

Effective tax rate

AMOUNTS IN EUR	2017	2016
Gross profit before tax	**16,101,413**	**9,538,710**
Statutory tax rate	19%	17%
Income tax at statutory tax rate, prior to changes in tax base	3,059,268	1,621,581
Tax-exempt income	-547,280	-697,348
Non-deductible expenses	167,439	92,892
Tax relief	-116,465	-92,772
Effective tax rate	**15.92%**	**9.69%**
Current and deferred income tax	**2,562,962**	**924,353**

Note 29: Data on related parties

Remuneration of members of the Management Board

Current year (2017)

2017	GROSS				
AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	177,458	0	588	13,493	191,539
Andrej Šajn, MSc	146,716	0	1,120	6,283	154,119
Igor Koprivnikar, MBA, Ph.D.	151,800	0	1,047	16,778	169,625
Danijel Levičar	113,520	0	1,236	7,748	122,504
TOTAL	589,494	0	3,991	44,302	637,787

Previous year (2016)

2016 AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	GROSS FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	141,605	0	985	11,820	154,410
Andrej Šajn, MSc	103,748	0	1,242	24,811	129,801
Igor Koprivnikar, MBA, Ph.D.	85,570	0	808	10,204	96,582
Danijel Levičar	3,518	0	55	321	3,894
TOTAL	334,441	0	3,090	47,156	384,687

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS 2017	2016
Wages and salaries	2,251,561	1,637,247
Fringe benefits and other remuneration	708,796	386,398
TOTAL	2,960,357	2,023,645

14.8. Financial instruments and risk exposure

Note 30: Credit risk

The Company is exposed to credit risk primarily with respect to trade receivables for electricity and natural gas.

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT 12/31/2017	12/31/2016
Domestic	32,427,283	24,220,936
Euro area countries	25,837,566	21,980,450
Other European countries	27,142,694	15,553,889
Countries of the former Yugoslavia	18,020,068	18,648,644
Other regions	20,524,255	10,804,100
TOTAL	123,951,867	91,208,019

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT 12/31/2017	12/31/2016
Wholesale customers	93,222,050	67,671,018
Retail customers	30,729,817	23,537,000
TOTAL	123,951,867	91,208,019

As explained in greater detail in the business report, GEN-I, d.o.o. uses an active approach to managing credit risks and financial exposure to individual business partners. That 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 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 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.

Impairments of receivables and their maturity structure are described in Note 6.

Note 31: Liquidity risk

Current year (2017)

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2017							
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
Operating liabilities	111,048,676	111,048,676	111,048,676	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts used for hedging							
Outflow	1,380,257	1,380,257	1,380,257	0	0	0	0
Inflow	-697,993	-697,993	-697,993	0	0	0	0
TOTAL	**163,008,540**	**163,763,765**	**143,925,144**	**884,889**	**18,548,376**	**405,357**	**0**

Preteklo leto 2016

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2016							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,283,993	89,243	90,722	5,099,965	5,004,063	0
Bonds issued	13,000,000	13,949,000	0	316,333	316,333	13,316,333	0
Other liabilities	27,516,223	27,664,377	68,119	27,067,796	134,397	394,066	0
Finance lease liabilities	166,608	166,608	50,274	41,400	50,117	24,817	0
Operating liabilities	101,075,032	101,075,032	101,061,846	13,186	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts used for hedging							
Outflow	299,035	299,035	299,035	0	0	0	0
Inflow	-11,535	-11,535	-11,535	0	0	0	0
TOTAL	**152,045,363**	**153,426,511**	**101,556,982**	**27,529,438**	**5,600,812**	**18,739,279**	**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 32: Currency risk

Current year (2017)

AMOUNTS IN EUR RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	HUF	TRY	BGN	RON	CZK	PLN
	12/31/2017									
Trade receivables	103,526,632	0	0	0	0	4,867,917	82,321	15,474,998	0	0
Unsecured bank loans	-10,000,000	0	0	0	0	0	0	0	0	0
Trade payables	-80,988,554	-16,438	-6,334	-33	-751,865	0	-1,934,188	-13,393,453	-3,910	-645,782
Gross balance sheet exposure	**12,538,078**	**-16,438**	**-6,334**	**-33**	**-751,865**	**4,867,917**	**-1,851,868**	**2,081,544**	**-3,910**	**-645,782**
Estimated forecast sales	2,378,015,030	0	0	0	0	0	0	0	0	0
Estimated forecast purchases	-2,339,985,278	0	0	0	0	0	0	0	0	0
Gross exposure	**38,029,752**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
NET EXPOSURE	50,567,830	-16,438	-6,334	-33	-751,865	4,867,917	-1,851,868	2,081,544	-3,910	645,782

Preteklo leto 2016

AMOUNTS IN EUR RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	RSD	HUF	TRY	BGN	RON	CZK
	12/31/2016									
Trade receivables	90,035,434	0	0	0	0	0	0	0	1,172,585	0
Unsecured bank loans	-10,000,000	0	0	0	0	0	0	0	0	0
Trade payables	-87,678,644	-2,589	-15,518	0	0	-3,234	-1,449,608	-2,837,555	-6,977,726	-3,460
Gross balance sheet exposure	**-7,643,210**	**-2,589**	**-15,518**	**0**	**0**	**-3,234**	**-1,449,608**	**-2,837,555**	**-5,805,141**	**-3,460**
Estimated forecast sales	1,681,095,657	0	0	0	0	0	0	0	0	0
Estimated forecast purchases	-1,658,707,736	0	0	0	0	0	0	0	0	0
Gross exposure	**22,387,921**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
NET EXPOSURE	14,744,711	-2,589	-15,518	0	0	-3,234	-1,449,608	-2,837,555	-5,805,141	-3,460

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 on foreign markets outside the euro area.

The Company is most exposed to currency risks when performing 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.

Note 33: Interest-rate risk

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT	
	2017	2016
FIXED-RATE INSTRUMENTS		
Financial assets	6,451,000	2,985,968
Financial liabilities	-41,220,109	-40,107,203
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-10,818,449	-10,812,344

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 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.

15. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

16. 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, 2017, including the notes to the financial statements from page 9 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 2017.

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, MBA
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, March 20, 2018

17. 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 2017, 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 2017, and its financial performance and cash flow statement for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

Other information

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

Our opinion on the financial statements does not cover the other information.

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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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

Responsibilities of Management 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, management is responsible for assessing the Company's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 management we communicate the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 23 April 2018

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

18. LIST OF DISCLOSURES

Text: GEN-I, d. o. o.
Design: Gigodesign | www.gigodesign.com
Photo: Jože Suhadolnik

Krško 2018

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