gen-i ANNUAL REPORT 2019

RELIABLE PARTNER FOR ADVANCED SOLUTIONS IN TRADING
AND SALES ON THE EUROPEAN ENERGY MARKET

gen-i ANNUAL REPORT 2019

PERFORMANCE OF THE GEN-I GROUP AND GEN-I, D.O.O.
DURING THE 2019 BUSINESS YEAR

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1. OPERATING HIGHLIGHTS OF THE GEN-I GROUP IN 2019

AMOUNTS IN EUR ITEMS	2019	2018	INDEX 2019/2018	2017	2016	2015
OPERATING RESULTS						
Revenues	2,203,588,646	2,357,715,456	93.5	2,370,030,061	1,582,148,485	1,731,202,568
Change in value of inventories	105,496	337,458	31.3	183,770	0	0
Historical cost of goods sold	–2,168,762,703	–2,292,741,493	94.6	–2,322,178,734	–1,562,830,947	–1,705,903,428
Other recurring operating revenues or expenses	23,104,074	–10,663,114	-	11,367,755	0	0
Gross operating profit[1]	**58,035,514**	**54,648,307**	**106.2**	**59,402,851**	**19,317,538**	**25,299,140**
Earnings before interest, taxes, depreciation and amortization (EBITDA)[2]	**22,964,637**	**20,414,366**	**112.5**	**24,937,979**	**12,205,436**	**12,552,663**
Earnings before interest and taxes (EBIT)	**19,800,655**	**16,279,578**	**121.6**	**19,753,825**	**10,299,118**	**10,960,799**
Net operating profit after tax (NOPAT)	16,039,883	13,246,670	121.1	15,590,619	8,507,326	9,061,849
Net profit	**15,282,822**	**12,908,860**	**118.4**	**13,463,405**	**7,313,188**	**7,028,423**
FINANCIAL POSITION						
Total assets	261,401,237	279,084,911	93.7	277,727,818	254,066,360	253,365,959
Equity	94,830,214	83,192,918	114.0	75,316,700	65,885,154	62,629,412
Inventories	1,502,344	749,083	200.6	357,986	0	0
Current receivables	159,128,131	188,748,973	84.3	201,401,139	183,073,781	223,269,469
Current liabilities	91,656,144	119,216,914	76.9	135,398,050	132,683,489	163,278,875
Cash and cash equivalents	62,095,182	60,094,389	103.3	49,886,492	47,143,359	21,198,123
Working capital (inventories + current receivables - current liabilities)	68,974,331	70,281,142	98.1	66,361,075	50,390,292	59,990,594
Non-current financial liabilities	41,998,033	45,115,248	93.1	32,662,782	24,410,558	5,798,740
Current financial liabilities	31,701,568	30,717,892	103.2	33,653,321	30,224,044	21,324,575
Financial debt	73,699,600	75,833,140	97.2	66,316,103	54,634,602	27,123,315
Net financial debt	11,604,419	15,738,750	73.7	16,429,612	7,491,243	5,925,192
DEBT, LEVERAGE AND COVERAGE RATIOS						
Equity/(financial debt + equity)	56.3%	52.3%	107.6	53.2%	54.7%	69.8%
Equity/total assets	36.3%	29.8%	121.7	27.1%	25.9%	24.7%
EBITDA/interest expense	11.9	12.8	92.9	15.0	14.3	10.1
Net financial debt/EBITDA[3]	0.5	0.8	65.5	0.7	0.6	0.5
PROFITABILITY INDICATORS						
Gross margin[4]	2.63%	2.32%	113.6	2.51%	1.22%	1.46%
EBITDA margin	1.04%	0.87%	120.4	1.05%	0.77%	0.73%
EBIT margin	0.90%	0.69%	130.1	0.83%	0.65%	0.63%
ROA (net profit/average total assets)	5.66%	4.64%	122.0	5.06%	2.88%	2.78%
ROE (net profit/average equity)	17.17%	16.29%	105.4	19.07%	11.38%	11.57%

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

NET PROFIT

15.28 **MILLION EUR**

+18.4%

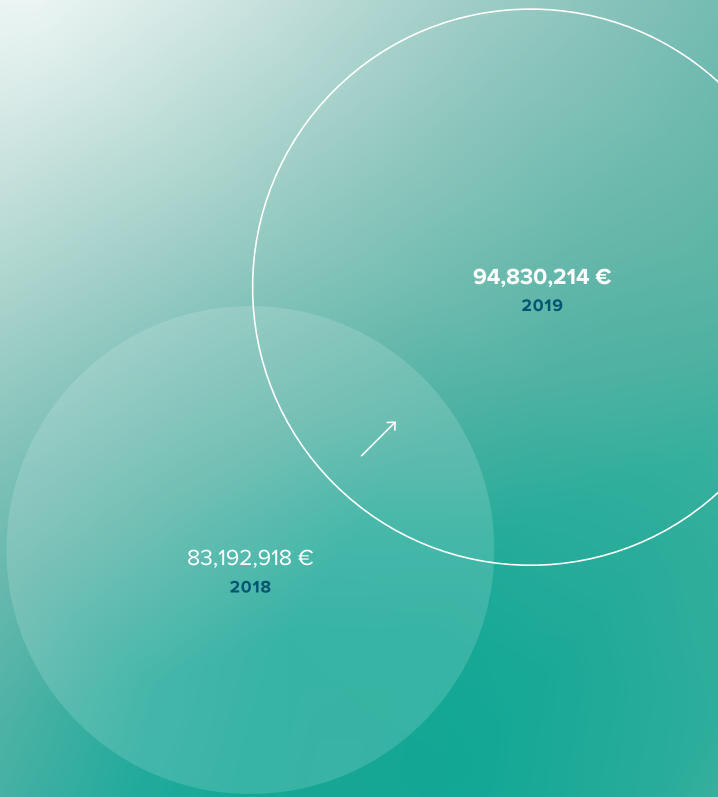
A record net profit shows that the GEN-I Group enjoyed one of its most commercially successful years ever.

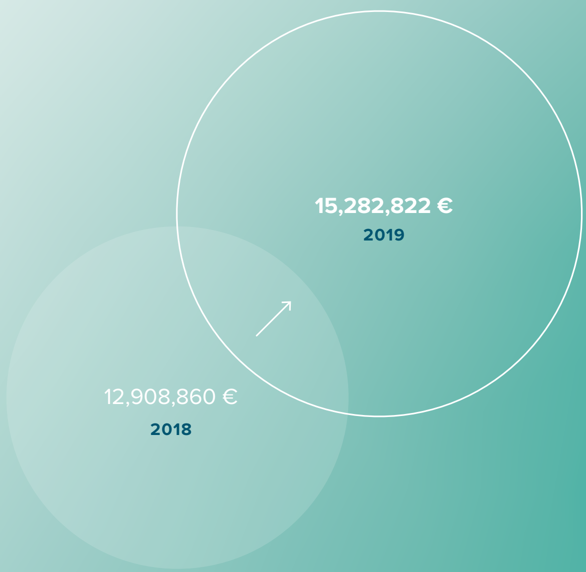
EQUITY

94.83 **MILLION EUR**

+14.0%

Capital adequacy and thus the security of operations have reached their highest levels to date. We expect total equity to exceed EUR 100 million in 2020.





ROE

17.17%

+5.4%

Despite significant growth in equity, return-on-equity remains above 16% for the third year in a row on account of a moderate dividend policy.

SALES VOLUMES

83.4 TWh

+6.7%

A record year in terms of quantities of electricity and natural gas sold on the basis of concluded forward contracts and contracts with physical delivery.

NET FINANCIAL DEBT

0.5x

–34.5%

Expansion and growth in operations, without additional borrowing. Extremely high potential for investments.

2. MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Business Partners, Owners and Employees,
Another successful year is behind us. For the third consecutive year, the GEN-I Group generated more than EUR 2.2 billion in revenues, while its net profit exceeded EUR 15 million for the first time in its history. We sold a record 83.4 terawatt hours of electricity and further improved our financial position in the context of growth in the scope of operations, cash flow and gross margin.

The GEN-I Group reduced its debt last year, strengthened its capital position and generated added value for its owners. The financial markets show the Group a great deal of trust. Return-on-equity exceeded 16% for the third year in a row. GEN-I Sonce d.o.o. was recognized on the capital market last year for the first regionally issued green bond. That recognition was received from the international ratings agency Moody's, which gave the bond the highest possible rating of GB1 in terms of compliance with green criteria. GEN-I, d.o.o. was again successful in the issue of commercial paper, this time in the amount of EUR 25 million.

Today, the GEN-I Group is one of the fastest growing, most progressive and innovative players on the European energy market. It has a growing base of loyal and satisfied customers. Group companies operate on 22 markets in 14 countries. In the international Risk & Energy Risk survey, the Group ranked first among electricity traders in Eastern Europe for the third year in a row, and ranked second among all European traders. The GEN-I Group has also maintained its leading position in Slovenia where, as the leading independent supplier, it supplies electricity and natural gas to 41% of household customers.

Through smart and successful operations, the development of new products, major investment potential and a prudent strategy, we have laid the foundations for a decade of major technological and social changes that will impact the development of society and the habits of people like never before. The fourth industrial revolution will completely automate and digitalize all segments of society. Energy is one of the sectors that will be transformed to its very foundations. For the first time in history, we are witnessing technological progress that will facilitate the transition to a carbon-free society under economically viable conditions. The Energy 4.0 Revolution will change the behavioral patterns of people and companies.

While certain players on the energy markets are resisting changes, the GEN-I Group is already living them. Last year, we adopted and presented Vision 2030, which is entirely based on green energy, sustainable development and the digitalization of operations. It is based on the knowledge that being the first choice of customers is not enough for a company that wants to be competitive on the international energy market over the long term. Our aim is to create a green energy multinational based in Slovenia.

To that end, the GEN-I Group will completely transform itself commercially, capitally and financially, and in terms of ownership. The organizational structure of the GEN-I Group will continue to be based on three pillars that will lead the transition to the energy revolution: trading, the supply of energy and the development of energy services. We will further supplement today's focus on green technologies through the digitalization of operations and the use of the most advanced technologies for the processing of large quantities of data. Through innovative solutions, we will facilitate the green transformation and the transition to sustainable energy consumption.

We will become the leading provider of innovative products and services on the European energy market. We will provide customers services that will facilitate their green transformation. We will search for opportunities in the areas of new electricity consumption, capacity and battery management, the development of a range of new services, carbon-free mobility, synergies with other products and services, new markets, etc.

Our employees are crucial to achieving our plans. The GEN-I Group places a great deal of emphasis on building an internal culture focused on the need for transforming into a green society, and investing in knowledge. More than three quarters of employees have at least a Level VI education, while 7% hold a master's degree or doctorate.

We will continue to increase investments in development and employees. The wider business environment recognizes the GEN-I Group's HR practices as cutting-edge. We received an award last year for an HR management project. We moved up seven places on the list of reputable employers to fourth place. We rewarded employees who personify the Group's values through their behavior, successes, abilities and work methods.

Esteemed business partners and owners, the future of the GEN-I Group is bright and green. With sound business, financial and HR foundations in place, we are prepared for new challenges. Please, accept my thanks for your loyalty and trust. My sincerest congratulations to all GEN-I Group employees for their achievements in 2019.

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

Business Report of the GEN-I Group

3. BUSINESS REPORT

3.1. Presentation of the GEN-I Group

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

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

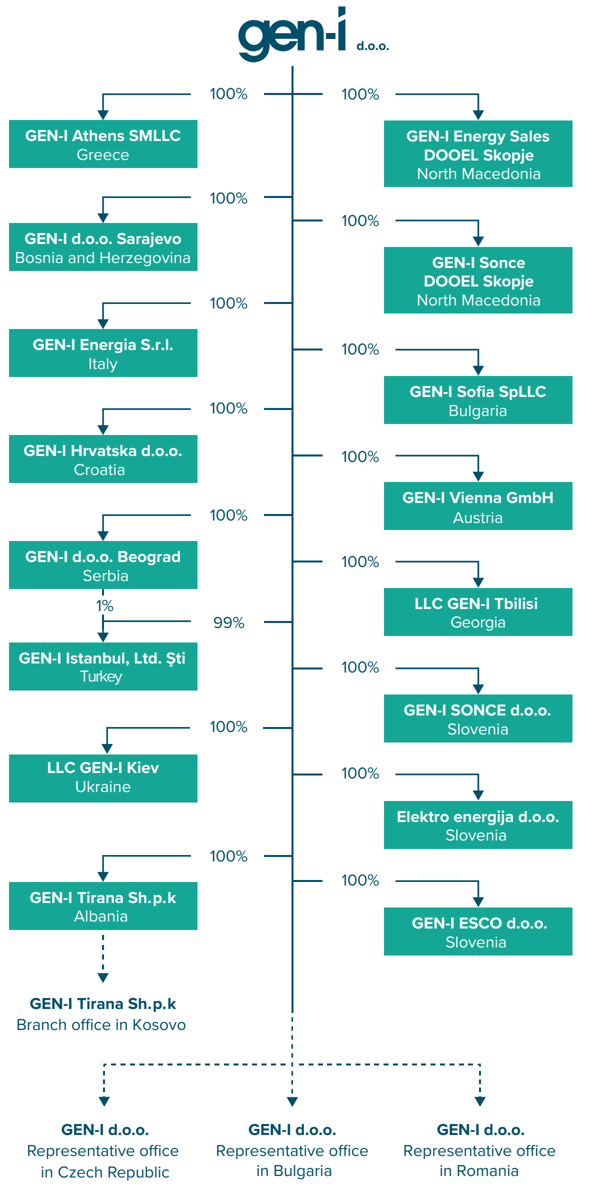
The Group's subsidiaries have at their disposal the complete infrastructure required to participate on the electricity and natural gas market. That infrastructure is ensured indirectly by GEN-I, d.o.o., which also provides subsidiaries expertise, financial resources and guarantee lines. The GEN-I Group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

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

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

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

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



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

Through the innovative organization of our activities, we are able to provide the Group's business partners advanced trading services, and direct access to international markets

and structured products and services tailored to their needs, which are changing the purchase and sale of energy products into a manageable, transparent and significantly more affordable business process.

The **GEN-I Group's competitiveness** on international markets and at home is the result of prudent business decisions. The best electricity trader in Southeast Europe, the most affordable supplier of energy products in Slovenia, winner of the title of Trusted Brand among electricity suppliers in Slovenia for six years running, and two-time recipient of recognition in the area of environmental protection. These are just some of the flattering titles that the GEN-I Group has received in recent years. All of that is the result of the following:

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.

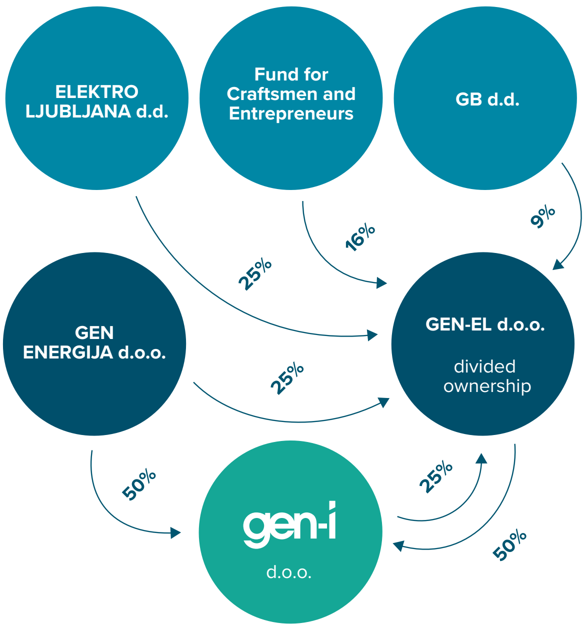
Established brands. Our retail brands – Poceni elektrika (Affordable Electricity in Slovenia), Poceni plin (Affordable Natural Gas in Slovenia), Elektro energija (Slovenia) and Jeftina struja (Affordable Electricity in Croatia) – allow us to successfully pursue our mission to provide affordable energy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

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

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

Company size: Large company
Core activity: Electricity trading and supply of electricity and natural gas to end-customers
Year of establishment: 2006

Registration application no.: 1/04524/00; registered at the Krško District Court; date of last court register entry: December 14, 2016
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.

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

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

3.2. Corporate governance statement

In accordance with the provision of the paragraph 5 of Article 70 of the Companies Act (ZGD-1), GEN-I, d.o.o. hereby issues the following corporate governance statement:

Statement of compliance with the Code

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

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

- The Company's Memorandum of Association includes all of the necessary substantive definitions and mechanisms for successful corporate governance, but does not follow the principle of avoiding the allocation of voting rights to two equal stakes. Ownership is divided between only two owners, each of which holds a 50% participating interest in the share capital of GEN-I, d.o.o.
- GEN-I, d.o.o.'s Memorandum of Association is only published on the website www.ajpes.si, in the collection of documents of the Business Register. The rules of procedure of the governing body are also not published.
- The governing body has not adopted a separate governance policy, but defines certain substantive elements of such a policy and communicates them via other corporate documents and implements them via the work of the general meeting.

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

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

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

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

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

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

Information regarding the work of the general meeting

In accordance with the Companies Act, the Company's highest body is its general meeting. Through the latter, the Company's owners GEN energija, d.o.o. and GEN-EL naložbe, d.o.o. exercise their rights and make decisions on matters that are defined by the law or Memorandum of Association, including the appointment and replacement of members of governing bodies and changes to the 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 taking into account the provisions of valid legislation. Invitations to the general meeting must include the agenda and all proposed resolutions, accompanied by appropriate explanations.

The general meeting is convened at least once a year, or more frequently as required. The general meeting is deemed quorate if all of the Company's share capital is represented, while decisions are adopted unanimously. Four general meetings were convened in 2019 (one of them a correspondence session), at which the Company's owners adopted decisions regarding the confirmation of the audited annual report for 2018, the allocation of distributable profit, the conferral of official approval on the Management Board, the appointment of an auditor for 2019, the confirmation of the GEN-I Group's business plan for 2020, and other matters under its authority.

Information regarding the composition of the governing body

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

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

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

Danijel Levičar, MBA,
Member of the Management Board

A physicist with a master's degree in management, Mr. Levičar has been gaining experience in the fields of energy and the functioning of the electricity system since 2000, at the Krško Nuclear Power Plant and at GEN energija, d.o.o., where he participated in preparations for the JEK2 project. From 2005 on, he worked abroad for seven years, at the European Commission in Luxembourg and at the International Atomic Energy Agency in Vienna. In 2013, as the head of the Energy Directorate at the Ministry of Infrastructure, Mr. Levičar and his colleagues drafted a proposal for Slovenia's energy concept, aimed at the development of a low-carbon society. He advocated for the inclusion of transportation in the energy strategy and for the transition to alternative energy sources, with an emphasis on e-mobility. His responsibilities also included preparations for the new energy legislation adopted in 2014, which finally put in place the necessary conditions for the introduction of market principles for the functioning of all energy sectors. He joined the GEN-I Group at the end of 2016 as a member of the GEN-I, d.o.o.'s Management Board, and is tasked with establishing closer cooperation with the parent company GEN energija, d.o.o. and with the monitoring of regulations and compliance. He has also served as the commercial manager of GEN energija, d.o.o. since August 1, 2019.

Igor Koprivnikar, MBA,
Member of the Management Board

Mr. Koprivnikar is an expert with many years of experience in management positions in various fields associated with electricity trading and liberalization processes on the electricity markets of Central and Eastern Europe. He possesses in-depth knowledge of the mechanisms of the functioning of electricity markets and trading models. 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. Following his studies, he worked with numerous scientific institutions around the world, and was responsible for the development of the EXAA energy exchange in Austria from 2002 to 2004. He started working for GEN-I in 2004 when it was first founded. He laid the foundations of the business model for international and cross-border electricity trading and updated that model in the years that followed. As a member of GEN-I, d.o.o.'s the Management Board, he is responsible for the GEN-I Group's trading function, and for finance and legal affairs. He is also the executive director of eleven of the Group's foreign subsidiaries. He received his MBA in 2018 from the University of Chicago Booth School of Business and thus strengthened his competences in the areas of management, capital markets and corporate finance.

Andrej Šajn, MSc,
Member of the Management Board

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

Functioning of the governing body

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

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

The executive staff adopts decisions in accordance with the rules of procedure of the aforementioned body, which were adopted by the general meeting on December 13, 2016. Those rules of procedure define in detail, inter alia, legal transactions and actions that the executive staff may only undertake with the prior approval of the general meeting, and other rules important for the work and decisions of the executive staff. As a rule, the executive staff makes decisions at meetings in writing or, if the majority of the executive staff agree, orally. In 2019, the executive staff met at 46 regular sessions and one correspondence session, at which it discussed matters for which it is competent.

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

Description of diversity policy

GEN-I, d.o.o. provides its employees equal opportunities, regardless of gender, race, skin color, age, medical condition or disability, religion, political or other beliefs, nationality or social background, social status, financial situation, sexual orientation or other personal circumstances. The Company has not yet adopted a separate policy to further govern the structure of governing 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 of the GEN-I Group, the management functions at the majority of subsidiaries are performed by Robert Golob, President of the Management Board, Igor Koprivnikar, member of the Management Board responsible for trading and Dejan Paravan, Director of Strategic Innovation at the parent company GEN-I, d.o.o. The legal representatives of GEN-I Group companies are as follows:

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

3.3. Strategic policies

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

MISSION: a reliable partnership

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

VISION: the first choice

Our intention is to become the most progressive and reliable player on the energy market of Southeast Europe by 2030. 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.

“ The GEN-I Group is spreading awareness about energy efficiency, the reduction of greenhouse gas emissions and increasing the proportion of final energy consumption from renewable sources. We are striving to mitigate the effects of climate change, expanding and implementing green technological solutions and achieving energy independence. As a result, we are also reducing the risks associated with fluctuating electricity prices. I assure you that we are well on our way to achieving those objectives. We have succeeded in making a significant breakthrough in the thinking of our partners, both from the private and public sector. Their perception of the situation is increasingly in line with our views concerning the implementation of the green transformation. Together we are seeking solutions to implement and couple our products with their activities. The results are tangible. What pleases me most is that each and every day we add another tile to the mosaic of a carbon-free Slovenia.”

— **Robert Golob, PhD**
President of the Management Board

VALUES

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

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

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

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

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

A VIEW TO THE ENERGY SECTOR OF THE FUTURE

The GEN-I Group's strategic policies in the coming period are defined by its business plan for 2020 with forecasts of operations until 2022. The business plan represents the core corporate document, approved by GEN-I, d.o.o.'s general meeting, and takes into account the expectations of owners to increase the value of the Group, as well as the latter's vision, values and mission.

(A) KEY EXPECTATIONS BY OPERATING SEGMENT FOR 2020:

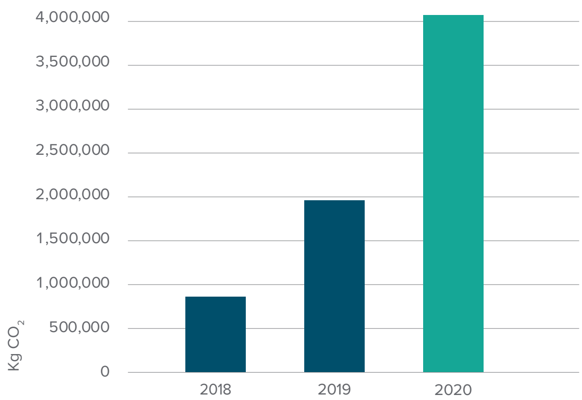
Supply of energy products and trading

- The supply and trading of electricity and natural gas remain the GEN-I Group's most important operating segments.
- Maintain our leading share of the end-customer market in Slovenia and the temporary targeted shift from the supply of electricity to business customers on the Italian market.
- Maintain our position as the leading electricity trader on the markets of Southeast Europe and obtain a license to buy and sell electricity in Poland with the aim of strengthening our presence in Central Europe.
- The investment cycle that began in 2017 is the key driver behind positive expectations in 2020 and for moderate organic growth over the next five years. The majority of attention and funds in the area of energy supply and trading will be earmarked for a digital and analytical transformation.
- Strengthen activities relating to other energy products, particularly natural gas.
- Continue to create value based on the digitalization of processes and the analysis of a large quantity of data with the aim of optimized and systematic support for decisions regarding the management of the portfolio.
- Focus on the development of even better and above all more responsive fundamental analysis of events on the electricity and natural gas market.
- Responsibility for achieving established objectives will fall on professionally qualified employees from the areas of analytics and information technology, which we strengthened back in 2017 and 2018. They will take on a more visible role in the functioning of business and process analysis.
- Through the provision of a superior user experience, the customer will remain the primary focus of supply activities. The Group's extensive trading infrastructure and its close links to local markets will continue to 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.

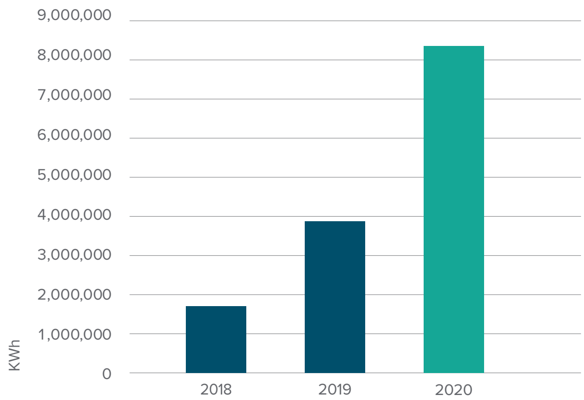
Energy services

The establishment of GEN-I Sonce and the focus of a significant part of our activities on the green energy transformation were crucial milestones that marked the diversification and expansion of the GEN-I Group's business model to the segment of services. Prior to that, services were merely an ancillary element of the electricity supply and trading segment. Following initial steps, energy services and consequently products were supplemented to the point that they now represent a separate operating segment for the GEN-I Group.

- Remain the first choice and largest supplier of services for the set-up of solar power plants for the self-sufficient supply of electricity to households in Slovenia.
- Continue the construction of solar power plants on apartment buildings.
- Exploit interest in solar power plants shown by business customers.
- Develop the virtual power plant concept and include active customers.
- Gradually enter the e-mobility market through innovative solutions.
- Persevere in the concept of a sustainable energy circle, which we developed in conjunction with the Metron Institute. Our primary objectives are: to establish the possibility of storing electricity obtained from renewable sources and to manage energy storage units in a micro grid with the aim of reducing the impacts of the electricity distribution system and covering electricity consumption peaks.



Reduction of CO_2 emissions (kg CO_2/year)



Increase in production of green energy (kWh/year)

GEN-I is the proven first choice among customers in terms of access to and operations on the energy markets. Our strategic objective is to become the first and best choice for services at the homes of households and at large business customers through the development of new services for the home of the future and the green transformation.

All of these services are part of the green transformation of the GEN-I Group and the Slovenian energy sector as a whole, and are already having measurable positive effects on the environment. We are thus contributing to the fulfilment of commitments to reduce the carbon footprint of not only the GEN-I Group, but indirectly the country, as well.

Through the services it offers and sustainability-aware customers, the GEN-I Group reduced CO_2 emissions by 2,600 tons and contributed 5.4 million KWh to the production of green energy in 2018 and 2019. We are expecting those numbers to double in 2020.

(B) KEY FINANCIAL OBJECTIVES OF THE GEN-I GROUP IN 2020

	ACTUAL IN 2019		PLANNED FOR 2020
EBIT	19.8 MILLION EUR	⟶	18.9 MILLION EUR
Net profit	15.3 MILLION EUR	⟶	14.3 MILLION EUR
Net financial debt/EBITDA	0.5 x	⟶	0.4 x
Revenues	2.2 BILLION EUR	⟶	2.5 BILLION EUR
Equity/assets	36.3 %	⟶	34.8 %
EBITDA/interest expense	11.9 x	⟶	14.6 x
Financial debt/total equity	43.7 %	⟶	40.0 %
EBITDA margin	1.04 %	⟶	0.93 %

The GEN-I Group's objective for 2020 in the area of finance is to maintain stable and prudent operations that are based on organic growth. Because planned targets for the 2019 business year were exceeded, certain expectations for 2020 could be below last year's actual results yet still higher than planned results in 2019. Given that 2019 was the Group's best year to date, expectations for next year are moderately optimistic.

The GEN-I Group uses various financial indicators to monitor the achievement of objectives. Certain indicators take the form of commitments to financial institutions and partners, while others are the result of Group's conservative internal policy on the take-up of risks.

3.4. Overview of significant events

JANUARY

- The GEN-I Group was recognized as the most reputable employer in the energy and electricity sector.

FEBRUARY

- GEN-I Sonce set-up the first solar power plant on an apartment building in Slovenia.

MARCH

- Organization of the 12th annual meeting of GEN-I's partners – our future is the sun. The event was attended by a record number of participants.
- The GEN-I Group ranked among the best European traders again during the year. In the Risk & Energy Risk 2019 survey, the Group ranked first among electricity traders in Eastern Europe and second among all European traders.
- GEN-I set-up the first B2B solar power plant in Slovenia at Steklarna Hrastnik.

APRIL

- The green bonds issued by GEN-I Sonce in 2017 in the amount of EUR 14 million received a rating of excellent (Green Bond Assessment – GB1) from Moody's Investor Services in New York.
- GEN-I appeared in an article in the world-renowned Time Magazine about the new rules of the game in the area of green energy.

MAY

- GEN-I was presented the title of most trustworthy brand for the sixth time in the Trusted Brand 2019 survey. The magazine Reader's Digest Slovenia and Mladinska knjiga award the brands and personalities that Slovenes trust most the title of Trusted Brand.

JUNE

- For the sixteenth time, the Posavje Regional Chamber of Commerce recognized the best innovations in the Posavje region in 2019. The aforementioned institution considers innovative activity the driver of the regional sustainable development of the economy and the promotion of entrepreneurship. GEN-I received a bronze medal for its solar power plant set up on an apartment building for the purpose of the self-sufficient supply of electricity.
- GEN-I presented the Sustainable Mobility project, which offers a new service for the users of electric vehicles who are also Affordable Electricity and Affordable Natural Gas customers.

JULY

- Ljubljana hosted the kick-off meeting of consortium partners from the international NEWCOMERS research-innovative project that includes GEN-I and GEN-I Sonce.

AUGUST

- Less than three years after entering the market with the GEN-I Sonce service, we have already connected more than 1,000 households to the sun and are proud to say we have built the more solar power plants than anyone else in Slovenia.

SEPTEMBER

- ELES and GEN-I signed an agreement on the establishment of a consortium to accelerate the green transformation of the Slovenian energy sector with the help of smart grids.
- GEN-I was named national winner in the Social Responsibility and Environmental Awareness category in the prestigious 2019 European Business Awards, one of the largest international, cross-industry and cross-border competitions.
- A solar power plant was activated on a production building in Kisovec, with co-financing from the EU's Cohesion Fund A letter of intent on cooperation was also signed with the Municipality of Zagorje ob Savi, which aims to cover as many roofs as possible in Zagorje with solar power plants.

OCTOBER

- At a conference in Vienna, 12 partners from eight European countries brought to a conclusion a four-year international project that was launched with the aim of searching for solutions to balance the electricity system in a changing electricity environment. GEN-I's development team participated in the project, which was coordinated by the Slovenian company ELES.

NOVEMBER

- At the 10th meeting of electricity producers who use renewable energy sources and high-efficiency cogeneration plants, GEN-I presented technical solutions for the decarbonization of Slovenian society and the achievement of the green transformation.
- GEN-I expanded its e-mobility services to Croatia GEN-I and Hrvatski Telekom, the largest provider of public and private electric vehicle charging stations in Croatia, signed a cooperation agreement.
- GEN-I also began providing electricity to Croatian healthcare institutions. A total of 151 GWh of electricity valued at 87 million Croatian kunas will be supplied over two years.

DECEMBER

- GEN-I was the recipient of the award for best HRM project of 2019, which was presented by Planet GV for good and effective HR practices in the workplace.
- GEN-I was recognized as a Reputable Employer for the second consecutive year. In research conducted by MojeDelo.com, the largest Slovenian employment portal, GEN-I moved up to fourth place overall.

3.5. Analysis of operations

Despite the fact that the GEN-I Group achieved exceptional business results in all key segments of its core activity in past years, it exceeded those results in 2019 and thus further enhanced its financial stability. This is confirmed by the enormous amount of confidence shown by our investors and financial institutions on the capital and banking markets.

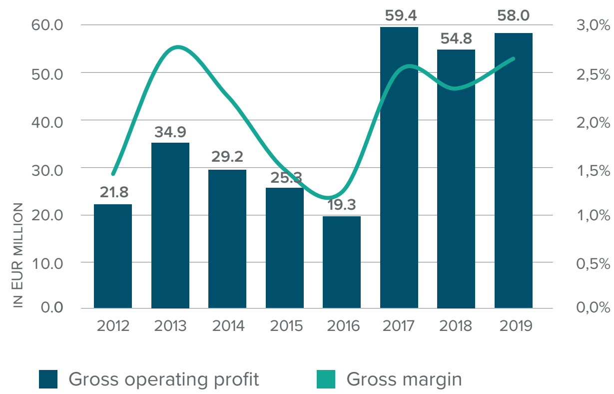
Operating revenues

For the third consecutive year, the GEN-I Group generated more than EUR 2 billion in sales revenues, which amounted to just over EUR 2.2 billion in 2019, a decrease of 6.5% relative to 2018. The lower revenues were primarily the result of the continuation of the planned redirection of a portion of trading from physical contracts to financial contracts, mostly forward contracts.

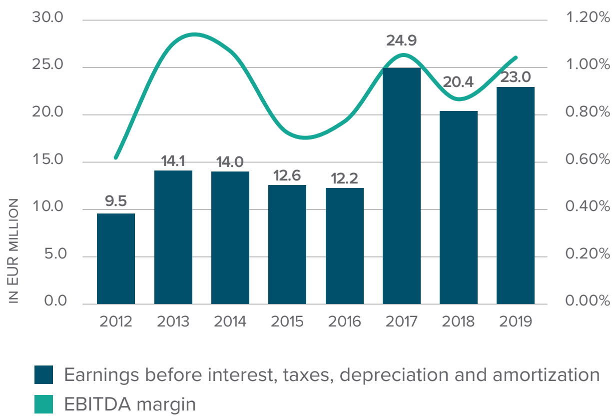
The main generator of revenues remains GEN-I, d.o.o. which, in the scope of its business model and single global portfolio, has subsidiaries established in specific countries to ensure its presence on local markets.

Gross profit, EBITDA, EBIT and net profit

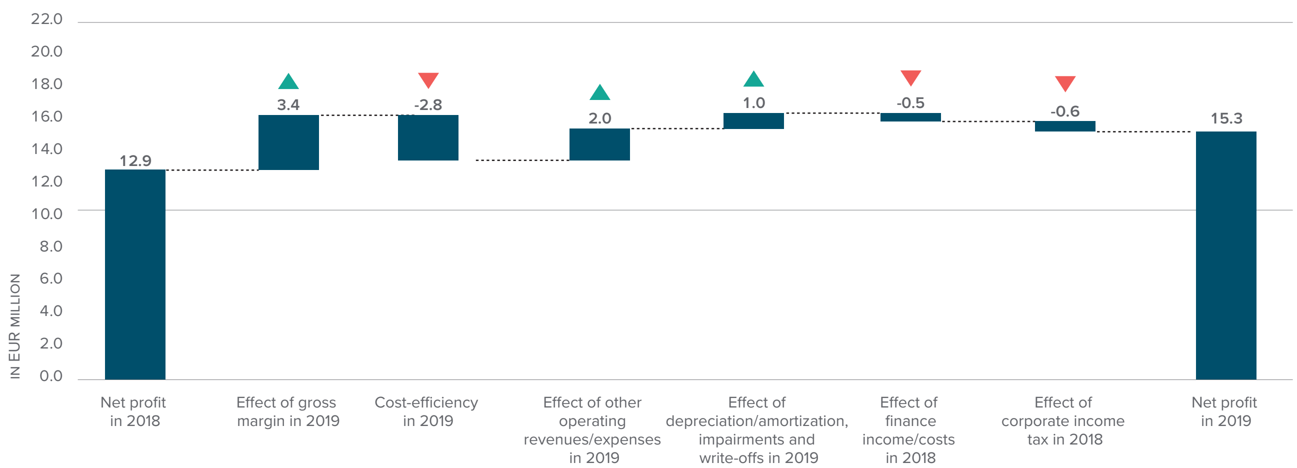
The success of the GEN-I Group's operations in 2019 was also seen in profitability indicators, which improved considerably. In the context of lower sales revenue, the Group increased gross operating profit, and also achieved a higher operating profit (EBITDA and EBIT) and net profit.



Gross operating profit [in EUR million]



Earnings before interest, taxes, depreciation and amortization (EBITDA) [in EUR million]



Net profit in 2019 [in EUR million]

The GEN-I Group's gross profit in 2019 was 6% higher than in 2018, despite the further tightening of conditions on the electricity and natural gas trading and sales market and increasing competitive pressures. Gross profit was EUR 58.0 million, one of the highest figures to date. Gross margin thus rose to 2.6% and continues to be above the internally defined medium-term target margin of two percent.

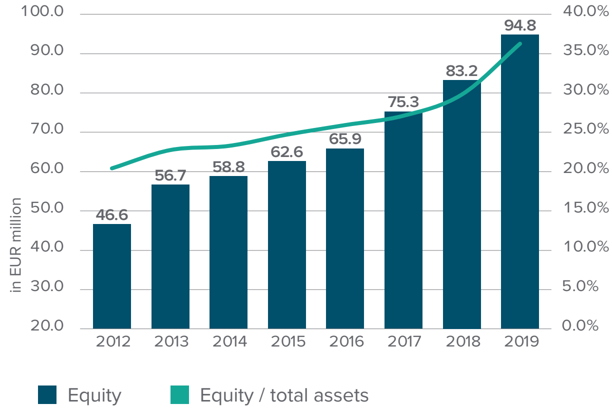
Cost-efficiency was down slightly in 2019 but did not have a significant effect on the GEN-I Group's final results. The main reason for that decrease was a higher number of employees and thus higher labor costs. At the same time, however, other operating revenues were up and other operating expenses were down. This contributed to a 12.5% increase in earnings before interest, taxes, depreciation and amortization (EBITDA) in 2019 relative to 2018. EBITDA amounted to EUR 23.0 million, one of the best results in the history of the GEN-I Group, while the EBITDA margin once again exceeded 1%.

The GEN-I Group recorded a slight increase in investments in fixed assets (CAPEX) and the rate of amortization and depreciation, which resulted in an increase in depreciation and amortization costs in 2019. Also contributing to those costs was a change in IFRS 16 Leases, which resulted in the recognition of right-of-use assets from leases and the treatment of those assets in a way similar to other non-financial assets. Accordingly, we also had to depreciate those assets, meaning that amortization and depreciation costs amounted to EUR 3.0 million in 2019, an increase of EUR 1.0 million relative to 2018.

We were also successful in the management of trade receivables in 2019. In accordance with IFRS 9 Financial Instruments, we impaired and wrote-off just EUR 0.2 million in receivables and contract assets, a decrease of EUR 2.0 million relative to 2018. Earnings before interest and taxes (EBIT) thus amounted to a record EUR 19.8 million.

Given that financial debt was maintained at a similar level and even reduced slightly in 2019, the Group's net financial result, as the difference between financial income and financial costs, was similar in 2019 to the level recorded in 2018.

The GEN-I Group ended the 2019 business year with a record net profit of EUR 15.3 million. At 12% above the planned figure, this was significantly higher than expected.

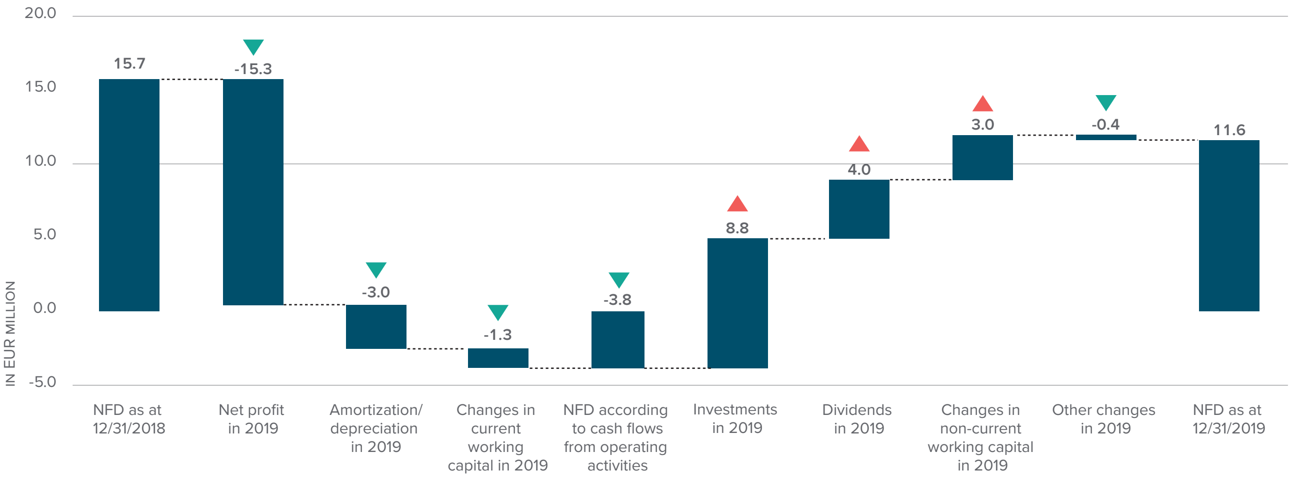


Equity [in EUR million]

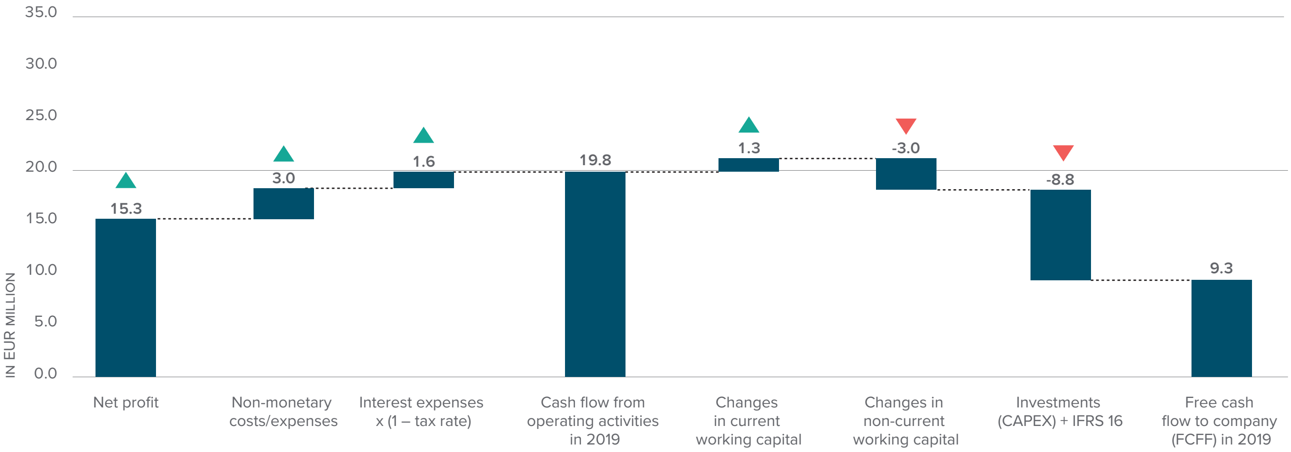
Capital structure and total assets

The GEN-I Group successfully increases its equity every year. Contributing to that again were the net profit generated in 2019 and the continuation of a conservative dividend policy. Total equity amounted to EUR 94.8 million at the end of 2019, the highest figure to date. At the same time, total assets were reduced to EUR 261.4 million in 2019 due to the effective management of operating receivables. For all of the above reasons, the GEN-I Group's capital adequacy rose to a record 36.3%.

Accordingly, the GEN-I Group's equity to debt capital ratio was up slightly at the end of 2019 as the result of an increase in total equity and a decrease in both gross and net financial debt. The positive results of the GEN-I Group and maintaining net financial debt at an appropriate level are also reflected in the maintenance of low leverage, which we measure as the ratio of net financial debt to EBITDA. The latter amounted to 0.51 in 2019, one of lowest levels to date, and was well below the internally defined maximum level of 3.7. Contributing most to the reduction in net financial debt was the positive free cash flow generated in 2019. Net financial debt could have been even lower, but we had to recognize all lease liabilities in financial liabilities due to the introduction of the new IFRS 16 Leases. Those liabilities amounted to EUR 3.9 million at the end of 2019.



Change in net financial debt in 2019 [in EUR million]



Free cash flow to company in 2019 [in EUR million]

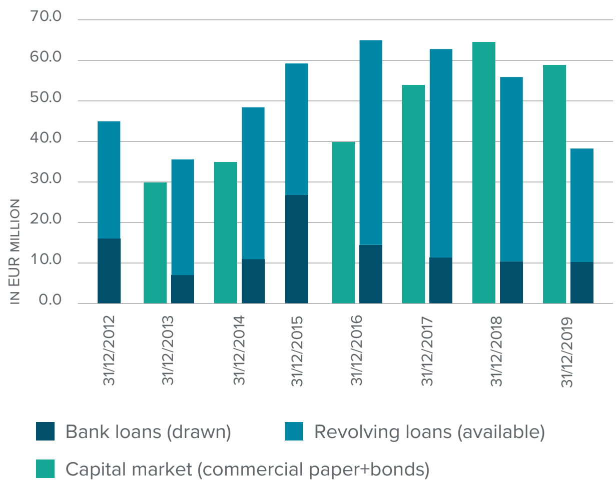
The security of the GEN-I Group's operations also continues to be reflected in a high coverage of interest expenses. Despite an increase in interest expenses relative to 2018, the ratio of EBITDA to interest expenses was a high 11.9 in 2019, which is considerably higher than the ratio expected by the financial public.

Debt and net debt

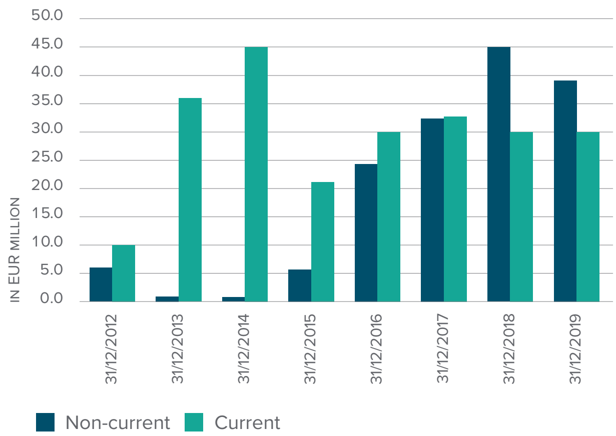
The financing of the GEN-I Group remains centralized, which means GEN-I, d.o.o. is responsible for securing sources of financing from both banks and on the capital market. Financing remains diversified between various banks and investors, allowing us to keep refinancing risk at a low level. Our aim is to maintain the ratio between sources secured from banks and on the capital market at a similar level, with that ratio tilting slightly in favor of the latter at the end of 2019. With regard to bank loans, account must also be taken of sufficient secondary liquidity reserves in the form of undrawn credit lines. In addition to the latter, the Group also has at its disposal additional liquidity reserves at banks in the form of cash on account of more than EUR 60 million and unused guarantee lines of more than EUR 50 million.

Investor confidence remains high, as the parent company GEN-I, d.o.o. successfully issued a new money market instrument (commercial paper) in the amount of EUR 25.0 million on the capital market. In addition, the Company had no problem repaying the remaining interest on GE01 bonds that were issued in 2016 and matured 2019. The issue of commercial paper was again well-received, as the interest shown by investors was significantly greater than the planned amount of borrowing. We again listed the commercial paper on the regulated market of the Ljubljana Stock Exchange.

Similar to the previous year, the GEN-I Group maintained good relationships with financial institutions in 2019, and maintained a diversified portfolio of domestic and foreign banks. We succeeded in increasing certain guarantee lines at foreign banks and thus further ensured the financial stability of operations. Following the repayment of debt securities (bonds) we maintained a higher proportion of long-term sources of financing than short-term sources in 2019, which continues to ensure our financial security and the coverage of permanent working capital.



Financial debt with regard to source of financing [in EUR million]



Financial debt with regard to maturity [in EUR million]

3.6. Events after the end of the reporting period

The GEN-I Group actively entered the segment of electricity production from renewable sources. In January 2020, the GEN-I Group won a private-public partnership contest to set up a solar power plant in North Macedonia. By winning the aforementioned innovative design contest, GEN-I obtained the right to use land for 50 years to set up a solar power plant with a capacity of 17 MW, while the government will help obtain all requisite permits.

GEN-I achieved a new milestone in the area of e-mobility in January 2020, when it successfully applied for the public tender “DEMO PILOTI II 2018”, with co-financing in the amount of EUR 1.2 million. The purpose of that public tender was to support research and development and innovative activities for the launch of the pilot/demonstration projects of companies that focus on the development, testing and demonstration of new or improved products, processes or services in the real environment in the priority area of Slovenia’s smart specialization strategy “Industry 4.0”, with a focus on the area of “Mobility”.

There were no other events after the reporting date that could have a significant impact on the GEN-I Group and the presented report on operations for 2019.

Coronavirus and its impact on operations

(A) ORGANIZATION OF AN UNINTERRUPTED WORK PROCESS

GEN- I instructed 95% of its employees to work from home, effective March 13, 2020. GEN-I has provided all employees the necessary equipment for unimpeded work, and no major differences relative to the work performed at GEN-I’s head office are expected.

GEN-I organized an isolated work environment (every employee in a separate office) at the Company’s head office for other employees unable to work smoothly from home due to the specific nature of their job and where the inability to perform their tasks could affect GEN-I’s business process. We also established back-up locations for the latter in the event of the isolation of a key position. For additional safety reasons, we ensured that work processes are implemented by two separate teams.

(B) RISKS

We are aware of potential risks, which we monitor in detail on a daily basis, and will take the appropriate measures as required. Key risks that we monitor with additional diligence are as follows:

- **Liquidity risk:** The GEN-I Group has an extremely low level of debt and also has a large number of undrawn credit lines at its disposal. Credit potential is additionally enhanced by a high balance of cash on account and the Group's ability to access the capital markets for the issue of commercial paper (regardless of the situation, we believe that borrowing on the money market via primarily short-term issues of money-market instruments is still possible).
- **Credit risk:** Credit risk is monitored in terms of potential losses due to corporate bankruptcies and in terms of the direct impact on liquidity if a customer is in arears in the payment of or fails to pay its obligations on account of bankruptcy. We monitor most closely customers such as small and medium-sized enterprises. However, the diversification of the portfolio across different sectors and relatively low exposure to individual customers indicate that there is little probability of events that could affect the operations of the GEN-I Group. We also see a reason in the partial or full compensation of a potential drop in revenues in the business customer segment by higher revenues from household customers and activities on the wholesale electricity market.
- **Market risks:** The GEN-I Group has limited and reduced its activities on illiquid markets and thus reduced the risk of price volatility. In the future, the global portfolio will exploit, in particular, the option of cross-border capacities and increase its value through the optimization of cross-country flows.
- **Currency risks:** We do not expect any change in the mode of operations, nor do we see major risks in this area, as the portfolio is already hedged against the volatility of local currencies vis-à-vis the euro.
- **Other risks:** In the future, the GEN-I Group will closely monitor other risks that could pose a threat to ordinary operations, in particular regulatory and legal risks.

The capital adequacy of GEN-I is extremely high and we believe it is sufficient for the uncertain period that lies ahead.

(C) BUSINESS PLANS

It is currently difficult to assess the consequences of COVID-19 crisis, as it is not a financial crisis in the traditional sense. For that reason, its course and duration remain uncertain today. Also questionable is the effectiveness of measures that central banks typically implement in financial crises and that are also being implemented now.

Notwithstanding all of the open issues, the GEN-I Group is active in a sector where we expect the fewest deviations from ordinary operations relative to other sectors. The supply of electricity to households is expected to rise slightly because people are staying home more, while consumption by business users is expected to contract sharply over the short term. We believe, regardless of the form of the crisis, that the energy sector will remain largely unchanged, meaning GEN-I will continue to be successfully active on the wholesale electricity market, which provides the Group additional flexibility and the ability to respond quickly to falling demand.

GEN-I's business and financial objectives therefore remain unchanged and we believe that they are still achievable.

Of course, we are assessing the matter on a scenario basis, both in terms of the duration of the crisis and the breadth of government measures, particularly if those measures affect the operations of the GEN-I Group. We assess that a short-term crisis of up to three months and the scope of the current measures will not have a more profound impact on the operating results achieved by the GEN-I Group. A longer-term crisis of up to 12 months and potential regulatory measures, in particular, that might have negative consequences on the GEN-I Group's operations could result in significantly lower operating results. If, however, government measures ensure sufficient liquidity, primarily to business customers to restart their operations, we do not foresee a negative value of EBITDA in 2020 under any scenario.

3.7. Business activities of the GEN-I Group

MARKET CONDITIONS

The prices of CO_2 emission coupons, the main factor in rising wholesale electricity prices in 2018, continued to rise during the first half of 2019 and reached nearly EUR 30/t at the end of July, after which time growth slowed. The average price of emission coupons in 2019 rose by EUR 9/t or 55% relative to 2018 (Figure 2). Several factors had a negative impact on emission coupon prices. The first was the expected withdrawal of emission coupons from the market in the scope of the Market Stability Reserve (MSR), which began in January 2019. After that, the main factor became uncertainty regarding the withdrawal of the United Kingdom (UK) from the European Union (EU) and thus from the EU Emission Trading Scheme (ETS). Having a particularly negative impact on prices was the increasing likelihood of the UK's withdrawal from the EU without an agreement.

Economic growth continued in Europe for the sixth consecutive year, although growth was down slightly for the second year in a row (Figure1). Uncertainty on the global market remains high, which primarily affects the manufacturing sector. Despite the fact that the average effect of whether conditions on electricity consumption was comparable with 2018, electricity consumption was down by around 2% in Western European countries, by 1% in Central European countries, and by 0.6% in Southeast Europe and Italy. We can therefore conclude that the drop in consumption was mainly the result of lower industrial activity, which is also evident from changes in the Industrial Production Index (Figure 1), and due to measures aimed at efficient electricity consumption.

The prices of primary energy sources reached their peak in October 2018, and then began to fall gradually. Global production of liquified natural gas (LNG) was up by nearly 10% in 2019, while the consumption of natural gas was lower in Asia due to a mild winter. The substantial supply of both liquified natural gas and natural gas via pipelines pushed natural gas prices in Europe down. The price of natural gas for delivery in 2019 was down by EUR 9/MWh or nearly 40% relative to the end of 2018 (Figure 2).

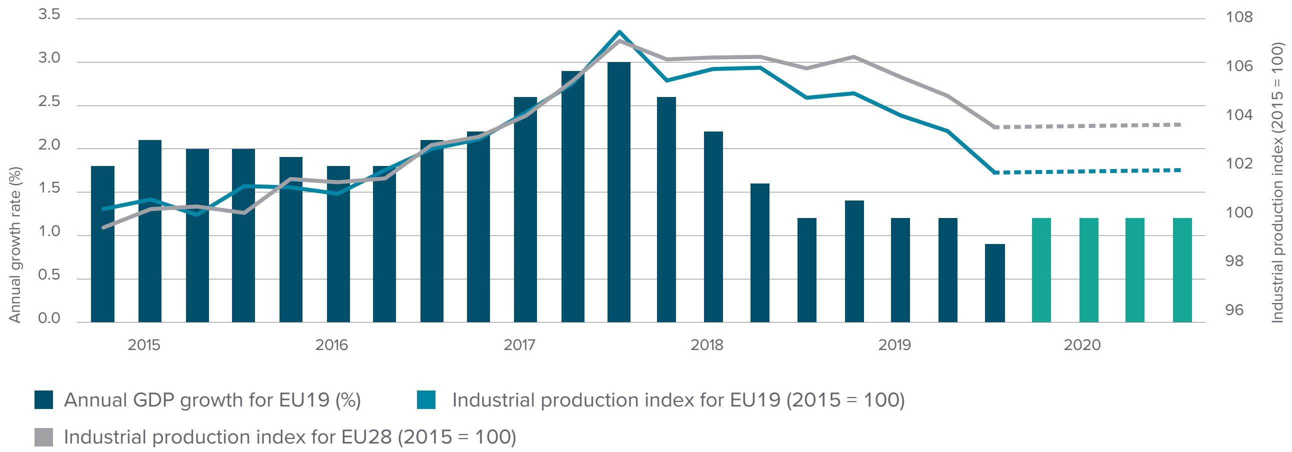


Figure 1: Annual growth in EU19 GDP (in %) and the industrial production index for the EU19 and EU28 (source: ECB)

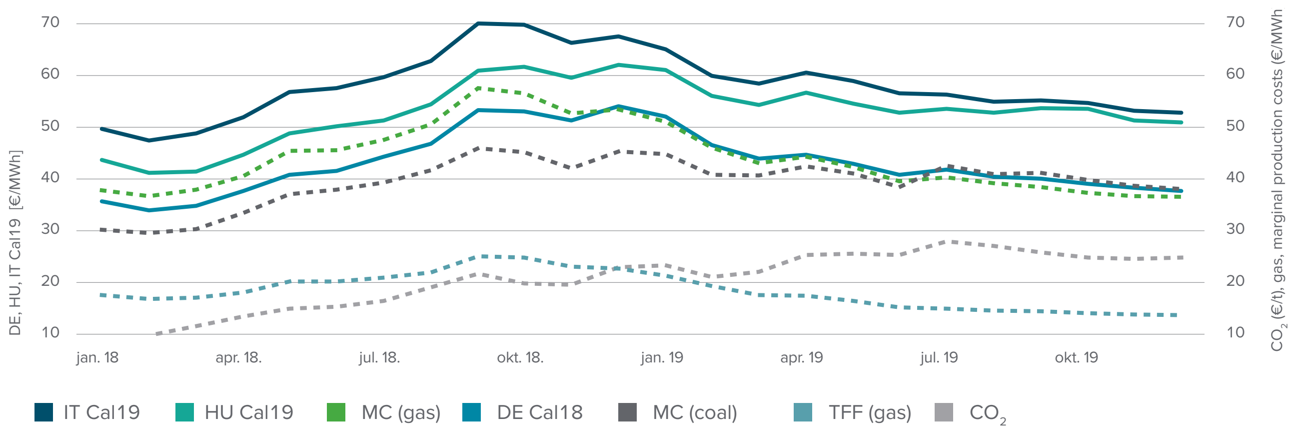


Figure 2: Fluctuations in electricity prices for supply in 2019, prices of CO_2 emission coupons and TTF* natural gas, and marginal production costs of gas and thermal power plants (MC)

* TTF: an index of natural gas supply prices on the Dutch natural gas exchange and a representative index for the countries of Western and Central Europe.

Slowing economic growth in China resulted in a drop in coal prices in Asia. Due to falling prices of natural gas, which represents a direct competitive fuel to European thermal power plants, demand for coal from the latter was down. European prices of coal for delivery in 2019 fell by EUR 28EUR /t or nearly 36% as a result. Lower natural gas prices and slightly higher emission coupon prices drove down the production costs of effective and cleaner gas power plants relative to the production costs of thermal power plants, despite the fact that the latter paid lower prices for their primary fuel. All of this led to an increase in the proportion of total electricity production accounted for by gas power plants.

Wholesale electricity prices on the markets of Western Europe thus fell during the first half of 2019 in the context of a fall in energy prices and high electricity production from renewable sources. The countries of Southeast Europe, including Slovenia, entered 2019 with below-average values of stored energy at pumped-storage hydroelectric power plants. Poor hydrologic conditions continued until April, with above-average temperatures recorded from February to April. In May and June, hydrologic conditions rose above the historical average for those months. Prices on daily electricity markets in Southeast Europe fluctuated between German and Italian prices until June, while the highest electricity prices were recorded in Greece. Only Greece, which has a high proportion of energy generated by fossil fuel power plants, recorded higher electricity prices in 2019 than in 2018 as the result of higher emission coupon prices.

Electricity production by hydroelectric power plants fell at the end of June, and fluctuated below the long-term average from July to October. The availability of cross-border transfer capacities from cheaper Western markets to the markets of Southeast Europe fell sharply. Electricity prices on the markets of Southeast Europe rose in July and exceeded prices on the typically most expensive Italian market until October. There were two reasons for this: persistently low natural gas prices and slowing growth in emission coupon prices, and the resulting lower prices on the Italian electricity market. A dry period ended in November and was followed by substantial precipitation in most of Southeast Europe. The amount of precipitation and temperatures were above the historical average in November and December. As a result, electricity production by hydroelectric power plants was also above the long-term average, while electricity consumption was slightly lower than the previous year. Electricity prices on the daily electricity markets of Southeast Europe thus fell sharply in November.

Forward prices for electricity deliveries in 2020 were nearly unchanged in Germany and Italy until the fall. Contributing to this was a minor drop in the prices of forward contracts for the delivery of natural gas and coal in 2020 and higher emission coupon prices. Following at the end of 2019 were favorable weather conditions, with somewhat better hydrological conditions and lower consumption. Forward prices for electricity deliveries in 2020 thus fell by around EUR 4/MWh or 8%, while forward prices for deliveries of natural gas in 2020 were down by EUR 3/MWh or 16%.

In Southeast Europe, the proportion of total production accounted for by thermal power plants is currently a great deal higher than the proportion accounted for by gas power plants. Higher emission coupon prices thus had a more significant impact on production costs and consequently on prices. In Hungary, the most important forward market in Southeast Europe, prices of forward contracts for delivery in 2020 were up sharply during the third quarter, and in October actually exceeded the prices of future contacts in Italy for the same delivery period. Also contributing to the widening gap between the prices of Hungarian and Italian forward contracts was a drop in the prices of Italian forward contracts for 2020 due to a drop in forward prices of natural gas.

Moderate economic growth is forecast for Europe over the next two years, as well as the stagnation of industrial production. An increase in electricity consumption in Western Europe is thus not expected. Minor growth is only expected in Central and Southeast Europe. Growth in installed capacities of renewable energy sources will continue, but current production by wind and solar power plants in Western Europe and Italy still only accounts for around 18% of total electricity production, while that proportion is just 7% in Southeast Europe.

Also expected is the continuing decline in installed capacities of thermal power plants due to the declining competitiveness of such plants relative to gas power plants (on account of low natural gas prices and high emission coupon prices), as well as the continuation of environmental measures to reduce greenhouse gas emissions. Medium- and long-term electricity prices in Europe in 2020 will be driven by energy prices, in particular the prices of natural gas and CO_2 emission coupons.

Future relations between the UK and EU represent the main source of uncertainty on the emission coupon market. Adding to uncertainty regarding the movement of the prices of emission coupons will be the so-called European Green Deal, which was announced by the new President of the European Commission, Ursula von der Leyen. We can thus expect the high volatility in emission coupon prices to continue in 2020. We do not expect a sharp drop in prices to the pre-2018 level, as we believe the European Commission will adopt additional measures to reduce the surplus of emission coupons in circulation in the event of a potential fall in prices. Because natural gas storage facilities are full and liquified natural gas deliveries are expected to continue growing, the market does not expect natural gas prices to fall further in 2020. A long-term drop in prices is not expected on the coal market, as those prices are already extremely close to production costs.

The third block of the Mochovce Nuclear Power Plant in Slovakia will be completed during the second quarter of 2020, while a new gas power plant is expected to begin operating in Iernut, Romania in October 2020. That new gas power plant will increase the availability of energy during periods of high prices on the markets of Southeast Europe, while the block of the aforementioned nuclear power plant will permanently increase the availability of exports of cheaper electricity from Slovakia.

A new cross-border connection between Montenegro and Italy will begin functioning in 2020. This will create a closer connection between the markets of Southeast Europe and Italy, and thus increase the dependence of electricity prices on natural gas prices on the aforementioned markets. No other major changes in cross-border connections are expected in 2020.

The coupling of European daily electricity markets will continue. The linking of the market coupling of European markets, which include Slovenia and Croatia, with the market coupling of the Czech Republic, Slovakia, Hungary and Romania is expected at the end of 2020. The new, broader scope of market coupling will contribute to the more efficient utilization of cross-border transfer capacities on the markets of Southeast Europe.

The dependence of prices in Southeast Europe on the prices of neighboring markets and emission coupon prices will rise. For this reason, the fundamental management of Western European electricity markets and an understanding of the codependence of changes in primary energy prices will also be important for managing and exploiting market opportunities.

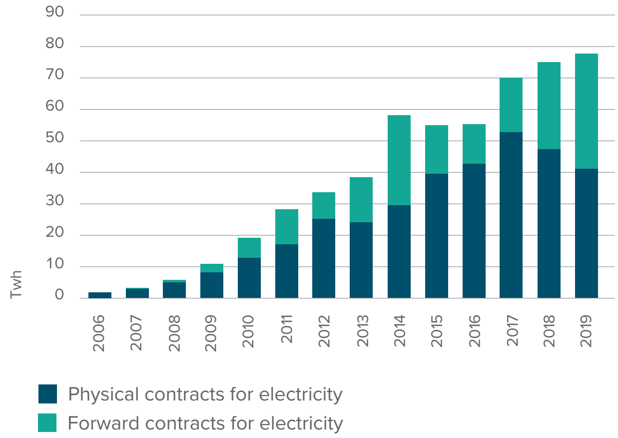
TRADING AND SUPPLY OF ENERGY PRODUCTS

(A) TRADING

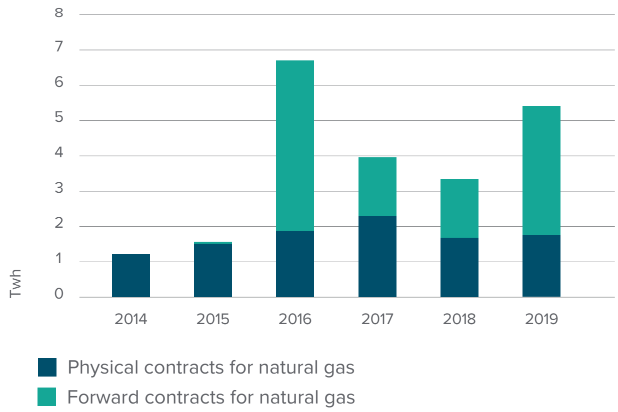
The GEN-I Group's sales activities on the wholesale energy market resulted in a new recorded in 2019. We sold 83.4 TWh of energy, broken down as follows: 78 TWh of electricity and 5.4 TWh of natural gas.

Through operations in 22 countries via 16 subsidiaries, we connect Germany and France in the West with Turkey in the East.

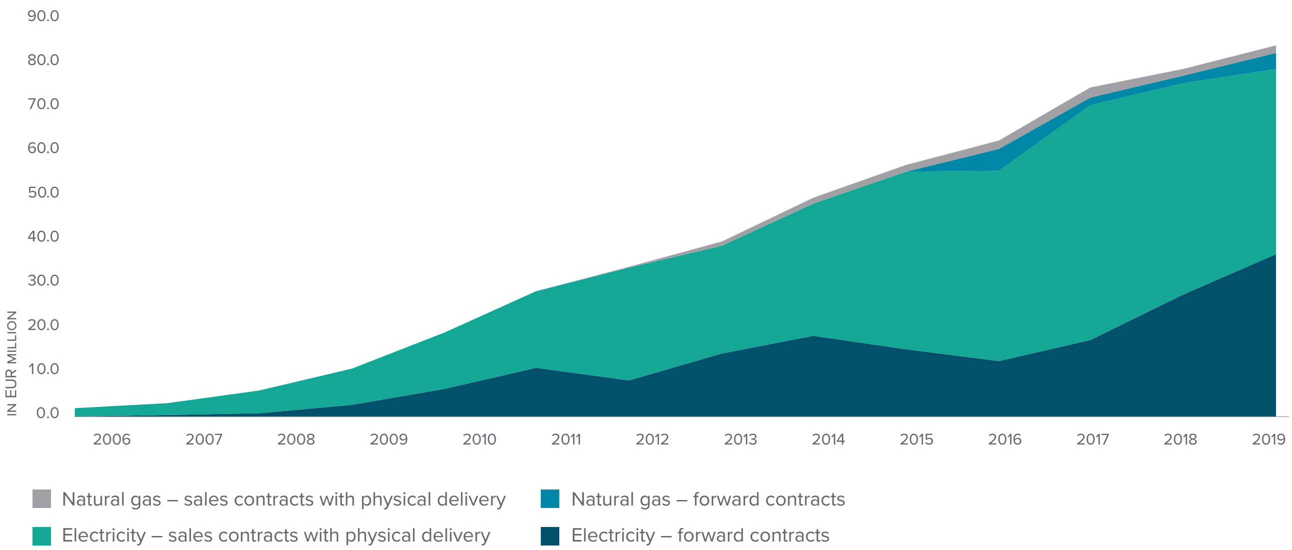
Despite adverse conditions and increasing competition, the GEN-I Group remains a leading electricity trader on the markets of Southeast Europe and is increasingly active on the liquid markets of Western Europe. The main factors in successful operations on the aforementioned markets are our responsible and professional approach, which is based on know-how and an in-depth understanding of energy markets. For this reason, the GEN-I Group remains one of the most reliable and insightful traders. To that end, the Group continues to make substantive and technical upgrades to publicly accessible data regarding market developments, which in turn brings market participants access to transparent and clear price signals across an increasingly broader geographical area of European countries.



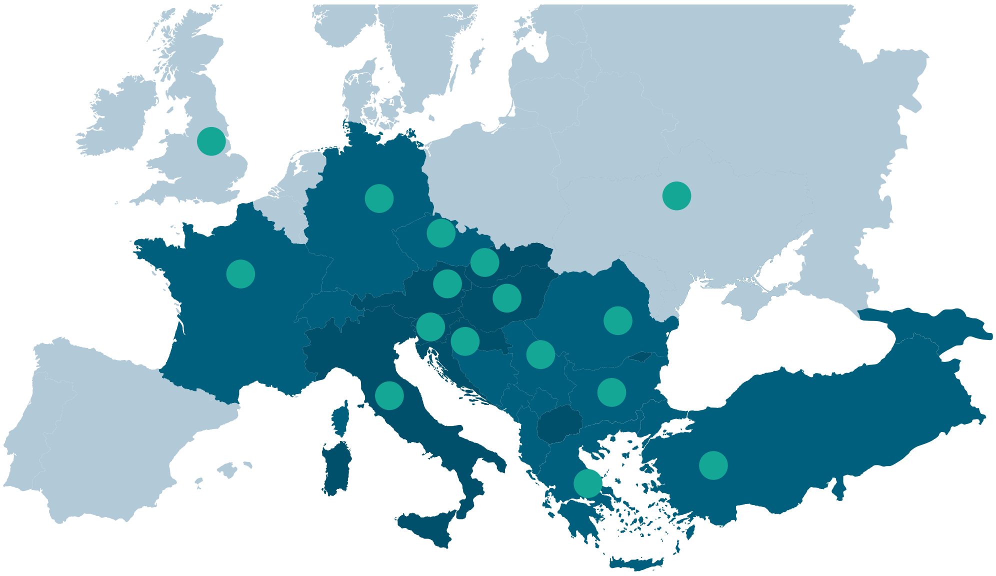
Sold quantities of electricity



Sold quantities of natural gas



Electricity and natural gas sales in the GEN-I Group



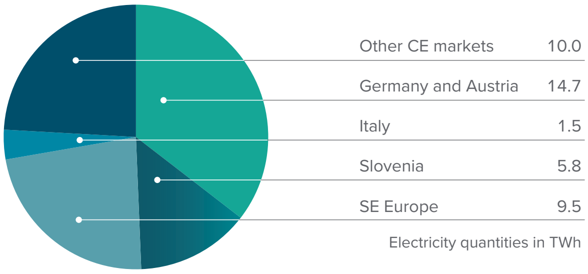
21 European energy exchanges

Electricity and natural gas

Electricity

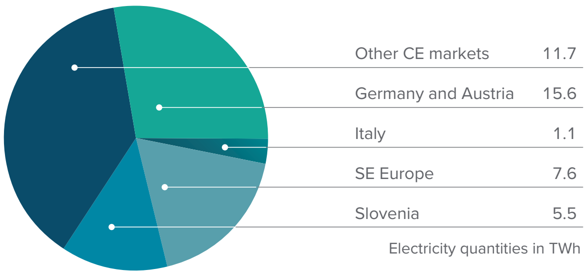
Countries in Southeast Europe continued to overhaul and upgrade market models in the area of energy trading in 2019, as a response to volatile short-term electricity prices due to growth in the proportion of total electricity production accounted for by renewable sources. The year 2019 was thus characterized primarily by the entry into force of the XBID 2 mechanism, which links intraday trading between Austria, Slovenia, Croatia, Hungary, Romania and Bulgaria. The GEN-I Group began cross-border intraday trading on the Bulgarian energy exchange (IBEX) via the XBID 2 mechanism in 2019. The Greek energy exchange (HENEX) is also planning to establish intraday trading in 2020, while the establishment of day-ahead trading is expected in Montenegro and North Macedonia. Because the GEN-I Group has been present in this area for a number of years already, and has a well-developed infrastructure and knowledge that it builds on from year to year, we have successfully developed and maintained a competitive advantage in the process of establishing and linking intraday trading. An updated market that allows us to take advantage of the connectivity of those markets through the possibility of cross-border trading, which over the long term means an increase in intraday liquidity on all markets and thus a further increase in the added value generated by the GEN-I Group's trading segment due to the Group's highly diversified trading infrastructure.

The GEN-I Group also dedicates a great deal of attention to the flow-based trading mechanism, which arose as the result of the establishment of a single European energy market. That mechanism requires from market participants global operations and a global presence throughout the entire electricity trading chain, from long-term management to supply itself. The GEN-I Group is prepared for that challenge through the development and use of the most advanced tools and support algorithms, on which the optimal management of the global energy portfolio using a predefined risk management policy is based. Development also focuses on the improved and above all more responsive fundamental analysis of events on the market. We enhanced market and portfolio analytics with the hiring of new experts, and upgraded and improved internal fundamental models and analytical tools. We upgraded our quantitative approach to understanding the market and managing portfolios in all areas of the Group's operations. The Group's extensive portfolio, which is based on cross-border transfer capacities and which we continuously analyze with the help of what-if scenario analyses, will remain our key competitive advantage in the future.



Sales markets

An extensive trading infrastructure allows the GEN-I Group to exploit synergistic effects between access to developed Western markets and Southeast Europe and borders with Asian countries. The year 2019 was also characterized by the liberalization of the Ukrainian electricity market. The GEN-I Group was prepared for that development and ended the year with one of the leading market shares. The GEN-I Group continues to expand to new markets with the aim of increasing the flexibility of its global portfolio.



Purchase markets:

Despite its planned geographical expansion, the GEN-I Group will maintain a centralized transaction management model on European electricity and natural gas markets through an actively managed single optimization portfolio comprising physical and financial electricity and natural gas positions, and cross-border transfer capacity positions. With the aim of increasing added value in Southeast Europe, focus will continue on securing demand response contracts on both sides of the supply chain, and on offering innovative products tailored to the customer's needs.

The GEN-I Group remains present on 21 regional energy exchanges, as only in this way can it rapidly and effectively optimize its global portfolio, and through the use of forward contracts close its open positions and thus reduce market risk.

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

(B) SUPPLY

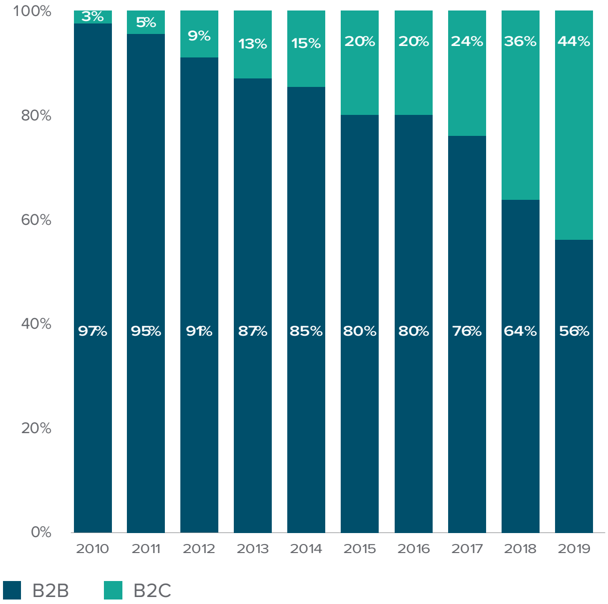
At the center of the supply of energy remain the customer and their needs, which we satisfy in accordance with the green transformation of society. We thus used all of our meetings with business customers in 2019 to present technical solutions for the decarbonization of Slovenian society. Supply and green transformation services have become more closely linked than ever before.

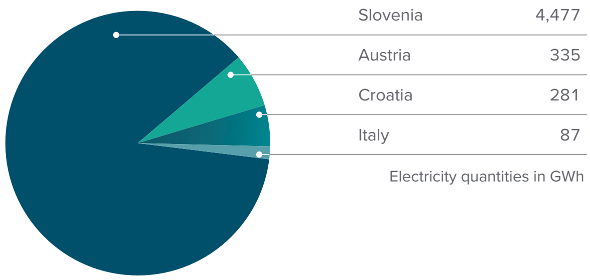
In 2019, the GEN-I Group supplied electricity directly to end-customers on four markets and natural gas on three markets. The optimization of electricity flows via all 22 countries at hourly intervals through a single global portfolio on the wholesale electricity and natural gas market provided all customers a competitive price and reliable supply in all market conditions.

We supplied electricity and natural gas to almost 370 thousand customers on four different markets (Slovenia, Croatia, Austria and Italy) in 2019. We sold 5,180 GWh of energy to customers broken down as follows: 3,928 GWh of electricity and 1,252 GWh of natural gas.

We still sell the majority of energy to the industrial and large business customer segment. However, that proportion is declining from year to year, in line with our long-term strategy to strengthen the household and small business customer segment, and to increase our target margin. At 56%, the B2B segment accounted for the highest proportion of sales, while the B2C segment accounted for 44%.

At 4,477 GWh, Slovenia still represents the largest market, followed by Austria at 335 GWh, Croatia at 281 GWh and Italy at 87 GWh of supplied energy to end customers.





Electricity quantities in GWh

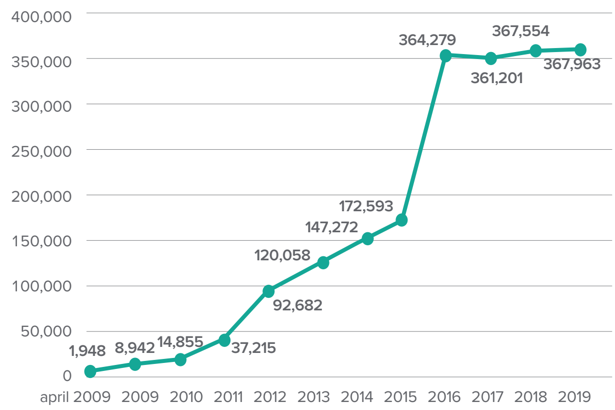
Electricity

The Affordable Electricity brand celebrated its 10th anniversary last year. We organized a contest with 2,006 prizes for our existing and new customers. All efforts continue to focus on continuous improvements to the user experience and thus the strengthening of customers' trust in GEN-I brands. Evidence that we are on the right path is the Trusted Brand award, recognition as the most trustworthy brand, which we received for the sixth year in a row.

In the scope of the digitalization of our operations and the provision of high-quality services, we made our biggest step forward in 2019 by simplifying the signing of contracts and potential switches of suppliers. Today, more than one half of switches are made with just a single click, while we also contribute to environmental protection through paperless operations. Improvements were also made in the process of managing balances at metering points.

We introduced the option of payments via e-billing and online banking, while we simplified payments using a QR code for bills accessible via the Moj GEN-I portal. We constantly measure and ensure a high level of customer satisfaction with our services and the work of call-center advisers. The customer satisfaction rating, which remains one of our key criteria, was up slightly last year (by 0.04 percentage points) to stand at 4.84 out of a maximum score of 5.00.

In Slovenia, we supplied 1,509 GWh of electricity to large and medium-sized business customers in 2019. We remain the largest supplier in the household and small business customer segment, where we supplied 1,732 GWh of electricity to 331 thousand customers.

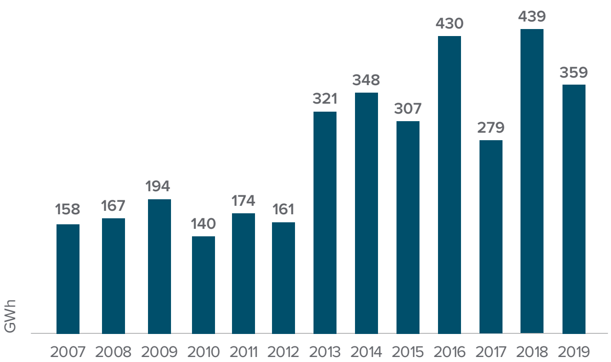


Growth in the number of household and small business electricity and natural gas customers within the GEN-I Group

After a lengthy period, we once again identified an opportunity in the supply of business customers in Croatia. We successfully applied for a tender to supply healthcare centers and hospitals in Croatia. We will supply a total of 151 GWh of energy over a three-year period.

In contrast to Croatia, we suspended the supply of electricity to business customers on the Italian market in 2019. In Austria, we are striving to increase activities aimed at promoting the sale of innovative products. At the forefront on the aforementioned market are the regulation of electricity consumption and ensuring flexibility, and the provision of other ancillary services.

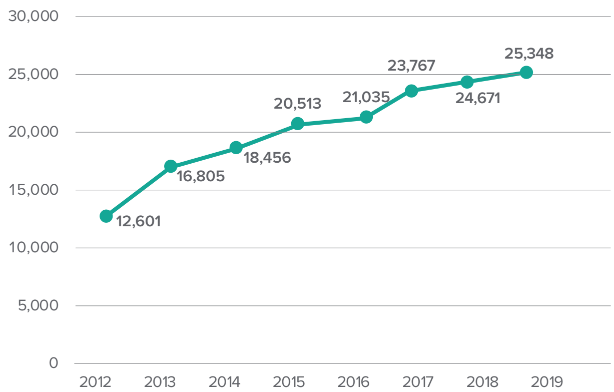
In terms of purchasing energy from diversified sources on the Slovenian market, we maintained our position as the largest purchaser of electricity from producers who use renewable resources and high-efficiency cogeneration plants. We purchased a total of 359 GWh of electricity from 1,311 producers who use renewable resources and high-efficiency cogeneration plants, meaning that we maintained a satisfactory market share, despite stiff competition.



Purchase of production from RES and CHP sources by GEN-I

Natural gas

Since our entry on the Slovenian market in 2012, we have offered customers the reliable supply of natural gas at competitive prices, and maintained our position as the second largest supplier of natural gas. We supplied 1,236 GWh of natural gas in 2019, similar to the level recorded the previous year. We supplied 303 GWh of natural gas to more than 25 thousand households and small business customers.



Growth in the number of household and small business natural gas customers from 2012 to 2019

ENERGY SERVICES AND GEN-I SONCE

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

The aim of the GEN-I Sonce project is to offer an innovative business model that will generate synergies with the existing activities of the GEN-I Group through sustainable and advanced solutions, and facilitate expansion to neighboring countries. Through a comprehensive service, we are already responding today to certain decarbonization challenges and contributing to an increase in the proportion of carbon-free energy sources. We are also increasingly close to linking the aforementioned services with innovative solutions in the area of e-mobility.

Self-sufficient supply of energy for households

Through the subsidiary GEN-I Sonce, the GEN-I Group actively and continuously facilitates a green energy breakthrough. We are not laying a path at home only, but also in neighboring countries. We are the leader in this area in Slovenia and maintained the highest market share in 2019.

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

Self-sufficient energy supply achieved an important milestone in 2019, when we set up the one-thousandth solar power plant, a number that we had exceeded significantly by the end of the year, when we approached 1,300. The concept of the green transformation has been well-received by customers who wish to be a part of that process. Expectations for 2020 are thus optimistic.

The Slovenian decree on the self-supply of electricity was amended in May 2018 and allows for the possibility of setting-up a self-supply solar power plant on apartment buildings. GEN-I Sonce was the first to succeed when it set up a solar power plant on an apartment building in Jesenice. Construction was completed and the power plant connected to the electricity grid in February 2019. It has a capacity of 36.7 kW and will produce 37,000 kilowatt hours of green electricity a year.

Business customers

Companies showed increasing interest in the construction of solar power plants in 2019. The main breakthrough in the establishment of a self-sufficient energy supply market for business customers is the improving economic justification of an investment in a solar power plant, accompanied by a company’s desire to reduce its carbon footprint. Several factors contributed to the improving economic justification of an investment in a solar power: Cohesion fund grants, falling prices of components required to build a solar power plant and the level of electricity prices on the market. Based on past experience, we were able to respond rapidly and offer business customers an innovative model that has led them towards a sustainable and carbon-free society. With our help, a large number of companies, hotels, shopping centers and other major electricity customers began their journey down the path of green transformation in 2019, and will be able to produce close to 3 MW of carbon-free electricity in the future.

E-mobility

The services that GEN-I develops are based on alleviating the burden on our users and simplifying their progress on the path to a digital and sustainable future. We developed the advanced E-mobility service in 2019 because we believe that we can achieve the necessary reduction in CO_2 emissions through the electrification of the vehicle fleet and in the context of a simultaneous increase in the production of electricity from renewable sources.

That service provides the drivers of electric vehicles the simple and affordable use of public charging stations in Slovenia and Croatia. The innovativeness of our service is seen in a fully automated payment system. The user card, received by every customer for the one-time registration process, facilitates charging at more than 350 charging stations, while the associated fee is charged once a month on the customer's electricity bill. Using the E-mobility service, customers who have already recognized the advantage of electric cars drive faster, cheaper and with less planning. In the scope of the E-mobility service, 4,999 electric vehicle charging sessions and 340,000 green kilometers were recorded during the second half of 2019.* We are proud of the fact that we have made a step forward for users through a simple but advanced technological solution. That step is one of the first on the path to a sustainable mobile future.

Aggregator and active customer

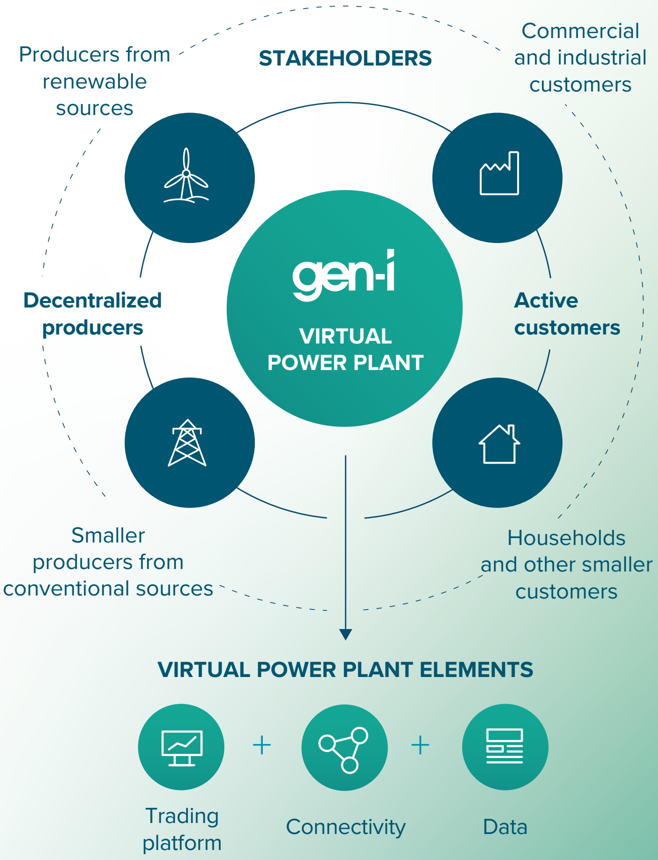
We are developing services for customers that will facilitate the green transformation in the area of energy. These services include self-sufficient supply, e-mobility, and energy monitoring and management services. Demand response services allow customers to generate additional revenues.

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

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

In 2019, the GEN-I Group achieved established objectives and increased its presence on the ancillary services market as an aggregator of reserve power in Slovenia and Austria. It increased capacities on those two markets by 34%. For the fifth year in a row, we reliably provided negative and positive tertiary reserve power in Austria. Last year, we reinforced our ambitions to be a regional presence: through the use of diversified sources in Slovenia, Austria, Romania and Hungary, we manage a reliable ICT infrastructure that facilitates GEN-I's unhindered expansion of aggregation and active demand response services to Eastern markets.

* Energy consumption of 20 kWh/100 km per electric vehicle was taken into account in the calculation.



The GEN-I Group links all players on the energy market and efficiently manages a virtual power plant.

INNOVATION AND ACTIVITIES IN INTERNATIONAL R&D PROJECTS

The GEN-I Group is very active in the area of development. We constantly search for opportunities to include our efforts in domestic and international projects, and thus secure grants that enhance total investments in development. We do not, however, limit internal development to co-financed projects; instead we systematically manage the development of energy services and products, depending on available external sources of financing.

We therefore restructured the area of development in 2019. It now comprises the energy services development department and the R&D department, which together cover market innovations and the commercialization of new services, as well as basic and applicative research work and prototyping.

In 2019, GEN-I remained an active partner in the international FutureFlow project in the area of smart grids. The project's aim was 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 was financed by the European Commission in the scope of the Horizon 2020 Initiative and was completed in 2019.

The GEN-I Group is also the coordinator of the "Active Customer" demonstration-development project, in which we are demonstrating the usefulness of demand response for small customers, together with a consortium of eight well-established Slovenian companies. The project involves technologies for energy production from renewable sources (demand-driven production from solar power plants), the electrification of heating (heat pumps and hot water boilers), energy storage technologies and technologies for the dynamic charging of electric vehicles. In 2019, we began implementing three new R&D projects that are co-financed from the Horizon 2020 initiative and via funds from the Ministry of Economic Development and Technology (MEDT). The NEWCOMERS project (H2020) researches the typology of energy communities and the conditions that accelerate their emergence (for more information visit https://www.newcomersh2020.eu). Sustainable e-mobility and Tourism 4.0 (both co-financed by the MEDT) are developing solutions that support the growth of sustainable e-mobility and tourism through the use of the most advanced technologies and approaches adapted to the user.

3.8. Risk management

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

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

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

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

- credit risks,
- market risks,
- liquidity risks,
- operational risks,
- IT risks,
- legal and regulatory risks,
- currency risks,
- interest-rate risk, and
- human resource risks.

Credit risk

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

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

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

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

We continued to hedge a portion of credit risk via specialized credit insurers. We further upgraded models used to monitor exposure and manage risks, and strengthened cooperation with external partners, which facilitates the effective monitoring of their operations.

Market risks

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

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

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

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

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

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

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

We manage those risks in two ways:

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

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

Liquidity risks

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

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

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

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

Operational risks

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

Risks associated with information technologies and the infrastructure, and security

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

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

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

Legal and regulatory risks

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

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

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

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

We have harmonized operations with the European Market Infrastructure Regulation (EMIR), the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the Markets in Financial Instruments Directive (MiFID II), 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), the Turkish lira (TRY), the North Macedonian denar (MKD), the Albanian lek (ALL) and the Ukrainian hryvnia (UAH). 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 contracts as a hedge when entering into contracts that envisage settlement in a foreign currency and currency trading is limited or liquidity is low.

Interest-rate risk

Based on monitoring and an analysis of events on the financial markets, we did not enter into interest-rate hedging agreements last year, but did roll-over long-term loan agreements with a fixed interest rate and issued bonds with a fixed interest rate. In contrast to previous years, the majority of the Group's borrowing in 2019 was with a fixed interest rate. A small portion of financial liabilities remained linked to a variable interest rate, meaning we are exposed to interest-rate risk in connection with those liabilities. We are aware of the risks associated with a potential rise in key interest rates, and therefore analyze the potential consequences in detail.

Human resource risks

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

4. SUSTAINABLE DEVELOPMENT

The GEN-I Group is aware that the energy sector is on brink of major changes. Thus, as one of the leading representatives of that sector, we strive to reduce the impacts of our operations on the environment and improve social and economic conditions for society as a whole. We see the future of a carbon-free society in clean and decentralized energy for all, diversified renewable sources, e-mobility, demand response, efficient energy consumption, digitalization and the electrification of everything. Given its social and environmental responsibility, GEN-I strives to achieve a sustainable way of working, both externally and internally. We pursue our commitment to the most rapid transition possible to a sustainable society through the GEN-I Sonce brand and a team of leading experts, who help us not only develop new solutions for a sustainable way of life, but also help us implement them.

In cooperation with GEN-I Sonce, we are successfully implementing a project to set up micro solar power plants and thus making it possible for customers to take control of their energy supply costs. As a member of the four-year international FutureFlow research project, we are searching for new solutions to balance the electricity system and manage flows in the European electricity grid. In the scope of the Active Customer project, we are participating in the development and demonstration of technologies for the activation of the technological and economic potential of demand response and diversified production for small customers. We are electrifying our vehicle fleet and strengthening the third (service) pillar of operations through the GEN-I E-mobility service. We are reducing our own carbon footprint and providing services to facilitate the green transformation of customers. In cooperation with other companies, we are drafting a report for European, national and local energy and climate-change policymakers for the transition to a carbon-free society.

We are aware that growth in renewable energy sources requires more than just new technical solutions in electricity systems; it also requires innovative business models and changes in social values. We therefore strengthened our staff in 2019 with new employees with backgrounds in natural science, economics and humanities. Irrespective of technology and innovation, the GEN-I Group is aware that employees are its most precious asset. We thus do not invest in employees merely from a financial perspective; we invest in such a way that provides them opportunities and possibilities to develop their own potential.

As one of the fastest growing and innovative companies on the European energy market, we are co-creating the future and are part of a planet-friendly energy revolution that will improve the well-being of the population. The GEN-I Group makes investments that focus on low-carbon and sustainable energy, creates jobs and promotes the development of new industries. It is making technological modernizations and retraining employees in the direction of green technologies. The Group is rapidly and decisively pursuing high-tech development in the comprehensive transition to renewable sources, while raising society's awareness about the transition to greener and more sustainable energy and encouraging the individual to contribute their share to a better, green future.

Employees as the center of transformation

GEN-I plays a visible and responsible role on the road to sustainable development and the implementation of solutions in the fight against climate change. The focus of GEN-I's business strategy in the period until 2030 is thus the green transformation of energy and the development of solutions that will make it possible for every individual to reduce their energy consumption and the associated costs, and eliminate their carbon footprint.

We are aware that our employees are the key to achieving these bold and ambitious plans. We understand the significance of and believe in the need to transform to a carbon-neutral society as the key binding agent of our work, which is based on interdisciplinary cooperation, a focus on development and the implementation of innovative green solutions.

Cooperation, integration, multidisciplinary teams, promoting innovation, the recognition of potential and the formulation of profiles of the future in order to cultivate wide-ranging and flexible competences served as the guiding principles of the HR strategy and all HR development projects in 2019. Employees helped to create the vision to be the first choice in all segments of the energy chain, and proactively accepted the challenge of the green energy transformation. They identify with our values: **respect, responsibility, commitment, inclusion and flexibility.** We recognized employees who personify these values through their behavior, successes, abilities and work methods, and awarded them the title of 'GEN-I-uses' of the year for 2019.

Through our HR policy, we also made a breakthrough in the wider business environment. We received an award for HRM project of the year in 2019, and rose from 11th place in 2018 to a very respectable 4th place on the list of reputable employers. That award was the result of mutually linked activities to create an innovative and inspiring work environment that is based on commitment, timely and honest feedback, opportunities for continuous growth and development, and an environment where managers also serve as mentors and coaches to employees.

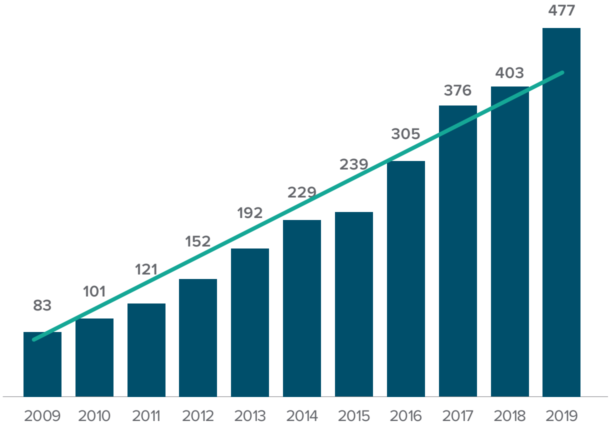
Because our greatest challenge is linked to successful operations in a disruptive business environment, we enhanced employees' agility, capacity for innovative and creative thinking, and ability to plan complex solutions. We employed people with technical and scientific knowledge, and with backgrounds in sociology and humanities who are committed to continuous learning, and the acquisition of new knowledge and skills. We also ensured the development of the competences of the future, with an emphasis on social skills and cooperative relations for so-called T-shaped skills. Also based on these policies was the recruitment of employees, while the selection process also included the matching of an individual's values with the values of the Group.

In operational terms, the focus of the strategic management of human capital in 2019 was on ensuring the right people in the right jobs, through the timely recognition of needs, the search for employees, recruitment, and the acquisition and development of the appropriate skills. We linked remuneration to managing performance and increasing productivity.

The past development of the GEN-I Group, which was followed by intensive growth in the number of employees, dictated the transformation of the HR function. The latter is now a strategic function of the Company and has thus been digitalized. HR administration now uses the Gecko HRM solution.

Growth in the number of employees

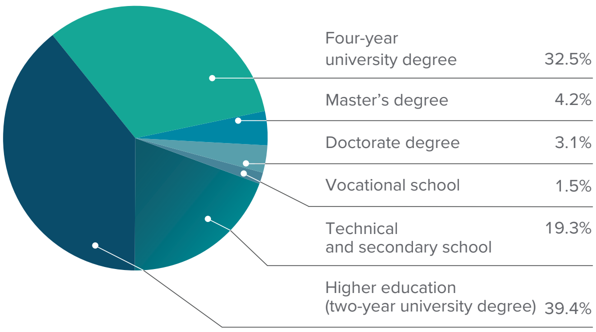
The GEN-I Group had a total of 477 employees at the end of 2019. The number of employees was up by 18% or 74 relative to 2018, the highest number to date.



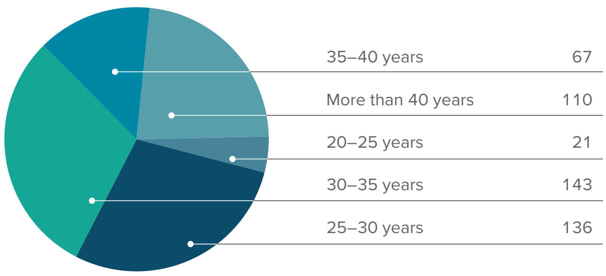
Number of employees in the GEN-I Group

Educational and age structure

The GEN-I Group employees a large number of highly educated employees. More than three quarters of employees have at least a Level VI education, while the proportion of employees with the highest levels of formal education (e.g. a master's degree or doctorate) is around 7%.



Educational structure of employees in the GEN-I Group in 2019



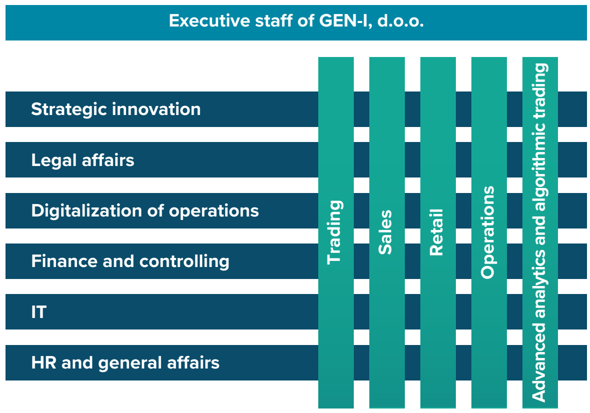
Age structure of employees in the GEN-I Group in 2019

The average age of Group employees was 35 years in 2019, an indication of a relatively young team. Employment at one of the Group's companies represents the first job for many employees.

Both genders are almost equally represented in the employee structure. Women accounted for close to 50% of all employees within the Group at the end of 2019.

Organizational structure of the GEN-I Group

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



Because regular discussions between managers and employees represent the core tool for the management and development of the GEN-I Group's employees, we began the process of updating development-appraisal interviews and established the basis for the introduction of a tool that will facilitate continuous dialogue between managers and employees. We named that tool GEN-I Inspire Dialogue.

Education and training

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

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

We can only ensure the successful inclusion of new employees in work processes through the successful sharing of knowledge. The induction training program introduces new employees to the Group's work environment in a systematic and effective way. In 2019, we successfully organized an employee induction program for new jobs (onboarding), which included both online e-learning and group meetings with lectures at various business units. We also introduced so-called 'green onboarding' for which we received an award for best HR project of 2019. Through that program, we present to new employees the importance of sustainable development, and help them understand and accept the concept of transforming the Company and its culture in the direction of developing and achieving the objectives of a carbon-neutral society.

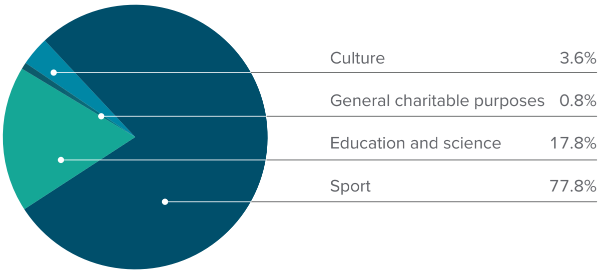
Events for employees

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

We organized the current range of sporting activities for employees in the scope of GEN-I's Sports Club, which was officially established in 2017. A total of 11 sports sections function within the aforementioned club and provide active guidance to our employees.

Responsibility to the social environment

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



Structure of sponsorships in 2019

We again dedicated special attention to local sports associations and clubs in 2019. This included support for the GEN-I Volley volleyball club from Nova Gorica, the Gorica soccer club, the Pivovarna Laško, Krško, Sevnica, Brežice, Novo Mesto and Gorica handball clubs, the Nova Gorica and Ilirska Bistrica basketball clubs, the Nova Gorica cycling club, the Ilirija skiing-ski jumping club, and the Gorica automotive club. At the national level, we also supported the Slovenian Track and Field Association.

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

Responsibility to the natural environment

As one of the leading representatives of the energy sector, the GEN-I Group is aware of its responsibility to the environment. It sees its mission in the implementation of new solutions for a sustainable way of life. Through strong environmental awareness and decisive steps, the Group is following the path of green transformation, and thus actively contributing to the creation of success stories on the road to a carbon-free future and a clean environment for future generations. We are also pursuing our commitment to the rapid transition to a green, carbon-free society via the GEN-I Sonce brand.

GEN-I is the leading buyer of energy from producers who use renewable energy sources and high-efficiency cogeneration plants, as it holds the highest market share in Slovenia. The number of electricity producers with whom the Company as concluded purchase agreements exceeds one thousand. It offers producers the most affordable purchase prices and helps them optimize the energy purchase process. By assuming risks within the portfolio, it also facilitates secure and stable operations. In 2019, GEN-I purchased electricity from a total of 182 hydroelectric power plants, 1,049 solar power plants, 18 natural gas-powered power plants, 19 biogas-powered power plants, 39 cogeneration plants and three wind power plants. Total energy purchases amounted to 358,953 MWh, which is sufficient to supply 90 Slovenian households with an average annual consumption of 4,000 kWh.

GEN-I 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. With the help of leading experts in the field of energy, the Company provides business solutions that help customers reduce their carbon footprint. GEN-I is the leading promoter of the self-sufficient supply of households and companies in Slovenia. An important tile in the mosaic of the green transformation is GEN-I Sonce, through which we are already implementing green solutions. By the end of 2019, the GEN-I Group had built and put into use 1,250 solar power plants (more than 600 in the last year alone) and set-up the first solar power plant on an apartment building, while it has already entered the Croatian market, where it set-up the first solar power plant on a commercial building

TYPE OF POWER PLANT	NUMBER OF UNITS	VOLUME IN MWH
Hydroelectric power plants	182	162,015
Solar power plants	1,049	70,129
Natural gas-powered power plants	18	24,689
Biogas-powered power plants	19	70,734
Cogeneration plants	39	25,592
Wind power plants	3	5,784
Other	1	9
TOTAL	**1,311**	**358,953**

GEN-I's innovative and sustainability-oriented business model, which can be seen in the systematic pursuit of environmental principles, responsible management and a positive relationship with the environment, has already provided measurable positive effects. GEN-I reduced CO_2 emissions by an additional 6,941,916 kg and increased the annual production of green energy by 14,848,610 kWh in 2019.

Because we wish to lead by example, we have also begun to take a sustainable approach to operations. The first and most important step was the electrification of the vehicle fleet. At the end of 2019, the proportion of electric vehicles was already 60% at three of GEN-I's organizational units (Ljubljana, Krško and Nova Gorica). This means that less than half of vehicles have an internal combustion engine. We have set up the necessary charging stations at all organizational units: 25 in Ljubljana, 12 in Krško and nine in Nova Gorica. In this way, we drove 554,044 green kilometers in 2019 and thus emitted 66,485 kg less of CO_2, which is the equivalent of planting 223 trees.

Responsibility to the public

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

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

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

Brand communication

Public relations were characterized most in 2019 by the intensive advertising of the new GEN-I Sonce brand and PR support for the presentation of the comprehensive solution for the construction of solar power plants according to the 'turnkey' principle for the self-sufficient supply of electricity, as well as television advertising of the Affordable Electricity and Affordable Natural Gas brands during the second half of the year.

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

Marketing activities in 2019 in Slovenia focused primarily on further growth and gaining market share in the household and small business customer electricity and natural gas segments.

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

Events for business partners

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

Consolidated Financial Statements of the GEN-I Group

5. INTRODUCTION

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

- GEN-I, d.o.o. Beograd, Vladimira Popovića 6, Belgrade
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb
- GEN-I, d.o.o., Sarajevo, Hamdije Kreševljakovića 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 Sofia EOOD, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofia
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milan
- GEN-I Vienna GmbH, Heinrichsgasse 4, Vienna
- GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No: 56/58, Kat No: 3, Daire No: 5, 34435 Beyoğlu, Istanbul
- GEN-I Prodažba na energija DOOEL, Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I Sonce d.o.o., Dunajska cesta 119, Ljubljana
- GEN-I Kiev LLC, 45-B Olesia Honchara Str., Kiev
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi
- Elektro energija d.o.o., Dunajska cesta 119, Ljubljana
- GEN-I Sonce DOOEL Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I ESCO, pametna energija, d.o.o., Ulica Vinka Vodopivca 45A, 5000 Nova Gorica

6. CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2019

6.1. Consolidated statement of financial position of the GEN-I Group at december 31

AMOUNTS IN EUR ITEMS	NOTE	12/31/2019	12/31/2018
Property, plant and equipment	1	8,982,525	8,002,371
Right-of-use assets	2	3,871,446	0
Intangible assets and goodwill	3	3,622,424	2,658,785
Investment property	4	1,907,383	1,973,457
Participating interests in associates	5	11,247,944	11,257,554
Financial assets	6	296,878	256,722
Operating receivables	7	7,483,877	3,957,312
Deferred tax assets	21	1,220,490	1,346,854
Non-current assets		**38,632,966**	**29,453,055**
Inventories	8	1,502,344	749,083
Trade and other receivables	9	76,903,043	107,680,520
Advances paid, contract assets and other assets	10	53,888,290	47,664,990
Financial assets	11	42,614	39,410
Derivatives	12	0	6,702,852
Current tax assets	13	28,336,799	26,700,611
Cash and cash equivalents	14	62,095,182	60,094,389
Current assets		**222,768,271**	**249,631,856**
Assets		**261,401,237**	**279,084,911**
Share capital	15	19,877,610	19,877,610
Legal reserves	15	1,987,761	1,987,761
Fair value reserves	15	–140,262	–47,483
Translation reserve	15	–738,875	–960,738
Net profit for the period	15	15,282,822	12,908,860
Retained earnings	15	58,561,157	49,426,908
Non-controlling interest		**0**	**0**
Equity		**94,830,214**	**83,192,918**
Financial liabilities	16	39,129,147	44,958,294
Lease liabilities	17	2,868,885	156,954
Trade and other payable	18	133,282	45,782
Provisions	19	966,425	750,194
Deferred revenues	20	115,571	45,963
Non-current liabilities		**43,213,311**	**45,957,187**
Financial liabilities	16	30,663,145	30,623,005
Lease liabilities	17	1,038,423	94,886
Derivatives	12	2,257,374	43,098
Trade and other payable	22	67,014,914	100,079,372
Advances received, contract liabilities and other liabilities	23	16,885,046	15,243,360
Current tax liabilities	24	5,498,810	3,851,084
Current liabilities		**123,357,712**	**149,934,806**
Liabilities		**166,571,023**	**195,891,993**
Total equity and liabilities		**261,401,237**	**279,084,911**

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

6.2. Consolidated income statement of the GEN-I Group for 2019 and 2018

AMOUNTS IN EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues	26	2,203,588,646	2,357,715,456
Change in value of inventories	27	105,496	337,458
Historical cost of goods sold	28	–2,168,762,703	–2,292,741,493
Other recurring operating revenues or expenses	26	23,104,074	–10,663,114
Gross profit		**58,035,514**	**54,648,307**
Cost of materials	28	–791,035	750,315
Cost of services	28	–14,775,701	–14,849,955
Labor costs	29	–21,017,583	–18,192,008
Other operating revenues or expenses	30	1,513,442	–441,662
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**22,964,637**	**20,414,366**
Amortization and depreciation	31	–2,988,762	–1,944,678
Impairment losses on trade receivables and contract assets	31	–175,219	–2,190,109
Earnings before interest and taxes (EBIT)		**19,800,655**	**16,279,578**
Financial income	32	819,126	617,573
Financial costs	32	–2,244,079	–1,998,752
Loss from financing		**–1,424,954**	**–1,381,179**
Recognized results of associates		**490,389**	**966,026**
Profit before tax		**18,866,081**	**15,864,425**
Income tax expense	33	–3,583,269	–2,955,564
Profit from continuing operations		**15,282,822**	**12,908,860**

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

6.3. Consolidated statement of other comprehensive income of the GEN-I Group for 2019 and 2018

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Net profit for the period	**15,282,822**	**12,908,860**
Items that are or may be classified to the income statement	**221,863**	**–110,848**
Exchange rate differences	221,863	–110,848
Deferred tax from comprehensive income	0	0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**–92,779**	**–27,511**
Other comprehensive income for the period, net of tax	**129,084**	**–138,360**
Total comprehensive income for the period	**15,411,906**	**12,770,501**

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

6.4. Consolidated cash flow statement of the GEN-I Group for 2019

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	15,282,822	12,908,860
ADJUSTMENTS FOR		
Amortization and depreciation	2,988,762	1,944,678
Write-downs of operating receivables and property, plant and equipment	179,745	2,397,169
Gains on the sale of property, plant and equipment, intangible assets and investment property	–51,364	–29,055
Reversal of write-downs and write-down of liabilities	–1,076	0
Non-monetary expenses	250,173	40,318
Financial income	–819,126	–745,947
Financial costs	1,983,373	1,998,752
Recognized results of associates under the equity method	–490,389	–966,026
Income tax	3,583,269	2,955,564
Operating profit before changes in net current assets and taxes	**22,906,160**	**20,504,314**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	26,059,185	285,848
Changes in inventories	–753,261	–391,097
Change in prepayments and other assets	–6,223,299	–2,049,291
Change in operating liabilities	–31,329,232	–5,345,516
Change in advances received and other current liabilities	1,641,686	–1,260,509
Change in provisions	216,231	99,012
Change in deferred revenues	69,608	45,963
Income tax paid	–1,352,410	–3,109,088
Cash flows from operating activities	**11,234,668**	**8,779,635**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	638,029	477,100
Dividends received	0	152,589
Proceeds from the sale of property, plant and equipment and intangible assets	83,727	55,443
Proceeds from the sale of associates	0	12,403,940
Acquisitions of property, plant and equipment and intangible assets	–3,788,365	–4,044,301
Acquisitions of investment property	0	–403,519
Acquisitions of associates	0	–11,275,000
Net cash flow from investing activities	**–3,066,609**	**–2,633,748**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–1.878.581	–1,738,062
Acquisitions of right-of-use assets	–61,641	0
Repayment of long-term loans	0	–7,300,000
Repayment of short-term loans	–123,746,034	–151,207,902
Proceeds from long-term loans received	5,000,000	25,000,000
Proceeds from short-term loans received	118,518,989	143,307,975
Dividends (shares) paid out	–4,000,000	–4,000,000
Net cash flow from financing activities	**–6,167,266**	**4,062,011**
Cash and cash equivalents at beginning of period	**60,094,389**	**49,886,492**
Net increases in cash and cash equivalents	**2,000,792**	**10,207,898**
Cash and cash equivalents at end of period	**62,095,182**	**60,094,389**

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

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

Changes in 2019

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance at 12/31/2018	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit 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 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 12/31/2019	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 2018

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance at 12/31/2017	19,877,610	1,987,761
ADJUSTMENT ON INITIAL APPLICATION OF IFRS 9, NET OF TAX		
Adjusted balance at 1/1/2018	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit 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 for the period	0	0
Transactions with owners recorded directly in equity		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
Balance at 12/31/2018	19,877,610	1,987,761

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
–47,483	**–960,738**	**12,908,860**	**49,426,908**	**83,192,918**
0	0	15,282,822	0	15,282,822
0	221,863	0	0	221,863
–92,779	0	0	0	–92,779
–92,779	**221,863**	**0**	**0**	**129,085**
–92,779	**221,863**	**15,282,822**	**0**	**15,411,907**
0	0	–12,908,860	12,908,860	0
0	0	0	–4,000,000	–4,000,000
0	0	0	225,389	225,389
–140,262	**–738,875**	**15,282,822**	**58,561,157**	**94,830,214**

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
–19,972	**–883,876**	**13,463,405**	**40,891,772**	**75,316,700**
			–653,100	**–653,100**
–19,972	**–883,876**	**13,463,405**	**40,238,672**	**74,663,600**
0	0	12,908,860	0	12,908,860
0	–76,862	0	–33,986	–110,848
–27,511	0	0	0	–27,511
–27,511	**–76,862**	**0**	**–33,986**	**–138,359**
–27,511	**–76,862**	**12,908,860**	**–33,986**	**12,770,501**
0	0	–13,463,405	13,463,405	0
0	0	0	–4,000,000	–4,000,000
0	0	0	–241,183	–241,183
–47,483	**–960,738**	**12,908,860**	**49,426,908**	**83,192,918**

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2019

7.1. Reporting entity

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is domiciled in Slovenia. Its registered office is at Vrbina 17, 8270 Krško, Slovenia. The consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2019 comprise the Company and its subsidiaries (together hereinafter referred to as: the GEN-I Group of the Group). The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

The GEN-I Group's core activities include the supply of electricity and natural gas to 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.

7.2. Basis for compilation

(A) STATEMENT OF COMPLIANCE

The financial statements were approved by the parent company's Management Board on April 7, 2020.

These consolidated financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, and the provisions of the Companies Act (ZGD).

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

These are the first annual financial statements of the Group in which IFRS 16 Leases was applied.

(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, which is the parent company's functional currency. All accounting data presented in euros are rounded to the nearest integer. Immaterial differences may arise in the totals presented in tables due to the rounding of data. The consolidated financial statements present comparative information for the previous period.

(D) USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing 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:

- the estimated useful lives of amortizable assets,
- asset impairment,
- the identification of lease contracts, the definition of the lease term and the definition of the associated discount rate,
- the measurement of ECL allowances for trade receivables and contract assets,
- employee earnings,
- provisions,
- deferred tax assets,
- contingent liabilities, and
- derivatives.

(E) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group began applying IFRS 16 for the first time on January 1, 2019. Several amendments to existing standards also entered into force on January 1, 2019. Those amendments have no material effect on the Group's financial statements.

Due to the transition method chosen by the Group in the initial application of IFRS 16, the comparative information presented in these financial statements was not restated in accordance with the new standard.

The main effect of the initial application of IFRS 16 was the recognition of right-of-use assets and the associated lease liabilities.

IFRS 16 Leases

IFRS 16 Leases was published by the IASB on January 13, 2016. In accordance with IFRS 16, a lessee recognizes a right-of-use assets and a lease liability. A right-of-use asset is treated similarly to other non-financial assets and is thus depreciated accordingly. A lease liability is initially measured at the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease, if that rate can be determined. If that rate cannot be determined, the lessee must apply the incremental borrowing rate. Similar to IAS 17, which was replaced by IFRS 16, the lessee classifies a lease as operating or finance, depending on the nature of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognizes financial income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

In transitioning to IFRS 16, the Group opted to use an adjusted retrospective method, with an initial application date of January 1, 2019. According to that method, a company may apply the standard retrospectively and recognize the cumulative effect of transition on the date of initial application of IFRS 16.

The Group reviewed and analyzed previously concluded lease contracts with a term exceeding one year. Based on lease costs and lease terms, the Group estimated the value of right-of-use assets and lease liabilities, and recognized them in the statement of financial position on January 1, 2019. The values of right-of-use assets and lease liabilities are estimated based on the discounting of future cash flows for the lease term. Cash flows are discounted using the interest rates that the Group achieves in the financing of long-term leases. Those rates range from 1.7% to 2.8%. Depreciation costs are calculated using depreciation rates estimated based on the remainder of the lease term.

Effect of the adoption of IFRS 16 on the statement of financial position of the GEN-I Group on January 1, 2019

EFFECT OF THE ADOPTION OF IFRS 16 ON THE STATEMENT OF FINANCIAL POSITION	GEN-I GROUP		
AMOUNTS IN EUR	1/1/2019	AMENDMENT TO IFRS 16	12/31/2018
ASSETS			
Non-current assets	**2,315,939**	**2,315,939**	**0**
Right-of-use assets	2,315,939	2,315,939	0
Total assets	**2,315,939**	**2,315,939**	**0**
LIABILITIES			
Non-current liabilities	1,700,785	1,700,785	0
Lease liabilities	1,700,785	1,700,785	0
Current liabilities	615,153	615,153	0
Lease liabilities	615,153	615,153	0
Total liabilities	**2,315,939**	**2,315,939**	**0**

Effect of the adoption of IFRS 16 on the income statement of the GEN-I Group on January 1, 2019

EFFECT OF THE ADOPTION OF IFRS 16 ON THE INCOME STATEMENT	GEN-I GROUP		
AMOUNTS IN EUR	2019 (IFRS 16)	2019 (ISA 17)	2018 (ISA 17)
depreciation of right-of-use assets	–763,094	0	0
Lease costs	–530,971	–1,314,481	–1,136,088
Operating profit	**–1,294,065**	**–1,314,481**	**–1,136,088**
Financial costs	–54,542	0	0
Pre-tax profit	**–1,348,607**	**–1,314,481**	**–1,136,088**

7.3. Significant accounting policies

Companies of the GEN-I Group have consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except for those that relate to standards that entered into force on January 1, 2019 (IFRS 16). The GEN-I Group has applied accounting policies relating to the aforementioned standard since January 1, 2019.

The accounting policies applied are the same as those applied in the previous annual report, except for newly adopted standards.

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed or has the right to variable returns from its participating interest in the entity and has the ability to affect those returns though its influence over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accounting policies applied by the 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 their 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 participating interest in that company, the carrying amount of the Group's participating interest is reduced to zero, and the recognition of further losses is discontinued.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized revenues and expenses arising from intra-group transactions are eliminated from the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the associated investment to the extent of the Group's participating interest in the company in question. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCIES

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates valid on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency at the exchange rate valid on the day their fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate valid on the transaction date. Foreign currency differences are recognized in the income statement and disclosed in financial costs.

(ii) Foreign operations

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

Foreign currency differences are recognized in other comprehensive income and disclosed in the translation reserve.

(C) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

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

Financial assets (except trade receivables without a significant financing component) and financial liabilities are initially measured at fair value, plus transaction costs that are directly attributable to their acquisition or issue for items not measured at FVTPL. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) Classification and subsequent measurement of financial assets (policy)

On initial recognition, financial instruments are classified to one of the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (hereinafter: FVOCI) – investments in debt securities, FVOCI – investments in equity instruments, or financial assets measured at fair value through profit or loss (hereinafter: FVTPL). Financial assets are not reclassified following initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following that change.

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

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

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

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

Financial assets – business model assessment (policy)

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for this purpose, and the Group continues to recognize them.

Financial assets that are held for trading or are managed and whose yield is assessed based on fair value are measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest (policy)

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claims to cash flows from specified assets (e.g. terms under which a financial asset may only be repaid with the collateral through which it was secured in the event of default).

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

Financial assets – subsequent measurement, and gains and losses (policy)

Financial assets at FVTPL

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

Financial assets measured at amortized cost

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

Investments in debt securities measured at FVOCI

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

Equity investments measured at FVOCI

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

Financial liabilities – classification, subsequent measurement, and gains and losses

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

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

(iii) Derecognition
Financial assets

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

The Group enters into transactions in which it transfers assets recognized in its statement of financial position, but retains all or substantially all of the risks and rewards associated with a financial asset. In such cases, transferred assets are not derecognized.

Financial liabilities

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

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

(iv) Offsetting

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

(v) Derivatives and hedge accounting

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

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

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

Contracts to buy or sell a non-financial asset (such as a commodity) that can be settled net (either in cash or by exchanging financial instruments) are covered by IFRS 9 and are accounted for at fair value, unless they were entered into and continue to be held for the purpose of receiving or delivering the non-financial asset in question in accordance with the Group's expected purchase, sale or usage requirements – the so called 'own-use' exemption. (IFRS 9.2.4). Contracts covered by IFRS 9 are accounted for as derivatives and are marked to market through the income statement, unless management can and does opt to apply hedge accounting.

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

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

At least once a year, during the compilation of the annual financial statements, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value. Gains and losses as the result of changes in fair value are recognized in profit or loss.

Hedge accounting

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

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

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

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

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

Fair value hedging

The Group calculates fair value hedges against the risk of fluctuating prices for standardized and non-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 Group is adjusted by including the cumulative change in the fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2018 is similar to that applied for 2019.

(D) SHARE CAPITAL

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

(E) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

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

The historical cost includes the costs that can be directly attributed to the procurement of an individual asset. The costs of an internally produced asset comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of the asset for its 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 must be capitalized as part of that 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 of those assets if the 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 of the useful lives of plant and equipment were not revised during the business year.

(F) RIGHT-OF-USE ASSETS

The policy governing right-of-use assets is described in Note 3.2 (e).

(G) INTANGIBLE ASSETS AND GOODWILL

(i) Capitalized development costs

Capitalized development costs arise as the result of the transfer of findings from research or expertise to a plan or project to produce new or significantly improved products or services, before the production or sale of those products or services begin.

The Group capitalizes development costs if they meet the following criteria:

- the technical feasibility of the completion of the project has been established, such that the project will be available for sale or use;
- the entity intends to complete the project, and use or sell it;
- the entity is capable of using or selling the project;
- economic benefits in connection with the project are likely, including the existence of a market for the effects of the

project or for the project itself, or if the project will be used by the entity to its own benefit;
- technical, financial and other factors for the completion of development, and for the use or sale of the project are available; and
- the entity is capable of reliably measuring the costs that can be attributed to an intangible asset during the development thereof.

Capitalized development costs comprise the direct costs of labor and other costs that can be directly attributed to enabling assets for their intended use

The Group must estimate the useful life of a new product and allocate development costs accordingly over the same period to match the economic benefits that arise in connection with that product.

(ii) Other intangible assets and goodwill

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

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

(iii) 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.

Amortization

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

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with the 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.

(H) 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.

(I) IMPAIRMENT OF ASSETS

(i) Non-current financial assets:

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (hereinafter: ECLs) on:

- financial assets measured at amortized cost, and
- contract assets.

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

Measurement of ECLs

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

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

The Group measures ECLs on trade receivables and contract assets based on a loss allowance adjustment matrix.

Loss rates are calculated taking into account rates of transitions between credit rating categories based on the probability that a receivable will pass through successive phases from default to write-off. Rates of transitions between credit rating categories are calculated separately for exposures in various segments based on common credit risk characteristics, e.g. customer types (B2B or wholesale, B2C or retail and trading).

ECLs are calculated for all trade receivables and contract assets up to 90 days past due based on the appropriate loss rates for different time intervals.

Impairment losses are recognized in the amount of 90% of the value of trade receivables and contract assets more than 90 days past due.

Credit-impaired financial assets

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

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

- significant financial difficulties of the borrower or issuer;
- breach of contract such as default or payment delays of more than 90 days;
- the restructuring of a loan or advance by the Group under conditions that the Group would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for a security because of financial difficulties.

Disclosure of allowances for ECLs in the statement of financial position

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

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering that financial asset in its entirely or a portion thereof, i.e. in the event of a final court decision regarding completed bankruptcy proceedings, completed compulsory settlement or completed enforcement proceedings, and for financial assets where the Group expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in accordance with the Group's procedures for recovering receivables.

(ii) Cash, cash equivalents and other financial assets

ECLs on other financial assets are measured based on the credit rating of the country in which the financial assets are placed.

(iii) 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 an asset or cash-generating unit is the higher of its value in use or fair value less selling costs. In determining an asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. Impairment is disclosed in the income statement.

With respect to other assets, the Group evaluates impairment losses from previous periods on the balance sheet date to determine whether or not there has been a reduction in losses and whether or not losses still exist. The Group derecognizes impairment losses 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.

(J) EMPLOYEE BENEFITS

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

(K) 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.

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. The Group has no other pension-related obligations. 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 2019 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 1.2% was set for the calculation at December 31, 2019, based on the published yields on Slovenian government bonds at December 30, 2019 (https://www.mtsdata.com).

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.

(L) REVENUES

(i) Revenue from contracts with customers

The Group recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction of the performance obligation to supply electricity or natural gas according to the output method, i.e. according to charged amounts that are based on supplied quantities of electricity or natural gas. The same method is applied in sales of small solar power plants and services.

(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 Group 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.

(M) GOVERNMENT GRANTS

Government grants relating to assets are initially recognized as deferred revenues if there is reasonable assurance that the Group will receive a grant and comply with the conditions associated with that grant. They are subsequently recognized in profit or loss as other revenues on a systematic basis over the useful life of the asset.

Government grants that the Group receives to cover costs are systematically recognized in profit or loss in the period in which the costs arise.

(N) FINANCIAL INCOME AND FINANCIAL COSTS

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

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

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

(O) INCOME TAX

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

Current tax is the expected tax payable on the taxable profit for the business year, applying the 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 disclosed in the amount that is expected to be paid when temporary differences are reversed based on laws that are in force at the end of the reporting period.

The Group nets deferred tax assets and liabilities if it has a legally 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.

(P) SEGMENT REPORTING

Because the financial report comprises the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

An operating segment is a part of the Group that carries out business activities from which it generates revenues and incurs costs that relate to transactions with other Group companies. The results of operating segments are reviewed regularly by the management with the aim of making decisions about the allocation of resources to a particular segment and assessing the Group's performance.

Although the management monitors more detailed information regarding each operating segment, only the following reportable segments were defined in the preparation of these financial statements due to the sensitive nature of that information:

- the trading and sale of electricity and natural gas, and
- the self-sufficient supply of electricity from the sun and advanced services.

Operating segments in 2019

AMOUNTS IN EUR	TRADING AND SALES	SELF-SUFFICIENT SUPPLY AND ADVANCED SERVICES	INCOME STATEMENT/ STATEMENT OF FINANCIAL POSITION
External revenues	2,193,431,772	10,156,874	2,203,588,646
Inter-segment revenues	0	0	0
Segment profit (loss) before tax	16,890,797	1,975,294	18,866,091
Interest income	456,146	65,494	521,640
Interest expense	–1,705,034	–223,791	–1,928,825
Depreciation and amortization	–2,880,332	–108,431	–2,988,762
Share of profit of equity-accounted associates and joint ventures	490,389	0	490,389
Total assets	241,699,471	19,701,766	261,401,237
Current and non-current operating and financial liabilities	148,405,762	18,165,261	166,571,023

Operating segments in 2018

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

(Q) INITIAL APPLICATION OF NEW AMENDMENTS TO EXISTING STANDARDS THAT ARE IN FORCE DURING THE CURRENT REPORTING PERIOD

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

- **IFRS 16 Leases,** adopted by the EU on October 31, 2017 (applies to annual periods beginning on or after January 1, 2019);
- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation, adopted by the EU on March 22, 2018 (apply to annual periods beginning on or after January 1, 2019);
- **Amendments to IAS 19 Employee Benefits** – Plan Amendment, Curtailment or Settlement, adopted by the EU on March 13, 2019 (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, adopted by the EU on February 8, 2019 (apply to annual periods beginning on or after January 1, 2019);
- **Amendments to various standards *(Improvements to IFRS, 2015–2017 cycle)*** proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations, adopted by the EU on March 14, 2019 (apply to annual periods beginning on or after January 1, 2019); and
- **IFRIC 23 Leases – Uncertainty over Income Tax Treatments**, adopted by the EU on October 23, 2018

(applies to annual periods beginning on or after January 1, 2019).

The effects of the adoption of amendments to IFRS 16 are disclosed in section 3.2 (e). The table shows the effects of the adoption of the aforementioned standard on the Group's statement of financial position and income statement.

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

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

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020);

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** – Interest Rate Benchmark Reform, adopted by the EU on January 15, 2020 (apply to annual periods beginning on or after January 1, 2020); and

- **Amendments to References to the Conceptual Framework in IFRS**, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020).

(S) 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, 2019 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

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

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

- **Amendments to IFRS 3 Business Combinations** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period); and

- **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).

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

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

The Group assesses that the application of hedge accounting under IAS 39 Financial Instruments would not have had a significant impact on its financial statements if it had been applied on the balance-sheet date.

7.4. Cash flow statement

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

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

GROUP COMPANIES	% OF OWNERSHIP 12/31/2019	% OF OWNERSHIP 12/31/2018	CARRYING AMOUNT OF INVESTMENT 12/31/2019	CARRYING AMOUNT OF INVESTMENT 12/31/2018	EQUITY OF SUBSIDIARY 12/31/2019	EQUITY OF SUBSIDIARY 12/31/2018	SHARE CAPITAL OF MAJORITY SHAREHOLDER 12/31/2019	SHARE CAPITAL OF MAJORITY SHAREHOLDER 12/31/2018
GEN-I Athens SMLLC	100.00%	100.00%	600,000	600,000	799,380	799,380	970,560	600,000
GEN-I, d.o.o. Beograd	100.00%	100.00%	150,000	150,000	1,118,767	1,118,767	784,873	655,389
GEN-I Sonce d.o.o.	100.00%	100.00%	1,000,000	1,000,000	1,536,505	1,536,505	991,485	1,000,000
GEN-I Istanbul Ltd.	99.00%	99.00%	844,566	844,566	702,188	702,188	627,890	299,209
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	451,334	451,334	172,595	100,000
GEN-I Prodažba na energija DOOEL Skopje	100.00%	100.00%	39,951	39,951	503,764	503,764	454,939	9,964
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	786,064	786,064	770,429	511,292
GEN-I DOOEL Skopje	-	100.00%	-	20,000	0	0	7,867	0
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	–3,151,365	–3,151,365	–2,932,375	100,005
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	492,577	492,577	567,957	49,424
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	911,100	911,100	922,580	50,000
GEN-I Hrvatska d.o.o.	100.00%	100.00%	991,692	991,692	1,376,874	1,376,874	1,459,813	1,008,132
GEN-I Kiev LLC	100.00%	100.00%	248,224	248,224	859,153	859,153	836,246	277,090
GEN-I Tbilisi LLC	100.00%	100.00%	50,000	50,000	31,328	31,328	36,140	38,563
Elektro energija d.o.o.	100.00%	100.00%	10,149,750	10,149,750	10,795,412	10,795,412	11,638,941	3,000,000
GEN-I Sonce DOOEL Skopje	100.00%	-	100,000	-	98,509	98,509	0	100,129
GEN-I ESCO d.o.o.	100.00%	-	50,000	-	42,073	42,073	0	50,000
Total			15,314,311	15,184,311	17,353,663	17,309,937	7,849,197	7,700,466

7.6. Notes to the financial statements

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

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/31/2019	12/31/2018
Land	2,470,248	400,660
Buildings	3,132,022	3,225,002
Other plant and equipment	3,281,973	2,308,055
Property, plant and equipment under construction, and advances	98,292	2,068,654
Intangible assets	8,982,525	8,002,371

The buildings and associated land in Kromberk and Brdo 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.

Total investments in property, plant and equipment in 2019 amounted to EUR 2,592,452, and relate to purchases of land in Ljubljana, vehicles, computer equipment, furniture and other equipment, and investments in fixed assets owned by third parties. Property, plant and equipment are not pledged as collateral.

ASSETS OF SUBSIDIARY		LIABILITIES OF SUBSIDIARY		REVENUES OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
7,783,673	21,324,989	6,984,293	20,354,429	139,053,931	186,002,371	118,370	304,772	2	1
12,775,697	24,665,565	11,656,930	23,880,692	198,297,188	227,163,886	461,289	376,598	4	5
19,701,766	16,922,436	18,165,261	15,930,952	8,400,741	5,212,239	545,021	10,379	43	26
8,997,641	7,232,503	8,295,453	6,604,613	27,048,821	47,052,758	311,315	228,384	3	3
6,309,615	5,193,382	5,858,281	5,020,787	13,204,471	12,295,425	278,739	–73,905	0	1
12,314,023	15,275,729	11,810,259	14,820,790	135,802,454	146,991,341	394,167	346,550	2	2
13,624,381	14,522,741	12,838,317	13,752,312	108,303,260	123,020,480	274,772	259,137	1	1
0	7,867	0	0	0	0	0	306	0	0
2,371,442	2,507,771	5,522,807	5,440,146	672,190	31,543	–170,904	–194,184	1	1
11,493,431	18,187,366	11,000,854	17,619,409	30,312,969	43,293,314	362,696	429,316	2	2
4,298,998	9,307,473	3,387,898	8,384,893	15,322,230	22,986,329	152,140	409,513	1	1
15,312,169	15,129,261	13,935,295	13,669,448	114,906,282	122,028,471	368,639	447,667	10	9
6,659,500	942,651	5,800,347	106,405	15,109,036	5,604,111	32,482	689,817	1	1
31,653	36,464	325	324	0	0	–2,640	–5,544	0	0
15,751,658	21,661,181	4,956,246	10,022,240	48,021,368	62,105,011	1,228,900	2,072,428	1	6
2,101,376	0	2,002,867	0	0	0	–1,616	0	0	0
203,385	0	161,312	0	3,350	0	–7,927	0	0	0
139,730,408	**172,917,379**	**122,376,745**	**155,607,442**	**854,458,291**	**1,003,787,278**	**4,345,443**	**5,301,234**	**71**	**59**

Changes in 2019

AMOUNTS IN EUR ROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2019	**400,660**	**6,504,402**	**6,158,065**	**2,068,654**	**15,131,781**
Acquisitions	0	0	0	2,592,452	2,592,452
Write-downs	0	0	–245,096	0	–245,096
Disposals	0	–21,309	–53,809	0	–75,118
Transfers within property plant and equipment	2,069,588	161,478	2,333,280	–4,564,345	0
Other transfers	0	0	0	1,532	1,532
Exchange rate differences	0	0	67	0	67
Balance at 12/31/2019	**2,470,248**	**6,644,571**	**8,192,508**	**98,292**	**17,405,619**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**3,279,399**	**4,094,792**	**0**	**7,374,191**
Write-downs	0	0	–243,016	0	–243,016
Disposals	0	–21,309	–33,522	0	–54,830
Depreciation expense	0	254,469	1,092,248	0	1,346,717
Exchange rate differences	0	0	32	0	32
Balance at 12/31/2019	**0**	**3,512,559**	**4,910,535**	**0**	**8,423,094**
Carrying amount at 1/1/2019	**400,660**	**3,225,003**	**2,063,274**	**2,068,654**	**7,757,590**
Carrying amount at 12/31/2019	**2,470,248**	**3,132,012**	**3,281,973**	**98,292**	**8,982,525**

Changes in 2018

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	SKUPAJ
HISTORICAL COST					
Balance at 1/1/2018	**400,660**	**6,482,993**	**5,917,170**	**0**	**12.800.823**
Acquisitions	0	0	213,851	3,370,092	3.583.943
Write-downs	0	–866	–11,672	0	–12.538
Disposals	0	0	–155,824	0	–155.824
Transfers within property plant and equipment	0	22,275	1,281,344	–1,303,619	0
Other transfers	0	0	0	2,181	2.181
Exchange rate differences	0	0	–1,790	0	–1.790
Balance at 12/31/2018	**400,660**	**6,504,402**	**7,243,079**	**2,068,654**	**16.216.795**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2018	**0**	**3,026,707**	**4,245,145**	**0**	**7.271.852**
Write-downs	0	–577	–4,039	0	–4.616
Disposals	0	0	–129,436	0	–129.436
Depreciation expense	0	253,269	823,226	0	1.076.495
Other transfers	0	0	129	0	129
Balance at 12/31/2018	**0**	**3,279,399**	**4,935,025**	**0**	**8.214.424**
Carrying amount at 1/1/2018	**400,660**	**3,456,286**	**1,672,026**	**0**	**5.528.972**
Carrying amount at 12/31/2018	**400,660**	**3,225,003**	**2,308,055**	**2,068,654**	**8.002.371**

Note 2: **Right-of-use assets**

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	TOTAL
HISTORICAL COST			
Balance at 12/31/2018	**0**	**1,085,014**	**1,085,014**
Change due to introduction of IFRS 16	2,315,939	0	2,315,939
Balance at 1/1/2019	2,315,939	1,085,014	3,400,953
New acquisitions	2,202,560	0	2,202,560
Disposals		–260,226	–260,226
Balance at 12/31/2019	**4,518,498**	**824,788**	**5,343,286**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1/1/2019	**0**	**840,233**	**840,233**
Depreciation expense	763,094	116,663	879,758
Disposals		–248,151	–248,151
Balance at 12/31/2019	**763,094**	**708,746**	**1,471,840**
Carrying amount at 1/1/2019	**2,315,939**	**244,781**	**2,560,720**
Carrying amount at 12/31/2019	**3,755,404**	**116,042**	**3,871,446**

The Group has business premises under lease in Ljubljana, Krško and Maribor, which it has capitalized in accordance with IFRS 16. The lease terms vary from 2 to 10 years.

Lease payments are not secured. The Group applies the exemption provided for by the aforementioned standard to short-term leases and leases where the underlying asset has a low value. Lease payments are contractually defined and fixed.

Note 3: **Intangible assets and goodwill**

AMOUNTS IN EUR INTANGIBLE ASSETS	12/31/2019	12/31/2018
Non-current deferred operating costs	21,588	18,651
Goodwill	228,130	228,130
Other intangible assets	1,496,608	1,925,713
Intangible assets in acquisition and development, and advances	1,876,098	486,291
Total intangible assets	**3,622,424**	**2,658,785**

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 in 2019 in the amount of EUR 1,657,666 comprise software for information support for shared services and trading, support for the sale of electricity to end-customers and server support.

Goodwill in the amount of EUR 228,130 derives from the purchase of Elektro energija, d.o.o. There were no indications of impairment of goodwill in 2019.

Changes in 2019

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 1/1/2019	**18,651**	**228,130**	**8,398,511**	**486,291**	**9,131,583**
Acquisitions	2,937	0	0	1,192,976	1,195,913
Capitalized development costs	0	0		464,690	464,690
Transfers within intangible assets	0	0	267,859	–267,859	0
Other transfers	0	0	2,045	0	2,045
Balance at 12/31/2019	**21,588**	**228,130**	**8,668,415**	**1,876,098**	**10,794,230**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**0**	**6,472,798**	**0**	**6,472,798**
Write-downs	0	0	0	0	0
Other transfers	0	0	0	0	0
Amortization expense	0	0	696,184	0	696,184
Exchange rate differences	0	0	2,825	0	2,825
Balance at 12/31/2019					
Carrying amount at 1/1/2019	**18,651**	**228,130**	**1,925,713**	**486,291**	**2,658,785**
Carrying amount at 12/31/2019	**21,588**	**228,130**	**1,496,608**	**1,876,098**	**3,622,424**

Changes in 2018

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

Note 4: **Investment property**

AMOUNTS IN EUR INVESTMENT PROPERTY	12/ 31/2019	12/ 31/2018
Investment property	1,907,383	1,973,457
Total investment property	**1,907,383**	**1,973,457**

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

Note 5: **Investments in associates**

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES	12/ 31/2019	12/ 31/2018
Participating interests in associates	11,247,944	11,275,554
Total investments in associates	**11,247,944**	**11,275,554**

At December 31, 2019, the Group held a 25% participating interest in GEN-EL naložbe, d.o.o., with its registered office at Vrbina 17 in Krško.

Note 6: **Financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/ 31/2019	12/ 31/2018
Financial assets	296,878	256,722
Total financial assets	**296,878**	**256,722**

The Group's financial assets in the amount of EUR 296,878 comprise unit-linked life insurance policies in the amount of EUR 196,878 and an investment in Letrika Sol, d.o.o. in the amount of EUR 100,000.

Note 7: **Non-current operating receivables**

AMOUNTS IN EUR NON-CURRENT OPERATING RECEIVABLES	12/31/2019	12/31/2018
Non-current operating receivables	7,483,877	3,957,312
Total non-current operating receivables	**7,483,877**	**3,957,312**

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

Note 8: **Inventories**

AMOUNTS IN EUR INVENTORIES	12/ 31/2019	12/ 31/2018
Material	875,620	227,856
Work in progress	626,724	521,228
Total inventories	**1,502,344**	**749,083**

Inventories of material and work in progress relate to the manufacture of small solar power plants for the self-sufficient 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.

The Group recognized inventory in the amount of EUR 3,697,075 as an expense in 2019. The Group did not recognize any write-offs as an expense, nor did it reverse any write-offs as a reduction of inventory-related expenses in 2019.

Note 9: **Trade and other receivables**

Information regarding the Group's exposure to credit and market risks, and impairment losses for trade receivables is presented in Note 7.7.

AMOUNTS IN EUR TRADE AND OTHER RECEIVABLES	12/31/2019	12/31/2018
Trade receivables	75,648,491	105,630,706
Default interest receivable	269,804	385,917
Current portion of non-current operating receivables	9,533	716,013
Other receivables	975,215	947,884
Total trade and other receivables	**76,903,043**	**107,680,520**

Other receivables in the amount of EUR 975,215 are primarily the result of third-party transactions.

Certain trade receivables on the wholesale electricity market in Southeast Europe are secured via specialized credit insurers.

Note 10: **Advances paid, contract assets and other assets**

AMOUNTS IN EUR ADVANCES PAID, CONTRACT ASSETS AND OTHER ASSETS	12/31/2019	12/31/2018
Advances paid and security deposits	3,198,557	8,008,817
Current deferred costs and expenses	6,325,921	4,043,436
Contract assets.	44,363,812	35,612,737
Total advances paid, contract assets and other assets	**53,888,290**	**47,664,990**

Advances and security deposits paid by the Group in the amount of EUR 3,198,557 primarily comprises advances for the purchase of electricity and natural gas, and cross-border transfer capacities.

The majority of current deferred costs and expenses comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 6,325,921 relating to the first quarter of 2020.

Current accrued revenues in the amount of EUR 44,353,812 mainly comprise accrued revenues from customers whose electricity and natural gas purchases for 2019 will be invoiced in 2020 in accordance with contractual provisions.

Note 11: **Current financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/31/2019	12/31/2018
Short-term deposits	42,614	39,410
Total financial assets	**42,614**	**39,410**

Short-term deposits were placed as collateral in favor of the Italian customs office.

Note 12: **Current derivatives**

AMOUNTS IN EUR CURRENT DERIVATIVES	12/31/2019	12/31/2018
Equity options	697,993	697,993
Options, swaps and other business-related derivatives	31,709	855,903
Derivatives used as hedges against currency risks	–183,748	676,179
Firm commitments recognized for fair value hedges	–6,695,954	–12,551,412
Fair value of commodity contracts	3,892,624	16,981,091
Total current derivatives	**–2,257,374**	**6,659,754**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 3,892,624 relates to the following periods:

- the 2020 business year in the amount of EUR 5,028,287;
- the 2021 business year in the amount of EUR 53,164;
- the 2022 business year in the negative amount of EUR 487,067;
- the 2023 business year in the negative amount of EUR 350,400; and
- the 2024 business year in the negative amount of EUR 351,360.

Firm commitments recognized for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that are hedged using derivatives (standardized forward contracts) and relate to the following periods:

- the 2020 business year in the negative amount of EUR 4,533,029; and
- the 2021 business year in the negative amount of EUR 2,162,925.

Note 13: **Current tax assets**

AMOUNTS IN EUR CURRENT TAX ASSETS	12/31/2019	12/31/2018
Receivables for value-added tax	25,858,163	24,644,694
Receivables for corporate income tax	384,423	679,454
Other tax assets	2,094,213	1,376,463
Total current tax assets	**28,336,799**	**26,700,611**

Other tax assets primarily comprise receivables for excise duty in Italy.

Note 14: **Cash and cash equivalents**

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/31/2019	12/31/2018
Cash in banks	49,353,083	47,089,654
Call deposits	2,530,000	100,000
Deposits with a maturity of up to 3 months	10,209,942	12,904,275
Cash in hand	2,157	460
Total cash and cash equivalents	**62,095,182**	**60,094,389**

Note 15: **Equity and reserves**

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

Reserves

AMOUNTS IN EUR RESERVES	12/31/2019	12/31/2018
Legal reserves	1,987,761	1,987,761
Fair value reserves	–140,262	–47,483
Translation reserve	–738,875	–960,738
Total	**1,108,625**	**979,540**

The Group's share capital was unchanged in 2019. Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

At the end of 2019, fair value reserves from actuarial calculations were negative in the amount of EUR 140,262.

Exchange rate differences arising from the translation 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	12/31/2019	12/31/2018
Net profit for the period	15,282,822	12,908,860
Retained earnings	58,561,157	49,426,908
Total	**73,843,979**	**62,335,768**

Total retained earnings, which amounted to EUR 62,335,768 at the end of the previous year, were increased by net profit in the amount of EUR 15,282,822, and reduced by dividend payments to the parent company's owners in the amount of EUR 4,000,000 and other eliminations of retained earnings in the amount of EUR 225,389.

Note 16: **Financial liabilities**

AMOUNTS IN EUR NON-CURRENT FINANCIAL LIABILITIES	12/31/2019	12/31/2018
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	129,147	258,294
Non-current liabilities for bonds	34,000,000	39,700,000
Total long-terms loans and borrowings	**39,129,147**	**44,958,294**

AMOUNTS IN EUR CURRENT FINANCIAL LIABILITIES	12/31/2019	12/31/2018
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	669,231	626,080
Other current financial liabilities	24,864,767	24,867,778
Total short-term loans and borrowings	**30,663,145**	**30,623,005**

In 2019, the parent company repaid an additional EUR 5,700,000 of bonds issued in 2016. The balance of bonds at December 31, 2019 was EUR 34,000,000, comprising bonds issued by the parent company in 2018 in the amount of EUR 20,000,000 and bonds issued by GEN-I Sonce d.o.o. in 2017.

Other current financial liabilities comprise commercial paper that matures in June 2020.

Loans and borrowings 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.

Costs and maturity of financial liabilities

The Group's liabilities from bank loans amounted to EUR 10,000,000 at the reporting date. A long-term loan in the amount of EUR 5,000,000 falls due for payment in 2020. Loans and borrowings from Slovenian commercial banks are secured with bills of exchange. The Group also has liabilities in the amount of EUR 258,294 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of a loan in the amount of EUR 129,147 falls due for payment in 2020, while the remainder represents part of a long-term loan in the amount of EUR 129,147 that falls due for payment in 2021. The Group issued bonds in 2017 and 2018 that mature in 2022 and 2024, respectively. Bonds were listed on the organized market of the Ljubljana Stock Exchange in 2018.

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 commercial banks and others, commercial paper, bonds, equity option contracts, finance leases and default interest amounted to EUR 1,928,825 during the 2019 business year. The Group's current interest payable amounted to EUR 669,231 on the final day of the business year.

Note 17: **Lease liabilities**

AMOUNTS IN EUR LEASE LIABILITIES	12/31/2019	12/31/2018
Non-current lease liabilities	2,868,885	156,954
Current lease liabilities	1,038,423	94,886
Total non-current and current lease liabilities	**3,907,308**	**251,840**

The Group's lease liabilities comprise liabilities based on contracts for assets under lease whose value was calculated in accordance with IFRS 16. The Group disclosed liabilities for finance leases in 2018.

Changes in lease liabilities

AMOUNTS IN EUR CHANGES IN LEASE LIABILITIES	2019
Balance at 12/31/2018	251,840
Change due to introduction of IFRS 16	2,315,939
Balance at 1/1/2019	2,567,779
Increases	2,202,560
Interest	61,642
Lease payments	–924,672
Balance at 12/31/2019	**3,907,308**

Note 18: **Non-current trade and other payables**

AMOUNTS IN EUR ITEMS	12/31/2019	12/31/2018
Non-current trade and other payables	45,782	45,782
Consortium fund assets	87,500	0
Total non-current trade and other payables	**133,282**	**45,782**

Note 19: **Provisions**

AMOUNTS IN EUR PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES 2019	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES 2018
Balance at 1/1	**750,194**	**651,182**
Creation of provisions	363,406	224,115
Use of provisions	–16,577	–22,245
Reversal of provisions	–130,598	–102,858
Balance at 12/31	**966,425**	**750,194**

The Group created provisions for long-service bonuses and for severance payments at retirement and in the event of employment termination based on the current value of its liabilities to employees. Additional provisions were created at the parent company in 2019 in the amount of EUR 320,216, at GEN-I Sonce in the amount of EUR 34,557 and at GEN-I Athens in the amount of EUR 8,633.

Note 20: **Deferred revenues**

AMOUNTS IN EUR ITEMS	12/31/2019	12/31/2018
Deferred government grants	115,571	45,963
Total deferred revenues	**115,751**	**45,963**

Note 21: **Deferred tax assets**

AMOUNTS IN EUR DEFERRED TAXES	RECEIVABLES	
DEFERRED TAXES RELATING TO	2019	2018
intangible assets	172,992	157,080
Property, plant and equipment	7,317	811
Operating receivables	934,861	1,102,562
Provisions for severance payments and long-service bonuses	105,321	86,401
Deferred tax assets (liabilities)	**1,220,490**	**1,346,854**

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	12/31/2017	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2019
intangible assets	139,613	17,467	0	157,080	15,911	0	172,992
Property, plant and equipment	811	0	0	811	6,506	0	7,317
Operating receivables	1,014,250	88,312	0	1,102,562	–167,701	0	934,861
Provisions for severance payments and long-service bonuses	77,326	9,075	0	86,401	18,920	0	105,321
Total	**1,232,000**	**114,854**	**0**	**1,346,854**	**–126,364**	**0**	**1,220,490**

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

Note 22: **Current trade and other payables**

AMOUNTS IN EUR CURRENT TRADE AND OTHER PAYABLES	12/31/2019	12/31/2018
Trade payables	62,731,889	96,003,453
Current liabilities from third-party transactions	52,877	52,877
Current liabilities to employees	3,845,365	4,013,156
Current liabilities to others	384,782	11,182
Current interest payable to others	0	–1,296
Total current trade and other payables	**67,014,914**	**100,079,372**

Current liabilities to employees comprise liabilities for December salaries and other employment earnings.

Note 23: **Advances received, contract liabilities and other current liabilities**

AMOUNTS IN EUR ADVANCES RECEIVED, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2019	12/31/2018
Current operating liabilities based on advances	**7,742,132**	**5,805,156**
Accrued costs and expenses	9,005,651	8,887,256
Deferred revenues	137,264	550,948
Accrued costs and deferred revenues	**9,142,914**	**9,438,204**
Total advances received, contract liabilities and other current liabilities	**16,885,046**	**15,243,360**

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

Accrued costs and expenses in the amount of EUR 9,005,651 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 2019, but for which the Group had not received invoices by the time the annual report was prepared.

Note 24: **Current tax liabilities**

AMOUNTS IN EUR CURRENT TAX LIABILITIES	12/31/2019	12/31/2018
Liabilities for value-added tax	1,708,938	2,332,795
Liabilities for corporate income tax	1,235,826	175,468
Other tax liabilities	2,554,047	1,342,821
Total current tax liabilities	**5,498,810**	**3,851,084**

Other tax liabilities to state and other institutions primarily comprise liabilities for taxes and contributions for December salaries and other employment earnings payable by the employer, and liabilities for excise tax and CO_2 emissions.

Note 25: **Contingent liabilities and assets**

AMOUNTS IN EUR CONTINGENT LIABILITIES	12/31/2019	12/31/2018
Guarantees and sureties	130,202,583	140,681,497
Guarantees and sureties – domestic subsidiaries	13,893,362	15,506,632
Guarantees and sureties – foreign subsidiaries	31,877,400	32,970,000
Other contingent liabilities	14,665,429	7,696,058
Total contingent liabilities and assets	**190,638,774**	**196,854,186**

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 bonds and guarantees issued by banks for the timely payment of goods and services.

Other contingent liabilities relate to contingent liabilities from the maturity of an option vis-à-vis the Fund for Craftsmen and Entrepreneurs and Gorenjska banka, and to guarantees for timely payment.

In addition to contingent liabilities, the Group recorded receivables from guarantees and sureties received, and other contingent receivables in the amount of EUR 91,067,213. These included guarantees for timely and reliable payment, and performance bonds.

Note 26: **Revenues**

AMOUNTS IN EUR REVENUES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues from the sale of goods and materials	2,151,256,141	2,303,227,980
Revenues from the sale of services	52,315,278	54,472,548
Rental income	17,227	14,928
Total revenues from the sale	**2,203,588,646**	**2,357,715,456**

The Group's revenues from electricity and natural gas sales amounted to EUR 2,151,256,141 in 2019.

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 12/31/2019		
Revenues from the sale of goods and materials	499,189,286	1,652,066,855	2,151,256,141
Revenues from the sale of services	10,932,845	41,382,433	52,315,278
Rental income	17,227	0	17,227
Total revenues	**510,139,357**	**1,693,449,288**	**2,203,588,646**

The Group generated 77% of revenues on foreign markets and 23% of revenues on the domestic market in 2019.

AMOUNTS IN EUR OTHER RECURRING OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Fair value of commodity contracts	54,095,018	15,991,605
Fair value of financial contracts	–31,126,680	–30,709,508
Ineffective part of fair value hedges	–109,846	555,564
Fair value of FOREX contracts	–123,854	3,224,329
Other recurring operating revenues	369,436	274,896
Total other recurring operating revenues or expenses	**23,104,074**	**–10,663,114**

Note 27: **Change in value of inventories**

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Change in value of inventories	105,496	337,458
Total change in value of inventories	**105,496**	**337,458**

Note 28: **Cost of goods, materials and services**

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Historical cost of goods and materials sold	2,168,762,703	2,292,741,493
Total historical cost of goods and materials sold	**2,168,762,703**	**2,292,741,493**

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

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Energy costs	329,167	322,290
Materials and spare parts	139,172	113,115
Office supplies	285,842	299,940
Other costs of materials	36,854	14,971
Total cost of materials	**791,035**	**750,315**

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Cost of transportation and employees' business travels	330,112	285,731
Maintenance	1,196,458	859,085
Rents	495,924	1,136,088
Bank charges and other fees	2,733,797	2,904,254
Intellectual services	2,001,331	2,093,086
Sponsorship, advertising, promotions and public relations	1,400,704	947,018
Cost of IT services	394,541	515,164
Other services	6,222,835	6,109,529
Total cost of services	**14,775,701**	**14,849,955**

Other services primarily comprise 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.

Lease costs comprise the costs of short-term leases and leases where the underlying assets has a low value.

AMOUNTS IN EUR AUDITING SERVICES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Audit of annual report	122,446	89,300
Other assurance services	0	3,900
Total auditing services	**122,446**	**93,200**

Note 29: **Labor costs**

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Wages and salaries	15,640,706	13,592,532
Social security contributions	2,669,541	2,336,954
Other labor costs	2,707,336	2,262,522
Total labor costs	**21,017,583**	**18,192,008**

LABOR costs in connection with EU projects

	2016	2017	2018	2019	2016-2019
Labor costs	10,741,708	18,320,409	18,013,359	21,017,583	68,093,059
Covered by EU	389,201	569,891	491,977	168,760	1,619,829
Proportion covered by EU	3.6%	3.1%	2.7%	0.8%	2.4%

In 2019, the Group calculated labor costs in accordance 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 comprise wages and salaries, including the variable component of remuneration 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, long-service bonuses, and fringe benefits.

Note 30: **Other operating revenues or expenses**

AMOUNTS IN EUR OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues from the use and reversal of non-current provisions	87,883	86,472
Proceeds from the sale of property, plant and equipment and intangible assets	51,364	29,055
Other operating revenues	1,605,230	1,594,326
Revenues from subsidies, grants and compensation	2,065,155	760,414
Total other operating revenues	**3,809,634**	**2,470,267**

Other operating revenues primarily comprise revenues from the reversal of accrued expenses from the previous year, revenues from the sale of excess telephone services to employees and revenues from reminders.

AMOUNTS IN EUR OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Taxes and levies	797,203	1,855,698
Losses on the sale of property, plant and equipment and intangible assets, and write-offs and impairments of fixed assets.	4,525	207,060
Donations	46,865	51,070
Other operating expenses	1,197,454	757,783
Derecognition of goodwill	250,143	40,318
TOTAL	**2,296,190**	**2,911,929**

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Humanitarian purposes	15,261	12,700
Charitable purposes	5,300	15,120
Educational and scientific purposes	10,000	6,200
Sports purposes	10,500	10,350
Cultural purposes	1,300	6,700
Religious and healthcare purposes	2,504	0
Sports purposes	2,000	0
TOTAL	**46,865**	**51,070**

Note 31: **Amortization**

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Amortization of intangible assets	696,184	802,081
Depreciation of investment property	66,104	66,103
Depreciation of property, plant and equipment	1,463,381	1,076,495
Depreciation of lease assets	763,094	0
Total amortization and depreciation	**2,988,762**	**1,944,678**

Note 32: **Loss from financing**

AMOUNTS IN EUR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Dividend income from participating interests in subsidiaries	297,210	152,589
Interest income	521,640	333,940
Net foreign exchange gains	0	128,375
Other financial income	276	2,669
Financial income	**819,126**	**617,573**
Interest expense	–1,928,825	–1,593,708
Losses on the disposal of participating interests in subsidiaries	0	–1,440
Changes in the fair value of derivatives	0	–390,032
Net foreign exchange losses	–260,706	0
Other financial costs	–54,549	–13,572
Financial costs	**–2,244,079**	**–1,998,752**
Loss from financing	**–1,424,954**	**–1,381,179**

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

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

Note 33: **Income tax expense**

INCOME TAX EXPENSE AMOUNTS IN EUR	2019	2018
Current tax	3,456,058	3,070,418
Deferred tax	127,211	–114,854
Total	**3,583,269**	**2,955,564**

Effective tax rate

AMOUNTS IN EUR	2019	2018
Gross profit before tax	**18,866,091**	**15,864,425**
Statutory tax rate	19%	19%
Income tax at statutory tax rate, prior to changes in tax base	3,584,557	3.014.41
Tax-exempt income	–6,836	153,890
Non-deductible expenses	236,519	391,553
Tax relief	–138,274	–164,712
Non-deductible receivables for tax losses	–62,496	–170,666
Effect of tax rates in foreign jurisdictions	–30,202	39,038
Effective tax rate	**18.99%**	**18.63%**
Current and deferred tax	3,583,269	2,955,564

Note 34: **Data on related parties**

Gross earnings in 2019

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	2019	
	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS
Wages and salaries	667,956	3,982,020
Fringe benefits and other remuneration	511,999	2,223,105
Total	**1,179,955**	**6,205,125**

Gross earnings in 2018

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

No Group companies have any outstanding receivables from or liabilities to Management Board members.

7.7. Financial instruments – fair value in risk management

(A) DETERMINING FAIR VALUE

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The Group defined the fair values of individual groups of assets for measurement and accounting purposes based on 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 inventory 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 based on 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 calculated as the present 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 the market price 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 remaining maturity of the transaction in question 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 the market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

Note 35: **Classification and fair value of financial instruments**

AMOUNTS IN EUR FAIR VALUE	12/31/2019 CARRYING AMOUNT	12/31/2019 FAIR VALUE	12/31/2018 CARRYING AMOUNT	12/31/2018 FAIR VALUE
ASSETS MEASURED AT FAIR VALUE				
Derivatives	0	0	6,702,852	6,702,852
Financial assets measured at fair value through profit or loss	100,000	100,000	100,000	100,000
TOTAL	**100,000**	**100,000**	**6,802,852**	**6,802,852**
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Available-for-sale financial assets	0	0	0	0
Non-current financial assets	196,878	196,787	156,722	156,722
Non-current operating receivables	7,483,877	7,483,877	3,957,312	3,957,312
Short-term deposits	42,614	42,614	39,410	39,410
Trade and other receivables	105,239,841	105,239,841	134,381,131	134,381,131
Cash and cash equivalents	62,095,182	62,095,182	60,094,389	60,094,389
TOTAL	**175,058,392**	**175,058,392**	**198,628,965**	**198,628,965**
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	–2,257,374	–2,257,374	43,098	43,098
TOTAL	**–2,257,374**	**–2,257,374**	**43,098**	**43,098**
LIABILITIES MEASURED AT AMORTIZED COST				
Unsecured bank loans	–10,000,000	–10,000,000	–10,000,000	–10,000,000
Other financial liabilities	–25,533,998	–25,533,998	–25,493,858	–25,493,858
Lease liabilities	–3,907,308	–3,907,308	251,840	251,840
Bonds	–34,000,000	–34,000,000	–39,700,000	–39,700,000
Trade and other payable	–72,647,006	–72,647,006	–103,976,238	–103,976,238
Loans and borrowings from others	–258,294	–258,294	387,441	387,441
TOTAL	**–146,346,607**	**–146,346,607**	**–179,809,377**	**–179,809,377**

The Group has recognized derivatives from two call options 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. The value of those assets was assessed according to 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), taking into account a discount rate of 11.51%, annual growth in residual free cash flow of 1% and a deduction for lack of marketability.

At the end of 2019, the Group also had two put options for a participating interest in GEN-EL. Based on the valuation method described above, the Group valued both options as 'out of the money', while there are no financial conditions for those options to be exercised.

The remaining value of the derivatives relates to financially and physically settled forward transactions, FOREX transactions and other derivatives connected with trading.

Financially and physically settled exchange transactions that do not meet own-use exemption conditions are valued based on the relevant quoted exchange prices. Settlement prices from the relevant exchanges for related products are used for valuation. FOREX transactions are valued based on the relevant FX rate (official middle exchange rate or forward exchange rate). Official middle exchange rates or forward exchange rates are used for valuation. Data regarding official middle exchange rates are obtained from the relevant central banks, while forward exchange rates are determined based on market data. These assets and liabilities are classified to Level 1 of the fair value hierarchy.

Other physically settled forward transactions that do not meet own-use exemption conditions are valued based on the relevant forward price curves. Cross-border transfer capacities are valued based on the relevant differences between forward prices curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL comprise equity investments that are not quoted on an exchange and that the Group intends to hold for the long term. The Group uses historical cost as an appropriate estimate of the fair value of equity instruments.

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

(B) RISK MANAGEMENT FRAMEWORK

The Group's Management Board is fully responsible for the establishment and oversight of a risk management framework. The Management Board has established a risk management committee that is responsible for developing and monitoring the Group's risk management policies. That committee reports regularly to the Management Board on its activities.

The Group's risk management policies ensure the identification and analyses of the risks to which the Group is exposed, the definition of appropriate risk limits, the control and monitoring of risks, and compliance with limits. Risk management policies and systems are adapted regularly to reflect changes in market conditions and the Group's activities. Through its training and management standards and procedures, the Group strives to maintain a disciplined and constructive control environment in which all employees understand their roles and duties.

The Group is exposed to the following risks arising from financial instruments:

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

Note 36: **Credit risk**

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

(i) Trade receivables and contract assets

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	2019	2018
Domestic	21,487,481	27,954,821
Euro area countries	17,922,083	17,776,216
Other European countries	15,047,313	22,530,923
Countries of the former Yugoslavia	10,864,175	23,000,774
Other regions	10,327,439	14,367,973
TOTAL	**75,648,491**	**105,630,707**

AMOUNTS IN EUR RECEIVABLES	CARRYING AMOUNT	
	2019	2018
Wholesale customers	52,466,183	79,774,609
Retail customers	23,182,308	25,856,098
TOTAL	**75,648,491**	**105,630,707**

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

Impairment losses on financial assets and contract assets recognized in profit or loss are presented below.

Age structure and changes in impairment losses on trade and other receivables

AMOUNTS IN EUR MATURITY OF RECEIVABLES	GROSS AMOUNT	ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES	GROSS AMOUNT	ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES
	12/31/2019		12/31/2018	
Not past due	69,468,860	60,132	101,802,249	174,251
Past due up to 90 days	6,938,724	50,872	5,499,755	414,758
Past due from 91 to 180 days	215,993	251,299	446,878	402,190
Past due from 181 to 365 days	126,951	155,158	394,740	361,742
More than one year past due	8,375,291	7,705,319	8,666,011	7,776,172
TOTAL	**85,125,821**	**8,222,779**	**116,809,633**	**9,129,113**

AMOUNTS IN EUR CHANGES IN IMPAIRMENT LOSSES	IMPAIRMENT LOSSES	
	2019	2018
Opening balance at 1/1	13,357,057	12,748,098
Creation of impairment losses	193,585	2,159,500
Reversal of impairment losses	–474,993	0
Write-downs of receivables charged to impairment losses	–703,109	–1,550,541
Exchange rate differences	–951	0
Closing balance at 12/31	**12,371,589**	**13,357,057**

The closing balance of ECLs and impairment losses comprises ECLs and impairment losses on trade receivables and contracts assets in the amount of EUR 8,173,082 and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 4,198,507, that majority of which relates to impairment losses created by the subsidiary GEN-I Sofia.

Note 37: **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties meeting its obligations associated with financial liabilities that are settled using cash or other financial means. The Group manages liquidity in order to ensure, to the greatest extent possible, that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Group's reputation.

Current year (2019)

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
				2019			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,261,611	85,944	5,086,417	86,181	5,003,069	0
Bonds issued	34,000,000	36,201,107	700,014	0	3,500,616	29,156,353	2,844,124
Other liabilities	25,925,757	26,063,768	25,352,061	536,012	175,695	0	0
Lease liabilities	3,907,308	4,120,631	650,902	801,046	731,576	1,408,344	528,763
Trade and other payable	72,513,724	72,513,724	72,513,724	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	2,257,374	2,257,374	2,257,374	0	0	0	0
Inflow	0	0	0	0	0	0	0
TOTAL	**148,603,981**	**151,418,215**	**101,560,020**	**6,423,475**	**4,494,067**	**35,567,766**	**3,372,887**

Previous year (2018)

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

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. To that end, the Group takes into account, to the greatest extent possible, 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 receivables and liabilities, and the consistent collection of receivables are all factors that facilitate the Group's successful cash-flow management, which in turn ensures its purchasing power and mitigates risks associated with short-term solvency. Thanks to the Group's active approach to financial markets, its good performance in the past and a stable cash flow from operating activities, liquidity risks are within acceptable parameters and entirely manageable.

The Group ensures its long-term solvency by preserving and increasing its share capital, and by maintaining an appropriate financial balance. The Group achieves this by continuously ensuring an appropriate balance-sheet structure with regard to the maturity of financial liabilities. As part of liquidity risk management activities, the Management Board intends to further strengthen long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 38: **Currency risk**

Current year (2019)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK	MKD	BAM
	12/ 31/2019					
Trade receivables	62,522,051	0	0	1,824,662	7,495,478	2,531,316
Unsecured bank loans	–10,000,000	0	0	0	0	0
Trade payables	–44,235,708	–2,959	–25,555	–1,001,477	–833,229	–7,177,429
Gross on-balance-sheet exposure	**8,286,342**	**–2,959**	**–25,555**	**823,185**	**6,662,249**	**–4,646,113**
Estimated forecast sales	2,452,887,446	0	0	0	0	0
Estimated forecast purchases	–2,388,497,910	0	0	0	0	0
Gross exposure	**64,389,536**	**0**	**0**	**0**	**0**	**0**
Net exposure	**72,675,878**	**–2,959**	**–25,555**	**823,185**	**6,662,249**	**–4,646,113**

Previous year (2018)

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

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 of the euro area.

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

The Group mitigates 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 covered 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/ 31/2019									
0	448,773	25,271	100	226,738	319	10,397	238,596	0	324,789
0	0	0	0	0	0	0	0	0	0
–326	–599,211	–73,040	–256,271	–96,495	–30,334	–2,172,743	–6,223,667	–3,445	0
–326	**–150,438**	**–47,769**	**–256,170**	**130,243**	**–30,015**	**–2,162,346**	**–5,985,071**	**–3,445**	**324,789**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
–326	**–150,438**	**–47,769**	**–256,170**	**130,243**	**–30,015**	**–2,162,346**	**–5,985,071**	**–3,445**	**324,789**

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

Note 39: **Interest-rate risk**

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/ 31/2019	 12/ 31/2018
FIXED-RATE INSTRUMENTS		
Financial assets	0	0
Financial liabilities	–58,864,767	–64,819,618
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	–10,258,294	–10,387,441

The Group manages interest-rate risks by constantly assessing exposure and the possible effects of changing reference interest rates (the variable part) on 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 the derivative markets. The purpose of continuous monitoring and analyses is to propose timely protective measures by balancing assets and liabilities in the statement of financial position.

Note 40: **Commodity price risk and hedge accounting**

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 nature of its business activity requires the Group to carry out continuous hedging activities to mitigate market risk. Hedging activities are carried out by the parent company GEN-I, d.o.o. which is responsible for the centralized management of the Group's portfolio. The parent company has the necessary infrastructure in place to carry out hedging activities on commodity exchanges.

Hedging activities to mitigate market risk are carried out according to the policy and procedures defined by the Risk Management Department.

Commodity price risk arises from changes in prices due to the market structure, demand/supply, import/export fees, and changes in the price of cross border capacities. Specifically, this entails the risk of financial losses due changing prices on the energy markets. 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.

A hedged item is an unrecognized firm commitment. A firm commitment is a binding agreement regarding the exchange of a precisely defined quantity of resources at a precisely defined price on a precisely defined future date or dates. The Group's hedged items (commodities) comprise physical electricity and natural gas transactions.

A hedging instrument is a standardized forward contract. The Group is active on several commodity exchanges and uses standardized forward contracts for electricity, natural gas and other commodities as hedging instruments.

A hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item, taking into account their relative weightings. In general, a hedged item and hedging instrument may relate to the same or a different commodity, and are executed at same or different times and on same or different markets. However, the hedge must be effective, meaning that there should be a strong correlation between the hedged item and hedging instrument. The hedged item and hedging instrument typically relate to the same commodity and have the same or a similar deadline for execution.

Sources of ineffectiveness that are expected to affect hedging relationships during their term are as follows:

- profile differences,
- location differences,
- timing differences,
- differences in quantities and nominal amounts,
- proxy hedging,
- early terminations, and
- credit risk.

To demonstrate the existence of an economic relationship, it must be expected that the value of the hedging instrument and the value of the hedged item will move in the opposite direction as a result of the common underlying or hedged risk. For the purpose of assessment, we typically use a quantitative test, i.e. an assessment of whether material terms match. When a hedge relationship is not obvious, we also use a quantitative test, i.e. a simple scenario analysis method, to assess the economic relationship.

Hedging instruments

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	35,080,222	27,062,268	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2019
		ASSETS	LIABILITIES		
Commodity price risk	62,142,490	n/a*	n/a*	n/a*	5,873,606

*A financial instrument is a standardized forward contract that is cash-settled daily.

Hedged item

AMOUNTS IN EUR HEDGED ITEM	CARRYING AMOUNT OF HEDGED ITEM		CUMULATIVE CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE FIRM COMMITMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2019
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodity price risk	n/a*	n/a*		6,695,952	Derivatives*	5,427,932

*A hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN EUR FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNIZED IN PROFIT OR LOSS	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	445,674	Other recurring operating revenues or expenses

8. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting date that could have a significant impact on the presented financial statements for 2019. All other events after the end of the reporting period are explained in the annual report in point 3.6 of the business report.

9. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the financial statements of the GEN-I Group for the business year that ended on December 31, 2019, including the notes to the financial statements from page 66 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 2019.

The financial statements and accompanying notes were prepared under the assumption of the GEN-I Group as a going concern and in line with the relevant legislation and International Financial Reporting Standards.

Danijel Levičar,
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, April 7, 2020

10. CERTIFIED AUDITOR'S REPORT

Deloitte.

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Slovenia
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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 2019, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter 'IFRS').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Audit procedures for Key Audit Matter
Derivatives and Hedge Accounting	
Derivatives are used to manage and protect price risks and currency risks. They are measured at fair value and management determines the appropriate fair value calculation and hedge accounting policy / methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use noticeable inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	Our audit procedures covered the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing on the basis of a sample of usability and the accuracy of the hedge accounting; - the adequacy of disclosures of the methodology for accounting for hedging against risks, its implementation and the verification of the calculation of the effectiveness of the hedge; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. In the framework of audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 7.7. Financial instruments - fair value and risk management.

Other information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so
Those charged with governance are responsible for overseeing the Group's financial reporting process and for approving audited annual report.
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

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

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 17 June 2019. Our total uninterrupted engagement has lasted 5 years. The parent company of the Group became public interest entity in 2018.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 7 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.
Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.
Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Tina Kolenc Praznik, certified auditor.

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, 7 April 2020

TRANSLATION ONLY, SLOVENE ORIGINAL PREV

11. LIST OF DISCLOSURES

Consolidated Financial Statements of GEN-I, d.o.o.

12. SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2019

12.1. Separate financial statements of GEN-I, d.o.o. for 2019

AMOUNTS IN EUR ITEMS	NOTE	12/31/2019	12/ 31/2018
Property, plant and equipment	1	7,736,460	6,766,803
Right-of-use assets	2	3,430,217	0
Intangible assets	3	3,037,719	1,931,339
Participating interests in subsidiaries	4	15,314,311	15,184,311
Participating interests in associates	5	11,276,310	11,276,310
Financial assets	6	296,878	256,722
Operating receivables	7	169,159	116,780
Deferred tax assets	20	261,119	223,700
Non-current assets		**41,522,173**	**35,755,966**
Trade and other receivables	8	102,280,754	134,262,961
Advances paid, contract assets and other assets	9	39,215,857	28,607,404
Financial assets	10	10,652,088	6,456,272
Derivatives	11	0	6,848,953
Current tax assets	12	13,124,428	10,853,238
Cash and cash equivalents	13	28,443,800	28,176,199
Current assets		**193,716,927**	**215,205,028**
Assets		**235,239,100**	**250,960,993**
Share capital	14	19,877,610	19,877,610
Legal reserves	14	1,987,761	1,987,761
Fair value reserves	14	–140,262	–47,483
Net profit for the period	14	15,527,599	12,963,418
Retained earnings	14	55,714,273	46,732,317
Equity		**92,966,982**	**81,513,623**
Financial liabilities	15	25,129,147	30,958,294
Lease liabilities	16	2,519,627	98,156
Trade and other payable	17	133,282	45,782
Provisions	18	923,235	721,657
Deferred revenues	19	98,008	20,900
Non-current liabilities		**28,803,299**	**31,844,790**
Financial liabilities	15	30,479,298	30,439,660
Lease liabilities	16	910,313	94,886
Derivatives	11	2,182,893	0
Trade and other payable	21	70,729,757	98,396,151
Advances received, contract liabilities and other liabilities	22	6,780,460	7,987,700
Current tax liabilities	23	2,386,097	684,183
Current liabilities		**113,468,818**	**137,602,580**
Liabilities		**142,272,118**	**169,447,370**
Total equity and liabilities		**235,239,100**	**250,960,993**

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

12.2. Separate income statement of GEN-I, d.o.o. for 2019

AMOUNTS EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues	24	2,199,740,191	2,368,140,875
Historical cost of goods sold	25	–2,176,837,597	–2,318,568,736
Other recurring operating revenues or expenses	24	23,733,693	–10,357,301
Gross profit		**46,636,288**	**39,214,837**
Cost of materials	25	–634,090	–583,897
Cost of services	25	–11,581,640	–10,501,627
Labor costs	26	–18,169,323	–15,506,560
Other operating revenues or expenses	27	1,175,917	–844,683
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**17,427,152**	**11,778,070**
Amortization and depreciation	28	–2,360,862	–1,348,868
Impairment losses on trade receivables and contract assets	29	–59,478	21,272
Operating profit		**15,006,812**	**10,450,475**
Financial income	30	5,047,535	6,194,390
Financial costs	30	–1,909,850	–1,836,966
Profit from financing		**3,137,686**	**4,357,394**
Profit before tax		**18,144,498**	**14,807,869**
Income tax expense	31	2,616,898	–1,844,451
Profit from continuing operations		**15,527,599**	**12,963,418**

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

12.3. Separate statement of other comprehensive income of GEN-I, d.o.o. for 2019

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Net profit for the period	**15,527,599**	**12,963,418**
Items that are or may be classified 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	**–92,779**	**–27,948**
Other comprehensive income for the period, net of tax	**–92,779**	**–27,948**
Total comprehensive income for the period	**15,434,820**	**12,935,470**

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

12.4. Separate cash flow statement of GEN-I, d.o.o. for 2019

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	15,527,599	12,963,418
ADJUSTMENTS FOR		
Amortization and depreciation	2,360,862	1,348,868
Write-downs of property, plant and equipment	64,003	812
Gains on the sale of property, plant and equipment, intangible assets and investment property	–49,290	–19,016
Financial income	–5,047,535	–6,194,390
Financial costs	1,767,120	1,768,462
Income tax	2,616,898	1,844,451
Operating profit before changes in net current assets and taxes	**17,239,658**	**11,712,604**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	31,707,532	–29,614,584
Change in prepayments and other assets	–10,608,453	14,098,017
Change in operating liabilities	–25,876,980	–7,880,849
Change in advances received and other current liabilities	–1,207,239	5,003,006
Change in provisions	201,578	138,150
Change in deferred revenues	77,108	20,900
Income tax paid	–2,607,776	–2,393,308
Cash flows from operating activities	**8,925,428**	**–8,916,065**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	103,653	112,714
Dividends received	4,943,622	6,095,593
Proceeds from the sale of property, plant and equipment and intangible assets	81,653	35,941
Proceeds from the sale of subsidiaries	0	516,381
Proceeds from the sale of associates	0	12,403,940
Proceeds from decrease in loans granted	62,760,000	68,480,000
Acquisitions of property, plant and equipment and intangible assets	–3,483,918	–3,689,003
Acquisitions of subsidiaries	–130,000	–500,000
Acquisitions of associates	0	–11,275,000
Acquisitions of other investments	0	–175,000
Outflows for increase in loans granted	–66,993,500	–68,405,500
Net cash flow from investing activities	**–2,718,491**	**3,600,067**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–1,661,554	–1,509,212
Acquisitions of right-of-use assets	–50,738	0
Repayment of short-term loans	–123,746,034	–150,518,013
Proceeds from long-term loans received	5,000,000	25,000,000
Proceeds from short-term loans received	118,518,989	143,307,975
Dividends (shares) paid out	–4,000,000	–4,000,000
Net cash flow from financing activities	**–5,939,336**	**12,280,750**
Cash and cash equivalents at beginning of period	**28,176,199**	**21,211,447**
Net increases in cash and cash equivalents	**267,601**	**6,964,752**
Cash and cash equivalents at end of period	**28,443,800**	**28,176,199**

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

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

2019

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2018	**19,877,610**	**1,987,761**	**–47,483**	**12,963,418**	**46,732,317**	**81,513,623**
Adjustment on initial application of IFRS 9, net of tax						
Net profit for the period	0	0	0	15,527,599	0	15,527,599
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0	0	0	0
Actuarial gains (losses)	0	0	–92,779	0	0	–92,779
Total other comprehensive income	**0**	**0**	**–92,779**	**0**	**0**	**–92,779**
Total comprehensive income for the period	**0**	**0**	**–92,779**	**0**	**0**	**–92,779**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	–12,963,418	12,963,418	0
Dividends (shares) paid out	0	0	0	0	–4,000,000	–4,000,000
Other reversals of equity components	0	0	0	0	18,538	18,538
Balance at 12/31/2019	**19,877,610**	**1,987,761**	**–140,262**	**15,527,599**	**55,714,273**	**92,966,981**

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

2018

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2017	**19,877,610**	**1,987,761**	**–19,536**	**13,538,452**	**37,354,549**	**72,738,837**
Adjustment on initial application of IFRS 9, net of tax					**–177,403**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Net profit for the period	0	0	0	12,963,418	0	12,963,418
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0	0	0	0
Actuarial gains (losses)	0	0	–27,948	0	0	–27,948
Total other comprehensive income	**0**	**0**	**–27,948**	**0**	**0**	**–27,948**
Total comprehensive income for the period	**0**	**0**	**–27,948**	**12,963,418**	**0**	**12,935,470**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	–13,538,452	13,538,452	0
Dividends (shares) paid out	0	0	0	0	–4,000,000	–4,000,000
Other reversals of equity components	0	0	0	0	16,719	16,719
Balance at 12/31/2018	**19,877,610**	**1,987,761**	**–47,483**	**12,963,418**	**46,732,317**	**81,513,623**

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

13. NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2019

13.1. Reporting entity

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

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

The financial statements of GEN-I, d.o.o. were prepared for the business year that ended on December 31, 2019. GEN-I, d.o.o. is the parent company of the GEN-I Group, for which consolidated financial statements are compiled. The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

13.2. Basis for compilation

(A) STATEMENT OF COMPLIANCE

The financial statements were approved by the Company's Management Board on April 7, 2020.

These financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, and the provisions of the Companies Act (ZGD).

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

These are the first annual financial statements of the Company in which IFRS 16 Leases was applied.

(B) MEASUREMENT BASIS

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are compiled in euros, the Company's functional currency. All accounting data presented in euros are rounded to the nearest integer. Immaterial differences may arise in the totals presented in tables due to the rounding of data. The financial statements present comparative information for the previous period.

(D) USE OF ESTIMATES AND JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing 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:

- the estimated useful lives of amortizable assets,
- asset impairment,
- the identification of lease contracts, the definition of the lease term and the definition of the associated discount rate,
- the measurement of ECL allowances for trade receivables and contract assets,
- employee earnings,
- provisions,
- deferred tax assets,
- contingent liabilities, and
- derivatives.

(E) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company began applying IFRS 16 for the first time on January 1, 2019. Several amendments to existing standards also entered into force on January 1, 2019. Those amendments have no material effect on the Company's financial statements.

Due to the transition method chosen by the Company in the initial application of IFRS 16, the comparative information presented in these financial statements was not restated in accordance with the new standard.

The main effect of the initial application of IFRS 16 was the recognition of right-of-use assets and the associated lease liabilities.

IFRS 16 Leases

IFRS 16 Leases was published by the IASB on January 13, 2016. In accordance with IFRS 16, a lessee recognizes a right-of-use assets and a lease liability. A right-of-use asset is treated similarly to other non-financial assets and is thus depreciated accordingly. A lease liability is initially measured at the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease, if that rate can be determined. If that rate cannot be determined, the lessee must apply the incremental borrowing rate. Similar to IAS 17, which was replaced by IFRS 16, the lessee classifies a lease as operating or finance, depending on the nature of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognizes financial income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

In transitioning to IFRS 16, the Company opted to use an adjusted retrospective method, with an initial application date of January 1, 2019. According to that method, a company may apply the standard retrospectively and recognize the cumulative effect of transition on the date of initial application of IFRS 16.

The Company reviewed and analyzed previously concluded lease contracts with a term exceeding one year. Based on lease costs and lease terms, the Company estimated the value of right-of-use assets and lease liabilities, and recognized them in the statement of financial position on January 1, 2019. The values of right-of-use assets and lease liabilities are estimated based on the discounting of future cash flows for the lease term. Cash flows are discounted using the interest rates that the Company achieves in the financing of long-term leases. Those rates range from 1.7% to 2.8%. Depreciation costs are calculated using depreciation rates estimated based on the remainder of the lease term.

Effect of the adoption of IFRS 16 on the statement of financial position of GEN-I, d.o.o. on January 1, 2019

EFFECT OF THE ADOPTION OF IFRS 16 ON THE STATEMENT OF FINANCIAL POSITION AMOUNTS IN EUR	GEN-I D.O.O.		
	1/1/2019	AMENDMENT TO IFRS 16	12/31/2018
ASSETS			
Non-current assets	**2,060,560**	**2,060,560**	**0**
Right-of-use assets	2,060,560	2,060,560	
Total assets	**2,060,560**	**2,060,560**	**0**
LIABILITIES			
Non-current liabilities	**1,571,943**	**1,571,943**	**0**
Lease liabilities	1,571,943	1,571,943	
Current liabilities	**488,617**	**488,617**	**0**
Lease liabilities	488,617	488,617	
Total liabilities	2,060,560	2,060,560	0
Total liabilities	**2,060,560**	**2,060,560**	**0**

Effect of the adoption of IFRS 16 on the income statement of GEN-I, d.o.o. on January 1, 2019

EFFECT OF THE ADOPTION OF IFRS 16 ON THE INCOME STATEMENT AMOUNTS IN EUR	GEN-I, D.O.O.		
	2019 (IFRS 16)	2019 (ISA 17)	2018 (ISA 17)
	–635,175	0	0
Lease costs	–319,880	–973,107	–816,726
Operating profit	**–955,055**	**–973,107**	**–816,726**
Financial costs	–50,738	0	0
Pre-tax profit	**–1,005,793**	**–973,107**	**–816,726**

13.3. Significant accounting policies

GEN-I, d.o.o. has consistently applied the following accounting policies to all periods presented in these financial statements, except for those that relate to standards that entered into force on January 1, 2019 (IFRS 16). The Company has applied accounting policies relating to the aforementioned standard since January 1, 2019.

The accounting policies applied are the same as those applied in the previous annual report, except for newly adopted standards.

(A) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates valid on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency at the exchange rate valid on the day their fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate valid on the transaction date. Foreign currency differences are recognized in the income statement and disclosed in financial costs.

(B) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at historical cost in the financial statements. The Company recognizes financial income from investments in the amount that it receives from the allocation of a company's distributable profit that arose following the date the investment in question was acquired.

If an investment must be impaired because a subsidiary has generated a loss, impairment losses are measured as the difference between the carrying amount of the investment and the present value of expected future cash flows.

(C) INVESTMENTS IN ASSOCIATES

Investment in associates are recognized at historical cost.

(D) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

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

Financial assets (except trade receivables without a significant financing component) and financial liabilities are initially measured at fair value, plus transaction costs that are directly attributable to their acquisition or issue for items not measured at FVTPL. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) Classification and subsequent measurement of financial assets (policy)

On initial recognition, financial instruments are classified to one of the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (hereinafter: FVOCI) – investments in debt securities, FVOCI – investments in equity instruments, or financial assets measured at fair value through profit or loss (hereinafter: FVTPL).

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

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

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

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

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

Financial assets – business model assessment (policy)

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for this purpose, and the Company continues to recognize them.

Financial assets that are held for trading or are managed and whose yield is assessed based on fair value are measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest (policy)

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claims to cash flows from specified assets (e.g. terms under which a financial asset may only be repaid with the collateral through which it was secured in the event of default).

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

Financial assets – subsequent measurement, and gains and losses (policy)

Financial assets at FVTPL

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

Financial assets measured at amortized cost

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

Investments in debt securities measured at FVOCI

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

Equity investments measured at FVOCI

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

Financial liabilities – classification, subsequent measurement, and gains and losses

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

See point (v) in Note b) for financial liabilities designated as hedging instruments.

(iii) Derecognition
Financial assets

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

The Company enters into transactions in which it transfers assets recognized in its statement of financial position, but retains all or substantially all of the risks and rewards associated with a financial asset. In such cases, transferred assets are not derecognized.

Financial liabilities

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

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

(iv) Offsetting

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

(v) Derivatives and hedge accounting

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

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

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

Contracts to buy or sell a non-financial asset (such as a commodity) that can be settled net (either in cash or by exchanging financial instruments) are covered by IFRS 9 and are accounted for at fair value, unless they were entered to and continue to be held for the purpose of receiving or delivering the non-financial asset in question in accordance with Company's expected purchase, sale or usage requirements – the so called 'own-use' exemption. (IFRS 9.2.4). Contracts covered by IFRS 9 are accounted for as derivatives and are marked to market through the income statement, unless management can and does opt to apply hedge accounting.

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

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

At least once a year, during the compilation of the annual financial statements, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value. Gains and losses as the result of changes in fair value are recognized in profit or loss.

Hedge accounting

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

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

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

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

At each reporting date, the Company measures hedge ineffectiveness, i.e. the extent to which changes in the fair value of the hedging instrument are greater or less than changes in the hedged item.

Fair value hedging

The Company calculates fair value hedges against the risk of fluctuating prices for standardized and non-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 the fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2018 is similar to that applied for 2019.

(E) 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, the translation reserve and retained earnings.

(F) 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 an individual asset. The costs of an internally produced asset comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of the asset for its 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 must be capitalized as part of that assets.

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

(G) RIGHT-OF-USE ASSETS

The policy governing right-of-use assets is described in Note 2.2 (e).

(i) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized at the carrying amount of those assets if the 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.

(ii) 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.

(iii) 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 of the useful lives of plant and equipment were not revised during the business year.

(H) INTANGIBLE ASSETS

(i) Capitalized development costs

Capitalized development costs arise as the result of the transfer of findings from research or expertise to a plan or project to produce new or significantly improved products or services, before the production or sale of those products or services begin.

The Company capitalizes development costs if they meet the following criteria:

- the technical feasibility of the completion of the project has been established, such that the project will be available for sale or use;
- the entity intends to complete the project, and use or sell it;
- the entity is capable of using or selling the project;
- economic benefits in connection with the project are likely, including the existence of a market for the effects of the project or for the project itself, or if the project will be used by the entity to its own benefit;
- technical, financial and other factors for the completion of development, and for the use or sale of the project are available; and
- the entity is capable of reliably measuring the costs that can be attributed to an intangible asset during the development thereof.

Capitalized development costs comprise the direct costs of labor and other costs that can be directly attributed to enabling assets for their intended use

The Company must estimate the useful life of a new product and allocate development costs accordingly over the same period to match the economic benefits that arise in connection with that product.

(ii) Other intangible assets

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

(iii) 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.

(iv) Amortization

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

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with the 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.

(I) IMPAIRMENT OF ASSETS

(i) Non-current financial assets:

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (hereinafter: ECLs) on:

- financial assets measured at amortized cost, and
- contract assets.

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

Measurement of ECLs

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

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

The Company measures ECLs on trade receivables and contract assets based on a loss allowance matrix.

Loss rates are calculated taking into account rates of transitions between credit rating categories based on the probability that a receivable will pass through successive phases from default to write-off. Rates of transitions between credit rating categories are calculated separately for exposures in various segments based on common credit risk characteristics, e.g. customer types (B2B or wholesale, B2C or retail and trading).

ECLs are calculated for all trade receivables and contract assets up to 90 days past due based on the appropriate loss rates for different time intervals.

Impairment losses are recognized in the amount of 90% of the value of trade receivables and contract assets more than 90 days past due.

Credit-impaired financial assets

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

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

- significant financial difficulties of the borrower or issuer;
- breach of contract such as default or payment delays of more than 90 days;
- the restructuring of a loan or advance by the Company under conditions that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for a security because of financial difficulties.

Disclosure of allowances for ECLs in the statement of financial position

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

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering that financial asset in its entirely or a portion thereof, i.e. in the event of a final court decision regarding completed bankruptcy proceedings, completed compulsory settlement or completed enforcement proceedings, and for financial assets where the Company expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in accordance with the Company's procedures for recovering receivables.

(ii) Cash, cash equivalents and other financial assets

ECLs on other financial assets are measured based on the credit rating of the country in which the financial assets are placed.

(iii) 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 an asset or cash-generating unit is the higher of its value in use or fair value less selling costs. In determining an asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. Impairment is disclosed in the income statement.

With respect to other assets, the Company evaluates impairment losses from previous periods on the balance sheet date to determine whether or not there has been a reduction in losses and whether or not losses still exist. 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.

(J) EMPLOYEE BENEFITS

Short-term employee benefits are disclosed in expenses when the related service is provided. A liability is recognized in the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee and the obligation can be estimated reliably.

(K) 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.

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 non-current provisions for this purpose. The Company has no other pension-related obligations. 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 2019 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 1.2%

was set for the calculation at December 31, 2019, based on the published yields on Slovenian government bonds at December 30, 2019 (https://www.mtsdata.com).

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.

(L) REVENUES

(i) Revenue from contracts with customers

The Company recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction of the performance obligation to supply electricity or natural gas according to the output method, i.e. according to charged amounts that are based on supplied quantities of electricity or natural gas. The same method is applied in sales of small solar power plants and services.

(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.

(M) GOVERNMENT GRANTS

Government grants relating to assets are initially recognized as deferred revenues if there is reasonable assurance that the Company will receive a grant and comply with the conditions associated with that grant. They are subsequently recognized in profit or loss as other revenues on a systematic basis over the useful life of the asset.

Government grants that the Company receives to cover costs are systematically recognized in profit or loss in the period in which the costs arise.

(N) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes dividend income from participating interests in subsidiaries and associates, interest income, net gains on financial assets measured at fair value through profit or loss and positive exchange rate differences. Interest income is recognized when it arises at a contractually agreed interest rate.

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

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

(O) INCOME TAX

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

Current tax is the expected tax payable on the taxable profit for the business year, applying the 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 disclosed in the amount that is expected to be paid when temporary differences are reversed based on laws that are in force at the end of the reporting period.

The Company nets deferred tax assets and liabilities if it has a legally 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.

(P) SEGMENT REPORTING

An operating segment is a part of the Company that carries out business activities from which it generates revenues and incurs costs that relate to transactions with other Group companies.

Because the financial report comprises the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

(Q) INITIAL APPLICATION OF NEW AMENDMENTS TO EXISTING STANDARDS THAT ARE IN FORCE DURING THE CURRENT REPORTING PERIOD

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

- **IFRS 16 Leases**, adopted by the EU on October 31, 2017 (applies to annual periods beginning on or after January 1, 2019);
- **Amendments to IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation, adopted by the EU on March 22, 2018 (apply to annual periods beginning on or after January 1, 2019);
- **Amendments to IAS 19 Employee Benefits** – Plan Amendment, Curtailment or Settlement, adopted by the EU on March 13, 2019 (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, adopted by the EU on February 8, 2019 (apply to annual periods beginning on or after January 1, 2019);
- **Amendments to various standards *(Improvements to IFRS, 2015–2017 cycle)*** proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations, adopted by the EU on March 14, 2019 (apply to annual periods beginning on or after January 1, 2019); and
- **IFRIC 23 Leases – Uncertainty over Income Tax Treatments**, adopted by the EU on October 23, 2018 (applies to annual periods beginning on or after January 1, 2019).

The effects of the adoption of amendments to IFRS 16 are disclosed in section 2.2 (e). The table shows the effects of the adoption of the aforementioned standard on the Company's statement of financial position and income statement.

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

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

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020);
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** – Interest Rate Benchmark Reform, adopted by the EU on January 15, 2020 (apply to annual periods beginning on or after January 1, 2020); and
- **Amendments to References to the Conceptual Framework in IFRS**, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020).

(S) 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, 2019 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

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

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

- **Amendments to IFRS 3 Business Combinations** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period); and

- **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).

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

13.4. Cash flow statement

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

13.5. Notes to the financial statements

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

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/ 31/2019	12/ 31/2018
Land	2,445,049	375,461
Buildings	2,492,591	2,535,141
Other plant and equipment	2,700,529	1,787,547
Property, plant and equipment under construction, and advances	98,292	2,068,654
Intangible assets	**7,736,460**	**6,766,803**

The buildings and associated land in Kromberk and Brdo 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.

Total investments in property, plant and equipment in 2019 amounted to EUR 2,290,392, and relate to purchases of vehicles, computer equipment, furniture and other equipment, and investments in fixed assets owned by third parties. Property, plant and equipment are not pledged as collateral.

Changes in 2019

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 1/1/2019	**375,461**	**4,450,259**	**4,728,359**	**2,068,654**	**11,622,733**
Other acquisitions	0	0	0	2,290,932	2,290,392
Write-downs	0	0	–243,016	0	–243,016
Disposals	0	–21,309	–53,809	0	–75,118
Transfers within property plant and equipment	2,069,588	161,478	2,031,760	–4,262,825	0
Other transfers	0	0	0	1,532	1,532
Balance at 12/31/2019	**2,445,049**	**4,590,428**	**6,463,294**	**98,292**	**13,597,062**
IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**1,915,118**	**3,185,593**	**0**	**5,100,711**
Write-downs	0	0	–243,016	0	–243,016
Disposals	0	–21,309	–33,522	0	–54,831
Depreciation expense	0	204,028	853,709	0	1,057,737
Balance at 12/31/2019	**0**	**2,119,146**	**3,762,765**	**0**	**5,860,602**
Carrying amount at 1/1/2019	**375,461**	**2,535,141**	**1,542,766**	**2,068,654**	**6,522,022**
Carrying amount at 12/31/2019	**2,445,049**	**2,492,591**	**2,700,529**	**98,292**	**7,736,460**

Changes in 2018

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 1/1/2018	**375,461**	**4,427,984**	**4,640,514**	**0**	**9,443,959**
Other acquisitions	0	0	0	3,367,987	3,367,987
Write-downs	0	0	–829	0	–829
Disposals	0	0	–105,551	0	–105,551
Transfers within property plant and equipment	0	22,275	1,279,239	–1,301,514	0
Other transfers	0	0	0	2,182	2,182
Balance at 12/31/2018	**375,461**	**4,450,259**	**5,813,373**	**2,068,654**	**12,707,747**
IMPAIRMENT LOSSES					
Balance at 1/1/2018	**0**	**1,712,396**	**3,507,880**	**0**	**5,220,277**
Write-downs	0	0	–286	0	–286
Disposals	0	0	–88,626	0	–88,626
Depreciation expense	0	202,721	606,859	0	809,580
Balance at 12/31/2018	**0**	**1,915,118**	**4,025,826**	**0**	**5,940,944**
Carrying amount at 1/1/2018	**375,461**	**2,715,587**	**1,132,634**	**0**	**4,223,682**
Carrying amount at 12/31/2018	**375,461**	**2,535,141**	**1,787,547**	**2,068,654**	**6,766,803**

Note 2: **Right-of-use assets**

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	TOTAL
HISTORICAL COST			
Balance at 12/31/2018	**0**	**1,085,014**	**1,085,014**
Change due to introduction of IFRS 16	2,060,560	0	2,060,560
Balance at 1/1/2019	**2,060,560**	**1,085,014**	**3,145,574**
New acquisitions	1,888,790	0	1,888,790
Disposals	0	–260,226	–260,226
Balance at 12/31/2019	**3,949,350**	**824,788**	**4,774,138**
IMPAIRMENT LOSSES			
Balance at 1/1/2019	**0**	**840,233**	**840,233**
Depreciation expense	635,175	116,663	751,839
Disposals	0	–248,151	–248,151
Balance at 12/31/2019	**635,175**	**708,746**	**1,343,921**
Carrying amount at 1/1	**2,060,560**	**244,781**	**2,305,341**
Carrying amount at 12/31	**3,314,175**	**116,042**	**3,430,217**

The Company has business premises under lease in Ljubljana, Krško and Maribor, which it has capitalized in accordance with IFRS 16. The lease terms vary from 2 to 10 years.

Lease payments are not secured. The Company applies the exemption provided for by the aforementioned standard to short-term leases and leases where the underlying asset has a low value. Lease payments are contractually defined and fixed.

Note 3: **Intangible assets**

AMOUNTS IN EUR INTANGIBLE ASSETS	12/ 31/2019	12/ 31/2018
Other intangible assets	1,405,874	1,689,301
Intangible assets in acquisition and development, and advances	1,631,845	242,038
Total intangible assets	**3,037,719**	**1,931,339**

The Company's other intangible assets primarily comprises property rights in the form of software in the amount of EUR 1,348,570.

Total investments in intangible assets in 2019 in the amount of EUR 1,657,666 comprise software for information support for shared services and trading, support for the sale of electricity to end-customers and server support.

Changes in 2019

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 1/1/2019	**0**	**7,237,332**	**242,038**	**7,479,369**
Other acquisitions	0	0	1,192,976	1,192,976
Capitalized development costs	0	0	464,690	464,690
Transfers within intangible assets	0	267,859	–267,859	0
Other transfers	0	0	0	0
Balance at 12/31/2019	**0**	**7,505,191**	**1,631,845**	**9,137,035**
IMPAIRMENT LOSSES				
Balance at 1/1/2019	**0**	**5,548,030**	**0**	**5,548,030**
Amortization expense	0	551,286	0	551,286
Balance at 12/31/2019	**0**	**6,099,317**	**0**	**6,099,317**
Carrying amount at 1/1/2019	**0**	**1,689,301**	**242,038**	**1,931,339**
Carrying amount at 12/31/2019	**0**	**1,405,874**	**1,631,845**	**3,037,719**

Changes in 2018

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 1/1/2018	**4,364**	**6,913,879**	**244,474**	**7,162,717**
Other acquisitions	0	7,948	313,068	321,016
Transfers within intangible assets	0	315,504	–315,504	0
Other transfers	–4,364	0	0	–4,364
Balance at 12/31/2018	**0**	**7,237,332**	**242,038**	**7,479,369**
IMPAIRMENT LOSSES				
Balance at 1/1/2018	**0**	**5,008,743**	**0**	**5,008,743**
Amortization expense		539,288	0	539,288
Balance at 12/31/2018	0	5,548,030	0	5,548,030
Carrying amount at 1/1/2018	4,364	1,905,137	244,474	2,153,975
Carrying amount at 12/31/2018	**0**	**1,689,301**	**242,038**	**1,931,339**

Note 4: **Participating interests in subsidiaries**

GROUP COMPANIES	% OF OWNERSHIP		CARRYING AMOUNT OF INVESTMENT		EQUITY OF SUBSIDIARY		SHARE CAPITAL OF MAJORITY SHAREHOLDER	
	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018
GEN-I Athens SMLLC	100.00%	100.00%	600,000	600,000	799,380	970,560	600,000	600,000
GEN-I, d.o.o. Beograd	100.00%	100.00%	150,000	150,000	1,118,767	784,873	655,389	649,578
GEN-I Sonce d.o.o.	100.00%	100.00%	1,000,000	1,000,000	1,536,505	991,485	1,000,000	1,000,000
GEN-I Istanbul Ltd.	99.00%	99.00%	844,566	844,566	702,188	627,890	299,209	330,098
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	451,334	172,595	100,000	100,000
GEN-I Prodažba na energija DOOEL Skopje	100.00%	100.00%	39,951	39,951	503,764	454,939	9,964	9,934
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	786,064	770,429	511,292	511,292
GEN-I DOOEL Skopje	0.00%	100.00%	0	20,000	0	7,867	0	19,940
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	–3,151,365	–2,932,375	100,005	100,004
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	492,577	567,957	49,424	48,747
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	911,100	922,580	50,000	50,000
GEN-I Hrvatska d.o.o.	100.00%	100.00%	991,692	991,692	1,376,874	1,459,813	1,008,132	1,011,804
GEN-I Kiev LLC	100.00%	100.00%	248,224	248,224	859,153	836,246	277,090	227,945
GEN-I Tbilisi LLC	100.00%	100.00%	50,000	50,000	31,328	36,140	38,563	41,124
Elektro energija, d.o.o.	100.00%	100.00%	10,149,750	10,149,750	10,795,412	11,638,941	3,000,000	3,000,000
GEN-I Sonce DOOEL Skopje	100.00%	0.00%	100,000	0	98,509	0	100,129	0
GEN-I ESCO d.o.o.	100.00%	0.00%	50,000	0	42,073	0	50,000	0
Total			**15,314,311**	**15,184,311**	**17,353,663**	**17,309,937**	**7,849,197**	**7,700,466**

Investments in subsidiaries were increased by EUR 150,000 during the year due to investments in the subsidiaries GEN-I Sonce DOOEL Skopje and GEN-I ESCO pametna energija, d.o.o., and reduced by EUR 20,000 due to the liquidation of the subsidiary GEN-I Skopje. Investments in subsidiaries amounted to EUR 15,314,311 at December 31, 2019.

Note 5: **Investments in associates**

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES	12/ 31/2019	12/ 31/2018
Participating interests in associates	11,276,310	11,276,310
Total investments in associates	**11,276,310**	**11,276,310**

GEN-I, d.o.o. holds a 25% participating interest in GEN-EL naložbe, d.o.o., with its registered office at Vrbina 17 in Krško.

ASSETS OF SUBSIDIARY		LIABILITIES OF SUBSIDIARY		REVENUES OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018	12/ 31/2019	12/ 31/2018
7,783,673	21,324,989	6,984,283	20,354,429	139,053,931	186,002,371	118,370	304,772	2	1
12,775,697	24,665,565	11,656,930	23,880,692	198,297,188	227,163,886	461,289	376,598	4	5
19,701,766	16,922,436	18,165,261	15,930,952	8,400,741	5,212,239	545,021	10,379	43	26
8,997,641	7,232,503	8,295,453	6,604,613	27,048,821	47,052,758	311,315	228,384	3	3
6,309,615	5,193,382	5,858,281	5,020,787	13,204,471	12,295,425	278,739	73,905	0	1
12,314,023	15,275,729	11,810,259	14,820,790	135,802,454	146,991,341	394,167	346,550	2	2
13,624,381	14,522,741	12,838,317	13,752,312	108,303,260	123,020,480	274,772	259,137	1	1
0	7,867	0	0	0	0	0	306	0	0
2,371,442	2,507,771	5,522,807	5,440,146	672,190	31,543	–170,904	194,184	1	1
11,493,431	18,187,366	11,000,854	17,619,409	30,312,969	43,293,314	362,696	429,316	2	2
4,298,998	9,307,473	3,387,898	8,384,893	15,322,230	22,986,329	152,140	409,513	1	1
15,312,169	15,129,261	13,935,295	13,669,448	114,906,282	122,028,471	368,639	447,667	10	9
6,659,500	942,651	5,800,347	106,405	15,109,036	5,604,111	32,482	689,817	1	1
31,653	36,464	325	324	0	0	–2,640	5,544	0	0
15,751,658	21,661,181	4,956,246	10,022,240	48,021,368	62,105,011	1,228,900	2,072,428	1	6
2,101,376	0	2,002,867	0	0	0	–1,616	0	0	0
203,385	0	161,312	0	3,350	0	–7,927	0	0	0
139,730,408	**172,917,379**	**122,376,745**	**155,607,442**	**854,458,291**	**1,003,787,278**	**4,345,443**	**5,301,234**	**71**	**59**

Note 6: **Financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/ 31/2019	12/ 31/2018
Financial assets	296,878	256,722
Total financial assets	296,878	256,722

The Company's financial assets in the amount of EUR 296,878 comprise unit-linked life insurance policies in the amount of EUR 196,878 and an investment in Letrika Sol, d.o.o. in the amount of EUR 100,000.

Note 7: **Non-current operating receivables**

AMOUNTS IN EUR NON-CURRENT OPERATING RECEIVABLES	12/31/2019	12/31/2018
Non-current operating receivables	169,159	116,780
Total non-current operating receivables	169,159	116,780

Note 8: **Trade and other receivables**

AMOUNTS IN EUR TRADE AND OTHER RECEIVABLES	12/31/2019	12/31/2018
Trade receivables – subsidiaries	57,943,965	82,405,800
Trade receivables – other	43,564,139	51,090,892
Trade receivables	**101,508,104**	**133,496,692**
Default interest receivable	**21,223**	**20,962**
Other receivables	**751,427**	**745,306**
Total operating receivables	102,280,754	134,262,961

Other receivables in the amount of EUR 751,427 are primarily the result of third-party transactions.

Certain trade receivables on the wholesale electricity market in Southeast Europe are secured via specialized credit insurers.

Note 9: **Advances paid, contract assets and other assets**

AMOUNTS IN EUR ADVANCES PAID, CONTRACT ASSETS AND OTHER ASSETS	12/ 31/2019	12/ 31/2018
Advances paid and security deposits	623,294	5,083,872
Current deferred costs and expenses	4,678,163	1,482,652
Contract assets.	33,914,400	22,040,880
TOTAL ADVANCES PAID, CONTRACT ASSETS AND OTHER ASSETS	**39,215,857**	**28,607,404**

Advances and security deposits paid by the Company in the amount of EUR 623,294 primarily comprises advances for the purchase of electricity and natural gas.

The majority of current deferred costs and expenses in the amount of EUR 4,678,163 comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 3,895,776.54 relating to the first quarter of 2020.

Contract assets in the amount of EUR 33,914,400 primarily comprise accrued revenues from customers whose electricity and natural gas purchases for 2019 will be invoiced in 2020 in accordance with contractual provisions.

Note 10: **Current financial assets**

AMOUNTS IN EUR CURRENT FINANCIAL ASSETS	12/ 31/2019	12/ 31/2018
Loans to subsidiaries	10,610,000	6,376,500
Current interest receivable	42,088	79,772
Total current financial assets	**10,652,088**	**6,456,272**

Loans to subsidiaries, all of which fall due for payment in 2020, earn interest at rates that are recognized for tax purposes, in accordance with the Rules on recognized interest rates.

Note 11: **Current derivatives**

AMOUNTS IN EUR CURRENT DERIVATIVES	12/31/2019	12/31/2018
Equity options	697,993	697,993
Options, swaps and other business-related derivatives	31,709	855,903
Derivatives used as hedges against currency risks	–140,806	719,277
Firm commitments recognized for fair value hedges	–6,695,954	–12,551,412
Fair value of commodity contracts under IFRS 9	3,924,163	17,127,192
Total current derivatives	**–2,182,893**	**6,848,953**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 3,924,163 relates to the following periods:

- the 2020 business year in the amount of EUR 5,059,826;
- the 2021 business year in the amount of EUR 53,164;
- the 2022 business year in the negative amount of EUR 487,067;
- the 2023 business year in the negative amount of EUR 350,400; and
- the 2024 business year in the negative amount of EUR 351,360.

Firm commitments recognized for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that are hedged using derivatives (standardized forward contracts) and relate to the following periods:

- the 2020 business year in the negative amount of EUR 4,533,028; and
- the 2021 business year in the negative amount of EUR 2,162,925.

Note 12: **Current tax assets**

AMOUNTS IN EUR CURRENT TAX ASSETS	12/31/2019	12/31/2018
Receivables for value-added tax	13,124,428	10,325,403
Receivables for corporate income tax	0	520,123
Other tax assets	0	7,712
Total current tax assets	**13,124,428**	**10,853,238**

Note 13: **Cash and cash equivalents**

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/ 31/2019	12/ 31/2018
Cash in banks	25,122,645	25,535,032
Call deposits	2,530,000	100,000
Deposits with a maturity of up to 3 months	791,155	2,541,167
Total	**28,443,800**	**28,176,199**

Note 14: **Equity and reserves**

In 2019, share capital comprised the owners' cash contributions in the amount of EUR 19,877,610.

Reserves

AMOUNTS IN EUR RESERVES	12/ 31/2019	12/ 31/2018
Legal reserves	1,987,761	1,987,761
Fair value reserves	–140,262	–47,483
Total	**1,847,499**	**1,940,278**

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

At the end of 2019, fair value reserves from actuarial calculations were negative in the amount of EUR 140,262.

Retained earnings

AMOUNTS IN EUR RETAINED EARNINGS	12/31/2019	12/31/2018
Net profit for the period	15,527,599	12,963,418
Retained earnings	55,714,273	46,732,317
Total	**71,241,872**	**59,695,735**

Allocation of retained earnings from previous years

In accordance with a decision of the general meeting of shareholders held in June 2019, the Company paid EUR 4,000,000 in dividends to its two shareholders from its retained earnings from previous years, which totaled EUR 59,695,735. The remaining profit was not distributed. The balance of retained earnings was increased by EUR 18,538 in 2019 due to the transfer of provisions and the correction of tax on retained earnings.

Distributable profit

GEN-I, d.o.o's distributable profit amounted to EUR 70,777,182 at December 31, 2019, and comprised net profit from the 2019 business year in the amount of EUR 15,527,599, retained earnings from previous years in the amount of EUR 55,714,273 and the amount of non-current deferred development costs, which reduced distributable profit by EUR 464,690.

AMOUNTS IN EUR DISTRIBUTABLE PROFIT	12/31/2019	12/31/2018
Net profit for the period	15,527,599	12,963,418
Retained earnings	55,714,273	46,732,317
Non-current deferred development costs	–464,690	0
Total	**70,777,182**	**59,695,735**

In accordance with 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 pursuant to 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 EUR4,000,000 to the Company's owners as follows:

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

The remaining distributable profit in the amount of EUR 66,777,182 remains undistributed.

Note 15: **Financial liabilities**

AMOUNTS IN EUR NON-CURRENT FINANCIAL LIABILITIES	12/31/2019	12/31/2018
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	129,147	258,294
Non-current liabilities for bonds	20,000,000	25,700,000
Total non-current financial liabilities	**25,129,147**	**30,958,294**

AMOUNTS IN EUR CURRENT FINANCIAL LIABILITIES	12/31/2019	12/31/2018
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	485,384	442,735
Other current financial liabilities	24,864,767	24,867,778
Total short-term loans and borrowings	**30,479,298**	**30,439,660**

In 2019, the Company repaid an additional EUR 5,700,000 of bonds issued in 2016. The balance of bonds at December 31, 2019 was EUR 20,000,000 and comprised bonds issued in 2018.

Other current financial liabilities comprise commercial paper that matures in June 2020.

Loans and borrowings 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.

Costs and maturity of financial liabilities

The Company's liabilities from long-term bank loans amounted to EUR 10,000,000 at the reporting date. Of that amount, a long-term loan in the amount of EUR 5,000,000 falls due for payment in 2020. Loans and borrowings from Slovenian commercial banks are secured with bills of exchange. The Company also has liabilities in the amount of EUR 258,294 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of a loan in the amount of EUR 129,147 falls due for payment in 2020, while the remainder represents part of a long-term loan in the amount of EUR 129,147 that falls due for payment in 2021. The Company issued a new bond in 2018 that matures in 2022.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR plus a mark-up, while bonds bear a fixed interest rate. Interest expenses for long-term, short-term and revolving loans from commercial banks and others, commercial paper, bonds, equity option contracts, finance leases and default interest amounted to EUR 1,704,197 during the 2019 business year. The Company's current interest payable amounted to EUR 485,384 on the final day of the business year. Of that amount, EUR 14,866 relates to interest on short-term and long-term loans, EUR 246,558 to interest on bonds and EUR 223,960 to interest on options.

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

Note 16: **Lease liabilities**

AMOUNTS IN EUR LEASE LIABILITIES	12/31/2019	12/31/2018
Non-current lease liabilities	2,519,627	98,156
Current lease liabilities	910,313	94,886
Total non-current trade and other payables	**3,429,940**	**193,042**

The Company's lease liabilities comprise liabilities based on contracts for assets under lease whose value was calculated in accordance with IFRS 16. The Company disclosed liabilities for finance leases in 2018.

Changes in lease liabilities

AMOUNTS IN EUR CHANGES IN LEASE LIABILITIES	2019	TOTAL
Balance at 12/31/2018	**193,042**	**193,042**
Change due to introduction of IFRS 16	2,060,560	2,060,560
Balance at 1/1/2019	**2,253,602**	**2,253,602**
Increases	1,888,790	1,888,790
Interest	54,965	54,965
Lease payments	–767,418	–767,418
Balance at 12/31/2019	**3,429,940**	**3,429,940**

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

AMOUNTS IN EUR ITEMS	12/31/2019	12/31/2018
Non-current trade and other payables	45,782	45,782
Consortium fund assets	87,500	0
Total non-current trade and other payables	**133,282**	**45,782**

The Company also has other liabilities from funds received from members of a consortium fund in the amount of EUR 87,500.

Note 18: **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. The Company created additional provisions in the amount of EUR 319,623 in 2019.

AMOUNTS IN EUR PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	
	2019	2018
Opening balance at 1/1	**721,657**	**583,507**
Provisions created	319,623	215,666
Use of provisions	–14,127	–16,571
Reversal of provisions	–103,918	–60,944
Closing balance at 12/31	**923,235**	**721,657**

Note 19: **Deferred revenues**

The Company recognized deferred revenues for subsidies received for electric vehicles.

AMOUNTS IN EUR ITEMS	12/31/2019	12/31/2018
Deferred revenues	98,008	20,900
Total deferred revenues	**98,008**	**20,900**

Note 20: **Deferred tax assets**

AMOUNTS IN EUR DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES	
	12/ 31/2019	12/ 31/2018
Intangible assets	173,412	154,492
Provisions for severance payments and long-service bonuses	87,707	69,208
Deferred tax assets (liabilities)	**261,119**	**223,700**

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	12/31/2017	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COM-PREHENSIVE INCOME	12/31/2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COM-PREHENSIVE INCOME	12/31/2019
Intangible assets	139,613	14,879	0	154,492	18,920	0	173,412
Provisions for severance payments and long-service bonuses	54,740	14,468	0	69,208	18,499	0	87,707
Total	**194,353**	**29,347**	**0**	**223,700**	**37,419**	**0**	**261,119**

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

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

AMOUNTS IN EUR CURRENT TRADE AND OTHER PAYABLES	12/ 31/2019	12/ 31/2018
Trade payables	46,751,337	74,832,031
Liabilities to associates	20,235,806	19,729,506
Trade payables	**66,987,143**	**94,561,537**
Current liabilities from third-party transactions	52,877	52,877
Current liabilities to employees	3,665,559	3,782,801
Current liabilities to others	24,178	232
Other operating liabilities	**3,742,614**	**3,835,910**
Current interest payable to others	**0**	**–1,296**
Total operating liabilities	**70,729,757**	**98,396,151**

Current liabilities to employees comprise liabilities for December salaries and other employment earnings.

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

AMOUNTS IN EUR ADVANCES RECEIVED, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2019	12/31/2018
Current liabilities based on advances	**1,385,631**	**3,658,921**
Accrued costs and expenses	5,298,253	4,191,285
Deferred revenues	96,577	137,493
Accrued costs and deferred revenues	**5,394,829**	**4,328,778**
Advances received and other current liabilities	**6,780,460**	**7,987,700**

Accrued costs and expenses in the amount of EUR 5,298,253 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 2019, but for which the Company had not received invoices by the time the annual report was prepared.

Note 23: **Current tax liabilities**

AMOUNTS IN EUR CURRENT TAX LIABILITIES	12/31/2019	12/31/2018
Liabilities for corporate income tax	938,771	0
Other tax liabilities	1,447,327	684,183
Total current tax liabilities	**2,386,098**	**684,183**

Other tax liabilities to state and other institutions primarily comprise liabilities for excise tax and CO_2 emissions, and liabilities for taxes and contributions for December salaries and other employment earnings payable by the employer.

Note 24: **Contingent liabilities and assets**

AMOUNTS IN EUR CONTINGENT LIABILITIES	12/ 31/2019	12/ 31/2018
Guarantees and sureties – other	128,802,583	139,281,498
Guarantees and sureties – foreign subsidiaries	39,291,002	42,095,839
Other contingent liabilities	11,375,558	5,133,623
Total contingent liabilities	**179,469,143**	**186,510,959**

Bank guarantees and sureties comprise performance bonds, bid guarantees and guarantees for timely payment. The sureties of subsidiaries and other contingent liabilities relate to contingent liabilities from the maturity of an option vis-à-vis the Fund for Craftsmen and Entrepreneurs and Gorenjska banka, and to guarantees for timely payment.

Note 25: **Revenues**

AMOUNTS IN EUR REVENUES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues from the sale of goods and materials	2,144,826,220	2,304,331,448
Revenues from the sale of services	54,888,920	63,807,777
Rental income	25,051	1,650
Total revenues	**2,199,740,191**	**2,368,140,875**

Revenues from the sale of goods and materials in the amount of EUR 2,144,826,220 comprise revenues from the sale of electricity in the amount of EUR 2,115,548,151 and revenues from the sale of natural gas in the amount of EUR 29,278,069.

Revenues from the sale of services primarily comprise revenues from cross-border transfer capacities and other services in connection with electricity and natural gas trading.

The Company recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction of the performance obligation to supply electricity or natural gas according to the output method, i.e. according to charged amounts that are based on supplied quantities of electricity or natural gas. The same method is applied in sales of small solar power plants and services. Rental income is recognized on a straight-line basis over the term of lease.

AMOUNTS IN EUR REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2019
Revenues from the sale of goods and materials	493,009,275	1,651,816,945	2,144,826,220
Revenues from the sale of services	6,728,122	48,160,798	54,888,920
Rental income	25,051	0	25,051
Total revenues	**499,762,448**	**1,699,977,744**	**2,199,740,191**

In 2019, revenues from goods and services sold in Slovenia accounted for 22.72% of total revenues, while revenues from goods and services sold on foreign markets accounted for 77.28% of all revenues.

AMOUNTS IN EUR OTHER RECURRING OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Fair value of commodity contracts	53,980,456	16,137,707
Fair value of financial contracts	–30,382,499	–30,549,797
Ineffective part of fair value hedges	–109,846	555,564
Fair value of FOREX contracts	–123,854	3,224,329
Other recurring operating revenues	369,436	274,896
Total other recurring operating revenues or expenses	**23,733,693**	**–10,357,301**

Note 26: **Cost of goods, materials and services**

AMOUNTS IN EUR HISTORICAL COST OF GOODS SOLD	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Historical cost of goods sold	2,176,837,597	2,318,568,736
Total historical cost of goods sold	**2,176,837,597**	**2,318,568,736**

The cost of goods sold amounted to EUR 2,176,837,597 in 2019, and comprised the purchase price of electricity and natural gas, and associated costs.

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Energy costs	246,102	250,412
Materials and spare parts	137,829	111,819
Office supplies	230,858	214,666
Other costs of materials	19,301	7,000
Total cost of materials	**634,090**	**583,897**

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Maintenance	1,084,257	786,673
Rents	319,880	816,726
Bank charges and other fees	2,366,639	2,417,615
Intellectual services	1,272,963	1,563,887
Contracted labor, session fees and student work	498,080	384,499
Advertising, sales promotion and public relations	824,776	565,809
Sponsorship	520,452	295,869
Insurance	214,357	210,811
Entertainment	53,717	49,787
Costs of employees' business travels	107,694	91,390
Telecommunication	1,151,245	1,134,536
Transportation	158,069	130,690
Public utility services	13,063	12,986
Security	11,989	16,116
Cleaning	191,152	148,147
Training	384,274	160,280
Other services	2,027,828	1,205,505
Cost of IT services	380,835	510,300
Total cost of services	**15,581,640**	**10,501,627**

The cost of services was up in 2019 relative to the previous year due to the accelerated development of two ongoing projects: digitalization and e-mobility.

The cost of other services primarily includes 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 2019 business year with the auditors of Deloitte revizija, d.o.o. in the amount of EUR 25,000.

Lease costs comprise the costs of short-term leases and leases where the underlying assets has a low value.

Note 27: **Labor costs**

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Wages and salaries	13,614,752	11,701,272
Social security contributions	2,245,242	1,928,324
Other labor costs	2,309,328	1,876,964
Total labor costs	**18,169,323**	**15,506,560**

In 2019, the Company calculated labor costs in accordance with the collective agreement for the Slovenian electricity sector, GEN-I, d.o.o.'s current job classification and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance and other labor costs.

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

Note 28: **Other operating revenues or expenses**

AMOUNTS IN EUR OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Revenues from the use and reversal of non-current provisions	86,933	44,558
Proceeds from the sale of property, plant and equipment and intangible assets	49,290	19,016
Other operating revenues	347,536	404,903
Revenues from subsidies, grants and compensation	1,855,022	576,077
Total other operating revenues	**2,338,781**	**1,044,555**

AMOUNTS IN EUR OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Taxes and levies	344,228	1,214,826
Donations	44,865	36,050
Write-downs and impairments of fixed assets	4,525	812
Other operating expenses	769,247	637,550
Total other operating expenses	**1,162,865**	**1,889,238**

The majority of other operating revenues comprises damages received and reminders.

Other operating expenses in the amount of EUR 769,247 primarily comprise membership fees non-deductible expenses for tax purposes, and taxes.

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Humanitarian purposes	15,261	12,700
Charitable purposes	5,300	2,600
Healthcare purposes	2,504	0
Scientific purposes	0	200
Educational purposes	10,000	6,000
Sports purposes	10,500	10,350
Cultural purposes	1,300	4,200
Total donations	**44,865**	**36,050**

Note 29: **Amortization**

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Amortization of intangible assets	551,286	539,288
Depreciation of property, plant and equipment	1,174,401	809,580
Depreciation of lease assets	635,175	0
Total amortization	**2,360,862**	**1,348,868**

Note 30: **: Impairment losses on trade receivables and contract assets**

AMOUNTS IN EUR IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Impairment losses, loss allowances and write-offs of trade receivables and contract assets	59,478	–21,272
Total	**59,478**	**–21,272**

Note 31: **Profit from financing**

AMOUNTS IN EUR PROFIT FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2019	GENERATED FROM 1/1 TO 12/31/2018
Dividend income from participating interests in subsidiaries	4,443,622	5,122,033
Dividend income from participating interests in associates	500,000	973,560
Interest income	103,791	98,746
Net income from settlement of financial instruments	0	0
Other financial income	122	51
Financial income	**5,047,535**	**6,194,390**
Interest expense	–1,704,197	–1,365,082
Impairment of investments in subsidiaries	–12,180	0
Changes in the fair value of derivatives	0	–390,032
Net foreign exchange losses	–142,729	–68,535
Other financial costs	–50,743	–13,348
Financial costs	**–1,909,850**	**–1,836,996**
Profit from financing	**3,137,686**	**4,357,394**

The following subsidiaries paid dividends in 2019: Elektro Energija, d.o.o. in the amount of EUR 2,072,428, GEN-I Tirana Sh.p.k. in the amount of EUR 448,635, GEN-I Hrvatska in the amount of EUR 447,918, GEN-I Prodažba na energija DOOEL Skopje in the amount of EUR 346,584, GEN-I Athens SMLLC in the amount of EUR 289,212, GEN-I d.o.o. Sarajevo in the amount of EUR 259,137, GEN-I Istanbul in the amount of EUR 171,349, GEN-I Vienna in the amount of EUR 163,929, GEN-I d.o.o. Beograd in the amount of EUR 135,961 and GEN-I Kiev in the amount of EUR 108,469. The Company also received dividends from the associate GEN EL, d.o.o. in the amount of EUR 500,000 in 2019.

Interest income comprised 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 142,729.

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

Note 32: **Income tax expense**

INCOME TAX EXPENSE AMOUNTS IN EUR	2019	2018
Current tax	2,654,317	1,873,798
Deferred tax	–37,419	–29,347
Total	**2,616,898**	**1,844,451**

Effective tax rate

AMOUNTS IN EUR	2019	2018
Gross profit before tax	18,144,498	14,807,869
Statutory tax rate	19%	19%
Income tax at statutory tax rate, prior to changes in tax base	3,447,455	2,813,495
Tax-exempt income	–852,547	–941,992
Non-deductible expenses	129,588	102,810
Tax relief	–107,598	–129,863
Effective tax rate	**14.42%**	**12.46%**
Current and deferred tax	**2,616,898**	**1,844,451**

Note 33: **Data on related parties**

Gross earnings in 2019

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	2019	
	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS
wages and salaries	532,475	3,261,898
Fringe benefits and other remuneration	486,217	1,948,088
Total	**1,018,692**	**5,209,986**

Gross earnings in 2018

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	2018	
	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS
wages and salaries	571,133	2,939,633
Fringe benefits and other remuneration	863,499	1,983,219
Total	**1,434,632**	**4,922,852**

Net remuneration of members of the Management Board in 2019

2019 AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE BONUS	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	74,476	9,298	961	59,746	14,645	159,126
Andrej Šajn, MSc	59,667	7,451	1,206	60,025	6,062	134,411
Igor Koprivnikar, Ph.D.	67,325	8,408	998	45,397	7,187	129,315
Danijel Levičar	37,919	5,176	1,093	31,809	5,010	81,007
TOTAL	239,387	30,333	4,258	196,977	32,904	503,859

Net remuneration of members of the Management Board in 2018

2018 AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE BONUS	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	74,239	9,579	796	136,193	14,371	235,178
Andrej Šajn, MSc	59,596	7,691	1,292	70,624	5,523	144,726
Igor Koprivnikar, Ph.D.	67,209	8,674	1,212	103,427	7,115	187,637
Danijel Levičar	55,538	7,164	1,236	37,175	7,951	109,064
TOTAL	256,582	33,108	4,536	347,419	34,960	676,605

The Company does not have any outstanding receivables from or liabilities to Management Board members.

13.6. Financial instruments – fair value in risk management

(A) DETERMINING FAIR VALUE

In accordance with the Company's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The Company defined the fair values of individual groups of assets for measurement and accounting purposes based on 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 inventory 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 based on 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 calculated as the present 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 the market price 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 remaining maturity of the transaction in question 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 the market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

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

AMOUNTS IN EUR FAIR VALUE	NOTE	12/31/2019		12/31/2018	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS MEASURED AT FAIR VALUE					
Derivatives	11	0	0	6,848,953	6,848,953
Financial assets measured at fair value through profit or loss	6	100,000	100,000	100,000	100,000
TOTAL		**100,000**	**100,000**	**6,948,953**	**6,948,953**
FINANCIAL ASSETS MEASURED AT AMORTIZED COST					
Available-for-sale financial assets	6	0	0	0	0
Non-current financial receivables	6	196,878	196,878	156,722	156,722
Non-current operating receivables	7	169,159	169,159	116,780	116,780
Short-term loans	10	10,652,088	10,652,088	6,456,272	6,456,272
Trade and other receivables	8, 12	115,405,182	115,405,182	145,116,199	145,116,199
Cash and cash equivalents	13	28,443,800	28,443,800	28,176,199	28,176,199
TOTAL		**154,867,107**	**154,867,107**	**180,022,172**	**180,022,172**
LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	11	–2,182,893	–2,182,893	0	0
TOTAL		**–2,182,893**	**–2,182,893**	**0**	**0**
LIABILITIES MEASURED AT AMORTIZED COST					
Bank loans	15	–10,000,000	–10,000,000	–10,000,000	–10,000,000
Other financial liabilities	15	–25,350,151	–25,350,151	–25,310,513	–25,310,513
Lease liabilities	16	–3,429,940	–3,429,940	–193,042	–193,042
Bonds	15	–20,000,000	–20,000,000	–25,700,000	–25,700,000
Trade and other payable	17, 21, 23	–73,161,637	–73,161,637	–99,126,116	–99,126,116
Loans and borrowings from others	15	–258,294	–258,294	387,441	387,441
TOTAL		**–132,200,022**	**–132,200,022**	**–160,717,113**	**–160,717,113**

The Company has recognized derivatives at the end of 2019 from two call options 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. The value of those assets was assessed according to 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), taking into account a discount rate of 11.51%, annual growth in residual free cash flow of 1% and a deduction for lack of marketability.

At the end of 2019, the Company also had two put options for a participating interest in GEN-EL. Based on the valuation method described above, the Company valued both options as ‘out of the money’, while there are no financial conditions for those options to be exercised.

The remaining value of the derivatives relates to financially and physically settled forward transactions, FOREX transactions and other derivatives connected with trading.

Financially and physically settled exchange transactions that do not meet own-use exemption conditions are valued based on the relevant quoted exchange prices. Settlement prices from the relevant exchanges for related products are used for valuation. FOREX transactions are valued based on the relevant FX rate (official middle exchange rate or forward exchange rate). Official middle exchange rates or forward exchange rates are used for valuation. Data regarding official middle exchange rates are obtained from the relevant central banks, while forward exchange rates are determined based on market data. These assets and liabilities are classified to Level 1 of the fair value hierarchy.

Other physically settled forward transactions that do not meet own-use exemption conditions are valued based on the relevant forward price curves. Cross-border transfer capacities are valued based on the relevant differences between forward prices curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL comprise equity investments that are not quoted on an exchange and that the Company intends to hold for the long term. The Company uses historical cost as an appropriate estimate of the fair value of equity instruments.

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

(B) RISK MANAGEMENT FRAMEWORK

The Company’s Management Board is fully responsible for the establishment and oversight of a risk management framework. The Management Board has established a risk management committee that is responsible for developing and monitoring the Company’s risk management policies. That committee reports regularly to the Management Board on its activities.

The Company’s risk management policies ensure the identification and analyses of the risks to which the Company is exposed, the definition of appropriate risk limits, the control and monitoring of risks, and compliance with limits. Risk management policies and systems are adapted regularly to reflect changes in market conditions and the Company’s activities. Through its training and management standards and procedures, the Company strives to maintain a disciplined and constructive control environment in which all employees understand their roles and duties.

The Company is exposed to the following risks arising from financial instruments:

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

Note 35: **Credit risk**

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

Trade receivables and contract assets

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	12/ 31/2019	12/ 31/2018
Domestic	18,128,852	25,243,153
Euro area countries	23,117,311	32,564,096
Other European countries	24,232,276	31,816,127
Countries of the former Yugoslavia	21,029,172	36,879,456
Other regions	15,000,494	6,993,860
TOTAL	101,508,104	133,496,692

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	12/ 31/2019	12/ 31/2018
Wholesale customers	85,161,763	112,305,985
Retail customers	16,346,341	21,190,707
TOTAL	101,508,104	133,496,692

As explained in greater detail in the business report, GEN-I, d.o.o. has in place an active approach to managing credit risks and financial exposure to individual business partners that is based on the consistent application of internal bylaws and precisely defined procedures for identifying credit risks and assessing exposure to those risk, the setting of maximum risk exposure limits, and the constant monitoring of the Company's exposure to risks in its dealings with individual business partners. In accordance with the Company's credit risk management rules, the Risk Management Department analyzes the creditworthiness of each new trading partner and major customer that wishes to purchase electricity and natural gas, and assesses associated risks. This risk assessment serves as the basis for future business cooperation, and for defining credit lines to hedge risks and offering the appropriate payment and delivery conditions with respect to an individual contractual relationship. When monitoring credit risk and daily credit line exposure, the Company divides individual partners into groups according to their credit characteristics (whether the partner is a company or a group of companies, trading partner, end-customer or retail customer), geographical position, sector, age structure and maturity of receivables, past financial difficulties, and the assessed level of risk of a breach of contractual obligations. In order to minimize risks associated with business partners' inability to settle outstanding receivables, the Company pays particular attention to the use of the appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are settled. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and the relevant risk assessments.

Impairment losses on financial assets and contract assets recognized in profit or loss are presented below.

Age structure and changes in impairment losses on trade and other receivables

AMOUNTS IN EUR MATURITY OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENT LOSSES	GROSS AMOUNT	IMPAIRMENT LOSSES
	12/31/2019	12/ 31/2018		
Not past due	71,634,082	60,132	93,901,692	51,707
Past due up to 90 days	22,338,164	50,872	38,744,272	40,466
Past due from 91 to 180 days	5,687,681	40,983	1,539,309	32,933
Past due from 181 to 365 days	2,477,241	76,731	96,402	83,958
More than one year past due	1,686,612	1,314,308	1,663,209	1,472,858
TOTAL	103,823,780	1,543,026	135,944,883	1,681,922

AMOUNTS IN EUR	IMPAIRMENT LOSSES	
CHANGES IN LOSS ALLOWANCES ON RECEIVABLES	2019	2018
Opening balance at 1/1	**1,681,922**	**1,762,914**
Creation of impairment losses	65,008	150,403
Reversal of impairment losses	0	0
Write-downs of receivables charged to impairment losses	–203,904	–231,396
Closing balance at 12/31	**1,543,026**	**1,681,922**

Note 36: **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities that are settled using cash or other financial means.

The Company manages liquidity in order to ensure, to the greatest extent possible, that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Group's reputation.

Current year (2019)

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
				2019			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	10,000,000	10,261,611	85,944	5,086,417	86,181	5,003,069	0
Bonds issued	20,000,000	21,320,328	480,000	0	480,000	20,360,328	0
Other liabilities	25,654,228	25,757,588	25,080,714	501,179	175,695	0	0
Lease liabilities	3,429,940	3,643,263	488,093	486,487	731,576	1,408,344	528,763
Trade and other payable	73,115,854	72,115,854	72,115,854	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest-rate swaps used for hedging	0	0	0	0	0	0	0
Forward exchange contracts used for hedging	0	0	0	0	0	0	0
Outflow	2,182,893	2,182,893	2,182,893	0	0	0	0
Inflow	0	0	0	0	0	0	0
TOTAL	**134,382,915**	**135,281,537**	**100,433,499**	**5,862,359**	**1,473,451**	**26,771,741**	**528,763**

Previous year (2018)

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
				2018			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	10,000,000	10,175,917	5,046,528	43,444	5,085,944	0	0
Bonds issued	25,700,000	27,639,028	480,000	5,838,700	480,000	20,840,328	0
Other liabilities	25,743,737	25,568,527	25,194,938	66,332	131,507	175,750	0
Finance lease liabilities	193,042	198,960	50,827	48,151	78,937	21,044	0
Trade and other payable	99,080,334	99,080,334	99,080,334	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts used for hedging	0	0	0	0	0	0	0
Outflow	0	0	0	0	0	0	0
Inflow	–6,848,953	–6,848,953	–6,848,953	0	0	0	0
TOTAL	**153,868,160**	**155,813,812**	**123,003,674**	**5,996,628**	**5,776,389**	**21,037,122**	**0**

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. To that end, the Company takes into account, to the greatest extent possible, 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 receivables and liabilities, and the consistent collection of receivables are all factors that facilitate GEN-I, d.o.o.'s successful cash-flow management, which in turn ensures its purchasing power and mitigates risks associated with short-term solvency. Thanks to the Company's active approach to financial markets, its good performance in the past and a stable cash flow from operating activities, liquidity risks are within acceptable parameters and entirely manageable.

The Company ensures its long-term solvency by preserving and increasing its share capital, and by maintaining an appropriate financial balance. The Company achieves this by continuously ensuring an appropriate balance-sheet structure with regard to the maturity of financial liabilities. As part of liquidity risk management activities, the Management Board intends to further strengthen long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 37: **Currency risk**

Current year (2019)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		12/31/2019		
Trade receivables	93,639,444	0	0	0
Bank loans	–10,000,000	0	0	0
Trade payables	–55,694,575	–2,959	–25,555	–457
Gross on-balance-sheet exposure	**27,944,869**	**–2,959**	**–25,555**	**–457**
Estimated forecast sales	0	0	0	0
Estimated forecast purchases	0	0	0	0
Gross exposure	**0**	**0**	**0**	**0**
Net exposure	**27,944,869**	**–2,959**	**–25,555**	**–457**

Previous year (2018)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		12/31/2018		
Trade receivables	119,532,595	0	0	0
Bank loans	–10,000,000	0	0	0
Trade payables	–68,740,231	–5,461	–19,576	–610
Gross on-balance-sheet exposure	**40,792,364**	**–5,461**	**–19,576**	**–610**
Estimated forecast sales	2,236,598,528	0	0	0
Estimated forecast purchases	–2,212,229,270	0	0	0
Gross exposure	**24,369,258**	**0**	**0**	**0**
Net exposure	**65,161,622**	**–5,461**	**–19,576**	**–610**

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 of the euro area.

The Company is primarily 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 its operations, the Company is most exposed to currency risks associated with the Romanian leu (RON) and Turkish lira (TRY).

The Company mitigates 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 covered by the expected outflows in the same currency. If necessary, the Company also uses derivatives and a number of forward currency contracts to hedge against these risks.

HUF	TRY	BGN	RON	CZK	PLN
		12/31/2019			
100	7,305,175	0	238,596	0	324,789
0	0	0	0	0	0
–256,271	–2,609,735	–2,170,479	–6,223,667	–3,445	0
–256,170	**4,695,440**	**–2,170,479**	**–5,985,071**	**–3,445**	**324,789**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
–256,170	**4,695,440**	**–2,170,479**	**–5,985,071**	**–3,445**	**324,789**

HUF	TRY	BGN	RON	CZK	PLN
		12/31/2018			
0	5,256,644	163,938	8,543,515	0	0
0	0	0	0	0	0
–452,802	–1,422,593	–2,455,430	–21,464,832	0	0
–452,802	**3,834,050**	**–2,291,492**	**–12,921,317**	**0**	**0**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
–452,802	**3,834,050**	**–2,291,492**	**–12,921,317**	**0**	**0**

Note 38: **Interest-rate risk**

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/ 31/2019	 12/ 31/2018
FIXED-RATE INSTRUMENTS		
Financial assets	10,610,000	6,376,500
Financial liabilities	–44,864,767	–50,760,820
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	–10,258,294	–10,387,441

The Company manages interest-rate risks by constantly assessing exposure and the possible effects of changing reference interest rates (the variable part) on 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 the derivative markets. The purpose of continuous monitoring and analyses is to propose timely protective measures by balancing assets and liabilities in the statement of financial position.

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

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 nature of its business activity requires the Company to carry out continuous hedging activities to mitigate market risk. Hedging activities are carried out by the parent company GEN-I, d.o.o. which is responsible for the centralized management of the Group's portfolio. The parent company has the necessary infrastructure in place to carry out hedging activities on commodity exchanges.

Hedging activities to mitigate market risk are carried out according to the policy and procedures defined by the Risk Management Department.

Commodity price risk arises from changes in prices due to the market structure, demand/supply, import/export fees, and changes in the price of cross border capacities. Specifically, this entails the risk of financial losses due changing prices on the energy markets. 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.

A hedged item is an unrecognized firm commitment. A firm commitment is a binding agreement regarding the exchange of a precisely defined quantity of resources at a precisely defined price on a precisely defined future date or dates. The Company's hedged items (commodities) comprise physical electricity and natural gas transactions.

A hedging instrument is a standardized forward contract. The Company is active on several commodity exchanges and uses standardized forward contracts for electricity, natural gas and other commodities as hedging instruments.

A hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item, taking into account their relative weightings. In general, a hedged item and hedging instrument may relate to the same or a different commodity, and are executed at same or different times and on same or different markets. However, the hedge must be effective, meaning that there should be a strong correlation between the hedged item and hedging instrument. The hedged item and hedging instrument typically relate to the same commodity and have the same or a similar deadline for execution.

Sources of ineffectiveness that are expected to affect hedging relationships during their term are as follows:

- profile differences,
- location differences,
- timing differences,
- differences in quantities and nominal amounts,
- proxy hedging,
- early terminations, and
- credit risk.

To demonstrate the existence of an economic relationship, it must be expected that the value of the hedging instrument and the value of the hedged item will move in the opposite direction as a result of the common underlying or hedged risk. For the purpose of assessment, we typically use a quantitative test, i.e. an assessment of whether material terms match. When a hedge relationship is not obvious, we also use a quantitative test, i.e. a simple scenario analysis method, to assess the economic relationship.

Hedging instruments

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	35,080,222	27,062,268	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2019
		ASSETS	LIABILITIES		
Commodity price risk	62,142,490	n/a*	n/a*	n/a*	5,873,606

*A financial instrument is a standardized forward contract that is cash-settled daily.

Hedged item

AMOUNTS IN EUR HEDGED ITEM	CARRYING AMOUNT OF HEDGED ITEM		CUMULATIVE CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE FIRM COMMITMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2019
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodity price risk	n/a*	n/a*		6,695,952	Derivatives*	5,427,932

*A hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN EUR FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNIZED IN PROFIT OR LOSS	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	445,674	Other recurring operating revenues or expenses

14. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting date that could have a significant impact on the presented financial statements for 2019. All other events after the end of the reporting period are explained in the annual report in point 3.6 of the business report.

15. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the financial statements of GEN-I, d.o.o. for the business year that ended on December 31, 2019, including the notes to the financial statements from page 123 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 2019.

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

Danijel Levičar,
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, April 7, 2020

16. 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 financial statements of the company GEN-I, d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2019, 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter 'IFRS').

Basis for Opinon
We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Audit procedures for Key Audit Matter
Derivatives and Hedge Accounting	
Derivatives are used to manage and protect price risks and currency risks. They are measured at fair value and management determines the appropriate fair value calculation and hedge accounting policy / methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use noticeable inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	Our audit procedures covered the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing on the basis of a sample of usability and the accuracy of the hedge accounting; - the adequacy of disclosures of the methodology for accounting for hedging against risks, its implementation and the verification of the calculation of the effectiveness of the hedge; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. In the framework of audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 13.6. Financial instruments - fair value and risk management.

Other information
Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 17 June 2019. Our total uninterrupted engagement has lasted 5 years. The Company became public interest entity in 2018.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 7 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.
Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Tina Kolenc Praznik, certified auditor.

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, 7 April 2020

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

17. LIST OF DISCLOSURES

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