gen-i ANNUAL REPORT 2016

PERFORMANCE OF THE GEN-I GROUP AND GEN-I, D.O.O.
DURING THE 2016 BUSINESS YEAR

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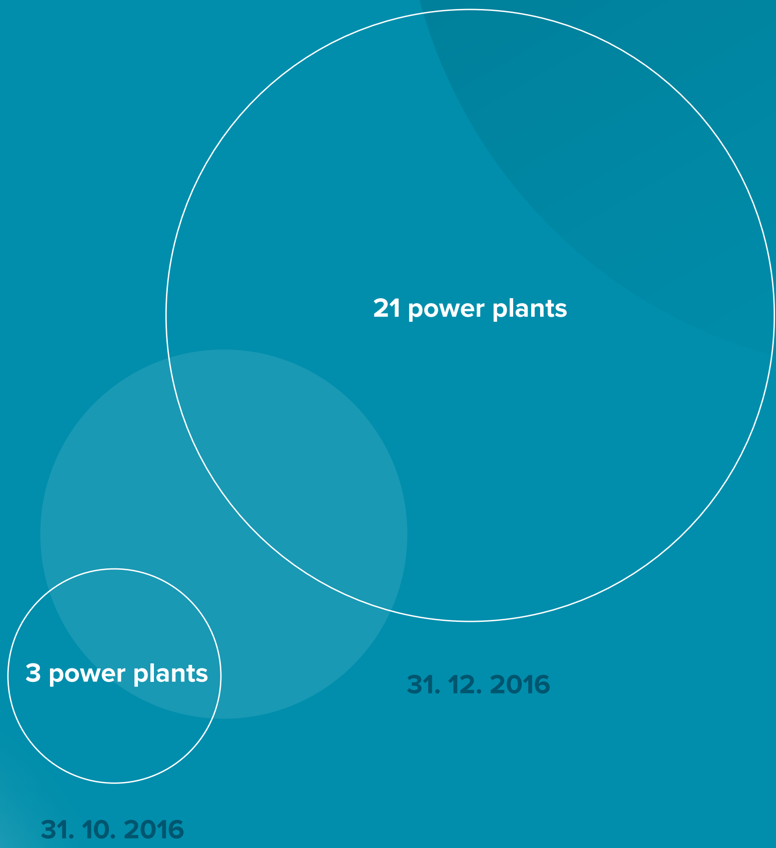


Number of solar power plants built

A

INTRODUCTION

**The only supplier
in the region that offers
the self-sufficient supply
of energy generated by the sun.**

1. LETTER FROM THE MANAGEMENT BOARD

Dear business partners, owners and employees,

Behind us is a decade of successes and record growth. During that time, we have travelled down a path that we once dared not dream about.

In 2006, we became one of the main players on the domestic electricity market. We included a portion of the electricity generated by the Krško Nuclear Power Plant in our production portfolio for the first time. We formed an ownership link with GEN energija, and began a long-term partnership with that company in the marketing of electricity. It was the year that operating revenues exceeded EUR 100 million for the first time, and the first time we concluded multi-year supply contracts. It was a year in which we laid out ambitious plans for the future.

Ten years later, the GEN-I Group's revenues totaled EUR 1.582 billion. We are the largest electricity supplier in Slovenia and the second largest supplier of natural gas. In 2016, the GEN-I Group supplied electricity directly to end-customers on six markets, and supplied natural gas to end-customers on three markets. The Group operates in 22 countries on two continents via 17 subsidiaries.

GEN-I concluded its decade-long transformation from a local to a global electricity trader with another breakthrough year.

In 2016, we laid the foundations for a new chapter to our story, with new opportunities and objectives. Following years of organic growth, we made the decision to formulate our first strategic link. Through the purchase of the company Elektro energija, we gained 175,000 new customers. That historical step, through which we seized a 40% share of the Slovenian market, has already had a major impact on the operations of the GEN-I Group. We increased sales quantities, particularly in the retail segment, as we are prioritizing household customers in accordance with our five-year strategy.

We can thus gaze into the future with even more optimism and bolder plans. The purchase of Elektro energija coincided with another groundbreaking step forward: ownership consolidation. Indirectly, GEN-I gained three new owners. The 50% participating interest held exclusively by Petrol in the past was split equally between GEN energija, Elektro Ljubljana, Petrol and GEN-I. By forming a consortium of owners, we successfully stabilized the Company's ownership over the long term and kept GEN-I in the hands of Slovenian owners. This provides us an excellent point of departure for further development.

Despite constant growth, GEN-I remains a company that adapts quickly to changing market conditions. We transformed our business model in 2016. From a company focused on trading, we are becoming a company focused on the sale of energy products. We began cutting back activities relating to long-term products at the beginning of the year, and are shifting our focus and knowledge to short-term and intraday activities. The aim of these measures is to mitigate the risks associated with the achievement of established objectives.

The right decisions and a sound business model have helped us earn the trust of investors. Through active dialogue on the financial markets, we rolled over all credit lines at banks by providing the requisite loan collateral. We also completed the sale of commercial paper and issued three-year bonds for the first time. We thus strengthened our financial stability for the coming period.

At the beginning of 2017, we became the first non-public company in Slovenia to issue so-called green bonds, which are intended exclusively for renewable energy projects. The time has also come in Slovenia for a green energy breakthrough and for a decisive step towards energy self-sufficiency. We are not content to be simply one of many suppliers in the processes of the new energy revolution in Slovenia, but will
be the leading player.

GEN-I is already breaking the ice today. Following two years of preparations, we were the first to enter the market with a comprehensive service that comprises the set-up, construction, maintenance, insurance and financing of solar power plants. Our model facilitates the co-financing of investments in solar power plants, making the latter affordable to everyone, not only the wealthy. We firmly believe that the aforementioned service will help us hasten the transition of Slovenian households to renewable energy sources. This is a project for all of civilization that transcends narrow business objectives, and that makes us particularly proud of our efforts.

The GEN-I Group is well-prepared for the challenges that await us in the future on the turbulent energy markets. We enjoy a sound ownership structure, a high-quality portfolio of customers and financial stability. We are lean, efficient and flexible. We gaze into a future that we intend to make a bit greener.

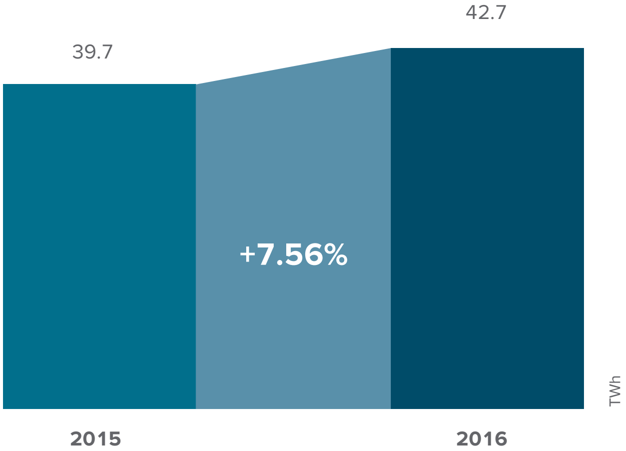
I ask our esteemed business partners and owners to accept my sincere thanks for your loyalty and trust. And I offer my congratulations to our valued employees for their achievements in 2016. A new decade of opportunities, challenges and success lie at GEN-I's doorstep.

Thank you all for believing in our path. We are proud to walk it together with you.

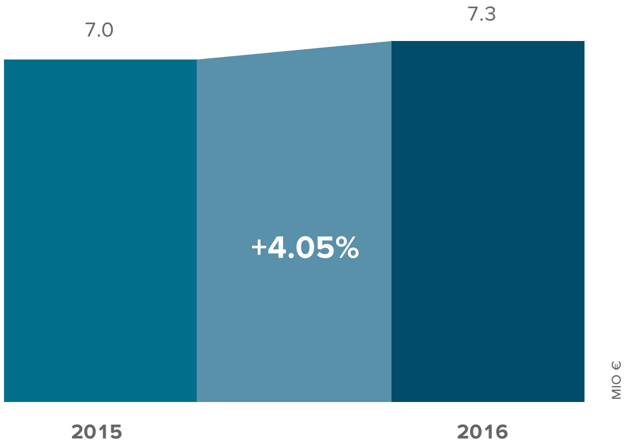
Robert Golob, Ph.D.
President of the Management Board

2. KEY INDICATORS FOR THE GROUP

We achived significant growth in quantities of energy product sold.
More on pagei 44.



And increased net profit.
More on page 45.



GEN-I GROUP (in €)	2016	2015	INDEX 16/15
OPERATING RESULTS			
Sales revenue	1,582,148,485	1,731,202,568	91.4
Operating profit or loss (EBIT)	10,185,366	10,960,799	92.9
Operating profit or loss + amortization/depreciation (EBITDA)	12,156,028	12,552,663	96.8
Net profit or loss for the period	7,313,188	7,028,422	104.1
FINANCIAL POSITION			
Total assets	254,066,360	253,365,959	100.3
Equity	65,885,154	62,629,412	105.2
Liabilities	188,181,206	190,736,547	98.7
Financial debt	54,780,237	28,234,172	194.0
Net financial debt	7,636,878	7,036,049	108.5
DEBT			
Net financial debt/EBITDA	0.63	0.56	112.1
Financial debt/equity	0.83	0.45	184.4
Equity/total assets	25.93%	24.72%	104.9
PROFITABILITY			
ROE	11.10%	11.22%	98.9
ROA	2.88%	2.77%	103.8
OTHER			
Number of employees	235	239	98.3
Quantity of electricity sold in TWh	42.7	39.7	107.6

The GEN-I Group generated sales revenue of EUR 1.58 billion in 2016, a decrease of 8.6% on the sales revenue generated in 2015. The drop in revenues was solely the result of lower electricity prices.

Operating profit (EBIT) and EBITDA were down slightly on 2015, but that was merely the result of accounting, as a major portion of negative financial effects in 2016 were recognized in the operating result of income statement because they were the result of a basic business transaction. Financial costs were reduced by more than EUR 1.5 million accordingly in 2016. This ultimately resulted in higher net profit, which due to the specifics of its operations is the most relevant indicator of the GEN-I Group's performance.

Despite the purchase of a 100% participating interest in Elektro energija and a 25% stake in GEN-EL, net debt remained at a level comparable to the previous year. ROE (return-on-equity) deteriorated by 1.1%, while ROA (return-on-assets) improved by 3.8%.

Quantity of electricity sold

2006

1.9 TWh

2016

42.7 TWh

38.9%

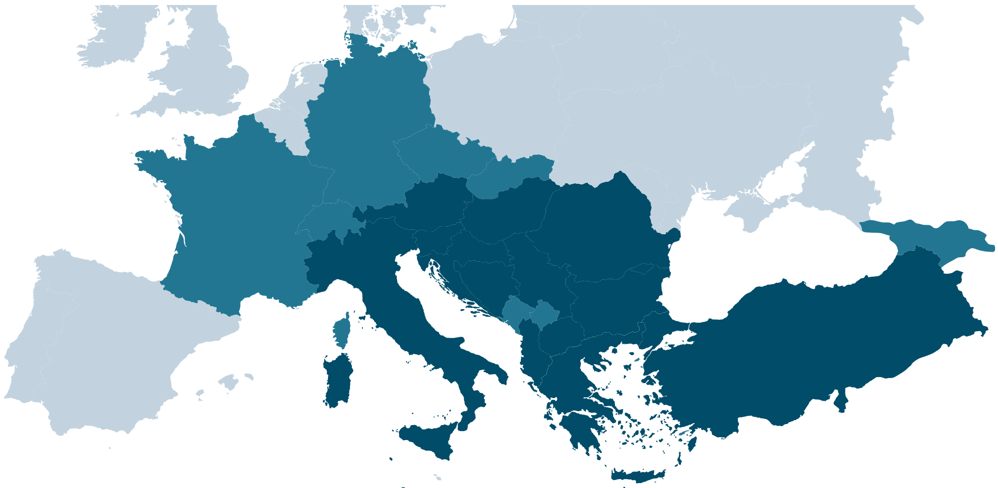
average annual growth
in energy sales

B

PRESENTATION OF THE GROUP AND THE COMPANY GEN-I

Leading electricity trader in Southeast Europe.

3. PRESENTATION OF THE GROUP



Presence in countries Subsidiaries

The GEN-I Group (hereinafter: the Group) is present on the following markets through its own subsidiaries: Austria, Italy, Hungary, Germany, Romania, Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Montenegro, Macedonia, Kosovo, Albania, Greece, Turkey, Ukraine and Georgia. The Group's subsidiaries are 100% owned by the parent company GEN-I, d.o.o., except the Turkish subsidiary in which GEN-I holds a 99% ownership stake (the remaining 1% is also indirectly held by the Company).

The GEN-I Group is based at the registered office of the parent company, whose full company name is: GEN-I, trgovanje in prodaja električne energije, d.o.o.
Abbreviated company name: GEN-I, d.o.o.
Registered office: Vrbina 17, SI-8270 Krško, Slovenia
Core activities: electricity trading and supply of electricity and natural gas to end-customers

Share capital of the parent company: EUR 19,877,610.00
Ownership structure: 50% stake held by GEN energija, d.o.o. and 50% stake held by GEN-EL naložbe, d.o.o.
Company size: large company
Management model: single-tier

Registration number: 1587714
Tax number: 71345442
VAT ID no.: SI71345442

Court register entry number: 1/04524/00; srg 2011/27433; registered at the Krško District Court Date of last court register entry: December 14, 2016

The parent company is managed by a four-member Management Board.
President of the Management Board: Robert Golob, Ph.D.
Member of the Management Board: Danijel Levičar, MBA
Member of the Management Board: Igor Koprivnikar, Ph.D.
Member of the Management Board: Andrej Šajn, MSc

The Group's subsidiaries are managed by the President of the Management Board Robert Golob, Ph.D., member of the Management Board Igor Koprivnikar Ph.D. and Executive Sales Director Dejan Paravan, Ph.D. The segregation of their functions by individual Group company can be found in the chapter on corporate governance.

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Website: www.gen-i.si | www.pocenielektrika.si | www.poceniplin.si | www.gen-isonce.si | www.elektro-energija.si

The Group's subsidiaries have at their disposal the complete infrastructure required to trade electricity and natural gas products. On seven markets, subsidiaries also have the infrastructure required for sales and supply to large business customers. In Slovenia and Croatia, the GEN-I Group also supplies electricity to customers in the household segment.

4. CORE ACTIVITIES

The GEN-I Group has ranked as one of the most innovative and fastest growing companies on the European electricity market since its establishment in 2004.

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

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

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

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

The Group's competitive advantages are as follows:

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

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

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

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

5. STRATEGIC POLICIES

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

Due to the merging of wholesale electricity markets, low price volatility and a change in the overall picture on European energy markets, GEN-I's future growth will be focused on the supply of electricity and natural gas to end-customers. By expanding the supply of energy products to end-customers, with a special emphasis on the household segment, GEN-I adds value to the international network of branches and market access points.

We achieve our established objectives through the continuous development of trading activities, innovative products and the nurturing of long-term partnerships. The Group's speed, flexibility, and cutting-edge knowledge enable it to seize opportunities on developing energy markets and to reinforce its visibility in the region.

The appropriate internal organizational structure and the excellence of our workforce will help us maintain a high level of responsiveness and enable us to seize market opportunities, implement an innovative project approach and support business partnerships that bring mutual benefits.

5.1. 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.

5.2. Vision: the first choice

Our intention is to become the most progressive and reliable player on the energy market of Southeast Europe by 2020.

Our objective is to be the first choice for all segments of the energy chain through the optimization of production, trading and the optimization of energy consumption. We achieve that objective through the application of balanced global trading principles, by adapting to the specifics of local markets, through an innovative approach and by nurturing long-term partnerships.

5.3. Values

Our core values are respect, responsibility, commitment, inclusion and flexibility.

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 positive common results. We establish fair, open and diligent relationships with customers and business partners, and provide them the optimal solutions, even in difficult circumstances.

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

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

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

5.4. 2017 plan

The main objectives of the GEN-I Group's operations in 2017 are as follows:

- **sales revenue** of EUR 1.551 billion, similar to the sales revenue generated in 2016, and a 6.9% increase on the sales revenue generated in 2015;
- a **gross margin** of EUR 44 million;
- a **net profit** of EUR 10.2 million, an increase of 40% relative to 2016; and
- sales of electricity of 42 TWh, an increase of 7.6% relative to the quantity sold the previous year.

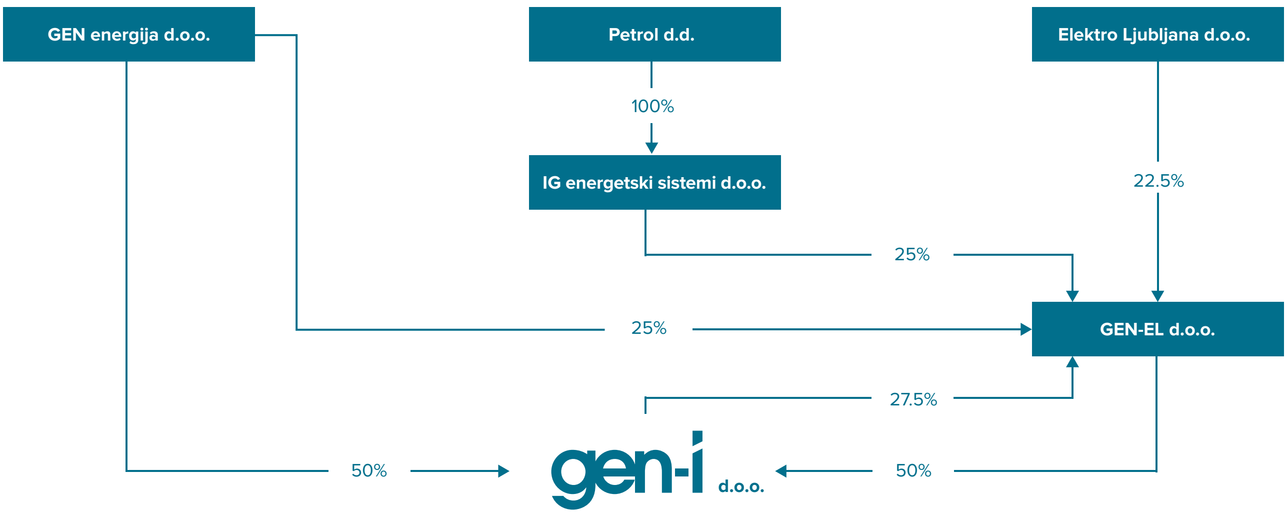
6. CHANGE IN OWNERSHIP STRUCTURE

As the result of ownership consolidation at the end of 2016, the following two companies hold equal participating interests in GEN-I: GEN energija and GEN-EL, which replaced IGES.

Through the Company's new owner GEN-EL, the following companies hold indirect participating interests with equal shares of voting rights: Elektro Ljubljana, GEN energija, Petrol and GEN-I. Prior to that change, Petrol held full and independent control over IGES.

GEN energija and Petrol each hold a 25% participating interest in GEN-I's equity, while GEN-I and Elektro Ljubljana hold stakes of 27.5% and 22.5%, respectively. If the upcoming change to energy legislation does not facilitate the stabilization of Elektro Ljubljana's ownership stake, GEN-I will obtain an additional 2.5% participating interest. Voting rights will be equal to capital contributions as a result.

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



7. CORPORATE GOVERNANCE

GEN-I, d.o.o. (hereinafter: the Company) operates in line with the rules of a single-tier system of corporate governance, taking into account the provisions of the new Memorandum of Association concluded in 2016.

Other constituent documents of the Company and the Group include their basic business policy for the period 2007 to 2016, and the Memorandum of Association.

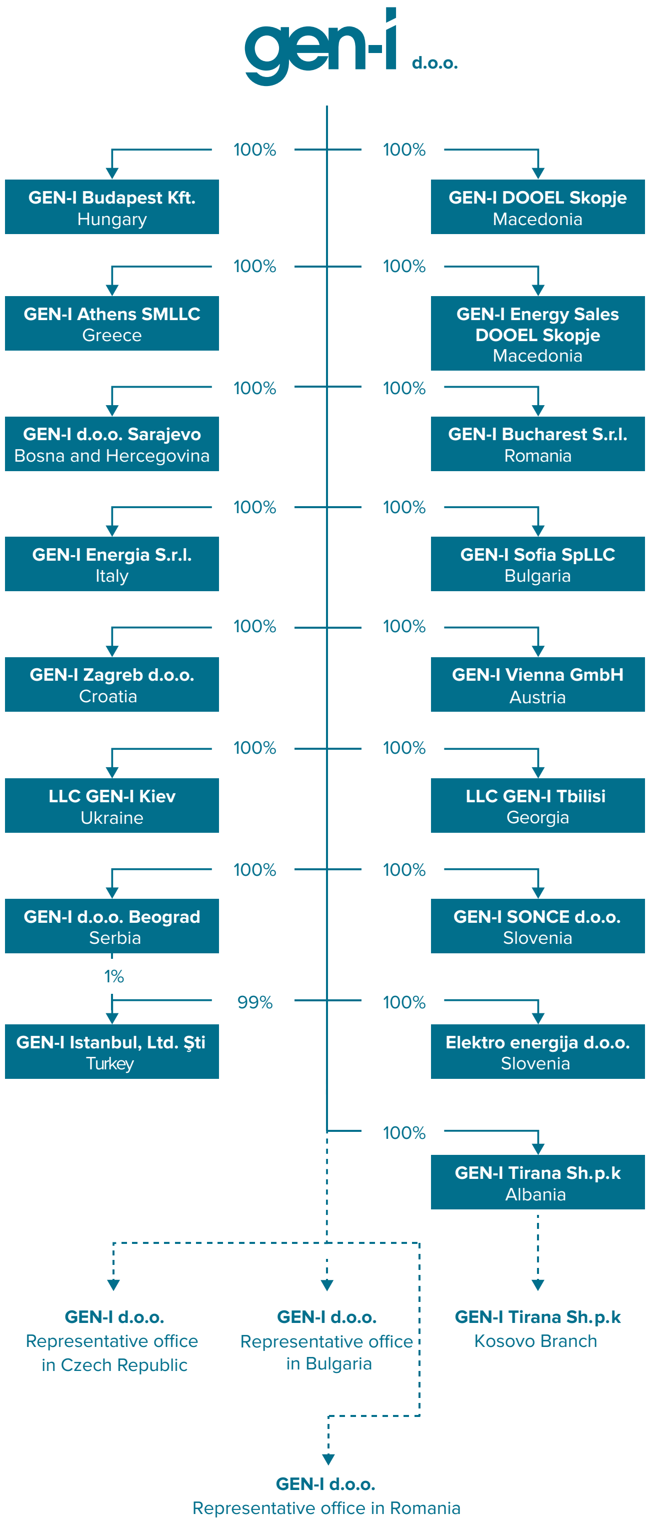
Until the end of the first term (November 2016) the Company was governed by the Management Board comprising the following members:

- Robert Golob, Ph.D., President of the Management Board
- Martin Novšak, MBA, Vice President of the Management Board
- Igor Koprivnikar, Ph.D., Member of the Management Board
- Andrej Šajn, MSc, Member of the Management Board

The composition of the Management Board, which was appointed to a new term of office the period 2016 to 2021, was as follows:

- Robert Golob, Ph.D., President of the Management Board
- Danijel Levičar, MBA, Member of the Management Board
- Igor Koprivnikar, Ph.D., Member of the Management Board
- Andrej Šajn, MSc, Member of the Management Board

The Group's executive staff includes managers and experts with many years of experience in the electricity sector. Individual members are appointed to the Management Board by the general meeting at the proposal of owners. Each member of the Management Board is considered equal in the decision-making process, and has one vote. A decision of the Management Board is deemed valid if the majority of members in attendance vote for it.



7.1. Management of GEN-I

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

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

Martin Novšak, MBA, Vice President of the Management Board (until November 16, 2016)

An established expert on the Slovenian electricity industry and its production capacities, and a long-time leading professional at the Krško Nuclear Power Plant, he completed his undergraduate studies in 1982 at the Technical Faculty of the University of Maribor with a major in electrical engineering and industrial electronics. He began working at the Krško Nuclear Power Plant immediately after completing his studies and served as a control room operator and line manager, while some of his duties involved overseeing the organization of engineering services. He completed an MBA program at the Executive Management Development Center in Brdo in 1992. In close collaboration with his colleagues at the Krško Nuclear Power Plant, he completed several important projects, including the modernization of the plant, the replacement of critical equipment, the creation of a corporate identity, and a number of other improvements, modifications and organizational upgrades. In July 2005, he accepted his first five-year term as General Manager of GEN energija, d.o.o., and was re-elected for another five-year term in the same position in July 2015. In 2016, he started his second five-year term as Vice President of the Management Board of GEN-I, d.o.o.

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

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

Andrej Šajn, MSc, Member of the Management Board

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

Danijel Levičar, MBA, Member of the Management Board (since November 16, 2016)

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

7.2. Management of Group companies

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

- Robert Golob is the President of the Management Board of GEN-I Zagreb d.o.o., Croatia and the manager of GEN-I Sonce, d.o.o., Slovenia;

- Igor Koprivnikar is the manager of: GEN-I d.o.o. Beograd, Serbia, GEN-I Budapest Kft., Hungary, GEN-I DOOEL Skopje and GEN-I Energy Sales DOOEL Skopje, Macedonia, GEN-I Tirana Sh.p.k., Albania, GEN-I d.o.o. Sarajevo, Bosna and Hercegovina, GEN-I Athens SMLLC, Greece, GEN-I Sofia SpLLC, Bulgaria, GEN-I Bucharest S.r.l., Romania, GEN-I Istanbul, Ltd. Şti, Turkey, LLC GEN-I Kiev, Ukraine and LLC GEN-I Tbilisi, Georgia. He is also a member of the Management Board of GEN-I Zagreb d.o.o., Croatia;

- Dejan Paravan is the manager of: GEN-I Vienna GmbH, Austria and GEN-I Energia s.r.l., Italy. He is also a member of the Management Board of GEN-I Zagreb d.o.o, Croatia and

- Bojan Kumar is the manager of Elektro energija d.o.o.

8. OVERVIEW OF SIGNIFICANT EVENTS

January

Slovenia: GEN-I and Elektro energija enter the B2B segment together.

Bulgaria: The Independent Bulgarian Energy Exchange (IBEX) begins functioning on January 20. GEN-I transacts on the aforementioned exchange daily.

GEN-I Group: GEN-I becomes a partner in the FutureFlow project financed by the European Commission, the aim of which is to link the mutually complementary areas of operations of four transmission system operators from Central and Southern Europe that face increasing challenges on a daily basis to ensure energy system security.

Oil prices fall sharply at the end of January. The price of a barrel of oil falls to its lowest level since 2003. Coal prices continue to fall, while natural gas prices also decline as the result of falling oil prices.

February

For the third year in a row, the GEN-I Group ranks second among electricity traders in Eastern Europe in the Risk & Energy Risk survey, making it one of the most successful trading companies on the European energy market.

Croatia: Day-ahead electricity trading begins on the Croatian exchange on February 10.

Serbia: Day-ahead electricity trading begins on the Serbian exchange on February 17.

March

Hungary: The Hungarian HUPX intraday platform begins operating on March 9, and GEN-I executes its first transactions.

Slovenia: For the fourth consecutive year, GEN-I is recognized as the most trustworthy brand in the 'Energy Supplier' category in the Trusted Brand 2016 survey.

April

Slovenia: GEN-I ranks fifth among the 50 most successful institutions in terms of the receipt of funds from the Horizon 2020 Initiative.

GEN-I organizes the 9th meeting of its partners at the Company's business premises. In attendance are 50 partners. During the meeting, representatives of the GEN-I Group and GEN energija present positive operating results and the bases for continuing work that will facilitate the achievement of established objectives by both entities and their partners in the future.

May

Croatia: Telephone sales of natural gas to business customers begin on the Croatian market.

Italy: Due to new planned sales activities on the Italian market, the name of GEN-I Milano is changed to GEN-I Energia.

June

Slovenia: Intraday market-coupling begins on the Slovenian-Italian border.

At a ceremony commemorating a local holiday, GEN-I is awarded the Great Seal of the City of Krško in honor of the 10th anniversary of its successful operations.

July

Slovenia: GEN-I, d.o.o. announces that it has successfully concluded the sale of money-market instruments: 360-day commercial paper (designation GEN05) in the total nominal amount of EUR 27 million, and a 3-year bond (designated GEN01) in the amount of EUR 13 million.

Italy: A master agreement is signed on the supply of electricity to companies of the Selex Group for the period January 1, 2017 to April 30, 2018. The aforementioned companies are involved in trading. By signing the aforementioned agreement, the Company expands sales of electricity to the entire territory of Italy.

August

Slovenia: The Group is selected as the most favorable supplier of electricity and natural gas in the scope of a public tender issued by the Ministry of Public Administration, which includes the majority of public institutions in the Republic of Slovenia.

GEN-I Group: The renowned publication European CEO awards Robert Golob, Ph.D., President of GEN-I's Management Board, the title 'Entrepreneur of the Year 2016 for Eastern Europe' in the energy category for his exceptional knowledge and expertise, experience and successful leadership.

September

Slovenia: GEN-I presents its new products and services, as well as assessments of energy market trends at the seventh meeting of electricity producers, which is attended by 100 major partners.

GEN-I acquires an 8.43% participating interest in Letrika Sol.

France: Irregularities in the construction of nuclear power plants are uncovered in France, casting a great deal of uncertainty over the production of electricity, and resulting in a very sharp rise in prices and significant volatility on all European markets.

October

Slovenia: GEN-I Esco is renamed GEN-I Sonce.

Major maintenance works at the Krško Nuclear Power Plant are carried out successfully and efficiently.

November

Croatia: A public contract is signed on the supply of electricity to the Croatian postal operator.

GEN-I Group: The old city power plant is the sight of GEN-I's introduction of the new GEN-I Sonce service, which will make it significantly easier for households and small business customers in Slovenia to make the decision to switch to the self-sufficient supply of electricity generated by the sun. GEN-I is thus the first energy supplier in the region to enter the self-sufficient energy supply market, and will facilitate the construction of micro solar power plants according to the 'turnkey' principle for Slovenian customers.

In the scope of a visit by Slovenian companies included in the government's economic delegation, GEN-I participates at the business-investment conference held in Teheran, where the company's representatives met with Iranian partners.

December

Slovenia: GEN-I Sonce receives authorization from the Ministry of Economic Development and Technology to provide consumer lending services.

A cooperation agreement is signed with respect to Slovenia's tertiary reserve.

In light of corporate changes, amendments to GEN-I, d.o.o.'s Memorandum of Association enter into force on December 14, 2016, and include changes to the titles of certain members of the executive staff and to methods of joint representation.

The change to the Company's Memorandum of Association results in a slightly different structure of the executive staff: the executive staff, i.e. the Management Board, comprises a President and three members.

GEN-I Group: The GEN-I Group is strengthened in December 2016 with the addition of a new member: Elektro energija. Following the acquisition of all requisite authorizations and the completion of the purchase, the latter became the 17th subsidiary under the 100% ownership of GEN-I.

Croatia: A public contract is signed on the supply of electricity to the Croatian motorways company (HAC).

8.1. Awards and recognitions

The renowned publication European CEO awards Robert Golob, Ph.D., President of GEN-I's Management Board, the title 'Entrepreneur of the Year 2016 for Eastern EUROPE' in the energy category for his exceptional knowledge and expertise, experience and successful leadership.

GEN-I is nominated for the prestigious European Business Award, as recognition for the most innovative and effective business practices in the European business community.

For the second consecutive year, the Group ranks second among electricity traders in Eastern Europe in the Risk & Energy Risk survey, which on the basis of votes received determines the best traders and intermediaries in individual categories.

GEN-I receives the title of most trustworthy brand for the third year in a row in the 'Energy Supplier' category in the Trusted Brand survey. The research conducted by Reader's Digest Slovenia included more than 7,400 of the aforementioned magazine's subscribers who cast their votes for the most trustworthy brand in 32 contested categories.

GEN-I also receives the ICERTIAS award for excellence: Slovenian customers vote GEN-I best electricity supplier for households. The purpose of the research is to select the supplier in Slovenia with whom customers are the most satisfied and appreciate most, and who they believe offers such a high level of service that they would willingly recommend them to their best friends, relatives and colleagues.

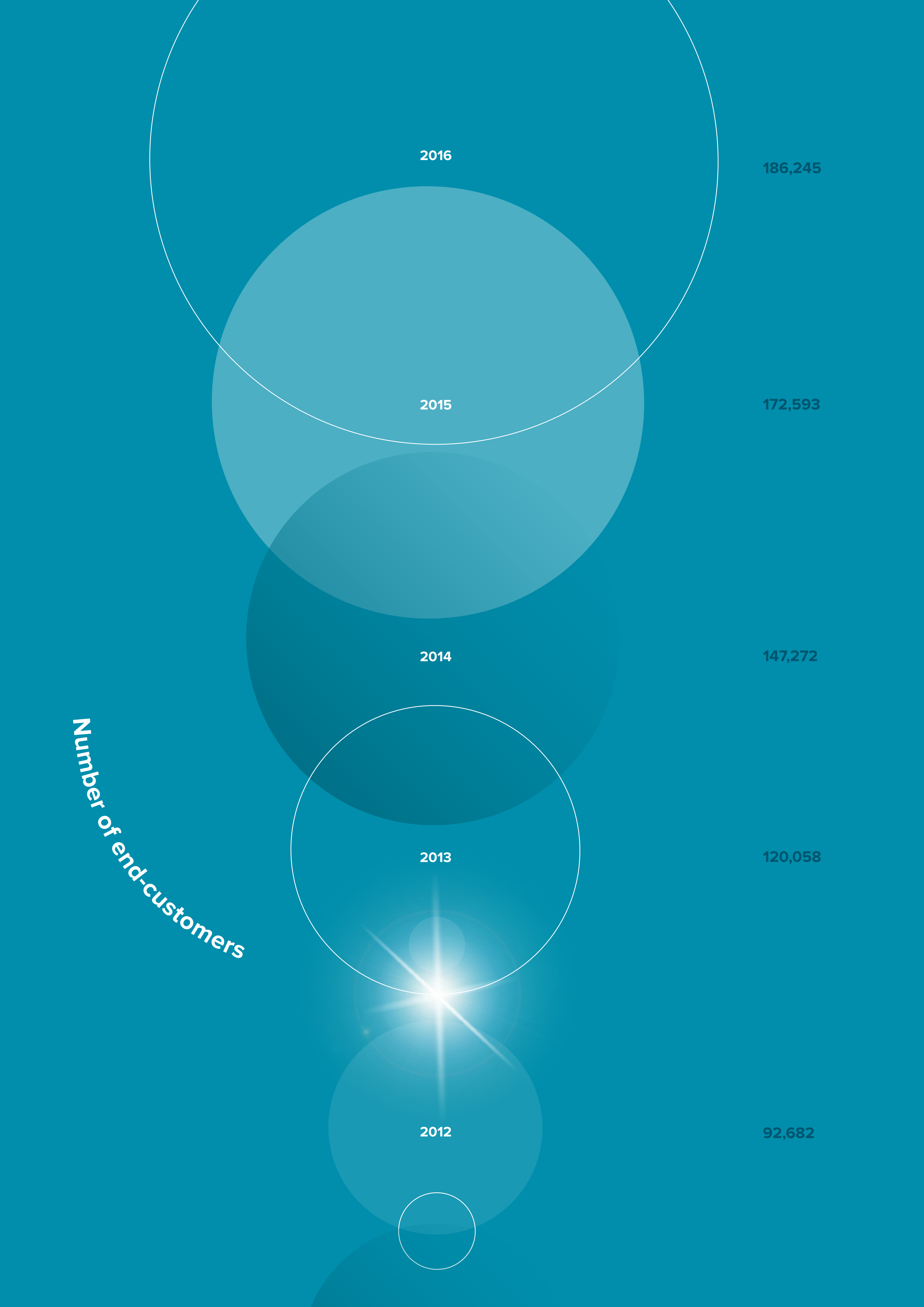
9. EVENTS AFTER THE END OF THE REPORTING PERIOD

GEN-I Sonce, a subsidiary 100% owned by the GEN-I Group, issues the first green bonds in the amount of EUR 14 million. The bonds will mature in 2024. The funds raised from SID banka and Nova KBM, as investors, will be earmarked exclusively to finance green energy and projects aimed at increasing the energy efficiency and independence of GEN-I Sonce's customers.

The GEN-I Group achieves excellent results for the third year in a row in the Risk & Energy Risk survey: energy sector experts rank the GEN-I Group as the best electricity trader in Eastern Europe, further solidifying the Group's position as one of the most progressive players on the European energy market.

In addition to the aforementioned success, the GEN-I Group also ranks a very respectable fourth in the Risk & Energy Risk survey among all European electricity traders this year and surpasses many big names in European trading, including Alpiq, the RWE Group, Enel, Société Générale, the Edison Power Group and Goldman Sachs.

GEN-I is recognized for the third consecutive year as the most trustworthy brand in the 'Energy Supplier' category in the Trusted Brand survey. Very favorable prices at all times, customer care and transparent operations have already convinced more than 187,000 customers to choose GEN-I, the fastest growing energy company in Slovenia and one of the leading companies in this sector in Central and Southeast Europe.


Number of end-customers
2016
186,245
2015
172,593
2014
147,272
2013
120,058
2012
92,682

BUSINESS REPORT

Leading provider of user-friendly services and products.

10. MARKET CONDITIONS

The trend of growth in gross domestic product (GDP) and the industrial production index continued in Europe in 2016, with both rising by around 1.5%. However, average electricity consumption stagnated relative to 2015. Temperatures were well above average in February and part of March 2016, and slightly above average in December. The annual effect of temperatures on electricity consumption in 2016 was less significant than in 2015. The largest drop in consumption among the countries of Western, Central and Southeast Europe was recorded in Italy, where the effect of temperatures on consumption was less significant than in 2015 compared with other countries. Romania, France and the countries of Central Europe recorded significant growth in electricity consumption. Lower growth in electricity consumption relative to economic growth indicates that the reduction in the intensity of electricity consumption continues.

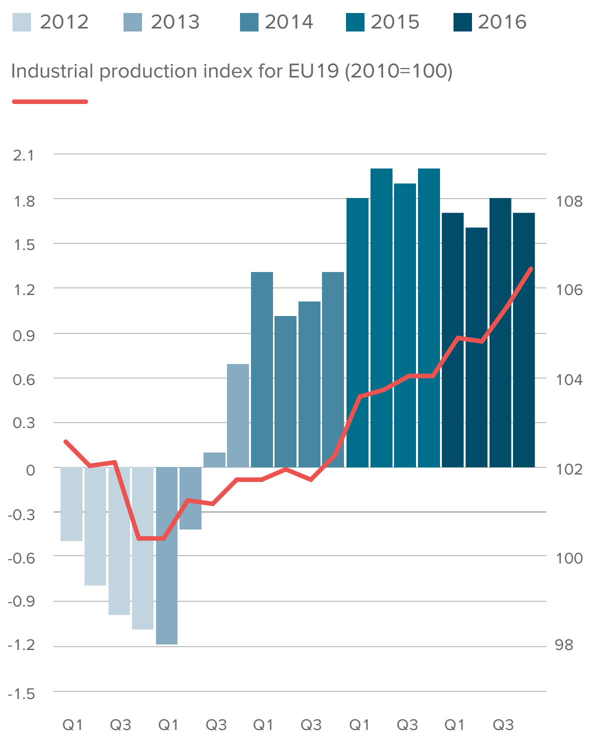


Figure 1: Annual growth in GDP for the EU19 (in %) (Source: ECB)

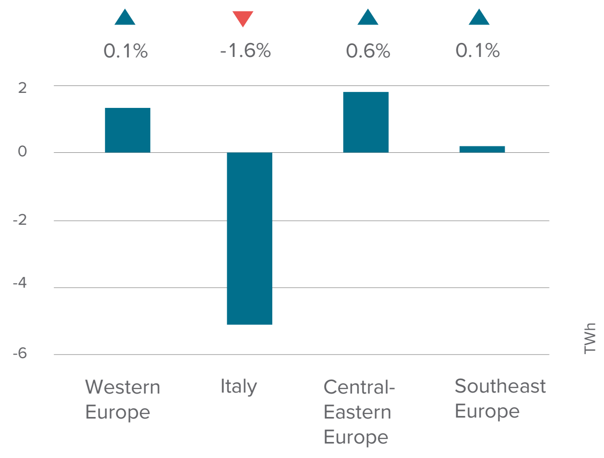


Figure 2: Change in electricity consumption in Europe in 2016 relative to 2015 (Source: ENTSO-E)

Growth in installed capacities of renewable electricity sources continued in 2016, but at a slower pace than in 2015. Between 2014 and 2016, growth in installed capacities of renewable electricity sources was approximately equal to the increase in electricity consumption. Renewable energy sources are gradually replacing conventional production methods. Electricity prices, however, remain dependent on the prices of coal, natural gas and oil.

The trend of falling electricity prices seen in recent years continued at the beginning of 2016. Oil prices actually reached the level recorded in 2004 (USD 28/barrel) for a brief period. In the context of falling oil prices, the stable supply of liquefied gas and imports via pipelines, as well as reduced demand for natural gas on account of the mild winter of 2015/2016, the price of natural gas fell by around 50% from December 2015 to the end of January 2016 to reach its lowest level since 2009. As a result, forward prices of electricity for supply in 2017 fell by an average of around EUR 3/MWh in January on the majority of markets.

In the context of low energy prices, electricity prices on daily markets fell to very low levels in February due to the favorable hydrological conditions and above-average temperatures, which pushed down the prices of forward products even further. Both daily and forward prices thus fell in February to their lowest levels in the last 10 years. The forward price for supply in 2017 reached around EUR 21/MWh in Germany, which is equal to the level of prices recorded at the beginning of the millennium in absolute terms with the deregulation of the electricity market, and means lower production costs than the majority conventional energy sources.

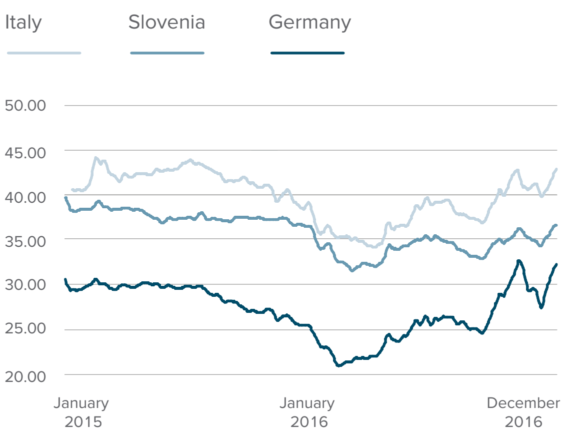


Figure 3: Prices of forward contracts for electricity deliveries in 2017 on the markets of Germany, Slovenia and Italy

The end of February 2016 saw a rebound in the price of oil, which has stabilized at around USD 45/barrel since May. The trend in prices on the international coal market likewise reversed course. The sharp drop in natural gas prices increased the competitiveness of electricity production from gas power plants, which in turn resulted in increased demand for natural gas. Natural gas prices began to rise again in the context of higher oil prices and increased consumption of natural gas. Energy prices rose from April on, with forward prices of electricity following that trend.

Electricity prices in Central Europe began to rise further during the final quarter of the year due to the shutdown of nuclear power plants in France in connection with preventive safety inspections. The possibility of the aforementioned preventive inspections carrying over into 2017 resulted in a sharp rise in forward prices for the first quarter of 2017 and thus in the prices in annual forward contracts for the same year. At the end of 2016, prices in forward contracts for 2017 reached levels similar to those seen during the middle of 2015.

In the context of continuing but gradual growth in renewable energy sources and a simultaneous reduction in conventional electricity production, we can expect the short-term volatility of prices to remain high in the near future. Southeast Europe lags behind in terms of growth in renewable energy sources. A lack of investments in competitive and flexible forms of conventional production could thus result in increased uncertainty in the event of unfavorable weather conditions, as the aforementioned region is highly dependent on hydrologic conditions.

International energy markets were characterized most in 2016 by February's drop in daily and forward electricity prices to their lowest levels in the last 10 years.

In terms of market integration, the Slovenian and Austrian markets were coupled in the middle of 2016, which contributed to the more efficient exploitation of cross-border transfer capacities on that border.

10.1. Regulatory changes

European energy markets are changing, and several key legislative measures were adopted in 2016 that will bring further changes to the market. The Capacity Allocation & Congestion Management (CACM) network code began a process that is to be used to define calculations of capacities in specific regions. The Agency for the Cooperation of Energy Regulators (ACER) adopted a decision in November on the allocation of the joint market of Germany and Austria, with a deadline of November 1, 2018.

Likewise in November, the European Commission published the so-called 'Winter Package' of measures, which represents a comprehensive set of proposals for reforming the European energy sector through new administrative procedures and new laws, envisaged in the period 2021 to 2030.

Finally, reporting in the scope of the Regulation on wholesale energy market integrity and transparency (REMIT) is entering phase two, in which reporting is required on all transactions executed outside organized markets. This will undoubtedly present a major challenge due to the decentralized execution of a large number of bilateral and over-the-counter (OTC) transactions. GEN-I, however, is already prepared to meet that challenge head on.

11. ANALYSIS OF OPERATIONS

Changes on the electricity and natural gas markets, both regulatory and fundamental, remain a constant. The new reality requires a timely and appropriate response that is reflected in the content of our work and risk management.

And GEN-I did, in fact, react in a timely and appropriate manner in 2016, primarily by adapting its market strategy. We began cutting back activities relating to long-term products at the beginning of the year, and shifted our focus and knowledge to short-term and intraday activities.

The correct and thus more significant effects of the aforementioned process were evident during the second half of 2016. An even greater impact on results will be seen in 2017 and in the years that follow

11.1. Energy trading

The GEN-I Group established operations on three new intraday energy exchanges (SEEPEX, IBEX and CROPEX) and sold a total of 42.7 TWh in electricity and 1.8 TWh in natural gas. Through operations in 22 countries via 17 subsidiaries, we connect Germany and France in the West with Turkey in the East.

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

Due to the changing market conditions, we completed the process of adapting sales portfolio management in Slovenia and Croatia in 2016. To that end, we thoroughly updated the hedging model by transferring hedging transactions to regional exchanges. We were able to do so on account of the increased liquidity of trading in the region.

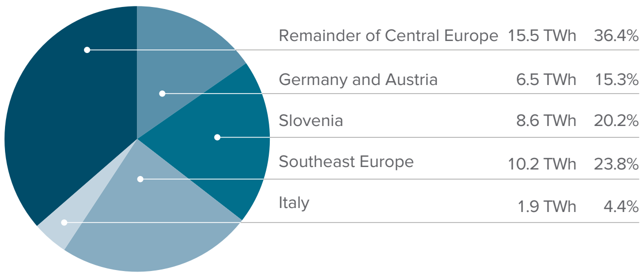


Figure 4: Overview of sales quantities in 2016 by market

Changes to the cross-border trading approach in the European Union, which is gradually introducing a so-called flow-based trading mechanism with the establishment of a single European energy market, require global operations and the global presence of trading companies.

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

Major progress was made in the establishment of a system for capturing real data, and the management of production and consumption by end-customers on the ancillary services market in Austria. With the aforementioned system, GEN-I can unite several small producers and users in a virtual power plant used to manage the intraday market, the deviation market and the ancillary services market.

In 2016, the GEN-I Group supplied electricity directly to end-customers on six markets, and supplied natural gas to end-customers on three markets.

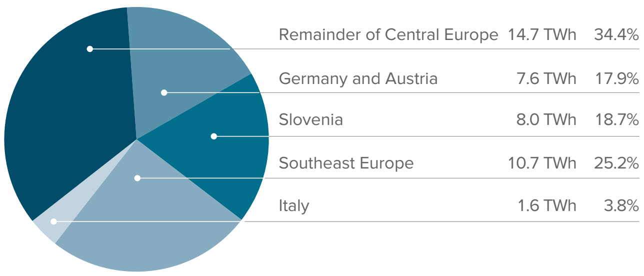


Figure 5: Overview of purchased quantities in 2016 by market

The GEN-I Group remains a leading electricity trader on the markets of Southeast Europe and an increasingly progressive player on the liquid markets of Western Europe. The GEN-I Group constantly strives for the right balance between global trading principles and local sales approaches as the basis for high-quality and reliable partnerships on wholesale and retail energy markets.

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

In 2016, GEN-I was present on 22 markets in Central and Southeast Europe in various stages of development. The primary focus was on operations in Southeast Europe where, during an extraordinarily demanding year in 2016, we maintained our leading role in cross-border electricity trading and in the supply of electricity to end-customers.

Through our activity on 12 European energy exchanges, we reinforced our position as one of the most respected players on the energy market in Central and Southeast Europe. The most important markets in the Group's portfolio include Slovenia, Hungary, Serbia, Bosnia and Herzegovina, Macedonia, Bulgaria, Romania, Germany, Austria, Greece and Italy, followed by the Czech Republic, Slovakia, Turkey and other markets in Southeast Europe. We also maintained and even strengthened our market shares in Central Europe on account of financial trading.

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

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

Slovenia is our most important retail market, where we supply electricity using the optimal combination of available sources from our overall portfolio.

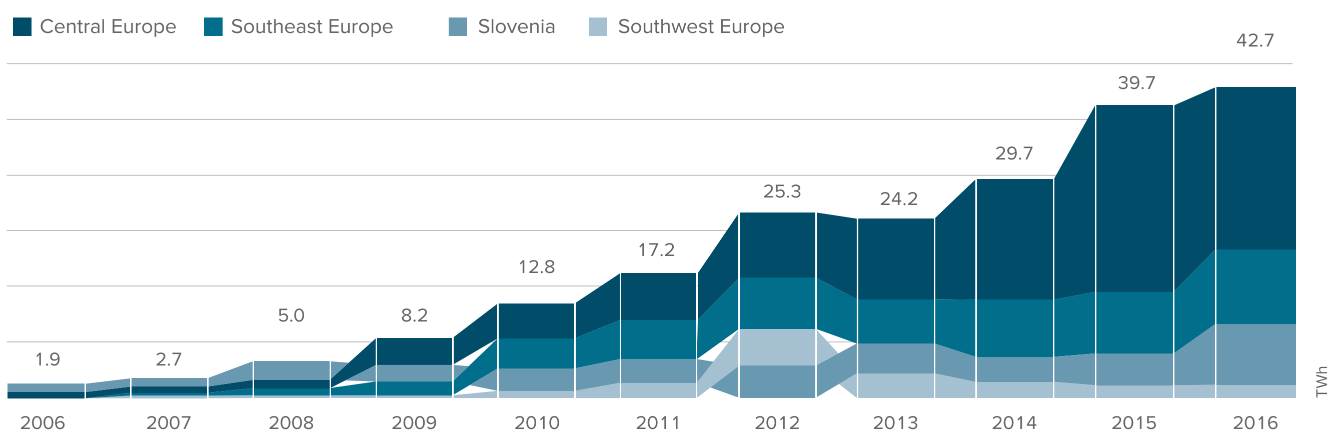


Figure 6: Electricity sales in the GEN-I Group in TWh

11.2. Sales of energy products to end-customers

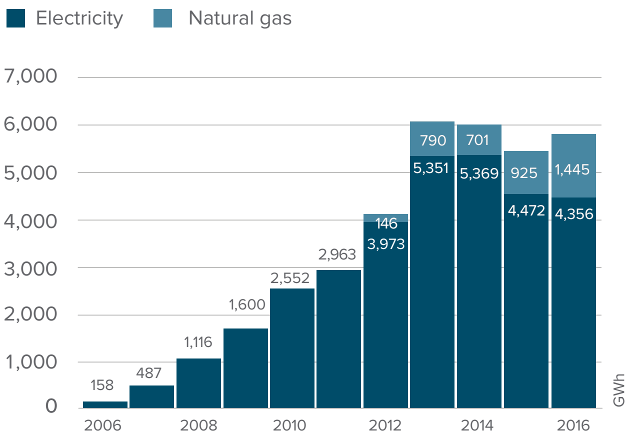


Figure 7: Quantities of electricity and natural gas supplied to end-customers in GWh in the period 2006 to 2016 on all markets combined

In 2016, the GEN-I Group supplied nearly 6 million MWh of electricity and natural gas to end-customers in Slovenia, Croatia, Austria, Serbia, Italy, Albania and Macedonia. Contributing most to overall growth was natural gas, which the GEN-I Group supplied in historically high annual quantities.

The B2B segment accounted for the highest proportion of electricity and natural gas sales to end customers (80% or 4,629 GWh), while the B2C segment accounted for 20%.

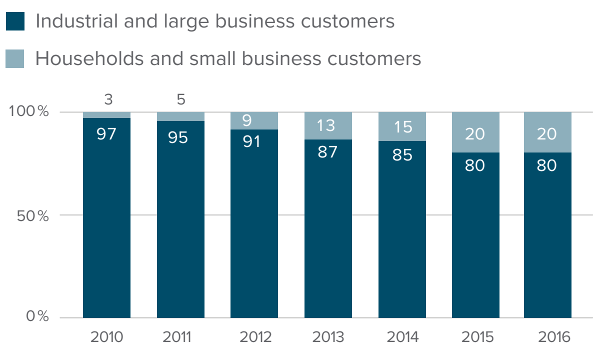


Figure 8: Sales quantities and structure of electricity and natural gas consumption from GEN-I from 2010 to 2016

Electricity market

In 2016, GEN-I successfully defended its position as the most affordable electricity supplier in Slovenia. GEN-I thus supplied 2,422 GWh of electricity to large and medium-sized business customers in 2016 and 804 GWh of electricity to households and small business customers, together representing a market share of 23.2%. We recorded 17.5% growth in quantities supplied to large and medium-sized business customers in 2016 relative to 2015 when 2,061 GWh of electricity was supplied. We achieved 12.5% growth in electricity supplied to households and small business customers in 2016 relative to the previous year when 714 GWh of electricity was sold.

We had a total of slightly more than 150,000 electricity customers in 2016.

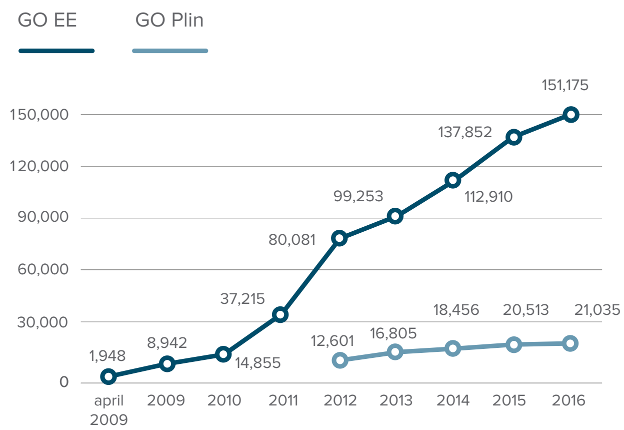


Figure 9: Growth in the number of household and small business electricity customers from 2009 to 2016

The Company consolidated its position as the largest purchaser of electricity from producers who use renewable resources and high-efficiency cogeneration plants. It purchased 430 GWh of electricity, an increase of 40% relative to the previous year. That increase was primarily the result of new producers via a Borzen Eco balance group auction, where we were the most favorable bidder.

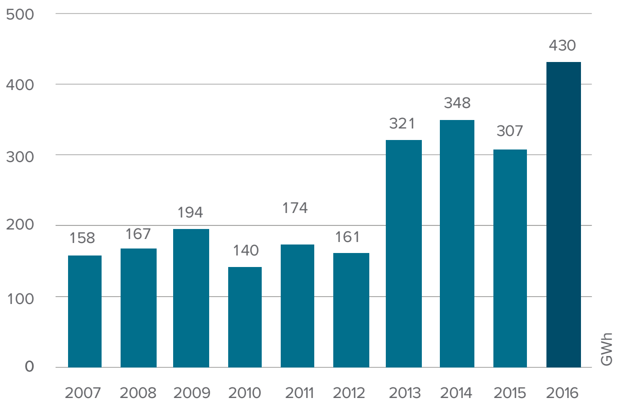


Figure 10: Quantities of electricity purchases from Slovenian producers that use renewable energy sources and high-efficiency cogeneration plants from 2007 to 2016

There was a sharp decline in sales quantities in Croatia during 2016 as the result of strategic decisions and a reduction in sales activities, primarily in the business customer segment. A total of 422 GWh of electricity was thus supplied to end-customers in Croatia during the year.

We supplied 446 GWh of electricity to business customers in Austria in 2016, an increase of 73% relative to 2015 as the result increased sales activities.

We did not encounter any major changes on the electricity markets in Italy and Serbia relative to the previous year, and thus supplied 88 GWh and 67 GWh of electricity, respectively, in 2016.

2016

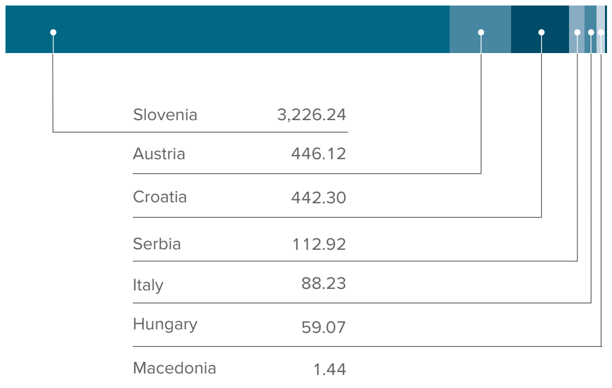


Figure 11: Sales quantities in the end-customer segment by market

Natural gas market

We entered the Slovenian natural gas market in September 2012, and have maintained our position as the second largest natural gas supplier in Slovenia through reliable supply and competitive prices. We supplied 1.4 TWh of natural gas in 2016, including 283 GWh to more than 21 thousand households and small business customers.

Growth is evident in both the business customer segment and the household segment. The reason lies in a more intensive sales strategy during 2016.

If we compare the B2B segment from 2013 to 2016, it is evident that consumption in 2013 was more or less comparable with consumption in 2016, although the number of customers was lower than in 2016. The main reason lies in the very cold winter of 2013.

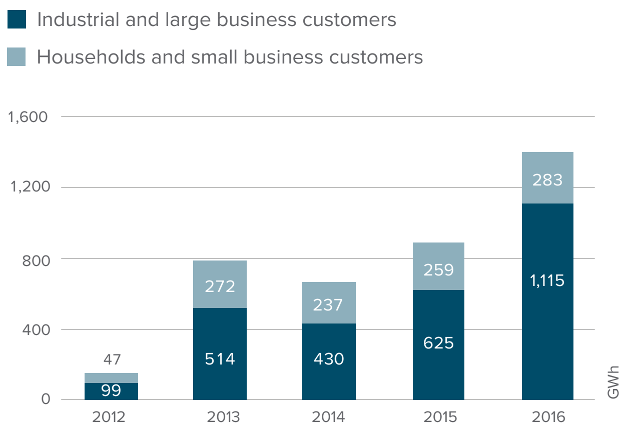


Figure 12: Quantities of natural gas supplied to end-customers (separately for the B2B and B2C segments) in GWh in the period 2012 to 2016

There were no significant changes on the Austrian natural gas market relative to the previous year. We supplied 46 GWh of natural gas in 2016, representing growth of 13% relative to 2015.

11.3. GEN-I Sonce

GEN-I has been active in recent years in the production of electricity from renewable resources, as it is the largest purchaser of the aforementioned source of energy from small producers. With the establishment of the subsidiary GEN-I Sonce, it has taken an even more active approach in the area of energy efficiency. In 2016, we began to establish a model that will provide end-customers comprehensive and innovative solutions for the self-sufficient supply of electricity. Our goal over the coming years is to establish the company as a successful and reliable partner to customers whose objectives are the self-sufficient supply of green energy and energy independence, primarily in Slovenia and later throughout the region.

The Slovenian market for the construction of solar power plants is still in its initial phase of development. We therefore assess that this area offers a great deal of potential. Electricity production in Slovenia totaled 15,100 GWh in 2015. Of that amount, 4,654 GWh of electricity was produced from renewable resources, accounting for 31% of total electricity produced. In absolute terms, however, the majority of green energy is still produced by hydroelectric power plants. Energy produced from the sun and wind accounts for a negligible proportion. A total of 274 GWh of electricity was produced by solar power plants, representing less than 2% of total production.

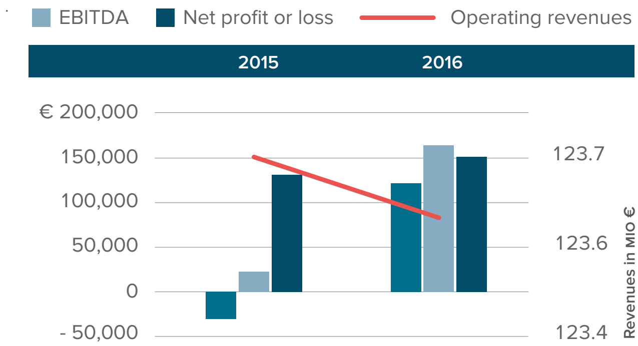
GEN-I Sonce's first activities were aimed at promoting the optimization of the energy efficiency of buildings, for which it offered and implemented solutions for customers. Since November 2016, the company has offered households and small business customers the option of purchasing, delivering and installing solar power plants for the self-sufficient supply of electricity and thus energy independence. In addition to private solar power plants, the company also offers customers the transition to state-of-the-art heat pumps for their heating needs. GEN-I Sonce's greatest competitive advantage is its comprehensive solution, which includes not only the construction of solar power plants, but also the associated insurance, maintenance and financing. GEN-I Sonce received authorization in 2016 from the Ministry of Economic Development and Technology for the provision of services on installment. It thus offers potential investors the purchase of a competitive solution for cash payment, or based on installment payments over the medium and long term.

For the purpose of financing projects aimed at increasing the production of electricity from renewable resources in Slovenia, reducing CO2 emissions and increasing energy efficiency, GEN-I Sonce was the first company in Slovenia and the wider region to issue so-called green bonds, a process in which it took into account global best practices in the aforementioned area and acted in accordance with the non-binding Green Bond Principles issued by the International Capital Markets Organization.

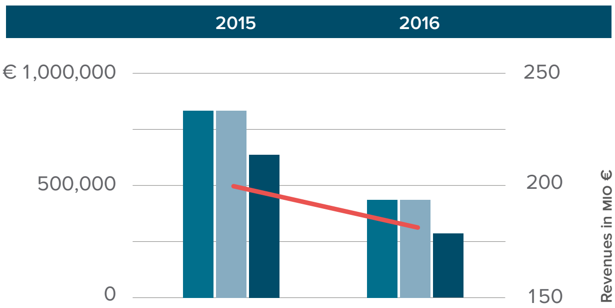
We believe that GEN-I Sonce's business model is in line with the key challenges set out in Slovenia's strategy in this area, one of which is to contribute to the maximum social benefits of the transition to a low-carbon society by keeping economic, social and environmental costs to a minimum. The business model is also in line with the principles of sustainable development and allows the company to develop opportunities in terms of investments, new technologies, employment and improvements in the quality of life.

12. PERFORMANCE OF SUBSIDIARIES

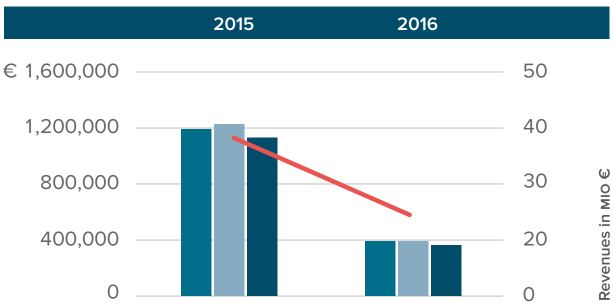
GEN-I Zagreb d.o.o.	2015	2016
Operating revenues	123,714,844	123,633,785
EBIT	-32,071	123,240
EBITDA	23,815	166,864
Net profit or loss	133,014	153,688
Assets	12,807,491	10,808,440
Equity	1,111,972	1,145,254
Liabilities	11,695,518	9,663,186



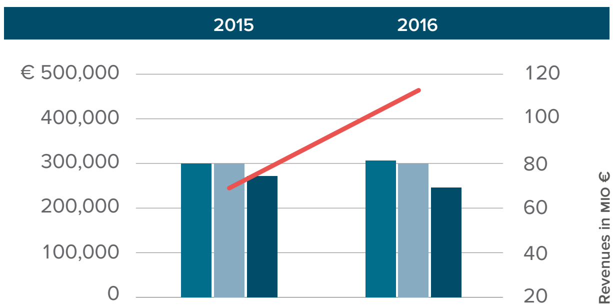
GEN-I d.o.o. Beograd	2015	2016
Operating revenues	199,643,323	179,760,244
EBIT	833,605	441,129
EBITDA	839,629	447,038
Net profit or loss	648,197	281,401
Assets	24,244,000	20,935,298
Equity	1,279,171	902,222
Liabilities	22,964,828	20,033,075



GEN-I Tirana Sh.p.k.	2015	2016
Operating revenues	37,694,190	19,849,990
EBIT	1,240,312	407,397
EBITDA	1,241,829	408,506
Net profit or loss	1,167,241	370,939
Assets	19,211,737	8,377,549
Equity	1,284,376	479,012
Liabilities	17,927,361	7,898,537

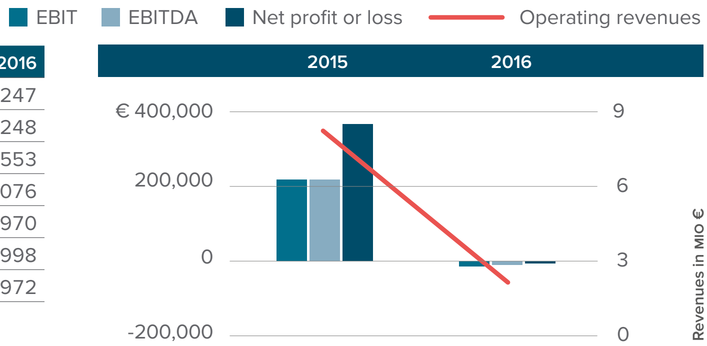


GEN-I d.o.o. Sarajevo	2015	2016
Operating revenues	62,697,858	115,749,908
EBIT	299,590	302,416
EBITDA	300,026	302,753
Net profit or loss	269,564	248,209
Assets	14,433,609	9,954,320
Equity	780,856	759,501
Liabilities	13,652,753	9,194,819

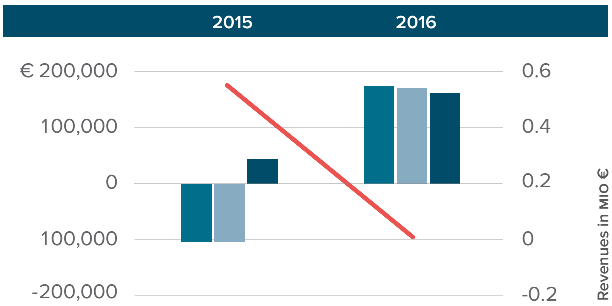


GEN-I DOOEL Skopje	2015	2016
Operating revenues	0	0
EBIT	-673	-1,396
EBITDA	-673	-1,396
Net profit or loss	-673	-1,396
Assets	9,381	9,017
Equity	9,378	7,949
Liabilities	3	1,067

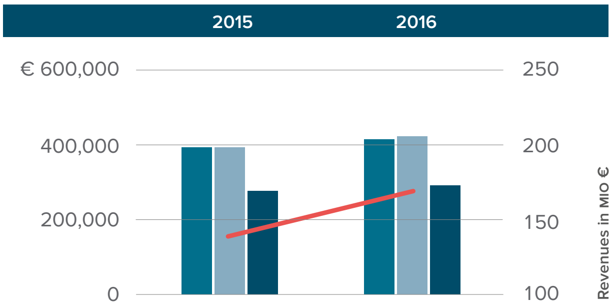
GEN-I Bucharest S.r.l.	2015	2016
Operating revenues	8,365,863	2,150,247
EBIT	220,056	-8,248
EBITDA	220,466	-7,553
Net profit or loss	364,064	1,076
Assets	1,833,355	577,970
Equity	916,519	557,998
Liabilities	916,836	19,972



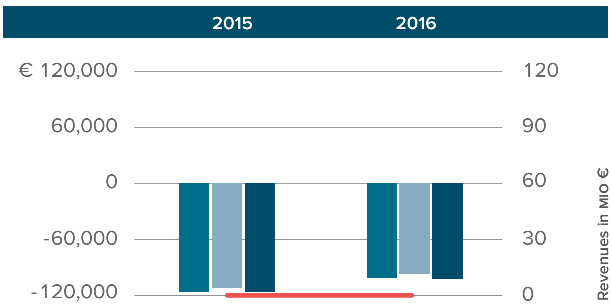
GEN-I Sofia SpLLC	2015	2016
Operating revenues	561,609	10,285
EBIT	-109,247	183,926
EBITDA	-108,210	184,805
Net profit or loss	46,786	171,830
Assets	3,484,499	3,031,158
Equity	-31,036	140,794
Liabilities	3,515,535	2,890,364



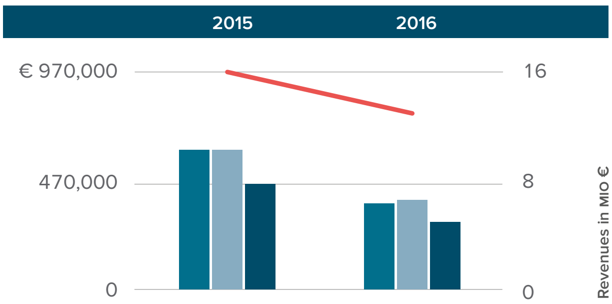
GEN-I Athens SMLCC	2015	2016
Poslovni prihodki	139,818,551	169,270,015
EBIT	391,447	419,760
EBITDA	392,530	420,990
Net profit or loss	273,754	290,585
Assets	10,628,671	15,575,026
Equity	473,754	490,585
Liabilities	10,154,917	15,084,441



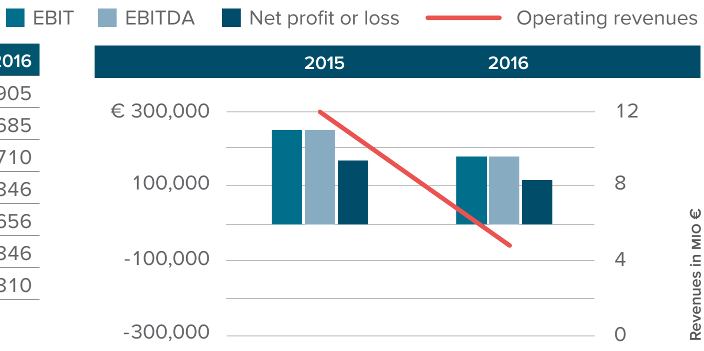
GEN-I Budapest Kft.	2015	2016
Operating revenues	0	0
EBIT	-119,083	-104,719
EBITDA	-115,873	-101,508
Net profit or loss	-117,314	-105,738
Assets	62,260	9,900
Equity	54,448	-51,290
Liabilities	7,812	61,189



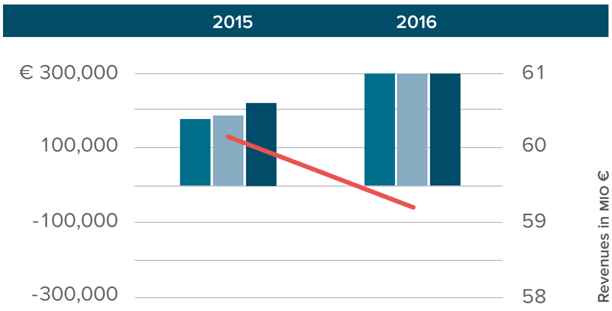
GEN-I Vienna GmbH	2015	2016
Operating revenues	16,576,833	13,795,149
EBIT	640,476	403,971
EBITDA	641,751	405,315
Net profit or loss	478,590	302,056
Assets	2,667,340	6,097,232
Equity	578,590	402,056
Liabilities	2,088,750	5,695,176



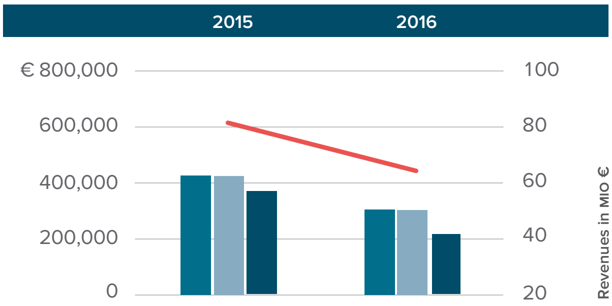
GEN-I Energia S.r.l.	2015	2016
Operating revenues	11,980,715	4,680,905
EBIT	251,567	176,685
EBITDA	251,567	176,710
Net profit or loss	168,360	117,846
Assets	2,098,689	2,469,656
Equity	372,443	237,846
Liabilities	1,726,247	2,231,810



GEN-I Istanbul, Ltd. Şti	2015	2016
Operating revenues	60,176,575	59,180,466
EBIT	178,085	301,885
EBITDA	184,226	307,442
Net profit or loss	218,109	333,562
Assets	9,673,602	7,973,910
Equity	865,146	859,674
Liabilities	8,808,456	7,114,236



GEN-I Energy Sales DOOEL Skopje	2015	2016
Operating revenues	81,671,391	63,637,722
EBIT	448,376	320,735
EBITDA	448,753	321,174
Net profit or loss	388,908	225,490
Assets	12,954,405	7,418,320
Equity	497,036	332,799
Liabilities	12,457,369	7,085,521



GEN-I Sonce d.o.o.	2015	2016
Operating revenues	0	12,058
EBIT	-56,336	-27,759
EBITDA	-56,336	-27,759
Net profit or loss	-56,349	-28,246
Assets	11,359	29,353
Equity	-12,900	-41,146
Liabilities	24,259	70,499

LLC GEN-I Kiev	2015	2016
Operating revenues	0	0
EBIT	-6,698	-48,989
EBITDA	-6,698	-48,989
Net profit or loss	-6,023	-46,797
Assets	45,813	48,985
Equity	43,216	42,510
Liabilities	2,597	6,475

LLC GEN-I Tbilisi	2015	2016
Operating revenues	0	0
EBIT	-2,165	-2,825
EBITDA	-2,165	-2,825
Net profit or loss	-175	-111
Assets	49,722	46,384
Equity	49,485	46,023
Liabilities	237	361

13. FINANCIAL MANAGEMENT

Following a decade of successful organic growth, last year the GEN-I Group completed the implementation of a project established in 2015 to purchase Elektro energija, another company from the energy sector. In conjunction with the purchase of Elektro energija, GEN-I became the owner of a 27.5% participating interest in GEN-EL, which at the same time owns half of GEN-I.

Confirmation of GEN-I's financial stability following the purchase of Elektro energija and a participating interest in GEN-EL was verified in advance with all financial partners. Consent was also obtained separately from each of those partners. Seeking consent was that much easier, as the necessary funding was secured via equity and cash flows from ordinary operations. Additional borrowing for that purpose was thus not required.

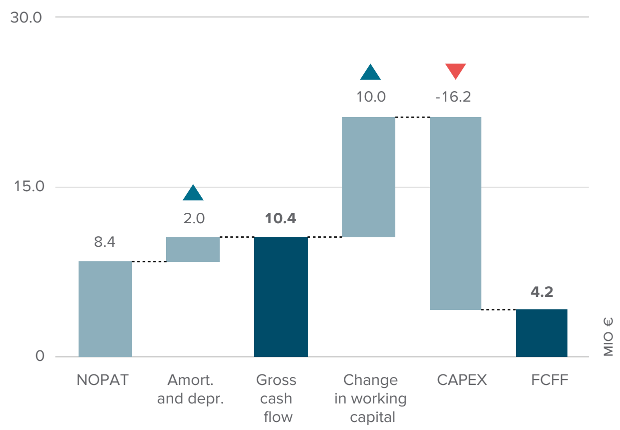


Figure 13: Surplus liquidity in 2016

Debt and net debt

GEN-I, d.o.o. remains responsible for financing the entire GEN-I Group. This includes sources of financing secured from banks and on the capital market. The structure of the Company's financing changed in 2016 in favor of non-current sources. As a result, financial debt was up sharply at the end of 2016 relative to 2015, while net debt did not rise, as the majority of funds went unused due to a strong cash flow and a positive balance of working capital. The balance of cash and cash equivalents was up by EUR 26 million at the end of 2016 relative to 2015.

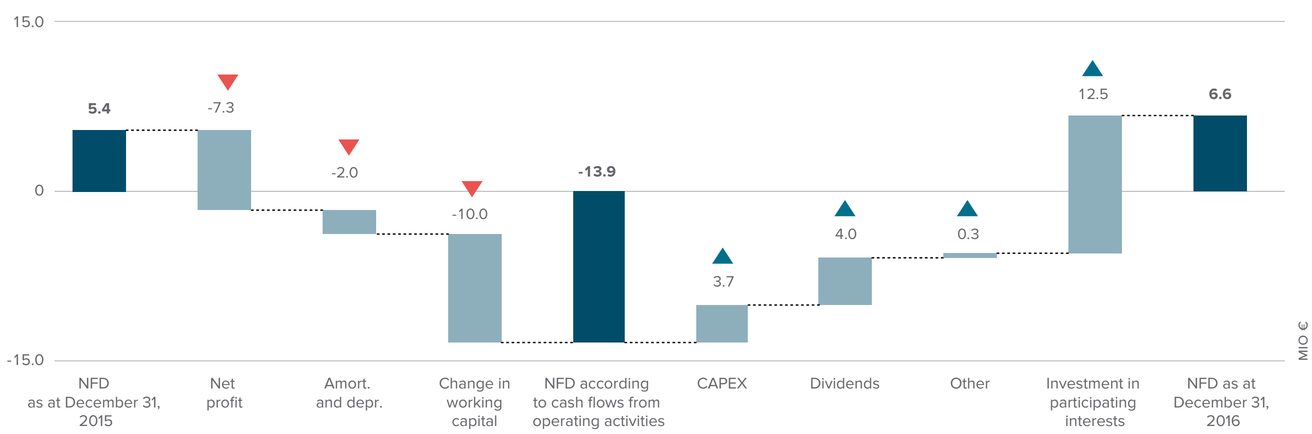


Figure 14: Net debt/EBITDA

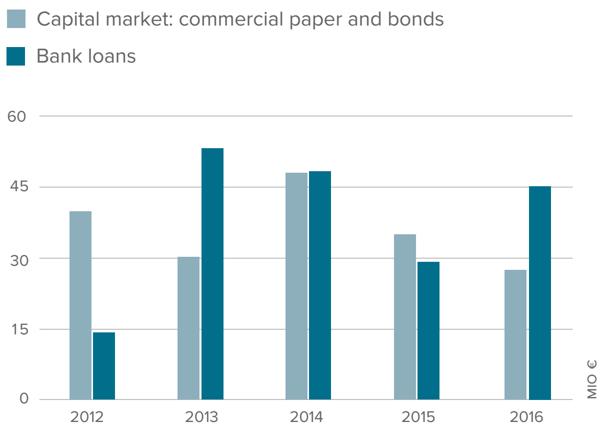


Figure 15: Debt to equity

Similar to all previous years, the GEN-I Group ended 2016 with a low net financial debt to EBITDA ratio.

The purchase of Elektro energija and a participating interest in GEN-EL were received positively by investors on the capital market, where excess demand for investments in the debt capital of GEN-I has been recorded. For the fourth year in a row, the Company offered all investors the opportunity to purchase commercial paper, and in 2016 was the first company in Slovenia to issue long-term three-year bonds.

The GEN-I Group continues to maintain a diverse portfolio of sources of financing, which significantly reduces refinancing risks and the need for sources from banks. On the final day of the previous year, 37% of the GEN-I Group's debt was accounted for by liabilities to banks, while liabilities to other investors from the issue of commercial paper and bonds accounted for its remaining debt. The GEN-I Group continues to maintain sound secondary liquidity reserves, as it still had close to EUR 50 million in unused credit lines at banks during the year.

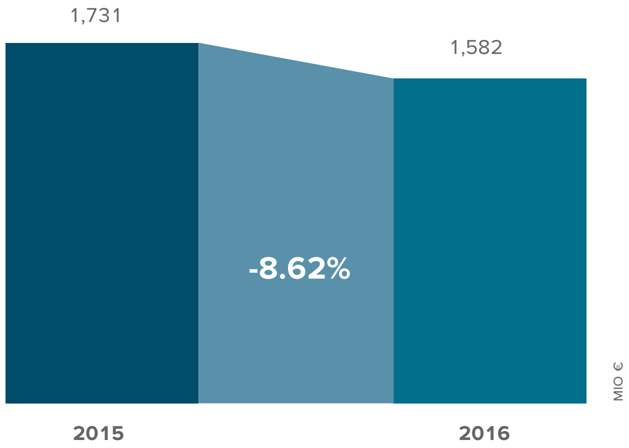


Figure 16: Sales revenue in EUR million in 2015 and 2016

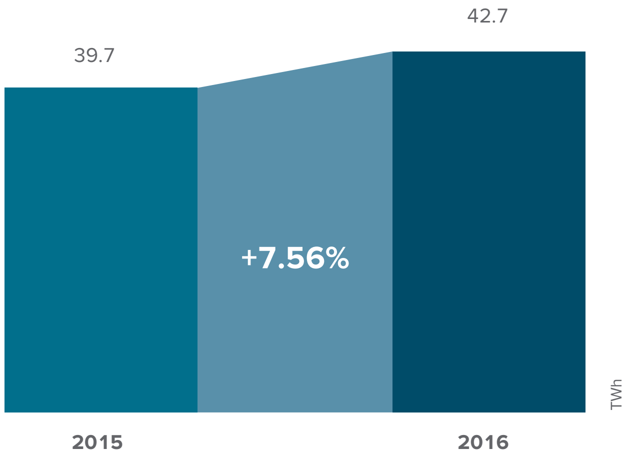


Figure 17: Sales quantities in TWh in 2015 and 2016

Revenues

The electricity market continues to search for the optimum price at all lower levels, primarily due to the rising production of green energy. This can be seen in the 8% drop in the average day-ahead price in Germany in 2016. A sharper drop in revenues was prevented through moderate growth in electricity sold in the amount of 42.7 TWh, compared with 39.7 TWh in 2015.

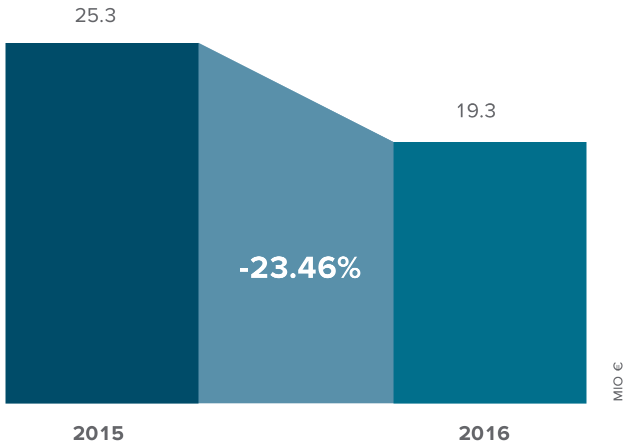


Figure 18: Gross operating profit in EUR million in 2015 and 2016

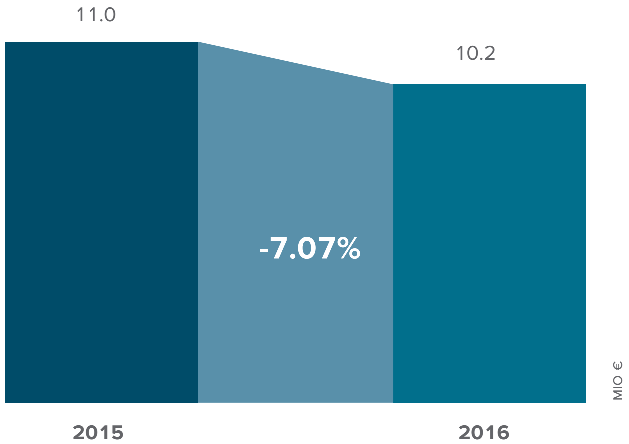
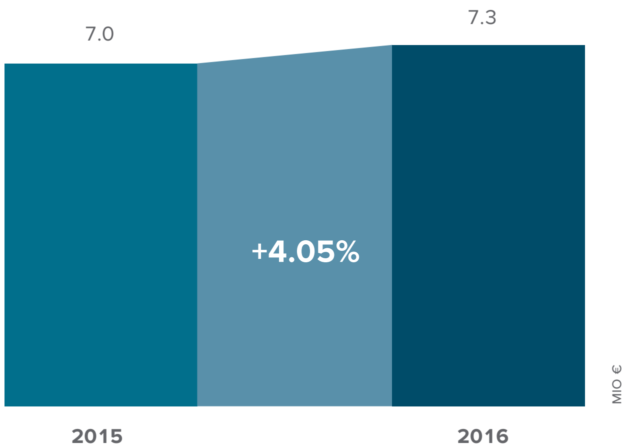


Figure 19: Operating profit (EBIT) in EUR million in 2015 and 2016



Slika 20: Net profit in EUR million in 2015 and 2016

Gross margin, EBIT and net profit

Due to the Company's hedge accounting method, gross margin does not represent a relative comparison with the previous year. EBIT paints a more accurate picture, and includes hedging items, i.e. the effect of the hedging of electricity positions, and was unchanged relative to 2015. Net profit, which was up 4% relative to the previous year, paints an even better picture.

Capital structure and total assets

The GEN-I Group successfully raises the level of its capital every year on account of the operating profit it generates. The rational dividend policies of both owners also contribute to the rising level of capital, as only a portion of generated profit in the amount of EUR 4 million was paid out in 2016. Capital adequacy, measured as the proportion of capital to total assets, was up in 2016 and once again exceeded 25%.

The acquisition of Elektro energija resulted in an increase in total assets that was completely offset by the optimization of working capital with partners on the wholesale market, which is evident from the significant reduction in operating receivables by nearly EUR 40 million or 18% relative to 2015. That optimization resulted in a reduction in the need for working capital by EUR 10 million.

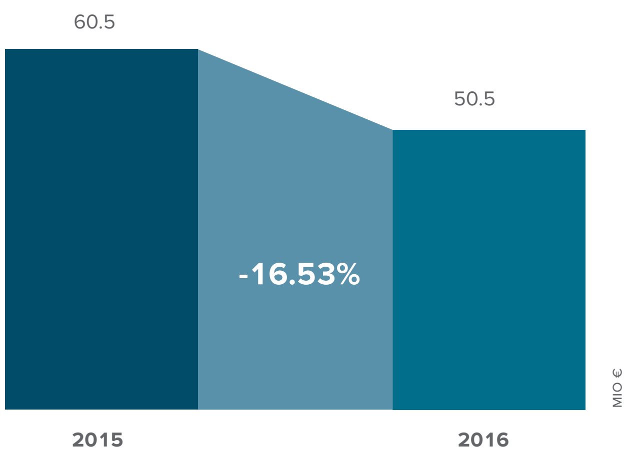


Figure 21: Working capital in EUR million in 2015 and 2016

	DECEMBER 31, 2015	DECEMBER 31, 2016
Operating receivables	222,701,167	183,062,246
Operating liabilities	162,168,018	132,537,854
Working capital	60,533,149	50,524,392

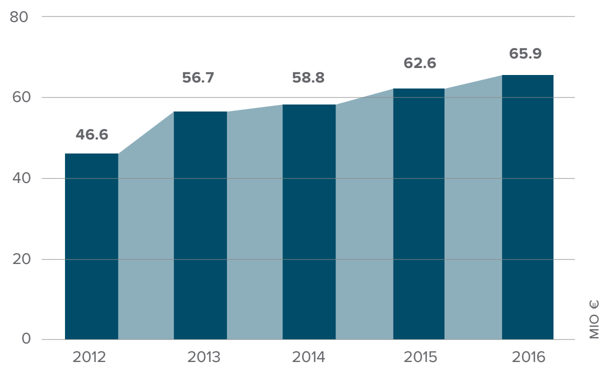


Figure 22: Equity in EUR million from 2012 to 2016

Guarantee potential

The GEN-I Group achieves financial stability with the help of a sophisticated business model, which requires sufficient and high-quality guarantee potential to function. The Group's guarantee potential at local banks was fully rolled over in 2016 and further enhanced by banks with an investment-grade rating (BBB- and higher). The quality of guarantee potential is improving as a result, which ensures acceptability by all partners. The portfolio of guarantee potential thus continues to support the further expansion of the GEN-I Group's operations.

14. RESEARCH AND DEVELOPMENT

One of GEN-I's most recognizable traits is the development of innovative products and business models, the primary aim of which is to generate added value for our business partners.

The majority of the GEN-I Group's innovations in 2015 and 2016 were achieved in the development of demand response services and dispersed generation for the purpose of providing secondary and tertiary control on ancillary reserve market. Following a successful initial phase, we are planning to continue expansion on the secondary reserve market in Austria and Slovenia in 2017, 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.

The Company is an active partner in the international FutureFlow project in the area of smart networks. The aim of the aforementioned project is to provide advanced solutions for cross-border cooperation between transmission system operators in the exchange of secondary regulation ancillary services, which are ensured through demand response and dispersed energy sources. The project is being financed by the European Commission in the scope of Horizon 2020 Initiative.

In addition to the aforementioned development projects, the GEN-I Group is also implementing a project aimed at the digitalization of operations. The purpose of the project is to modernize customer relation communication tools. Customers will be offered higher-quality, tailor-made and more user-friendly services on the one hand, while the Company will gain more effective access to target groups of customers and thus reduce the costs of sales and aftersales activities on the other. The digitalization project is not limited strictly to communication with customers, but also encompasses the upgrading and digitalization of the Company's internal processes.

Rapid growth in e-mobility has presented an opportunity that opens the door to expand electricity consumption to the transport sector. One unanswered question is how GEN-I, as an electricity supplier, should enter the e-mobility market: passively or actively. In the scope of the e-mobility project, we will answer that strategic question by researching the market and developing potential products, through which we will offer e-mobility services to business and household customers.

15. INVESTMENTS

The GEN-I Group's investments are aimed to a lesser extent at providing an appropriate work environment and conditions for employees, and to a greater extent at investment maintenance (upgrades) and the development of new aids and tools. Due to the types of transactions and nature of the GEN-I Group's operations, the aforementioned aids and tools rely exclusively on the use of the appropriate information and communication technologies (ICT). We are thus talking exclusively about investments in IT aids and tools.

In 2016, we completed the majority of investment projects in the scope of the intensive investment cycle that began in 2012. During that period, we made extensive investments in the comprehensive upgrading of the basic ICT infrastructure and tools used to support energy sales to end-customers. The aim of that upgrade was to ensure an appropriate IT platform that will facilitate the implementation of business plans and strategies that envisage an increase in the number of customers and the provision of increasingly complex services. Investments in support for energy trading in 2016 were earmarked primarily for the continued development of support for short-term trading and adaptations to the requirements of the European EMIR and REMIT.

16. RISK MANAGEMENT

By expanding its presence to the international business environment in the areas of trading and the supply of energy products, GEN-I has become an important player in the wider social environment. This requires us to be even more responsible when developing the processes and activities that will ensure the Group's long-term existence. By expanding the international trading infrastructure, entering new markets and developing new products, the GEN-I Group is improving the competitiveness of its solutions, which are no longer merely our wish, but are demanded by customers, producers and business partners. The Group is aware that business opportunities and an expanded range of services are linked to risks. This requires GEN-I to invest additional effort in the management of operational, credit, market and legal risks.

We ensure the sustainable development of the GEN-I Group and the stability of its operations primarily through clearly defined tasks allocated to individual departments, and through active risk management within those departments. The centralized risk management department is responsible for effectively identifying, reviewing, managing and reporting on exposures to various risks, both at the Company and at GEN-I Group level. That department is completely separate and independent, and reports directly to the Management Board. Its tasks in the broadest sense, in addition to spreading a culture of risk management, are to coordinate the management and minimization of risks of other departments, and to coordinate the functioning of departments if extraordinary events occur that could result in negative effects on the Group's operations. In addition to comprehensive risk-review functions, the credit committee and Management Board also control the risk management department's effectiveness.

A great deal of attention is also given to the upgrading of complex models for monitoring and combining risks, and to the active management of operational limits with the aim of ensuring the appropriate allocation of capital earmarked to ensure the long-term business sustainability of the Group. In order to improve effectiveness and to ensure the timely recognition of uncertainties, we have clearly defined risk management activities in the event of expected and unexpected deviations that could affect the Group's operations.

16.1. Credit risk

The low liquidity of partners on the retail market and the increasingly restrictive credit policies of partners on the wholesale market require additional attention in the building of a high-quality portfolio of partners and collateral. 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.

The adverse economic conditions and the increased likelihood of partners' failure to fulfill contractually defined obligations require us to give special attention to credit risk management. Several departments are therefore actively included in the credit risk management process. In addition to the risk management department in the role of coordinator, the treasury department, the legal department, the key accounts department, the trading department and the collections department are also involved in the process. The credit risk management process is thus enhanced during the building of the portfolio through the careful selection of partners, and by continuing the practice of periodically reviewing the credit quality of partners through the assignment of credit ratings.

Credit risk management strategy

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. When optimizing the portfolio and selecting partners, the Group follows a precisely defined process of assessing partners based on information obtained via an extensive questionnaire, and assigns partners to credit rating categories based on an internal credit rating model or information obtained from ratings agencies. The internal credit rating model serves as the basis for determining the maximum unsecured portion of transactions with a partner, taking into account the diversification of the portfolio and the amount of capital earmarked for credit risks, in addition to a partner's credit rating. 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. The terms defined in this process are consistently applied in all phases of negotiation and in the execution of contracts. For each decision, we ensure that new contracts are still within the agreed limits by monitoring current market exposure and the fulfillment of payment obligations.

Credit lines

We pay particular attention to the international aspect of our operations, as we often deal with the same partner or related parties on several different markets. The final credit assessment is therefore adjusted to reflect the specific situation created by local legislation on each individual market. The assessment depends primarily on a partner's performance, in particular their creditworthiness, liquidity, financial security, profitability and performance indicators. We are particularly concerned with obtaining current market data, as the status of individual partners may change quickly in altered market conditions or as a result of regulatory changes. 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.

Hedging instruments

On developed markets, the Group makes use of the organized market and the services of clearing houses which, with their strict and well-defined operating conditions, minimize (or eliminate) the level of credit risk between market participants. Contractual obligations that arise from transactions with partners are secured using various forms of collateral, depending on the associated credit ratings and contractual conditions. The Group typically uses investment-grade collateral instruments to secure its receivables, as they guarantee the successful repayment of overdue receivables if contractual obligations are not fulfilled by a counterparty. The most common form of collateral used in electricity and natural gas trading is a bank guarantee. Parent company guarantees represent another frequently used form of collateral. The amount of such a guarantee is determined based on the prior assessment of a parent company's creditworthiness. If business partners fail to fulfill their contractual obligations, these are assumed by the parent company, which usually has more capital at its disposal.

In addition to the aforementioned collateral instruments, we use collateral in the form of bills of exchange and enforcement drafts and, in rare cases, inventories, when selling electricity and natural gas to end-consumers on the domestic market. In addition to hedging risks associated with the Group's portfolio, a highly diversified portfolio of collateral is required for the issue of guarantees required by partners for our liabilities to them. Of key importance are the credit ratings of the banks that issue collateral instruments. The credit ratings of correspondence banks remain relatively low. We therefore regularly monitor the evolution of issued credit potential with the aim of optimizing the use thereof. The Group regularly expands the portfolio of foreign banks and banks under majority foreign ownership with which it does business to ensure an appropriate level of available credit lines.

Monitoring exposure

The model for monitoring credit exposure takes into account the daily dynamics of payments for contracts with different contractual parameters. Both exposure due to default and exposure due to undelivered/acquired energy from unfulfilled contractual obligations are measured. In the associated calculation, we measure both the current value of exposure and the future value of exposure by measuring for each future day separately. In their daily work, both traders and key account managers verify whether transactions with a specific partner are within the permitted limits. New transactions are concluded with partners if credit exposure does not exceed established limits. An additional control mechanism to ensure we are operating within defined limits is provided by the portfolio controlling department and the risk management department.

In addition to measuring exposure to individual partners, the Group also carries out credit risk analyses and performs stress tests at the level of the portfolio, individual companies and the Group using the Conditional Value-at-Risk (CVaR) methodology, which relies on assigned credit ratings and the Monte Carlo methodology for generating random scenarios of default by partners.

16.2. Market risks

We exploit our expertise on energy markets to search for potentials that derive from the highly diversified portfolio of the GEN-I Group. We are aware that those opportunities are closely linked to risks that could affect the value of the Group's portfolio. We therefore ensure the continuous development of tools to successfully manage those risks. In addition to the proper aggregation of risks, the development and constant upgrading of models for measuring exposure to market risks represent one of the main goals of the risk management department, as this facilitates the continuous and comprehensive monitoring of such risks at the Group level.

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

Price risks on energy markets

In its operations on energy markets, the Group encounters infrastructure changes, blockages in cross-border transfer paths, and changes in consumption and production. The majority of factors result in a change in energy prices on the market and thus the value of the portfolio. We manage market risks that arise in association with products that are tied to an exchange index and when transactions on the purchase and sale sides of the portfolio are not fully matched. For the purpose of hedging positions in the sales portfolio, we minimize risks to a great degree with immediate purchases on the wholesale market. Hedging rules, as well as exposure in terms of quantity and transaction approval, are described precisely in the Group's rules. The actual amount of open positions is controlled by the portfolio controlling department and the risk management department. Daily positions and changes thereto, as well as a comprehensive overview of the evolution of changes, are controlled and reported daily, in accordance with the Group's policy, to key departments that are involved in daily portfolio management processes, including the risk management department.

The management and optimization of the global trading portfolio are the responsibility of traders, with support from the market and portfolio analysis department. We use derivatives as hedging instruments on Western markets with a high level of correlation when managing the global portfolio, which includes both Western partners and partners from the less-liquid markets of Southeast Europe. In addition to derivatives, we also invest in the purchase of cross-border transfer capacities to hedge positions in the global portfolio. The aforementioned capacities serve as a link between the illiquid markets of Southeast Europe and highly liquid Western markets.

A smaller proportion of trading is accounted for by proprietary trading, where portfolios are strictly segregated from one another and facilitate an effective and quick overview of risks. Absolute limits, which define the maximum permitted risk and may never be exceeded, place strict limitations on proprietary traders, while trading is limited to liquid Western markets. The Value-at-Risk (VaR) and CVaR methodologies are used to calculate market risk. The model facilitates the verification of risk exposure prior to the execution of a transaction (pre-deal check) and thus contributes to minimizing the risk of exceeding limits.

A 99% confidence interval is applied when calculating the risks of all portfolios using VaR and CVaR indicators, which are also adjusted using liquidity factors as appropriate.

We continuously invest in and enhance 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 of those strategies, 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.

Currency risks

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

The Group continued upgrading its model used to measure exposure to currency risks in 2016. When integrated with the tool for optimizing energy product portfolios, the aforementioned model will facilitate the further minimization of currency risks, the drafting of scenario analyses and an overview of future exposure.

Interest-rate risks

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

Quantity risks

Quantity risks are a special form of market risk 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 quantity risks by providing comprehensive information support for the long-term and short-term forecasting of electricity and natural gas supply and consumption, and by consistently monitoring quantity deviations at the majority of metering points that are included in the GEN-I balance group. The early detection of changes to consumption quantities is ensured by effective communication between the Group and its customers, thus mitigating quantity risks. 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.

Due to an increase in the portion of the portfolio accounted for by sales to end-customers and the increased uncertainty associated with the unpredictability of consumption without the recording of hourly measurements, we upgraded the forecasting model for this segment. That model is also used successfully on foreign markets.

In addition to models for forecasting electricity consumption, we also developed the appropriate models for forecasting the consumption of natural gas. All internally developed models are tested based on historical data and on the daily monitoring of errors in forecasting relative to actual consumption and production.

We are exposed to quantity risks in contracts where partners have limited options to change electricity quantities on a daily or monthly level, or in contracts where the supply of energy products is not guaranteed. We manage these risks by simulating the most likely changes in quantities in advance based on the current and expected market conditions. The Group uses contractual clauses in certain contracts with higher consumption quantities. The aforementioned clauses facilitate the settlement of costs that arise due to excessive deviations from previously determined tolerances.

16.3. Liquidity risks

Managing liquidity

The treasury department is responsible for managing liquidity risks. Liquidity is managed centrally by optimizing the liquidity of each company separately and then the liquidity of the Group as a whole. In cooperation with various departments and in line with established operating strategies for the future, a cash flow projection is prepared in advance for a specific period, which facilitates the effective management of liquidity risks. In addition to planned activities, we protect ourselves 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.

We have a precisely defined debt collection procedure in place, as well as a system for sending out late payment reminders and procedures for monitoring customers. We monitor data on blocked bank accounts and changes to the status of legal entities in publicly accessible registers on a daily basis. We are thus able to respond in a timely manner to potential difficulties in the settlement of customers' contractual obligations. We also forecast possible payment delays with the help of statistical indicators and minimize possible short-term liquidity gaps with the appropriate short-term loans. The well-functioning collection process, in which the legal department is heavily involved, is reflected in low levels of overdue unpaid receivables, which in turn contributes further to the more efficient management of liquid assets.

Effects of financial instruments

Financial instruments tied to the supply or purchase of electricity are settled daily and increase overall liquidity risk. They thus require active management. We mitigate liquidity risk by limiting the maximum positions of financial instruments, as defined by the risk management policy, and by forecasting changes in market conditions, as the long-term trend of prices on the wholesale market, in the context of the appropriate combination of financial positions, could have an uncertain effect on the Group's cash flow as a result of the placement of deposits on accounts at clearing houses. Through the proper approach and policy regarding the management of such risks, we model these effects daily as required, and continuously and actively adjust limits.

16.4. 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. Identifying and managing operational risks encompasses corporate processes, the processes of business units and those of individual departments. A large amount of funds are invested in the development of IT support with the aim of mitigating key operational risks. Due to the Group's expansion to new markets and the expansion of the range of products, the Group invests a great deal in the upgrading of back-office systems associated with electricity sales, in information solutions to support short-term trading and the auction and scheduling department, and in the accounting information system to support the accounting and treasury department.

The development of key competencies is monitored during annual performance reviews with employees with the aim of defining clear expectations from the Group's employees, in terms of the desired pattern of behavior, conduct, focus and orientation. The aim is to stimulate a positive and constructive work environment and climate, and to provide professional support in the development of GEN-I Group employees. Competencies are defined on the basis of the corporate culture and core values that we wish to nurture and enforce in accordance with the business and strategic plans of the Company.

Human resource risks

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

Process risks

The GEN-I Group limits process risks using a control system that requires all important transactions to be carried out according to the principle of at least 'four eyes'. These risks are mitigated through clearly defined processes, the unambiguous demarcation of roles, the clear delegation of responsibilities and authority, and by implementing codes of conduct and internal rules. We continuously equip the most important processes with the appropriate IT infrastructure and tools that facilitate the monitoring of implementation, the identification of bottlenecks and audit trails.

IT risks

These risks are 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. Continuous investment in IT infrastructure upgrades is closely linked to automated controls used for individual phases of business processes. This further reduces the possibility of human error and abuse.

16.5. Legal risks

Legal risks comprise risks that 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. The aim is to ensure that the Company transacts with customers for which the assessed risk of failure to fulfill contractual obligations is low. Well-defined contractual provisions also play an important role in managing legal risks. 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).

These agreements address the issues of risk management in great detail, particularly in terms of receivables from the supply of electricity and compensation for damage due to a partner's failure to fulfill their contractual obligations. We use a similar level of contractual provisions in electricity sales contracts. We also ensure the regular monitoring of changes to regulations that govern GEN-I's operations.

16.6. Regulatory risks

Regulatory risks are associated with 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. Regulatory risks are also managed by working closely with individual institutions. In the scope of such cooperation, we attempt to use our expertise, extensive experience and proposals for change to help create a transparent and non-discriminatory business environment on energy markets.

A great deal of attention is given to the upgrading of internal reporting processes in accordance with the requirements of the applicable legislation to ensure the transparency of operations. A project team comprising the market development department, legal department, IT department and risk management department works closely to carefully monitor the compliance of operations with the requirements of sectoral regulations (EMIR, REMIT and others), to continuously develop and upgrade the necessary systems, and to appropriately train and inform employees of the requirements of the aforementioned regulations and required conduct.

Presence on electricity markets

2007

3 markets

Slovenia, Croatia and Serbia

2016

21 markets

Germany, Austria, Hungary, Slovakia, Czech Republic, Switzerland, Slovenia, Italy, Croatia, Bosnia and Herzegovina, Serbia, Kosovo, Montenegro, Macedonia, Albania, Romania, Bulgaria, Greece, Turkey, Ukraine and France

D

SUSTAINABLE DEVELOPMENT

A reliable partner, present in more than 20 countries across the world.

17. RESPONSIBILITY TO EMPLOYEES

We believe that employees are our most valuable commodity. We 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.

Robert Golob, Ph.D.,
President of the Management Board of GEN-I

Growth in the number of employees

With the inclusion of Elektro energija, d.o.o. in the GEN-I Group at the end of 2016, the GEN-I Group had a total of 305 employees at the end of the year.

Employee turnover (excluding the merger with Elektro energija, d.o.o.) was up in 2016 relative to the previous year, to stand at 18.5%. The main reason for the higher rate was the reorganization of the Company in several different areas of operations in Slovenia and abroad. The implementation of a leaner operating plan led to changes in the number of employees during 2016.

The GEN-I Group was joined by GEN-I Sonce, d.o.o. in 2016. The first workers were employed at the newly established company and began performing their work activities during the final quarter of the year.

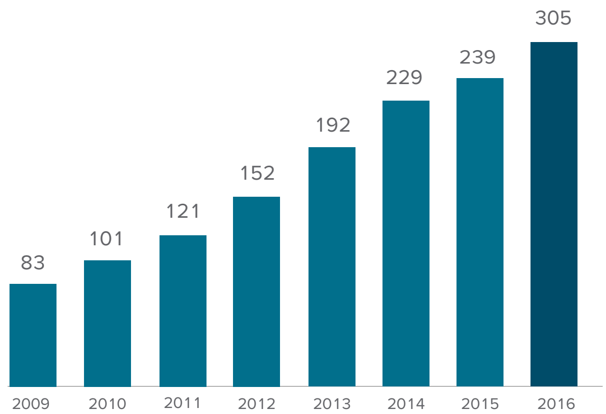
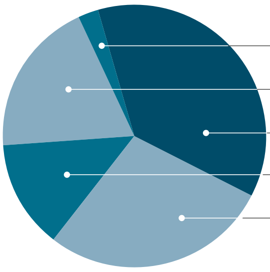
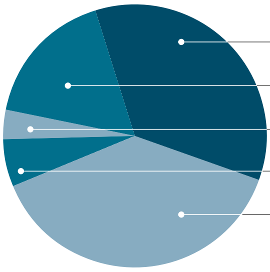


Figure 23: Number of employees in the GEN-I Group



20-25 years	6	2.6%
more than 40 years	45	19.1%
25-30 years	87	37.0%
35-40 years	31	13.2%
30-35 years	66	28.1%

Figure 24: Age structure of employees in the GEN-I Group



Post-secondary school education	83	35.3%
Secondary school education	40	17.0%
Doctorate	8	3.4%
Master's degree	14	6.0%
University education	90	38.3%

Figure 25: Educational structure of employees in the GEN-I Group

The GEN-I Group comprises a team of highly educated employees. More than three quarters of employees have at least a Level VI education, while the proportion of employees with the highest levels of formal education (e.g. a master's degree or doctorate) is around 10%.

The average age of Group employees was 33.64 years in 2016. Close to two thirds of employees were up to 35 years old. The age structure of employees thus indicates a relatively young team. Employment at one of the Group's companies represents the first job for many employees.

Revised organizational structure of the GEN-I Group

To ensure the lean and efficient operations of the Group, we began to revise the Company's internal organizational structure in 2016 in terms of the functioning of processes in various areas. To achieve that objective, we revised GEN-I, d.o.o.'s job classification, which entered into force at the beginning of 2017. With the revised job classification, we established a line of sector directors at the end of 2016. Those persons became a direct strategic link to the Company's executive staff and assumed responsibility for the management of various areas.

'GEN-I-uses' of the year for 2016

We selected 'GEN-I-uses' of the year again in 2016 amongst employees from the entire GEN-I Group. Through the help of nominations by employees, we recognized co-workers who best reflect the Group's corporate culture through their behavior, successes, abilities and work methods. All of that serves as the basis for our successful operations in the business environment.

A five-member committee reviewed all nominations received, and selected finalists and winners based on presented arguments. Nominated employees were joined by three additional employees, who were identified and proposed as candidates for the title of 'GEN-I-uses' by the President of GEN-I's Management Board Robert Golob, Ph.D.

At a ceremony organized at the end of 2016, we praised the qualities and achievements of all 'GEN-I-uses', and thanked them for their efforts and excellence.

18. 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.

We again dedicated special attention to local sports associations and clubs in 2016. This included support for the Gorica and Krško soccer clubs, the GEN-I Voley volleyball team from Nova Gorica, the handball and track and field clubs from Sevnica, the Novo Gorica track and field club, the Novo Mesto women's handball club and the Brežice handball club. At the national level, we also supported the Slovenian Track and Field Association and the Handball Federation of Slovenia.

In the professional field, we earmarked sponsorship funds for activities aimed at education and training, and the search for best energy practices and solutions. In 2016, we also sponsored one of the largest international energy trading conferences, Energy Trading Central & South Eastern Europe 2016.

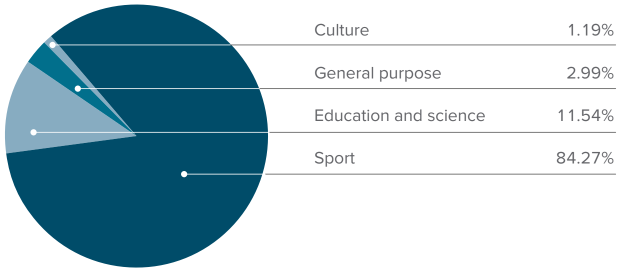


Figure 26: Structure of sponsorships in 2016

19. RESPONSIBILITY TO THE NATURAL ENVIRONMENT

2016 TYPE OF POWER PLANT	GEN-I		ECO BALANCE GROUP		TOTAL	
	NUMBER OF UNITS	VOLUME IN MWh	NUMBER OF UNITS	VOLUME IN MWh	NUMBER OF UNITS	VOLUME IN MWh
Hydroelectric	183	111,190	25	31,585	208	142,775
Solar	1,145	92,517	1,120	79,760	2,265	172,277
Natural gas-powered	33	47,565			33	47,565
Biogas-powered	9	43,602	11	32,020	20	75,622
Cogeneration	20	19,030	63	29,861	83	48,891
Wind	1	0.1	5	0.4	6	0.5
TOTAL	1,391	313,904	1,224	173,226	2,615	487,131

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

We further strengthened our advantage as the largest buyer in 2016, as we were selected in November 2015 at the auction organized by Borzen for the purchase of all electricity that was produced in 2016 by power plants included in the so-called Eco Group support scheme.

In 2016, GEN-I purchased electricity from a total of 208 hydroelectric power plants, 2,265 solar power plants, 33 natural gas-powered power plants, 20 biogas-powered power plants, 83 cogeneration plants and six wind power plants. Total energy purchases amounted to 487,131 MWh, which is sufficient to supply 129,556 Slovenian households with an average annual consumption of 3,760 kWh.

Together with Hofer, we drew up the 'Green Energy 2016' sustainability project in 2015. In January 2016, in the scope of the aforementioned project, we offered all household customers the possibility of switching to electricity produced exclusively in Slovenia from renewable energy sources.

The old city power plant was the sight of GEN-I's introduction of the new GEN-I Sonce service in November 2016, making it easy for households and small business customers in Slovenia to make the decision to switch to the self-sufficient supply of electricity generated by the sun. GEN-I is thus the first energy supplier in the region to enter the self-sufficient energy supply market, and will facilitate the construction of micro solar power plants according to the 'turnkey' principle for Slovenian customers. We will further strengthen our advantage as the largest buyer in 2016 following our selection in November at the auction organized by Borzen.

20. 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 communicates with all stakeholders in accordance with their needs and the needs of the target public.

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 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.

Development projects

Public relations were characterized most in 2016 by the launch of the new GEN-I Sonce brand. In November, we offered Slovenian households and small business customers a comprehensive solution for the construction of private solar power plants for the self-sufficient supply of electricity.

We continued to redesign websites during the year, while completion of the redesigning of the Affordable Electricity website in Croatia awaits us in 2017.

Communication with the aim of promoting sales

Marketing activities in 2016 in Slovenia focused primarily on further growth and gaining market share in the household and small business customer electricity and natural gas segments.

As part of celebrations of the 10th anniversary of GEN-I and the seventh anniversary of the Affordable Electricity brand, we organized several prize games, recorded a series of TV ads starring the super hero Genij, and sent a message to electricity and natural gas household customers regarding the Company's competitive prices and the simplicity of switching energy suppliers. Through the innovative approach of linking a series of TV ads with the content of a TV show, we achieved excellent recognition of the Group's brands and stimulated interest in switching energy suppliers.

We continued with systematic and intensive digital marketing activities in 2016, 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.

21. CORPORATE GOVERNANCE STATEMENT

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

1. Corporate Governance Code

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

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

The Group performs internal controls at all levels to ensure the reliability of financial reporting and compliance with valid regulations. Accounting controls are based on the appropriate control environment, which includes the governance system, the organizational structure, competencies, responsibilities and ethical values, and based on control activities, which include transaction approval procedures, the segregation of tasks and responsibilities, clear work instructions, the reconciliation of balances and supervision. The reliability of financial reporting is also ensured through the use of an appropriate information system that in turn ensures completeness and accuracy in the capture and processing of data, and through the education and training of employees. The Group manages the risks to which the Company is exposed in connection with financial reporting procedures through centralized guidance and control over the accounting function of all subsidiaries, and by auditing the financial statements of major Group companies.

3. Information regarding the work of the general meeting

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

The general meeting is convened at least once a year, or more frequently as required. The general meeting is deemed quorate if all of the Company's share capital is represented. The general meeting adopts unanimous decisions.

Four ordinary general meetings were convened in 2016, where the Company's owners made decisions regarding matters for which it is competent.

4. Information regarding the composition and functioning of governance bodies

The executive staff, i.e. the Management Board, manages the Company in accordance with the applicable laws, the Memorandum of Association, and the resolutions and instructions of the general meeting. The Company's executive staff comprised four persons until December 13, 2016: the President, Vice President and two members of the Management Board. The function of Vice President of the Management Board was terminated on December 13, 2016 through an amendment to the Memorandum of Association, such that the Company's Management Board now comprises the President and three members, as follows:

- Robert Golob, Ph.D., President of the Management Board
- Danijel Levičar, MBA, Member of the Management Board
- Igor Koprivnikar, PhD, Member of the Management Board
- Andrej Šajn, MSc, Member of the Management Board

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 those 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 are adopted by the general meeting. Those rules of procedure define in detail, inter alia, legal transactions and actions that the executive staff may only undertake with the prior approval of the general meeting, and other rules important for the work and decisions of the executive staff. As a rule, the executive staff makes decisions at meetings or in writing or, if the majority of the executive staff agree on this approach. In 2016, the executive staff met at 47 regular sessions, two correspondent sessions and two extraordinary sessions, at which it discussed matters for which it is competent.

Decision making, representation of the Company, and the competencies and limitations of the executive staff are defined in detail in Articles 29 to 32 of the Memorandum of Association.

5. Description of diversity policy

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

Stable growth in revenues

EUR 377,964,839

2008

EUR 1,011,514,334

2011

EUR 1,582,148,485

2016

44.3%

average annual growth
in revenues

FINANCIAL REPORT

One of the fastest growing companies on the European energy market.

E1

FINANCIAL REPORT OF THE GEN-I GROUP

22. 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 Zagreb d.o.o., Radnička cesta 54, Zagreb;
- GEN-I d.o.o. Beograd, Vladimira Popovića 6, Belgrade;
- GEN-I d.o.o. Sarajevo, Hamdije Kreševljakovića 7, Sarajevo;
- GEN-I DOOEL Skopje, Bulevar Partizanski odredi 15A/1, Skopje;
- GEN-I Energy Sales DOOEL Skopje, Bulevar Partizanski odredi 15A/1, Skopje;
- GEN-I Budapest Kft., Tusnádi u 39. fszt. 3., Budapest;
- GEN-I Bucharest - Electricity Trading and Sales S.R.L., 1-3 Remus Street, 3rd floor, office E3.12, Sector 3, Bucharest;
- GEN-I Sofia – Electricity Trading and Sales SpLLC, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofia
- 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 Istanbul Wholesale Electricity Limited Company, Meşrutiyet Cad. Bilsar Binası No: 90 K 1/4, Şişhane, Istanbul;
- LLC GEN-I Kiev, 18 Pavlivska Str., Kiev;
- LLC GEN-I Tbilisi, Gudiashvili Square N 4, Old Tbilisi District, Tbilisi
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milan;
- GEN-I Vienna GmbH, Gonzagagasse 15, Vienna;
- GEN-I Sonce, d.o.o., Dunajska cesta 119, Ljubljana;
- Elektro energija d.o.o., Dunajska cesta 119, Ljubljana.

23. FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2016

23.1. Consolidated statement of financial position of the GEN-I Group for 2016

AMOUNTS IN € ITEMS	NOTE	12/31/2016	12/31/2015
Property, plant and equipment	1	5,638,065	4,609,251
Intangible assets	2	3,061,432	2,385,003
Investment in associates	3	12,404,915	0
Other non-current financial assets	3	100,000	0
Non-current receivables and loans	**4**	**360,123**	**731,702**
Deferred tax assets	15	1,244,019	129,417
Non-current assets		22,808,554	7,855,373
Operating receivables	5	135,137,620	186,556,783
Prepayments and other assets	6	47,141,756	35,407,140
Investments and loans	7	1,052,202	1,611,296
Current tax assets		782,870	737,243
Cash and cash equivalents	8	47,143,359	21,198,123
Current assets		**231,257,806**	**245,510,586**
Assets		**254,066,360**	**253,365,959**
Share capital	9	19,877,610	19,877,610
Legal reserves	9	1,987,761	1,987,761
Fair value reserves	9	-37,549	-14,564
Translation reserve	9	-903,516	-857,582
Net profit or loss for the period	9	7,313,188	7,028,422
Retained earnings	9	37,647,659	34,607,764
Non-controlling interest		**0**	**0**
Equity		**65,885,154**	**62,629,411**
Loans and borrowings	10	24,335,624	5,645,736
Other financial liabilities	12	74,934	153,004
Non-current operating liabilities	13	45,782	51,664
Provisions	14	817,333	282,693
Non-current liabilities		**25,273,673**	**6,133,097**
Loans and borrowings	10	3,170,801	21,171,878
Other financial liabilities, including derivatives	16	27,198,878	1,263,554
Operating liabilities	17	115,890,639	142,849,512
Advances payable and other current liabilities	18	16,647,215	19,318,506
Current liabilities		**162,907,534**	**184,603,450**
Liabilities		**188,181,206**	**190,736,547**
Total equity and liabilities		**254,066,360**	**253,365,959**

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

23.2. Consolidated income statement of the GEN-I Group for 2016

AMOUNTS IN € ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues	21	1,582,148,485	1,731,202,568
Other operating revenues	21	16,682,841	9,169,433
Cost of goods sold	22	-1,562,830,947	-1,705,903,428
Cost of materials	22	-491,924	-496,601
Cost of services	22	-9,808,329	-9,578,323
Labor costs	23	-10,663,622	-9,002,088
Amortization and depreciation	24	-1,906,317	-1,591,864
Other operating expenses	25	-2,944,820	-2,838,898
Operating profit or loss		**10,185,366**	**10,960,799**
Financial income	26	714,692	1,236,365
Financial costs	26	-2,046,248	-3,695,905
Profit or loss from financing		**-1,331,556**	**-2,459,540**
Recognized results of associates		**-335**	**0**
Profit before tax		**8,853,475**	**8,501,259**
Income tax expense	27	-1,540,286	-1,472,837
PROFIT OR LOSS FROM CONTINUING OPERATIONS		7,313,188	7,028,422

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

23.3. Consolidated statement of comprehensive income of the GEN-I Group for 2016

AMOUNTS IN € COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Profit or loss for the period	**7,313,188**	**7,028,422**
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS	**-45,934**	**271,668**
Exchange rate differences	-45,934	-316,989
Change in fair value of cash flow hedges transferred to profit of loss	0	709,225
Deferred tax from comprehensive income	0	-120,568
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-22,985**	**-14,564**
Other comprehensive income for the period, net of tax	**-68,919**	**275,104**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,244,269	7,285,526

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

23.4. Consolidated cash flow statement of the GEN-I Group for 2016

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	7,313,188	7,028,422
ADJUSTMENTS FOR		
Amortization and depreciation	1,906,317	1,591,864
Write-downs of property, plant and equipment	64,344	1,563
Gain on the sale of property, plant and equipment, intangible assets and investment property	-5,563	-219
Reversal of negative goodwill	-106,369	0
Non-monetary expenses/revenues	2,645,475	0
Financial income	-714,692	-1,236,365
Financial costs	1,181,934	2,964,830
Recognized results of associates under the equity method	335	0
Income tax	1,540,288	1,472,837
OPERATING PROFIT BEFORE CHANGES IN NET CURRENT ASSETS AND TAXES	**13,825,257**	**11,822,932**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	51,635,287	-47,873,681
Change in prepayments and other assets	-11,734,615	17,519,540
Change in operating liabilities	-26,964,754	19,920,618
Change in advances received and other current liabilities	-2,671,291	-5,177,889
Change in provisions	-65,179	108,117
Change in deferred income	0	-627
Income tax paid	-1,552,417	62,402
NET CASH FLOW FROM OPERATING ACTIVITIES	**22,472,288**	**-3,618,587**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	359,545	717,221
Proceeds from sale of property, plant and equipment and intangible assets	75,771	219
Proceeds from sale of other financial assets	0	0
Proceeds from decrease in loans granted	0	0
Proceeds for settlement of derivatives	0	0
Acquisitions of property, plant and equipment and intangible assets	-1,688,010	-1,439,282
Acquisitions of associates	-12,404,915	
Acquisitions of other investments	-100,000	0
Outflows for increase in loans granted	0	0
Outflows for settlement of derivatives	0	-321,825
NET CASH FLOW FROM INVESTING ACTIVITIES	**-13,757,609**	**-1,043,667**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-876,110	-1,229,556
Repayment of long-term loans	-1,589,791	-188,327
Repayment of short-term loans	-273,683,681	-194,891,673
Proceeds from long-term loans received	18,170,134	5,116,763
Proceeds from short-term loans received	279,210,005	170,909,680
Dividends paid	-4,000,000	-3,500,000
NET CASH FLOW FROM FINANCING ACTIVITIES	**17,230,557**	**-23,783,113**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**21,198,123**	**49,643,491**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**25,945,236**	**-28,445,368**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**47,143,359**	**21,198,123**

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

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

Changes in 2016

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
BALANCE AT 12/31/2015	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to profit or loss	0	0
Actuarial gains (losses)	0	0
TOTAL OTHER COMPREHENSIVE INCOME	0	0
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	0	0
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
BALANCE AT 12/31/2016	19,877,610	1,987,761

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

Changes in 2015

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
BALANCE AT 12/31/2014	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to profit or loss	0	0
Actuarial gains (losses)	0	0
TOTAL OTHER COMPREHENSIVE INCOME	0	0
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	0	0
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
BALANCE AT 12/31/2015	19,877,610	1,987,761

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

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

FAIR VALUE RESERVES	HEDGING RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
0	**-588,657**	**-540,592**	**5,224,284**	**32,864,696**	**58,825,101**
0	0	0	7,028,422	0	7,028,422
0	0	-316,990	0	0	-316,990
0	0	0	0	0	0
0	588,657	0	0	0	588,657
-14,564	0	0	0	0	-14,564
-14,564	**588,657**	**-316,990**	**0**	**0**	**257,103**
-14,564	**588,657**	**-316,990**	**7,028,422**	**0**	**7,285,526**
0	0	0	-5,224,284	5,224,284	0
0	0	0	0	-3,500,000	-3,500,000
0	0	0	0	18,785	18,785
-14,564	**0**	**-857,582**	**7,028,422**	**34,607,764**	**62,629,411**

24. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2016

24.1. Reporting company

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is based in Slovenia. Its registered office is at Vrbina 17, SI-8270 Krško, Slovenia. The consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2016 include data on GEN-I, d.o.o. and its subsidiaries (hereinafter: the GEN-I Group or the Group). The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

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

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

24.2. Business combinations

On December 7, 2016, the Group acquired a controlling interest in Elektro energija, d.o.o. through the purchase of a 100% participating interest in that company. That purchase represents a strategic, long-term investment, through which the Group pursues its strategy of continuous vertical expansion along the value chain towards the end-customer and thus higher value added.

The carrying amount of the assets and liabilities of the acquired company does not deviate significantly from their fair value, and are thus taken into account at their carrying amount in the first consolidation.

The statement of financial position of Elektro energija, d.o.o. on the day the Group acquired the aforementioned controlling interest is shown below.

AMOUNTS IN € ITEMS	11/30/2016
Property, plant and equipment	1,379,228
Intangible assets	950,200
Non-current operating receivables	2,593
Deferred tax assets	1,099,284
NON-CURRENT ASSETS	**3,431,305**
Current operating receivables	33,148,017
Deferred expenses and accrued revenues	1,259,451
Cash and cash equivalents	3,006,522
CURRENT ASSETS	**37,413,990**
ASSETS	**40,845,295**
Share capital	3,000,000
Share premium	2,119,344
Fair value reserves	1,790
Net profit or loss for the period	2,645,475
Retained earnings	2,155,011
EQUITY	**9,921,620**
Non-current financial liabilities	819,036
Provisions	425,445
NON-CURRENT LIABILITIES	**1,244,481**
Current financial liabilities	3,125,438
Current operating liabilities	23,216,923
Current accrued costs and deferred revenues	3,336,833
CURRENT LIABILITIES	**29,679,194**
LIABILITIES	**30,923,675**
TOTAL EQUITY AND LIABILITIES	**40,485,295**

The fair value of the net assets of Elektro energija, d.o.o. is EUR 9,921,620. Goodwill in the amount of EUR 228,130 was recognized in the consolidated financial statements.

In the year since that acquisition, the Group has generated revenues of EUR 11,409,434 and a net profit of EUR 630,426 in connection with the investment.

24.3. Basis of preparation

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the provisions of the Companies Act. The financial statements were approved by the parent company's Management Board on March 31, 2017.

(B) MEASUREMENT BASIS

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

(C) FUNCTIONAL AND REPORTING CURRENCY

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

(D) USE OF ESTIMATES AND JUDGEMENTS

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

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

Estimates and assumptions are mainly associated with:

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

24.4. Significant accounting policies

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

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

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the parent company. Control exists when an investor is exposed to variable returns, or has the right to variable returns from a participating interest in a company in which it invests and the ability to affect those returns though control over the investee. Influence is assessed based on the existence and effect of potential voting rights that are currently exercisable or convertible. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is established to the date it ceases. Accounting policies applied by subsidiaries are adapted to the Group's accounting policies.

(ii) Investments in associates

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

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

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

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

(iii) **Transactions eliminated on consolidation**

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

(B) FOREIGN CURRENCY

Foreign **currency transactions**

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

(ii) **Foreign operations**

The assets and liabilities of foreign companies are converted into euros using the exchange rate applicable at the end of the reporting period. The revenues and expenses of foreign companies, with the exception of companies in hyperinflationary economies, are converted into euros at average exchange rates applicable for a specific period. Any exchange rate differences are recognized in other comprehensive income and disclosed in the foreign currency translation reserve (FCTR) as an item of equity.

(C) FINANCIAL INSTRUMENTS

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables

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

Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

(iv) **Share capital**

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

Dividends

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

(v) **Derivatives**

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

The Group uses forward contracts and a number of different financial trading instruments to hedge against market risks caused by electricity price fluctuations. The Group primarily uses forward currency contracts to hedge against currency risks.

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

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction; they only need to agree on the price of individual forward contracts. Transactions are concluded without the physical presence of the 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 there is hardly any exchange taking place with these contracts. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

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

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

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

Cash flow hedge

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

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

Fair value hedge

The Group calculates fair value hedges against the risk of fluctuating prices for standardized and non-standardized forward contracts and transactions by recognizing changes in the fair value of derivatives immediately in the income statement. 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 the income statement. 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 the income statement. The initial book value of an asset or liability arising from the fulfillment of a firm commitment by the Group is adjusted by including the cumulative change in fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

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

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

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

(ii) **Subsequent costs**

Costs arising from the replacement of parts of fixed assets are recognized at the carrying amount if future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in the income statement 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 the income statement. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant and equipment.

(iv) **Depreciation**

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

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

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

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

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

(E) INTANGIBLE ASSETS

(i) **Other intangible assets**

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

(ii) **Subsequent costs**

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost is related. All other costs are recognized as expenses in the income statement when they arise.

(iii) **Amortization**

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

Amortization is recognized in 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. Estimated useful lives for the current and comparative year are as follows:

- Software 5 years

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

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

(F) IMPAIRMENT OF ASSETS

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

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

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

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

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

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

All impairment losses are reported in the Group's income statement for the accounting period.

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

(ii) Non-financial assets

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

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

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

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

(G) EMPLOYEE BENEFITS

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

(H) 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 long-term provisions for this purpose. There are no other obligations relating to pensions. Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period.

The Group created non-current provisions in 2016 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 in the range of 1% to 1.8% was set for the calculation at December 31, 2016, based on the yields on 16.9- to 19.5-year Slovenian government bonds at December 30, 2016.

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

(I) REVENUES

(i) Revenues from goods sold

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

(ii) Revenues from services rendered

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

(iii) Commissions

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

(iv) Revenues from rents

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

(J) GOVERNMENT GRANTS

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

(K) FINANCIAL INCOME AND FINANCIAL COSTS

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

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

(L) INCOME TAX

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

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

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

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

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

(M) SEGMENT REPORTING

An operating segment is a part of the Group that carries out business activities from which it generates income and incurs costs that relate to transactions with other members of the same group.

(N) STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT ACCOUNTING PERIOD

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

- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures** – Investment Entities: Applying the Consolidation Exception; adopted by the EU on September 22, 2016 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IFRS 11 Joint Arrangements** – Accounting for Acquisitions of Interests in Joint Operations; adopted by the EU on November 24, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure Initiative; adopted by the EU on December 18, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets** – Clarification of Acceptable Methods of Depreciation and Amortization; adopted by the EU on December 2, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture** – Agriculture: Bearer Plants; adopted by the EU on November 23, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 19 Employee Benefits** – Defined Benefit Plans: Employee contributions; adopted by the EU on December 17, 2014 (apply to annual periods beginning on or after February 1, 2015);

- **Amendments to IAS 27 Separate Financial Statements** – Equity Method in Separate Financial Statements; adopted by the EU on December 18, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to various standards (Improvements to IFRS, 2010-2012 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily to eliminate discrepancies and to provide interpretations of texts; adopted by the EU on December 17, 2014 (apply to annual periods beginning on or after February 1, 2015); and

- **Amendments to various standards (Improvements to IFRS, 2012-2014 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily to eliminate discrepancies and to provide interpretations of texts; adopted by the EU on December 15, 2015 (apply to annual periods beginning on or after January 1, 2016).

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

(O) STANDARDS AND INTERPRETATIONS TO EXISTING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

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

- **IFRS 9 Financial Instruments**; adopted by the EU on November 22, 2016 (applies to annual periods beginning on or after January 1, 2018); and

- **IFRS 15 Revenue from Contracts with Customers** and amendments to IFRS 15 Effective Date of IFRS 15; adopted by the EU on September 22, 2016 (applies to annual periods beginning on or after January 1, 2018).

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

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the IASB, with the exception of the following new standards, amendments to existing standards and new interpretations, which at December 31, 2016 (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 16 Leases** (applies to annual periods beginning on or after January 1, 2019);

- **Amendments to IFRS 2 Share-Based Payment** – Classification and Measurement of Share-Based Payment Transactions (applies to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 4 Insurance Contracts** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applies to annual periods beginning on or after January 1, 2018 or when IFRS 9 is applied for the first time);

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

- **Amendments to IFRS 15 Revenue from Contracts with Customers** – Clarifications to IFRS 15 Revenue from Contracts with Customers (applies to annual periods beginning on or after January 1, 2018);

- **Amendment to IAS 7 Statement of Cash Flows** – Disclosure Initiative (applies to annual periods beginning on or after January 1, 2017);

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

- **Amendment to IAS 40 Investment property** – Transfers of Investment Property (applies to annual periods beginning on or after January 1, 2018);

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

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

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 hedge accounting in connection with financial assets and liabilities in accordance with IAS 39 Financial instruments: Recognition and Measurement would not have had a significant impact on its financial statements if it had been applied on the balance-sheet date.

24.5. Determining fair value

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

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

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

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

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

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

24.6. Financial risk management

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

- strategic,
- financial and
- operational risks.

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

24.7. Cash flow statement

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

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

GROUP COMPANIES	% OF OWNERSHIP		INVESTMENT VALUE		EQUITY OF SUBSIDIARY		SHARE CAPITAL OF MAJORITY SHAREHOLDER	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
GEN-I Athens SMLLC	100.00%	100.00%	150,000	150,000	490,585	473,754	150,000	150,000
GEN-I Bucharest S.r.l.	100.00%	100.00%	500,000	500,000	557,998	916,519	464,111	465,650
GEN-I Budapest Kft.	100.00%	100.00%	203,915	203,915	-51,290	54,448	187,540	187,540
GEN-I d.o.o. Beograd	100.00%	100.00%	150,000	150,000	902,222	1,279,171	622,407	634,575
GEN-I Sonce d.o.o.	100.00%	100.00%	50,000	50,000	-41,146	-12,900	50,000	50,000
GEN-I Istanbul, Ltd. Şti	100.00%	100.00%	844,566	844,566	859,674	865,146	539,491	629,624
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	237,846	372,442	100,000	100,000
GEN-I Energy Sales DOOEL Skopje	100.00%	100.00%	39,951	39,951	332,799	497,036	9,903	9,942
GEN-I, d.o.o., Sarajevo	100.00%	100.00%	512,847	512,847	759,501	780,856	511,292	511,292
GEN-I DOOEL Skopje	100.00%	100.00%	20,000	20,000	7,949	9,378	19,877	19,956
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	140,794	-31,036	100,005	100,005
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	479,012	1,284,376	44,423	43,806
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	402,056	578,590	50,000	50,000
GEN-I Zagreb d.o.o.	100.00%	100.00%	991,692	991,692	1,145,254	1,114,884	992,103	981,932
LLC GEN-I Kiev	100.00%	100.00%	98,224	48,224	42,510	43,216	96,318	47,905
LLC GEN-I Tbilisi	100.00%	100.00%	50,000	50,000	46,023	49,485	46,290	49,658
Elektro energija d.o.o.	100.00%	0%	10,149,750	0	10,551,551	0	3,000,000	0
TOTAL			**14,338,226**	**4,138,477**	**16,863,338**	**8,275,365**	**6,983,760**	**4,031,885**

ASSETS OF SUBSIDIARIES		LIABILITIES OF SUBSIDIARIES		REVENUE OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
15,575,026	10,628,671	15,084,441	10,154,917	169,270,015	139,818,551	290,585	273,754	1	1
577,970	1,833,355	19,972	916,836	2,150,247	8,365,863	1,076	364,064	2	2
9,900	62,260	61,189	7,812	0	0	-105,738	-117,314	0	1
20,935,298	24,244,000	20,033,075	22,964,829	179,760,244	199,643,323	281,401	648,197	5	6
29,353	11,359	70,499	24,259	12,058	0	-28,246	-56,349	2	1
7,973,910	9,673,602	7,114,236	8,808,456	59,180,466	60,176,575	333,562	218,109	3	2
2,469,656	2,098,689	2,231,810	1,726,247	4,680,905	11,980,715	117,846	168,360	1	1
7,418,320	12,954,405	7,085,521	12,457,369	63,637,722	81,671,391	225,490	388,908	0	2
9,954,320	14,433,609	9,194,819	13,652,753	115,749,908	62,697,858	248,209	269,564	1	1
9,017	9,381	1,067	3	0	0	-1,396	-673	0	0
3,031,158	3,484,499	2,890,364	3,515,535	10,285	561,609	171,830	46,786	1	1
8,377,549	19,211,737	7,898,537	17,927,361	19,849,990	37,694,190	370,939	1,167,241	2	2
6,097,232	2,667,340	5,695,176	2,088,750	13,795,149	16,576,833	302,056	478,590	1	2
10,808,440	12,841,027	9,663,186	11,726,143	123,633,785	124,051,523	153,688	133,376	12	15
48,985	45,813	6,475	2,597	0	0	-46,797	-6,023	1	0
46,384	49,722	361	237	0	0	-111	-175	0	0
35,896,304	0	25,344,753	0	11,409,434	0	3,275,901	0	70	0
129,258,821	**114,249,469**	**112,395,481**	**105,974,104**	**763,140,208**	**743,238,431**	**5,590,296**	**3,976,415**	**102**	**37**

24.9. Notes to the financial statements

Note 1: Property, plant and equipment

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	12/31/2016	12/31/2015
Land	400,660	375,461
Buildings	3,723,259	3,145,315
Other plant and equipment	1,511,005	1,087,577
Property, plant and equipment under construction and advances	3,141	898
TOTAL PROPERTY, PLANT AND EQUIPMENT	5,638,065	4,609,251

The building and associated land in Kromberk account for the majority of property, plant and equipment, together with the business premises located on Slovenska cesta in Ljubljana. Vehicles, computer equipment and other equipment and furniture account for the majority of other plant and equipment.

The Group has cars under finance leases in the amount of EUR 207,754.

Total investments in property, plant and equipment in 2016 amounted to EUR 498,713, and relate to investments in a building, and purchases of vehicles, computer equipment and other equipment, primarily at the parent company. Through the purchase of the subsidiary Elektro energija, d.o.o., the Group also acquired business premises in Ljubljana with the accompanying land, as well as property, plant and equipment comprising computer equipment and office furniture.

Changes in 2016

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

Changes in 2015

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL COST					
BALANCE AT 1/1/2015	**375,461**	**4,072,891**	**3,542,640**	**6,587**	**7,997,579**
Acquisitions	0	0	0	855,936	855,936
Write-downs	0	0	-158,903	0	-158,903
Disposals	0	0	-3,516	0	-3,516
Transfers within property, plant and equipment	0	237,758	623,867	-861,626	0
Exchange rate differences	0	0	-766	0	-766
BALANCE AT 12/31/2015	**375,461**	**4,310,650**	**4,003,322**	**898**	**8,690,330**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1/1/2015	**0**	**947,013**	**2,541,626**	**0**	**3,488,639**
Write-downs	0	0	-157,906	0	-157,906
Disposals	0	0	-3,516	0	-3,516
Depreciation expense	0	218,322	536,294	0	754,616
Exchange rate differences	0	0	-753	0	-753
BALANCE AT 12/31/2015	**0**	**1,165,335**	**2,915,745**	**0**	**4,081,079**
CARRYING AMOUNT AT 1/1/2015	**375,461**	**3,125,878**	**1,001,014**	**6,587**	**4,508,940**
CARRYING AMOUNT AT 12/31/2015	**375,461**	**3,145,315**	**1,087,577**	**898**	**4,609,251**

Note 2: Intangible assets

AMOUNTS IN € INTANGIBLE ASSETS	12/31/2016	12/31/2015
Non-current deferred operating costs	136,759	0
Goodwill	228,130	0
Other intangible assets	2,495,619	2,279,300
Intangible assets in acquisition and development, and advances	200,923	105,703
TOTAL INTANGIBLE ASSETS	**3,061,432**	**2,385,003**

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

Total investments in intangible assets amounted to EUR 961,166, and were made primarily by the parent company. Investments comprised software for information support for common services, support for the sale of electricity to end-customers and server support.

Changes in 2016

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

Changes in 2015

AMOUNTS IN € INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST			
BALANCE AT 1/1/2015	**5,054,634**	**305,946**	**5,360,580**
Acquisitions	0	583,346	583,346
Write-downs	-6,618	0	-6,618
Transfers within intangible assets	783,589	-783,589	0
Exchange rate differences	-10,821	0	-10,821
BALANCE AT 12/31/2015	**5,820,784**	**105,703**	**5,926,487**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1/1/2015	**2,712,898**	**0**	**2,712,898**
Write-downs	-6,618	0	-6,618
Amortization expense	837,248	0	837,248
Exchange rate differences	-2,043	0	-2,043
BALANCE AT 12/31/2015	**3,541,485**	**0**	**3,541,485**
CARRYING AMOUNT AT 1/1/2015	**2,341,736**	**305,946**	**2,647,682**
CARRYING AMOUNT AT 12/31/2015	**2,279,300**	**105,703**	**2,385,003**

Note 3: Investments in associates and other investments

AMOUNTS IN € INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12/31/2016	12/31/2015
Investment in associates	12,404,915	0
Other financial investments	100,000	0
TOTAL INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	**12,504,915**	**0**

The Group acquired a 27.5% participating interest in GEN-EL naložbe, d.o.o. in 2016 for consideration in the amount of EUR 12,405,250. The investment in the equity of the associate is disclosed in the Company's financial statements at historical cost. The Group holds 25% of voting rights in GEN-EL naložbe, d.o.o.

Note 4: Non-current receivables and loans

AMOUNTS IN € NON-CURRENT RECEIVABLES AND LOANS	12/31/2016	12/31/2015
Non-current operating receivables	274,161	267,224
Non-current financial receivables	83,576	464,478
Loans to others	2,387	0
TOTAL NON-CURRENT RECEIVABLES AND LOANS	**360,123**	**731,702**

Note 5: Operating receivables

AMOUNTS IN € OPERATING RECEIVABLES	12/31/2016	12/31/2015
Trade receivables	102,462,665	127,886,417
Interest receivable	31,439	78,554
Other receivables relating to financial income	11,863,959	15,529,640
Other operating receivables	20,561,740	42,877,138
Operating receivables for third party account	217,585	185,034
Current unpaid called-up capital	231	0
TOTAL OPERATING RECEIVABLES	**135,137,620**	**186,556,783**

Other operating receivables primarily comprised receivables from deductible VAT in the amount of EUR 17,092,280 and current receivables from prepayments of corporate income tax.

The Group calculated fair value hedges for contracts for future sales and purchases of electricity that were concluded from January 1, 2012 onwards. The majority of other receivables linked to financial income thus related to changes in the fair value of physical contracts for sales and purchases of electricity that were hedged using derivatives (futures) and relate to the following periods:

- the 2017 business year in the amount of EUR 11,394,073; and
- the 2018 business year in the amount of EUR 469,886

in the total amount of EUR 11,863,959. The effect of changes in the fair value of physical contracts for purchases and sales of electricity was offset against changes in the fair value of the associated derivatives.

Age structure and changes in impairments of receivables

AMOUNTS IN € AGING OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENTS	GROSS AMOUNT	IMPAIRMENTS
		12/31/2016		12/31/2015
Not past due	121,349,810	0	171,048,835	0
Past due up to 90 days	8,977,059	0	9,222,854	0
Past due from 91 to 180 days	206,782	98,670	3,943,660	17,442
Past due from 181 to 365 days	410,679	387,656	1,553,800	451,315
More than one year	13,194,542	8,514,927	3,566,841	2,310,449
TOTAL	144,138,872	9,001,252	189,335,989	2,779,206

The Group's parent company has the impairments of trade receivables in the amount of EUR 1,504,949. In addition to the parent company, receivables were impaired in the amount of EUR 5,533,415 at Elektro energija, in the amount of EUR 968,062 at GEN-I Zagreb, in the amount of EUR 443,006 at GEN-I Tirana, in the amount of EUR 326,728 at GEN-I Sofia, in the amount of EUR 122,406 at GEN-I Energy Sales Skopje and in the amount of EUR 102,686 at GEN-I Beograd.

AMOUNTS IN € CHANGES IN IMPAIRMENTS OF RECEIVABLES	IMPAIRMENTS	
	2016	2015
OPENING BALANCE AT 1/1	2,779,206	2,497,498
Increase in impairments	1,187,407	1,057,680
Increase as the result of the acquisition of subsidiaries	5,760,908	0
Reversal of impairments	-4,849	-768,388
Write-downs of receivables charged to impairments	-733,661	-20,369
Exchange rate differences	12,241	12,786
CLOSING BALANCE AT 12/31	9,001,252	2,779,206

Impairments of trade receivables were increased at Elektro energija in the amount of EUR 404,036, at GEN-I Sofia in the amount of EUR 326,728, at GEN-I Zagreb in the amount of EUR 181,988, at the parent company in the amount of EUR 150,678 and at GEN-I Energy Sales Skopje in the amount of EUR 122,406. Impairments of trade receivables in the amount of EUR 631,529 were reversed at Elektro energija. The parent company also made a reversal in the amount of EUR 102,132.

Note 6: Prepayments and other assets

AMOUNTS IN € PREPAYMENTS AND OTHER ASSETS	12/31/2016	12/31/2015
Advances and deposits	6,139,937	4,365,192
Current deferred costs and expenses	9,356,067	14,093,066
Current accrued revenues	31,645,752	16,948,882
TOTAL PREPAYMENTS AND OTHER ASSETS	47,141,756	35,407,140

Advances paid by the Group in the amount of EUR 6,139,937 primarily relate to advances for electricity and natural gas, and security deposits paid for the purchase of cross-border transfer capacities.

The majority of current deferred costs and expenses comprise expenses for cross-border transfer capacities in the amount of EUR 6,599,351, and expenses for electricity and natural gas supplied in the first quarter of 2017 in the amount of EUR 1,898,668.

Accrued revenues in the amount of EUR 31,645,752 mainly comprise accrued revenues from customers whose electricity and natural gas purchases will be invoiced in 2017 in accordance with contractual provisions.

Note 7: Investments and loans

AMOUNTS IN € INVESTMENTS AND LOANS, INCLUDING DERIVATIVES	12/31/2016	12/31/2015
Derivatives	11,535	568,302
Short-term deposits	1,038,591	1,042,995
Loans to others	2,046	0
Current interest receivable	30	-1
TOTAL INVESTMENTS AND LOANS	1,052,202	1,611,296

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

The item derivatives comprises the change in the fair value of derivatives to hedge against currency risks.

Note 8: Cash and cash equivalents

AMOUNTS IN € CASH AND CASH EQUIVALENTS	12/31/2016	12/31/2015
Cash in banks	39,165,806	20,345,062
Call deposits	7,100,518	100,027
Deposits with a maturity of up to 3 months	876,552	752,104
Cash in hand	483	930
CASH AND CASH EQUIVALENTS	47,143,359	21,198,123

Note 9: Share capital and reserves

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

Reserves

AMOUNTS IN € RESERVES	12/31/2016	12/31/2015
Legal reserves	1,987,761	1,987,761
Fair value reserves	-37,549	-14,564
Translation reserve	-903,516	-857,582
TOTAL	1,046,696	1,115,615

The Group's share capital was unchanged in 2016. Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of EUR 37,549 at the end 2016.

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

Retained earnings

AMOUNTS IN € RETAINED EARNINGS	12/31/2016	12/31/2015
Other profit reserves	0	96,341
Net profit or loss for the period	7,313,188	7,028,422
Retained net profit or loss	37,647,659	34,511,423
TOTAL	44,960,847	41,636,187

Retained earnings, which amounted to EUR 41,636,187 at the end of the previous year, were increased by net profit in the amount of EUR 7,313,188 and the reversal of provisions in the amount of EUR 11,472, and reduced by dividend payments to the parent company's owners in the amount of EUR 4,000,000.

Note 10: Loans and borrowings

AMOUNTS IN € LONG-TERM LOANS AND BORROWINGS	12/31/2016	12/31/2015
Long-term loans from banks	10,819,036	5,000,000
Long-term borrowings from others	516,588	645,736
Non-current liabilities for bonds	13,000,000	0
TOTAL LONG-TERM LOANS AND BORROWINGS	24,335,624	5,645,736

AMOUNTS IN € SHORT-TERM LOANS AND BORROWINGS	12/31/2016	12/31/2015
Bank loans	3,020,139	21,000,000
Short-term borrowings from others	129,147	129,147
Current interest payable	21,515	42,731
TOTAL SHORT-TERM LOANS AND BORROWINGS	3,170,801	21,171,878

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

Note 11: Cost and maturity of loans

At the reporting date, the Group's liabilities to banks from short-term loans maturing in full in 2017 totaled EUR 3,020,139, while long-term loans maturing in 2018 and 2019 amounted to EUR 10,819,036. Loans from Slovenian commercial banks were secured with bills of exchange. The Group also has liabilities in the amount of EUR 645,736 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of the loan in the amount of EUR 129,147 matures in 2017, while the remainder represents a part of a long-term loan in the amount of EUR 516,588 that matures in 2021.

The Company issued bonds in 2016 in the amount of EUR 13,000,000 that mature in 2019.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR. Interest expenses for long-term, short-term and revolving loans from domestic commercial banks and others amounted to EUR 854,542 during the 2016 business year. The Group's current interest payable amounted to EUR 21,515 on the final day of the business year.

Bank loans were increased by EUR 5,000,000 during the business year, while short-term loans from Slovenian banks in the amount of EUR 21,000,000 were repaid in 2016. Bonds were issued during the year in the amount of EUR 13,000,000. The Group also increased liabilities for loans by EUR 3,839,175 in 2016 as the result of the purchase of a subsidiary.

Note 12: Other financial liabilities

AMOUNTS IN € OTHER NON-CURRENT FINANCIAL LIABILITIES	12/31/2016	12/31/2015
Non-current liabilities for finance leases	74,933	153,004
TOTAL NON-CURRENT FINANCIAL LIABILITIES	74,933	153,004

Note 13: Non-current operating liabilities

AMOUNTS IN € NON-CURRENT OPERATING LIABILITIES	12/31/2016	12/31/2015
Non-current operating liabilities	45,782	51,664
NON-CURRENT OPERATING LIABILITIES	45,782	51,664

Note 14: Non-current provisions

AMOUNTS IN € PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	TOTAL PROVISIONS
BALANCE AT 1/1/2016	282,693	282,693
Increase as the result of the acquisition of subsidiaries	448,995	448,995
Creation of provisions	154,072	154,072
Provisions used	-65,179	-65,179
Reversal of provisions	-3,248	-3,248
STANJE 31. 12. 2016	817,333	817,333

AMOUNTS IN € PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	TOTAL PROVISIONS
BALANCE AT 1/1/2015	174,576	174,576
Creation of provisions	137,090	137,090
Provisions used	-28,973	-28,973
BALANCE AT 12/31/2015	282,693	282,693

The Group created provisions for severance payments and long-service bonuses based on the current value of its liabilities to employees. Additional provisions were created at the parent company in 2016 in the amount of EUR 111,823, at Elektro energija in the amount of EUR 35,618 and at GEN-I Milano in the amount of EUR 6,631.

Note 15: Deferred taxes

AMOUNTS IN € DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES 2016	RECEIVABLES 2015	LIABILITIES 2016	LIABILITIES 2015	NET EFFECT 2016	NET EFFECT 2015
Intangible assets	113,567	91,707	0	0	113,567	91,707
Operating receivables	1,053,222	0	0	0	1,053,222	0
Provisions for severance payments and long-service bonuses	77,230	37,710	0	0	77,230	37,710
DEFERRED TAX ASSETS (LIABILITIES)	1,244,019	129,417	0	0	1,244,019	129,417

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

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

Changes in temporary differences

AMOUNTS IN € CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2014	RECOGNIZED IN THE INCOME STATEMENT	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2015	RECOGNIZED IN THE INCOME STATEMENT	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CHANGES DUE TO THE PURCHASE (SALE) OF NEW COMPANIES	12/31/2016
Intangible assets	-78,950	170,657	0	91,707	21,860	0	0	113,567
Financial instruments	120,569	0	-120,569	0	0	0	0	0
Operating receivables	0	0	0	0	-9,796	0	1,061,145	1,051,349
Provisions for severance payments and long-service bonuses	29,391	8,319	0	37,710	1,381	0	38,139	77,230
Other provisions	0	0	0	0	1,873	0	0	1,873
TOTAL	71,010	178,976	-120,569	129,417	15,318	0	1,099,284	1,244,019

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

Note 16: Other current financial liabilities

AMOUNTS IN € OTHER CURRENT FINANCIAL LIABILITIES	12/31/2016	12/31/2015
Other current financial liabilities	26,808,168	0
Current liabilities for finance leases	91,675	152,697
Derivatives	299,035	1,110,857
TOTAL OTHER CURRENT FINANCIAL LIABILITIES	27,198,878	1,263,554

The parent company issued commercial paper in the amount of EUR 27,000,000, with a maturity of July 2017.

Note 17: Current operating liabilities

AMOUNTS IN € OPERATING LIABILITIES	12/31/2016	12/31/2015
Other trade payables	111,743,066	112,883,259
Current liabilities from third-party transactions	162,080	293,224
Current liabilities to employees	1,467,135	947,546
Current liabilities to state and other institutions	2,504,183	28,704,959
Current liabilities to others	14,194	20,524
Current interest payable to others	-18	0
TOTAL OPERATING LIABILITIES	115,890,639	142,849,512

Current liabilities to employees comprise liabilities for December salaries and other employee earnings. Liabilities were up relative to the previous year.

Current liabilities to state and other institutions accounted for a significant portion of the Group's current operating liabilities; they mainly included liabilities for VAT, excise duties, and employment-related liabilities taxes and contributions payable by the employer.

Note 18: Advances payable and other current liabilities

AMOUNTS IN € ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	12/31/2016	12/31/2015
Current operating liabilities based on advances	**4,191,164**	**2,876,493**
Accrued costs and expenses	12,132,594	16,334,031
Deferred revenues	323,457	107,982
Accrued costs and deferred revenues	**12,456,051**	**16,442,013**
ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	16,647,215	19,318,506

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

Accrued costs and expenses in the amount of EUR 6,811,795 were recorded by the parent company, and at subsidiaries in the amount of EUR 5,320,799. They mainly include costs for electricity and natural gas purchases, the acquisition of cross-border capacities, the differences between expected electricity supply and consumption according to schedules and actual realization, and other costs from invoices not yet received.

Current deferred revenues at the parent company comprise amounts of unpaid default interest and funds received in the scope of the FutureFlow project that will be used to cover costs in future periods.

Note 19: Classification of financial instruments and fair values

AMOUNTS IN € AIR VALUES	12/31/2016		12/31/2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE				
Available-for-sale financial assets	100,000	100,000	0	0
Derivatives	11,535	11,535	568,302	568,302
TOTAL	**111,535**	**111,535**	**568,302**	**568,302**
ASSETS CARRIED AT AMORTIZED COST				
Long-terms loans	2,387	2,387	0	0
Non-current financial receivables	83,576	83,576	464,478	464,478
Non-current operating receivables	274,151	274,161	267,224	267,224
Short-term deposits	1,038,591	1,038,591	1,042,995	1,042,995
Short-term loans	2,076	2,076	-1	-1
Operating receivables	135,137,620	135,137,620	186,556,783	186,556,783
Cash and cash equivalents	47,143,359	47,143,359	21,198,124	21,198,124
TOTAL	**183,681,769**	**183,681,769**	**209,529,603**	**209,529,603**
LIABILITIES CARRIED AT FAIR VALUE				
Derivatives	-299,035	-299,035	-1,110,857	-1,110,857
TOTAL	**-299,035**	**-299,035**	**-1,110,857**	**-1,110,857**
LIABILITIES CARRIED AT AMORTIZED COST				
Unsecured bank loans	-13,839,175	-13,839,175	-26,000,000	-26,000,000
Other financial liabilities	-26,829,684	-26,829,684	-42,731	-42,731
Liabilities for finance leases	-166,608	-166,608	-305,701	-305,701
Bonds	-13,000,000	-13,000,000	0	0
Operating liabilities	-115,936,421	-115,936,421	-142,901,176	-142,901,176
Borrowings from others	-645,736	-645,736	-774,883	-774,883
TOTAL	**-170,417,624**	**-170,417,624**	**-170,024,491**	**-170,024,491**

At the end of 2016, the Group recognized assets carried at fair value in the amount of EUR 111,535 and liabilities carried at fair value in the amount of EUR 299,035, and valued them based on available data regarding market prices, meaning Level 2 of the fair value hierarchy.

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

Note 20: Contingent liabilities and assets

AMOUNTS IN € CONTINGENT LIABILITIES	12/31/2016	12/31/2015
Guarantees and securities	102,594,337	118,578,330
Guarantees and sureties – domestic subsidiaries	28,708,925	0
Guarantees and sureties – foreign subsidiaries	27,912,877	5,604,278
Other contingent liabilities	1,050,501	9,067,949
TOTAL	**160,266,640**	**133,250,558**

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

In addition to contingent liabilities, the Group recorded receivables from guarantees and sureties received, and other contingent receivables in the amount of EUR 41,934,447. These included securities for timely and reliable payment and performance bonds.

Note 21: Revenues

AMOUNTS IN € SALES REVENUE	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues from the sale of goods and materials	1,551,859,279	1,693,249,372
Revenues from the sale of services	30,289,207	37,953,196
TOTAL	**1,582,148,485**	**1,731,202,568**

The Group's revenues from electricity and natural gas sales amounted to EUR 1,551,859,279 in 2016.

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

AMOUNTS IN € REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2016		
Revenues from the sale of goods and materials	362,237,592	1,189,621,687	1,551,859,279
Revenues from the sale of services	1,450,733	28,838,474	30,289,207
TOTAL	**363,688,325**	**1,218,460,161**	**1,582,148,485**

The Group generated 77.01% of its revenues on foreign markets and 22.99% on the domestic market in 2016.

AMOUNTS IN € OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues from the use and reversal of non-current provisions	14,715	700
Gain on the sale of property, plant and equipment and intangible assets	5,563	219
Other operating revenues	16,270,274	9,167,887
Revenues from subsidies, grants and compensation	285,920	627
Reversal of negative goodwill	106,369	0
TOTAL	**16,682,841**	**9,169,433**

The majority of other operating revenues is accounted for by gains from the ineffective portion of fair value hedges in the amount EUR 11,952,102, damages received and the reversal of expenses in the previous year.

Note 22: Costs of goods, materials and services

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Costs of goods and materials sold	1,562,830,947	1,705,903,428
TOTAL	**1,562,830,947**	**1,705,903,428**

The cost of goods sold amounted to EUR 1,562,830,947 in 2016, and includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN € COSTS OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Costs of energy	237,639	224,201
Materials and spare parts	66,017	57,134
Office supplies	179,089	200,491
Other costs of materials	9,178	14,775
TOTAL	**491,924**	**496,601**

AMOUNTS IN € COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Transportation and costs of employees' business travels	191,739	255,049
Maintenance	833,840	773,167
Rents	893,970	896,994
Bank charges and other fees	2,396,396	1,985,880
Intellectual services	1,271,155	1,541,806
Sponsorship, advertising, promotions and public relations	872,281	1,013,846
Costs of IT services	99,288	108,176
Other services	3,249,660	3,003,405
TOTAL	**9,808,329**	**9,578,323**

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

Other services primarily included telecommunications services, and the costs of the trading infrastructure and sales of electricity and natural gas.

AMOUNTS IN € AUDITING SERVICES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Audit of annual report	66,967	75,195
Other non-auditing services	0	15,090
TOTAL	**66,967**	**90,285**

AMOUNTS IN € MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2016	2015
< 1 year	723,125	386,451
> 1 < 5 years	957,935	625,744
> 5 years	308,480	402,138
TOTAL	**1,989,540**	**1,414,333**

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

Note 23: Labor costs

AMOUNTS IN € LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Wages and salaries	8,189,972	6,900,167
Social security contributions	1,468,057	1,250,117
Other labor costs	1,005,594	851,804
TOTAL	**10,663,622**	**9,002,088**

In 2016, the Group calculated labor costs in line with collective agreements for the electricity sector in countries where the parent company GEN-I, d.o.o. and its subsidiaries operate, the job classifications used by individual companies within the GEN-I Group, and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance and other labor costs.

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

Note 24: Amortization and depreciation

AMOUNTS IN € AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Amortization of intangible assets	1,062,989	837,248
Depreciation of property, plant and equipment	843,328	754,616
TOTAL	**1,906,317**	**1,591,864**

Note 25: Other operating expenses

AMOUNTS IN € OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Taxes and levies	1,153,829	596,700
Losses on sale of property, plant and equipment, and intangible assets, and impairment and write-downs of fixed assets	64,344	1,563
Donations	36,212	44,994
Creation of provisions	78,086	110,401
Other operating expenses	1,612,349	2,085,240
TOTAL	**2,944,820**	**2,838,898**

The majority of other operating expenses relate to impairments and write-downs of operating receivables.

AMOUNTS IN € DONATIONS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Humanitarian purposes	3,128	11,400
Charitable purposes	5,700	15,602
Educational purposes	9,150	1,500
Sports purposes	10,734	13,992
Cultural purposes	4,100	2,500
Religious and healthcare purposes	3,400	0
TOTAL	**36,212**	**44,994**

Note 26: Profit or loss from financing

AMOUNTS IN € PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Interest income	312,170	631,738
Net income from settlement of financial instruments	402,263	602,130
Other financial income	259	2,497
FINANCIAL INCOME	**714,692**	**1,236,365**
Interest expense	-854,542	-1,244,517
Changes in fair value of derivatives	-327,040	-1,719,786
Net foreign exchange losses	-864,314	-731,075
Other financial costs	-352	-527
FINANCIAL COSTS	**-2,046,248**	**-3,695,905**
PROFIT OR LOSS FROM FINANCING	**-1,331,556**	**-2,459,540**

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

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

Expenses in the amount of EUR 327,040 from changes in fair value relate to changes in the fair value of forward contracts used to hedge against electricity and natural gas price fluctuations that do not meet the conditions for hedge accounting and are recognized immediately in comprehensive income.

Net foreign exchange losses amounted to EUR 864,314 in 2016, with the parent company accounting for EUR 690,766 of the aforementioned amount.

Note 27: Income tax expense

AMOUNTS IN € INCOME TAX EXPENSE	2016	2015
Current tax	1,566,119	1,489,655
Deferred tax	-25,832	-16,818
TOTAL	1,540,286	1,472,837

Effective tax rate

AMOUNTS IN €	2016	2015
Gross profit before tax	**8,853,475**	**8,501,259**
Statutory tax rate	17%	17%
Income tax at statutory tax rate, prior to changes in tax base	1,505,091	1,445,214
Tax-exempt income	-3,825	-131,425
Non-deductible expenses	231,415	166,884
Tax relief	-114,438	-110,195
Non-deductible receivables for tax losses	-147,701	-7,954
Effect of tax rates in foreign jurisdictions	69,745	110,313
Effective tax rate	**17.40%**	**17.32%**
Current and deferred income tax	**1,540,286**	**1,472,837**

Note 28: Data on related parties

Gross earnings in 2016

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

Gross earnings in 2015

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	MANAGEMENT	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT AGREEMENTS
Wages and salaries	388,271	2,029,192
Fringe benefits and other remuneration	48,908	262,815
TOTAL	437,179	2,292,007

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

24.10. Financial instruments and risk exposure

Note 29: Credit risk

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

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT 2016	2015
Domestic	50,019,636	49,061,970
Euro area countries	14,753,827	45,576,545
Other European countries	17,761,140	3,021,958
Countries of the former Yugoslavia	15,817,280	26,852,041
Other regions	4,110,782	3,373,905
TOTAL	**102,462,665**	**127,886,417**

AMOUNTS IN € RECEIVABLES	CARRYING AMOUNT 2016	2015
Wholesale customers	52,419,745	78,844,154
Retail customers	50,042,920	49,042,263
TOTAL	**102,462,665**	**127,886,417**

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

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

Note 30: Liquidity risk

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2016							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	13,839,175	14,147,330	2,636,391	585,420	5,921,456	5,004,063	0
Bonds issued	13,000,000	13,949,000	0	316,333	316,333	13,316,333	0
Other liabilities	27,521,201	28,289,356	693,097	27,067,796	134,397	394,066	0
Finance lease liabilities	166,608	166,608	50,274	41,400	50,117	24,817	0
Operating liabilities	115,890,639	115,890,639	115,877,453	13,186	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
OTHER FORWARD EXCHANGE CONTRACTS							
Outflow	299,035	299,035	299,035	0	0	0	0
Inflow	-11,535	-11,535	-11,535	0	0	0	0
TOTAL	**170,705,123**	**172,730,433**	**119,544,716**	**28,024,136**	**6,422,303**	**18,739,279**	**0**

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2015							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	26,000,000	27,293,248	21,608,375	277,667	300,900	5,106,306	0
Other liabilities	869,278	953,453	230,652	7,110	143,367	559,248	13,075
Finance lease liabilities	305,701	305,701	82,012	70,688	93,601	59,400	0
Operating liabilities	142,849,512	142,849,512	142,672,128	154,447	22,937	0	0
DERIVATIVE FINANCIAL LIABILITIES							
OTHER FORWARD EXCHANGE CONTRACTS							
Outflow	1,110,857	1,110,857	1,110,857	0	0	0	0
Inflow	-568,302	-568,302	-318,783	-249,519	0	0	0
TOTAL	**170,567,046**	**171,944,469**	**165,385,241**	**260,393**	**560,805**	**5,724,954**	**13,075**

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

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

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

Note 31: Currency risk

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

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	MKD	BAM
			12/31/2015			
Trade receivables	108,961,279	0	0	3,021,705	4,305,509	3,764,221
Unsecured bank loans	-26,000,000	0	0	0	0	0
Trade payables	-98,629,665	-9,141	-5,816	-235,095	-1,128,000	-873,998
Gross balance sheet exposure	**-15,668,386**	**-9,141**	**-5,816**	**2,786,610**	**3,177,509**	**2,890,223**
NET EXPOSURE	-15,668,386	-9,141	-5,816	2,786,610	3,177,509	2,890,223

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

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

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

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK
				12/31/2016				
0	4,799,744	0	0	0	684,750	0	1,172,585	0
0	0	0	0	0	0	0	0	0
-361	-505,459	-828	-3,234	-643	-655,815	-2,839,065	-6,979,058	-3,460
-361	**4,294,285**	**-828**	**-3,234**	**-643**	**28,935**	**-2,839,065**	**-5,806,473**	**-3,460**
-361	4,294,285	-828	-3,234	-643	28,935	-2,839,065	-5,506,743	-3,460

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK
				12/31/2015				
0	1,780,981	0	0	-396,591	3,373,905	253	3,075,152	3
0	0	0	0	0	0	0	0	0
-237	-416,048	-900	-444,378	-34,562	-326,282	-2,602,536	-8,177,156	555
-237	**1,364,933**	**-900**	**-444,378**	**-431,153**	**3,047,623**	**-2,602,283**	**-5,102,004**	**558**
-237	1,364,933	-900	-444,378	-431,153	3,047,623	-2,602,283	-5,102,004	558

Note 32: Interest-rate risk

AMOUNTS IN € FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/31/2016	 12/31/2015
FIXED-RATE INSTRUMENTS		
Financial assets	15,968	568,302
Financial liabilities	-40,107,203	-1,110,857
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-14,651,519	-27,080,584

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

25. EVENTS AFTER THE REPORTING PERIOD

26. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2016, including the notes to the consolidated financial statements from page 76 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 hereby certifies that this annual report provides a true and fair picture of the assets of the GEN-I Group and its performance in 2016.

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

Danijel Levičar, MBA
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, March 31, 2017

27. CERTIFIED AUDITOR'S REPORT

Deloitte.

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Slovenija

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

Opinion

We have audited the consolidated financial statements of the company GEN-I, d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (hereinafter 'IFRSs').

Basis for Opinon

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

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

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

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

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

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

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 statements of group companies or their business activities in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 18 May 2017

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

28. TABLE OF DISCLOSURES

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FINANCIAL REPORT OF GEN-I, D.O.O.

29. SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2016

29.1. Separate statement of financial position of GEN-I, d.o.o. for 2016

AMOUNTS IN € ITEMS	NOTE	12/31/2016	12/31/2015
Property, plant and equipment	1	4,221,599	4,519,962
Intangible assets	2	1,913,215	2,283,671
Interests in subsidiaries	3	14,338,226	4,138,476
Investment in associates	4	12,405,250	0
Other non-current financial assets	4	100,000	0
Non-current receivables and loans	5	307,530	322,436
Deferred tax assets	16	146,433	129,417
Non-current assets		**33,432,254**	**11,393,962**
Operating receivables	6	109,796,730	190,406,142
Prepayments and other assets	7	38,644,139	27,042,469
Investments, loans and derivatives	8	3,014,340	5,585,366
Cash and cash equivalents	9	38,946,153	16,108,474
Current assets		**190,401,362**	**239,142,451**
Assets		**223,833,616**	**250,536,413**
Share capital	10	19,877,610	19,877,610
Legal reserves	10	1,987,761	1,987,761
Fair value reserves	10	-37,549	-14,564
Net profit or loss for the period	10	8,614,357	8,071,481
Retained earnings	10	32,745,391	28,662,439
Equity		**63,187,570**	**58,584,727**
Loans and borrowings	11	23,516,588	5,645,736
Other financial liabilities	13	74,934	149,170
Non-current operating liabilities	14	45,782	51,664
Provisions	15	345,520	275,326
Non-current liabilities		**23,982,824**	**6,121,896**
Loans and borrowings	11	145,684	21,171,878
Other financial liabilities, including derivatives	17	27,198,878	1,263,554
Operating liabilities	18	101,075,032	147,749,779
Advances payable and other current liabilities	19	8,243,628	15,644,579
Current liabilities		**136,663,222**	**185,829,790**
Liabilities		**160,646,046**	**191,951,686**
Total equity and liabilities		**223,833,616**	**250,536,413**

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

29.2. Separate income statement of GEN-I, d.o.o. for 2016

AMOUNTS IN € ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues	22	1,635,799,278	1,777,143,535
Other operating revenues	22	15,534,405	8,325,109
Cost of goods sold	23	-1,623,942,308	-1,759,801,297
Cost of materials	23	-419,730	-440,298
Cost of services	23	-7,679,190	-7,747,541
Labor costs	24	-9,175,461	-7,677,742
Amortization and depreciation	25	-1,784,354	-1,515,877
Other operating expenses	26	-1,707,816	-1,583,503
OPERATING PROFIT OR LOSS		6,624,824	6,702,386
Financial income	27	4,769,645	5,557,549
Financial costs	27	-1,855,758	-3,497,165
PROFIT OR LOSS FROM FINANCING		2,913,887	2,060,384
PROFIT BEFORE TAX		9,538,710	8,762,770
Income tax expense	28	-924,353	-691,289
NET PROFIT OR LOSS FOR THE PERIOD		8,614,357	8,071,481

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

29.3. Separate statement of other comprehensive income of GEN-I, d.o.o. for 2016

AMOUNTS IN € COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Net profit or loss for the period	**8,614,357**	**8,071,481**
OTHER COMPREHENSIVE INCOME		
Change in fair value of cash flow hedges transferred to profit or loss	0	709,225
Deferred tax from comprehensive income	0	-120,568
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-22,985**	**-14,564**
Other comprehensive income for the period, net of tax	**-22,985**	**574,093**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	8,591,372	8,645,574

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

29.4. Separate cash flow statement of GEN-I, d.o.o. for 2016

AMOUNTS IN € ITEMS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss for the period	8,614,357	8,071,481
ADJUSTMENTS FOR		
Amortization and depreciation	1,784,354	1,514,315
Write-downs of property, plant and equipment	311	1,563
Gain on the sale of property, plant and equipment, intangible assets and investment property	-5,563	-219
Financial income	-4,769,645	-5,557,549
Financial costs	1,164,992	2,963,579
Income tax	924,353	691,289
OPERATING PROFIT BEFORE CHANGES IN NET CURRENT ASSETS AND TAXES	**7,713,159**	**7,684,457**
Changes in net current assets and provisions		
Change in receivables	80,495,910	-27,794,676
Change in prepayments and other assets	-11,601,672	11,862,201
Change in operating liabilities	-46,680,629	13,521,182
Change in advances received and other current liabilities	-7,400,950	-3,404,593
Change in provisions	70,193	102,436
Change in deferred income	0	-627
Income tax paid	-1,071,429	-282,622
NET CASH FLOW FROM OPERATING ACTIVITIES	**21,524,583**	**1,687,758**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	103,359	189,217
Dividends received	4,305,093	4,854,048
Proceeds from sale of property, plant and equipment and intangible assets	11,737	219
Proceeds from decrease in loans granted	7,553,000	0
Acquisitions of property, plant and equipment and intangible assets	-1,121,709	-1,432,279
Acquisitions of subsidiaries	-10,199,750	-98,224
Acquisitions of associates	-12,405,250	0
Acquisitions of other investments	-100,000	0
Outflows for increase in loans granted	-5,513,000	-5,010,000
Outflows for settlement of derivatives	0	-321,825
NET CASH FLOW FROM INVESTING ACTIVITIES	**-17,366,520**	**-1,818,845**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-864,146	-1,228,305
Repayment of long-term loans	-152,697	-183,495
Repayment of short-term loans	-273,683,680	-194,891,673
Proceeds from long-term loans received	18,170,134	5,108,159
Proceeds from short-term loans received	279,210,005	170,909,680
Dividends paid	-4,000,000	-3,500,000
NET CASH FLOW FROM FINANCING ACTIVITIES	**18,679,616**	**-23,785,633**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**16,108,474**	**40,025,194**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-22,837,679**	**-23,916,720**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**38,946,153**	**16,108,474**

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

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

2016

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
BALANCE AT 12/31/2015	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
OTHER COMPREHENSIVE INCOME		
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to profit or loss	0	0
Actuarial gains (losses)	0	0
TOTAL OTHER COMPREHENSIVE INCOME	0	0
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	0	0
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
BALANCE AT 12/31/2016	19,877,610	1,987,761

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

2015

AMOUNTS IN € CHANGES IN EQUITY	SHARE CAPITA	LEGAL RESERVES
BALANCE AT 12/31/2014	19,877,610	1,987,761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit or loss for the period	0	0
OTHER COMPREHENSIVE INCOME		
Change in fair value of cash flow hedges	0	0
Change in fair value of cash flow hedges transferred to profit or loss	0	0
Actuarial gains (losses)	0	0
TOTAL OTHER COMPREHENSIVE INCOME	0	0
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	0	0
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
BALANCE AT 12/31/2015	19,877,610	1,987,761

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

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

FAIR VALUE RESERVES	HEDGING RESERVES	NET PROFIT OR LOSS	RETAINED EARNINGS	TOTAL EQUITY
0	**-588,657**	**8,161,422**	**23,982,232**	**53,420,367**
0	0	8,071,481	0	8,071,481
0	0	0	0	0
0	588,657	0	0	588,657
-14,564	0	0	0	-14,564
-14,564	**588,657**	**0**	**0**	**574,093**
-14,564	**588,657**	**8,071,481**	**0**	**8,645,574**
0	0	-8,161,422	8,161,422	0
0	0	0	-3,500,000	-3,500,000
0	0	0	18,785	18,785
-14,564	**0**	**8,071,481**	**28,662,439**	**58,584,726**

30. NOTES TO THE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2016

30.1. Reporting entity

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

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

The financial statements of GEN-I, d.o.o. were prepared for the business year that ended on December 31, 2016. GEN-I, d.o.o. is the controlling company of the GEN-I Group, for which consolidated financial statements are compiled.

Basis of preparation

(A) STATEMENT OF COMPLIANCE

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

The financial statements were approved by the Company's Management Board on March 31, 2017.

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

(B) MEASUREMENT BASIS

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY

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

(D) USE OF ESTIMATES AND JUDGMENTS

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

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

Estimates and assumptions are mainly associated with:
- estimated useful lives of amortizable assets,
- asset impairment,
- employee earnings,
- provisions,
- contingent liabilities, and
- derivatives.

30.2. Significant accounting policies

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

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

(A) FOREIGN CURRENCY

(i) **Foreign currency transactions**

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

(B) FINANCIAL INSTRUMENTS

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Investments in subsidiaries

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

Loans and receivables

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

Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

(iv) **Share capital**

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

Dividends

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

(v) **Derivatives**

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

The Company uses forward contracts and a number of different financial trading instruments to hedge against market risks caused by fluctuations in electricity and natural gas prices. The Company primarily uses forward currency contracts to hedge against currency risks.

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

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction; they only need to agree on the price of individual forward contracts. Transactions are concluded without the physical presence of the 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 there is hardly any exchange taking place with these contracts. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

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

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

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

Cash flow hedge

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

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

Fair value hedge

The Company calculates fair values hedges against the risk of fluctuating prices for standardized forward contracts by recognizing changes in the fair value of derivatives immediately in the income statement. 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 the income statement. 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 the income statement. The initial book value of an asset or liability arising from the fulfillment of a firm commitment by the Company is adjusted by including the cumulative change in fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

(C) (C) PROPERTY, PLANT AND EQUIPMENT

(i) **Recognition and measurement**

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

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

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

(ii) **Subsequent costs**

Costs arising from the replacement of parts of fixed assets are recognized at carrying value if future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in the income statement 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 the income statement. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant and equipment.

(iv) **Depreciation**

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

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

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

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

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

(D) INTANGIBLE ASSETS

(i) Other intangible assets

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

(ii) Subsequent costs

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost is related. All other costs are recognized as expenses in the income statement when they arise.

(iii) Amortization

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

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets, 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. Estimated useful lives for the current and comparative year are as follows:

- Software 5 years

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

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

(E) ASSET IMPAIRMENT

(i) Financial assets (including receivables)

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

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

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

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

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

All impairment losses are reported in the Company's income statement for the accounting period.

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

(ii) Non-financial assets

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

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

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

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

(F) EMPLOYEE EARNINGS

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

(G) PROVISIONS

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

Provisions for severance payments and long-service bonuses

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

The Company created non-current provisions in 2016 for long-service bonuses and severance payments at retirement as the present value of future payments required to settle liabilities arising from employees' service in the current and future periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 1.8% was set for the calculation at December 31, 2016, based on the yields on 19.5-year Slovenian government bonds at December 30, 2016.

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

(H) REVENUES

(i) Revenues from goods sold

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

(ii) Revenues from services rendered

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

(iii) Commissions

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

(iv) **Revenues from rents**

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

(I) GOVERNMENT GRANTS

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

(J) FINANCIAL INCOME AND FINANCIAL COSTS

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

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

(K) INCOME TAX

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

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

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

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

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

(L) SEGMENT REPORTING

An operating segment is a part of the Company that carries out business activities from which it generates income and incurs costs that relate to transactions with other members of the same group.

(M) STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT ACCOUNTING PERIOD

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

- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures** – Investment Entities: Applying the Consolidation Exception; adopted by the EU on September 22, 2016 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IFRS 11 Joint Arrangements** – Accounting for Acquisitions of Interests in Joint Operations; adopted by the EU on November 24, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure Initiative; adopted by the EU on December 18, 2015 (apply to annual periods beginning on or after January 1, 2016);

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- **Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets** – Clarification of Acceptable Methods of Depreciation and Amortization; adopted by the EU on December 2, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture** – Agriculture: Bearer Plants; adopted by the EU on November 23, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to IAS 19 Employee Benefits** – Defined Benefit Plans: Employee contributions; adopted by the EU on December 17, 2014 (apply to annual periods beginning on or after February 1, 2015);

- **Amendments to IAS 27 Separate Financial Statements** – Equity Method in Separate Financial Statements; adopted by the EU on December 18, 2015 (apply to annual periods beginning on or after January 1, 2016);

- **Amendments to various standards (Improvements to IFRS, 2010-2012 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily to eliminate discrepancies and to provide interpretations of texts; adopted by the EU on December 17, 2014 (apply to annual periods beginning on or after February 1, 2015); and

- **Amendments to various standards (Improvements to IFRS, 2012-2014 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily to eliminate discrepancies and to provide interpretations of texts; adopted by the EU on December 15, 2015 (apply to annual periods beginning on or after January 1, 2016).

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

(N) STANDARDS AND INTERPRETATIONS TO EXISTING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

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

- **IFRS 9 Financial Instruments;** adopted by the EU on November 22, 2016 (applies to annual periods beginning on or after January 1, 2018); and

- **IFRS 15 Revenue from Contracts with Customers** and amendments to IFRS 15 Effective Date of IFRS 15; adopted by the EU on September 22, 2016 (applies to annual periods beginning on or after January 1, 2018).

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

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the IASB, with the exception of the following new standards, amendments to existing standards and new interpretations, which at December 31, 2016 (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 16 Leases** (applies to annual periods beginning on or after January 1, 2019);

- **Amendments to IFRS 2 Share-Based Paymen**t – Classification and Measurement of Share-Based Payment Transactions (applies to annual periods beginning on or after January 1, 2018);

- **Amendments to IFRS 4 Insurance Contracts –** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applies to annual periods beginning on or after January 1, 2018 or when IFRS 9 is applied for the first time);

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

- **Amendments to IFRS 15 Revenue from Contracts with Customers** – Clarifications to IFRS 15 Revenue from

Contracts with Customers (applies to annual periods beginning on or after January 1, 2018);

- **Amendment to IAS 7 Statement of Cash Flows** – Disclosure Initiative (applies to annual periods beginning on or after January 1, 2017);
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (apply to annual periods beginning on or after January 1, 2017);
- **Amendment to IAS 40 Investment property** – Transfers of Investment Property (applies to annual periods beginning on or after January 1, 2018);
- **Amendments to various standards (Improvements to IFRS, 2014-2016 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12, and IAS 28), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 12 apply to annual periods beginning on or after January 1, 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1, 2018); and
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (applies to annual periods beginning on or after January 1, 2018).

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

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

The Company assesses that hedge accounting in connection with financial assets and liabilities in accordance with IAS 39 Financial instruments: Recognition and Measurement would not have had a significant impact on its financial statements if it had been applied on the balance-sheet date.

30.3. Determining fair value

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

(i) Property, plant and equipment

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

(ii) Intangible assets

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

(iii) Operating and other receivables

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

(iv) Derivatives

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

(v) Non-derivative financial liabilities

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

30.4. Financial risk management

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

- strategic,
- financial and
- operational risks.

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

30.5. Cash flow statement

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

30.6. Notes to the financial statements

Note 1: Property, plant and equipment

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	12/31/2016	12/31/2015
Land	375,461	375,461
Buildings	2,961,085	3,145,315
Other plant and equipment	885,054	998,288
Property, plant and equipment under construction	0	898
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,221,599	4,519,962

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

The Company has cars under finance leases in the amount of EUR 207,754.

Total investments in property, plant and equipment in 2016 amounted to EUR 483,142, and relate to purchases of computer equipment, investments in fixed assets owned by third parties, furniture and other equipment.

Changes in 2016

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

Changes in 2015

AMOUNTS IN € PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES	TOTAL
HISTORICAL COST					
BALANCE AT 1/1/2015	375,461	4,072,891	3,254,043	6,587	7,708,982
Other acquisitions	0	0	0	848,933	848,933
Write-downs	0	0	-158,903	0	-158,903
Disposals	0	0	-2,685	0	-2,685
Transfers within property, plant and equipment	0	237,758	616,864	-854,623	0
BALANCE AT 12/31/2015	375,461	4,310,649	3,709,319	897	8,396,327
IMPAIRMENTS					
Balance at 1/1/2014	**0**	**947,013**	**2,393,682**	**0**	**3,340,695**
Write-downs	0	0	-157,622	0	-157,622
Disposals	0	0	-2,685	0	-2,685
Depreciation expense	0	218,322	477,656	0	695,978
BALANCE AT 12/31/2015	0	1,165,335	2,711,031	0	3,876,366
CARRYING AMOUNT AT 1/1/2015	375,461	3,125,878	860,361	6,587	4,368,287
CARRYING AMOUNT AT 12/31/2015	375,461	3,145,315	998,288	898	4,519,961

Note 2: Intangible assets

AMOUNTS IN € INTANGIBLE ASSETS	12/31/2016	12/31/2015
Other intangible assets	1,712,291	2,177,968
Intangible assets in acquisition and development, and advances	200,923	105,703
TOTAL INTANGIBLE ASSETS	1,913,215	2,283,671

The Company's other intangible assets include property rights in the form of software, which amounted to EUR 1,687,834, and other intangible assets in the amount of EUR 24,457.

Total investments in intangible assets in 2016 in the amount of EUR 638,567 comprise software for information support for common services, support for the sale of electricity to end-customers and server support.

Changes in 2016

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

Changes in 2015

AMOUNTS IN € INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST			
Balance at 1/1/2015	**4,872,384**	**305,946**	**5,178,330**
Other acquisitions	0	583,346	583,346
Write-downs	-6,618	0	-6,618
Transfers within intangible assets	783,589	-783,589	0
BALANCE AT 12/31/2015	**5,649,355**	**105,703**	**5,755,058**
IMPAIRMENTS			
Balance at 1/1/2015	**2,659,667**	**0**	**2,659,667**
Write-downs	-6,618	0	-6,618
Amortization expense	818,337	0	818,337
BALANCE AT 12/31/2015	**3,471,386**	**0**	**3,471,386**
CARRYING AMOUNT AT 1/1/2015	**2,212,717**	**305,946**	**2,518,663**
CARRYING AMOUNT AT 12/31/2015	**2,177,969**	**105,703**	**2,283,672**

Note 3: Investments in subsidiaries

GROUP COMPANIES	% OF OWNERSHIP		INVESTMENT VALUE		EQUITY OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
GEN-I Athens SMLLC	100.00%	100.00%	150,000	150,000	490,585	473,754	290,585	273,754
GEN-I Bucharest S.r.l.	100.00%	100.00%	500,000	500,000	557,998	916,519	1,076	364,064
GEN-I Budapest Kft.	100.00%	100.00%	203,915	203,915	-51,290	54,448	-105,738	-117,314
GEN-I d.o.o. Beograd	100.00%	100.00%	150,000	150,000	902,222	1,279,171	281,401	648,197
GEN-I Sonce, d.o.o.	100.00%	100.00%	50,000	50,000	-41,146	-12,900	-28,246	-56,349
GEN-I Istanbul, Ltd. Şti	99.00%	99.00%	844,566	844,566	859,674	865,146	333,562	218,109
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	237,846	372,442	117,846	168,360
GEN-I Energy Sales DOOEL Skopje	100.00%	100.00%	39,951	39,951	332,799	497,036	225,490	388,908
Elektro energija d.o.o.	100.00%	0.00%	10,149,750	0	10,551,551	0	3,275,901	0
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	759,501	780,856	248,209	269,564
GEN-I DOOEL Skopje	100.00%	100.00%	20,000	20,000	7,949	9,378	-1,396	-673
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	140,794	-31,036	171,830	46,786
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	479,012	1,284,376	370,939	1,167,241
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	402,056	578,590	302,056	478,590
GEN-I Zagreb, d.o.o.	100.00%	100.00%	991,692	991,692	1,145,254	1,114,884	153,688	133,376
LLC GEN-I Kiev	100.00%	100.00%	98,224	48,224	42,510	43,216	-46,797	-6,023
LLC GEN-I Tbilisi	100.00%	100.00%	50,000	50,000	46,023	49,485	-111	-175
TOTAL			14,338,226	4,138,477	16,863,338	8,275,365	5,590,296	3,976,415

Investments in subsidiaries were up by EUR 50,000 in 2016 due to the recapitalization of GEN-I Kiev and by EUR 10,149,750 due to the purchase of Elektro energija, d.o.o., and totaled EUR 14,338,226 on December 31, 2016.

Note 4: Investments in associates and other investments

AMOUNTS IN € INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12/31/2016	12/31/2015
Investment in associates	12,405,250	0
Other financial investments	100,000	0
TOTAL INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	12,505,250	0

The Company acquired a 27.5% participating interest in GEN-EL naložbe, d.o.o. in 2016 for consideration in the amount of EUR 12,405,250. The investment in the equity of the associate is disclosed in the Company's financial statements at historical cost. The Company holds 25% of voting rights in GEN-EL naložbe, d.o.o.

Note 5: Non-current receivables and loans

AMOUNTS IN € NON-CURRENT RECEIVABLES AND LOANS	12/31/2016	12/31/2015
Total non-current operating receivables	221,568	267,224
Non-current financial receivables and finance leases	83,576	55,212
Loans to others	2,387	0
TOTAL NON-CURRENT RECEIVABLES AND LOANS	307,530	322,436

Note 6: Operating receivables

AMOUNTS IN € OPERATING RECEIVABLES	12/31/2016	12/31/2015
Trade receivables – subsidiaries	44,070,754	60,031,947
Trade receivables – others	47,137,265	86,985,895
Trade receivables	**91,208,019**	**147,017,842**
Default interest receivable	**31,190**	**72,260**
Other receivables relating to financial income – subsidiaries	0	0
Other receivables relating to financial income – others	11,863,959	15,529,640
Other receivables relating to financial income	**11,863,959**	**15,529,640**
Other operating receivables	**6,693,563**	**27,786,400**
TOTAL OPERATING RECEIVABLES	109,796,730	190,406,142

Other operating receivables primarily comprised receivables from deductible VAT in the amount of EUR 6,465,964.

The Company calculated fair value hedges for contracts for future sales and purchases of electricity that were concluded from January 1, 2012 onwards. Other receivables in connection with financial income relate to changes in the fair value of physical contracts for sales and purchases of electricity that were hedged using derivatives (futures) and relate to the following periods:

- the 2017 business year in the amount of EUR 11,394,073; and
- the 2018 business year in the amount of EUR 469,886

in the total amount of EUR 11,863,959. The effect of changes in the fair value of physical contracts for purchases and sales of electricity was fully offset against changes in the fair value of the associated derivatives.

Age structure and changes in impairments of receivables

AMOUNTS IN € AGING OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENTS	GROSS AMOUNT	IMPAIRMENTS
	12/31/2016		12/31/2015	
Not past due	88,301,523	0	157,716,924	0
Past due up to 90 days	17,318,381	0	27,839,281	0
Past due from 91 to 180 days	4,012,240	16,767	4,374,660	0
Past due from 181 to 365 days	326,866	184,981	556,959	276,704
More than one year	1,342,669	1,303,201	1,379,569	1,184,547
TOTAL	111,301,680	1,504,949	191,867,394	1,461,251

AMOUNTS IN € CHANGES IN IMPAIRMENTS OF RECEIVABLES	IMPAIRMENTS 2016	 2015
OPENING BALANCE AT 1/1	**1,461,251**	**1,365,532**
Creation of impairments	150,678	163,059
Reversal of impairments	-4,849	-46,971
Write-downs of receivables charged to impairments	-102,131	-20,369
CLOSING BALANCE AT 12/31	**1,504,949**	**1,461,251**

Note 7: Prepayments and other assets

AMOUNTS IN € PREPAYMENTS AND OTHER ASSETS	12/31/2016	12/31/2015
Advances and deposits	1,478,629	2,879,272
Current deferred costs and expenses	7,815,870	8,098,246
Current accrued revenues	29,349,641	16,064,949
TOTAL PREPAYMENTS AND OTHER ASSETS	**38,644,139**	**27,042,467**

Advances paid by the Company in the amount of EUR 1,478,629 primarily relate to advances for electricity and natural gas.

Current deferred costs and expenses in the amount of EUR 7,815,870 primarily comprise expenses for cross-border transfer capacities in the amount of EUR 6,156,566 and expenses for electricity and natural gas supplied in the amount of EUR 1,335,637 and relating to the first quarter of 2017.

Accrued revenues in the amount of EUR 29,349,641 comprise accrued revenues from customers whose electricity and natural gas purchases will be invoiced in 2017 in accordance with contractual provisions.

Note 8: Investments and loans

AMOUNTS IN € INVESTMENTS AND LOANS, INCLUDING DERIVATIVES	12/31/2016	12/31/2015
Derivatives	11,535	568,302
Loans to subsidiaries	2,970,000	5,010,000
Loans to others	2,046	0
Current interest receivable	30,759	7,065
TOTAL CURRENT INVESTMENTS AND LOANS	**3,014,340**	**5,585,367**

The item derivatives comprises the change in the fair value of derivatives to hedge against currency risks.

Loans to subsidiaries, all of which fall due for payment in 2017, earn interest at rates that are recognized for tax purposes, in accordance with the Rules on recognized interest rates.

Note 9: Cash and cash equivalents

AMOUNTS IN € CASH AND CASH EQUIVALENTS	12/31/2016	12/31/2015
Cash in banks	30,969,082	15,756,263
Call deposits	7,100,518	100,027
Deposits with a maturity of up to 3 months	876,552	252,183
TOTAL	38,946,153	16,108,473

Note 10: Share capital and reserves

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

Reserves

AMOUNTS IN € RESERVES	12/31/2016	12/31/2015
Legal reserves	1,987,761	1,987,761
Fair value reserves	-37,549	-14,564
TOTAL	1,950,212	1,973,197

The Company's share capital was unchanged in 2016. Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

Fair value reserves from actuarial calculations were negative in the amount of EUR 37,549 at the end 2016.

Retained earnings

AMOUNTS IN € RETAINED EARNINGS	12/31/2016	12/31/2015
Net profit or loss for the period	8,614,357	8,071,481
Retained net profit or loss	32,745,392	28,662,439
TOTAL	41,359,749	36,733,920

Allocation of retained earnings from previous years

In accordance with a decision of the general meeting of shareholders held in June 2016, the Company paid EUR 4,000,000 in dividends to its two shareholders from its retained earnings from previous years, which totaled EUR 36,733,920. The remaining profit was not distributed. The balance of retained earnings was up in 2016 due to the reversal of provisions in the amount of EUR 11,472 EUR.

Distributable profit

The Company generated a net profit of EUR 8,614,357 during the 2016 business year. GEN-I, d.o.o.'s distributable profit thus amounted to EUR 41,359,749 at December 31, 2016, and comprised net profit from the 2016 business year in the amount of EUR 8,614,357 and retained earnings from previous years in the amount of 32,745,392.

Taking into account the Company's strategy regarding the distribution of profit to owners in the amount of 30% of the net profit generated by the GEN-I Group for each previous business year, and in accordance with Article 20 of the Company's Memorandum of Association and Article 494 of the Companies Act (ZGD-1), the Company's Management Board will propose that the general meeting of shareholders distribute and pay out a portion of GEN-I, d.o.o.'s distributable profit in the total amount of EUR 2,200,000 to the Company's owners as follows:

- 50% or EUR 1,100,000 to GEN-EL, d.o.o.
- 50% or EUR 1,100,000 to GEN energija, d.o.o.

The remaining distributable profit in the amount of EUR 39,159,749 remains undistributed.

Note 11: Loans and borrowings

AMOUNTS IN € LONG-TERM LOANS AND BORROWINGS	12/31/2016	12/31/2015
Bank loans	10,000,000	5,000,000
Loans and borrowings from others	516,588	645,736
Non-current liabilities for bonds	13,000,000	0
TOTAL LONG-TERM LOANS AND BORROWINGS	23,516,588	5,645,736

AMOUNTS IN € SHORT-TERM LOANS AND BORROWINGS	12/31/2016	12/31/2015
Bank loans	0	21,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	16,537	42,731
TOTAL SHORT-TERM LOANS AND BORROWINGS	145,684	21,171,878

The Company issued bonds in 2016 in the amount of EUR 13,000,000 and repaid all short-term bank loans.

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

Note 12: Cost and maturity of loans

At the reporting date, the Company's liabilities to banks from two long-term maturing in 2018 and 2019 totaled EUR 10,000,000. Loans from Slovenian commercial banks were secured with bills of exchange. The Company also has liabilities in the amount of EUR 645,736 relating to loans from the Eco Fund. Of the aforementioned amount, a portion of the loan in the amount of EUR 129,147 matures in 2017, while the remainder represents a part of a long-term loan in the amount of EUR 516,588 that matures in 2021. The Company also issued bonds in 2016 that will mature in 2019.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR plus a premium, while bonds bear a fixed interest rate. Interest expenses for long-term, short-term and revolving loans from domestic commercial banks and others amounted to EUR 837,600 during the 2016 business year. The Company's current interest payable amounted to EUR 16,537 on the last day of the business year.

Bank loans were reduced by EUR 21,000,000 during the business year, while a new long-term loan in the amount of EUR 5,000,000 was raised from a Slovenian commercial bank. The Company also issued bonds in the amount of EUR 13,000,000.

Note 13: Other financial liabilities

AMOUNTS IN € OTHER NON-CURRENT FINANCIAL LIABILITIES	12/31/2016	12/31/2015
Non-current liabilities for finance leases	74,934	149,170
TOTAL NON-CURRENT FINANCIAL LIABILITIES	74,934	149,170

Note 14: Non-current operating liabilities

AMOUNTS IN € ITEMS	12/31/20116	12/31/2015
Non-current operating liabilities based on advances	45,782	51,664
TOTAL NON-CURRENT OPERATING LIABILITIES	45,782	51,664

Note 15: Non-current provisions

The Company created provisions for severance payments and long-service bonuses based on the current value of its liabilities to employees. Additional provisions in the amount of EUR 111,823 were created in 2016.

AMOUNTS IN € PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	
	2016	2015
OPENING BALANCE AT 1/1	275,326	172,891
Provisions created	111,823	131,408
Provisions used	-41,629	-28,973
CLOSING BALANCE AT 12/31	345,520	275,326

Note 16: Deferred taxes

AMOUNTS IN € DEFERRED TAXES DEFERRED TAXES RELATING TO	RECEIVABLES		LIABILITIES		NET EFFECT	
	2016	2015	2016	2015	2016	2015
Intangible assets	113,567	91,707	0	0	113,567	91,707
Provisions for severance payments and long-service bonuses	32,866	37,710	0	0	32,866	37,710
DEFERRED TAX ASSETS (LIABILITIES)	**146,433**	**129,417**	**0**	**0**	**146,433**	**129,417**

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

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

Changes in temporary differences

AMOUNTS IN € CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2014	RECOGNIZED IN THE INCOME STATEMENT	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2015	RECOGNIZED IN THE INCOME STATEMENT	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	12/31/2016
Intangible assets	-78,950	170,657	0	91,707	21,860	0	113,567
Financial instruments	120,569	0	-120,569	0	0	0	0
Provisions for severance payments and long-service bonuses	29,391	8,319	0	37,710	-4,844	0	32,866
TOTAL	**71,010**	**178,976**	**-120,569**	**129,417**	**17,016**	**0**	**146,433**

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

Note 17: Other current financial liabilities

AMOUNTS IN € OTHER CURRENT FINANCIAL LIABILITIES	12/31/2016	12/31/2015
Other current financial liabilities	26,808,168	0
Current liabilities for finance leases	91,675	152,697
Derivatives	299,035	1,110,857
TOTAL OTHER CURRENT FINANCIAL LIABILITIES	**27,198,878**	**1,263,554**

The Company issued commercial paper in 2016 in the amount of EUR 27,000,000 and with a maturity of July 2017.

Note 18: Current operating liabilities

AMOUNTS IN € O PERATING LIABILITIES	12/31/2016	12/31/2015
Trade payables	83,919,618	104,621,043
Trade payables to subsidiaries	15,048,717	15,381,102
Trade payables	**98,968,335**	**120,002,145**
Current liabilities from third-party transactions	162,080	293,224
Current liabilities to employees	1,185,261	754,891
Current liabilities to state and other institutions	761,490	26,698,921
Current liabilities to others	-2,117	597
Other operating liabilities	**2,106,715**	**27,747,633**
Current interest payable to others	**-18**	**0**
TOTAL OPERATING LIABILITIES	101,075,032	147,749,778

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

Current liabilities to state and other institutions and other current liabilities comprise liabilities for VAT payments, corporate income tax, excise duties, health and pension contributions for December salaries, and contributions for other employee earnings payable by the employer.

Note 19: Advances payable and other current operating liabilities

AMOUNTS IN € ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	12/31/2016	12/31/2015
Current liabilities based on advances	**1,108,376**	**1,639,466**
Accrued costs and expenses	6,811,795	13,897,131
Deferred revenues	323,457	107,982
Accrued costs and deferred revenues	**7,135,252**	**14,005,113**
ADVANCES PAYABLE AND OTHER CURRENT LIABILITIES	8,243,628	15,644,579

Current operating liabilities from accrued costs and expenses in the amount of EUR 6,811,795 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 2016, but for which the Company had not received invoices by the time the annual report was prepared.

Note 20: Contingent liabilities

AMOUNTS IN € CONTINGENT LIABILITIES	12/31/2016	12/31/2015
Guarantees and securities – other	102,594,337	101,250,446
Guarantees and securities – subsidiaries operating abroad	22,571,678	17,327,885
Other contingent liabilities	46,795	8,630,118
TOTAL	125,212,811	127,208,449

Bank guarantees and securities include payment guarantees, performance guarantees, and tender guarantees. Securities issued to subsidiaries and other contingent liabilities relate to securities for timely payment.

Note 21: Classification of financial instruments and fair values

AMOUNTS IN € FAIR VALUES	NOTE	12/31/2016		12/31/2015	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS CARRIED AT FAIR VALUE					
Available-for-sale financial assets	4	100,000	100,000	0	0
Derivatives	8	11,535	11,535	568,302	568,302
TOTAL		**111,535**	**111,535**	**568,302**	**568,302**
ASSETS CARRIED AT AMORTIZED COST					
Long-terms loans	5	2,387	2,387	0	0
Non-current financial receivables	5	83,576	83,576	55,212	55,212
Non-current operating receivables	5	221,568	221,568	267,224	267,224
Short-term loans	8	3,002,805	3,002,805	5,017,065	5,017,065
Operating receivables	6	109,796,848	109,796,848	190,406,142	190,406,142
Cash and cash equivalents	9	38,946,153	38,946,153	16,108,474	16,108,474
TOTAL		**152,053,336**	**152,053,336**	**211,854,117**	**211,854,117**
LIABILITIES CARRIED AT FAIR VALUE					
Derivatives	17	-299,035	-299,035	-1,110,857	-1,110,857
TOTAL		**-299,035**	**-299,035**	**-1,110,857**	**-1,110,857**
LIABILITIES CARRIED AT AMORTIZED COST					
Unsecured bank loans	11	-10,000,000	-10,000,000	-26,000,000	-26,000,000
Other financial liabilities	11.17	-26,824,706	-26,824,706	-42,731	-42,731
Liabilities for finance leases	13.17	-166,608	-166,608	-301,867	-301,867
Bonds	11	-13,000,000	-13,000,000	0	0
Operating liabilities	14.18	-101,120,814	-101,120,814	-147,801,443	-147,801,443
Borrowings from others	11	-645,736	-645,736	-774,883	-774,883
TOTAL		**-151,757,863**	**-151,757,863**	**-174,920,924**	**-174,920,924**

AMOUNTS IN € FAIR VALUE HIERARCHY	12/31/2016			
	LEVEL 2	LEVEL 3	TOTAL	SKUPAJ
ASSETS AT FAIR VALUE				
Available-for-sale financial assets	0	0	100,000	100,000
Interests in subsidiaries	0	0	14,338,226	14,338,226
Derivatives	0	11,535	0	11,535
TOTAL	**0**	**11,535**	**14,438,226**	**14,449,762**
LIABILITIES AT FAIR VALUE				
Derivatives	0	-299,035	0	-299,035
TOTAL	**0**	**-299,035**	**0**	**-299,035**

AMOUNTS IN € FAIR VALUE HIERARCHY	12/31/2015			
	LEVEL 1	NIVO 2	NIVO 3	SKUPAJ
ASSETS AT FAIR VALUE				
Interests in subsidiaries	0	0	4,138,476	4,138,476
Derivatives	0	568,302	0	568,302
TOTAL	0	568,302	4,138,476	4,706,778
LIABILITIES AT FAIR VALUE				
Derivatives	0	-1,110,857	0	-1,110,857
TOTAL	0	-1,110,857	0	-1,110,857

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

Note 22: Revenues

AMOUNTS IN € SALES REVENUE	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues from the sale of goods and materials	1,601,888,222	1,754,112,245
Revenues from the sale of services	33,911,056	23,031,290
TOTAL	1,635,799,278	1,777,143,535

Revenues from the sale of goods and services in the amount of EUR 1,601,888,222 comprise revenues from the sale of electricity in the amount of EUR 1,563,196,588 and revenues from the sale of natural gas in the amount of EUR 38,691,634.

Revenues from services primarily include revenues from cross-border transfer capacities in the amount of EUR 30,406,783, ma agement fees in the amount of EUR 1,907,291 and revenues from other services in the amount of EUR 1,596,982.

AMOUNTS IN € REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2016		
Revenues from the sale of goods and materials	358,531,180	1,243,357,043	1,601,888,222
Revenues from the sale of services	1,555,318	32,355,738	33,911,056
TOTAL	360,086,498	1,275,712,780	1,635,799,278

In 2016, revenues from goods and materials sold in Slovenia accounted for 22.01% of total revenues, while revenues from goods and materials sold on foreign markets accounted for 77.99% of all revenues.

AMOUNTS IN € OTHER OPERATING REVENUES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Revenues from the use and reversal of non-current provisions	14,715	700
Gain on the sale of property, plant and equipment and intangible assets	5,563	219
Other operating revenues	15,228,207	8,323,563
Revenues from subsidies, grants and compensation	285,920	627
TOTAL	15,534,405	8,325,109

The majority of other operating revenues is accounted for by gains from the ineffective portion of fair value hedges in the amount EUR 11,952,102, damages received and the reversal of expenses in the previous year.

Note 23: Costs of goods, materials and services

AMOUNTS IN € COST OF GOODS SOLD	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Cost of goods sold	1,623,942,308	1,759,801,297
TOTAL	1,623,942,308	1,759,801,297

The cost of goods sold amounted to EUR 1,623,942,308 in 2016, and includes the purchase price of electricity and natural gas and associated costs.

AMOUNTS IN € COSTS OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Costs of energy	190,687	183,766
Materials and spare parts	65,375	56,323
Office supplies	156,284	189,855
Other costs of materials	7,385	10,354
TOTAL	419,730	440,298

AMOUNTS IN € COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Maintenance	807,946	764,123
Rents	594,722	588,892
Bank charges and other fees	2,106,908	1,728,161
Intellectual services	536,261	809,212
Contractual works, meeting attendance fees and student work	572,374	679,688
Advertising, sales promotion and public relations	618,400	700,116
Sponsorship	233,413	236,511
Insurance	54,422	46,373
Entertainment	35,648	23,216
Costs of employees' business travels	50,139	70,555
Telecommunication	844,227	912,307
Transportation	78,253	98,893
Public utility services	9,965	9,779
Security	14,726	12,746
Cleaning	120,595	86,750
Training	35,898	78,236
Other services	922,564	805,391
Costs of IT services	42,728	96,594
TOTAL	7,679,190	7,747,543

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

Costs of other services primarily include the costs of accessing databases for electricity and natural gas trading purposes.

The Company signed an agreement on the auditing of its financial statements for the 2016 business year with the auditors of Deloitte revizija, d.o.o. in the amount of EUR 20,200.

AMOUNTS IN € MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	2016	2015
< 1 year	426,357	386,451
> 1 < 5 years	701,539	625,744
> 5 years	308,480	402,138
TOTAL	1,436,375	1,414,333

Liabilities from long-term contracts signed for the lease of business premises for organizational units in Ljubljana and Krško are expected to amount to a minimum of EUR 1,436,375 in the coming years.

Note 24: Labor costs

AMOUNTS IN € LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Wages and salaries	7,074,491	5,894,127
Social security contributions	1,178,903	977,022
Other labor costs	922,067	806,593
TOTAL	9,175,461	7,677,742

In 2016, the Company calculated labor costs in accordance with the Collective Agreement for the Slovene Electricity Industry, the Company's current job classification and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance and other labor costs (allowances for meal expenses, transportation costs to and from work, annual leave pay, severance payments, long-service bonuses, etc.).

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

Note 25: Amortization and depreciation

AMOUNTS IN € AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Amortization of intangible assets	1,009,024	818,337
Depreciation of property, plant and equipment	775,330	695,978
TOTAL	1,784,354	1,514,315

Note 26: Other operating expenses

AMOUNTS IN € OTHER OPERATING EXPENSES	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Taxes and levies	789,452	469,361
Donations	34,712	44,242
Write-downs and impairments of fixed assets	311	1,563
Creation of provisions	78,086	110,401
Other operating expenses	805,255	959,499
TOTAL	1,707,816	1,585,066

Other operating expenses in the amount of EUR 805,255 primarily comprise membership fees, deductible expenses, and impairments and write-downs of operating receivables.

AMOUNTS IN € DONATIONS	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Humanitarian purposes	3,128	11,400
Charitable purposes	5,700	14,850
Healthcare purposes	3,400	0
Educational purposes	7,650	1,500
Sports purposes	10,734	13,992
Cultural purposes	4,100	2,500
TOTAL	34,712	44,242

Note 27: Profit or loss from financing

AMOUNTS IN € PROFIT OR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2016	GENERATED FROM 1/1 TO 12/31/2015
Dividend income from interests in subsidiaries	4,305,093	4,854,048
Interest income	62,030	97,441
Net income from settlement of financial instruments	402,263	603,565
Other financial income	259	2,496
FINANCIAL INCOME	4,769,645	5,557,550
Interest expense	-837,600	-1,243,466
Changes in fair value of derivatives	-327,040	-1,719,786
Net foreign exchange losses	-690,766	-533,586
Other financial costs	-352	-327
FINANCIAL COSTS	-1,855,758	-3,497,165
PROFIT OR LOSS FROM FINANCING	2,913,887	2,060,385

The following subsidiaries paid out dividends in 2016: GEN-I Tirana in the amount of EUR 1,179,994, GEN-I Beograd in the amount of EUR 634,761, GEN-I Vienna in the amount of EUR 479,646, GEN-I Athens in the amount of EUR 410,144, GEN-I Energy Sales Skopje in the amount of EUR 388,316, GEN-I Bucharest in the amount of EUR 359,089, GEN-I Sarajevo in the amount of EUR 269,564, GEN-I Energia in the amount of EUR 252,443, GEN-I Istanbul in the amount of EUR 195,968 and GEN-I Zagreb in the amount of EUR 135,167.

Interest income included default interest, interest from loans granted, and interest from deposits and positive bank balances.

The net effect of exchange rate differences were expenses in the amount of EUR 690,766.

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

Expenses in the amount of EUR 327,040 from changes in fair value relate to changes in the fair value of forward contracts used to hedge against electricity and natural gas price fluctuations that do not meet the conditions for hedge accounting and are recognized immediately in comprehensive income.

Note 28: Income tax expense

AMOUNTS IN € INCOME TAX EXPENSE	2016	2015
Current tax	951,883	708,107
Deferred tax	-27,530	-16,818
TOTAL	924,353	691,289

Effective tax rate

AMOUNTS IN €	2016	2015
Gross profit before tax	**9,538,710**	**8,762,769**
Statutory tax rate	17%	17%
Income tax at statutory tax rate, prior to changes in tax base	1,621,581	1,489,671
Tax-exempt income	-697,348	-834,466
Non-deductible expenses	92,892	146,282
Tax relief	-92,772	-110,198
Effective tax rate	**9.69%**	**7.89%**
Current and deferred income tax	**924,353**	**691,289**

Note 29: Data on related parties

Remuneration of members of the Management Board

Current year (2016)

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

Previous year (2015)

2015			GROSS		
AMOUNTS IN € REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	129,040	0	1,267	10,684	140,991
Martin Novšak	0	0	0	0	0
Andrej Šajn, MSc	98,419	0	1,236	25,891	125,546
Igor Koprivnikar, Ph.D.	124,022	0	1,169	8,661	133,852
TOTAL	351,481	0	3,672	45,236	400,389

AMOUNTS IN € DATA REGARDING GROUPS OF PERSONS	EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS 12/31/2016	12/31/2015
Wages and salaries	1,637,247	1,393,975
Fringe benefits and other remuneration	386,398	254,645
TOTAL	2,023,645	1,648,620

30.7. Financial instruments and risk exposure

Note 30: Credit risk

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

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT	
	2016	2015
Domestic	24,220,936	49,061,970
Euro area countries	21,980,450	23,363,579
Other European countries	15,553,889	31,136,101
Countries of the former Yugoslavia	18,648,644	22,366,957
Other regions	10,804,100	21,089,236
TOTAL	91,208,019	147,017,843

AMOUNTS IN € TRADE RECEIVABLES	CARRYING AMOUNT	
	2016	2015
Wholesale customers	67,671,018	103,239,829
Retail customers	23,537,000	43,778,013
TOTAL	91,208,019	147,017,842

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

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

Note 31: Liquidity risk

Current year (2016)

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

Previous year (2015)

AMOUNTS IN € FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
2015							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	26,000,000	27,293,247	21,608,375	277,667	300,900	5,106,306	0
Other liabilities	869,278	953,452	230,652	7,110	143,367	559,248	13,075
Finance lease liabilities	301,867	301,867	82,012	70,688	89,767	59,400	0
Operating liabilities	147,749,779	147,749,779	147,705,415	21,427	22,937	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	1,110,857	1,110,857	1,110,857	0		0	0
Inflow	-568,302	-568,302	-318,783	-249,519	0	0	0
TOTAL	**175,463,479**	**176,840,902**	**170,418,529**	**127,372**	**556,971**	**5,724,954**	**13,075**

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

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

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

Note 32: Currency risk

Current year (2016)

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

Previous year (2015)

AMOUNTS IN € RECEIVABLES AND PAYABLES	EUR	USD	GBP	HRK	RSD	HUF	TRY	BGN	RON	CZK
	12/31/2015									
Trade receivables	140,860,077	0	0	0	0	0	3,082,610	0	3,075,152	3
Unsecured bank loans	-26,000,000	0	0	0	0	0	0	0	0	0
Trade payables	-107,473,150	-9,141	-5,816	0	-412	-444,378	-1,293,143	-2,600,161	-8,176,498	555
Gross balance sheet exposure	**7,386,927**	**-9,141**	**-5,816**	**0**	**-412**	**-444,378**	**1,789,467**	**-2,600,161**	**-5,101,346**	**558**
Estimated forecast sales	1,898,496,048	0	0	0	0	0	0	0	0	0
Estimated forecast purchases	-1,873,464,109	0	0	0	0	0	0	0	0	0
Gross exposure	**25,031,939**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
NET EXPOSURE	32,418,866	-9,141	-5,816	0	-412	-444,378	1,789,467	-2,600,161	-5,101,346	558

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 markets outside the euro area.

The Company is most exposed to currency risks when performing its core activities, i.e. trading and selling electricity and cross-border transfer capacities. Given the scope of the Company's operations, it is exposed to currency risks primarily from the following currencies: the Romanian leu (RON) and the Turkish lira (TRY).

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

Note 33: Interest-rate risk

AMOUNTS IN € FINANCIAL INSTRUMENTS	CARRYING AMOUNT	
	2016	2015
FIXED-RATE INSTRUMENTS		
Financial assets	2,985,968	5,578,302
Financial liabilities	-40,107,203	-1,110,857
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-10,812,344	-27,076,750

The Company manages interest-rate risks by constantly assessing risk exposure and the possible effects of changing reference interest rates (the variable part) on its costs from financing activities. The 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 Company monitors interest rate fluctuations on the domestic and foreign markets, and on derivatives markets. The purpose of continuous monitoring activities and analyses is to propose timely protective measures by balancing assets and liabilities in its statement of financial position.

31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

32. 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, 2016, including the notes to the financial statements from page 126 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 2016.

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

Danijel Levičar, MBA
Member of the Management Board

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

Andrej Šajn, MSc
Member of the Management Board

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

Krško, March 31, 2017

33. CERTIFIED AUDITOR'S REPORT

Deloitte.

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

Opinion

We have audited the financial statements of the company GEN-I, d.o.o. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2016, 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 2016, 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 Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

The other information include information in the Annual Report, except for the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Perform the procedures of verification and 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

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

For signature please refer to the original Slovenian version.

Ljubljana, 18 May 2017

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

34. TABLE OF DISCLOSURES

Text: GEN-I., d. o. o.
Translation: Glen Champaigne s.p.
Design: Gigodesign | Peter Primožič, Jure Filipič | www.gigodesign.com
Photo: Jože Suhadolnik
Note: The English Edition is a translation of the Slovene original which remains the legal version.

Krško 2017

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