

**ELEKTRO GORENJSKA
GROUP**

**CONSOLIDATED
ANNUAL REPORT FOR YEAR
2013**



elektro
gorenjska



50 let z vami

2013



CONSOLIDATED ANNUAL REPORT 2013

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LIST OF ABBREVIATIONS

AUKN	CAPITAL ASSETS MANAGEMENT AGENCY OF THE REPUBLIC OF SLOVENIA
BDP	GROSS DOMESTIC PRODUCT
BTP	TECHNICAL DATA BASE
DCV	DISTRIBUTION MANAGEMENT CENTER
DDV	VALUE ADDED TAX
DED	OTHER ENERGY ACTIVITIES
DGO	ACTIVITY OF PURCHASE AND SALE TO HOUSEHOLD CUSTOMERS
DO	DISTRIBUTION NETWORK
DPO	ACTIVITY OF PURCHASE AND SALE TO BUSINESS CUSTOMERS, INCLUDING TRADE
DV	OVERHEAD POWER LINE
EE	ELECTRIC ENERGY
EG	ELEKTRO GORENJSKA
EURIBOR	EURO INTERBANK OFFERED RATE IS AN INTERBANK OFFERED RATE FOR DEPOSITS IN EURO, WHICH IS FORMED ON THE EUROPEAN INTERBANK MARKET
EZ	ENERGY ACT (OFFICIAL GAZETTE RS, No. 27/07, 70/08, 22/10)
GIS	GAS ISOLATED SUBSTATION
GJS SODO	PUBLIC SERVICE OBLIGATION RELATING TO THE ACTIVITY OF THE ELECTRICITY DISTRIBUTION SYSTEM OPERATOR
HE	HYDROELECTRIC POWER STATION
IIS	INTEGRATED INFORMATION SYSTEM
IVG	IMPLEMENTATION OF MAINTENANCE AND WORKS
JARSE	ENERGY AGENCY OF THE REPUBLIC OF SLOVENIA

NN	LOW VOLTAGE
NNO	LOW-VOLTAGE NETWORK
NP	PURCHASE AND SALE
OE	ORGANIZATIONAL UNITS
POGODBA s	
SODO, p. d. o. o.	CONTRACT ON ELECTRICITY INFRASTRUCTURE LEASE AND PROVISION OF SERVICES FOR ELECTRICITY DISTRIBUTION SYSTEM OPERATOR
RTP	TRANSFORMER SUBSTATION
SAIDI	SYSTEM AVERAGE INTERRUPTION DURATION INDEX
SAIFI	SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX
SN	MEDIUM VOLTAGE
SNO	MEDIUM-VOLTAGE NETWORK
SODO	DISTRIBUTION NETWORK SYSTEM OPERATOR
SOPO	TRANSMISSION NETWORK SYSTEM OPERATOR
SPDOEE	GENERAL CONDITIONS FOR CONNECTION TO THE DISTRIBUTION ELECTRIC SYSTEM (OFFICIAL GAZETTE RS, No. 126/2007)
TR	TRANSFORMER
UVK	COMPETITION PROTECTION OFFICE OF THE REPUBLIC OF SLOVENIA
VN	HIGH VOLTAGE
VNO	HIGH-VOLTAGE NETWORK
ZGD-1	COMPANIES ACT

IMPORTANT INFORMATION ON OPERATION OF ELEKTRO GORENJSKA GROUP

NET PROFIT OR LOSS (EUR)



ECONOMY OF OPERATION (%)



EBIT (EUR)



EBITDA (EUR)



AVERAGE NUMBER OF EMPLOYEES



SHARE OF EMPLOYEES INCLUDED IN VARIOUS EDUCATIONS AND TRAININGS (%)



COSTS OF EDUCATION PER EMPLOYEE (EUR)



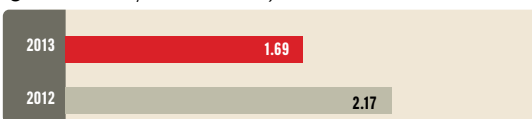
AVERAGE LEVEL OF EDUCATION



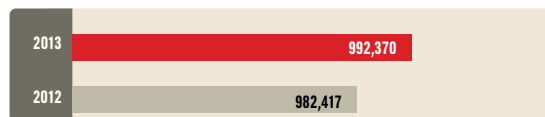
SAIDI (AVERAGE TIME OF DURATION OF UNANNOUNCED INTERRUPTIONS LONGER THAN 3 MINUTES /CUSTOMER)



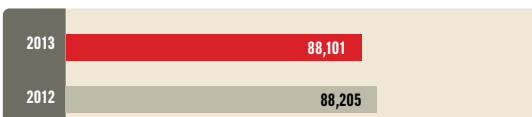
SAIFI (AVERAGE NUMBER OF UNANNOUNCED INTERRUPTIONS LONGER THAN 3 MINUTES /CUSTOMER)



QUANTITIES OF DISTRIBUTED ELECTRICITY (MWh)



NUMBER OF CUSTOMERS CONNECTED TO DISTRIBUTION NETWORK





BUSINESS REPORT

A black and white photograph of a man in a light-colored work shirt and dark trousers, holding a long-handled tool and cleaning a large metal structure. The structure has the letters 'TP' and 'SELCA' visible on it. The man is looking towards the camera. In the background, there are some electrical components and a dark area. A red square with a white number '1' is in the top right corner.

1

In the photo the head of the Železniki inspectorate is cleaning the Selca transformer station during the refit of the power line between Selca and Železniki.

Year 1987, photo: dr. Drago Papler

1. IMPORTANT EVENTS AND AWARDS OF ELEKTRO GORENJSKA GROUP IN YEAR 2013

JANUARY

- Škofja Loka Municipality placed the foundation stone for primary sewage line Trata-Škofja Loka in front of electricity facility RTP Trata. Elektro Gorenjska will be included in the project by building a new medium voltage network from Godešič to the new wastewater treatment plant Rateče and renovating the low-voltage network in the area of Rateče.
- Elektro Gorenjska attends the Distributech 2013 conference. It is the largest event in the field of smart grids and distribution technology in America.

FEBRUARY

- Elektro Gorenjska, Kranj Fire and Rescue Service and employees in Kranj regional unit of the Institute of the Republic of Slovenia for Nature Conservation moved the nest of storks from dangerous alder to a new artificial nesting pole.
- In Gorenjske elektrarne a renovated web site started running (www.gek.si). They thoroughly renovated graphic image, renovated and upgraded the contents which are now more transparent and bring more useful information and bring offer of the entire company in one place.
- At the 20th EDS winter sport games, which took place in Črna na Koroškem and were organized by Elektro Celje, employees from Elektro Gorenjska Group won the first place in the overall points for the seventh consecutive year.
- Elektro Gorenjska Prodaja forms an offer with which customers can save in the purchase of selected energy saving household appliances and at the same time can win a coupon for electricity worth up to 40 EUR.

MARCH

- Elektro Gorenjska successfully completes a three-year international development project HiperDNO. Among other things European Commission commends the Elektro Gorenjska contribution, namely the document Specification of future ICT system for small-scale DNO, as an excellent example of a comprehensive overview of the development of information and communication technologies in the company for the distribution of electricity.
- At the Brdo congress center Elektro Gorenjska receives the highest national award for business excellence in Slovenia for year 2012. PRSPO award is the highest national award for achievements in the field of quality of operations as a result of the development of knowledge and innovation.
- Gorenjske elektrarne organized the 3rd Renewable Sources and Efficient Energy Use Forum in Bled. Purpose of the forum was to present to the participants current topics and to encourage them to seize opportunities in the field of efficient management of renewable sources and efficient energy use.
- Providers of the Ne-odvisen.si program start hosting in Gorenjska region primary schools in municipalities Naklo, Gorje, Žirovnica, Radovljica and Cerklje na Gorenjskem. Implementation of the program was enabled by the Elektro Gorenjska Group and its business partners.
- Customers of Elektro Gorenjska Prodaja receive new benefits in company Si.mobil. For business customers within the program of achieving energy savings Elektro Gorenjska Prodaja Company published a call for co-financing of energy efficient buildings.

APRIL

- Elektro Gorenjska succeeded in applying for European tender. They included in a new international project INCREASE. Goal of the project is development and application of regulatory mechanisms to provide quality power on low and medium-voltage networks and preparation of system services related to production of dispersed sources.
- Elektro Gorenjska is visited by representatives of Grodnoenergo Company from Belarus. Representatives of Elektro Gorenjska present them the operation of the company and approach in the field of process information and telecommunication.
- On Earth Day Gorenjske elektrarne organized Eco Day at Ivan Grohar and Jelo Janežič Primary Schools in Škofja Loka, where solar power facility is placed. Pupils are acquainted with renewable energy sources.
- Gorenjske elektrarne participated in the second international VIVUS conference with seven reports.

MAY

- Elektro Gorenjska and Gorenjske elektrarne participate at the 11th energy conference in Laško with 36 papers. In the showroom Elektro Gorenjska presented also its measuring vehicle fitted with measuring and diagnostic equipment that enables comprehensive diagnosis of the cable.
- During her visit in Kranj the Prime Minister Alenka Bratušek visits also the renovated boiler room Planina (SPTE Planina), whose investor is Soenergetika, d. o. o. Company.
- Rudolf Ogrinc assumed the position of the director in Elektra Gorenjska Prodaja, d. o. o.
- Elektro Gorenjska Prodaja formed a special offer Lock the prices! (Zakleni cene!), which offers a very favorable price of electricity by the end of year 2015. In cooperation with Tehnosol company it formed an interesting offer of solar systems and a diverse offer of electric bikes.
- For the sixth time already Gorenjske elektrarne participated at the European solar days. This time the European project is carried out in collaboration with Matija Valjevec Primary School.
- Representatives of Elektro Gorenjska participated at two conferences, where they lectured on quality electricity supply: in Brdo at Kranj at the conference titled Measurements in everyday life and in Bled at the 4th M&Q conference on metrology and quality.
- Elektro Gorenjska as the winner of the highest national business excellence award hosted quality system managers from Slovenia (14th generation of QSM). Participants were presented the main activity of the company, a comprehensive quality management system and activities the company has been introducing on its way to excellence from 2007 onwards.
- In Elektro Gorenjska and Elektro Gorenjska Prodaja a renovated information system started its production operation.

JUNE

- With a practical examination representatives of Elektro Gorenjska on the location of TP Likozarjeva in Kranj successfully completed their training for live work on the medium-voltage level for tasks of cleaning the electricity equipment and devices using the »at the distance« method of work.
- As part of the program to achieve energy savings Elektro Gorenjska Prodaja issued a second call for obtaining financial grants.
- AT the 19th Summer Games athletes of Elektro Gorenjska Group successfully participated in 12 different disciplines.
- Soenergetika Company, which is one-quarter owned by Gorenjske elektrarne, signed a contract with Goodyear Dunlop Sava Tires company on obtaining the authorization for building the Sava Tires cogeneration.

JULY

- On July 19 Elektro Gorenjska celebrated its 50th anniversary.
- Elektro Gorenjska hosted representatives of electro-distribution Belgrade. They were presented the experiences in the field of distribution reorganization and activities in the field of information and communication technologies.
- In the shopping center Merkur in Novo mesto Gorenjske elektrarne completed their third project of efficient energy use by renovating the lighting in the shopping center. This project continues their long-term collaboration with Merkur company in the field of renewable energy sources use and efficient energy use.

AUGUST

- Elektro Gorenjska received a building permit for the construction of the 110 kV transmission line between Bohinj and Železniki.
- Gorenjske elektrarne signed a triple memorandum of intent to build two hydro power plants in Serbia, namely in the municipalities of Ivanjica and Prijepolje. Gorenjske elektrarne responded to the call published by the Ministry of Energy of the Republic of Serbia for allocation of authorizations to build small hydropower plants on 317 locations in Serbia.
- At the 19th annual general meeting of Elektro Gorenjska new members of the supervisory board were appointed, as the incumbent supervisory board's term expired. Following representatives of shareholders were appointed: Andrej Koprivec, Samo Logar, Elvis Duraković and Tedo Djekanović.
- Gorenjske elektrarne executed the replacement of the rubber membrane at the soft dam on hydro power plant Sava. Damage to the soft dam was caused by the floods in November 2012.
- In Plutal 2000 company implemented a new project of efficient energy use, namely the replacement of the existing energy inefficient compressors.

SEPTEMBER

- Elektro Gorenjska connected the new transformer substation 110/20 kV Bohinj to the 110 kV voltage level. Double-circuit transmission line Moste–Bled–Bohinj was passed to 110 kV and 20 kV voltage level. Elektro Gorenjska terminated intermediate transformation 20/35 kV in RTP Bled and removed 35 kV devices. In the area of Moste, Bled and Bohinj the unpromising 35 kV voltage level was thus abandoned, with only 110 kV and 20 kV voltage levels remaining.
- Public presentation of the study variants of the proposal for the most suitable alternative for the 2 x 110 kV Kamnik–Visoko landline and of the environmental report took place.
- Elektro Gorenjska hosted representatives of electro-distribution Vojvodina. They were presented the plans and activities in the field of introducing new information and communication technologies.
- Gorenjske elektrarne prepared a buyer –friendly offer of wood pellets, which is supplemented by a coupon for electricity in Elektro Gorenjska Prodaja.
- Together with its business partners Elektro Gorenjska Prodaja prepared several offers for its customers: package offer Re-energy – financial incentive for the purchase of heat pumps for hot water and heating , big Re-energy prize game, best offer of energy saving household appliances in GA stores and Re-energy offer for business customers for purchase of products for greater use of renewable sources.
- Elektro Gorenjska started the clearings on the route of 110 kV landline between the plants of RTP Železniki and RTP Bohinj.
- Employees in Elektro Gorenjska Group commemorate the 50th anniversary of the company's operations at the company's day.

OCTOBER

- Elektro Gorenjska successfully passed a regular assessment of the quality management system, regular assessment of environmental management system, and follow-up assessment of the health and safety at work system management.
- Gorenjske elektrarne completed the fifth project of renovating the efficient lighting in Merkur shopping center BTC in Ljubljana.
- At the first workshop on execution of live work at low voltage in Slovenian distribution Elektro Gorenjska presented its experiences in the field of live work at low voltage.
- Elektro Gorenjska successfully passed the first reconstruction of practical and theoretical knowledge for live work at low voltage.

NOVEMBER

- Elektro Gorenjska successfully continued the installation of compacted columns on the 35 kV power line between Jesenice and Kranjska Gora. With new columns 13 standing positions in the area of Gozd Martuljk and Podkuž were replaced.
- Elektro Gorenjska solemnly handed over to its purpose the new 110/20 kV distribution transformer station Bohinj and new 110 kV juncture in GIS implementation.
- At the 22nd annual conference of the Slovenian Association for Quality and Excellence Elektro Gorenjska received an award for recognition of the continuity of purpose in improving the business on the basis of (self-) assessment of the EFQM excellence model.
- Elektro Gorenjska Group organized a charity meeting for its business partners in Brdo pri Kranju. With the help of funds raised it supported the implementation of preventive social responsibility program Ne-odvisen.si in Gorenjska region in year 2014.
- Strong wind caused damage on the distribution network of Elektra Gorenjska and on production facilities of Gorenjske elektrarne. All damage was successfully eliminated within a short time.
- Gorenjske elektrarne implemented a new project of efficient energy use, namely a new cogeneration called SPT E Merkur 2 was installed in the Merkur boiler room.

DECEMBER

- Companies in Elektro Gorenjska Group demonstrate their responsible attitude to the environment through purchases of products and services that are the result of Slovenian knowledge and development, and by financially supporting organizations and associations in need. At the end of year 2013 companies in the group helped financially the Jesenice General Hospital to finish the renovation of the maternity unit and department. In cooperation with their business partners they once again supported the project Ne-odvisen.si, which hosted in Gorenjska region schools in year 2014 as well.
- In Elektra Gallery Elektro Gorenjska put on display an exhibition of photographs representing 50 years of company's operation.
- Elektro Gorenjska Prodaja rewarded the loyalty of its customer. Bills of loyal customers in packages Basic, I spend what I need, Re-energy and Blue energy for heat pumps were by 1 % lower in November, while in December by 2 % lower.

*Young electrical fitter
is installing insulators and
tensioning cables to a pylon
of the then new 10 kV power line
Strabinj-Duplje.*

Year 1952, archive: dr. Drago Papler



2. HIGHLIGHTS OF ELEKTRO GORENJSKA GROUP OPERATION IN YEAR 2013 AND GOALS OF THE GROUP COMPANIES

For Elektro Gorenjska Group year 2013 was varied and challenging. Key highlights of its operation in year 2013 can be summarized as follows:

1. WE OPERATED IN ACCORDANCE WITH THE LAW AND SET BUSINESS OBJECTIVES

We have reached 97.7 MM EUR of revenues, which is by 7.6 % more than the year before, and as a result we made 5 MM EUR of net profit, which is by 4.6 MM more than in year 2012. All indicators, including operating efficiency ratio and financing and yield ratios, show growth trend ROE amounted to 3.5 % (3.3 percentage point more than in year 2012), ROA 4.1 % (4.0 percentage point more than in year 2012).

2. WE PROVIDED RELIABLE AND HIGH-QUALITY SUPPLY OF ELECTRICITY

In the field of quality electricity supply and compared to other distributions in Slovenia we have been achieving the best quality in the field of continuity for several years. In year 2013 reliable and quality supply of electricity came in the first place too. In general quality of supply in our distribution network meets the standards set by JARSE.

3. WE COMPLETED THOSE INVESTMENT PROJECTS THAT WERE THE MOST IMPORTANT FOR FURTHER DEVELOPMENT OF THE REGION

Due to difficulties in obtaining funds we completed those investment projects that were most necessary for further development of the region.

- On the high-voltage network we obtained a building permit for starting the construction of 110 kV energy loop of Gorenjska region, which will connect Bohinj and Železniki and enable comprehensive supply of the region. Construction of the power line should be completed in year 2015. At the end of the year renovated distribution transformer station 110/20 kV Bohinj was connected in the network with a connecting 110 kV conduit.
- In year 2013 more than half of the investment funds were intended for the comprehensive modernization of parts of rural and urban medium- and low-voltage networks. We followed municipalities and local communities in Gorenjska region and built along with the renovations of roads and sewerage our own cable ducts, which will be used for renovation of power network in the following years.

4. WE IMPLEMENTED TRANSFER TO INDEPENDENT INFORMATION SYSTEM IN THE FIELD OF BILLING AND MONITORING LIFE CYCLES OF USERS AS WELL AS CHARGING OF POWER TO BUSINESS AND HOUSEHOLD CUSTOMERS

With a new independent information system we can manage connection and access of users to the distribution network as well as charging for use of network and electricity on individual measuring points more efficiently.

5. WE CONTINUED WITH THE GOOD PRACTICE OF LIVE WORK

In year 2013 installers for DPN were additionally trained for execution of maintenance work (cleaning of devices) on medium-voltage network and with it set the foundations for increasing use of such work in practice. We executed 36 live work tasks on LV including: processing of connecting measuring points, connection of cable conduits, installation of protective bases in LV distribution cabinets, replacement of tariff circuit breakers, replacements of overvoltage protection on low-voltage network.

6. WE ACTIVELY PARTICIPATED IN THE CHANGE OF ENERGY ACT

Elektro Gorenjska Company in 2013, actively cooperated with the competent ministries and other actors in changing the framework Energy Act. New Energy Act EZ-1 was finally approved by the parliament in March of 2014.

7. WE STRENGTHENED SYNERGIES WITH SUBSIDIARIES AND WITH THE HELP OF GRANTS ORGANIZED TRAINING IN USE OF RENEWABLE ENERGY SOURCES AND THEIR MORE EFFICIENT USE

The Group places great emphasis on synergy effects. In year 2013 companies in Elektro Gorenjska Group organized a free event on use of renewable energy sources and possibilities of more efficient energy use. Event was extremely well attended and was primarily aimed at raising awareness of public and private sector on ways and possibilities the field offer in use of resources as well as in the field of more efficient operations.

8. THROUGH SPONSORSHIP AND DONATION PROJECTS WE SUPPORTED NUMEROUS ORGANIZATIONS IN SPORT, CULTURE AND EDUCATION

Elektro Gorenjska Group is active in field of sponsorship and donation projects as well. We help wider public as far as we can. In year 2013 we called our business partners again and together we supported the social responsibility program Ne-odvisen.si.

9. WE INCREASED ELECTRICITY PRODUCTION

In year 2013 we produced 60,536 MWh of electricity, which means 20 % more than in year 2012, which is connected with the realization of new production units and favorable hydrological conditions.

10. WITH NEW PRODUCTION UNITS FROM RENEWABLE SOURCES AND EFFICIENT USE PROJECTS WE INCREASED REVENUES BY MORE THAN 113 PERCENT

Due to good hydrological conditions and mainly due to expansion of electricity production from renewable energy sources, Gorenjske elektrarne Company managed to increase its production by more than 20 percent in year 2013. It produced 60,536 MWh of electricity. New projects in the field of efficient energy use as new revenue sources and on the other hand efficient cost management of production and employment sources, further contributed to entire business success in year 2013.

11. DESPITE FIERCE COMPETITION WE WERE SUCCESSFUL IN THE FIELD OF SELLING ELECTRICITY TO FINAL CUSTOMERS

Year 2013 was very demanding for Elektro Gorenjska Prodaja also in sale of electricity, as there is fierce competition on the market. It offered new and extremely competitive package of electricity supply called Lock the prices! to its final customers, which helped them follow the objective of keeping the existing electricity buyers. Offer was additionally completed with services in the field of renewable energy sources and efficient energy use.

Year 2014 will be an extremely demanding year. Main efforts in Elektro Gorenjska Company will be aimed at the following goals:

Despite reduced economic activity and lower purchasing power of the population we are determined to realize all the set goals in year 2014. Our users and business efficiency remain in the center of Elektro Gorenjska development vision. Company will continue with its main activity and appropriate communication with local communities with the help of which we will provide for comprehensive and regulated development of electricity infrastructure in Gorenjska region.

Besides quality services we wish to offer our users reliable and quality infrastructure, which will resist different weather conditions we have been witnessing in the past years best. With even greater emphasis we will be executing cabling of network in the most vulnerable areas that cause high maintenance costs.

In accordance with the guidelines in year 2014 we are preparing for even larger introduction of so called smart meters, which will be installed gradually in the next years. Smart meters are part of the larger Slovenian project AMI (advanced measuring), but also one of the conditions for building the so called SmartGrid, which is required by the network with increasing implementation of dispersed production sources. Suppliers, electricity traders will be able to implement their services easier and better based on the advanced technology.

We will continue with the renovation of information support, namely the financial and accounting, material and storage and human resources segments, which will further improve and reduce operating costs. We will continue also with the implementation of a new remote control center and introduce standardized model of operational data exchange (CIM model).

In year 2014 we will actively approach the project of obtaining proper concession for implementation of public utility service SODO, which is enabled with the new Energy Act EZ-1. The project we will lead is going to be implemented together with other electricity distribution companies.

In Elektro Gorenjska Prodaja company main efforts in the future will be aimed at the following:

1. In year 2014 company plans a connection with a strategic partner. One of the main aims of the connection is to achieve more favorable purchase prices of electricity and use of mutual synergies. With integration the company has also set itself a more ambitious sale growth in the future years and entrance to the gas market. New strategy of the company includes strengthening of its position in the home region, sale of new energy and expansion abroad as well as emphasis on energy services with which the company will strengthen its partnership with customers.
2. To become the best energy seller in Slovenia, but not necessarily the cheapest.
3. To put customers at the center of business attention.
4. To ensure continuous accessibility of buyers to our employees through all communication channels and quick solution of their requirements.
5. To ensure efficient sale, which will enable ambitious growth of the company.
6. To optimize effects on the purchase side of energy, which enables covering of our own costs and achieving target returns.

7. To increase the quality of sale and after-sale services.
8. To ensure reliable, proper and foreign sources and strategic partnerships, which enable long-term development of the company and as a result also optimal offer for the customers.
9. To develop up-to-date information support for all processes of company's operation and for communication with buyers.
10. To increase the effectiveness of the company's operation through sales organization.
11. Introduction of control systems in all vital processes in the company – purchase, sale, claims and operating results.
12. Constant development and introduction of new electricity products for our customers.
13. Introducing new products related to energy for cross selling.
14. Entering the natural gas market and search for partnerships.

For Gorenjske elektrarne company main aims will be the following:

1. To become a leading producer of environment friendly energy by renovating existing and building new facilities to obtain electricity in an environment friendly way and at the same time maintaining high level of operational readiness and reliability of production devices as well as optimal use of renewable energy sources.
2. To become a recognized provider of services to increase efficient energy use by implementing new projects of efficient energy use.
3. To expand production activity to foreign markets.
4. To take advantage of new business opportunities related to energy environmental protection.
5. In year 2014 the company plans to expand revenue sources in the field of efficient energy use. Besides that we will be offering services of solar power plants maintenance on the market. Greater attention will be paid also to radical reconstructions of the existing hydro facilities, which are no longer part of the support system. With their comprehensive renovation we wish to increase production capacity and re-incorporate them to support system.

Two electrical fitters of the Visoko local inspectorate have brought the company vehicle in the garage for repair. Supply and replacement of vehicles used to be very long and complicated.

Year 1984, photo: dr. Drago Papler

3. MANAGEMENT REPORT

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS!

Year 2013 was a jubilee year for Elektro Gorenjska Group which celebrated its 50th anniversary in July. We are pleased to see that in all companies of Elektro Gorenjska Group tradition of our predecessors is continued. We provide for appropriate development of electricity infrastructure and with efficient operation maintain positive business results.

Key objectives we met in year 2013 were the following:

1. We have completed those investment projects that were the most significant for further development of the region

Elektro Gorenjska maintains more than 5,400 km of electricity power network. With planned investments, optimization and careful planning, and above all aimed at enabling such electricity power infrastructure that will enable further development of the Gorenjska region, we completed those investment projects in year 2013 that were the most important for the further development of the region. We are especially proud of obtaining the building permit for construction of new 110 kV connection between Bohinj and Železniki, which will provide reliable supply and above all connect the energy loop of the Gorenjska region.

2. We provided reliable and high-quality supply of electricity

Based on the Report on the electricity supply quality of the Energy Agency of RS and compared to other distributions in Slovenia the company has been achieving best quality in the field of continuity of electricity supply for several years.

3. We connected and implemented an independent information system, which will enable a more transparent and simpler operation of the company with its users

In year 2013 we in Elektro Gorenjska successfully passed onto an independent information system, which enables a comprehensive insight in the life cycle of a user (from submitting the application to connection to the electricity power network), quicker operation and much greater flexibility in the legislative and organizational changes within the company.

4. With new production units from renewable sources and projects of efficient use we increased our revenues by more than 113 percent

Due to good hydrological conditions and mainly due to expansion of electricity production from renewable energy sources, Gorenjske elektrarne company managed to increase its production by more than 20 percent in year 2013. It produced 60,536 MWh of electricity. New projects in the field of efficient energy use as new revenue sources and on the other hand efficient cost management of production and employment sources, further contributed to entire business success in year 2013. Company thus achieved 113 percent growth in revenues compared to year 2012.

5. Despite fierce competition we were successful in the field of selling electricity to final customers

Year 2013 was very demanding for Elektro Gorenjska Prodaja also in sale of electricity, as there is fierce competition on the market. It offered new and extremely competitive package of electricity supply called Lock the prices! to its final customers, which helped them follow the objective of keeping the existing electricity buyers. Offer was additionally completed with services in the field of renewable energy sources and efficient energy use.

6. We operated in accordance with the policy of quality and business excellence

All companies in Elektro Gorenjska Group operate in accordance with the law and quality standards. Since 2007 Elektro Gorenjska has been using the model of business excellence along with the quality standards. For the company model of business excellence is an opportunity for self-assessment and obtaining of objective opinion, which consequently enables creating opportunities and implementation of an action plan of improvements in the company. In year 2013 the company received the highest national award for business excellence in the previous period.

Results of operation

In year 2013 Elektro Gorenjska Group realized entire revenues in the amount of 97,672,536 EUR, which is by 7.6 % more than in year 2012. Net profit or loss amounted to 4,674,266 EUR, which is by 4,440,020 EUR more than in year 2012. All indicators, including operating efficiency ratio and financing and yield ratios, show growth trend ROE amounted to 3.5 % (3.3 percentage point more than in year 2012), ROA 4.1 % (4.0 percentage point more than in year 2012).

Improved operating result is a result of:

- New regulatory framework and additional optimization of company's Elektro Gorenjska business,
- New production units for production of electricity from renewable energy sources and efficient energy use projects in Gorenjske elektrarne,
- More efficient management in the field of purchase and sale of electricity in Elektro Gorenjska Prodaja and
- Cost-effectiveness of all companies in Elektro Gorenjska Group.

In year 2013 Elektro Gorenjska distributed 992,370 MWh of electricity, which 1 % more than in year 2012. In business conditions on our market reflect and they show all characteristics of the global markets, where consequences of recession and financial crisis can still be felt. Another effect of the business is also exerted by relation with the distribution network system operator and by changed business relations within the companies in the group. The march of the new technologies, more demanding and more conscious users as well as pressures of the regulators – they all effect business conditions.

We cooperate with the environment, we connect with the best

Without a reliable and functioning power network progress is not possible, so our investment activities in year 2013, which amounted to almost 10 MM EUR, were directed in the upgrade of the existing system and search of opportunities, which will additionally increase reliable and quality network.

Despite reduced economic activity and lower purchasing power of the population we are determined to realize all the set goals. Our users and business efficiency remain in the center of Elektro Gorenjska development vision. Elektro Gorenjska Group will continue with its main activity and appropriate communication with local communities with the help of which we will provide for comprehensive and regulated development of electricity infrastructure in Gorenjska region. In subsidiaries we will implement activities that bring positive business results in the field of production, trade and sale of electricity to both companies and group as a whole.

For year 2014 we set ourselves high business guidelines, but also clear development policies. Besides quality services offer we want to primarily offer our customers reliable and quality electricity power infrastructure, which will resist different weather conditions we have been witnessing in the past years best. With even greater emphasis we will be executing cabling of network in the most vulnerable areas that cause high maintenance costs. In accordance with the guidelines in year 2014 we are preparing for even larger introduction of so called smart meters, which will be installed gradually in the next years. Smart meters are part of the larger Slovenian project AMI (advanced measuring), but also one of the conditions for building the so called SmartGrid, which is required by the network with increasing implementation of dispersed production sources. Suppliers, electricity traders will be able to implement their services easier, better and more efficiently. In the company we

will continue with the renovation of information support, which will decrease operating costs but above all additionally optimize company's operation. We will continue with the implementation of software support to the remote control center, and also with the introduction of standardized model of operating data exchange (CIM model).

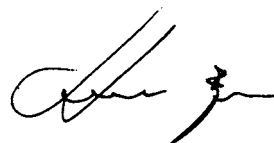
In year 2014 new Energy Act was adopted, which regulates the field of distribution much better and consequently allows different regulation of public utility service SODO. Consistent with our past efforts we will try to obtain proper concession for implementation of public utility service. In the field of production and sale of electricity we will consider new provisions of the act and implement activities that will be most optimal for the companies.

Success is built by the people and their values

Along with our commitment to work we can also recognize and understand the needs of the environment we operate in too. We believe that orientation to sustainable development, demonstration of social responsibility and active protection of the environment are foundations of success and breakthrough of every company. By sponsoring and donating in environment we operate in we additionally stimulate top achievements in sports, culture and science. As responsible members of the society we are included in understanding of human distress and difficulties of the social situation. Good relations with the users and local community also include awards received by the company in year 2013. We are the only distribution company and one of the 11 companies in Slovenia that can boast with the highest national award in the process of business excellence for year 2012. Business excellence is our responsibility, which we will continue proving!

Dear investors, shareholders and partners, together with colleagues we will continue to provide for growth and successful development of our company in the region. Your support and your creative cooperation in this are much wished for.

Together with my colleagues from the management and all co-workers I sincerely thank you for your trust.



Chairman of the Board
Bojan Luskovec, M.Sc.

3.1 CORPORATE GOVERNANCE STATEMENT

Elektro Gorenjska Group and Elektro Gorenjska Company inform the shareholders and public that they operate in accordance with applicable regulations and acts in force in the company. Management of the individual company represents the company as well as manages the business independently and at its own risk. In this it adopts the decisions in accordance with the strategic goals of the company and to the benefit of the shareholders. Companies in Elektro Gorenjska Group use in their operations the Corporate Governance Code adopted by Ljubljana Stock Exchange d. d., Association of Supervisors of Slovenia and Association Manager, ever since the 16th regular general meeting of the company on August 24 2011, when amendments of the statute were adopted. Companies also respect and adhere strictly to the Code on corporate governance of state capital investments and Recommendations of the manager of direct and indirect state capital investments of the Republic of Slovenia (Recommendations by SOD). Code and recommendations, which were adopted by Slovenska odškodninska družba, d. d., mainly recommend the principles, procedures and code of conduct for members of managerial and supervisory bodies in companies with capital investments of the state.

Applicable regulations important mainly for the operations of the parent company, and parent company statute are published on the company's web site (<http://www.elektro-gorenjska.si/>). Codes applicable for the parent company are available on the web pages of Ljubljana Stock Exchange, d.d. (<http://www.ljse.si/cgi-bin/jve.cgi?doc=656>) and Slovenska odškodninska družba, d. d., (http://www.so-druzba.si/doc/Pravni_akti).

In reviewing the operations of companies in the Group in year 2013 we have established that there were no derogations from the principles, procedures and criteria imposed by the stated codes and recommendations. Parent company declares that it does not respect code provisions or recommendations in regulating issues that are regulated by the law or that the company regulates in accordance with the provisions of the statute in different way than defined by the codes, or in cases when non-statutory conducts are not prescribed in its acts or when conducts are not determined as legal obligation.

Parent company believes that supervisory board members are professional, responsible and independent in performing the tasks in accordance with the provisions of both stated Codes and Recommendations by SOD.

Within the Elektro Gorenjska Group the management of the controlling company actively followed and directly controlled the operations of the controlled companies Gorenjske elektrarne and Elektro Gorenjska Prodaja, in accordance with the strategic guidelines with the purpose of reaching the set business goals. In leading and managing the controlled companies it has pursued the same standards of corporate management applicable for the controlling company in Elektro Gorenjska Group.

Elektro Gorenjska Group will respect the recommendations of the codes and recommendations by SOD in the future too and in accordance with this it will improve its management system. In eventual derogation from the given statement on respecting the codes the company will provide for the timely publication.

3.2 SUPERVISORY BOARD REPORT

SUPERVISORY BOARD REPORT ON VERIFICATION AND APPROVAL OF THE AUDITED ANNUAL REPORT OF ELEKTRO GORENJSKA, D. D. AND AUDITED CONSOLIDATED ANNUAL REPORT OF ELEKTRO GORENJSKA GROUP FOR BUSINESS YEAR 2013 (ARTICLE 282 CA)

1. Report on the work of the supervisory board in year 2013

In year 2013 the supervisory board operated in two compositions. Until August 26 2013, when all supervisory board members mandate expired, it operated in the following composition:

- Darjan Petrič, chairman,
- Alenka Bradač, vice president,
- Aleš Groznik, member,
- Duško Kapevski, member,
- Vojko Oman, member, and
- Leopold Zupan, member.

At the 19th regular general meeting on August 20 2013 new members of the supervisory board with a four-year mandate and beginning of the term on August 27 2013 were appointed Andrej Koprivec, Samo Logar, Elvis Duraković and Tedo Djekanović; representatives of employees remained Vojko Oman and Leopold Zupan. At its first session in a new composition on September 12 2012 members of the supervisory board elected the chairman and his vice president.

After the appointment of new members and election of the chairman and his vice president the supervisory board is composed of:

- Samo Logar, chairman,
- Leopold Zupan, vice president,
- Andrej Koprivec, member,
- Tedo Djekanović, member,
- Elvis Duraković, member, and
- Vojko Oman, member.

In year 2013 the supervisory board implemented its duties in accordance with the main function of controlling the management of the company's operations and duty of a diligent and conscientious manager based on the powers given by applicable regulations and companies' acts.

Supervisory board verified company's operations during the year mainly on the basis of periodic reports of the company's management and obtained operating data. It met on thirteen regular and two correspondence sessions of which supervisory board in current composition implemented five regular sessions.

In discussing the items on the agenda the supervisory board monitored and controlled the operations of the company and prepared and confirmed material for the 19th general meeting of shareholders, where main topic was appointment of new supervisory board members.

Supervisory board in its previous composition and in accordance with the Corporate Governance Code for Capital Investments of the Republic of Slovenia and Code of Corporate Governance to the proposal of KAD and after subsequent recommendation of SOD in May 2013 appointed the nomination committee of the supervisory board of Elektro Gorenjska, d. d., with the task of carrying out the procedure for appointing the members of the Supervisory Board, representatives of shareholders. Nomination committee was composed of the representatives of the largest shareholders (three members), while the chairman was the member of SB in accordance with Article 279 of Companies Act (Off. G. RS, No. 65/2009, with amendments, hereafter ZGD-1).

After the completion of the procedure the Supervisory Board proposed to the general meeting the appointment of new members of the Supervisory Board representing the shareholders.

In its current composition the supervisory board prepared and approved the material for the 20th general meeting of shareholders.

Management board submitted the material to the supervisory board on time and in writing and additionally explained them orally. For the supervisory board it regularly prepared reports on implementation of decisions and other reports that supervisory board requested from the management.

Main orientation of the supervisory board work in the previous year was following the company's operation, in accordance with the planned results, based on the reports prepared by the company's management board. It paid special attention to company's operations, namely the following:

- realization of the general meeting decisions,
- realization of the business plan,
- realization of SOD recommendations,
- development of corporate governance in Elektro Gorenjska Group and operation of companies in the group, above all the operation of its subsidiary company Elektro Gorenjska Prodaja, d. o. o., and its intended strategic connection with the new partner (HSE, d. o. o.); one session was devoted to and carried out at the seat of the other subsidiary, in Gorenjske elektrarne, d. o. o.,
- in accordance with Articles 28 and 39 of the Statute it gave its consent to one transaction with value exceeding 835,000.00 EUR, namely the contract for supply, implementation and maintenance of the distribution management center in total amount of 1,487,800.00 EUR (excluding VAT), and two approvals for borrowing in year 2014.

Since 2011 within the supervisory board special permanent committee of the supervisory board has been operating, that is the supervisory board Elektro Gorenjska, d. d., audit committee (hereafter audit committee), which was composed of the following members until the expiration of the mandate on August 26 2013:

- Duško Kapevski, member SB, audit committee chairman,
- Alenka Bradač, vice president SB, and
- Darja Orožen, external member of audit committee.

With the new mandate of the supervisory board new composition of the audit committee was appointed by the supervisory board on October 3 2013 in the following composition:

- Andrej Koprivec, member SB, audit committee chairman,
- Elvis Duraković, member SB, member of audit committee,
- Duško Kapevski, external member of audit committee,
- Andrej Baričič, external member of audit committee.

Supervisory board work was appropriately organized and took place in accordance with the supervisory board rules of procedure. Members of the supervisory board received professionally prepared material, which enabled the members to be informed about the issue on decision.

Supervisory board has had enough reports, information, eventual additional explanations and justifications at its disposal to be able to monitor company's operations responsibly during the year and participate actively in forming the management policy of the company and monitor the management of the company. Special attention of the supervisory board in the first half of the year was paid to operation of subsidiary company Elektro Gorenjska Prodaja, d. o. o., mostly due to worse results in year 2012.

Members of the supervisory board have also implemented precautions in order to avoid conflict of interests, which could influence their judgment. All members of the supervisory board have in accordance with the code of corporate governance signed a statement on the basis of which they

defined that they are fulfilling the independency criteria, they are qualified for the supervisory board work and that they have enough experience and knowledge for this job.

Composition of the supervisory board, whose members have suitable knowledge, experience and skills ensures responsible control and making decisions to the benefit of the company. With their knowledge and experience members complement each other, and appropriate personal integrity and business ethics are ensured as well.

Members of the supervisory board attended the sessions regularly and also prepared for them appropriately.

Chairman of the supervisory board performed his role in accordance with his powers and supervisory board rules and cooperated with the management also between sessions. Chairman encouraged the members to efficient and active performance. Sessions were led in a way that responsible decision making was ensured.

Supervisory board assesses that its members performed their function responsibly and engaged. In year 2013 members were additionally educated on seminars and lectures organized by Slovenska odškodninska družba (SOD).

Supervisory board devoted its attention also to compliance of company's operations with the provisions of the Companies Act and Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act and verified whether company published its matters in accordance with the Financial Instruments Market Act.

Supervisory board has assessed and established that in accordance with Articles 272 and 281 of ZGD-1 and within its jurisdiction it verified the company's operations regularly and in sufficient depth and so appropriately verified the management and operation of the company. Operation of the supervisory board audit commission and permanent professional function of internal audit in the company has improved supervisory board operations even further.

In accordance with the Rules of Procedure of the Audit Committee members of the supervisory board were kept abreast with invitations to audit commission sessions as well as with the minutes of the commission's sessions. In the last year audit commission met on eight regular and two extraordinary sessions in previous composition and on four regular sessions in current composition.

2. Verification and approval of audited annual report of the company and audited consolidated annual report of the group and position on the audit report with proposals for decisions for business year 2013

Besides the parent company Elektro Gorenjska Group also includes company Gorenjske elektrarne, d. o. o., and company Elektro Gorenjska Prodaja, d. o. o., which are both in 100 % ownership of the parent company.

All companies in the group ended the business year with a profit. Distributable profit of Elektro Gorenjska, d. d., including the profit brought forward from previous years, for year 2013 amounted to a total of 1,466,431.14 EUR. Management and supervisory board of Elektro Gorenjska, d. d., proposed the general meeting to pay the predominant part of the distributable profit in year 2013 in the amount of 1,384,165.68 EUR to the shareholders in the form of dividends (0.08 EUR per share), while the remaining part of the distributable profit in the amount of 82,265.46 EUR (difference between entire distributable profit for year 2013 and maximum possible dividend payment per share according to the amount of the distributable profit of the company for year 2013) is allocated to other profit reserves. Dividend yield for year 2013 would be, if proposal of the management and supervisory board about the allocation of the distributable profit was adopted, even somewhat higher than expected by the portfolio manager SOD and would amount to 1.04 % for year 2013.

Proposal for the use of distributable profit was verified by the supervisory board and agreed with the proposal of the management board as well as gave its consent to such distribution of profit at its 10th regular session on May 16 2014.

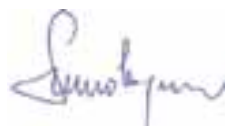
Auditing firm Deloitte Revizija, d. o. o., audited the financial reports of Elektro Gorenjska, d. d., and Elektro Gorenjska Group. Both reports show that auditing firm audited the financial statements comprised of the balance sheet total as of December 31 2013 and profit or loss account, cash flow statement and capital-flow statement for the year then ended as well as the summary of significant accounting policies and other explanatory notes.

In auditor's opinion stated financial accounts are in all material respects a fair presentation of the financial condition of Elektro Gorenjska, d. d., and Elektro Gorenjska Group as of December 31 2013, its profit or loss and total cash-flow in the year ended 2013 and are in accordance with the Slovenian Accounting Standards. It is also the opinion of the auditor that business report is in accordance with the audited financial statements of the company and group Elektro Gorenjska. Supervisory board took a positive stance on the auditor's opinion as well.

Supervisory board received and discussed the audited annual report of Elektro Gorenjska, d. d., and audited consolidated annual report of Elektro Gorenjska Group for year 2013 at its 10th regular session on May 16 2014 and confirmed it on the 11th regular session on May 28 2014. Based on due diligence and verification of audited annual report of Elektro Gorenjska, d. d., and audited consolidated annual report of Elektro Gorenjska Group for year 2013 the supervisory board has established the following:

- that the audited annual report of Elektro Gorenjska, d. d., and audited consolidated annual report of Elektro Gorenjska Group have been comprised in accordance with the provisions of the Companies Act and in accordance with the accounting standards,
- that the audited annual report of Elektro Gorenjska, d. d., for business year 2013 and audited consolidated annual report of Elektro Gorenjska Group for business year 2013 and data included represent a credible reflection of the operations of the company and the group in the past business year,
- that after the final verification of the audited annual report of the company and audited consolidated annual report of the group the supervisory board has no comments and approves the audited annual report of Elektro Gorenjska, d. d., for year 2013 and audited consolidated annual report of Elektro Gorenjska Group for year 2013,
- that it gives a positive opinion on the auditors' reports on operation of the company and the group in year 2013, as it has established that they have been comprised in accordance with the law, and made based on the careful and comprehensive review of the annual report and company's operations as well as consolidated annual report of the group and its operation,
- that it has proposed the general meeting of the company to adopt the decision on granting the discharge to the management and the supervisory board of the company for year 2013,
- that the management led the company carefully and in accordance with the regulation and company's acts,
- that it has been acquainted with the proposal of convening the 20th general meeting of the company and proposals for decisions and has agreed with the agenda and proposed decisions completely.

Supervisory board adopted this supervisory board report on verification and approval of audited annual report of Elektro Gorenjska, d. d., and audited consolidated annual report of Elektro Gorenjska Group for the business year 2013 at its 11th regular meeting on May 28 2014.



Samo Logar, univ. dipl. prav. (LLB)
Chairman of the Supervisory Board

In Kranj, May 28 2014

In the seventies of the 20th century consumption of electricity in Gorenjska region increased each year. With the purpose of ensuring reliable and quality electricity supply new electricity facilities were built. Photo shows the gala opening of RTP Bled 35/10 kV in year 1970.

Archive: dr. Drago Papler

4. PRESENTATION OF ELEKTRO GORENJSKA GROUP

4.1 STRUCTURE OF ELEKTRO GORENJSKA GROUP AND ASSOCIATED COMPANIES

Elektro Gorenjska Group consists of the controlling company Elektro Gorenjska d. d., and two of its controlled companies Gorenjske elektrarne d. o. o. and Elektro Gorenjska Prodaja d. o. o., which are in 100 % ownership of the controlling company, and associated company Soenergetika, where Gorenjske elektrarne has 25 percent share. None of the companies in the group has any subsidiaries Management of the controlled companies is implemented directly on the basis of the founder's decision, as none of the controlled companies has a supervisory board.

Figure 1: Organization chart of Elektro Gorenjska Group



Elektro Gorenjska Group is constantly striving for development, innovation and environmental efficiency and friendliness. Group is a holder of three quality standards ISO 9001/2000, ISO 14001/2004 and OHSAS 18001, which are recertified every year. Since 2011 Elektro Gorenjska company has been a holder of the Family-friendly company certificate. It participates in processes of business excellence (PRSPo) and is the only distribution company that received the highest national award for business excellence in Slovenia for year 2012. Quality services and activities we have been implementing for 50 years now, became even more obvious with arrival of competition. Undisturbed, reliable and quality supply of electricity is in the first place.

Elektro Gorenjska Company follows and actively participates in development projects, which represent the driver of the future, definitely including development of SMART GRIDS and other support activities. In year 2013 Elektro Gorenjska successfully completed its three-year international project HiperDNO and joined the two international research projects INCREASE (Increasing the penetration of renewable energy sources in the distribution grid by developing control strategies and using ancillary services) and DERri (Deregulated Energy Resources Research Infrastructure). Objective of the INCREASE project is to supplement the existing control systems and expand the range of system solutions aimed at more efficient electricity supply quality at increasing number of dispersed sources in the network. Objective of the company in DERri project is to create generic strategy of integration of technical and information systems for European electricity distribution companies.

4.1.1 ELEKTRO GORENJSKA COMPANY IDENTITY CARD

Name:	ELEKTRO GORENJSKA, podjetje za distribucijo električne energije, d. d.
Abbreviated name:	ELEKTRO GORENJSKA, d. d.
Business address:	Ulica Mirka Vadnova 3a, 4000 Kranj
Phone:	04 20 83 000
Fax:	04 20 83 600
Call center for failures:	080 30 19
Web site:	www.elektro-gorenjska.si
E-mail address:	info@elektro-gorenjska.si

Figure 2: Elektro Gorenjska company identity card

Registration number:	5175348000
VAT identification number:	SI 20389264
Core activity code:	35.130 electricity distribution
Legal form:	joint-stock company
Company register entry number:	1/00259/00
Date of company register entry:	27. 1. 1998
Place of court's register entry:	Kranj District Court
Share capital as of 31. 12. 2013:	72,019,068.61 EUR
Number of shares as of 31. 12. 2013:	17,302,071
Chairman of the Board:	Bojan Luskovec, M.Sc.
Supervisory board chairman:	Darjan Petrič, M.Sc. (to 26. 8. 2013) Samo Logar (since 27. 8. 2013)

Other important information on Elektro Gorenjska Company

in EUR

	31. 12. 2013	31. 12. 2012
Carrying amount of capital	133,416,895	131,391,662
Carrying amount of assets (balance sheet total)	195,122,085	190,304,953
	Year 2013	Year 2012
Net profit of the business year	3,087,223	2,507,737

Table 1: Other important information on Elektro Gorenjska Company (in EUR)

4.1.2 ELEKTRO GORENJSKA PRODAJA COMPANY IDENTITY CARD

Name:	ELEKTRO GORENJSKA PRODAJA, podjetje za prodajo elektrike, d. o. o.
Abbreviated name:	ELEKTRO GORENJSKA PRODAJA d. o. o.
Business address:	Ulica Mirka Vadnova 3, 4000 Kranj
Phone:	04 20 83 660
Fax:	04 20 83 294
Call center:	080 22 04
Web site:	www.eg-prodaja.si
E-mail addresses:	info@eg-prodaja.si za.gospodinjstva@eg-prodaja.si za.podjetja@eg-prodaja.si reenergija@eg-prodaja.si modra.energija@eg-prodaja.si
Registration number:	3926770000
VAT identification number:	SI 37692186
Legal form:	limited liability company
Founder:	Elektro Gorenjska, d. d.
Company register entry number:	2011/8382
Date of company register entry:	7. 3. 2011
Place of court's register entry:	Kranj District Court
Share capital as of 31. 12. 2013:	3,000,000.00 EUR
Director:	Ambrož Bogataj, M. Sc. (to 15. 4. 2013) Rudolf Ogrinc (since 6. 5. 2013)

Figure 3: Elektro Gorenjska Prodaja controlled company identity card

Until April 15 2013 the company was managed by Ambrož Bogataj, M.Sc., while since May 6 2013 Rudolf Ogrinc, who holds a four-year mandate. In the intermediate period the company was represented by a procurator Bojan Luskovec, M.Sc.

Company Elektro Gorenjska Prodaja has no controlled companies and no investments in capital of associated and controlled companies. Other important information on the company can be found in the following table.

in EUR

Table 2: Other important information on Elektro Gorenjska Prodaja (in EUR)

	31. 12. 2013	31. 12. 2012
Carrying amount of capital	3,278,160	3,740,261
Carrying amount of assets (balance sheet total)	22,889,768	14,227,547
	Year 2013	Year 2012
Net profit of the business year	627,490	-2,550,802

4.1.3 GORENJSKE ELEKTRARNE COMPANY IDENTITY CARD

Figure 4: Gorenjske elektrarne controlled company identity card

Name:	GORENJSKE ELEKTRARNE, proizvodnja elektrike, d. o. o.
Abbreviated name:	GORENJSKE ELEKTRARNE, d. o. o.
Head office:	Stara cesta 3, 4000 Kranj
Phone:	04 20 83 531
Fax:	04 20 83 512
Web site:	www.gek.si
E-mail address:	info@gek.si
Registration number:	1658298000
VAT identification number:	SI 76567788
Founder:	Elektro Gorenjska, d. d.
Legal form:	limited liability company
Core activity code:	35.111 production of electricity in HE generation facilities
Company register entry number:	10693400
Date of company register entry:	4. 1. 2002 (amendment 21. 9. 2004)
Place of court's register entry:	Kranj District Court
Share capital as of 31. 12. 2013:	13,684,880.11 EUR
Director:	Aleš Ažman, MBA

in EUR

Table 3: Other important information on Gorenjske elektrarne company (in EUR)

	31. 12. 2013	31. 12. 2012
Carrying amount of capital	18,024,760	17,165,436
Carrying amount of assets (balance sheet total)	20,341,090	19,571,259
	Year 2013	Year 2012
Net profit of the business year	834,558	219,344

4.2 OTHER RELATED COMPANIES OR RELATED LEGAL ENTITIES

Elektro Gorenjska Company identifies its related persons on the basis of provisions of the International Financial Reporting Standards, mainly the IAS 24 and IAS 28, Companies Act (ZGD -1) and the Corporate Income Tax Act (ZDDPO-2).

Elektro Gorenjska does not have direct or indirect ownership of at least 20 % of value or number of shares or shares in capital, management or control in any other company, except in the ones already mentioned. Company also does not control other companies on the basis of a contract in a way that is different from relations among unrelated persons, or has no significant influence in any of the other companies.

4.3 MAIN ACTIVITIES AND FIELDS OF BUSINESS

Important registered activities of the company according to standard classification are the following:

- distribution of electricity (activity code: 35.130),
- trade of electricity (activity code: 35.140),
- production of electricity in HE generation facilities (activity code: 35.111),
- other production of electricity (activity code: 35.119),
- construction of other civil engineering projects n.e.c (activity code: 42.990),
- electrical installation (activity code: 43.210),
- other building completion and finishing (activity code: 43.390),
- other specialized construction activities n.e.c. (activity code: 43.990),
- wired telecommunications activities (activity code: 61.100),
- renting and operating of own or leased real estate (activity code: 68.200),
- other engineering activities and related technical consultancy (activity code: 71.129),
- repair of machinery (activity code: 33.120),
- repair of electrical equipment (activity code: 33.140),
- trade of electricity (activity code: 35.140),
- electrical installation (activity code: 43.210),
- other specialized construction activities n.e.c. (activity code: 43.990),
- retail sale via mail order houses or via internet (activity code: 47.910).

In general, activities of Elektro Gorenjska Group can be arranged in the following categories:

- activity of electricity distribution, which is connected with the implementation of contractually agreed services for Company SODO Maribor (hereafter also activity Contract with SODO) and presented in more detail in chapter 4.9.3 – Energy legal environment of group's operation in year 2013;
- other non-energy market activities, which include mainly execution of new constructions and other services for the needs of the company as well as for external clients or market (hereafter also other services for the market or other activities);
- purchase and sale of electricity for household and business consumers; second most important activity of the company according to standard classification is trade of electricity;
- production of electricity in hydropower stations (HE) and production of electricity in solar or photovoltaic power stations (FE) as well as high-efficiency cogeneration of heat and electric (SPTE);
- solar power stations engineering and monitoring;
- other projects of efficient energy use and
- sale of wood pellets.

4.4 MAIN AREA OF OPERATION

Main area of operation of Elektro Gorenjska Group includes north-eastern part of Slovenia – Gorenjska region. Elektro Gorenjska Group has been providing for more than 5,400 kilometers of grids and supplying electricity to 88,000 customers on the area of 2,091 km².



Figure 5: Area of supply of electricity distribution companies

4.5 MAIN TECHNICAL DATA

Table 4: Main technical data on electric power distribution network

	31. 12. 2013		31. 12. 2012	
POWER LINES 110 kV	82,885	m	59,163	m
POWER LINES 35 kV	22,083	m	40,302	m
POWER LINES 20 kV	721,476	m	743,800	m
POWER LINES 10 kV	0	m	0	m
TOTAL POWER LINES	826,444	m	843,265	m
CABLE CONDUITS 110 kV	2,007	m	1,022	m
CABLE CONDUITS 35 kV	0	m	1,045	m
CABLE CONDUITS 20 kV	785,245	m	757,326	m
CABLE CONDUITS 10 kV	6,416	m	6,416	m
TOTAL CABLE CONDUITS	793,668	m	765,809	m
TOTAL LV NETWORK	3,817,643	m	3,775,845	m
TOTAL NETWORK	5,437,755	m	5,384,919	m
TRANSFORMER SUBSTATION	14		15	
SUBSTATION	6		5	
TRANSFORMER STATION	1,333		1,326	

4.6 MANAGEMENT AND GOVERNANCE OF COMPANIES IN ELEKTRO GORENJSKA GROUP

Company management bodies are: management, supervisory board, and shareholders' meeting.

4.6.1 MANAGEMENT AND GOVERNANCE OF ELEKTRO GORENJSKA COMPANY

Management

Single-member administration is appointed by the supervisory board of Elektro Gorenjska Company. Management was appointed for a period of four years, for the term starting on September 15 2010 to September 14 2014. In accordance with the statute the management is authorized for all issues of organization and managing of the company. Based on the law, statute, and rules of procedure of the supervisory board the management of the company is obliged to regularly, exhaustively, and exactly introduce to the supervisory board the course of transactions and company's condition at least four times a year.

Chairman of the Board in Elektro Gorenjska Company is Bojan Luskovec, M.Sc..

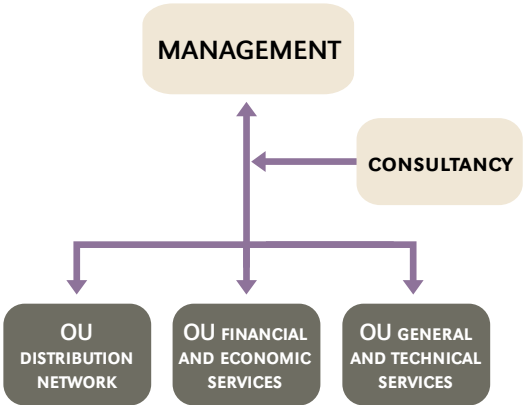


Figure 6: Organization chart in Elektro Gorenjska Company

Individual organizational units are managed by executive directors.

Elektro Gorenjska Company management office includes assistant to the board, technical manager, internal auditor and management consultant for quality.

Supervisory board

Competence and composition of the supervisory board are defined by the statute of Elektro Gorenjska Company. Supervisory board consists of six members, four of them being representatives of the capital and two of them representatives of the employees. Members of the supervisory board are elected for the period of four years and can be re-elected. Members of the supervisory board, which are representatives of the capital, are appointed to the supervisory board by the shareholders' meeting with a simple majority vote of the present shareholders. Two members representing the employees are appointed by the company's works council. Composition of the supervisory board changed in year 2013 based on the decisions of the 19th general meeting on August 20 2013.

Term of all representatives of capital in the supervisory board expired on August 26 2013, so the composition of the supervisory board from January 1 2013 to August 26 2013 was as follows:

Composition of the Supervisory Board

	Function	Term of office from	Term of office until
mag. Darjan Petrič	chairman	26. 8. 2009 (as a chairman since 24. 8. 2011)	26. 8. 2013
mag. Alenka Bradač	deputy chairwoman	8. 7. 2011 (as a deputy since 24. 8. 2011)	26. 8. 2013
dr. Aleš Groznik	member	26. 8. 2009	26. 8. 2013
mag. Duško Kapevski	member	8. 7. 2011	26. 8. 2013
Leopold Zupan	member	7. 8. 2011	7. 8. 2015
Vojko Oman	member	7. 8. 2011	7. 8. 2015

Composition of the Supervisory Board since August 27 2013:

	Function	Term of office from	Term of office until
Samo Logar	chairman	27. 8. 2013	27. 8. 2017
Leopold Zupan	deputy chairwoman	7. 8. 2011 (as a deputy since 12. 9. 2013)	7. 8. 2015
Andrej Koprivec	member	27. 8. 2013	27. 8. 2017
mag. Tedo Djekanović	member	27. 8. 2013	27. 8. 2017
Elvis Duraković	member	27. 8. 2013	27. 8. 2017
Vojko Oman	member	7. 8. 2011	7. 8. 2015

Audit committee of Elektro Gorenjska, d. d. supervisory board

In year 2011 based on Article 40 of the Statute supervisory board set up the audit committee, while according to the ZGD and its rules of procedure it can also appoint other committees. In year 2013 a permanent audit committee of Elektro Gorenjska, d. d. supervisory board (audit committee) operated. Its mandate expired together with the mandate of the supervisory board; new audit committee was appointed in October 2013.

Composition of the audit committee in the period from January 1 2013 to August 26 2013 was the following:

	Function	Term of office from	Term of office until
mag. Duško Kapevski	chairman	8. 11. 2011	26. 8. 2013
mag. Alenka Bradač	member	8. 11. 2011	26. 8. 2013
Darja Oražen	member	29. 11. 2011	26. 8. 2013

New supervisory board adopted amendments to the audit committee rules of procedure, which defined the number of audit committee members and then at its second regular meeting on October 3 2013 it appointed a new audit committee in the following composition:

	Function	Term of office from	Term of office until
Andrej Koprivec	chairman	3. 10. 2013	27. 8. 2017
Elvis Duraković	member	3. 10. 2013	27. 8. 2017
dr. Andrej Baričič	member	3. 10. 2013	27. 8. 2017
mag. Duško Kapevski	member	3. 10. 2013	27. 8. 2017

Nomination committee of Elektro Gorenjska, d. d. supervisory board

On the basis of the call by the Pension Fund Management (Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. (KAD)), where KAD proposed the supervisory board to form a nomination committee to prepare proposals of candidates for supervisory board members based on their Code of Corporate Governance and viewpoints of Slovenska odškodninska družba, d. d. (SOD) as the manager of direct and indirect equity investments of the Republic of Slovenia in connection to the procedure of forming the proposal of supervisory board members appointment as at May 29 2013, June 6 2013 and June 12 2013 the supervisory board appointed the nomination committee of Elektro Gorenjska, d. d. supervisory board.

Within the supervisory board in June and July 2013 operated the nomination committee in the following composition:

	Function	Appointed as
Leopold Zupan	chairman	NS
Robert Biček	member	RS and SOD, d. d.
mag. Irena Prijovič	member	KAD
Rajko Stankovič	member	Small shareholders

Shareholders' meeting

In year 2013 the management of Elektro Gorenjska convened two regular general meetings, first was convened mainly with the purpose of adopting decisions regarding the use of distributable profit for year 2012 and the second for appointments of new supervisory board members.

At the 18th annual general meeting of Elektro Gorenjska Company on July 1 2013 shareholders or their representatives who had a total of 89.51 % of all votes of shareholders entitled to vote were present. There were four items on the agenda. Shareholders of the company were first acquainted with the audited annual report and consolidates annual report for year 2012, the auditor's opinion and written report to the Supervisory Board on the review and approval of the annual report and consolidated annual report of Elektro Gorenjska Company for the business year 2012. General meeting was acquainted with the supervisory report on implementation of activities in accordance with the recommendation of Slovenska odškodninska družba, d. d. (optimization of labor costs). Shareholders decided on the **use of distributable profit**, which on December 31 2012 amounted to 1,384,165.68 EUR. General meeting voted for the distribution of the profit in the form of dividends, gross dividend per share amounted to 0.08 EUR. The work of the Management Board and the Supervisory Board in fiscal year 2012 were confirmed and approved, and discharge was granted. On the proposal of the management and supervisory board the general meeting voted also on amendments of the statute, namely the supplements of two activities and harmonization of article defining the notice convening the general meeting of shareholders, which was the result of compliance with ZGD-1, as the act defined that the general meeting is convened by a publication on the website AJPES and no longer in the Official Gazette.

The 19th general meeting took place on August 20 2013. 85.88 % of all votes of shareholders entitled to vote were present at the meeting. There were three items on the agenda. First shareholders of the company appointed new supervisory board members with a four-year mandate based on the supported counter nomination, which was submitted by the two shareholders Slovenska odškodninska družba and the Republic of Slovenia, that the following members of the supervisory board are appointed Andrej Koprivec, Samo Logar, Elvis Duraković and Tedo Djekanović. General meeting also appointed audit firm Deloitte revizija, d. o. o., as a certified auditor for year 2013.

4.6.2 MANAGEMENT AND GOVERNANCE OF ELEKTRO GORENJSKA PRODAJA COMPANY

Company Elektro Gorenjska Prodaja is in 100 % ownership of its founder and sole partner of the company that is Elektro Gorenjska Company. Company has no controlled companies and no investments in the capital of associated and related companies. Financial statements of the company are included in the group financial statements of the parent company Elektro Gorenjska, which is also the final parent company.

Until April 15 2013 the company has been managed been Ambrož Bogataj, M. Sc., while from May 6 2013 onwards the manager has been Rudolf Ogrinc, holding a four-year term. In the intermediate period the company was represented by a procurator Bojan Luskovec, M.Sc.

4.6.3 MANAGEMENT AND GOVERNANCE OF GORENJSKE ELEKTRARNE COMPANY

Since its establishment Gorenjske elektrarne Company has been in 100 % ownership of its founder and sole partner of the company, that is Elektro Gorenjska Company. Company has no controlled companies, but it has a 25 % share in Soenergetika Company, which it controls together with three other equal partners. Financial statements of the company are included in group financial statements of the parent company Elektro Gorenjska which is also the final parent company.

Company's director, appointed by the founder on November 15 2010 for the period of four years, is Aleš Ažman, MBA.

4.7 SHARE CAPITAL AND OWNERSHIP STRUCTURE

4.7.1 SHARE CAPITAL AND OWNERSHIP STRUCTURE OF ELEKTRO GORENJSKA COMPANY

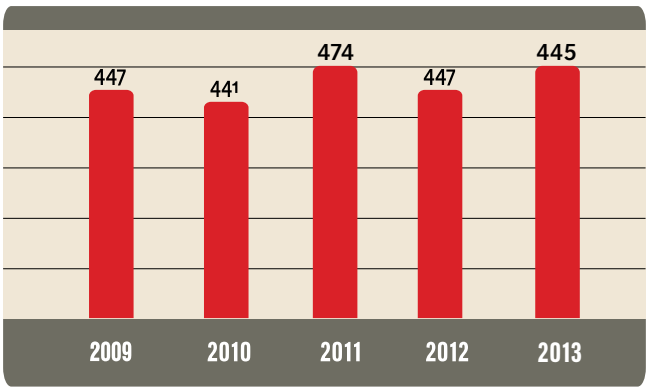
On December 31 2013 share capital of Elektro Gorenjska Company amounted to 72,019,068.61 EUR. It is distributed to 17,302,071 of ordinary registered unit shares (designation EGKG). Each share has the same proportion and appertaining amount in the share capital and equal other rights. All shares are shares of one category.

Elektro Gorenjska shares are not traded on regulated market.

Company has no authorized capital. Like in the previous years, in 2013 the company had no transactions with own shares.

As of December 31 2013 the company had 445 shareholders, while on the last day of year 2012 there were 447. As of December 31 2013 97.27 % of company shares were in the ownership of legal entities, which represent 8.99 % of all shareholders.

Figure 7: Changes in the number of shareholders of Elektro Gorenjska Company from 31. 12. 2009 to 31. 12. 2013



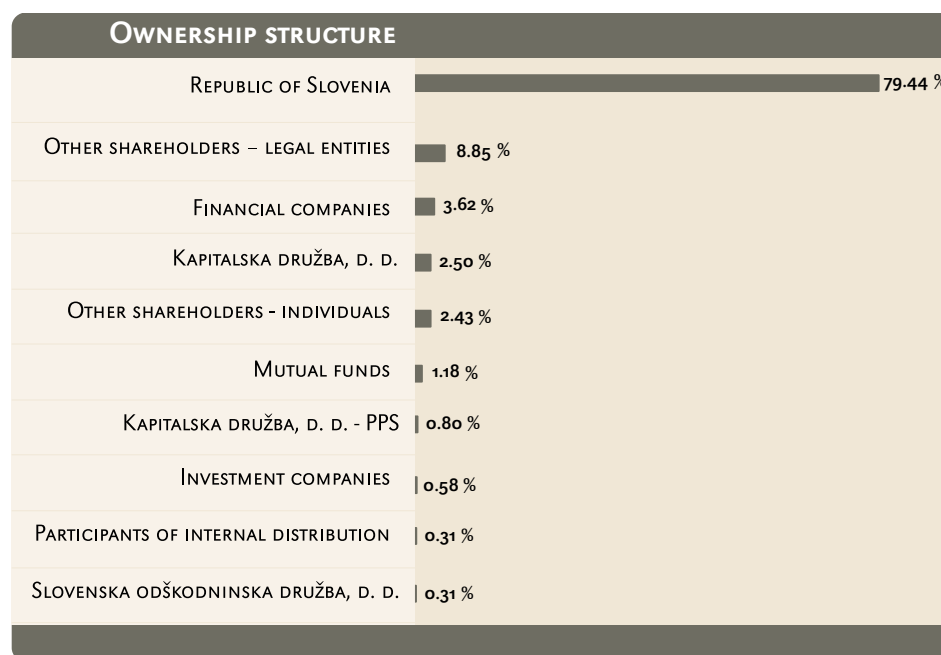


Figure 8: Ownership structure of Elektro Gorenjska Company as of 31. 12. 2013 (in %)

According to the balance as at December 31 2013 the largest shareholder, holding a 79.44 percent share, is the Republic of Slovenia. It is followed by Kapitalska družba holding 2.50 percent share and Sava Re with 1.62 percent share.

Number of owners with a share exceeding 1 % remained the same as in year 2012. As at December 31 2013 the largest ten owners held a total of 91.13 percent share of the company.

OWNERSHIP EXCEEDING 1 %	NUMBER OF SHARES	IN %
Republic of Slovenia	13,744,577	79.44
Kapitalska družba, d. d.	431,933	2.50
Sava Re, d. d.	280,000	1.62
Pivovarna Laško, d. d.	270,648	1.56
Poslovni biro, d. o. o.	236,644	1.37
DUTB, d. d.	207,200	1.20
DZS, d. d.	200,000	1.16
TOTAL	15,371,002	88.84

Table 5: Share owners with capital share exceeding 1 percent as of 31. 12. 2013

4.7.2 SHARE CAPITAL AND OWNERSHIP STRUCTURE OF ELEKTRO GORENJSKA PRODAJA COMPANY

Share capital of Elektro Gorenjska Prodaja Company (3,000,000 EUR) represents an investment in the capital and has been in 100 % ownership of the founder and sole partner of the company - Elektro Gorenjska Company, since its establishment.

4.7.3 SHARE CAPITAL AND OWNERSHIP STRUCTURE OF GORENJSKE ELEKTRARNE COMPANY

Share capital of Gorenjske elektrarne Company (13,684,880 EUR) represents an investment in the capital and has been in 100 % ownership of the founder and sole partner of the company - Elektro Gorenjska Company, since its establishment.

4.8 VISION, MISSION AND VALUES OF THE GROUP

Vision of the group

We are a company with its own concession for electricity distribution. We guarantee sufficient resources for business, for annual renovations of at least 3 % of electricity power infrastructure and its expansion at least to the extent of 1 % per year. By influencing the regulatory environment (pricing of services) and development of additional market activities within Elektro Gorenjska Group we strive for a reasonable return for all shareholders.

Mission of the group

Equitable and reliable access to electricity for all with a high standard of user experience.

Values of the group

KNOWLEDGE AND COOPERATION

We share knowledge, experience and positive energy with our colleagues and partners.

EXCELLENCE AND PROFFESIONAL COMPETENCE

We are target-oriented.

KINDNESS AND OPENNESS

We maintain friendship and sociability.

QUALITY AND TRUST

We induce customers confidence.

RESPONSIBILITY AND DILIGENCE

We assume responsibility.

BUSINESS INNOVATION

We implement services and processes in line with market trends.

4.9 ENVIRONMENT ANALYSIS AND ITS IMPACT ON GROUP'S OPERATION

4.9.1 GENERAL ECONOMIC ENVIRONMENT AND FORECASTS OF ECONOMIC TRENDS

Table 6: Data and forecast of economic trends

INDICATORS FOR RS	2012	2013	FORECAST 2014
BDP (growth, %)	-2.5	1.1	0.5
Employment (growth, %)	-0.8	-2.0	-0.4
Unemployment (rate %)	12	13.1	13.6
Inflation (%)	2.6	0.7	0.8
Average gross salary RS (nominal growth, %)	0.1	-0.2	0.5
Average gross salary RS (real growth, %)	-2.4	-2.0	0.8
Labor productivity – GDP per employee (real growth, %)	-1.7	0.9	0.9

Source: Spring forecast of economic trends 2014, www.stat.si

4.9.2 KEY STRATEGIC GUIDELINES OF ELEKTRO GORENJSKA GROUP

Key strategic guidelines of Elektro Gorenjska Group with the help of which we will achieve our set vision are summarized below:

1. Acquisition of own concession for electricity distribution.
2. Be the best operator in terms of technical and economic indicators for electricity distribution in Slovenia and be comparable with the best in EU.
3. Ensure the subsidiary companies such operating conditions which will enable their further development.
4. Provide for development of those market activities within Elektro Gorenjska Group that supplement or upgrade main activity of network operator in a way acceptable in terms of regulation.
5. Connection with strategic partners. One of the main objectives of Elektro Gorenjska Prodaja connection is reaching favorable purchase prices of electricity and use of mutual synergies. By joining the company set itself ambitious growth of sale in the next years and entrance into the natural gas market. New strategy of the company includes strengthening of its position in the home region, sale of new energy and expansion abroad as well as emphasis on energy services which will strengthen company's partnership relations with its customers.
6. Become a leading producer of environment friendly energy by renovating existing and building of new facilities for generation of electricity in an environment friendly way, by maintaining high level of operating readiness and reliability of production devices and optimal use of renewable energy sources.
7. Become a recognized service provider for increasing efficient energy use by implementing always new projects of efficient energy use.
8. Expand production activities abroad.
9. Take advantage of new business opportunities related with energy environment protection.

4.9.3 ENERGY LEGAL ENVIRONMENT OF GROUP'S OPERATION IN YEAR 2013

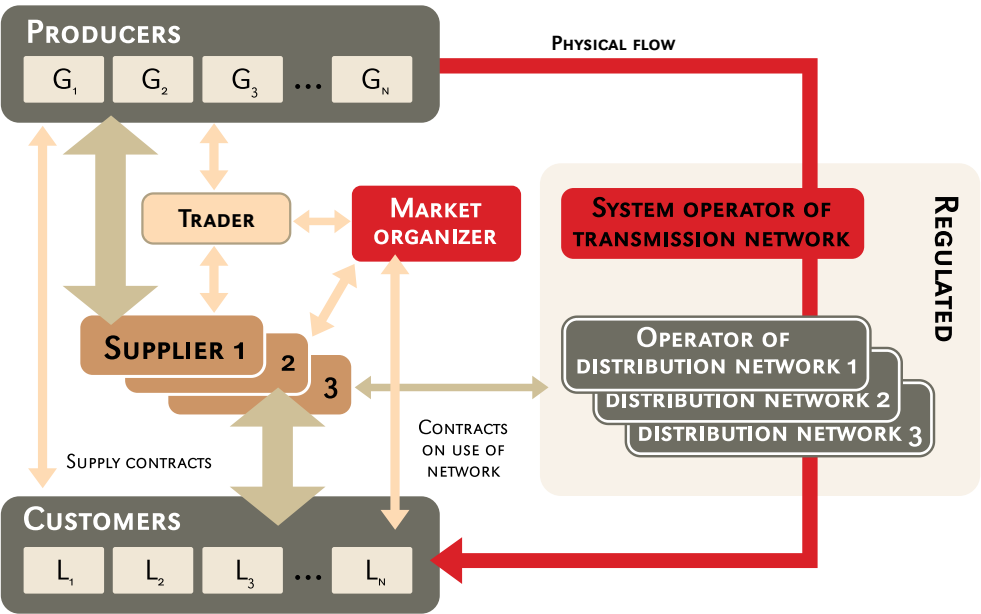
In its operation in year 2013 the group considered the following fundamental legal basis:

- Energy Act with amendments and supplements,
- Companies Act,
- Construction, spatial planning, spatial management and environment protection act,
- General Administrative Procedure Act,
- Directive 2009/72/ES of the European Parliament and of the Council concerning common rules for the internal market in electricity,
- General conditions for supply and consumption of electricity from electricity distribution network,
- Act concerning the reporting of data on quality of electricity supply,
- Decree on the method for the implementation of public service obligation relating to the electricity distribution system operator, and public service obligation relating to the electricity supply to tariff costumers,
- Decree on the concession for performing public service obligation relating to the activity of the electricity distribution system operator,
- Act determining the methodology for setting the network charge and the criteria for establishing eligible costs for electricity networks, and the methodology for charging for the network charge,
- Decision of the Energy Agency of RS (JARSE) on the regulatory framework for the holder of activity of the electricity distribution system operator for the period 2013–2015,
- Price list for the use of network (network charge and supplements to the network charge),
- Fee to assure support to security of supply with electricity from domestic primary energy,
- Rules on the system operation of electricity distribution network,

- Decree supplementing the Decree laying down the list of goods and services subject to price control measures,
- Decree on energy infrastructure,
- Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act,
- Ministries (finance, infrastructure and spatial planning, economy),
- Energy Agency of the Republic of Slovenia,
- Capital Assets Management Agency of the Republic of Slovenia,
- Contract with SODO and associated annexes,
- Received preliminary calculation of the regulatory year 2013 by SODO,
- Waters Act,
- Construction Act,
- Environment Protection Act,
- Excise Duty Act.

Participants on the electricity market are producers of electricity, electricity traders, and suppliers supplying electricity to end customers. From electric power stations to customers electricity is transmitted through transmission and distribution networks, which are the responsibility of electricity distribution operators.

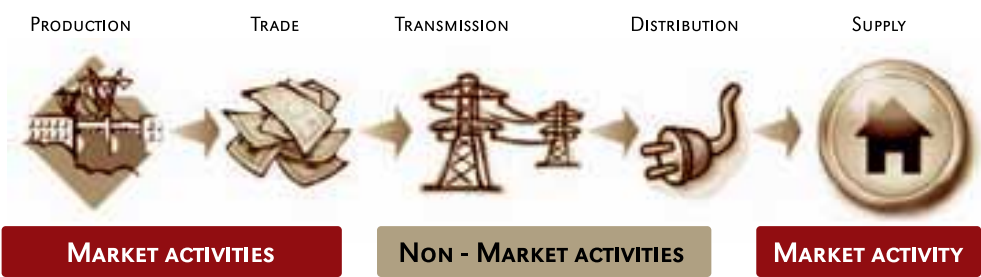
Figure 9: Supply model



Source: Energy Agency of the Republic of Slovenia

Electricity is produced by electric power stations, which use different renewable (e.g. water, wind, sun) and non-renewable (e.g. coal, oil, gas, nuclear fuel) sources of energy. Opening of the market for household customers enables also selection of electricity in terms of the manner of production or in terms of the used energy source.

Figure 10: Electricity market



Source: Energy Agency of the Republic of Slovenia

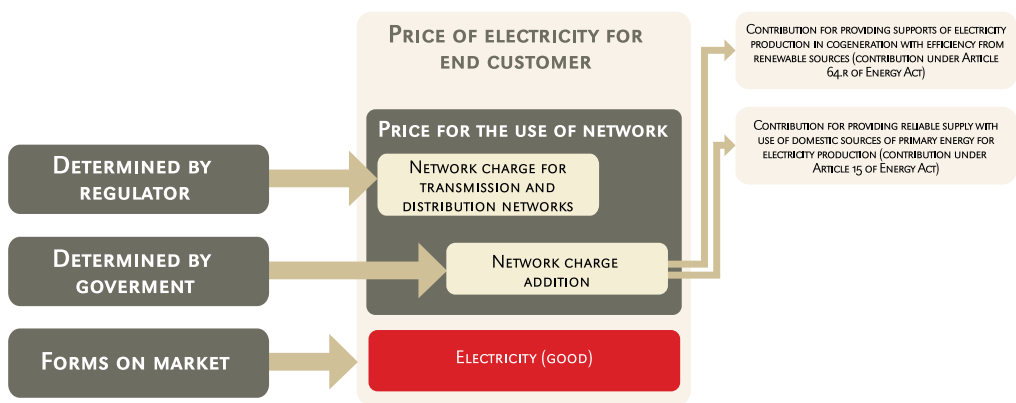


Figure 11: Structure of electricity price for final users

Source: Energy Agency of the Republic of Slovenia

Final price paid by electricity consumers

By selecting the electricity supplier customers can influence only the price of electricity. They do not influence the price for the use of network (which includes network charge and additions to the network charge). **Price for the use of network is regulated.** It is determined by JARSE (network charge) and the Government of the Republic of Slovenia (additions to the network charge). Following is the presentation of structure of electricity price for a typical household customer as at July 1 2012.

Network charge, which is intended for operation, maintenance and development of electricity network, is determined by JARSE. **Additions to the network charge** are intended for covering the costs of JARSE operation and operation of market organizer, excluding the costs of implementation of activities of the Center for Support. Government has also determined **contributions for ensuring reliable electricity supply** by using domestic sources of primary energy (DVE; contribution was abolished on February 1 2013), to ensure supports to high efficiency electricity production in co-generation and from renewable sources of energy (OVE) as well as to increase efficiency of electricity use (URE).

Following is the presentation of structure of electricity price for a typical household customer as at July 1 2012.

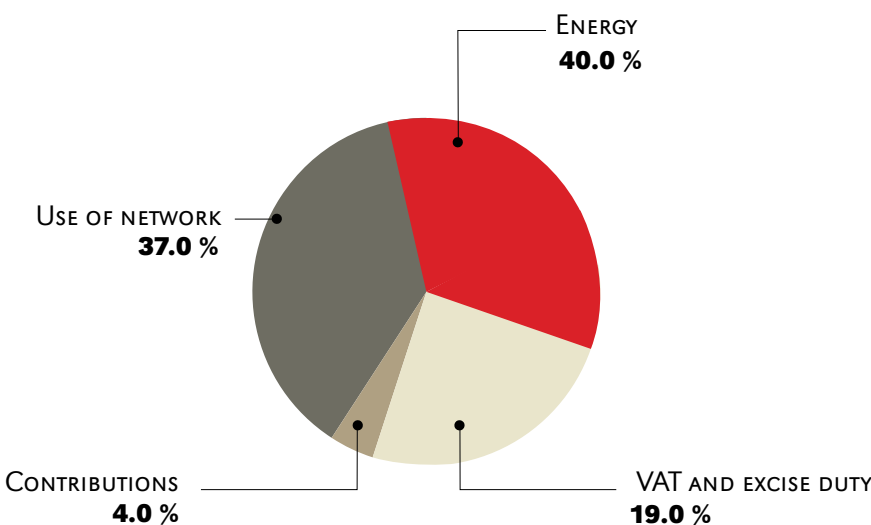


Figure 12: Shares of elements in the final electricity price and shares of elements in the price for the use of networks for a typical household customer in Slovenia as at July 1 2012 - annual consumption 3500 kWh

Source: Energy Agency of the Republic of Slovenia

Price for the use of network for a presented typical household customer as at July 1 2012 amounted to 57.62 EUR/MWh. Largest share in the structure of retail prices of household supply are price for energy supply (40 %) and price for the use of network (37 %).

4.9.4 CONTRACT WITH SODO

At its 3rd extraordinary session on February 27 2012 the supervisory board (composition of SB with a term until August 26 2013) gave its consent to the Contract on electricity infrastructure lease and provision of services for electricity distribution system operator used since January 1 2011 onwards, but under the condition that the management of the Elektro Gorenjska Company, in accordance with the opinion of the law firm, prepares a written proposal for changing certain provisions in the contract that Elektro Gorenjska Company does not agree with as they are in conflict with business interests of the company. More explanation on its reservations can be found in chapter 14.1 – Transactions with SODO.

In year 2013 (on November 26 2013) the management of the company signed an Annex No. 2 to the Contract on electricity infrastructure lease and provision of services for electricity distribution system operator (hereafter Annex No.2). Annex No. 2 regulates in more detail the amount of advance rent, services and losses for year 2013 (as a basis for invoices issued to SODO by Elektro Gorenjska), preliminary settlement of the 2013 regulatory year and implementation of services Elektro Gorenjska charges directly to the users (so called extra services which Elektro Gorenjska will execute from January 1 2013 in its own name and on behalf of SODO).

These activities include besides leasing the electricity distribution infrastructure also implementation of contractually agreed services, which in general can be classified into the following categories:

- electricity infrastructure maintenance and organization of emergency service,
- management and operation of electricity distribution network,
- development, planning, and investing in electricity distribution infrastructure,
- preparation and management of investments,
- monitoring and establishing the quality of supply,
- electricity measuring,
- implementation of services connected with the distribution network access, and other services for the network users.

Among other services most important are transactions of electricity purchase for sustaining, urgent supplies, unauthorized consumption, and losses. More on the latter is explained in chapter 4.9.5 - Electricity losses in network, while supplies in 4.9.6 - SODO supply.

Also under this Contract with SODO Company Elektro Gorenjska is making out the **bills for use of network** to end users of the distribution network on the basis of the respective in force Act determining the methodology for charging for the network charge, the methodology for setting the network charge, and the criteria for establishing eligible costs for electricity networks, but also in accordance with other regulations, mainly the EZ. Elektro Gorenjska Company has been making out these bills **on its own behalf and for the account of SODO**. End users settle the received bills (there are approximately 2,400 separate network charge bills per month; most, namely 66 % of total electricity distributed in the distribution area of Elektro Gorenjska are business customers) on the transaction account of the Elektro Gorenjska Company.

For electricity infrastructure leased and for implementation of services presented before Company Elektro Gorenjska has been making out bills for rent and implemented services to SODO Company, which represent **revenues from renting the electricity distribution infrastructure and revenues for implementation of different services for SODO Company**. Details are presented also in Chapter 16.1 – Net sales revenues.

4.9.5 ELECTRICITY LOSSES IN NETWORK

Losses of electricity in the network occur due to:

- physical losses of electricity, which are the consequence of transformation, transmission, dynamics and manner of electricity use;

- proper use of electricity, which includes use of electricity for protection and measurements;
- losses due to unauthorized consumption of electricity or electricity theft.

Under the Contract with SODO and in accordance with the regulations (Decision of JARSE on regulatory framework) the company is entitled to appropriate income in regards with the costs of purchase value for purchased electricity for covering losses in its network (please see also Accounting report, chapter 16.1 - Net sales revenues).

4.9.6 SODO SUPPLY

Transactions of the GJS SODO, which is implemented within Elektro Gorenjska Company, include also transactions of purchasing the electricity for sustaining supply, urgent supply and for unauthorized consumption. Company has been obliged to implement these kinds of transactions on the basis of the long-term contract with SODO as explained in chapter 4.9.4 - Contract with SODO.

Contents of transactions of sustaining supply, urgent supply, and unauthorized consumption is defined in detail in regulations, above all in General Conditions for connection to the distribution electricity system (Official Gazette RS, No. 126/2007; hereafter also SPDOEE). SPDOEE defines in detail the methods, conditions, and manner of charging the end users for these services

Urgent supply is supply of electricity to vulnerable customers which is urgently needed according to the circumstances (season, housing conditions, place of residence, financial conditions ...) in order to prevent threatening of life and health of customers and people living with them; all costs of the supplier are covered from the price for the use of network (Article 2 of SPDOEE). According to SPDOEE costs of urgent supply are covered by SODO from the network use price.

Sustaining supply is supply of electricity to end users, in accordance with the provisions of the Energy Act and Decree on the method for the implementation of public service obligation relating to the electricity distribution system operator (Article 2 SPDOEE). SODO has to ensure the sustaining electricity supply to those customers, whose supplier terminated the supply contract as the result of the supplier's insolvency. If customer has no supplier, SODO has to ensure the sustaining supply under certain conditions also to the request of a household customer and customer engaged in economic or other activity with less than 50 employees and annual turnover of less than 10 million EUR. Sustaining supply can last for no more than 60 days, but the customer can ask for extension. According to SPDOEE conditions of sustaining supply and pricelist with prices of sustaining supply electricity are determined by SODO, in accordance with the Energy Act, in advance and through their public notice.

Unauthorized consumption is considered to be, when:

- customer is connected to the network without an appropriate access contract and supply contract, but with conditions for sustaining or urgent supply not being fulfilled,
- user consumes electricity without the requested or agreed measuring devices or pass them or when the user prevents correct registration of measuring data,
- sealing device has been removed from the measuring devices,
- user connects to the network arbitrarily,
- user gives incorrect information for determining the supply category.

In events from the previous paragraph, after the quantities are measured, SODO charges the user for electricity used without authority and use of network in quantities measured by the measuring devices and at price equal to the price of electricity of the higher day tariff for sustaining supply on the date of the bill, increased by 30 %. In calculating the use of network the calculated power is considered for the period from the connection to the day of establishing such connection to the network being made. Besides the costs of used electricity and costs of network use SODO charges the user with costs of switch off and costs of establishing the unauthorized consumption.

Please see also Accounting Report, chapter 16.7 – Cost of goods sold and materials used and chapter 16.1 – Net sales revenues.

4.9.7 SCHEDULE DEROGATIONS

Basis for charging schedule derogations is determined by regulations regulating the electricity market.

Derogations of balance groups are established by market organizer through calculating the difference between the entire actual realization of the balance group and announced schedule of the same balance group. Market organizer also establishes derogations for each balance subgroup, namely by calculating the difference between entire realization of the balance subgroup and announced schedule of the same balance subgroup.

It is determined that each delivery points has to belong to exactly one balance group and balance subgroup, but it can have any number of supply contracts with only one of them being an open contract. Balance group derogations between purchased and actually consumed electricity will be charged to the responsible of the balance group on behalf of the transmission network system operator (hereafter SOPO) that balances derogations on the level of electricity system by the electricity market organizer Borzen. SOPO charges for the schedule derogations to the responsible of the balance group. Latter then charges the derogations to its balance subgroup members. Elektro Gorenjska Prodaja Company is included in the balance group Holding Slovenske elektrarne.

Mentioned transactions are presented in Accounting report, in chapter 14.3 – Accounts of electricity purchase for losses in network and for implementation of other activities under the contract with SODO.

4.9.8 GENERAL CONDITIONS FOR THE SUPPLY AND CONSUMPTION OF ELECTRICITY FROM THE DISTRIBUTION NETWORK

General conditions for connection to the distribution electric system are approved by the Government of the Republic of Slovenia (Official Gazette RS, No. 126/07). As relations among the participants of the market changed significantly on July 1 2007 the existing Decree on general conditions for the supply and consumption of electricity was so deficient that new general conditions needed to be adopted which solve the most problematic relations between the contractors.

General conditions determine the following:

- relations between SODO and consumers,
- connection to the electricity distribution network,
- consumption and transmission of electricity,
- measuring devices and measurement of electricity,
- billing, billing method and paying for the use of networks,
- relations between SODO and electricity suppliers,
- relations between consumers and electricity suppliers,
- records of measuring points and
- quality of SODO services.

4.9.9 WATER ACT

In year 2002 Water act was adopted (Official Gazette RS 100-3602/2013), which regulates water, and water and waterside land management.

Gorenjske elektrarne Company as the holder of water right is liable to payment of water fee in the pro rata amount of the water right. Manner of determining the amount of the water fee, method of billing, assessments and payment of water fee are defined in more detail in the Decree on the water

fee (Official Gazette RS No. 103/2004 and Official RS No. 122/2007). Basis for the calculation of the water fee is potential water energy available for electricity production in accordance with the acquired water right, expressed in MWh. Price for the water fee basis is determined by the Government of RS until December 31 of the current year for the next year.

According to the provisions of the Water act and Decree on the concession to use water for electricity generation at hydroelectric power plants with a maximum rated capacity of 10 MW, company Gorenjske elektrarne holds the relevant concession agreements for its hydro power stations. Concession fee for water is calculated in the amount of 3 % - 4.2 % of the average sales value of produced electricity, depending on the watercourse. Average sales value per kWh of electricity is determined by the decision of the competent ministry. For year 2013 average sales value per kWh amounted to 0.0823 EUR (Official Gazette RS No. 107/2012).

4.9.10 CONSTRUCTION ACT

Construction act (Official Gazette RS, 102/04 (ZGO-1-UPB1), 14/05 – corrigendum, 92/05 (ZJC-B), 111/05 (Constitutional Court's Decision), 93/05, 120/06 (Constitutional Court's Decision), 126/07 (ZGO-1B), 108/2009, 57/2012, 101/2013, 110/2013, 17/2014) regulates the conditions for construction of all kinds of works, sets out the essential requirements and the fulfilment thereof regarding the characteristics of works, prescribes the method and conditions for pursuit of the activities, relating to construction, regulates the organization and field of work of the two professional chambers, regulates inspection and supervision, sets out the sanctions for violations, related to construction of works and regulates other issues related to construction. Construction according to this act includes design, construction and maintenance.

Provisions of this act are especially important in construction of solar and hydro power stations as well as co-generations and refer to design, acquisition of project documentation, acquisition of building permit, construction until the acquisition of the operating permit and later maintenance of the building.

4.9.11 ENVIRONMENT PROTECTION ACT

Environment protection act (Official Gazette RS, 39/06 (ZVO-1-UPB1), 28/06 (Constitutional Court's Decision), 49/06 (ZMetD), 66/06 (Constitutional Court's Decision), 33/07 (Spatial planning act), 57/08 (ZFO-1A), 70/08 (ZVO-1B), 108/2009, 48/2012, 57/2012, 92/2013) regulates protection of environment against the burdening as a prerequisite for sustainable development and in this framework it defines basic principles of environment protection, environment protection measures, monitoring of environment and information about the environment, economic and financial instruments of environment protection, public utilities in environment protection and other environment related issues.

Environment is that part of nature to which the influence of human operation reaches or could reach. Provisions of this act are important for an individual as well as for the companies in their everyday lives, as conduct contrary to the laws of nature and principles of this act bring long-term consequences for the environment and with it for the quality of life of all subjects in the environment.

4.9.12 EXCISE DUTY

Excise duty on electricity was introduced by the law in 2004. Excise duty act has defined electricity as an excisable good. Basis for calculation of excise duty is produced quantity of electricity in the territory of Slovenia, quantity entered from the territory of EU members and imported quantity from countries which are not EU members.

In year 2013 excise duty for electricity for business and non-business use amounted to 3.05 EUR/MWh (Official Gazette RS, No. 61/10).

5

*Chestnut poles on 10 kV
power line Zlato polje-Brezje.*

Year 1982, photo: dr. Drago Papler

5. MANAGEMENT AND QUALITY SYSTEMS

5.1 CERTIFICATION MANAGEMENT SYSTEMS

Beginning of the quality management systems development in Elektro Gorenjska, d. d. Group dates back to year 2001 when we started describing operating processes with which the companies were realizing their mission, vision, objectives and strategies or development policies. Inventory of processes was the basis for setting up the quality management system according to the standard ISO 9001 (system SVK), which establishes requirements and principles of quality management and can be called the basis for establishing systems according to the requirements of other ISO standards.

In year 2006 the Group upgraded the quality management system with the environmental management system (system SRO), based on the requirements of standard ISO 14001. System SRO is completely integrated in the quality management system and ensures meeting of environmental legislation requirements and constant improvements by reducing impacts on the environment caused by activities of the company with their operation.

In year 2007 the Group upgraded the management system with the health and safety at work management system (system VZD), which is also completely integrated in the existing system and ensures meeting of health and safety at work legislation, additional requirements and objective the company set in this field in accordance with the specifications of standard BS OHSAS 18001.

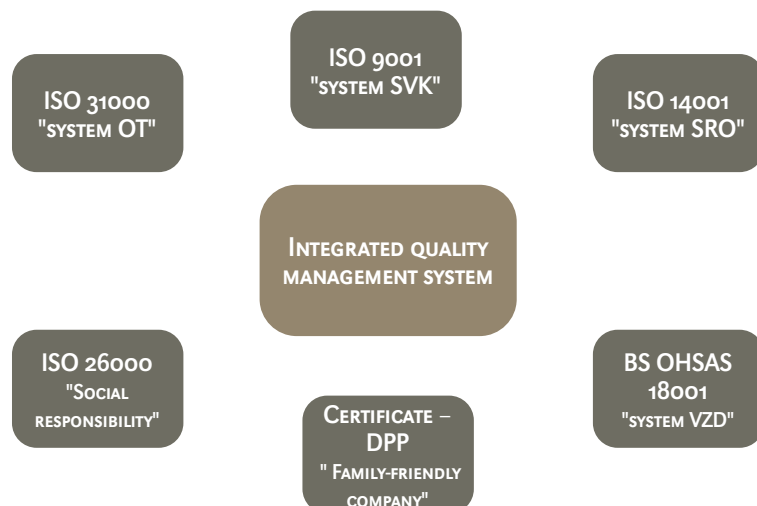
Besides the above stated requirements of the certification management systems (Systems SVK, SRO and VZD are certification systems, which means that meeting of standard requirements are verified annually by an independent organization (certification)) in year 2011 the Group acceded to meeting the requirements of three non-certification systems:

- requirements for risk management (system OT, standard ISO 31000),
- requirements for obtaining the Family friendly company certificate (certificate DPP) and
- requirements arising from social responsibility (standard ISO 26000).

Integrated quality management system is controlled through established bodies within the Group, which carefully supervise and control operations of their own field:

- Quality committee,
- Environmental management system council and
- Health and safety at work management system council.

Figure 13: Integrated quality management system in Elektro Gorenjska Group



With the introduction of integrated management system all activities have been connected into an efficient system, which leads to the realization of the vision, strategy, and mission.

Already in year 2005 the Elektro Gorenjska Company decided to obtain an independent professional assessment of the company's condition in the field of management, which is implemented under the fundamental principles of the EFQM model. That year the company acceded to submitting the application for PRSPO for the first time and has been assessed in this way every year since then.

Results of such operation was bronze award in the category of private companies with more than 250 employees in year 2008, and in the next years 2009 and 2010 silver diploma for participating in the procedure of business excellence award of RS and diploma for being shortlisted as finalists.

YEAR	RANK OF POINTS ACHIEVED	STATEMENT
2005	up to 350	
2006	up to 350	
2008	over 350	Bronze award
2009	over 400	Silver award, finalists
2010	over 400	Silver award, finalists
2012	Over 450	Winners – business excellence RS award, finalists

Elektro Gorenjska Company is well aware of the importance of business excellence, constant development growth and competitiveness on the global market, so in year 2012 on its way to excellence the company made another step and implemented a self-assessment in the form of application for recognition PRSPO, as it wished to obtain an assessment by an external independent organization about the changes made in year 2011.

Result of continuous activities in all fields of operation and management of the company was the **highest national award for business excellence for year 2012**, which confirms that Elektro Gorenjska Company meets the demanding criteria of the European model of excellence EFQM and that it operates balanced according to the fundamental principles of business excellence.

In Elektro Gorenjska Company we continuously implement improvement processes in accordance with the European model of business excellence (EFQM). Proof of our excellence and comparability on the European level is also EFQM certificate, which put us in the base of successful European organizations, which operate and live according to the EFQM model, which of course means the company is committed to constant improvements and constant growth on its way to excellence.

In year 2013 Elektro Gorenjska, d. d., received the **SZKO 2013 award**, namely the **recognition of a group of members for the successful introduction of beneficial practices, process, service or program, which represents a breakthrough in home area**. This achievement proves the continuity of improving business based on the EFQM excellence model.

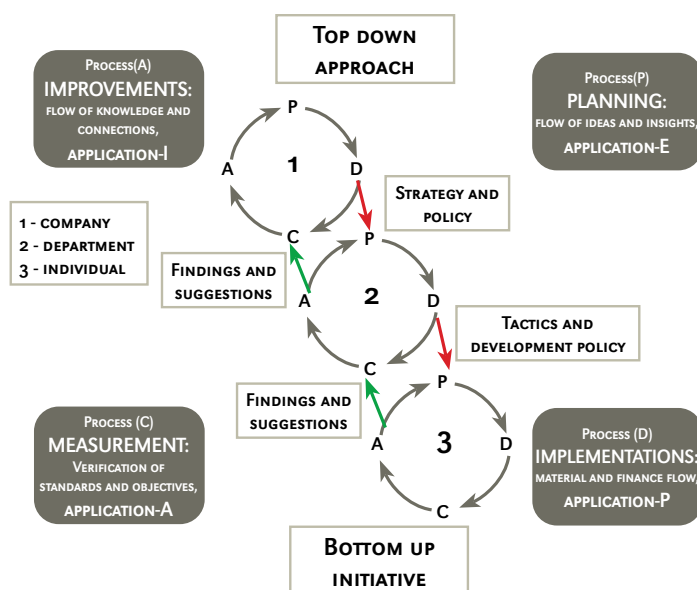
Systematic implementation of policies, strategies and objectives and organization plans are enabled by clear and mutually linked processes, which are optimized, managed, controlled and improved every day. Results of continuous activities in all fields of operation have been verified through self-assessment since 2013 onwards.

In year 2013 Elektro Gorenjska Company monitored and controlled its business with 70 recognized and mutually connected business processes, which are managed with the help of laws, organization rules and work instructions. Functioning of business processes was monitored with the help of 195 established quality indicators.

Trends of quality implementation of individual business processes are verified quarterly and discussed at the quality committee, where it is also reported on activities of other management systems.

Trend in the number of business processes is in decline, as in year 2012 the company acceded to their optimization and treatment from the procedural aspect. Business processes connected to recognized risks, within which indicators were defined to warn us about the possible loss.

Figure 14: PDCA circle
(the Demingo approach in the
dynamics of all processes)



Improvements that are dictated to us on one side by the quality standards and provided by the Demingo approach (PDCA circle) are treated systematically.

In year 2013 there were 109 proposals submitted contributing to system operation as well as stimulating the employees to seek for improvements and additional measures that have a favorable influence on good business and stimulate additional commitments of the employees and environment management.

Like every year in year 2013 we successfully passed the external assessment of certification management systems. In October regular external assessment ISO 9001:2008, regular assessment ISO 14001:2004 and follow-up assessment BS OHSAS 18001:2007 were executed. There were no non-compliances established, and only 23 recommendations given, which were systematically discussed and taken into account.

Quality policy was realized by the vision of reaching our set long-term goals:

- introduction of standards for quality and reliable supply of final customers with electricity in their distribution area, which is the main goal of Elektro Gorenjska, d.d.,
- gradual reduction of operating costs and improvement of business processes,
- systematic increase of quality management through the introduced standard ISO 9001/2008,
- commitment to quality increase in the field of environment management system ISO 14001/2004,
- commitment to increase of quality in the field of health and safety at work OHSAS 18001/2012,
- customer-friendliness and increase of (external and internal) customer satisfaction,
- increasing employee satisfaction, which is established also by annual interviews and surveys,
- commitment to systematic analysis and assessment of already recognized risks and constant recognition of new ones,
- commitment to continuous improvements in all certified quality systems,
- systematic management of identified risks.

Long-term goals of the company in the field of quality management system are thus the following:

- Care for constant informing, training, and motivation of all employees, which results in higher employee loyalty.
- Realizing quality operation is set towards reducing the operating costs and at the same time high professional level of activity implementation.
- Quality is planned and realized by all employees. Each one is responsible for the quality of his/her own work and this way they contribute to the company's business appearance.

- Management enables conditions and methods to establish and maintain a quality system by providing constant quality growth.
- Constant maintenance of the continual improvement system on the quality management system (SVK), quality environmental management system (SRO), health and safety at work quality system (VZD) as well as on the risk management system (OT).
- Company's operation and development planning.
- Continual education, training, and targeted training for employees.

In the field of reconciliation of work and private life Elektro Gorenjska Company in year 2013 adopted and implemented all planned measures. Company also successfully passed the second annual assessment within the process of acquiring the Family- friendly company certificate, by the Ekvilib Company. Plan of selection and implementation of FFC measures did not change in year 2013.

With the selected measures the company strives for general well-being of its employees at their workplace and with it is giving them the message that it cares for them and that they were the contributors to the joint achievements and successes.



5.2 RISK MANAGEMENT

Management of risks is an important condition for successful and efficient reaching of the set long-term business goals. Comprehensive risk management system thus includes recognition, assessment, planning and implementation of responds as well as informing, communicating and controlling of risks and measures for their control, including reporting on the risks the individual company is or could be exposed to in its operation.

Foundation of risk management is their identification and assessment of individual risk severity. Risks recorded in the catalog of risks are constantly monitored and regularly assessed in terms of their severity. Risk severity is assessed as a product of two dimensions of risk: probability of risk materialization and damage extent, which materialization of the risk could represent for the group. Occurrence of loss or damage as a result of risk materializations can have negative influence on the business success of the group.

All companies in the group have adopted formal policy for recognition, evaluation and controlling the risks.

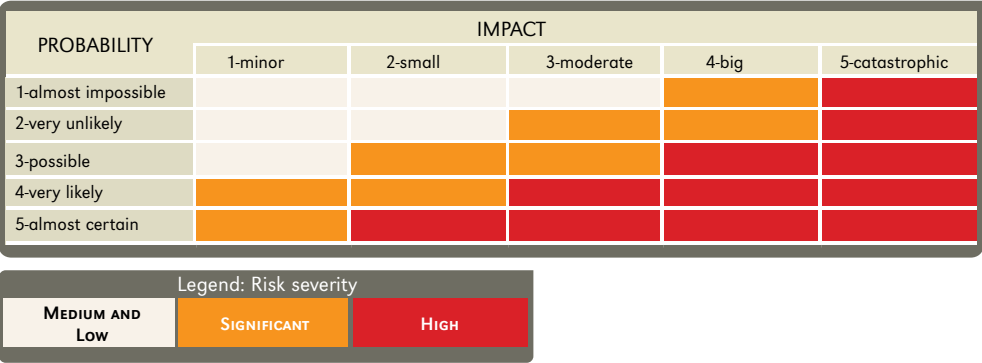


Figure 15: Evaluating the risks

The highest authority of the risk management in Elektro Gorenjska Company is Committee for Quality. In subsidiaries the main authority of risk management is collegiate body of the company's director.

Responsibilities and obligations of the Elektro Gorenjska quality committee or college of director in subsidiary companies include the following:

- definition of new risks identified, including key documents,
- definition of sources necessary for risk management,
- systematic treatment and assessment of already identified risks,
- approval of measures to prevent implementation of risks.

Identified risks can be combined into five groups according to their contents or sphere of influence: financial risks, business, procedural and operating risks, market and external risks, strategic and regulatory risks, legal risks and compliance risks.

Business, procedural and operating risks

They are risks related to design, implementation and control of business processes and activities in the company by providing appropriate functioning of the information systems. The most important ones for the companies in the group are the following:

- non-compliance with requirements of voltage quality, continuity and commercial quality;
- reduction of quantities of electricity distributed;
- failures and averages on the Elektro Gorenjska network and Gorenjske elektrarne production plants;
- security, performance and availability of the proper information system;
- lack of adequate staff;
- reduction of network efficiency;
- risk of serious injury and death at work;
- risk of weather conditions in production of electricity.

Companies in the Group control the mentioned risks by:

- constructing quality distribution network based on long-term development plans and implementation of necessary maintenance;
- planned maintenance and continuous monitoring of production facilities;
- planning the development of the network in close cooperation with local communities, thereby ensuring that maximum utilization of the network;
- systematic human resources policy, which is implemented for all companies in the group by human resources service of the parent company;
- compliance with safety regulations, use of adequate personal protection equipment and continuous education of employees about safe work;
- two-stage system checks of the access to the information system, ensuring continuous operation, backup location and implementation of penetration tests;
- diversification of production resources which reduces dependence of Gorenjske elektrarne revenues from hydrological conditions.

Financial risks

These kinds of risks in the group companies are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure solvency. Main types of financial risks are:

- foreign exchange risks of customer payments;
- liquidity risks;
- interest risks ;
- improper payment of EG services by SODO.

Most important measures for controlling financial risks include:

- ongoing monitoring of outstanding receivables and proactivity in their recovery;
- optimization of stock;
- security for claims and charging interest on late payments;
- establishment of a system for managing liquidity among companies in the Group;
- interest rate swaps and maintenance of relatively low levels of debt financing.

Market and external risks

They refer to the risk of market price changes (for example electricity price) or additional external factors, which can affect the group (for example labor market changes). Subsidiary companies Elektro Gorenjska Prodaja and Gorenjske elektrarne are primarily exposed to the market risk.

Elektro Gorenjska Prodaja faces market risks due to uncertainties regarding the quantities of sold electricity and changes in purchase and selling prices. Company controls the risk by announcing consumption and time spread purchase based on analysis of market trends.

Gorenjske elektrarne are exposed to market risk due to fluctuations in selling prices of electricity. Company controls the risk by determining the moment of sale based on the ongoing monitoring of market trends. In the SPT segment the company controls the risk by selling in the guaranteed purchase system and by simultaneous correlation of the purchase price to changes in the price of natural gas as an energy source.

Strategic and regulatory risks

Legislation and regulations have a key influence on the operation of Elektro Gorenjska Group. Group companies, above all the parent company and Gorenjske elektrarne, operate in industries in which revenues depend significantly on existing regulations.

For the parent company, which realizes majority of its revenues from regulated activity of the implementation of the tasks of the distribution network operator, the two key risks in terms of regulations are:

- Methodology of AGEN-RS and other regulations in the electricity distribution field: Income from rental of infrastructure, payments of electricity for losses and payment for services rendered are defined by JARSE with the Act determining the methodology for setting the network charge and the criteria for establishing eligible costs for electricity networks. In accordance with the Act there is a risk of lower income due to reduction of business efficiency of the company or change in legislation or regulations. Company controls this risk by optimizing its business processes, limiting the rise in the cost of common services and actively involving in the processes of drafting the rules, laws and regulations through interest groups.
- Amendment to the contract with SODO: Annual modifications of the Contract with SODO contain more and more provisions which are unfavorable for the company. In the future transfer of ownership of the company's assets to SODO could occur or transfer of cash flows of the company to SODO. All mentioned has been reducing the autonomy of EG business. In the company we strive to obtain concessions for the implementation of SODO activities.
- For Gorenjske elektrarne significant impact could represent the eventual change in regulations in the field of production supports for electricity from renewable energy sources and co-generations. Company produces electricity in water and solar power plants and cogenerations, and is thus eligible for production supports which amounted to 11 % of company's revenues in year 2013.

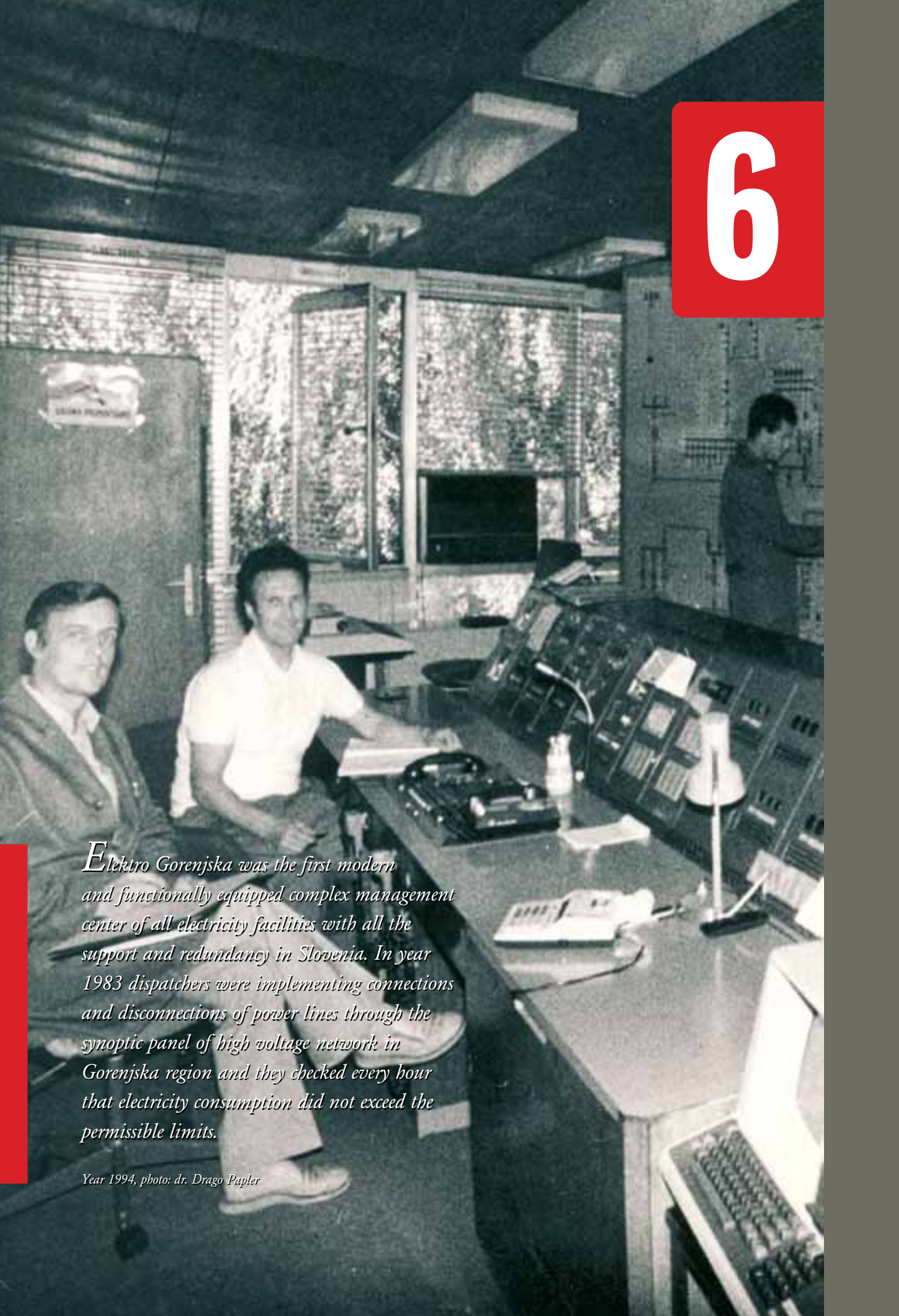
Law and compliance

Legal risk means potential loss due to uncertainty in legal procedures. It refers mainly to denationalization procedures, individual labor disputes and other litigation matters, where one of the companies in the Elektro Gorenjska Group is involved as a party.

Compliance includes risk of legal and regulatory sanctions, which can cause material and financial losses or loss of reputation of the company due to non-compliance with rules, regulations, related standards, codes of conduct, recommendations and internal company rules.

Companies control legal risks primarily through the legal department of the parent company. Where they deem it appropriate and reasonable they also use services of external legal experts. To ensure compliance of operation in addition to companies managements all individual heads are responsible as well.

As the most important legal risk we expose risk of unfavorable result of the denationalization procedures in progress, which could impact operation of the parent company and Gorenjske elektrarne. Risk is presented also in the financial report in chapter 14.2 – Disputes in progress and related provisions.



Elektro Gorenjska was the first modern and functionally equipped complex management center of all electricity facilities with all the support and redundancy in Slovenia. In year 1983 dispatchers were implementing connections and disconnections of power lines through the synoptic panel of high voltage network in Gorenjska region and they checked every hour that electricity consumption did not exceed the permissible limits.

Year 1994, photo: dr. Drago Papler

6. BUSINESS ANALYSIS OF THE GROUP

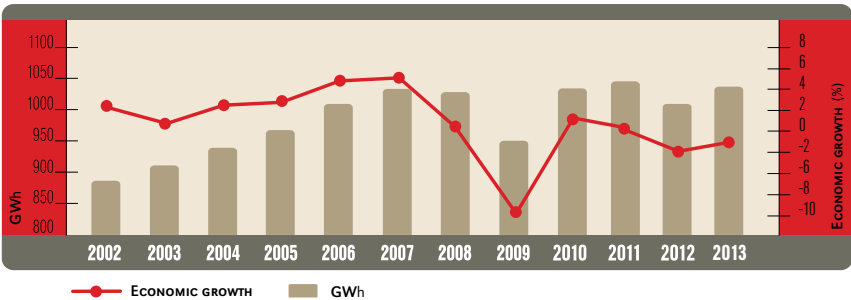
6.1 QUANTITIES OF DISTRIBUTED ELECTRICITY

In year 2013 there were **992,370 MWh of distributed electricity** through the network of Elektro Gorenjska Company or 1 % more than in year 2012 (982,417 MWh).

In year 2013 household customers within the network of Elektro Gorenjska Company were distributed 331,724 MWh of electricity, which is by 2.5 % more than in year 2012 (323,686 MWh). Business customers within the company's network were distributed 660,646 MWh of electricity, which is by 0.3 % more than in year 2012 (658,730 MWh).

We estimate that the reason for somewhat larger quantities of distributed electricity in year 2013 is slight improvement of economic situation.

Figure 16: Changes in distributed quantities of electricity from year 2002 to year 2013



6.2 QUALITY OF ELECTRICITY SUPPLY

Users of electricity expect the electricity to be available when they need it (reliability/continuity of supplies) and that all devices operate safely and satisfactory (power quality). In addition every day new customers appear as well as increasing number of electricity producers, which are connecting to the distribution network or wish to change the conditions of their connection. Number of services are needed, which have to be performed in an expected time and way foreseen by the legislation. Quality of electricity supply thus includes:

- continuity,
- power quality and
- commercial quality or quality of services offered by the company to network users.

Continuity

Continuity has been followed as usually in accordance with the legislation. Set of parameters followed has not changed in the last two years. Analysis has shown that the number of long-term interruptions increased compared to the year before due to increase in unannounced interruptions as a consequence of hurricane winds in February and November 2013. Duration of long-term interruptions on the annual level remains comparable to the duration in year 2012. In year 2013 due to increasing number of unannounced interruptions the number of short-term interruptions, which are mainly the result of automatic reconnections at breakdown protection functioning, increased sharply as well. On an annual level values of continuity indicators are within the prescribed limits.

Table 7: Unannounced long-term interruptions according to type of network in year 2013

	PROPER				FOREIGN				FORCE MAJEURE				TOTAL			
	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI
	[interr./	[min./	[interr./	[min./	[interr./	[min./	[interr./	[min./	[interr./	[min./	[interr./	[min./	[interr./	[min./	[interr./	[min./
	cust.]	cust.]	cust.]	interr./	cust.]	cust.]	cust.]	interr./	cust.]	cust.]	cust.]	interr./	cust.]	cust.]	cust.]	interr./
Total urban	0.346	8.406	0.69	24.321	0.005	0.364	0.062	76.182	0.03	0.426	0.137	14.37	0.38	9.197	0.814	24.197
Total mixed	0.047	1.211	0.094	25.833	0.008	0.554	0.108	66.167	0.032	0.158	0.146	5.025	0.087	1.923	0.31	22.167
Total countryside	0.535	13.96	1.069	26.069	0.105	3.766	1.361	35.792	0.579	42.27	2.674	73.033	1.22	59.997	3.791	49.197
TOTAL	0.928	23.577	1.853	25.406	0.118	4.685	1.531	39.573	0.64	42.855	2.957	66.966	1.686	71.117	6.341	42.172

	SAIFI	SAIDI	CAIFI	CAIDI
	[INTERR./CUST.]	[MIN./CUST.]	[INTERR./CUST.]	[MIN./INTERR.]
Total urban	0.138	11.112	0.393	80.352
Total mixed	0.041	4.357	0.116	106.446
Total countryside	0.352	35.435	1	100.755
TOTAL	0.531	50.904	1.51	95.88

Table 8: Announced long-term interruptions in year 2013

	MAIFI
	[INTERR./CUST.]
Total urban	1.043
Total mixed	0.280
Total countryside	4.726
TOTAL	6.049

Table 9: Momentary interruptions in year 2013

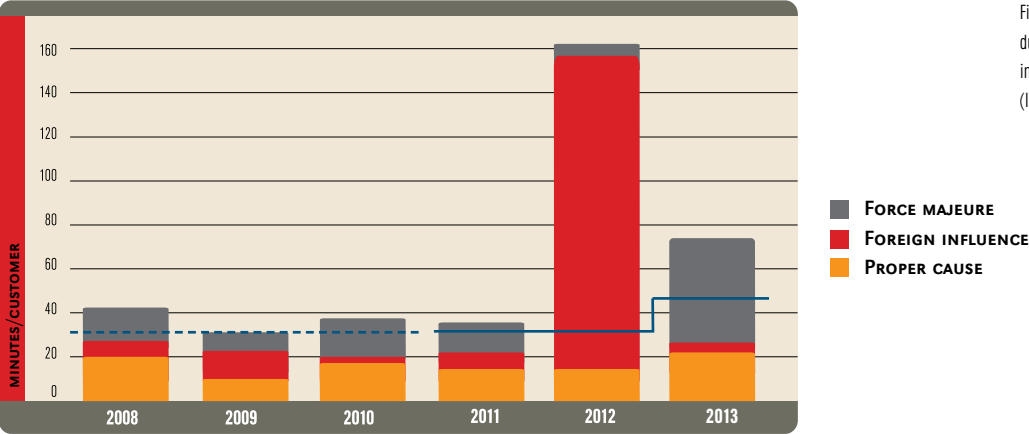


Figure 17: SAIDI – Average time of duration of all unannounced interruptions (longer than three minutes)

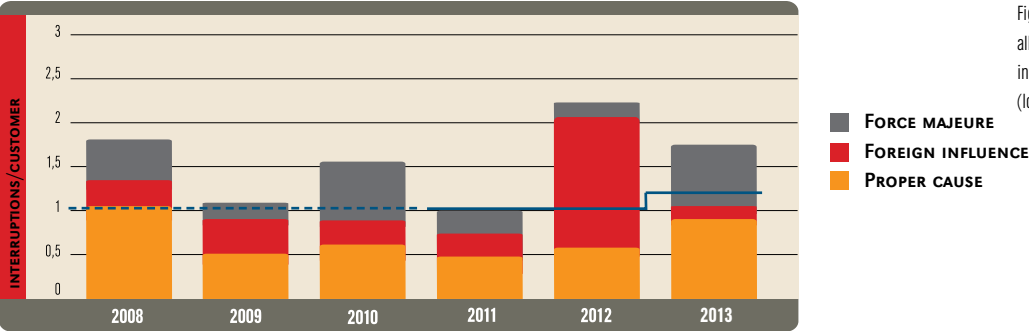


Figure 18: SAIFI – Average number of all unannounced long-term interruptions (longer than three minutes)

Blue line represents target values of interruption parameters according to proper causes as determined by the Energy Agency since year 2011 onwards.

SAIDI - Average time of duration of all unannounced interruptions (longer than three minutes)

SAIFI - Average number of all unannounced long-term interruptions (longer than three minutes)

We find that situation in the field of **power quality** has not changed substantially compared to year 2012. Cause for inconsistent voltage conditions is mainly the flicker, which is transmitted from transmission 110 kV network and spreads to lower voltage levels. Other parameters exceed determined limits only in exceptional cases and are usually the result of emergency situations in the network. In year 2013 we received three official complaints on the condition of voltage quality on the low-voltage level, which proved to be justified. With the implementation of appropriate measures we eliminated inconsistencies within statutory deadlines.

We estimate that voltage quality status in the area of Elektro Gorenjska is good and that with the construction of communication and measuring infrastructure on the LV level we would even further improve the process of establishing and eliminating the inadequate voltage conditions.

OBJECT RTP 110/X	NUMBER OF WEEKS UNDER CONTROL	NUMBER OF INCONSISTENT WEEKS						NUMBER OF VOLTAGE DROPS	NUMBER OF VOLTAGE INCREASES	CONSISTENCY KEE	
		Size of supply voltage	Harmonics	Flicker	Imbalance	Signal voltage	Frequency			Number of consistent weeks	Number of inconsistent weeks
RTP Jesenice 110 kV	51	0	0	51	0	0	0	76	45	0	51
RTP Labore – DV Okroglo 110 kV	51	0	0	49	0	0	0	73	31	2	49
RTP Primskovo 110 kV	51	0	0	51	0	0	0	83	47	0	51
RTP Radovljica 110 kV	51	0	0	51	0	0	0	258	14	0	51
RTP Škofja loka 110 kV – Okroglo	51	0	0	47	0	0	0	81	45	4	47
RTP Škofja Loka – DV Kleče 110 kV	51	0	0	47	0	0	0	72	40	4	47
RTP Tržič 110 kV	51	0	0	51	0	0	0	88	59	0	51
RTP Zlato polje 110 kV	50	0	0	50	0	0	0	81	39	0	50

Table 10: Consistency of power quality parameters with the SIST EN 50160 standard on high voltage level for year 2013

Commercial quality

In all commercial quality parameters for year 2013 we established that achieved values of indicators were better than the limits of minimum quality standards. In issuing consents for connection (parameter 1.1.) the reason for lower share of services above the limit value was the fact that data according to the General Administrative Procedure Act refer to summary and declaratory proceedings together. In summary proceedings permissible time of issue of the order was 30 days, while in declaratory proceedings, where oral hearing is implemented as well, it was 60 days. In parameter 2.1. (average time required to answer written questions, complaints or requirements of users) reasons for exceeding limit values in some cases arise mainly from claims of billing data which are connected to correct functioning of the meter. In these cases meters have to be appropriately checked by measuring service, which takes approximately 30 days before replying to the complaint. Reasons for justifiable exemptions in parameters No. 1.4. (average time needed to activate the connections to electricity network) and 4.2. (average time to reconnection after disconnection due to late payment) are based on the coordination of the time of connection of the measuring point with the presence of the user, which means that time of service implementation was prolonged in agreement with the user. Most complaints were again recorded the field of meter or measuring devices functioning, where 54 % of complaints were justifiable, which means that trend from 2012 continued. Complaints refer mainly to incorrectly measured quantities of electricity due to failure of controls or timers, which are technically in a pretty bad condition. Solution of the problem is planned by gradual introduction of AMI meters. We received no compensation claims from our users in year 2013.

6.3 QUANTITIES OF PURCHASED AND SOLD ELECTRICITY

For the needs of the buyers in year **2013** the company **bought** from suppliers of electricity a total of **738,885 MWh** of electricity and **104,151 MWh** for the purposes of trading. Values of purchased quantities are presented in accounting report in chapter 16. 7 – Costs of goods sold and materials used. In terms of quantity total purchase for the needs of buyers was by 121,183 MWh or 14 % lower than in year 2012.

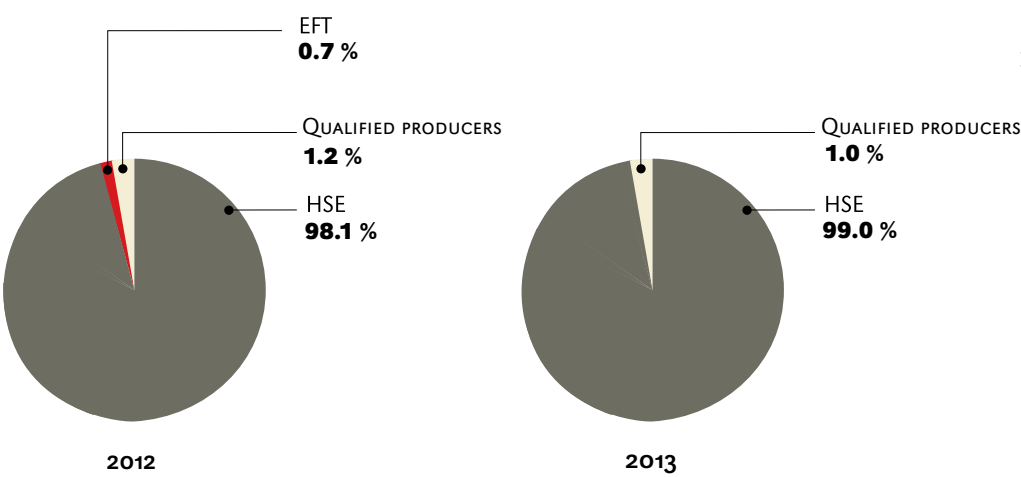


Figure 19: Purchase of electricity in years 2013 and 2012

In year **2013** we sold a total of **841,001 MWh** of electricity to our buyers, which is by 2 % less than in year 2012. Information includes also trading: sale of purchased electricity surpluses to larger electricity traders in the country and the European Union. Values of sold quantities are presented in the Accounting report chapter 16.1 – Net sales revenues.

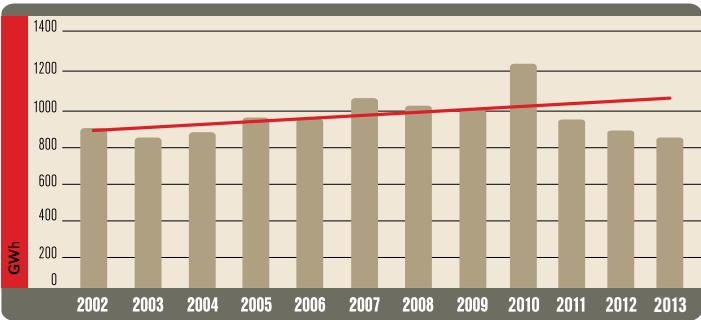
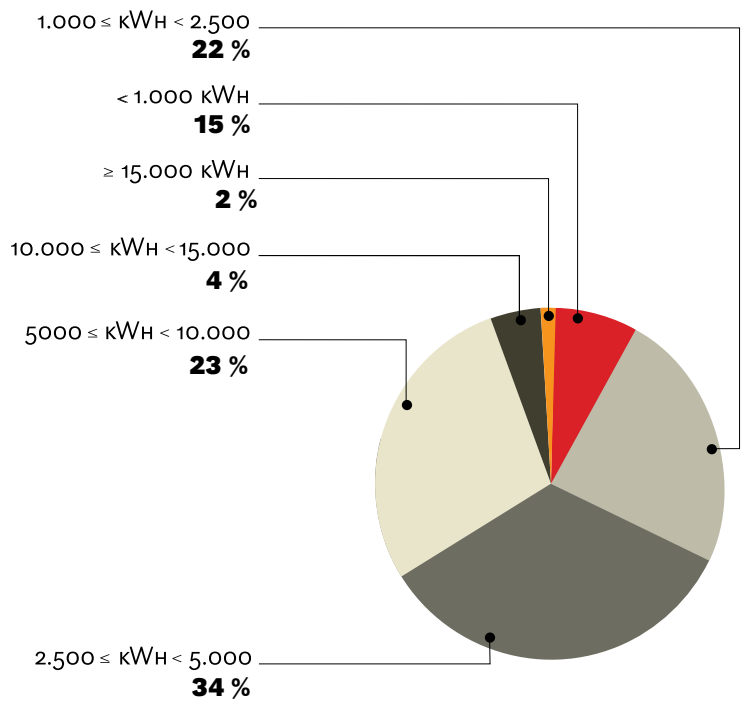


Figure 20: Changes in electricity sale from year 2002 to year 2013

Excluding the trade the company Elektro Gorenjska Prodaja sold its final (household and business) customers 730,396 MWh of electricity, which is by 3 % less than in year 2012.

258,911 MWh of electricity of the above amount or 10 % less than in year 2012 refer to household customers.

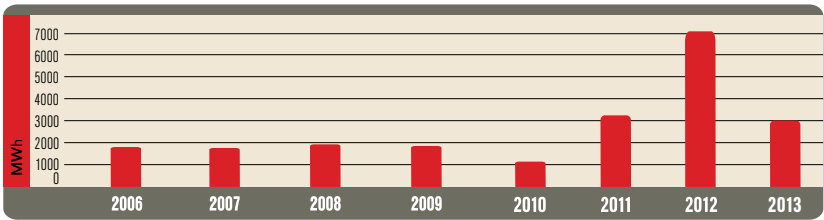
Figure 21: Sale in categories of household customers (number of customers)



Business customers were sold 471,485 MWh of electricity, which is by 2 % less than in year 2012.

In year 2013 we continued to market the Blue Energy. Blue Energy is electricity generated from environment friendly, renewable sources of energy. In year 2012 we sold by two times more of Blue Energy in quantities than in year before. Quantitative sale of the Blue Energy in individual years is presented in the chart, while other details referring to the Blue Energy are explained in chapter 7.1 – Services and products.

Figure 22: Blue energy (in MWh)



6.4 PRICES OF ELECTRICITY

Prices of electricity in Slovenia are formed depending on the changes in prices of electricity on the electricity commodities exchanges EEX in Leipzig, EPEX SPOT in Paris, HUPX in Budapest and BSP Southpool in Ljubljana. There it is traded with forward products, which reflect expectations of market players on the changes in future prices. As electricity cannot be stored, there is always a partial imbalance between supply and demand present on the market that is why the prices are subject to large fluctuations. They depend on the changes in production sources structure, energy balance of a certain price area, limited cross-border transmission capacity, variability in the prices of other energy, weather, hydrology, power stations repairs, current occupancy of transmission capacity and projected economic growth.

In Slovenia prices of electricity from 1992 to 1998 were increasing mainly with the aim of achieving the level, which would cover corporate and external costs of electricity production and gradual introduction of market pricing of energy. Since the beginning of introduction and opening of the market in the country prices of electricity in industry decreased and have stabilized by year 2005. After year 2006 prices began to increase in real terms, mainly as the result of changes in prices on the wider EU market, where they were increasing due to larger demand, impact of carbon credits value and high prices of petroleum products in the world market.

Chart below is showing changes in base load prices at the EEX exchange.



Figure 23: Changes in base load electricity prices Phelix Base Year Future Cal-13 (in EUR/MWh)

Following chart is showing changes in peak energy prices at the EEX.



Figure 24: Changes in peak electricity prices Phelix Peak Year Future Cal-13 (in EUR/MWh)

Prices of electricity for final customers are determined based on forward electricity prices for the individual year of supply, hourly electricity prices that are formed on the daily market and estimated hourly load diagram of the buyer.

Electricity market is divided in forward, daily and balancing market. On the forward market it is traded by long-term products for purchase and sale of products for supplies in the future and this market is the basis for determining retail prices for final customers. Daily market is intended for balancing daily needs of individual balance groups of either production or consumption, and on this market quantities that represent the difference between short-term announced quantities of production or consumption and long-term concluded contracts are traded. Market is intended for balancing the derogations between production or consumption realization and long-term and short-term transactions.

In year 2013 electricity was purchased on the Slovenian wholesale market. Achieved purchase prices are market prices. Main seller is HSE Company, from which we purchased most of the electricity in year 2013. On the other side retail prices are also very transparent and electricity is sold here at market prices as well.

In year 2012 when most of the purchases for year 2013 were made, falling trend of prices on purchasing market prevailed. By distribution of risks and gradual purchasing we reached significantly more favorable purchase prices than those in year 2012. Low prices trend continued in year 2013 as well, when we were purchasing lacking quantities on the daily market. This had additional favorable effect on the purchase prices.

6.5 PRODUCTION OF ELECTRICITY

In year 2013 we generated electricity in 15 hydro power stations (hereafter HE), 16 solar power stations (hereafter FE) in the area of Gorenjska region and one solar power station in Maribor. Besides that the company produced heat and electricity in seven high-efficient cogenerations.

Of renewable energy sources the company uses water sources (hydro power stations) as well as solar energy (solar power stations). Operation of power stations to a great extent depends on natural resources - current rainfall, which impacts the quantity of water in water courses, as hydro power stations do not have their own accumulations in general (with the exception of Lomščica HE). This means that in the event of heavier rainfall high-rise waters spill over devices, so hydro power stations are not able to utilize high waters for electricity production. In dry seasons water courses dry out heavily, which again means limited and in extreme cases even disabled electricity production. Quantity of produced electricity in hydro power stations does not only depend on the quantity of water, but also on difference in altitude of the water drop, geographical location of individual power station and other characteristics influencing electricity production in hydro power plants.

Advantage of utilization of hydro power is mainly the use of renewable energy sources, while its weakness is fluctuation of production according to water availability. Construction of hydro power plants also represents a great intervention in the environment and brings high investment costs. Besides that in the regime of water course utilization we need to consider also requirements set by fishermen and environmentalists.

In solar power plants it is mainly about direct transformation of solar radiation into electricity. Main advantages of solar energy utilization are: environment friendliness, possibility of supply in remote areas, production and consumption at the same location. Main problem of solar energy utilization occurs due to different solar radiation.

Co-generation of electricity and heat represents the method of converting the fuel energy into electricity, where main part of heat, which occurs as side product during this conversion, is put to good use. Different technologies enable the use of various fuels with different efficiencies. What all technologies have in common is the total more efficient process of converting the energy for the good use of the heat, which is otherwise present in traditional thermal power plants. Advantage of acquiring electricity in this way is mainly in efficient conversion of fuel energy into useful heat and electricity. Mentioned ways also reduce the dependence on the existing ways of acquisition of electrical energy.

In year 2013 we sold 99 % of produced electricity independently on the market, while 1 % within the guaranteed purchase directly to Support Center. System of electricity sale was described in more detail in chapter 4.9 – Environment analysis and its impact on group's operation.

6.6 INVESTMENTS

In year 2013 Elektro Gorenjska Group invested 17,169,882 EUR (year 2012: 16,017,796 EUR). Major investments are presented below.

High-voltage network in the amount of 1,058,429 EUR, major ones being:

- 110 kV DV RTP Železniki–RTP Bohinj: Building permit was obtained. Route and most of the clearings and a few driveways were mapped out. We carried out a tender for necessary construction supply and installation of steel structures for the entire route of 110 kV power line. All necessary geological investigations of the terrain for the preparation of detailed design-projects were implemented.
- 110 kV DV RTP Jesenice–RTP Kranjska Gora: We continued with activities for the reconstruction based on the Decree on maintenance works for public interest. In year 2013 we implemented installation of 15 standing positions in the area of Podkuž, Gozd Martuljk and Kranjska Gora. In winter time easements and consents were obtained, while in year 2014 we will continue with construction and electrical work.
- RTP Bohinj 110/20 kV: All testing was made, deficiencies eliminated and internal technical reviews implemented on individual parts and equipment of the RTP. In agreement with Eles installation and trial operation followed until the obtaining of operating license for which all the necessary documentation has been collected already. In year 2014 we are planning the acquisition of the operating license.
- RTP 110/20 kV: In year 2013 there were no major investments in reconstructions of the RTP 110/20 kV. There were mainly smaller recoveries or construction restorations of junctures. Major part of the assets was invested in replacement of lighting in RTPs in accordance with the EIMV report. We renovated an oil pit in RTP Radovljica. We removed the 35 kV juncture in RTP Škofja Loka. We completed landscaping in RTP Jesenice. We implemented supply and installation of surge arresters on the new transformer in Zlato polje. We renovated the cable kinetas in RTP Železniki.

Medium- and low-voltage network in the amount of 6,141,564 EUR, major ones being:

- RP Visoko 20 kV: Professional technical inspection was done and operating permit issued. Facility is thus completed and placed in full operation.
- Major investments in year 2013 include construction of 20 kV cable conduits in the area of Rateče towards Kranjska Gora and in the area of Škofja Loka simultaneously with the construction of other municipal infrastructure. Vulnerable power lines were replaced with cable conduits in forest and mountainous areas to: Matizovec, Gabrška gora, Nemški Rovt, Torka and Danje and Žleb at Medvode. Part of the assets were allocated also to reinforcements of the network due to connection of new distributed sources of energy and expansion of business zones in Šenčur, Trata, Lesce and Naklo.
- Total of app. 33 km of 20 kV conduits exclusively in cable design were built.
- 25 transformer stations were renovated and 10 new ones built.
- App. 60 km of low-voltage network in mainly cable design were renovated and newly built.

Following chart presents numerical data on the construction of new or renovation of old transformer stations and 20 kV cable conduits from year 2009 to 2013.

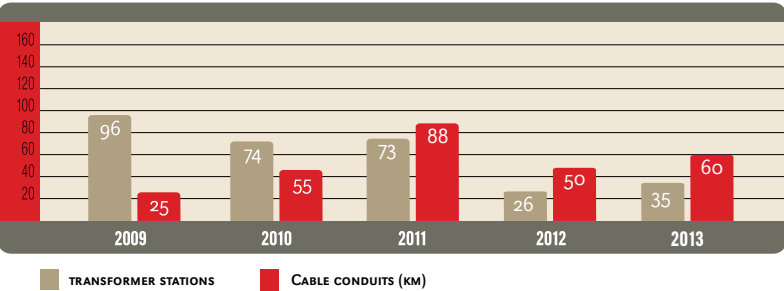


Figure 25: Construction of new or renovation of old transformer stations and 20 kV cable conduits from year 2009 to year 2013

Other investments (9,969,889 EUR), major ones being the following:

- telecommunications and protection (telecommunication equipment, radio network, WiMax system ...),
- measuring devices (AMI-project),
- business and technical equipment,
- replacement and renovation of DCV,
- replacement of modules on solar power plant MFE ŠD Trata,
- replacement of compressors for compressed air in company Plutal 2000, d. o. o.,
- SPTE Merkur 2 at Kolodvorska in Kranj,
- replacement of lighting in shopping centers Merkur Mojster Naklo, Merkur Novo Mesto, Merkur BTC, Merkur VIČ and
- continuation of construction of hydro power stations management center – 2. stage.

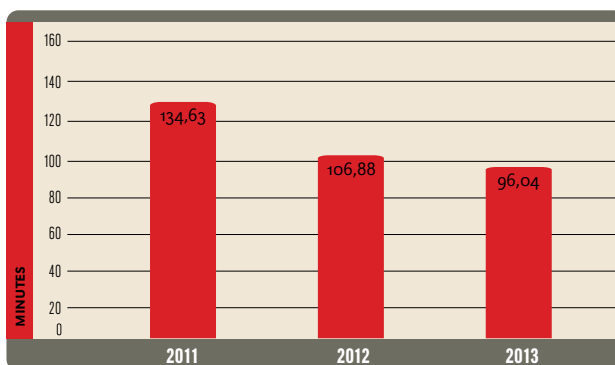
6.7 MAINTENANCE OF ENERGY FACILITIES

In year 2013 mainly planned (preventive) maintenance on the infrastructure was performed with the aim of reducing the likelihood of a failure of facility's component part or system, which is achieved with appropriate interventions executed according to the criteria, which are determined in advance.

Preventive maintenance included inspection of electric power devices, execution of clearings in power lines and low-voltage overhead lines corridors, revision of switches, transformers, protection devices and execution of control measurements and testing of protection devices functioning.

By optimizing works, careful planning of maintenance work and application supported project management we managed to additionally improve the reliability of supply factors (SAIDI, SAIFI, CAIDI ...) in the last years.

Figure 26: CAIDI – Announced long-term interruptions (in min)



In year 2013 we actively continued with the execution of live works on the low-voltage network. We began live work on the medium-voltage too.

Live work will be developed in the future too, and the criteria for live work volume will be mainly to improve safety at work on electricity devices and optimal maintenance costs with considering the requested target continuities of supply.

Maintenance as a way of removing the errors represented the second type of maintenance (curative) in year 2013, which is time unpredictable and can only be estimated roughly on the basis of events from the past. Causes of failures were various, including weather, failure of equipment, damage caused by a third party. Local storms and stronger rains in summer month have caused problems as well.

In the month of November strong wind caused quite some troubles in operation. In the period from November 10 to November 12 we recorded more than 200 major interruptions in electricity supply. Longest duration of interruption was recorded in the area of Kokra valley and Jezersko, where supply to several customers was disturbed for more than 36 hours. Access for repairs and driveway for replacement units was not possible due to closed roads and dispersion of consumption. Effects of the wind were being removed the whole month, costs incurred exceeded 200,000 EUR. More extensive defects occurred also on DV VRŠIČ (29. 10. 2013) and DV KOMNA (26. 12. 2013).



Figure 27: Areas where electricity supply was interrupted on November 11 2013

According to the experience and forecasts we believe that in the future we will need more and more assets for the maintenance, as preventive maintenance is going to become an even more important factor from the viewpoint of reliable supply with electricity (continuity of supply).

We also need to stress the influence of modern technological devices and solutions, which technically ensure fulfillment of strict criteria of reliability of electricity supply and have an indirect effect also on reduction of maintenance costs.

They undoubtedly include further cabling of MV and networks, capturing data systems and distribution network remote control (RCC – remote control centers), automation of medium voltage network by remote control switches, systems of power quality registration, telecommunication systems, and similar.

Following chart presents costs of maintenance representing costs of maintenance services and costs of maintenance material from year 2009 to year 2013.

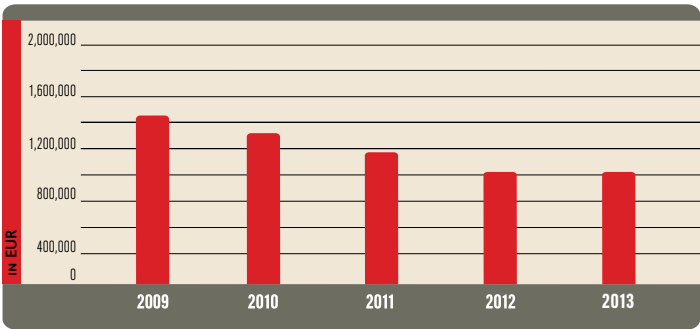


Figure 28: Changes in maintenance costs from year 2009 to year 2013 (in EUR)

6.8 DEVELOPMENT AND DESIGN

In the field of research and development of distribution network provision there is a development service organized. This way the company ensures systematic use of knowledge acquired with research and also practical experience. Work scope provides necessary knowledge for the needs of development of new technologic solutions, systems, and processes of electricity distribution and other services, which the company is obliged to provide in accordance with its mission. Costs of scientific research, connected with development and design, are presented also in the accounting report, chapter 16.8 – Costs of services.

By preparing modern development plans the development service directs the investments in new devices and provides for suitable renovations of the existing devices, mainly by introducing new and modern technologies. Tasks are performed in the following fields:

- planning the consumption and production of electricity (making of development plans according to EA, data processing for studies, conference papers, justifications and users, cooperation in preparing and processing of BTP and making of consumption and production prognoses),
- development of Elektro Gorenjska network (cooperation in studies, planning, and processing of HV, MV, and LV networks, solutions for larger customers, network formation, studies' reviews and proposals of new ones, cooperation in preparing the conditions for connection to the network and counseling),
- introduction of new technologies and typing (following and introducing new technologies and typing, preparing project works and cooperating in creation of concepts and plans).

In Elektro Gorenjska Group business processes are implemented in accordance with the valid legislation, which prescribes the company to use modern technologies as well. For this purpose the Elektro Gorenjska Company together with education institutions and companies with research departments in the field of electricity distribution technologies in accordance with the annual investment program introduces also new progressive products. Introduction of new technologies is conditional on the progress in the field of development, current demands of the company, and possibilities within the framework of annual investment programs.

For the purposes of certain investments from the 2013 investment plan of Elektro Gorenjska, different expert studies, preliminary studies, concepts, and different project documentation in the mentioned development fields have been made in cooperation with the education institutions. Investments, which foresaw acquisition of mentioned development documents, are for the most part technologically more demanding and are expected to cover the following investment fields:

- field of 110 kV distribution lines,
- field of 110 kV transformer stations,
- field of 20 kV distribution networks (20 kV DV and cable network),
- field of TP 20/0,4 kV (transformation station of 20 kV network),
- field of LV distribution network,
- field of telecommunications and control systems.

In year 2013 development studies preparation in the following fields were taking place:

- adjustment distribution RTP presence of dispersed sources in the network,
- improvement of GREDOS software package for the analysis of connecting the dispersed sources in the network,
- general information model – CIM,
- REDOS 2040: development of electricity distribution network of Slovenia, fixed five-year contract.

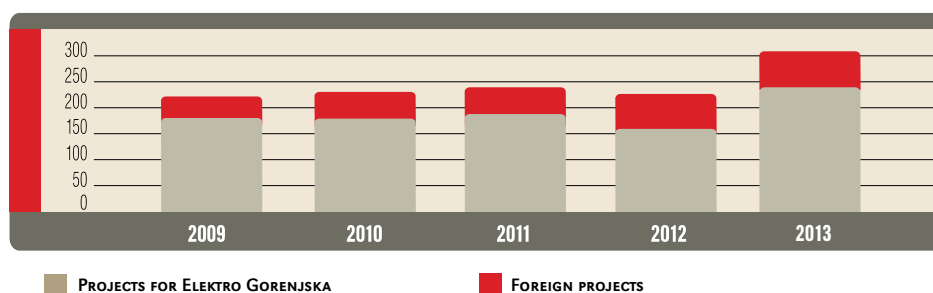


Figure 29: Information on the number of project documentation made from year 2009 to 2013

6.9 FINANCIAL PERFORMANCE CRITERIA OF THE GROUP

6.9.1 LIST OF SIGNIFICANT INDICATORS

Business achievements from the viewpoint of financial valuation have been followed by the group with the following indicators:

INDICATOR CONTENTS		31. 12. 2013	31. 12. 2012
1	FINANCING INDICATORS		
	A) EQUITY FINANCING RATE (IN %)	62.0	65.1
	capital / liabilities		
	B) DEBT FINANCING RATE (IN %)	30.8	28.0
	debts / liabilities		
	C) SHORT-TERM FINANCING RATE (IN %)	15.8	10.8
	short-t. debts (including sh.-t. accrued costs and deferred revenues) / liabilities		
	D) LONG-TERM FINANCING RATE (IN %)	84.2	89.2
	capital + long-term debts (incl. provisions) + l.-t. accrued costs and def. rev. / liabilities		
	E) INITIAL CAPITAL RATE (IN %)	53.0	54.0
	initial capital / capital		
	F) CREDITWORTHINESS	2.3	3.1
	net debt (long. + sh.-t. financial liabilities - cash in bank) / EBITDA		
2	INVESTING INDICATORS		
	A) OPERATING FIXED ASSETS RATE (IN %)	83.4	89.1
	fixed assets (at accounting value) / assets		
	B) LONG-TERM ASSETS RATE (IN %)	84.0	90.3
	fixed assets and l.t. accruals and pre-paid expenditure (at acc. value) + l.t. fin. inv. + l.t. oper. claims / assets		
3	HORIZONTAL FINANCIAL STRUCTURE INDICATORS		
	A) EQUITY TO OPERATING FIXED ASSETS (IN %)	0.7	0.7
	capital / fixed assets (at accounting value)		
	B) IMMEDIATE SOLVENCY RATIO	0.172	0.07
	liquid assets / short-term liabilities		
	C) QUICK RATIO	1.0	0.9
	liquid assets + short-term claims / short-term liabilities		
	D) CURRENT RATIO	1.1	0.9
	short-term assets / short-term liabilities		

Tabel 11: List of significant indicators

Continued on next page

4	INDICATORS OF ECONOMY AND RETURN		
	A) OPERATING EFFICIENCY RATIO (IN %)	106.9	101.7
	operating revenues / operating expenses		
	B) ENTIRE EFFICIENCY RATIO (IN %)	105.4	100.5
	entire revenues / entire expenses		
	C) NET RETURN ON EQUITY RATIO (IN %)	3.5	0.2
	net profit in business year/ average capital		
	D) LEVEL OF REVENUE PROFITABILITY (IN %)	5.2	0.5
	pre-tax profit / revenues		
	E) VALUE ADDED (IN EUR)	29,723,134	25,000,635
	operating revenues-costs of goods, material, services-other operating expenses		
5	INDICATORS OF ECONOMY AND RETURN		
	A) TOTAL ASSETS TURNOVER RATIO	0.5	0.4
	revenues / average assets		
	B) OPERATING CLAIMS TURNOVER RATIO	4.3	5.3
	operating revenues / average operating claims		
6	INDICATORS OF RETURN		
	A) EBITDA (IN EUR)	16,948,597	13,161,713
	operating revenues - operating expenses + depreciation and f.a. write-offs + revaluation expenses		
	B) EBIT (IN EUR)	6,254,667	1,543,079
	operating revenues - operating expenses		
	C) FINANCIAL RESULT (IN EUR)	-1,158,945	-1,096,610
	financial revenues - financial expenses		
	D) PRE-TAX PROFIT (IN EUR)	5,047,888	428,387
	entire revenues - entire expenses		
	E) NET PROFIT (IN EUR)	4,674,266	234,246
	entire revenues - entire expenses - corporate income tax		
	F) ROA (%)	2.2	0.1
	net profit after taxes / average assets		
	G) ROE (%)	3.5	0.2
	net profit after taxes / average capital		
7	EQUITY		
	A) NUMBER OF SHARES		
	number of registered shares	17,302,071	17,302,072
	B) BOOK VALUE OF SHARE (IN EUR)		
	capital / number of shares	7.86	7.71
	C) NET PROFIT PER SHARE (IN EUR)		
	net profit / number of shares	0.27	0.01
8	INDICATORS OF RETURN		
	A) AVERAGE NUMBER OF EMPLOYEE	338	337
	B) OPERATING REVENUES PER EMPLOYEE (IN EUR)	287,824	268,440
	operating revenues/average number of employees		
	C) VALUE ADDED PER EMPLOYEE (IN EUR)	87,938	74,148
	value added/average number of employees		

Following is the analysis of the changes in indicators, which are used to monitor the operations of Elektro Gorenjska Group.

6.9.2 FINANCING INDICATORS

With indicators of financing condition we are interested in share of capital, debts, and accruals in the structure of all financing sources. Indicators are important for the group mainly in long-term decisions about financing policy (capital structure). High share of capital in financing and low level of short-term financing give creditors some information about the security of investments.

- **Equity financing rate** shows the share of equity financing of all company's assets. Indicator shows that in year 2013 the equity financing rate was 62.0, which is by 3.1 percent point less than in year 2012. Biggest influence to a somewhat lower value of the indicator was exerted by the short-term financial liabilities, which increased by 2.9 million EUR, and short-term operating liabilities, which increased by 7.8 MM EUR. Financial liabilities increased mainly on the account of the short-term credit in Elektro Gorenjska Prodaja. Accounts payable are higher due to liabilities from electricity trade in the months of November and December.
- **Debt financing rate** indicates debt financing of the group's assets. In year 2013 the indicator amounted to 30.8 % and was by 2.8 percentage point higher than in year 2012, which is the consequence of the growth in short-term operating and financial liabilities. Reasons for the growth were explained above.
- **Short-term financing rate** presents the share of short-term debts in the assets. In year 2013 the short-term financing rate amounted to 15.8 % and was by 5 percentage point higher than in year 2012. Higher rate was mainly the consequence of the fact that liabilities increased by 7.1 %, while short-term debts increased by 14.8 %.
- **Long-term financing rate** in year 2013 amounted to 84.2 % and was by 5 percentage point lower than in year 2012. Reason for that is in the increase of liabilities, while long-term debts did not change significantly.
- **Initial capital rate** presents the share of initial capital in entire capital. Compared with the year 2012 the share decreased somewhat, it presents 53.0 % of the entire capital. Reason for that is in the fact that compared to year 2012 share capital did not change in year 2013, while entire capital decreased mainly due to lower revaluation surplus.
- **Creditworthiness:** safe level of indebtedness is followed by the indicator showing the NET FINANCIAL DEBT/ EBITDA ratio. On December 31 2013 this indicator was 2.3, while at the end of year 2012 this indicator amounted to 3.1. For the group level of indebtedness not acceptable would be indicator value that would surpass 4. For the company this would mean it was no longer able to cover current interest on debt from the operating profit EBITDA. This commitment is used by some banks in already existing credit contracts. Indicator value to a great extent depends on the operation of the main activity (positive result in year 2013 is presented also in chapter 6.9.9 – Structure of revenue and expenditure), as larger derogations from planned operating revenues and expenditure would negatively increase the value of the indicator. In the event of smaller revenue or bigger costs by 2 million EUR the indicator would worsen by 0.3. In case of additional indebtedness by 2 million EUR (at the same revenue and expenditure) the value of the indicator would go down by 0.1.

6.9.3 INVESTMENT INDICATORS

For the group indicators of investment condition are important mainly for decisions on investment projects.

- **Operating fixed assets rate** shows the share of fixed assets in all assets. In year 2013 the share of fixed assets represented 83.4 % of all assets, which was by 5.7 percentage point less than in year 2012. High operating fixed assets rate was expected for Elektro Gorenjska Group, as the line of business the group operates in, is technologically very intensive. Reason for decrease of indicator value in year 2013 compared to year 2012 was in the fact that value of all assets at the expense of short-term receivables increased by 14.8 %, while value of fixed assets increased by 0.2 %.
- **Long-term assets rate** was 84.0 % at the end of the year, which is by 6.3 percentage point less than in year 2012.

6.9.4 HORIZONTAL FINANCIAL STRUCTURE INDICATORS

In regards with the long-term financial balance the group follows horizontal financial structure indicators, the most important of them being quick ratio, with which the group acknowledges the effect of the amount and structure of current assets according to the current liabilities

- **Equity to operating fixed assets** is a ratio between capital and fixed assets and in year 2013 it amounted to 0.7, which is the same as in year 2012.
- **Immediate solvency, quick, and current ratios** show the solvency. Immediate solvency ratio was higher compared to year 2012, which is the consequence of higher finances compared to December 31 2012. Value of quick ratio is 1.0 and current ratio 1.1, while at the end of year 2012 the values of the mentioned ratios were 0.9. Higher values of the ratios are mainly the result of higher finances on the last day of year 2013 compared to the balance on the last day of year 2012.

6.9.5 INDICATORS OF ECONOMY OR RETURN

For efficient use of assets in evaluating the quality of operation we follow different indicators of economy or return.

- **Operating efficiency ratio** is a ratio between operating revenues and operating expenses and for Elektro Gorenjska Group in year 2013 it amounted to 106.9 %, which is by 5.2 percentage points more than in year 2012, and is mainly the result of higher revenues from rent and services under the contract with SODO, lower costs of electricity purchase and higher electricity production.
- **Entire efficiency ratio** is ratio between entire revenues and entire expenses. In year 2013 it amounted to 105.4 %, which is by 4.9 percentage points more than last year.
- **Net return on equity ratio** shows the percentage of net profit that belongs to the owners according to their ownership share. Net return on equity ratio for Elektro Gorenjska Group at the end of year 2013 amounted to 3.5 %. Indicator also depends on the structure of financing; higher indicator can mean higher risk on the account of large debts. Elektro Gorenjska Company has very limited possibilities of controlling the success of activity, as under the contract with SODO it is obliged to implement numerous activities in connection to which various costs (expenses) arise, on the other hand it is also limited in controlling its own revenues accruing to it under this Contract (please see also financial statements, chapter 14.1 – Transactions with SODO Company).

- **Level of revenue profitability** tells us that the group made 5.2 EUR of profit per 100 EUR of achieved revenues, which is by 4.7 EUR of profit more than in year 2012.
- **Value added** of Elektro Gorenjska Group in year 2013 amounted to 29,723,134 EUR and increased by 4,722,499 EUR compared with year 2012.

6.9.6 ASSET TURNOVER INDICATORS

Asset turnover indicators express the amount of revenues the group creates with existing assets. They are influenced by production technology, share of fixed assets in all assets, nature of products etc. Group monitors the following indicators:

- Total assets turnover ratio shows how quickly the assets of the group turnover or how much revenue the group creates with existing assets. At the end of the year 2013 the ratio amounted to 0.5 and was by 0.1 percentage point higher than in year 2012.
- Operating claims turnover ratio shows how many times a year operating claims turnover to money. At the end of year 2013 it amounted to 4.3, which means that money was tied with buyers for 86 days on average, which is 18 days longer than in year 2012.

6.9.7 RETURN INDICATORS

- **EBITDA** in year 2013 amounted to 16,948,597 EUR and was by 3.8 million EUR higher than in year 2012, which is mainly the result of higher revenues from rent and services under the contract with SODO, lower costs of electricity purchase and higher electricity production, as already explained for operating efficiency ratio.
- **EBIT** represents the difference between operating revenues and operating expenses. In year 2013 it amounted to 6,254,667 EUR, which is by 4.7 million EUR more than in year 2012. As previously mentioned the main reasons for improvement of this indicator are higher revenues from rent and services under the contract with SODO, lower costs of electricity purchase and higher electricity production.
- **Net increase/decrease in cash and cash equivalents** was negative for Elektro Gorenjska Group in year 2013 and it amounted to -1,158,945 EUR, which is by 62 thousand EUR less than in year 2012, which is the result of higher expenses from interests due to interest rate swap (interest rate hedging). Amount of unpaid principals increased by 1 million EUR compared to the balance as at December 31 2013, which is explained also in chapter 15.13 - Long-term liabilities. Additionally financial result is worse also due to impairment of long-term financial investments in shares of Nova Ljubljanska bank (explained also in chapter 16.12 - Financial expenses from impairments and financial investment write-offs).
- **Pre-tax profit** for Elektro Gorenjska Group in year 2013 amounted to 5,047,888 EUR, which is by 4.6 MM EUR more than the pre-tax profit achieved in year 2012. Increase in pre-tax profit in year 2013 compared to year 2012 is mainly the result of higher revenues from rent and services under the contract with SODO, lower costs of electricity purchase and higher electricity production.
- **Net profit** in year 2013 amounted to 4,674,266 EUR, while in year 2012 it was 234,246 EUR.
- **Number of shares** did not change throughout the year 2013. Book value per share amounted to 7.86 EUR at the end of year 2013, while net profit per share amounted to 0.27 EUR.
- **Average number of employees** in year considered was 338, which is one employee more than in year 2012. Changes in the number of employees are explained in chapter 8.1.1 - Demographic structure in the Group.

- **Operating revenues per employee** in year 2013 amounted to 287,824 EUR, which is by 7.2 % more than in year 2012.
- **Value added per employee** in Elektro Gorenjska Group in year 2013 amounted to 87,938 EUR. Compared with the year 2012 value added was by 18.6 % higher.
- **ROA:** Value of the indicator is relatively low, which is the result of constant investing of the group, as among other things mission of the group is also ensuring quality and reliable electricity supply. We could not achieve this without investments in intangible and tangible assets. We should mention that quality and reliability of electricity supply on distribution network are measured by SAIDI and SAIFI indicators (more on the quality in chapter 6.2 – Quality of electricity supply), and have been preserved in the recent years and according to JARSE represents Slovenian reference level according to statutory requirements. So in the future it is not expected from the group to invest less in its fixed assets than so far, which means that amounts of intangible and tangible assets (they represent more than 82 % of the balance sheet total in the assets) will not be reducing. This further means that value of the indicator depends mainly on the business results or revenues that company receives under the contract with SODO and whose regulatory values depend mainly on the regulator JARSE and costs of operation and maintenance the group has (excluding financial expenditure due to borrowing). Capital Assets Management Agency of RS or later Slovenska odškodninska družba set a uniform requirement about the future operations of electricity distribution companies to reach at least 4.1 % of return on assets (objective until the end of 2015). In case target value of the indicator would apply today, Elektro Gorenjska Group would need to have at least by 5 million EUR of revenues more at equal costs, which is impossible to expect in this moment according to the fact that our operation is subject to regulation. Another option is to realize by 5 million EUR less of costs at equal revenues. Latter would mean drastic reduction of volume of services for SODO or drastic reduction of costs of material, services and other in the same amount, which is not realistic to expect despite increase of network each year and with it increased volume of services for SODO. Mentioned reference level by the Agency or SOD is relatively high, as the line of business the group operates in is technologically very intensive, which is conformed and demonstrated by a high indicator of the operating fixed assets rate. Company to a large extent depends on one and only source of revenues (revenues from renting the electricity distribution infrastructure and implementation of services for distribution network system operator), which are determined by JARSE, so reduction of costs in such high amount according to the volume of work as explained above is unrealistic to expect in the future. We should also stress the fact that according to an increased volume of facilities (length of network, number of transformer stations, substations, production facilities...) and reduction of the number of employees, efficiency of the group increased in the recent years.
- **ROE:** Similar to ROA indicator, ROE indicator is affected by the very same characteristics. Agency or SOD set the ROE indicator along with a reasonable use of JARSE methodology as alternative indicator, which is set in the amount of 6 % (target by the end of year 2015). For year 2013 this indicator for the group amounted to 2.3. In case target value of the indicator would apply today, the group would need to have at least by 4.8 million EUR revenues more with equal costs or by 4.8 million EUR costs less, which is unrealistic to expect considering the information presented with ROA indicator. We should add the fact that Agency or SOD set an additional condition, which is to reach 1 % of capital dividends, which means that despite annual return made capital reduces relatively, which on one hand increases the value of the indicator, while on the other hand the group needs to incur additional debts (in the short-term, but mainly in the long-term) due to lack of proper liquidity assets, which due to higher interest costs reduces net profit and with it also value of ROE indicator.

6.9.8 STRUCTURE OF ASSETS AND LIABILITIES

ASSETS

On the last day of year 2013 the assets of Elektro Gorenjska Group amounted to 219,438,433 EUR (31. 12. 2012: 204,889,160 EUR) and have increased by 7.1 % from the beginning of the year. Long-term assets decreased by 0.4 % in year 2013, while short-term assets increased by 79.3 %.

Long-term assets represent 84 % of all group's assets. Among them tangible fixed assets representing 97.8 % of all long-term assets are the most important. Value of tangible fixed assets increased by 0.3 % or by 494,344 EUR in year 2013.

Besides tangible fixed assets long-term assets also consist of the following categories (explained in more detail in chapter 15 – Notes to the balance sheet items):

- intangible fixed assets, which decreased by 11.3 % or 94,611 EUR in year 2013 mainly as a result of depreciation,
- investment property, whose value decreased by 1.9 % or 37,908 EUR as a result of a redistribution to assets for sale and disposals, and
- long-term financial investments, whose value in year 2013 decreased by 44.2 % or 1,073,086 EUR due to revaluation of shares to a lower value.

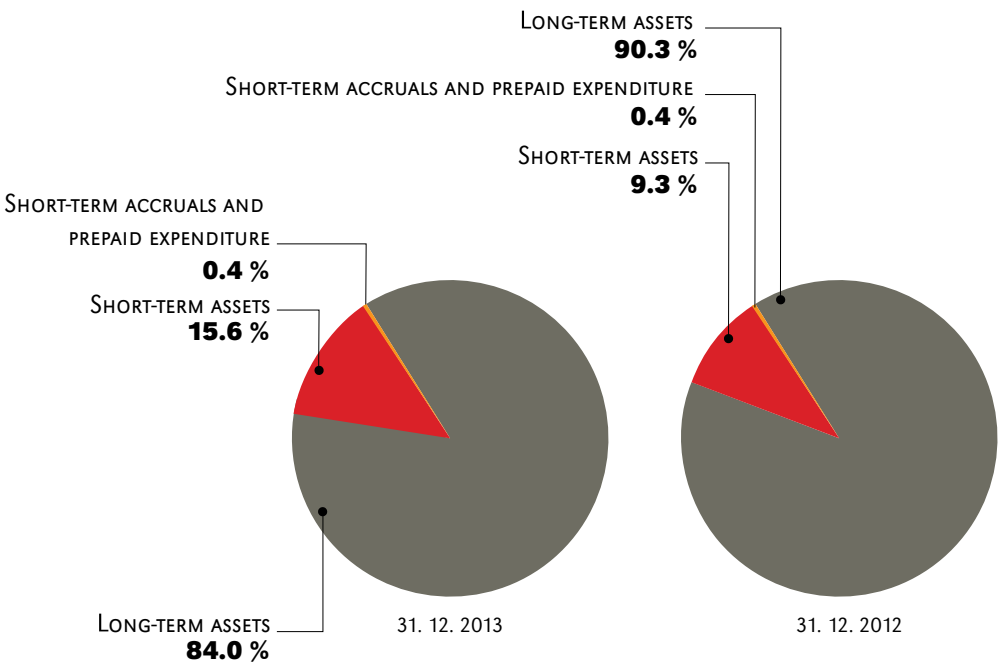


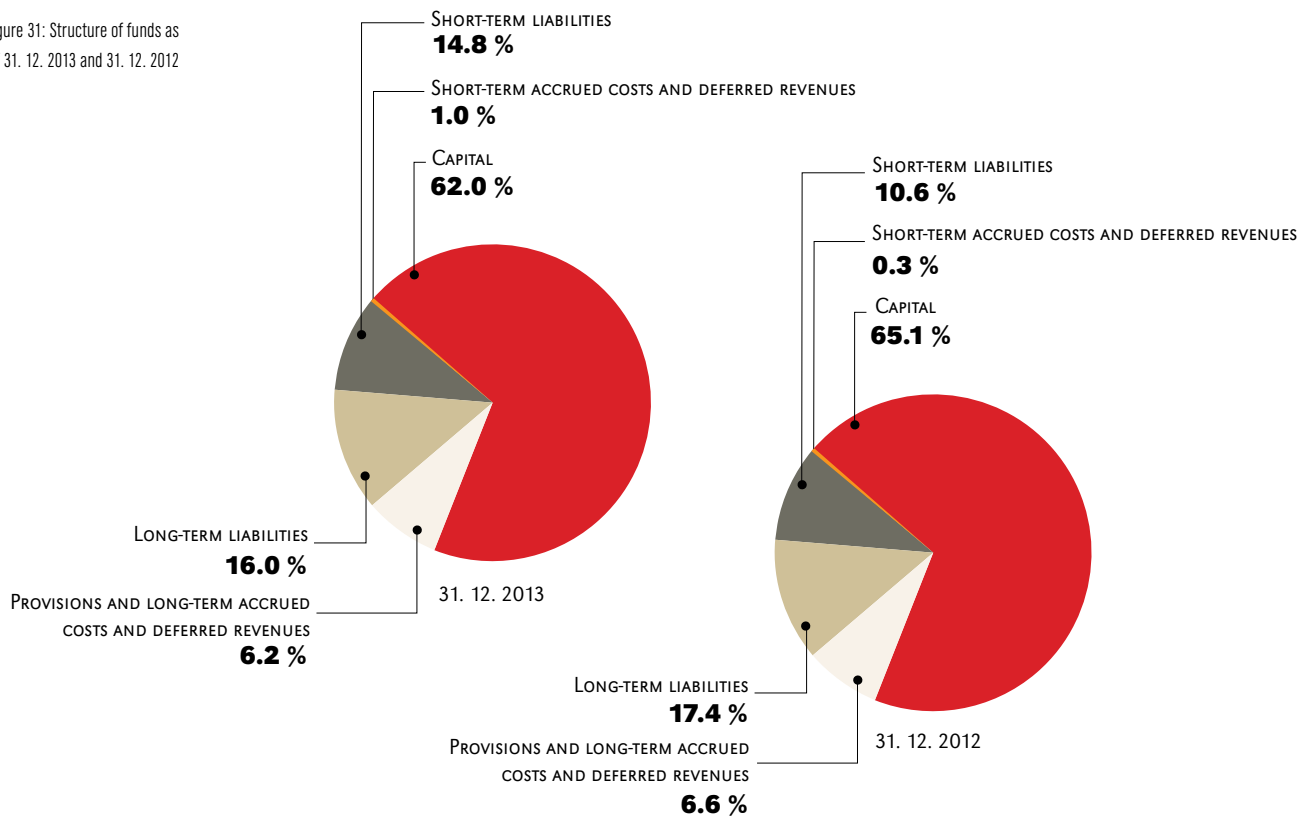
Figure 30: : Structure of assets as of 31. 12. 2013 and 31. 12. 2012

CAPITAL AND DEBTS

As at December 31 2013 Elektro Gorenjska Group reached a ratio between equity and debt capital in the amount of **1.6:1**, while in year 2012 this ratio was 1.9 : 1.

In the structure of liabilities capital represents 62.0 % of the entire balance sheet total. In year 2013, capital increased by 1.9 % or by 2,547,451 EUR. Long-term liabilities, mostly long-term banking credits, represented as of 31. 12. 2013 16.0 % of all funds. In year 2013 they decreased by 0.9 % or 513,640 EUR. Short-term liabilities represented 14.8 % of all funds and have increased by 49.5 % or 10,741,797 EUR in year 2013. Provisions and long-term accrued costs and deferred revenues represented 6.2 % of funds at the end of year 2013. In year 2013 they increased by 0.1 % or by 12,630 EUR. Short-term accrued costs and deferred revenues contributed 1.0 % to funds at the end of year 2013 and increased four times or by 1,761,035 EUR compared to the year before.

Figure 31: Structure of funds as of 31. 12. 2013 and 31. 12. 2012



6.9.9 STRUCTURE OF REVENUE AND EXPENDITURE

In year 2013 Elektro Gorenjska Group achieved a pre-tax profit in the amount of **5,047,888 EUR**.

Table 12: Composition of profit or loss by business segments (in EUR)

ITEM DESCRIPTION	2013	2012
OPERATING PROFIT OR LOSS	6,254,667	1,543,079
FINANCIAL RESULT	-1,158,946	-1,096,611
EXTRAORDINARY PROFIT OR LOSS	-47,833	-18,082
PRE-TAX PROFIT	5,047,888	428,387

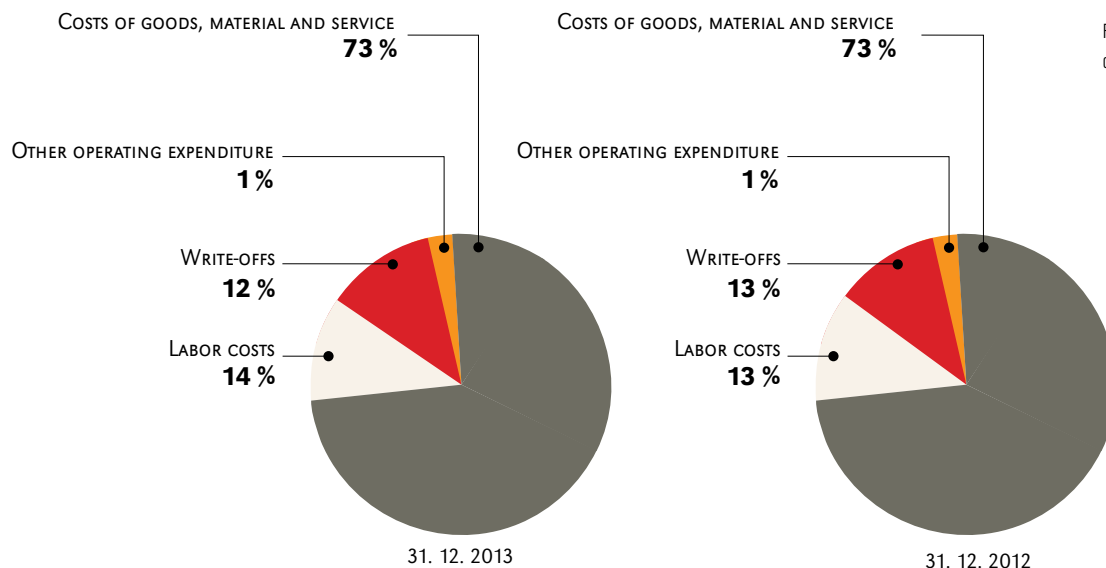
Decisive contribution to positive business in year 2013 was made by the positive operating profit or loss, above all activities of the Contract with SODO and electricity sale and production, while the financial result in year 2013 was negative as expected, as the line of business the group mostly operates in is technologically very intensive, which reflects in the increase of long-term assets, above all tangible fixed assets in energy infrastructure and new production capacities financed mainly through debt resources.

ITEM DESCRIPTION	2013	2012
OPERATING REVENUES	97,284,530	90,510,016
OPERATING EXPENDITURE	91,029,863	88,966,936
OPERATING PROFIT OR LOSS	6,254,667	1,543,079

Table 13: Operating profit or loss in years 2013 and 2012 (in EUR)

Operating profit or loss for year 2013 amounted to 6,254,667 EUR. Compared to year 2012 it was by 4,711,588 EUR higher. Better operating profit compared to year 2012 is the result of higher revenues from rent and services under the contract with SODO, lower costs of electricity purchase and higher electricity production.

Structure of operating expenditure for year 2013 is shown in the figure below:



ITEM DESCRIPTION	2013	2012
FINANCIAL REVENUES	387,851	259,494
FINANCIAL EXPENDITURE	1,546,797	1,356,105
FINANCIAL RESULT	-1,158,946	-1,096,611

Table 14: Financial result in years 2013 and 2012 (in EUR)

Financial result was expected to be negative, as the group makes positive results with operating profit or loss or operation within its basic activities. Negative result was mainly influenced by interest for loans received from banks for financing investment and interest due to interest rate swap (interest rate hedging).

Compared to year 2012 financial result is worse by 62,335 EUR. Worse financial result is a result of higher expenditure for interest due to interest rate swap.

ITEM DESCRIPTION	2013	2012
OTHER REVENUES	155	875
OTHER EXPENDITURE	47,988	18,957
EXTRAORDINARY RESULT	-47,833	-18,082

Table 15: Result from extraordinary operations in years 2013 and 2012 (in EUR)

Other expenditure are mainly donations, which are described in more detail in chapter 8.3.1. – Communication with local community and social responsibility.

ITEM DESCRIPTION	2013	2012
PRE-TAX PROFIT	5,047,888	428,387
INCOME TAX	373,622	194,141
NET PROFIT	4,674,266	234,246

Table 16: Net profit in years 2013 and 2012 (in EUR)



In year 1986 Elektro Gorenjska Company cooperated in connection of the new hydro power station Mavčiče into the distribution network. Photo shows technical staff of Elektro Kranj visiting the HE Mavčiče.

Photo: dr. Drago Papler

7. MARKETING AND SALES

7.1 SERVICES AND PRODUCTS

Elektro Gorenjska Company has been providing reliable and quality supply of electricity in the area of 2,091 km² in the northeastern part of Slovenia to more than 88,000 customers for fifty years. Besides provision of reliable and quality electricity supply 24 hours a day every day of the year and maintenance of electricity network, we also implement various services, for which we use tools, knowledge and skills for quality investments and maintenance of proper electricity infrastructure.

With our years of experience, professional knowledge and modern approaches we plan, build and maintain electricity power facilities and devices for our users and customers.

In the context of integrated solutions the following services are the most useful for end users:

- **Energy advisory service and more efficient use of electricity (implementation of power checks):** In management of electricity largest savings in the field of technological processes can be achieved by optimizing operation of devices according to the requirements of the technologic process, analyzing the possibilities of technological modernization with the purpose of smaller consumption, time- optimized operation with the purpose of preventing peaks, adjusting operation of production to tariff systems and by compensation of futile energy. Power checks thus represent the basis for preparing the program of consumption control and efficient electricity use. We advise our users, implement various types of energy sources and consumption analysis, we create programs with measures of consumption management and efficient electricity use and prepare appropriate investment documentation.
- **Implementation of different planning services**
Sing our knowledge and experience we also offer design services, from conceptual design to the as-built design, for all electricity power facilities, including transformer substations – RTP 110/20 kV, distribution stations – RP, transformer stations – TP, medium-voltage and low-voltage cable conduits, low-voltage connecting conduits with account measurements. In addition, we advise, help in preparing main files and urbanism of energy facilities, planning of cogeneration units, hydro power and solar power plants, projects for public and street lighting, preparation of projects for electricity infrastructure of industrial, commercial, trade and/or residential zones, and we also cooperate in preparation of electrical installations in buildings.
- **Execution of maintenance and works of power facilities and devices by using modern technologies**
Based on years of experience we offer competitive services in the field of work performance for all types of transformer stations 10-20/0,4 kV, low- and medium-voltage underground and overhead power lines, low-voltage connections for all types of consumption, relocations, recoveries and reconstructions of electricity power facilities, devices and lines. In the field of electricity power facilities and devices maintenance we offer contractual implementation of regular checks, measurements and audits of transformer stations, connection-measuring points, devices and lines on the low- and medium-voltage level by monitoring operational state and record keeping. We are trained for live work on low-and medium-voltage levels for the segment of cleaning the medium-voltage devices and plant.
- **Implementation of various types of measurements** (calibration of protection, measuring of electrical quantities, measuring of power cables)
Among key service we have voltage quality measurements under the standard SIST EN50160, load diagrams and measurements on electricity power cables using VLF method. We have a special vehicle fitted with fault-finding and diagnostic equipment on LV and MV cable conduits. We also implement calibration and security settings of separation as well as other protection for hydro and solar power plants and other dispersed production, and inspections of electrical power elements by thermo vision.
- **Other market services**
We offer for rental diesel generators to the power of 550 kilowatts and working vehicles with a lift or hydraulic platform for working at height.

7.2 BUYERS AND CUSTOMERS

Elektro Gorenjska Prodaja Company puts satisfaction of its customers first. Partnership relations with them are built through quality and competitive offer of electricity supply. By stimulating efficient electricity use, use of renewable sources and advising it helps them reduce energy costs. It is the only electricity supplier that rewards household customers for more efficient electricity use. We like to listen to our business partners and their proposals for cooperation in other fields related to electricity supply too.

The strongest influence on formation of marketing strategy in selling electricity is exerted by the development of electricity market and a stronger influence of the competition, which reflects mostly in considering the requests and expectations of the customers. Good knowledge of the customers and factors influencing their choice of supplier (price, payment terms, customer support, offer of additional services, possibility of purchasing ecologically clean energy sources, and other), is of key importance.

Customers are classified into individual marketing segments that include customers with similar requests and needs. Segmentation of customers enables us to adjust and meet their requests better

In year 2013 we supplied electricity to 71,394 customers mainly in the region of Gorenjska. They are categorized in business customers and household customers. Following is the presentation of the number of Elektro Gorenjska Prodaja customers by years.

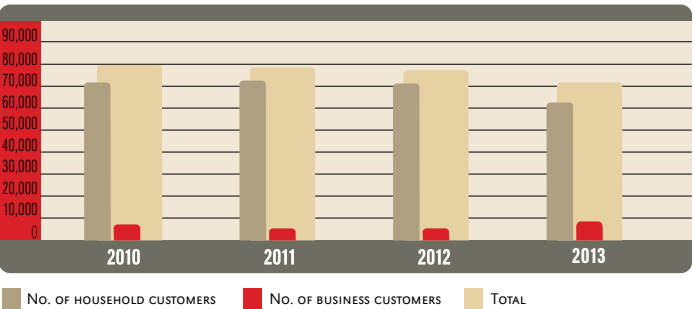


Figure 33: Number of Elektro Gorenjska Prodaja Company customers

Main goal of the company is to maintain the competitiveness in both segments with a focus on key factors of choice in individual.

In the segment of business customers key factors of choice are: good prices, advice on the right moment for purchase, quality services to ensure an overview of the consumption, and provision of counseling regarding the rational use of electricity. Much attention is paid to larger customers; we have developed a system of administrators for key buyers. We enable larger and more demanding buyers also a structures purchase of electricity.

In the segment of household customers the company mainly strives to form quality and competitive offers in order to maintain its market.

Business customers

Customers in this group can freely choose the most favorable electricity supplier since July 1 2004. In balance subgroup of Elektro Gorenjska Prodaja this segment represents 14 percent share of all measuring points or 64 % of final electricity consumption. According to the quantity of the consumption they are categorized into three categories:

- large industrial or key customers,
- medium sized companies and
- small crafts and trades and other business customers.

Customers of the categories of large industrial and medium sized companies are dealt with individually, they have their own administrator, and their offers are formed in accordance with their wishes and needs. Customers from the category of small crafts and trades and other business customers are increasingly being dealt with individually as well.

Household customers

Customers in this segment can freely choose their electricity supplier since July 1 2007. With the complete opening of the electricity market as of July 1 2007 the efforts of the company in the field of satisfaction of the customers have increased. Besides simplified operation and forming of customer-friendlier services household customers are offered new services, which stimulate them to efficient use of electricity and use of renewable energy sources. In year 2009 the household customers were offered a new package I spend, what I need (Porabim, kar rabim) and an economy program 10 steps to a more efficient electricity use (10 korakov do učinkovitejše rabe električne energije), while in year 2010 we offered the Re-energy package with affordable offer of quality products for the use of renewable sources. Additional offers for purchase of heat pumps and electricity from renewable sources Blue Energy for heat pumps were presented in year 2011. In year 2012 discontinued addition for high consumption and enabled customers to ensure themselves unchanged prices for a selected period with our new package Lock the prices! (Zakleni cene!). We also presented our loyalty program, through which we offered additional benefits to our customers in cooperation with business partners.

7.2.1 SERVICES FOR BUSINESS CUSTOMERS

Besides sale of electricity Elektro Gorenjska Group in year 2013, in accordance with its mission, offered its business customers also additional services, adapted to their needs. Business customers have been able to select among various packages of data and advisory services. They could also decide for purchase of electricity from renewable sources. In year 2013 the company presented also its program for improving energy efficiency of final consumers.

Data services include four different packages. Each package is adapted to the needs of different groups of buyers and technical capacities of their measuring points:

- Basic package is received by all buyers and is free of charge. This package includes the annual overview of electricity consumption for individual measuring point.
- Standard package includes two annual overviews of electricity consumption for an individual measuring point.
- Package EG gives buyer access to load diagrams online.
- Package EG PLUS includes all characteristics of the basic, standard and EG packages. It also provides buyers with electric power analysis of loads based on the measuring data and counseling on rational use of energy with instructions to use economical electricity consumers.

Consultancy services are divided in two packages:

- Basic package, which is standardized and includes calculation of estimated electricity costs, and
- Personal package, which takes into consideration individual wishes and needs of the individual customer and includes counseling on rational energy use, electric power analysis of loads and research of consumption optimization possibilities.

Through counseling we execute detailed calculations and analysis of consumption for the customers. Calculations include estimated costs of electricity for the following period and possibilities of rationalization of consumption and costs.

Blue energy

In year 2013 too we stimulated customers to purchase the Blue Energy and offered them the possibility and choice to contribute themselves to a cleaner environment and reduction of greenhouse gases, which are main causers of global warming of our planet. Blue Energy is a brand of energy

acquired from renewable sources of large Slovenian rivers. Holder of the brand is Holding Slovenske elektrarne, Elektro Gorenjska Prodaja has the role of an agent in sale to end buyers. Buyers, who decide for Blue Energy, pay an addition to the price of electricity. Funds are collected in the Blue Fund. Blue Fund is intended to promote energy generation from renewable sources, research in the field of promoting the energy production from renewable sources, and for the renovation and building of units, which generate energy from renewable sources.

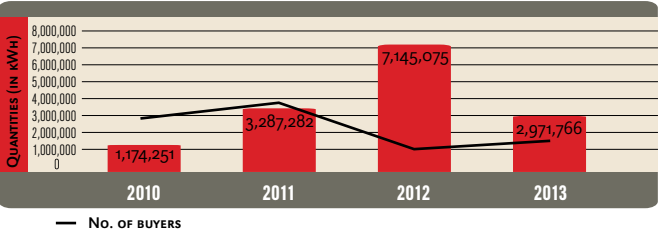


Figure 34: Number of business customers of Blue Energy brand

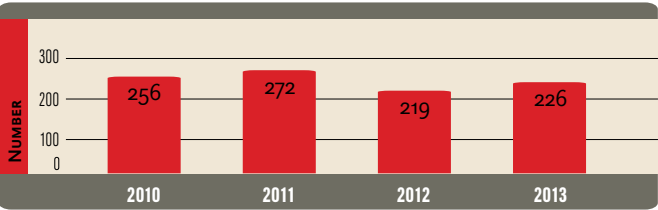


Figure 35: Number of business customers of Blue Energy brand by years

Re-energy offer

In the second half of year 2013 the company presented benefits when purchasing products for use of renewable energy sources to its business customers as well. This way business customers can also reduce their energy costs through Re-energy offer and obtain electricity bonus.

Program for improving energy efficiency

Since year 2013 Elektro Gorenjska Prodaja has introduced co-financing of investments in increasing energy efficiency of buildings. Within the program for achieving energy savings for final customers it executed two tenders, which granted 21 projects 353,400 EUR of non-refundable funds.

In year 2013 the company devoted its resources to the following measures:

- installation of solar power collectors, heat pumps and other heat generating devices,
- installation of energy efficient lighting systems,
- replacement of various fuel boilers with new biomass and natural gas boilers,
- programs of energy checks implementation and
- information and awareness programs.

7.2.2 SERVICES FOR HOUSEHOLD CUSTOMERS

With establishment of changed market conditions Elektro Gorenjska Prodaja Company adapted and supplemented its offer of services for household customers wishing that also in the future we would be able to build mutual trust and strengthen good business relations.

Package Lock the prices!

In 2013 all household customers were able to ensure unchanged prices of electricity for the period they selected through the Lock the prices! Package. Price-sensitive customers decide for this package. In year 2013 there were 4 % of such customers or 22 times more than in the previous year.

Package Re-energy

Package Re-energy joins the offer of the company in the field of renewable sources utilization, which we prepared together with our partners. They are intended for the individuals, who are prepared to participate actively in the attitude towards our environment.

By making the decision to use renewable sources from Re-energy package customers can choose from quality offer promoting environment friendly use of energy at best conditions. Besides that they also save on electricity, as the prices in Re-energy package are especially attractive.

Current offer in year 2013 included:

- heat pumps for domestic hot water Atlas,
- heat pumps for space heating Thermia,
- solar kits Tehnosol and
- electric bicycles Tehnosol.

In year 2013 buyers of heat pumps in the Re-energy package were offered for a limited time from September 1 to December 31 2013 also a financial incentive of up to 200 EUR for the purchase of heat pumps for hot water and 1,000 EUR for the purchase of heat pump for heating. This way we maintained interest for the offer even after the suspension of the financial incentive grants from the Eco Fund.

In the month of September the company organized a big Re-energy prize game to promote the Re-energy offer. The company awarded five coupons in the amount of 500 EUR for purchase of products from re-energy offer and five electricity coupons in the amount of 100 EUR. More than 2,500 coupons took part in the draw.

I spend, what I need and economy program

We are the only electricity distributor that rewards its household customers for more efficient use of electricity. Ever since year 2009 our household customers have been offered an economy program I spend, what I need – 10 steps to efficient electricity use, which was prepared in cooperation with the Energy Efficiency Center at the Jožef Stefan Institute. Within the economy program I spend, what I need we explain our household customers what are the biggest consumers of electricity in their households, and how and how much they can save with their use. In order to help them monitor and control their electricity consumption we have prepared for our customers also control chart and chart for daily monitoring of consumption. With these prepared measures we direct them on their way towards more economical power consumption. Economy program I spend, what I need is presented in more detail on web site www.porabimkarrabim.si.

In year 2013 the economy program I spend, what I need – 10 steps to efficient electricity use was updated with current structures of electricity consumption in households, new technologies and electricity prices. We have also prepared a new range of indicators of electricity use efficiency, which will additionally clarify the understanding of their energy use. We also published a revised brochure.

As assuming the habits of more efficient electricity use depends on the savings evident on the bills for electricity, economy program is linked to the I spend, what I need package, where customers have undertaken to report monthly their meter status and thus pay their electricity according to the actual and not average consumption. Customers that reduce their annual consumption by at least 10 % are additionally rewarded for their efficient use with a bonus of 10 EUR.

Due to the benefits brought to the customers by the package, there were already 13 % of customers who responded and monitor their electricity consumption monthly as well as implement economy measures.

Elektro Gorenjska Prodaja Company offers its household customers also rental of electricity consumption meters free of charge, which help the customers establish which electricity consumers are most uneconomical.

Blue energy for heat pumps

In year 2011 Elektro Gorenjska Prodaja acceded to the all Slovenian Blue energy for heat pumps campaign in order to enable the benefits of the campaign to our household customers as well. Blue energy for heat pumps campaign, which took place in year 2013 as well, is intended to promote efficient heating and cooling with renewable energy sources. It takes place within the campaign "You are the energy, be efficient", whose initiator is Holding Slovenske elektrarne, while campaign's manager is Informa Echo.

Campaign took place on web portal www.pozitivnaenergija.si, where customers could get acquainted with participating heat pump sellers and heat pumps on offer. In year 2013 the offer included heat pumps for space heating and also heat pumps for domestic hot water. Household customers could purchase heat pumps with discounts from 5 to 13 % during the campaign. With the purchase they received a voucher for cheaper electricity which they could claim with their electricity supplier in order to charge them with electricity according to the prices of the Blue energy for heat pumps package. In the package customers obtained 10 % discount on the price of electricity in their own basic package for the period of two years and got Blue energy for the price of regular one. When they bought heat pumps for domestic hot water, discount on electricity price amounted to 5 % for two years. Three vouchers were realized during the campaign.

Loyalty program

In Elektro Gorenjska Prodaja Company we appreciate loyalty and trust of our customers. In the framework of quality and competitive offer to household customers they are offered an opportunity for favorable purchase and additional benefits in electricity price.

In year 2013 within the loyalty program we enabled customers favorable purchases of energy saving household appliances with five year quality guarantee in GA branches, discount in purchasing a mobile phone at Si.mobil and purchase of wood pellets in Gorenjske elektrarne.

Customers could save from up to 100 to 140 EUR for the purchase of an appliance, and they also received a voucher for electricity in the amount of up to 50 EUR. Skillful managers were able to upgrade the special prices of energy saving household appliances with the benefits in the I spend, what I need package, where customers are rewarded for more efficient electricity use.

In the period from March to June only customers of Elektro Gorenjska Prodaja have got a discount at the Si.mobil mobile operator, namely 20 EUR of discount on any phone from the Si.mobil offer bound to packages Senior ZATE or M ZAME, free connection for new subscribers and electricity voucher in the amount of 5 EUR.

In the second half of the year we offered our customers purchase of wood pellets. When they purchased one pallet from the Gorenjske elektrarne offer the customers of Elektro Gorenjska Prodaja gained 5 EUR bonus on electricity.

At the end of the year the company rewarded their customers for their long-term loyalty. All household customers, except ones from the Lock the prices! Package, price of electricity on their bills was reduced by 1 % in November and by 2 % in December compared to the prices valid in October 2013.

Procedure for dealing with complaints

In year 2012 we presented two-step procedure for dealing with complaints. When customer is not satisfied with the response to the complaint on the first level, their complaint will be considered by an independent and impartial party on the second level of the extrajudicial procedure.

Simplified methods of operation

Web application Moj EGP: In year 2013 all web services, including electronic reporting of monthly meter status, were transferred to the new application called Moj EGP. Web application Moj EGP thus joins electronic services of web portals Porabim, kar rabim and eStoritve. With this we offer all our users equal electronic services in one place.

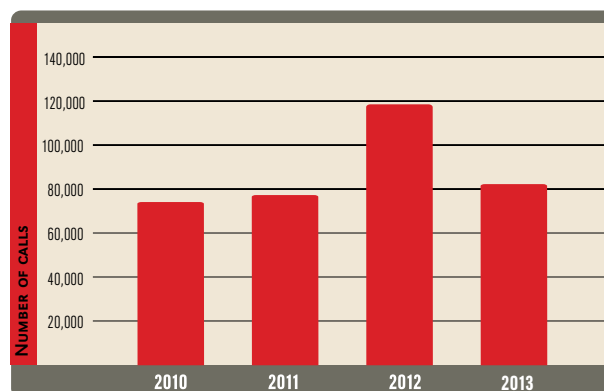
Web application, which household customers have access to from all company's web sites www.eg-prodaja.si, www.porabimkarrabim.si and www.reenergija.si, offers complete overview and control over electricity consumption on individual measuring point. Customers can use the web application to submit their meter readings for electricity account, review electricity consumption at the measuring point and made out charges and received payments in the current accounting period, as well as check the technical data of their measuring point. In the web application they can access archive of received e-bills and make out control bill and a copy of the bill, as their use of the web

application is free of charge. In year 2013 web application was used by almost 30 % of all customers.

Call center: Call center is an important contact point of the customer with the company, where phone calls supported by computer automation are being processed. Call center can process a large quantity of calls simultaneously and can review the calls and deliver them to the qualified person. Call center typically records the entire event.

In year 2013 the company paid great attention to shortening queues, while it also extended office hours in the period from the 1st to 5th of the month, when customers report their meter status.

Figure 36: Number of calls to the call center according to years



Customer communication

In communicating our services and products we have used different communication tools: from advertising, sale promotion, and direct ways of communication – using the back sides of the bills and presentations at local events to web sites www.eg-prodaja.si, www.porabimkarrabim.si and www.reenergija.si. In year 2013 the company mostly advertised the new action package Lock the prices! (Zakleni cene) and offer of Re-energy package.

Development of new services

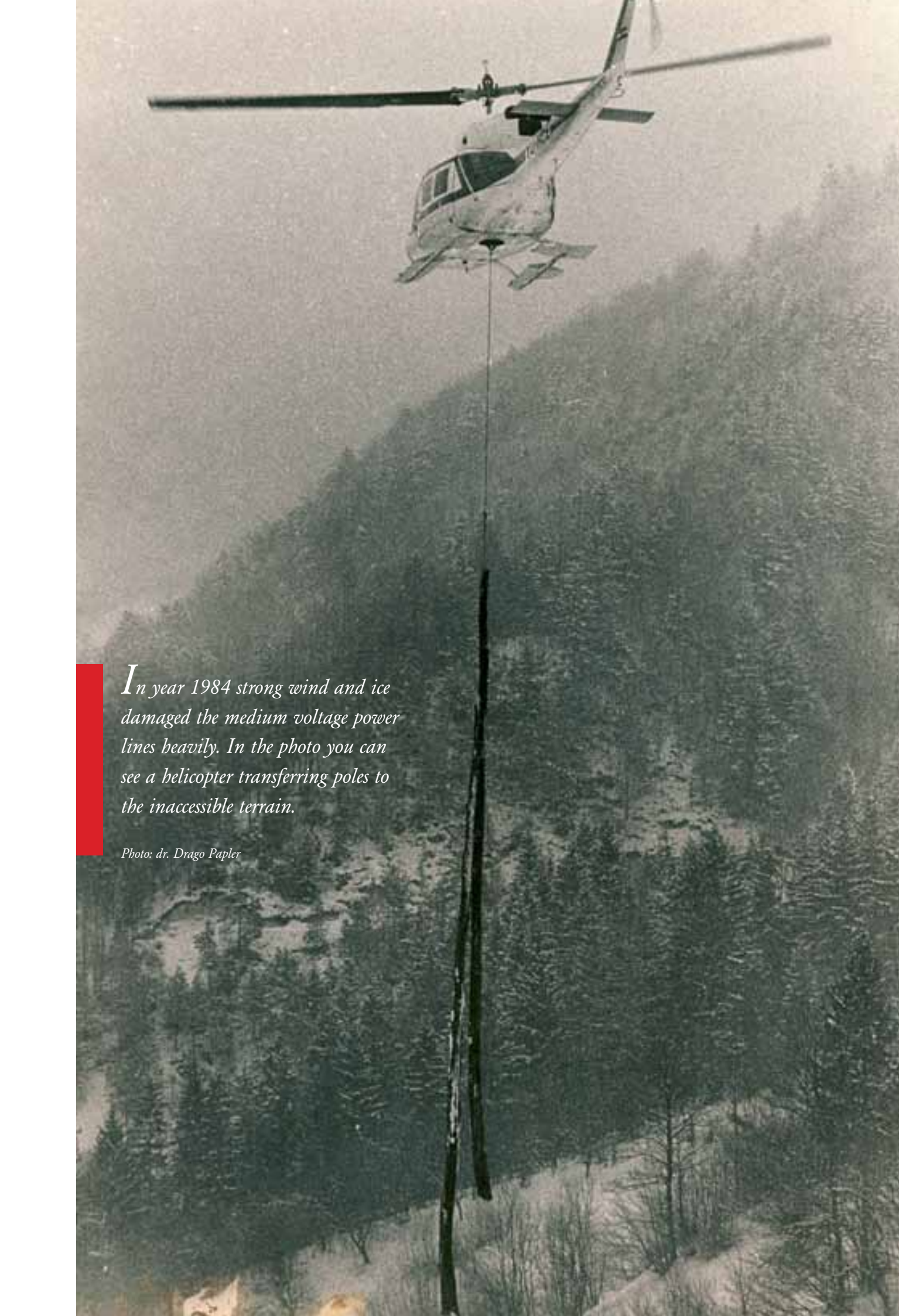
In year 2014 we are preparing numerous novelties.

In the Re-energy package we are introducing fixed electricity bonuses replacing the existing one related to the consumption. In Re-energy offer we will offer new, higher quality heat pumps for hot water Vesttherm and other alternative ways of heating.

We are preparing an updated offer in the field of efficient electricity use and counseling about possible savings with energy. Within the offer we are preparing savings in the payment of electricity bills (introduction of eRačun (eBill), exemption from payment of fees at selected banks, and payment of electricity bill without the fee at the municipal counter at Kranj Municipality).

Within simplified operation we are preparing updates of web portal Moj EGP, which will support energy counselling and conclusion of contracts over the web as well as introduction of new channel for submitting meter statuses through text messages.

We will also supplement the loyalty program offer (possibility of the installment payment of household appliances and other electronic products, residential, comparative and credit assistance) and package offer, which will serve for keeping existing and gaining new customers.

A photograph showing a helicopter in flight, lifting a long, dark wooden pole vertically. The helicopter is positioned at the top of the frame, with its main rotor blades visible. A thin cable or rope connects the helicopter to the top of the pole. The pole extends almost the entire height of the image. The background is a dense forest of evergreen trees, heavily covered in snow, suggesting a winter or high-altitude environment. The sky is a pale, overcast grey.

In year 1984 strong wind and ice damaged the medium voltage power lines heavily. In the photo you can see a helicopter transferring poles to the inaccessible terrain.

Photo: dr. Drago Papler

In the photo you can see the Vinko Majdič Kranj hydro power station built in 1924. After the nationalization and handover in April 1948 the station along with the facility and employees was acquired in the civil service within DES - Kranj Unit, today's Elektro Gorenjska. Since 2002 controlled company Gorenjske elektrarne d.o.o. has been managing the plant.

Year 2003, photo: dr. Drago Papler

8. SUSTAINABLE DEVELOPMENT

Elektro Gorenjska Group set its sustainable development clearly – with set goals, environmental strategy integrated with the business strategy, and achieved results clearly presented. Group operates according to the system that we demonstrate our responsibility where we operate.

Today's cooperation must enable conditions for the quality of life to the future generations too. We realize that through energy.

8.1 CARE FOR EMPLOYEES

The ideal organizational culture in Elektro Gorenjska Group represents values in the sense of behaviors we expect from our colleagues and stimulate in order for them to develop, while companies achieve highest possible operating effectiveness. Our employees are our strategic advantage, so colleagues are stimulated to search opportunities and discover new ways in the times of quick changes. We try to awake an entrepreneurial potential in our employees and keep the company competitive. We appreciate basic human values, their knowledge and achievements in our colleagues. Enabling new challenges, personal initiative, promotion, education and training are factors we use continuously to try and attach the co-workers to the companies in the group and convince them to stay. As we want to become learning organizations we stress equality, open information, and organization culture, which stimulates cooperation and with it occurrence of ideas anywhere in group, so we are able to find opportunities faster and fight with changes and crisis situations. We enhance communication by including everyone in solving the problems, which enables the companies to experiment all the time, improve and increase their capacities, while their employees to reach their own and consequently also joint goals.

With the intention of reaching the group's goals of permanent development in the field of working with employees, we have been creating a supporting environment that stimulates satisfaction of employees:

- we stimulate constructive behavior of employees, which will bring us closer to our ideal organizational culture,
- we are family friendly companies,
- with scheduled employment and education we raise educational structure of our employees above the set goal,
- we carry out workshops in the field of management and communication,
- at the website of the human resources employees are offered answers to frequently asked questions and the website is also regularly updated.

8.1.1 DEMOGRAPHIC STRUCTURE IN THE GROUP

On December 31 2013 Elektro Gorenjska Group had 340 employees. Compared to the situation as of December 31 2012 the number of employees increased by six workers. In year 2013 we have had a total of ten terminations of employment and sixteen new employments. During the year two workers changed their employer within the group.

At the end of year 2013 the group had 7.06 % employees employed with fixed-term employment, which is a bit more than in year 2012.

Three workers decided for reduce part-time employment due to the parental leave, one female worker was employed for part-time. All other employees had a contract for full-time employment.

In year 2014 the number of employees will remain at approximately the same level.

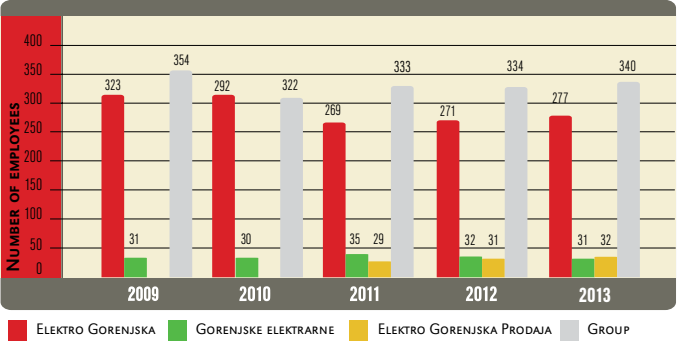


Figure 37: Changes in the number of employees in the period from 2009 to 2013

At the end of year 2013 there were 72.4 % of men and 27.6 % of women employed in Elektro Gorenjska Group which is entirely comparable with the previous years and closely connected with the primary activity of the two companies. Gender ration in company Gorenjske elektrarne has been derogating from groups' data every year, as this company has predominantly male population employed.

Average age of employees in the Group is 41.9 years, which is slightly higher according to the previous years. Analysis of groups of employees according to age shows that in year 2013 there were the most employees in the age group between 46 and 45 years, namely 34 percent of all employees. Older age structure in Gorenjske elektrarne Company has the strongest impact on older age groups as there 61 % of all employees belong to the last two age groups.

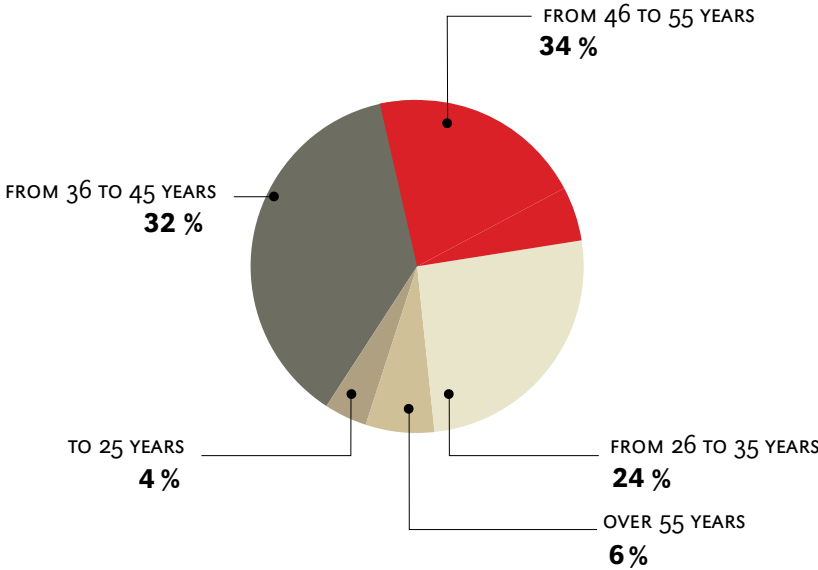


Figure 38: Shares of employees in Elektro Gorenjska Group according to age groups

	ELEKTRO GORENJSKA		GORENJSKE ELEKTRARNE		ELEKTRO GORENJSKA PRODAJA		GROUP	
	2013	2012	2013	2012	2013	2012	2013	2012
AVERAGE NUMBER OF EMPLOYEES	275	273	32	34	31	31	338	337
AVERAGE AGE	41.8 years	41.3 years	47.2 years	46.6 years	38.2 years	36.4 years	41.9 years	41.4 years
AVERAGE YEARS OF SERVICE IN THE GROUP	16.6 years	16.5 years	21.1 years	21.4 years	12.1 years	10 years	16.5 years	16.2 years

Table 17: Elektro Gorenjska Group employee information in year 2013 and 2012

8.1.2 EMPLOYMENT

Human resources planning is a constituent part of strategic and annual plan of the companies. Human resources in the group are planned in accordance with these goals by an annual economic plan and implementation plan of human resources and education. We seek to gain ambitious and professional new workers. New employees are won by invitations to tenders and publications on web sites. All job applications send by jobseekers are saved and used when there is a need to recruit new employees.

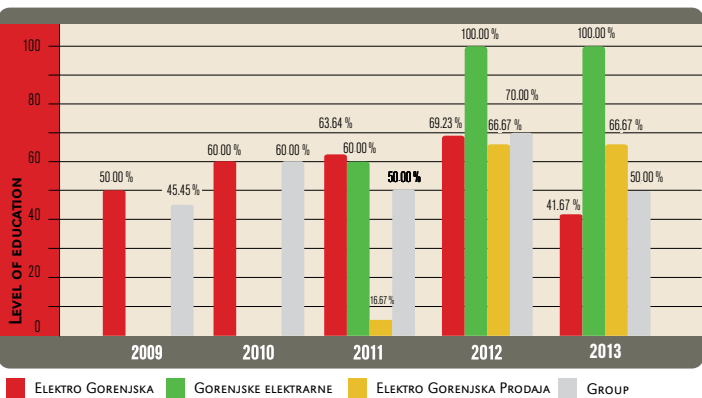
Wishing to win young and ambitious co-workers we use different forms of presenting the companies and their operation. We take advantage of opportunities offered by individual student organizations, faculties and secondary schools covering this field. We believe that interesting presentation of a job and perspectives is important for students deciding on their professions. In promoting these jobs support of the educational sphere is most welcome.

Students are given opportunity to do compulsory practical training and occasional student work. This way they get to know the company and work, while we meet potential job candidates.

With the purpose of better recognition of job-seekers and possibility of candidate selection we have prepared an employment questionnaire, which can be found on the companies web sites.

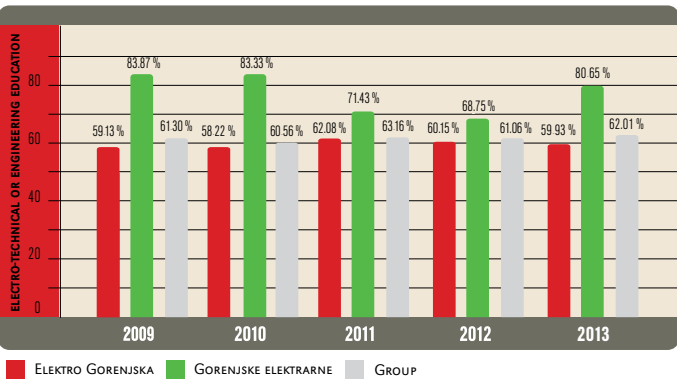
Development, changes, and needs of the work process request more and more of knowledge and high level of competence of our employees that is why we employ highly educated staff.

Figure 39: Share of new employees with at least high professional level of education at the time of employment



Throughout the years we have been keeping the high share of employees from electro-technical fields in Elektro Gorenjska Company and of electro-technical and engineering fields in Gorenjske elektrarne Company, as they are related to the main activities of the companies.

Figure 40: Share of employees with electro-technical or engineering education in the period between 2009 and 2013



Fluctuation of personnel in the Elektro Gorenjska Group is small. Fluctuation mainly emerges due to departure of workers for retirement and fixed-term employments, where employments are terminated after the need for increased volume of work is terminated or due to termination of the need for substitution of the worker. Very rarely individuals decide for the termination of the employment contracts on their own. In year 2010 the fluctuation rate was extremely high due to a great number of retirements, which were not replaced by new employments, while in year 2011 the rate fell back to the level of previous years. As Gorenjske elektrarne and Elektro Gorenjska Prodaja are small companies in terms of the number of employees, every employment termination, which is not replaced by a new employment, has a great impact on the higher percentage of fluctuation, which reflected in both companies in year 2012.

	2009	2010	2011	2012	2013
ELEKTRO GORENJSKA	3.00 %	12.31 %	2.54 %	3.90 %	2.13 %
GORENJSKE ELEKTRARNE	3.13 %	6.25 %	0.00 %	11.10 %	6.06 %
ELEKTRO GORENJSKA PRODAJA	-	-	2.54 %	11.40 %	5.88 %
GROUP	3.01 %	11.54 %	2.06 %	5.38 %	2.87 %

Table 18: Fluctuation rate in Elektro Gorenjska Group

8.1.3 EMPLOYMENT OF PERSONS WITH DISABILITIES

As at December 31 2013 there were nine disabled persons employed in the group. In accordance with the statutory quota of employing disabled persons, which amounts to 5 % in Gorenjske elektrarne and Elektro Gorenjska Prodaja and 6 % for Elektro Gorenjska, the group would have to employ approximately twenty-one disabled persons. In year 2013 by signing the contracts with social enterprises companies Elektro Gorenjska made use of the possibility of claiming replacement quota fulfillment for eleven disabled persons. We plan to continue with this practice in the future years too.

	ELEKTRO GORENJSKA		GORENJSKE ELEKTRARNE		ELEKTRO GORENJSKA PRODAJA	
	2013	2012	2013	2012	2013	2012
NUMBER OF EMPLOYED DISABLED PERSONS AS AT 31. 12.	8	7	1	1	0	0
NUMBER OF DISABLED PERSONS FOR CONTRIBUTION AS AT 31. 12.	9	9	1	1	2	2
AMOUNT OF CONTRIBUTION IN A YEAR	57,050	57,153	6,583	1,602	13,165	11,751
NUMBER OF REALIZED DISABLED PERSONS IN YEAR, BASED ON CONTRACTS WITH SOCIAL ENTERPRISES	11	4	0	9	0	0

Table 19: Information on disabled employees

Worker with a recognized category of disability is secured an appropriate position of employment in accordance with the decision of the Pension and Disability Insurance Institute mainly by the reorganization of the working process. So far we were able to ensure suitable jobs and preserve employments to all disabled persons in the group.

8.1.4 EDUCATION

Investing into knowledge is investing into the future that is why the group devotes a lot of attention to appropriate development of human resources. By offering them possibilities of education and other forms of training we foster a caring relation to employees. Employees, who are noted to be lacking efficiency due to unsuitable qualifications, are directed to appropriate educations and trainings. High share in trainings belongs to the field of health and safety at work and all the time we are also renewing professional exams, which mainly employees working with electricity power devices need to take. We wish to introduce into the organizational culture a wish for constant, permanent training, improvement, and education. Proof that we have actually stimulated the employees for that is in their increasing interest for education.

We are proud of our colleagues, who finish education and acquire higher level of education along with their working and family obligations. If only possible, we enable them work at a more demanding position, where new knowledge can be used and they are able to invest into their own progress and the progress of the group. In year 2013 higher level of education was acquired by six employees.

In year 2012 most of the employees took part in trainings for use of internal applications and trainings in the field of safety and health at work, while in year 2013 we carried out a workshop on communication with difficult clients and sale, which is why in these two years we record high percentage of employees on training.

Table 20: Education in the period from 2011 to 2013

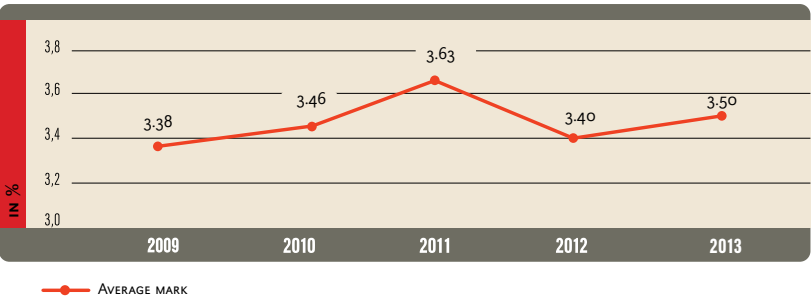
ITEM DESCRIPTION	2011	2012	2013
EMPLOYEES ON TRAININGS (IN %)	51.65	80.42	79.29
AVERAGE NUMBER OF TRAINING DAYS PER AVERAGE NUMBER OF EMPLOYEES	2.52 DAYS	2.28 DAYS	2.43 DAYS
COSTS OF EDUCATION AND TRAINING PER EMPLOYEE (IN EUR)	460	459	586
NUMBER OF EMPLOYEES ACQUIRING HIGHER LEVEL OF EDUCATION ON THE BASIS OF EDUCATION CONTRACT	40	34	28
NUMBER OF SCHOLARSHIP HOLDERS	5	3	1

The success of the company depends also on the proper management and treatment of people at work. As the survey on organizational culture carried out in 2013 has shown that there are still possibilities for improvements in the field of management of staff and relations with customers, in year 2014 we will again execute at least two workshops on management and treatment of people at work and a workshop on communication with clients.

We successfully use the possibilities of free trainings offered by providers. Transfer of knowledge among employees further contributes to optimization of financial assets for trainings. This means that one or two workers are deployed to a certain specific training, who transfer the knowledge gained to their colleagues. Transfer of knowledge also includes transfer of experience, familiarizing the staff with novelties and interaction at work. In year 2013 we started monitoring the transfer of knowledge systematically. Higher inclusion of employees in training with less costs is achieved also through use of e-learning and by stimulating employees to search for information and data independently.

After the completed training employees complete a survey, which establishes the satisfaction of participants with the training. Analyses have shown that employees are satisfied with trainings they are directed to, as average marks on the scale of 1 to 4 have been moving above the mark 3 for several years. Besides that employees after completing the education write a report on education, where new skills are described in order for all the interested to get acquainted with them. For year 2014 questionnaire was slightly supplemented, as we wish to establish also effectiveness of trainings our employees take part in. Individual units also have libraries of materials that employees get at seminars or other kinds of training, available to anyone interested in a certain topic. This is also one of the ways to stimulate knowledge transfer among employees. For year 2014 intranet page has a link prepared for electronic library, where employees will be able to save materials from trainings that will be quickly accessible to all employees.

Figure 41: Satisfaction of employees with their trainings in the period from 2009 to 2013



To stimulate self-learning and research we established a direct link to the website offering useful tips and tricks on using the Microsoft Office tools for our employees on the web site of human resources. This kind of learning also brings savings in financial assets.

8.1.5 EDUCATIONAL STRUCTURE OF EMPLOYEES

With the employments of highly competent workers and education of employees to acquire higher levels of education level of education in individual companies and as a result also in the group has been increasing very quickly.

Table 21: Educational structure of employees in Elektro Gorenjska Group as at 31. 12. 2013

	ELEKTRO GORENJSKA		GORENJSKE ELEKTRARNE		ELEKTRO GORENJSKA PRODAJA		GROUP	
LEVEL OF EDUCATION 31. 12. 2013	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)
DOCTORAL LEVEL (9)	2	0.7	1	3.2	0	0.0	3	0.9
MASTER'S DEGREE (8)	13	4.7	1	3.2	4	12.5	18	5.3
UNIVERSITY LEVEL (7/2)	50	18.0	5	16.1	7	21.9	62	18.2
GRADUATE LEVEL (7/1)	35	12.6	5	16.1	5	15.6	45	13.2
POST-SECONDARY LEVEL (6)	42	15.2	2	6.5	5	15.6	49	14.4
SECONDARY LEVEL (5)	83	30.0	11	35.5	11	34.4	105	30.9
THREE-YEAR VOCATIONAL LEVEL (4)	50	18.1	5	16.2	0	0.0	55	16.2
TWO-YEAR VOCATIONAL LEVEL (3)	2	0.7	1	3.2	0	0.0	3	0.9
PRIMARY SCHOOL (1)	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL EMPLOYEES	277	100	31	100	32	100	340	100

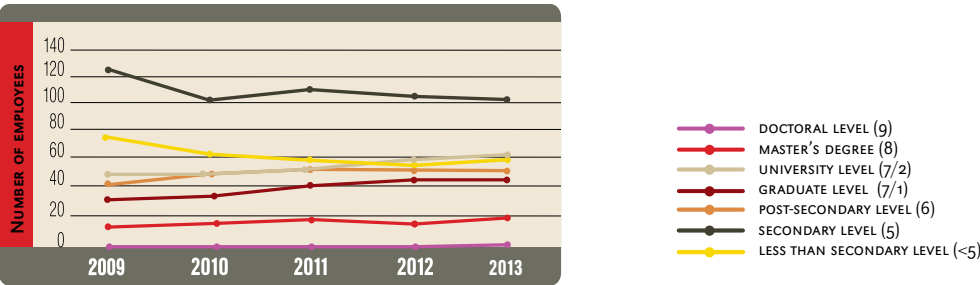


Figure 42: Changes in educational structure in Elektro Gorenjska Group in period from 2009 to 2013

Average level of education in Elektro Gorenjska Group as at December 31 2013 amounted to 6.03, with level 6 representing high-school education. Gorenjske elektrarne Company has all these years had somewhat lower level of average education, as smaller share of employees there holds a university level of education and higher share of employees has a secondary level of education. Average level of education in Elektro Gorenjska Prodaja is very high.

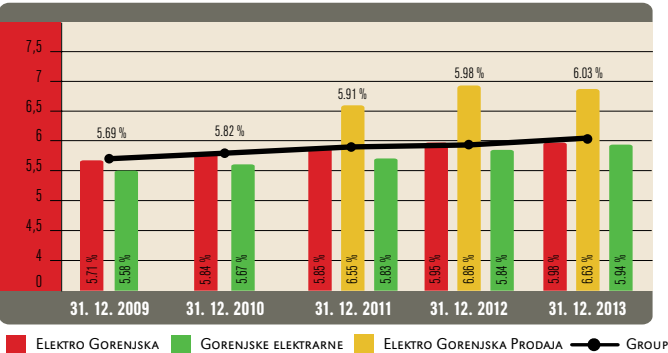


Figure 43: Average level of education in companies and Elektro Gorenjska Group in the period from 2009 to 2013

8.1.6 SCHOLARSHIPS

In year 2013 we gave scholarship to one student.

8.1.7 EMPLOYEE MOTIVATION AND REMUNERATION

Offering privileges is one of the segments in employee remuneration whose aim is to increase employee satisfaction and improve the quality of work. Employee remuneration is connected also with reassignments. In employees we are looking for creative potentials, that is why knowledge and skills of the employees are remunerated with progress of their professional career. This way we try to preserve high level of motivation and increase competitiveness of the internal labor market. Departures from the company are mainly substituted by internal reassignments, above all with more demanding, managing or professional posts. This way we preserve internal inclusion of the employees and assuming of larger responsibility. In accordance with the needs of the working process we increase occupancy of more demanding jobs. Changes are much more frequent in Elektro Gorenjska Company than in its subsidiaries due to diversity of activities and higher number of employees.

In year 2013 we did not search for candidates for the six managing positions outside the group, but we gave the opportunity to already employed workers. If only possible, we listen to the colleagues, who wish to change their field of work.

Individual worker's performance is established at the annual interview, where the Head and the employee go through the realization of tasks and goals and achievement of requested competences set at the previous annual interview.

From our employees we expect initiative in the field of giving proposals. Based on the systematic measures in this field, mainly in the adopted Rules on innovation, several innovation proposals have occurred.

We also implement mentorship for newly employed workers, who already have experience but do not know the company, its operation and details from their new job, or for workers that change their field of work entirely within the company. Beside these we also mentor the trainees.

8.1.8 ANNUAL INTERVIEWS

The most scheduled method of acquiring feedback is definitely annual interview. In Elektro Gorenjska Company and Elektro Gorenjska Prodaja we have carried out annual interviews for the eighth time in the past year, while in Gorenjske elektrarne employees took part in the interview for the fifth time.

Reasons for the implementation of annual interviews in Elektro Gorenjska Group are:

- employees can find out how they are doing, where they are, and where they are going,
- it gives employees a chance to express their opinion, ideas, and viewpoints,
- employees get a real opportunity for a detailed interview about their work, can talk about their future in the company, and say how they see their progress,
- employees get acquainted with their opportunities and possibilities in the company and at the same time motivated for better performance,
- Head can establish employees' attitude to work and needs for training, as well as become aware of the employees thinking about what they are doing well and what could be better,
- annual interviews enable that employees together with the Head discover eventual deficiencies in work processes, which can be improved in the next years by the company.

In Elektro Gorenjska Group annual interviews are being implemented also because they improve working relations and climate, quality of work and interest of the employees. They also enable us to discover potentials in people, discover key staff and talents.

For easier preparation and execution of the annual interview of the worker as well as manager all employees can access video trainings for the execution of the annual interview. Entire video training includes almost seven hours seminar with the possibility of examination. Advantage of the video training is that it is always available and divided in several few-minute rounded content parts, which can be viewed many times.

Heads can also use articles on various subjects (communication, delegation, team work, praising ...), which are published by the personnel service on the internal web page in section for the Heads.

8.1.9 ORGANIZATIONAL CULTURE

Strong organizational culture is a business advantage, which helps create and maintain competitive advantages too. Key to success in organizational culture is understanding that behavior and thinking of employees are equally important as formal mechanisms of organization management. With healthy organizational culture it is possible to manage organizational structures, systems, technologies, skills and quality of every day work much better. If these factors are in balance with the values of the companies it is possible to establish a good organizational culture, which enables high effectiveness and efficiency of the companies.

In year 2013 in Elektro Gorenjska and Gorenjske elektrarne we actively approached to setting ideal organizational culture (figure 44) that we want for our companies. With the help of quality tools the companies' management defined expected behaviors of employees, with emphasis on constructive behaviors styles marked with blue in the figure. This means that we expect inclusion, interaction and target orientation from our employees. Such behaviors will contribute to their self-realization, growth, and organizational efficiency. Passive defensive styles and aggressive defensive styles (green and red color) of behaviors should be represented as little as possible. Certain level of perfectionism, competition, expression of power, argumentative objections and avoidance is acceptable, but there should be as little as possible of such behaviors among employees.

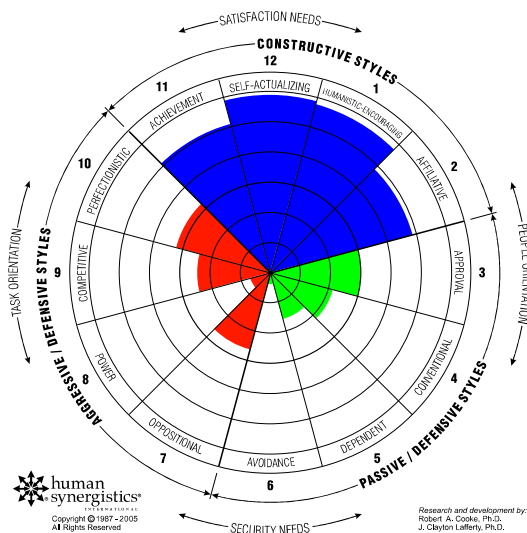


Figure 44: Ideal organizational culture

Besides setting the ideal organizational culture we distributed questionnaires among employees to establish the actual organizational culture of the companies as well. Analysis of the responses revealed a gap between the ideal and the actual culture. We established that increasing the constructive behavior and reducing passive defensive and aggressive defensive behaviors will be reached most effectively through quality management and highest involvement of employees in solving problems, work processes, making decisions and assuming responsibility.

8.1.10 EMPLOYEE SATISFACTION AND COMMITMENT

Group can only be successful with motivated and loyal employees who want to work hard and are proud of their successes. They are the employees who know that they are not working for the company, but are the company themselves. We ensure that staff are comfortable with each other and feel well in their working environment. These co-workers can actively deal with changes and give their best. Appropriate quality of work of each individual contributes significantly to the success of the company, but it also depends on the satisfaction and commitment of the employees. Feedback on comprehension of a working environment and relations in Elektro Gorenjska and Elektro Gorenjska Prodaja is received from employees also by anonymous survey on the satisfaction and commitment of employees, which are carried out every three years. In the future survey will be expanded to Gorenjske elektrarne as well.

Acquired data is analyzed, while with implementation of different measures we then try to remove the established negative influences. From the results of the survey so far it is evident that employees feel strong affiliation to the companies, have positive attitude to quality and process control, while companies ensure employees an above average working environment with efficient system of education.

Education of heads and continued emphasis and spread of the significance of communication definitely reflected in even higher scores in year 2012 in the field of management, communication and internal relations.

Figure 45: Average scores in the fields of the survey

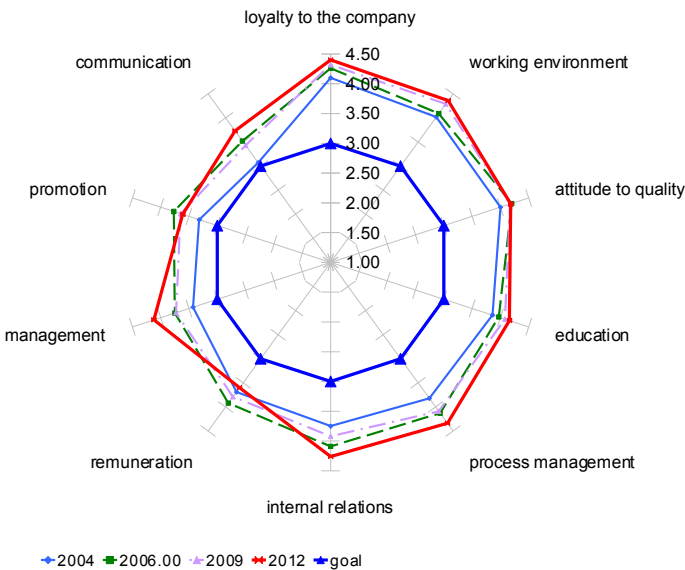
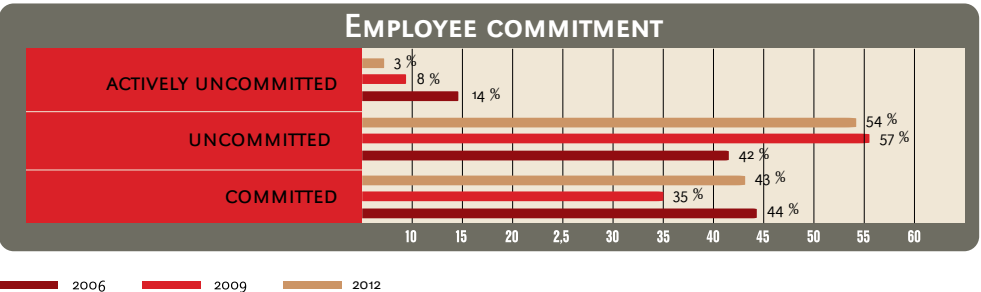


Figure 46: Commitment of employees in Elektro Gorenjska



With the purpose of informing the employees and rationalizing certain human resources procedures we created a web site of the personnel service. It enables workers a direct insight into labor legislation, current regulation and organization of the companies, human resources overviews and forms with short explanations and instruction for completion. Employees often have questions about claiming tax relief for surviving dependents, using the extraordinary holiday for education, applications for training and educations, student work and procedures at termination of employment.

As workers usually are able to find answers to their question directly on the new web page and fulfill personnel forms electronically, work of the personnel service is facilitated.

Web site has been well equipped with instructions for implementation of regular annual interviews and is being upgraded with useful advice in the field of management and communication.

We certainly contributed to the increase of the employee satisfaction by acquiring the basic certificate Family-friendly Company. Subsidiaries did not accede to obtain the certificate, but they both signed a mutual agreement and bound to implementation of all measures Elektro Gorenjska Company adopted.

8.1.11 EMPLOYEE ABSENCE

Absenteeism is the absence from the workplace due to utilization of sick leave. Such absences may represent a serious problem, as frequent absences from work are connected with high costs (payment of compensation for sick leave and additional payment to workers substituting the absent ones), lower working efficiency of employees, disturbed working process and increased burden on employees present at the workplace. Sick leaves are analyzed annually and compared to previous years. As working conditions are well regulated in the companies, there are not many absences due to injuries at work. More detailed analysis has shown that in year 2013 in Elektro Gorenjska there were somewhat more absences over 30 days due to prolonged illness of ten workers, with absences of up to 30 days there were somewhat more injuries outside work. In Gorenjske elektrarne the scope of absences was almost equal to the one in year 2012, but there were less employees in the last year there so absences per employee is somewhat higher. In the last year absences due to sickness almost halved in Elektro Gorenjska Prodaja. We will continue to strive for regulated working conditions, while employees will be stimulated to a healthy way of life also outside the working environment.

8.1.12 RELATIONS BETWEEN EMPLOYEES AND MANAGEMENT IN THE COMPANY

Management of Elektro Gorenjska and directors of two subsidiaries pay special attention to cooperation with the trade unions and work council. There are two unions operating within Elektro Gorenjska Group, namely the SDE and EDS. Each company has formed its works council, which provides for appropriate information and chance of submitting the opinions of all employees. Cooperation of both bodies takes place in the form of regular sessions between the company's management and representatives of union and works council. Sessions are convened at least once in three months, if necessary also more frequently. We have to stress that management meets with each body separately. There are always chairman of the board or the vice president and a member of the management present at the sessions. This way it is additionally taken care of the employee information about the operation of the companies, current activities, and plans for the future. The persons present at these sessions can express their initiatives, opinions, and highlight problems the employees face every day.

Companies have a signed Company agreement with the two unions and an agreement on the manner of cooperation of the workers in company management with the works council. Both documents precisely define the rights and obligations of the partners, which further contributes to good cooperation between the representatives of the union, works council, and management, which all together contributes to better social security of all employees.

Process of the changed way of operation of Elektro Gorenjska Group companies within the project of a spin-off of electricity purchase and sale market activity required even closer cooperation with the representatives of work council and unions. Both labor bodies have been actively included in the process, while cooperation of the employer with employees and social dialogue were taking place

according to the established principles of negotiation and consultation. Representatives of the employees were provided with regular and timely information in accordance with the existing legislation.

Representative of employees and trade union representatives actively participated in negotiating the employment rights, in organization and changes of acts and took care of the employees in accordance with their way of working. Beside the established regular legal rights, trade unions also took care of the social side of the employees lives.

8.1.13 CARE FOR EMPLOYEES AND RELATED GROUPS OUTSIDE WORKING HOURS

Elektro Gorenjska Company pays special attention to employees in Elektro Gorenjska Group and their children as well as retired colleagues also out of their working environment. In our companies we have been active in the following ways:

- we supported the pensioners' association of Elektro Gorenjska Company and other interest associations,
- at the end of the year we gave presents to 172 pre-school and school children of up to 10 years of age,
- we provided for recreation by leasing various sports facilities and organizing recreational activities for our employees,
- we enabled the employees to spend their holidays in holiday facilities of Elektro Gorenjska at the seaside, in the hills or spas. In year 2012 we aimed at increasing the number of employees that spend their holiday in our facilities and we reached this objective.

The group also has a Sports Club Elektro Gorenjska, which promotes recreational sports activities with the purchase of annual ski tickets and lease of halls and grounds. Cycling section of the sports club organizes two cycling tours a year, mountaineering section two mountaineering expeditions. We also devote a lot of attention to photography lovers, who upgrade their photography talent in the photographic section. We present our photographic art in the internal gazette and on exhibitions within the companies.

Managing and realizing the principles of social security of our employees is part of the group's business policy. One of the segments, which cares for the good social situation of employees, is also joint decision of the partners for an agreement on financing the voluntary pension insurance for employees in the energy sector including Elektro Gorenjska Group. All employees in the companies are insured against accidents.

Inclusion in the retirement plan (PN1 K) – voluntary supplementary pension insurance – increases social security of employees during the time of their retirement.

8.1.14 COMMUNICATION WITH EMPLOYEES

Open and fair communication including care for our employees, are our sustained activities aimed at increasing the commitment and motivation of employees. It is of essential significance to have efficient internal communication, so our employees in all companies of the group are acquainted with the novelties, internal acts, and other information on the company:

- directly on the meetings,
- short news and notices through email, on intranet or on notice boards,
- with posts on the intranet and website,
- with the publication of a quarterly – internal gazette ELGO and
- with the publication of electronic internal monthly.

Leading a successful internal communication with employees in the Elektro Gorenjska Group is demanding, as employees are situated on different locations, many of them have no access to electronic mail and computer due to the works they execute on the field. As a result we use different channels of communication with the employees:

Internal gazette Elgo, which Elektro Gorenjska Group employees, pensioners, and scholarship holders receive quarterly. Once a year it is forwarded also to our business partners. Gazette informs the employees and expert public about business and working events. Besides information this internal paper brings also documentary, education, culture, art, sport, and social contents.

E-monthly Elgo is sent to all employees of Elektro Gorenjska Group to their electronic inboxes every first Friday of the month. It presents all current contents that have marked the companies in the group the most on the monthly level, and it also serves as an additional support in informing about various events and activities foreseen for the next month. Employees have received the monthly very well.

Gazette of electricity generating industries Naš stik, which is published by Elektro Slovenia, offers the employees a wider perspective on comprehension of energy industry we operate in. Our Head of corporate communication is a member of the newspaper council and it is her task to make sure the group is well presented on its pages. Gazette presents also our achievements, good practice examples, awarded innovation proposals and other.

Traditional notice boards: Due to the diversity of the employees work the company uses traditional notice boards as a channel of communicating, which are intended for those employees who spent most of their time on site due to the nature of their work (field work).

8.1.15 CONNECTING THE EMPLOYEES AND WIDER COMMUNITY

We stay in touch with our employees even when they retire. We inform them about the novelties through our internal gazette Elgo, we also invite them to different events related with the activities of the companies. We promote and financially support activities of the Elektro Gorenjska Pensioners' Association, which has been operating since 2006. They organize various activities for their members. They organize informative and sports trips, they visit the ill and elder members and help their relatives in different ways.

8.1.16 HEALTH AND SAFETY AT WORK

Systems of safety and health at work are designed to identify and reduce risks in the workplace. Effectiveness of such systems can influence business success of the company as well, namely unfavorably if the system is cumbersome and favorably when the system is well designed and works efficiently. System as we have it in Elektro Gorenjska Group is effective. We can say that based on the number of injuries at work, which stopped at number 2 in year 2013. That is the least in the entire history of the company. Indicator of injuries frequency, which tells us what percentage of workers were injured, also reduced. According to the average in Electricity distribution, gravity of injuries, which tells us the number of lost days per injury, unfortunately increased due to fatal injury of a worker.

Charts below represent data showing number of injuries at work, frequency of injuries and gravity of injuries also in comparison to the Electricity distribution of Slovenia.

Figure 47: Number of accidents at work

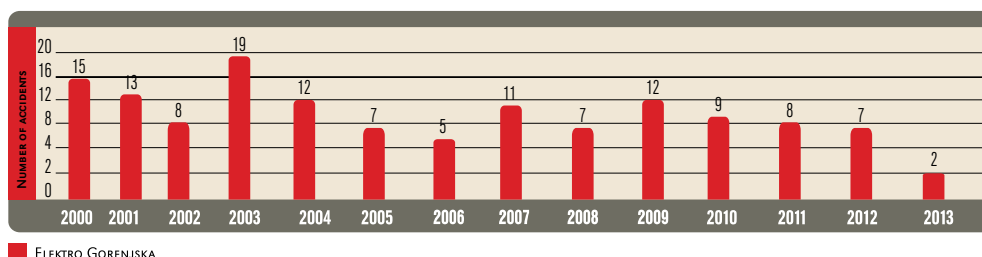


Figure 48: Gravity of injuries

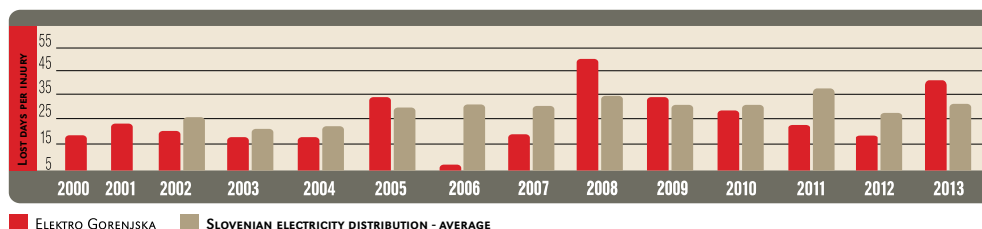
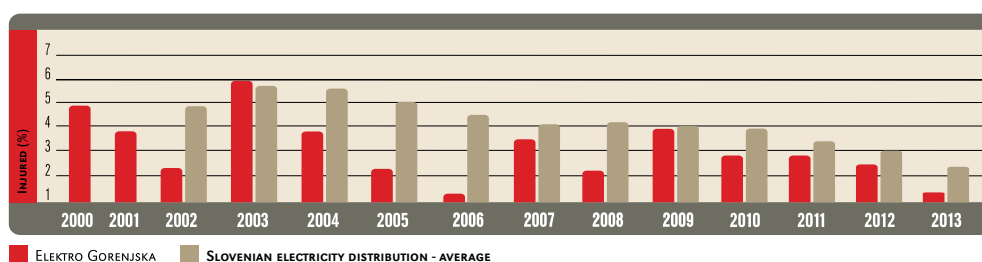


Figure 49: Frequency of injuries



Besides health and safety at work service good results in the field of safety and health at work in year 2013 were also deserved by the health and safety at work management system council, which watches over the fulfillment of conditions for safe and healthy work.

In year 2013 the health and safety at work management system council implemented the following activities:

- discussed the new legislation in the field of health and safety at work and integrated it in the working environment;
- with the help of development design services it resolved safe access to transformer station during construction;
- within OHSAS 18001 programs for elimination of irregularities and deficiencies it realized the measures envisaged;
- dealt with eight hazardous occurrences;
- implemented internal assessment in terms of health and safety at work (assessment was carried out in all rooms and on all locations of the company; eleven recommendations were given and three inconsistencies);
- based on the internal assessment recommendation all administrative officers were trained in first aid;
- new program for reducing risks at live work was made;
- one serious injury at work which happened to the worker installing the equipment in a transformer station was discussed (measures preventing such injuries at work in the future were adopted);
- all recommendations proposed by the assessors implementing the external assessment were realized;
- personal protection equipment for workers who change fuses was defined and purchased.

In year 2014 great attention will be paid to testing the safety training of workers, purchase of quality personal safety equipment, inspection of work equipment, purchase of personal safety equipment for work at height, purchase of office chairs, work equipment for marking the sites, and purchase of work equipment for field work.

8.2 CONCERN FOR THE ENVIRONMENT

Responsible environmental management is integrated into the strategic guidelines of Elektro Gorenjska Group. It is based on the adopted environmental policy and guidelines for sustainable development. Progress in this field is followed by measurable environmental indicators. Fundamental guidelines of the company in the field of environment protection are in line with the recommendations ISO and are expressed in measurable results. They are:

- setting of environmental friendly strategic and implementation objectives in balance with the specifics of our business and development,
- planned prevention and reduction of impacts of our activity on the environment and habitat,
- continuous improvements of environment protection,
- regular monitoring of resources use, above all consumption of energy and costs,
- transfer of the best proper and other good environmental practices on the companies within Elektro Gorenjska Group,
- following and meeting requirements of Slovenian and European law, and
- meeting normative and ethical environmental commitments exceeding the regulatory frameworks.

8.2.1 ENVIRONMENTAL POLICY

In companies of the Group we constantly strive for reduction of impacts of our activities on the environment. By educating and raising awareness we take care that environmental responsibility is respected by all employees as well as our suppliers. Our operations are regularly adapted to the requirements of the environmental legislation. Systematic approach to the environmental management is implemented in the company based on the principles of the international environmental management standard SIST EN ISO 14001:2004. Implementation of appropriate environmental policy is a responsibility of the Environmental management Council, which is managed by a custodian, while its members are representatives of individual organizational units and are responsible for managing individual environmental aspects and implementation of program aims.

Priority objectives of the Environmental Management Council include:

- prevention of environment pollution on locations of power facilities and works related (spills of dangerous oils);
- control of individual effects by measurements and with it taking into account noise, radiation and light pollution;
- rational use of energy, raw material and natural resources;
- separate waste collection and recycling in order to reduce the quantities of the remaining disposed waste and
- continuing education of employees.

With consistent implementation of tasks and programs in the long-term we will be able to prevent or minimize eventual threats to the environment we operate in, respond appropriately to the requests of the business partners, owners, and interested public, as well as additionally take care of the sustainable development of the company.

8.2.2 ACHIEVEMENTS IN THE FIELD OF ENVIRONMENT PROTECTION IN YEAR 2013

In terms of responsible environmental management year 2013 was successful. Environmental impacts arising from the Company's operations were properly controlled, we successfully certified regular external assessment of ISO 14001 standard. In accordance with the guidelines we achieved the following:

- We reduced and additionally improved environmental policy management. In January 2013 we implemented assessment of all 19 environmental aspects, where average assessment of environmental aspects compared to last year reduced from 11.4 to 9.8. In accordance with the plans we reviewed environmental programs objectives and upgraded them accordingly.
- In the first quarter of year 2013 study has been made: State of cleaning arrangements and disposal of fecal and storm water in facilities at Elektro Gorenjska. Based on the findings of the study we approached systematic installation of oil traps in necessary locations. Objective for final arrangement of waste water discharges system is year 2017.
- In October external assessment of ISO 14001 standard was implemented. We received seven recommendations, which we are considering entirely. In accordance with one of the recommendations in year 2014 we will put more attention to a more accurate reporting to external institutions (ARSO) and monitoring or measurements of combustion plants.
- In year 2013 we established a system of used energy monitoring, at the same time we will continue with a positive trend of reducing costs in the field of treatment of waste generated in offices.
- We approached the systematic management of wood waste generated in felling on power lines. In year 2013 we established cooperation with external business partners interested in removal or further processing to biomass. With environmental aspect The release of refrigerants from air-conditioning systems we established compliance with legal provisions of the group companies in this field.
- In program Light pollution based on the findings from made projects of light pollution in year 2012 we made a plan of restoration and elimination of deficiencies for years 2013 and 2014.
- Main challenge we set already in 2012, besides management of individual environmental impacts and successful re-certification remains unchanged and represents care for raising awareness of employees about the importance of proper environmental management. With their responsible behavior employees can have significant impact on the success of the implementation of environmental requirements.

8.2.3 GOALS IN ENVIRONMENT PROTECTION IN YEAR 2014

In the field of environment protection we will pay great attention to individual environmental aspects also in year 2014. Due to ice damage which affected Slovenian electricity power system in February 2014, majority of investment activities will be focused on the elimination of damage. Our key goals set for year 2014 within the framework of SRO are the following:

- In accordance with the prepared implementation plan for Light pollution program we will complete and appropriately regulate statutory ways of lighting in outdoor junctures of transformer substations and outdoor parking lots.
- We will provide for adequate rising of awareness of the employees on environmental problematic and continue with environmental campaigns within and out of the company. Adequate care for the environment is a long term process, which the employees in the company must be constantly aware of.

8.2.4 MANAGEMENT OF VARIOUS ENVIRONMENTAL ASPECTS IN YEAR 2013

To manage important environmental aspects appropriately we have established quality indicators which show how successful we are in managing the quality standard 14001. Following we present key indicators.

Waste management

In the Group we have an organized system of separated collection of all kinds of waste, which we use to provide for integrated control of useful and useless waste. Useful waste is forwarded to agents,

which use them for further processing. During this process we issue records, which serve as a transparent illustration of delivered waste. Similarly organized is also collection of paper and cardboard packaging as well as used toners and cartridges, which are sent for ecologic further processing. Costs of utilities are followed within the framework of quality indicator, and the trend of cost decrease is presented below. In year 2013 we additionally reduced the costs of utilities by 18 percent compared to year 2012.

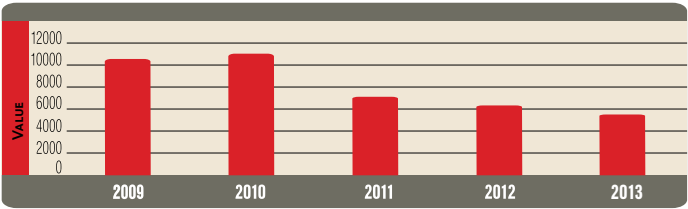


Figure 50: Costs of municipal - office waste removal

Waste toners and cartridges are collected and sent to an authorized company. In year 2013 we collected 138 kg of toners and cartridges.

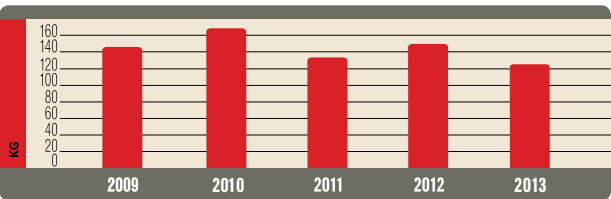


Figure 51: Toners and cartridges (in kg)

Spills of dangerous substances (oils, fuel, other liquids)

In the past years the company has adopted numerous measures in regards of correct storage and transport of dangerous substances; as a result no spills of dangerous substances were recorded in the company during transport.

Gorenjska region is exposed to different weather impacts. Despite the extremely robust network of Elektro Gorenjska, individual events cause faults and eventual environmental impacts on the distribution network.

In year 2013 due to a large amount of snow in Jezersko a guy mast transformer station was damaged. During the damage 15 liters of transformer oil was spilled directly to the surroundings. Because of the immediate and systematic approach of the local inspectorate no major pollution occurred.

In designing and installing new electricity power facilities the company considers the law, which defines harmful impacts on the environment, like noise, electromagnetic radiation (EMS) and light pollution.

Noise of energy devices

Noise caused by the transformers in transformer stations (MV/LV) does not exceed the limits defined by the existing rules. According to the law in transformer stations (HV/MV) noise monitoring is executed every five years, wherever it is necessary. Measurements will thus be executed in year 2014.

Electromagnetic radiation (EMR) of energy devices

According to the previous EMR measurements we have established that excessive levels do not occur outside of protected areas of energy devices, so no additional measures of protection against radiation are necessary. Despite that we execute periodical measurements of EMR in transformer stations (RTP) according to the law.

Light pollution

In accordance with the law in year 2012 the program was adopted with the help of which the company will systematically and in line with the law finally regulate the system of outdoor lighting for RTP junctures and commercial buildings yards.

Storage of dangerous substances

All recognized dangerous substances are stored in suitable boxes and buildings, which ensure high level of control and safety. Company has defined precisely determined procedures and manners of storage and transport of dangerous substances. Shares of returned waste oil are followed with a quality indicator, which recorded no hazardous events in year 2013.

Consumption of energy (electricity, natural gas)

In accordance with the recommendations of the external review we started to follow the consumption of electricity and consumption of natural gas for heating of business premises. Goal is to keep or reduce the amount of energy on the annual level. Due to a long winter consumption of both fuels was higher in year 2013.

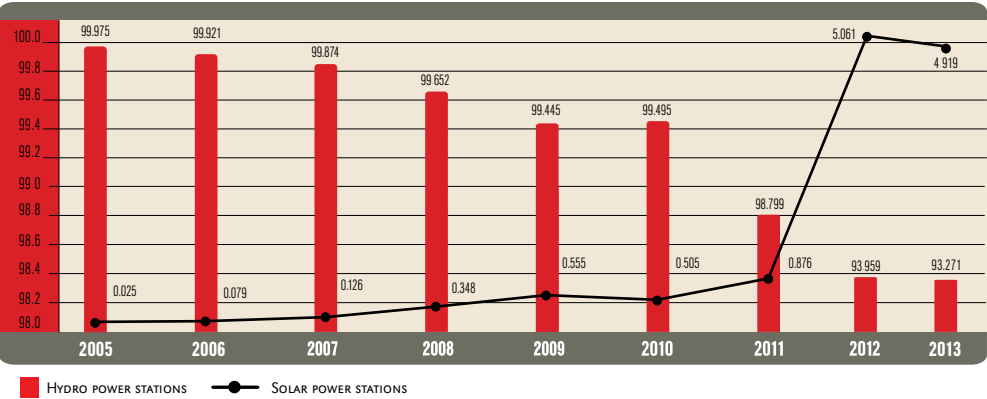
Table 22: Consumption of energy in year 2013 and 2012

ENERGY	2013	2012
CONSUMPTION OF ELECTRICITY IN kWh	580,427 kWh	574,875 kWh
CONSUMPTION OF NATURAL GAS IN M³	107, 575 M³	94,436 M³

Environmental savings from hydro power stations

In Gorenjske elektrarne generation of electricity in hydro power stations amounts to 93.32 % of the production, solar power stations make up to 4.86 % share and co-generations 1.81 % share.

Figure 52: Shares of electricity generation from renewable in Gorenjske elektrarne (%)



In year 2013 total production of ecologically clean electricity in 15 hydro power stations of Gorenjske elektrarne was **55,729,936 kWh**. Electricity produced in hydro power stations gives environmental savings, namely according to the methodology of the Energy Efficiency Center from Jožef Stefan Institute in CO₂ calculation (0.5 kg CO₂/kWh) for year 2013 there was a reduction of 27,864,968 tons of CO₂ emissions. In year 2012 the saving was **23,716,850 tons of CO₂ emissions** and in year 2011 the saving was 23,810,438 tons of CO₂ emissions.

Total CO₂ reduction from hydro power stations, solar power stations and co-generation of electricity and heat in Gorenjske elektrarne in year 2013 was by **29,875,187 tons of CO₂ emissions**. In year 2012 the reduction was by 25,241,608 tons of CO₂ emissions and in year 2011 24,096,559 tons of CO₂ emissions.

In year 2013 hydro power station thus represented **93.267 %** (in year 2012 93.959 %, in year 2011 98.813 %, in year 2010 99.497 %, in year 2009 99.445 %) of all environmental savings in the production of Gorenjske elektrarne Company.

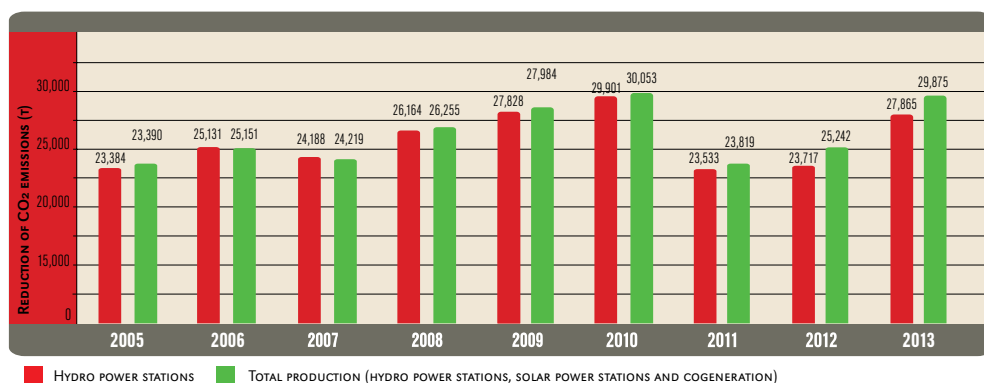


Figure 53: Environmental savings of reduction of CO₂ emissions due to production of electricity in hydro power stations and together in hydro and solar power stations and co-generation units

Environmental savings from solar power stations

In year 2013 total production of electricity from 13 solar power stations of Gorenjske elektrarne Company (Radovljica, Labore, FERl, Strahinj, Predvdor, Križe, Trata, Labore 2, Primskovo, Radovljica 2, Šenčur, Jela Janežiča Škofja Loka, Home for the elderly Naklo, Sports hall Trata, Merkur 2 Naklo and Merkur Primskovo) was **2,939,107 kWh**, which represents 4.919 % share in total electricity produced in Gorenjske elektrarne. For comparison: in year 2012 the share was 5.061 %, in year 2011 it was 0.867 %.

By the end of year 2013 total production of ecologically clean electricity in 16 own solar power stations and one rented solar power station achieved was **29,929,107 kWh**.

Electricity produced in solar power stations gives environmental savings, namely according to the methodology of the Energy Efficiency Center from Jožef Stefan Institute in CO₂ calculation (0.5 kg CO₂/kWh) for year 2013 by **1,469,554 tons of CO₂ emissions**. In year 2012 the environmental saving was reduced by 1,277,486 tons of CO₂ emissions, in year 2011 by 208,818 tons of CO₂ emissions.

Cumulative environmental saving of CO₂ emissions from solar power stations of Gorenjske elektrarne from year 2005 to the end of 2013 was **3,410,522 tons of CO₂ emissions**.

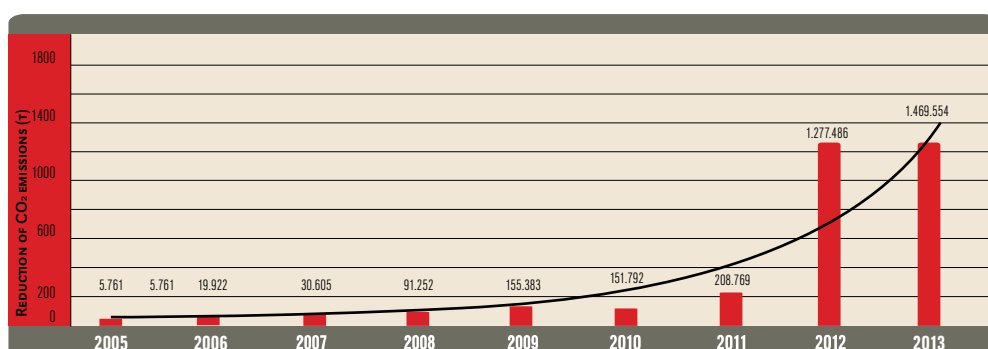


Figure 54: Environmental saving of CO₂ emission reduction due to production of electricity in solar power stations

Environmental savings from co-generation units

In year 2013 total production of electricity from cogeneration units using natural gas EG Primskovo, primary school Tržič, DSO Ajdovščina, Merkur Naklo, Merkur2 Kolodvorska (October 2013) of Gorenjske elektrarne Company was **1,088,467 kWh** (494.543 kWh in year 2012, 154.607 kWh in year 2011), which represents 1.814 % share (0.980 % in year 2012, 0.321 % share in year 2011) of all electricity produced in Gorenjske elektrarne.

8.2.5 ENVIRONMENTAL COMMUNICATION

Part of the environment protection is also environmental communication with employees, local and wider community. By raising awareness and education we grow high environmental awareness and responsibility of all employees.

- Contents on the correct and responsible environmental management are included in the program of the introductory seminar for new employees.
- Approaches and ways of protecting the environment are regularly mentioned in the internal newspaper and on the internal web pages.
- We publicize our activities for environment protection through publications on the web site, in media and at various consultations and roundtables.
- We cooperate with professional, scientific and educational organizations.
- When siting major electric power facilities in space (eg. power line between Bohinj and Železniki, Kamnik - Visoko) we prepare meetings with local residents where we acquaint them with activities, results and plans related to environment protection.

8.3 CARE FOR THE PUBLIC INTEREST – SOCIAL RESPONSIBILITY

Responsible attitude towards the wider social environment and local environments in which companies of Elektro Gorenjska Group operate has been a significant constant within the framework of our strategic orientation in sustainable development. In all our companies we are aware that efficient communication with public contributes significantly to strengthening the positive image of an individual company and its reputation in the eyes of individuals, including employees, journalists, clients and business partners. Because of this communication process is never left to chance.

Main principles considered in communicating are: fair and equal treatment of employees, ethical and fair operation, respect for fundamental human rights, responsible environmental management in the sense of care for future generations, care in relation to the local community and society at large. Special attention in communicating important business decisions, operating novelties and novelties in the field of services and products is paid to the following groups of stakeholders: employees, local community, business partners, media, shareholders and financial public and other influential public (state, regulators). Productive, efficient, clear and transparent communication with individual groups of stakeholders is responsibility of the management, sector directors, individual professionals and corporate communication service.

Quality, reliable and functioning distribution network is of extraordinary significance for every state. Industrial zones are growing, new shopping and industrial areas are being built on the outskirts of the cities, number of residential areas is growing. For reliable electricity supply quality distribution network, which electricity distributor can provide, is vital. In Gorenjska region Elektro Gorenjska represents the basis for further development. It is well aware of its position and role, that is why it provides for the systematic, clear and above all constant communication with various publics. Goals of the company include building positive dialogue and ensuring transparent informing of different stakeholders.

Communication with employees is reported in more detail in chapter 8.1 – Care for employees.

8.3.1 COMMUNICATION WITH LOCAL COMMUNITY AND SOCIAL RESPONSIBILITY

Companies in Elektro Gorenjska Group are interdependent from their local environment – they take from it and give back. Every intervention in the environment that electricity power infrastructure in Gorenjska region needs for its operation is conditional to successful, clear and above all transparent communication with local and interest groups, local political power and local media. Understandable communication with citizens and clear presentation of aims and consequences are the key highlights followed with every intervention in the environment. We report about our plans on the web site, we are regularly in contact with different publics and inform them about individual activities. We collaborate with municipalities in projects of building comprehensive infrastructures.

Sponsorships and donations

Elektro Gorenjska Group actively involves in execution of different activities in sports, education, and cultural field, which are mainly oriented to the Gorenjska region. Fields of support are wide, which is proved by the diversity of projects, which we assure financial assistance to the best of our abilities. We care for the development of young and perspective sports teams; we support culture and art of different generations; with donations we contribute to better educational conditions and to the transfer of knowledge into practice. We pay attention to humanitarian projects, help different associations. Projects that we support financially and professionally are selected on the basis of the internal rules, which define quality criteria and social relevance of the project. We consider short-term as well as long-term effects on local community, company, and nature and with it we realize our interaction with the environment.

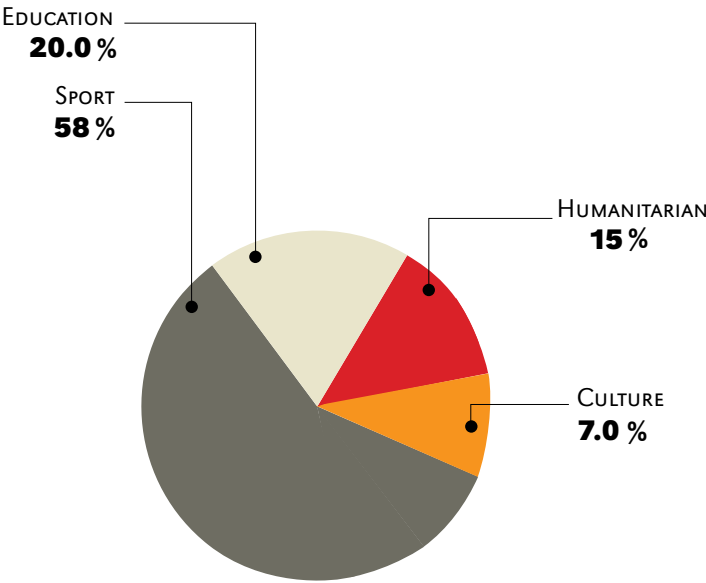


Figure 55: Sponsorships and donations of Elektro Gorenjska Group in year 2013

In year 2013 we reduced advertising costs, and as a result we allocated a larger amount of funds to supporting sponsorship and donation projects. We are certain these kind of inputs are of utmost importance for the recipients of funds and at the same time essentially more useful for the reputation and positive attitude of the company in the public. 47,248 EUR were allocated to different sponsorship projects, while 47,680 EUR of funds were allocated for development of association and organizations in the form of donations.

At the end of the year we continue with our tradition and donate funds allocated for purchase of business gifts to the local community. In year 2013 we again invited our business partners and together we collected funds for Ne-odvisen.si program and its operation in year 2014 as well. In addition we supported young lives by donating to the Jesenice General hospital to finish building the maternity block for Gorenjska region.

8.3.2 COMMUNICATION WITH BUSINESS PARTNERS

In accordance with good business customs the group provides for the permanent communication with its business partners. Besides the personal approach we provide for communication with our business partners also by means of the internal gazette Elgo. In year 2013 Elektro Gorenjska celebrated its 50th anniversary, and consequently we added a special annex - 50 year with you, to individual edition of the internal newsletter, which is sent to our largest business partners. Two annexes were published in 2013, while in year 2014 another two will be issued. They systematically show field of company's operations, changes, and above all people, who have and will create the history of the company.

8.3.3 COMMUNICATION WITH MEDIA

In the group we provide for regular and pro-active communication with the media and we use a wide range of tools for it. Besides regular press conferences, where we present business reports, we also prepare different meetings with the journalists on other important occasions. We communicate with the media also through web media. On our web site <http://www.elektro-gorenjska.si> we regularly submit information on our subpage "For media". We answer media questions actively and on time. On the basis of an annual media analysis we set up annual communication goals, which are reflected also in the number of media publications and share of negative publications.

In year 2013 there were 344 publications about Elektro Gorenjska Group recorded in the media. Their number decreased a little compared to year 2012. Of the three companies parent company Elektro Gorenjska appears in media most frequently, although in most cases it is mentioned in the secondary light, mainly in corporate related publications. Media classified Elektro Gorenjska among the largest and most successful Slovenian companies, but many times Elektro Gorenjska was mentioned in relation to the Slovenian Sovereign Holding and bad bank. Extremely positive publications on the company referred mainly to social responsibility. Media publications were for the most part neutral, as the topics reported were of a very neutral character too.

In year 2013 Elektro Gorenjska Prodaja Company communicated with the media mainly on the following topics:

- competitive supply package Lock the prices! and additional reduction of electricity prices,
- supplemented offer of services, which builds on the loyalty of final customers,
- novelties in the field of energy efficiency for business partners.

8.3.4 COMMUNICATION WITH CUSTOMERS

In accordance with our vision and mission we provide for quality and competitive offer and friendly service of environment friendly electricity distributor. We communicate with our customers through different communication channels, key ones being the following:

- traditional mail,
- electronic mail (info@elektro-gorenjska.si), where we collect offers of different companies as well as user letters (applications, claims, complaints, etc.);
- call center for elimination of failures on network (phone 04 2083 333), which operates continuously 24 hours a day, every day of the year. On the phone number we accept user notifications on power outages, and we forward information on interruptions of electricity supply and estimated time of fault rectification;
- company's website www.elektro-gorenjska.si, where users besides other information can follow schedules of planned disconnections of electricity on the Elektro Gorenjska distribution network;
- application Moj EG account, available on the web site www.elektro-gorenjska.si, with the help of which business users can govern activities in the field of network activity; eg. they can obtain data on past consumption, submit consumption status and other;

8.3.5 COMMUNICATION WITH FINAL CUSTOMERS

In accordance with its vision and mission Elektro Gorenjska Prodaja Company provides for quality and competitive offer and friendly service of environment friendly electricity distributor. We communicate with our customers through different communication channels:

- In person at the head offices of the company where we advise them kindly and help them with taking care of their business.
- Through free phone number of the call center 080 22 04.
- By means of the following web sites www.eg-prodaja.si, www.porabimkarrabim.si and www.reenergija.si and electronic mail addresses info@eg-prodaja.si, za.gospodinjstva@eg-prodaja.si, za.podjetja@eg-prodaja.si, za.racunovodstvo@eg-prodaja.si, reenergija@eg-prodaja.si and modra.energija@eg-prodaja.si and razpis.ure@eg-prodaja.si. Visitors can ask questions or give opinions and receive wanted answers.
- By means of annexes to the monthly bills, where we inform them and give different kinds of information.
- In year 2013 online center Moj EGP was launched, where we joined all electronic services. Customers can use the web application to report monthly meter statuses, monitor their consumption, bills and payments received as well as other information on their measuring point.

We follow and regularly reply to commendations, complaints and suggestions of the buyers, which we receive personally, by mail, electronic mail or over the phone. We try to preserve the satisfaction of customers and their loyalty.

In year 2013 we transformed the sales process in the company. We carried out several workshops to gain new knowledge and skills in the field of sales to be able to successfully resist the pressures of the competition. Employees have thus been trained for selling with the emphasis on personal sale and field sale.

8.3.6 COMMUNICATION WITH SHAREHOLDERS AND FINANCIAL PUBLIC

We strive for a regular, open and exact communication with the existing and potential shareholders and other financial public. We consider the recommendations of the owner, so all company's data, concluded deals, sponsorship and donation projects are reported on the web site www.elektrogorenjska.si/za_delnicarje. Annual report is one of the most important sources of communication with shareholders and financial public, where transparency, timeliness, and accuracy of information on operation and business plans in accordance with the provisions of valid regulations are the main mission.

8.3.7 COMMUNICATION WITH INFLUENTIAL PUBLIC

Contents related to regulation and legislation, as well as arrangements between different institutions, are regularly and openly communicated with key influential public. They include government institutions of the republic of Slovenia as the majority owner, line ministries and other important institutions like Energy Agency of Republic of Slovenia, Capital Assets Management Agency later Slovenska odškodninska družba, and other.

8.3.8 COMMUNICATION WITH OTHER INTERESTED PUBLIC

Purpose of communicating with business and household customers is to increase their information and awareness, while by forming buyer relevant messages we gain and maintain their trust. Key messages are:

- teaching customers to use electricity more efficiently,
- stimulating customers to use renewable energy sources through different communication channels (web presentation, backsides of the bills, different brochures).

In year 2013 we formed an offer of services where customers save in purchase of selected energy saving household appliances and win an electricity coupon at the same time. We prepared various benefits for our customers in the form of financial incentives in the field of using renewable energy sources. Within the program for improving energy efficiency for final customers we prepared two tenders in the company. Within both public tenders we granted non-refundable funds in the amount of 353,400 EUR to 21 projects with the emphasis on: installation of solar collectors, heat pumps and other devices for heat generation, installation of energy efficient lighting systems, replacement of boilers using all types of fuel with new biomass and natural gas boilers. Mentioned funds were also allocated for programs of implementing energy checks and informing ad raising awareness.



In year 1985 in Škofja Loka a demanding frame for a new 20 kV cable conduit for Termika factory was executed under the international railway Jesenice - Ljubljana.

Photo: dr. Drago Papler

In bombing of the Krvažec broadcasting transmitter during the independence war in Slovenia in 1991 transformer station was damaged and power line disrupted at the turning for Ljubljana airport. Photo shows the reconstruction of the event by cutting the wire on a branch A-pole.

Photo: dr. Drago Papler

9. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date (31. 12. 2013) and until the date of approval of these financial statements (11. 4. 2014) two events occurred, which had a significant influence on the financial statements for 2013 business year and have already been considered in the presented financial statements.

Preliminary settlement of SODO for the 2013 regulatory year

In March 2014 Elektro Gorenjska Company received from SODO Company the preliminary calculation of the regulatory year 2013. SODO implemented the preliminary settlement for year 2013 based on the unaudited financial statements. It is evident from the document that in year 2013 the already charged contractual value of services, rent and losses was by 875,681 EUR higher than the value arising from the preliminary settlement. Based on that in year 2013 the Elektro Gorenjska Company deferred in the short-term revenues in respect of rent and services under the contract with SODO in the amount of 875,681 EUR.

Final settlement of SODO for the 2012 regulatory year

In January 2014 Elektro Gorenjska Company received from SODO Company the final calculation of the regulatory year 2012. In accordance with the fifth paragraph of Article 60 of the Contract on electricity infrastructure lease and provision of services for electricity distribution system operator SODO implemented the final settlement of the 2012 regulatory year, which was assessed by AGEN-RS in accordance with the provisions of the Act determining the methodology for charging for the network charge and the criteria for establishing eligible costs for electricity networks and the methodology for setting the network charge. Final settlement has shown that the already charged value of services, rent and losses for year 2012 was by 24,449 EUR higher than the values arising from the final settlement. In year 2013 company deferred in the short-term revenues in the amount of 24,449 EUR.

In addition, the following events occurred after the balance sheet date, which had no impact on the financial statements for year 2013:

Lower prices of electricity for household customers

Due to favorable conditions on the purchase markets Elektro Gorenjska Prodaja Company maintained the 2 percent discount from December 2013. Prices of electricity were additionally reduced with March 1 2014.

Energy Act, brought into effect on March 22 2014


New Energy Act introduced some significant changes in connection to the supply of electricity to final customers. For Elektro Gorenjska Prodaja the most interesting is the second part of the act, titled Electricity. Here are only the most important changes in brief.

New term "small business customer" was introduced. Small business customer is a customer at low voltage, which is not a household customer and has power input lower than 41 kW.

New EZ places special emphasis on the competitiveness on the electricity market and protection of household and small business customers and other system users. Article 45 partially equates rights about supply contract and general terms of contract for household and small business customers. In particular, Article 48 of the Act specifies elements of the contractual relationship between supplier and household customer with the purpose of protecting household or small business customers.

Ice damage

Ice damage in the beginning of February 2014 caused major damage to the network of Elektro Gorenjska. Elimination of the ice damage effects will influence company's operation in year 2014. We estimate that the cost of eliminating the damage will amount to about 1.2 MM EUR.



In the photo there is a guy transformer station Javornik 20/0.4 kV, which supplies energy to the inhabitants of the Sv. Jošt area.

Year 2003, photo: dr. Drago Papler

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In the photo head of the local inspectorate Radovljica is implementing switching operations in 20 kV juncture of RTP Radovljica 110/20 kV.

*Year 1991,
photo: dr. Drago Papler*



10. MANAGEMENT RESPONSIBILITY STATEMENT

Management board of Elektro Gorenjska hereby approves the financial statements published and presented in this annual report and all other component parts of the consolidated annual report. Consolidated annual report provides a true and fair picture of the financial condition of the group.

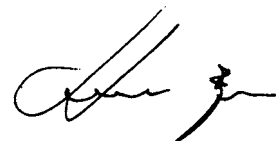
Management board of Elektro Gorenjska Company certifies that relevant accounting principles were applied in drafting the consolidated financial statements and that accounting estimates were prepared according to the principles of prudence and due diligence.

Management board of Elektro Gorenjska Company approved the financial statements of the group prepared for the financial year 2013 on April 11 2014.


Management board of Elektro Gorenjska is responsible for appropriate accounting in the group, for establishment and maintenance of the appropriate internal control system related to the preparation and fair representation of consolidated financial statements, which do not contain significantly wrong statements due to fraud or error, for adoption of appropriate measures to protect the property and other assets, and hereby certifies that financial statements were prepared on a going concern basis and in line with the relevant legislation and Slovene Accounting Standards, which were adopted by the Slovenian Institute of Auditors.

I, the Chairman of the Board in Elektro Gorenjska Company, am acquainted with the contents of the component parts of consolidated annual report and with it also with the entire consolidated annual report of Elektro Gorenjska Group. I hereby certify I agree with it with my signature.

Kranj, April 11 2014

A handwritten signature in black ink, consisting of a stylized 'B' followed by a series of loops and a final flourish.

Chairman of the Board
Bojan Luskovec, M.Sc.

A man wearing a blue work uniform and a yellow hard hat with a green logo is operating a control panel. The panel is covered with numerous circular gauges and meters. He is holding a large metal handle with his left hand and a smaller control knob with his right hand. The background is a dark, industrial setting.

*Switch station worker implementing
maintenance work in hydro power
station Sava in Kranj.*

Year 2012, photo: dr. Drago Papler

B

FINANCIAL REPORT

*Remotely operated track
isolating switch.*

Year 2001, photo: dr. Drago Papler

11. AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT to the owners of ELEKTRO GORENJSKA d. d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Elektro Gorenjska Group, which comprise the balance sheet as at 31 December 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Slovenian Accounting Standards. The management is also responsible for the level of internal control required in its opinion to prepare financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Elektro Gorenjska Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Aleš Grm
Certified Auditor

Yuri Sidorovich
President of the Board

*For signature please refer to the
original Slovenian version.*

Deloitte.

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

Ljubljana, 25 April 2014

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS



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*Pole damaged by lightning strike
on the Kranj - Brezje power line.*

Year 1992, photo: dr. Drago Papler

12. FINANCIAL STATEMENTS OF ELEKTRO GORENJSKA GROUP FOR BUSINESS YEAR ENDED AS AT 31. 12. 2013

12.1 BALANCE SHEET OF ELEKTRO GORENJSKA GROUP

AS AT 31. 12. 2013

in EUR

ITEM	NOTE	31. 12. 2013	31. 12. 2012
ASSETS			
A. LONG-TERM ASSETS		184,260,223	184,971,484
I. INTANGIBLE ASSETS AND LT ACCRUALS AND PRE-PAID EXPENDITURE	15.1	745,215	839,826
1. Long-term property rights		678,011	716,413
6. Other LT accruals and pre-paid expenditure		67,204	123,413
II. TANGIBLE FIXED ASSETS	15.2	180,156,911	179,662,568
1. Land and buildings		117,879,832	116,849,265
a.) Land		7,703,792	7,731,326
b.) Buildings		110,176,040	109,117,939
2. Production plant and equipment		55,886,387	57,185,677
3. Other plant and equipment		558,510	156,919
4. Tangible fixed assets in acquisition		5,832,182	5,470,707
a.) Tangible fixed assets in construction or production		5,802,707	5,433,238
b.) Advances for acquisition of tangible fixed assets		29,475	37,469
III. INVESTMENT PROPERTY	15.3	2,003,475	2,041,383
IV. LONG-TERM FINANCIAL INVESTMENTS	15.4	1,354,622	2,427,707
1. Long-term financial investments, excluding loans		1,011,823	2,284,909
b.) Shares and stakes in associates		427,134	300,637
c.) Other shares and stakes		584,689	1,984,272
2. Long-term loans		342,799	142,798
c.) Other long-term invested assets		342,799	142,798
B. SHORT-TERM ASSETS		34,303,625	19,127,508
I. ASSETS FOR SALE	15.5	100,103	14,274
II. STOCKS	15.6	218,182	162,392
1. Material		216,790	162,392
3. Products and merchandise		1,392	0
III. SHORT-TERM FINANCIAL INVESTMENTS	15.7	200,000	0
2. Short-term loans		200,000	0
b.) Short-term loans to others		200,000	0
IV. SHORT-TERM OPERATING CLAIMS	15.8	28,203,229	17,528,554
2. Short-term operating accounts receivable		26,874,583	16,208,308
3. Short-term operating claims on others		1,328,646	1,320,246
V. MONETARY ASSETS	15.9	5,582,111	1,422,288
C. SHORT-TERM ACCRUALS AND PRE-PAID EXPENDITURE	15.10	874,585	790,168
TOTAL ASSETS		219,438,433	204,889,160

Continued from previous page

in EUR

ITEM	NOTE	31. 12. 2013	31. 12. 2012
LIABILITIES			
A. CAPITAL	15.11	135,989,844	133,442,393
I. CALLED-UP CAPITAL		71,898,061	72,019,069
1. Share capital		72,019,069	72,019,069
2. Uncalled capital		121,008	0
II. CAPITAL RESERVES		45,944,898	45,944,898
1. Capital reserves on the basis of general equity revaluation adjustment		45,944,898	45,944,898
III. PROFIT RESERVES		18,240,414	16,415,739
1. Statutory reserves		1,388,027	1,191,938
5. Other profit reserves		16,852,387	15,223,801
IV. REVALUATION SURPLUS		-620,326	1,316
V. NET PROFIT OR LOSS BROUGHT FORWARD		526,797	-938,629
1. Retained net profit from previous years		526,797	-938,629
B. PROVISIONS AND LT ACCRUED COSTS AND DEFERRED REVENUES	15.12	13,581,206	13,568,576
1. Provisions for pensions and similar liabilities		2,787,833	2,848,777
2. Other provisions		4,565,078	4,367,109
3. Long-term accrued costs and deferred revenues		6,228,295	6,352,690
C. LONG-TERM LIABILITIES		35,144,993	35,658,633
I. LONG-TERM FINANCIAL LIABILITIES	15.13	35,130,691	35,452,969
2. Long-term financial liabilities to banks and companies		34,477,928	34,332,256
4. Other long-term financial liabilities		652,763	1,120,713
II. LONG-TERM OPERATING LIABILITIES		7,659	7,659
4. Long-term operating liabilities based on advances		7,659	7,659
III. DEFERRED TAX LIABILITIES		6,643	198,005
Č. SHORT-TERM LIABILITIES		32,446,495	21,704,698
II. SHORT-TERM FINANCIAL LIABILITIES	15.14	9,246,077	6,334,821
2. Short-term financial liabilities to banks and companies		9,054,329	6,145,335
4. Other short-term financial liabilities		191,748	189,486
III. SHORT-TERM OPERATING LIABILITIES	15.15	23,200,418	15,369,877
2. Short-term operating liabilities to suppliers		16,614,702	9,575,630
4. Short-term operating liabilities based on advances		506,242	400,989
5. Other short-term operating liabilities		6,079,474	5,393,258
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	15.16	2,275,895	514,860
TOTAL LIABILITIES		219,438,433	204,889,160

Explanatory notes on pages 163. to 192. are part of the financial statements and should be read in conjunction with them.

12.2 PROFIT OR LOSS ACCOUNT OF ELEKTRO GORENJSKA GROUP

FOR BUSINESS YEAR ENDED AS AT 31. 12. 2013

in EUR

ITEM	NOTE	2013	2012
1. NET SALES REVENUE	16.1	92,615,005	86,757,335
a. on domestic market		92,313,955	81,828,936
b. on foreign markets		301,050	4,928,399
3. CAPITALIZED OWN PRODUCTS AND SERVICES	16.2	3,792,950	2,791,122
4. OTHER OPERATING REVENUES (INCL. OPERATING REVENUES FROM REVALUATION)	16.3	876,575	961,559
5. COSTS OF GOODS, MATERIAL, AND SERVICES		66,834,699	64,816,890
a. Costs of goods sold and material used	16.7	61,030,225	57,814,917
b. Costs of services	16.8	5,804,474	7,001,973
6. LABOR COSTS	16.9	12,774,538	11,838,922
a. Costs of salaries		8,415,066	8,307,020
b. Costs of voluntary pension insurance of employees		1,972,299	1,816,073
b.1 of which pension insurance costs		1,267,753	1,176,617
c. Other labor costs		2,387,173	1,715,829
7. AMORTIZATION/DEPRECIATION EXPENSE	16.10	10,693,930	11,618,634
a. Depreciation		10,207,136	10,719,124
b. Operating expenses from revaluation in intang. and tang. fixed assets and inv. property		294,079	894,240
c. Operating expenses from revaluation in current assets		192,715	5,270
8. OTHER OPERATING EXPENSES	16.11	726,697	692,491
9. FINANCIAL REVENUES FROM SHARES	16.4	175,180	82,073
b. Financial revenues from shares in associates		169,852	59,740
č. Financial revenues from other investments		5,328	22,333
10. FINANCIAL REVENUES FROM GIVEN LOANS	16.5	53,545	48,382
b. Financial revenues from loans given to others		53,545	48,382
11. FINANCIAL REVENUES FROM OPERATING CLAIMS	16.6	159,127	129,040
b. Financial revenues from operating claims on others		159,127	129,040
12. FINANCIAL EXPENSES FROM IMPAIRMENTS AND FINANCIAL INVESTMENT WRITE-OFFS	16.12	118,629	104,701
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	16.13	1,420,044	1,239,447
b. Financial expenses from loans, received from banks		1,420,044	1,239,447
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES		8,124	11,957
b. Financial expenses from liab. to suppliers and bill of exchange l.		6,380	2,058
c. Financial expenses from other operating liabilities		1,744	9,899
15. OTHER REVENUES		155	875
16. OTHER EXPENSES	16.14	47,988	18,957
17. NET PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD		5,047,888	428,387
18. INCOME TAX	16.16	373,622	194,141
19. DEFERRED TAXES	16.17	0	0
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		4,674,266	234,246

Explanatory notes on pages 163. to 192. are part of the financial statements and should be read in conjunction with them.

12.3 STATEMENT OF OTHER COMPREHENSIVE INCOME OF ELEKTRO GORENJSKA GROUP FOR BUSINESS YEAR ENDED AS AT 31. 12. 2013

in EUR

NAME	2013	2012
Net profit or loss of the accounting period	4,674,266	234,246
Changes in the surplus from the revaluation of financial assets available for sale	-1,089,592	-301,879
Other components of comprehensive income	467,950	-762,791
TOTAL COMPREHENSIVE INCOME	4,052,624	-830,424

Explanatory notes on pages 163. to 192. are part of the financial statements and should be read in conjunction with them.

12.4 CASH FLOW STATEMENT OF ELEKTRO GORENJSKA GROUP FOR BUSINESS YEAR ENDED AS AT 31. 12. 2013

in EUR

ITEM	2013	2012
A. OPERATING CASH-FLOW		
A. OPERATING RECEIPTS	131,326,514	134,651,735
1. Receipts from sales of products and services	128,820,557	131,734,253
2. Other operating receipts	2,505,958	2,917,482
B. OPERATING EXPENDITURE	-119,929,010	-125,800,270
1. Expenditure for purchase of material and services	-98,261,416	-106,464,129
2. Expenditure for salaries and employees profit shares	-10,764,135	-10,682,280
3. Expenditure for duties of all kinds	-8,562,858	-6,364,345
4. Other operating expenditure	-2,340,600	-2,289,515
C. EXCESS OF OPERATING RECEIPTS OR EXPENDITURE	11,397,504	8,851,465
B. CASH FLOWS IN INVESTING ACTIVITIES		
A. RECEIPTS IN INVESTING ACTIVITIES	588,876	691,994
1. Receipts from received interest and profit shares of others	147,316	101,100
2. Receipts from disposal of intangible assets		
3. Receipts from disposal of tangible fixed assets	19,060	34,929
4. Receipts from disposal of investment property	22,500	527,849
5. Receipts from disposal of long-term financial investments		28,116
6. Receipts from disposal of short-term financial investments	400,000	
B. EXPENDITURE IN INVESTING ACTIVITIES	-8,053,743	-12,768,846
1. Expenses for acquisition of intangible assets	-228,472	-552,573
2. Expenses for acquisition of tangible fixed assets	-7,016,595	-12,096,273
3. Expenses for acquisition of investment property	-8,676	
4. Expenses for acquisition of long-term financial investments	-200,000	-120,000
5. Expenses for acquisition of short-term financial investments	-600,000	
C. EXCESS OF RECEIPTS OR EXPENDITURE IN INVESTING ACTIVITIES	-7,464,867	-12,076,852
C. CASH FLOWS IN FINANCING ACTIVITIES		
A. RECEIPTS IN FINANCING ACTIVITIES	13,654,000	20,734,600
1. Receipts from paid-up capital		
2. Receipts from increase in long-term financial liabilities	7,200,000	10,397,200
3. Receipts from increase in short-term financial liabilities	6,454,000	10,337,400
B. EXPENDITURE IN FINANCING ACTIVITIES	-13,426,814	-19,279,713
1. Expenditure for given interest referring to financing activ.	-1,417,238	-1,267,505
2. Expenditure for capital repayment		
3. Expenditure for repayment of long-term financial liabilities	-6,145,335	-6,307,926
4. Expenditure for repayment of short-term financial liabilities	-4,454,000	-10,338,000
5. Expenditure for dividend and other profit share payment	-1,410,241	-1,366,282
C. EXCESS OF RECEIPTS OR EXPENDITURE IN FINANCING ACTIV.	227,186	1,454,887
Č. CLOSING CASH BALANCE	5,582,111	1,422,287
X. CASH FLOW FOR THE PERIOD	4,159,823	-1,770,501
Y. OPENING CASH BALANCE	1,422,288	3,192,788

Explanatory notes on pages 163. to 192. are part of the financial statements and should be read in conjunction with them.

12.5 STATEMENT OF CHANGES IN EQUITY OF ELEKTRO GORENJSKA GROUP

FOR THE BUSINESS YEAR ENDED AS AT 31. 12. 2013

a.) From January 1 2013 to December 31 2013


EVENTS IN INDIVIDUAL CAPITAL ITEMS													in EUR
	CALLED-UP CAPITAL			CAPITAL RESERVES		PROFIT RESERVES			REVALUATION SURPLUS	NET PROFIT OR LOSS BROUGHT FORWARD	NET PROFIT OR LOSS OF THE BUSINESS YEAR	TOTAL CAPITAL	
	I			II		III							
	SHARE CAPITAL	UNCALLED CAPITAL	PREMIUM ACCOUNT	GENERAL CAPITAL VALUATION ADJUSTMENT	STATUTORY RESERVES	OTHER PROFIT RESERVES	REVALUATION SURPLUS						
								II/1					II/2
	I/1	I/2					IV	IV	V/2	VI/1			
A. 1 BALANCE AS OF DECEMBER 31 2012	72,019,069	0	1	45,944,897	1,191,938	15,223,801	1,316	0	0	-938,629	133,442,393		
A. 2 BALANCE AS OF JANUARY 1 2013	72,019,069	0	1	45,944,897	1,191,938	15,223,801	1,316	0	0	-938,629	133,442,393		
B. 1 CHANGES IN EQUITY CAPITAL - TRANSACTIONS WITH OWNERS	0	-121,008	0	0	0	0	0	0	0	-1,384,166	-1,505,174		
g. DIVIDEND PAYMENT										-1,384,166	-1,384,166		
i. OTHER CHANGES IN EQUITY CAPITAL										-121,008	-121,008		
B. 2 TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0		0	0	0	0	-621,642	0	0	4,674,266	4,052,624		
a. ENTRY OF NET PROFIT OR LOSS FOR THE REPORTING PERIOD										4,674,266	4,674,266		
c. CHANGES IN SURPLUS FROM FINANCIAL INVESTMENTS REVALUATION								-1,089,592			-1,089,592		
d. OTHER ITEMS IN COMPREHENSIVE INCOME OF REPORTING PERIOD.								467,950			467,950		
B. 3 CHANGES WITHIN CAPITAL	0		0	0	196,089	1,628,566	0	0	0	-1,824,675	0		
a. ALLOCATION OF REMAINING PART OF NET PROFIT OF THE COMPARATIVE REPORTING PERIOD TO OTHER CAPITAL ITEMS						104,189				-104,189	0		
b. ALLOCATION OF PART OF NET PROFIT OF REPORTING PERIOD TO OTHER ITEMS OF CAPITAL FOLLOWING THE DECISION OF THE MANAGEMENT AND CONTROL					196,089	1,466,431				-1,662,520	0		
c. ALLOCATION OF PART OF NET PROFIT FOR ADDITIONAL PROVISIONING UNDER THE DECISION OF THE ANNUAL GENERAL MEETING									2,484,950	-2,484,950	0		
f. OTHER CHANGES WITHIN CAPITAL						57,966			-2,484,950	2,426,984			
C. BALANCE AS OF DECEMBER 31 2013	72,019,069	-121,008	1	45,944,897	1,388,027	18,852,387	-620,326	0	0	526,797	135,989,844		
DISTRIBUTABLE PROFIT 2013									0	526,797	526,797		

b.) From January 1 2012 to December 31 2012:

in EUR

EVENTS IN INDIVIDUAL CAPITAL ITEMS	CALLED-UP CAPITAL		CAPITAL RESERVES		PROFIT RESERVES			REVALUATION SURPLUS	NET PROFIT OR LOSS BROUGHT FORWARD	NET PROFIT OR LOSS OF THE BUSINESS YEAR		TOTAL CAPITAL
	I		II		III		IV	V	VI			
	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	GENERAL CAPITAL VALUATION ADJUSTMENT		STATUTORY RESERVES	RESERVES UNDER ARTICLES OF ASSOCIATION	OTHER PROFIT RESERVES	REVALUATION SURPLUS	NET PROFIT FROM PREVIOUS PERIODS	NET PROFIT OF THE BUSINESS YEAR	NET LOSS OF THE BUSINESS YEAR	
			II/1	II/2								
A. 1 BALANCE AS OF DECEMBER 31 2011	72,019,069	1	45,944,897		1,058,877	3,293	14,126,459	1,065,987	85,246	1,353,155	0	135,656,983
A. 2 BALANCE AS OF JANUARY 1 2012	72,019,069	1	45,944,897		1,058,877	3,293	14,126,459	1,065,987	85,246	1,353,155	0	135,656,983
B. 1 CHANGES IN EQUITY CAPITAL -												
TRANSACTIONS WITH OWNERS	0	0	0	0	0	0	0	0	-85,246	-1,298,920	0	-1,384,166
g. DIVIDEND PAYMENT									-85,246	-1,298,920		-1,384,166
B. 2 TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	0	0	0	-1,064,670	0	300,098	-65,852	-830,424
a. ENTRY OF NET PROFIT OR LOSS FOR THE REPORTING PERIOD										300,098	-65,852	234,246
ċ. CHANGES IN SURPLUS FROM FINANCIAL INVESTMENTS REVALUATION									-301,879			-301,879
d. OTHER ITEMS OF COMPREHENSIVE INCOME OF REPORTING PERIOD									-762,791			-762,791
B. 3 CHANGES WITHIN CAPITAL	0	0	0	133,061	-3,293		1,097,342	0	0	-1,292,963	65,852	0
a. ALLOCATION OF REMAINING PART OF NET PROFIT OF THE COMPARATIVE REPORTING PERIOD TO OTHER CAPITAL ITEMS							62,698			-62,698		0
b. ALLOCATION OF PART OF NET PROFIT OF REPORTING PERIOD TO OTHER ITEMS OF CAPITAL FOLLOWING THE DECISION OF THE MANAGEMENT AND CONTROL				136,354			1,102,373			-1,238,727		0
c. ALLOCATION OF PART OF NET PROFIT FOR ADDITIONAL PROVISIONING UNDER THE DECISION OF THE ANNUAL GENERAL MEETING				-3,293	-3,293		-59,267				65,852	0
f. OTHER CHANGES IN CAPITAL							-8,462			8,462		0
C. BALANCE AS OF DECEMBER 31 2012	72,019,069	1	45,944,897	1,191,938	0	15,223,801	1,317	0	-938,629	0		133,442,393
DISTRIBUTABLE PROFIT 2012									0	-938,629	0	-938,629

Explanatory notes on pages 163. to 192. are part of the financial statements and should be read in conjunction with them.



Hydro power station Savica is the biggest power station in Gorenjska region. Through regular audits optimum performance and maximum share of electricity produced from renewable energy sources in Gorenjska region are maintained.

Year 2010, photo: dr. Drago Papler

Elimination of a defect on the Črešnjica transformer station.

Year 2004, photo: dr. Drago Papler

13. SIGNIFICANT ACCOUNTING POLICIES

13.1 GENERAL ACCOUNTING FRAMEWORK

Elektro Gorenjska Group is keeping its books and drawing up financial accounts in accordance with the Slovenian Accounting Standards (hereinafter SRS), Companies Act (ZGD-1) and Energy Act. In preparing them, two basic accounting assumptions are taken into consideration: going concern and occurrence of event. In accounting policies the following basic accounting principles are considered: prudence, advantage of substance over form, and significance.

In preparing the financial statements for year 2013 and comparative data for year 2012 new chart of accounts applicable since January 1 2013 was taken into consideration.

In accordance with Article 56 of ZGD-1 company based in Slovenia, which is a parent company to one or more companies in Republic of Slovenia or abroad, has to compose a consolidated annual report. Elektro Gorenjska Group consists of:

- controlling company Elektro Gorenjska, Ul. Mirka Vadnova 3a, Kranj,
- company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100 % ownership of the controlling company; capital of this company as at 31. 12. 2013 amounted to 18,024,760.26 EUR, net profit for year 2013 was 834,557.79 EUR,
- company Elektro Gorenjska Prodaja, which is in 100 % ownership of the controlling company; capital of this company as at 31. 12. 2013 amounted to 3,278,160 EUR, net profit or loss for year 2013 was 627,490 EUR,
- associate company Soenergetika, Stara cesta 3, Kranj, which is in 25 % ownership of company Gorenjske elektrarne; capital of this company as at 31. 12. 2013 amounted to 1,708,535.27 EUR, net profit for year 2013 was 679,407.86 EUR.

Group does not disclose data, for which there is reason to believe their disclosure might cause significant damage.

Business year of the Group is equal to the calendar year.

Degree of accuracy in reporting is 1 EUR.

13.2 RECOGNIZING EXCHANGE RATE DIFFERENCES

Presentation currency and functional currency is Euro (EUR). Exchange rate differences, which occur in settlements of monetary items or with transference of monetary items at exchange rates different from those at which they were transferred at initial recognition in the period, are recognized in profit and loss for the period they occur in. In order to convert values in foreign currencies, the group uses the reference rate of the Bank of Slovenia.

13.3 REPORTING IN GEOGRAPHICAL AND BUSINESS SEGMENTS

Group reports in the following **geographical segments**: Slovenia, other countries in EU, other countries outside EU.

13.4 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

13.4.1 INTANGIBLE ASSETS AND LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE

Intangible asset is an identifiable non-monetary asset, which as a rule does not exist physically. As a rule it appears as intangible long-term asset. Long-term accruals and pre-paid expenditure are long-term deferred costs.

For measuring the intangible asset under recognition a model of acquisition cost is used.

All intangible assets are depreciable assets. Depreciation basis of depreciable long-term assets is equal to their acquisition cost, reduced by eventual impairment.

Straight-line depreciation method is used. Useful lives and depreciation rates of larger groups of depreciable assets are the following:

SIGNIFICANT CATEGORIES OF DEPRECIABLE ASSETS	ESTIMATED USEFUL LIFE (IN YEARS)	DEPRECIATION RATE (IN %)
Computer software equipment	3	33.33
Other rights	3	33.33

13.4.2 TANGIBLE FIXED ASSETS

Tangible fixed assets is an asset, which the company in the group owns or has under finance lease or controls in another way and uses it in creating products or implementing services or leasing or for office purposes and is expected to use it for these purposes in more than one accounting period.

Acquisition cost of tangible fixed asset consists of its purchase value, import and non-refundable duties and all costs, which can be directly attributed to its qualification for intended use or costs of building or making and indirect costs of its building or making, if fixed asset was built or made in the group. Acquisition cost of fixed assets acquired free of charge is measured at initial recognition at their estimated fair value. Acquisition value consists also of borrowing costs in connection with the acquisition of the tangible fixed asset until its restoration for use.

In case the existing building part of the tangible fixed assets is removed due to the construction of a new building, which will be part of the tangible fixed assets, the book value of the existing building equals the cost of site preparation, which can be included in the acquisition cost of the new building.

Group estimates that it has no significant obligations for decommissioning, restoration and similar obligations.

Electric distribution infrastructure, hired out to operational leasing to SODO under the Contract with SODO is also disclosed under tangible fixed assets and not under investment property. Group believes that such disclosure is more suitable as it is substantially the case of ownership use of assets. Group does not originally own them in order to bring rent or other return.

Accounting values of tangible fixed assets and with it also depreciation basis of these assets, acquired before December 31 2001, result from reports of the accredited appraisers, prepared according to the balance as of December 31 2001. On the basis of SRS, in force as at December 31 2001

and on the basis of mentioned reports of appraisers the until then accounting values of tangible fixed assets, acquired until December 31 2001, were revaluated as of December 31 2001 due to impairments, and not due to increase in value as well.

For measuring tangible fixed assets after recognition model of acquisition value is used.

At least once a year eventual impairment of tangible fixed assets is checked; impairment signs are considered to be physical damage, obsolescence, and change in the manner or extent of use.

Depreciation basis for depreciable tangible fixed assets is equal to their acquisition value, reduced by eventual impairments.

Costs incurred in connection with tangible fixed assets will increase its acquisition value if they increase its future benefits compared to the originally estimated.

Costs of repairs and maintenance of tangible fixed assets intended for renewal or preservation of future economic benefits, which are expected on the basis of initially estimated rate of assets efficiency, are usually recognized as costs or operating expenditure.

Straight-line depreciation method is used. Average useful lives and depreciation rates of larger groups of depreciable assets are the following:

SIGNIFICANT CATEGORIES OF DEPRECIABLE ASSETS	ESTIMATED USEFUL LIFE (IN YEARS)	DEPRECIATION RATE (IN %)
Buildings of energy distribution infrastructure	25-40	2.5-4
Buildings of hydroelectric power stations	5-40	2.5-20
Solar power stations	12-25	4-8.33
Other buildings	15-50	2-6.67
Equipment of energy infrastructure	10-35	2.86-10
Computer hardware equipment	3	33.33
Equipment of hydro power stations	3-30	3.33-33.33
Other equipment	2-20	5-50
Investments in foreign tangible fixed assets	4-25	4-25
Vehicles	8-12	8.33-12.5

13.4.3 INVESTMENT PROPERTY

Investment property is property owned by the company in order to bring rent and/or increase the value of long-term investment. They are mainly:

- land, which is not meant for sale in the near future within regular operation, and those that have no future use determined,
- buildings in operational leasing, and
- vacant buildings the company plans to hire out in operational leasing.

Investment property does not include:

- real estate used by employees (for example apartments hired out for operational leasing to the employees),
- real estate hired out for a long-term operational leasing to company SODO Maribor, on the basis of a long-term contract with SODO,
- property comprising Sava HE, in connection with which a denationalization dispute is in progress (until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne).

All of the above listed real estate is treated as a component part of the tangible fixed assets. For measuring investment property after recognition model of acquisition value is used.

Depreciation basis of the buildings or depreciable investment property is equal to their acquisition value, reduced by eventual impairments. Straight-line depreciation method is used. Useful lives of larger groups of depreciable assets are between 30 and 50 years, while depreciation rates between 2 and 3.33 %.

13.4.4 LONG-TERM FINANCIAL EQUITY INVESTMENTS IN OTHER COMPANIES AND INTEREST RATE SWAP

Long-term financial investment is a financial investment which is to be kept for more than a year and should not be traded. All other financial investments are recognized in the balance sheet as short-term ones.

All long-term financial investments in equity of other companies are classified in fourth category - financial assets available for sale. Financial investments are recognized on the day the company commits to purchase or sell the asset.

If fair value of investments in shares cannot be measured reliably they are **using the model of acquisition cost**. Measuring financial investments at their acquisition cost means that they are recognized in financial statements at their acquisition cost increased by transaction costs and decreased by eventual impairment, during the entire period of their recognition. On every day of the balance sheet it has to be estimated whether there was an objective evidence of an eventual impairment of such financial investment. Financial investment (or a group of financial investments) is impaired (long-term) and this causes losses, if there is objective evidence of the impairment due to an event or events after initial recognition of investment. Amount of loss due to impairment is measured as a difference between the value of the financial investment in books on a balance sheet date and the current value of the expected future cash flows of this investment, discounted according to current market return (recoverable amount) of a similar financial investment.

Difference established in this way is immediately recognized in the profit and loss account as financial expense. Such losses due to impairment under SAS 3 and IAS 39 are not to be reversed. Stated rule also means that the company needs to test the financial investments in shares for impairment. Recoverable amount is measured at fair value, reduced by costs of sale or by value in use, depending on which one is higher:

a) fair value, reduced by costs of sale is an amount, which can be achieved by selling the assets in an arm's length transaction between knowledgeable and willing parties after reduction for direct additional costs of disposal;

b) value in use is a current value of estimated future cash flow for which it is expected to appear due to continuous use of asset and its disposal at the end of its useful life.

In establishing the recoverable amount companies derive from a basic premise that recoverable amount of investment or share is defined as the one which usually does not exceed the audited book value of the capital value of the company in which the company has the financial investment. In testing financial investments in shares and in relation to the assessment whether there is a case of impairment or not, significant or long lasting reduction of value of these financial investments under their acquisition value in a period longer than 12 months should also be considered. Group makes a test of assessing the impairments of financial investment in capital instrument, which is not measured at fair value, when accounting value of such financial investment on a cut-off balance day is by more than 20 % larger than proportional part of accounting value of the entire capital of the company, where the company has its investment on that day. If accounting value of entire capital has not (yet)

been published or otherwise available, other less reliable evidence on the accounting value of entire capital on the balance sheet date (for example: estimation of accounting value on the balance sheet day) can be used.

In accordance with the SAS 3.5 financial investments include also investments in the **derived financial instruments**. In accordance with the politics of controlling the risks of interest rate changes for protection of cash flows (liabilities) in respect of long-term loans raised the group uses simple interest rate swaps, which means that in recording these methodology defined as hedge accounting by the IAS is used.

In accounting of interest rate swaps Group companies use the assumption on the absence of inefficiency. This means that changes of cash flows of secured items are completely neutralized by cash flows in respect of interest rate swaps or that changes of fair values of interest rate swap meet the changes of values of secured items cash flows (basic instruments). Conditions that made interest rate swaps have to meet in accordance with the international accounting standards refer to the so called equality of critical variables; these are elements defining the basic instrument and appropriate interest rate swaps.

If Group company does not meet criteria for successful hedging, hedge accounting is terminated on the last day that compliance with the hedging success has been shown. If the company recognizes an event or change of conditions due to which the hedging relationship was not successful or did not meet the criteria of success and it is proven that hedging was successful prior to this event or change of conditions, the company terminates the hedge accounting on the day the event or change of conditions took place.

13.4.5 ASSETS FOR SALE

Assets which do not meet the definition of current assets are non-current assets. Group company classifies non-current asset (or disposal group, including assets that will be disposed by sale or in other way together as a group, by one transaction) for sale, if its book value will be settled mainly through sale and not by further use. Such a situation arises when the asset (or group for disposal) is available for immediate sale in its current state and depending only on the usual conditions of sale of such assets (or disposal groups), wherein its sale must be highly probable.

Sale will be highly probable in case that appropriate level of management transactions consistently meet and follow the asset (or group for disposal) selling plan and that the entire plan and activity plan for finding the buyer is already in progress. Furthermore, asset (or group for disposal) needs to be actively marketable for reaching the price that meets its current fair value.

Due to special events or circumstances period for concluding the sale can be prolonged for more than a year. Extension of the period to complete the sale does not disable the classification of the asset (or group for disposal) into assets for sale, if delay is caused by events or circumstances outside the company's control, but there is sufficient evidence that the company is consistently meeting the plan of selling the asset (or group for disposal).

Asset is no longer depreciated when it is defined as non-current assets for sale or classified in the group for disposal for sale or when recognition is eliminated, depending on what occurs first. Such non-current asset or group for disposal for sale is measured according to book value or fair value, reduced by the costs of sale, namely according to the lower one (SAS 1.54).

13.4.6 STOCKS

Stocks represent part of current assets in a tangible form, which will be used in creating products, performing the services or in production for sale.

Costs of material kept in stocks before their use, are recognized using the method of floating average prices on the level of an individual Group company.

In all stocks of parts, spare parts, material, small tools, and support material the Group forms revaluation value adjustments due to impairments in the following amounts:

- for stocks of spare parts, material, small tools, and support material, older than 3 years: 60 % of the acquisition cost,
- for stocks of spare parts, material, small tools, and support material, from 2 to 3 years old: 40 % of acquisition cost,
- for stocks of spare parts, material, small tools, and support material, from one to 2 years old: in the amount of 20 %.

13.4.7 CLAIMS

Claims are rights based on property and other relations to require from a certain person to pay the debt, supply goods or implement a service. Claims of all kinds are initially recognized in amounts that originate from suitable documents assuming that they will be paid.

Part of long-term claims, which are due in one year after the balance sheet date at the latest, is recognized as short-term claims.

At least once a year, namely before the composition of the annual statement of accounts, companies in the Group verify the adequacy of the recognized amounts of individual claim. In assessing the risks of certain claims not being paid companies in the group classify claims to disputed and doubtful claims. For these purposes appropriate records are established. Records of disputed claims include all claims proposed for enforcement, bankruptcy or compulsory settlement. Records of doubtful claims include claims older than 90 days, excluding claims in respect of electricity and default interest related to electricity (electricity balance accounts), which are doubtful when they are overdue for more than 180 days.

Group companies can reduce valuation adjustment based on the verification of claim value according to individual business partners in the following cases:

- payments until the date of data preparation,
- agreements between business partners on the deferment of,
- security for claims,
- other reasonable grounds.

Based on reasonable grounds that individual claims will not be settled or settled entirely, Group companies can classify under doubtful claims also claims that are overdue for less than 90 or 180 days. Receivables from Group companies are eliminated from the doubtful claims records.

13.4.8 MONETARY ASSETS

Monetary assets of the group include deposits with commercial banks and deposit money; that is money on transactional accounts in following commercial banks:

ACCOUNT NUMBER	BANK OF THE ACCOUNT	COMPANY
07000-0000641939	Gorenjska banka, Kranj	Elektro Gorenjska, d. d.
07000-0001282527	Gorenjska banka, Kranj	Elektro Gorenjska Prodaja d. o. o.
07000-0000542805	Gorenjska banka, Kranj	Gorenjske elektrarne d. o. o.
25100-9700516198	Probanka, Maribor	Elektro Gorenjska, d. d.
29000-0001824912	Unicredit banka, Ljubljana	Elektro Gorenjska, d. d.
03138-1000716780	SKB banka, Ljubljana	Elektro Gorenjska Prodaja d. o. o.
04331-002033138	NKBM, Kranj	Gorenjske elektrarne d. o. o.
3000-0003480687	Sberbank, Ljubljana	Elektro Gorenjska, d. d.
3700-00000253392	Zveza bank, Ljubljana	Elektro Gorenjska, d. d.
1910- 00010322018	DBS d.d.	Elektro Gorenjska Prodaja d. o. o.
3000 -00008783095	Sberbank, Ljubljana	Elektro Gorenjska Prodaja d. o. o.
3000-00008793959	Sberbank, Ljubljana	Gorenjske elektrarne d. o. o.

All current accounts are kept in Euros, only current account No. 07000-0000641939 in Gorenjska bank Kranj is opened also as foreign currency account.

Monetary assets include also cash equivalents. Cash equivalents are investments that can be readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Group also includes deposits and bank deposits with a maturity of up to three months among cash equivalents.

Revaluation of monetary assets in currencies outside of Euro zone is executed if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and represents financial revenue or financial expenditure.

13.4.9 SHORT-TERM ACCRUALS AND PREPAID EXPENDITURE

Short-term accruals and prepaid expenditure include short-term deferred expenses, which have no effect on the profit or loss yet, short-term accrued revenues, derivatives and VAT from advances received.

13.4.10 CAPITAL

Entire capital of the Group consists of called-up capital, capital reserves, profit reserves, revaluation surplus, and residual of net profit of the business year or unsettled net loss of the business year.

All components of capital out of capital stock belong to the initial capital owners in proportion of their ownership shares in the capital stock.

13.4.11 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

Provisions are formed for current obligations, which result from obligatory past events and will be according to the forecasts settled in the period, which is not determined with certainty and whose size can be reliably estimated. Amount, recognized as provision is the best estimation of expenditure necessary for settlement on the balance sheet date of the existing and usually long-term obligation. In estimating the uncertainty experience in similar circumstances and opinion of the experts are taken into consideration.

Provisions are also formed for long service bonuses and for severance pays at retirement. They are formed in the amount of estimated future payments, discounted on the balance sheet date. Calculation considers future costs of severance pay at retirement and costs of all expected long-service bonuses until retirement. Calculations are prepared by an authorized actuary.

Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs.

Long-term accrued costs and deferred revenues are deferred revenues, which will cover the anticipated expenses in the period of more than one year. Long-term deferred revenues also include tangible fixed assets acquired free of charge, received assets – contributions for average costs of connection. They are intended for covering the depreciation costs of these assets and are spent with transferring to operating revenues, in accordance with the charged depreciation.

13.4.12 LONG-TERM DEBTS

Long-term debts are recognized as liabilities referring to financing the assets, which have to be returned or settled in a period longer than one year, especially in cash. Long-term debts are financial and business. Long-term financial debts are recognized on the day of the settlement.

At initial recognition long-term debts are evaluated with amounts from appropriate documents about their occurrence. They are increased by imputed interests and reduced by redeemed amounts and other possible settlements, if there is an agreement with creditor about it.

Accounting value of long-term debts is equal to their original value, reduced by principal repayment and transfers to short-term debts.

13.4.13 SHORT-TERM DEBTS

Short-term debts are recognized short-term liabilities, which originate in appropriate documents on their occurrence and in case of short-term debts prove the receipt of monetary assets or repayment of the debt, while in case of short-term operating debts they prove the receipt of products or services.

Accounting value of short-term debts is equal to their original value. Later they can increase directly or not, and according to the payment being made or different settlement they can also reduce for the amount of which there exists an agreement with the creditors.

13.4.14 SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

Short-term accrued costs and deferred revenues include short-term accrued costs or expenditures and revenues deferred in short-term and VAT from advances given.

13.4.15 REVENUES

Revenues are classified in operating revenues, financial revenues and other revenues. Operating and financial revenues are regular revenues.

Operating revenues are sales revenues, capitalized own products and services and other operating revenues connected with commercial effects. The latter also include operating revenues from revaluation. They occur mostly with sales of tangible fixed assets and investment property at the price exceeding their accounting value.

Amounts, collected on behalf of SODO in operation on the behalf and for the account of SODO Company, are not recognized as revenues, but as operating liabilities to SODO Company.

Financial revenues occur in connection with financial investments, lending and claims. They consist of accrued interest and shares in profits of others, but also as financial revenues from revaluation. Latter occur mainly with the sale of long-term financial investments at a price which exceeds their accounting value.

Revenues for default interest are temporarily deferred at their occurrence, until there is reasonable doubt of their payment. Doubt on the payment of interest is considered to be reasonable until the principal is paid.

Other revenues include unusual items and other revenues increasing the profit and loss.

13.4.16 COSTS AND EXPENDITURE

Expenditure is classified in operating expenses, financial expenses, and other expenses. Operating expenses and financial expenses are regular expenses.

Operating expenses consist of all costs of the period and operating expenses from revaluation. Latter occur mainly due to impairments of tangible fixed assets, claims, and stocks, but also with the sale or other disposal of tangible fixed assets and investment property at the price, which is lower than their accounting value.

Financial expenses are expenses for financing and expenses for investing activities. The first consist mainly of interest costs, while the second have the nature of financial expenses from revaluation. Latter occur due to impairments of financial investments and due to sale or other disposal at a price, which is lower than their accounting value. Financial expenses for interests are recognized in accordance with the time that has passed and contractually agreed interest rate.

Other expenses consist of unusual items and other expenses that reduce the profit and loss.

13.4.17 CASH - FLOW STATEMENT

Cash-flow statement has a successive ordinal form and is composed according to a direct method (version I). With it receipt for acquisition of short-term financial investments, which are represented by the deposits in deposit money banks, loans among companies in the group and income from their disposal, are considered cash equivalents.

13.4.18 CLAIMS AND LIABILITIES FOR DEFERRED TAX

Claims and liabilities for deferred tax are recognized and canceled in accounting registers, when amounts of claims and liabilities for deferred tax are individually or together significant for the company in the Group, or are not recognized or cancelled if they are insignificant for the company individually or jointly or there are no convincing evidence about the availability of future taxable profit.

*110/20 kV transformer
in RTP Labore.*

Year 1989, photo: dr. Drago Papler



14. SIGNIFICANT SOURCES OF UNCERTAINTY AND ASSUMPTIONS AND BASES USED IN ASSESSING THESE UNCERTAINTIES AND ESTIMATES

In applying the accounting policies and guidelines presented before, companies in the group have to implement many estimates and assessments about accounting values of assets and liabilities, which are not always available from other sources. Estimates and assumptions referring to them are based on past experience and factors the group considers to be suitable. Estimates and used assumptions are verified constantly. Actual results can differ from these estimates. Verifications of accounting estimates are recognized in the period the estimate was verified in, but also in future periods, if a modified estimate influences current as well as future periods. Following are significant assessments, besides the ones already presented, which the company made in applying the accounting policies and which have a significant influence on the amounts recognized in the financial statements.

14.1 TRANSACTIONS WITH SODO COMPANY

Transactions with company SODO are generally regulated by the Contract with SODO, which is presented in more detail also in the Business report, in chapter 4.9.4.

In March 2014 Elektro Gorenjska Company received a preliminary settlement of the regulatory year 2013 from SODO. Preliminary settlement for year 2013 was executed by SODO on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services, rent, and losses in year 2013 was by **875,681 EUR** higher than the value established on the basis of the preliminary settlement. On this basis, in year 2013 Elektro Gorenjska deferred in short-term revenues in respect of the rent and services under the contract with SODO in the amount of 875,681 EUR.

Final settlement for regulatory year 2013 will be executed by SODO on the basis of revised data of both contracting parties. In case JARSE issued a decision in which it established different surpluses or deficits than the ones established by SODO, both contracting parties are bound to consider the JARSE decision.

In January 2014 we received also a final account of regulatory year 2012. From the final account of regulatory year 2012 it is evident that the already charged contractual value of rent, services and losses for year 2012 was by **24,449 EUR** higher than the value arising from the final settlement. Overcharged revenues were appropriately demarcated by the company in year 2013.

As explained in Chapter 4.9.4, on February 29 2012 the company signed a Contract for the hire of electricity distribution infrastructure and implementation of services for distribution network system operator with the duration of the contract being subject to the duration of the concession contract signed between the Republic of Slovenia as a concession provider and SODO as the concession operator. Management of the company did this to reduce the threatening financial harm, which would arise in case of non-signing of the contract.

As previously explained, on the proposal of the management the then supervisory board of Elektro Gorenjska Company gave its consent to the Contract under the condition that the company informs SODO about the constraints to implementation and compliance with certain contractual provisions, which the company could not comply and implement for objective reasons. Individual provisions impose on the company obligations which are exceedingly burdening and as a consequence disproportionate according to the purpose of regulating the relation between the two companies, which is quality and efficient implementation of the public utility service of the electricity distribution network system operator. Beside that certain provisions of the contract are substantially too open and allow the possibility of exceedingly wide interpretation of company's obligations.

Key provisions of the contract, which the company cannot accept as binding due to already explained objective reasons or due to disproportionate burdening according to the purpose of the contract,

refer to charges "on behalf and for the account of SODO", accessing data, data transmission, legitimating in court proceedings, essential breaches of contract and monitoring the implementation of the contract.

14.2 DISPUTES IN PROGRESS AND RELATED PROVISIONS

There are several disputes in progress, including important denationalization procedures, where Elektro Gorenjska Company acts as the liable party. Company does not disclose details regarding these disputes, as it estimates that such disclosures might threaten the benefits of the company.

14.3 ACCOUNTS OF ELECTRICITY PURCHASE FOR LOSSES IN NETWORK AND FOR IMPLEMENTATION OF OTHER ACTIVITIES UNDER THE CONTRACT WITH SODO

Costs (revenues) in respect of derogations of announced schedules from realized schedules of electricity consumption in electricity purchase for covering losses in network and implementation of SODO supplies

In year 2013 purchase of electricity for covering losses of electricity in the network and implementation of SODO supplies, which company Elektro Gorenjska implements on the basis of the Contract with SODO are treated in the framework of balance subgroup SODO, which is part of the balance group Holding slovenske elektrarne (please see also Business report, Chapter 4.9.7 – Schedule derogations). On this basis the responsible of the balance group is not eligible to charge us with schedule derogations. That is why company Elektro Gorenjska, does not expect any additional costs in year 2013 in this respect and did not impute them in the financial statements for year 2013.

Final account of costs of electricity for losses in network and for other activities under the Contract with SODO

Company Elektro Gorenjska has not yet received the final account of electricity purchase costs for year 2013 for covering the losses in its distribution network from electricity supplier and also the account of electricity purchase for supplies implementation and for unauthorized consumption. On the basis of measured (established) quantity of losses in distribution network in year 2013 and best estimate of purchase prices the company estimates that for electricity purchase for losses company will be recognized a credit in the amount of **443,522 EUR**.

Company Elektro Gorenjska has also not yet received the account of costs for electricity purchase in implementation of electricity supplies and other activities under the Contract with SODO (unauthorized consumption charges, accounts of meter errors) for year 2013. On the basis of measured (established) quantities of electricity in these activities and on the basis of probable purchase price of electricity in this activity Elektro Gorenjska Company estimates that the value of electricity purchase for supplies for year 2013 will be higher by **11,529 EUR**.

As of December 31 2013 these two estimates in the amount of **431,993 EUR** are recognized in financial statements of the company as **short-term accrued costs** (please see chapter 15.10 – Short-term accruals and pre-paid expenditure). Transactions of purchasing electricity losses are presented also in the Business report, chapter 4.9.5 – Electricity losses in network, while for supplies in chapter 4.9.6 – SODO supply.

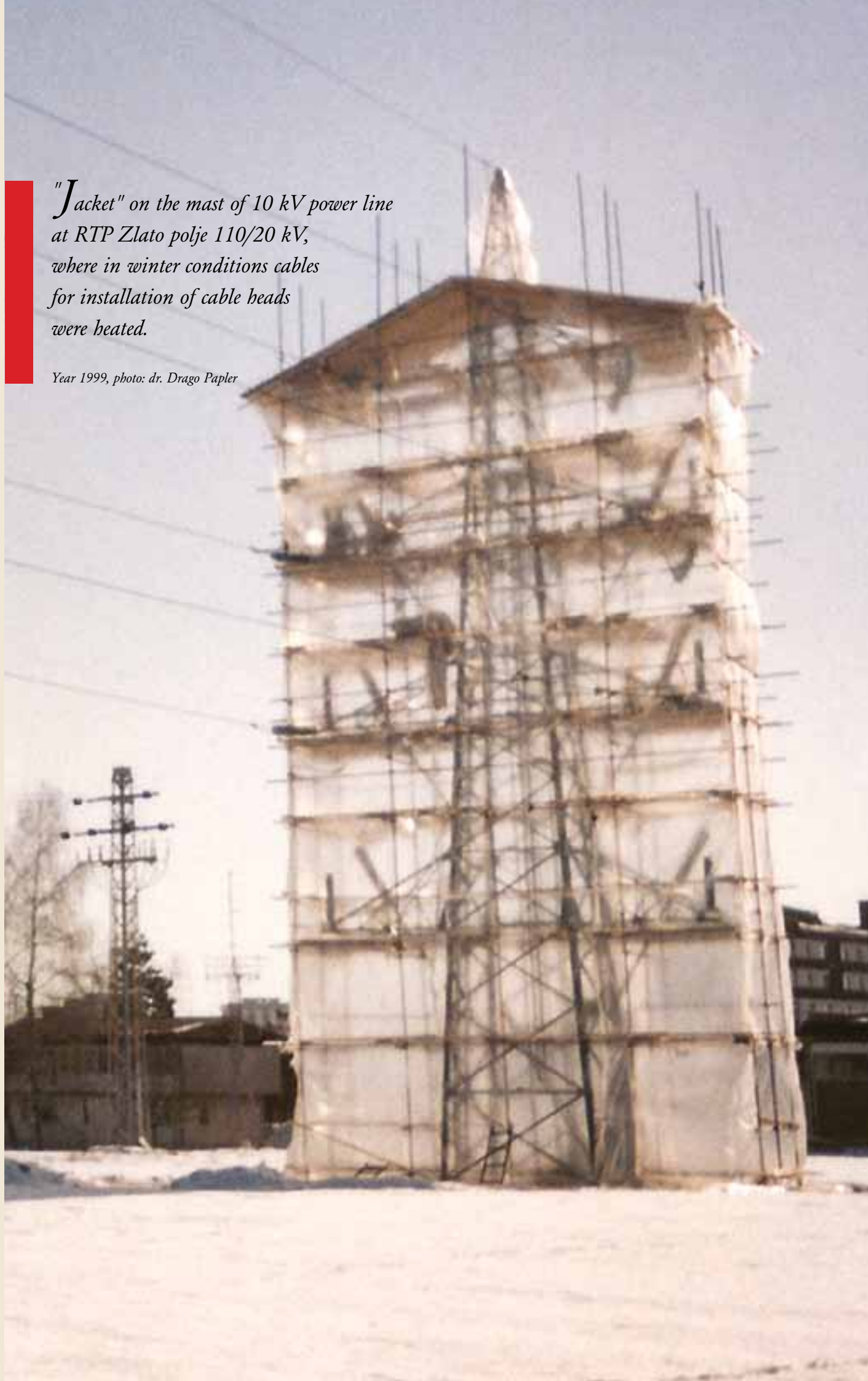
14.4 ACCOUNTS OF ELECTRICITY PURCHASE – DEROGATIONS FROM SCHEDULES

Company Elektro Gorenjska Prodaja has not yet received a final statement of costs of electricity purchase for year 2013 from its electricity supplier HSE, which is the responsible of the balance group that balance subgroup Elektro Gorenjska Prodaja is also a part of. Based on the records on purchase and sale of electricity in year 2013 and based on the best assessment of prices for derogations the company estimates that final statement of derogations for year 2013 will establish that an amount of over-charged costs of electricity purchase for derogations will amount to 97,539 EUR.

As at December 31 2013 this assessment is recognized in the financial statements of the company under short-term accrued costs (please see chapter 15.10 – Short-term accruals and pre-paid expenditure).

*"Jacket" on the mast of 10 kV power line
at RTP Zlato polje 110/20 kV,
where in winter conditions cables
for installation of cable heads
were heated.*

Year 1999, photo: dr. Drago Papler





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*20 kV juncture in RTP Zlato polje
110/20 kV with high voltage cells
for medium. voltage networks.*

Year 2000, photo: dr. Drago Papler

15. NOTES TO THE BALANCE SHEET ITEMS

15.1 INTANGIBLE ASSETS AND LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE

Following table presents changes in intangible assets and long-term accruals and pre-paid expenditure in years 2013 and 2012.

in EUR

2013	COMPUTER SOFTWARE EQUIPMENT	OTHER RIGHTS	PROPERTY RIGHTS IN ACQUISITION	OTHER LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE	TOTAL INTANGI- BLE ASSETS AND LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE
1	2	3	4	5	6 = 2+3+4+5
ACQUISITION COST					
BALANCE 1. 1. 2013	4,366,903	7,090	184,877	123,413	4,682,283
New acquisitions	21,197	0	306,275	5,372	332,844
Disposals, withdrawals, transfers	0	0	0	-61,581	-61,581
Completion of ongoing investments	449,558	0	-433,318	0	16,240
BALANCE 31. 12. 2013	4,837,659	7,090	57,834	67,204	4,969,787
VALUE ADJUSTMENT					
BALANCE 1. 1. 2013	3,837,219	5,238	0	0	3,842,457
Increase (depreciation)	381,879	236	0	0	382,115
Disposals, withdrawals, transfers	0	0	0	0	0
BALANCE 31. 12. 2013	4,219,098	5,474	0	0	4,224,572
CARRYING AMOUNT					
BALANCE 1. 1. 2013	529,684	1,852	184,877	123,413	839,826
BALANCE 31. 12. 2013	618,561	1,616	57,834	67,204	745,215

in EUR

2012	COMPUTER SOFTWARE EQUIPMENT	OTHER RIGHTS	PROPERTY RIGHTS IN ACQUISITION	OTHER LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE	TOTAL INTANGI- BLE ASSETS AND LONG-TERM ACCRUALS AND PRE-PAID EXPENDITURE
1	2	3	4	5	6 = 2+3+4+5
ACQUISITION COST					
BALANCE 1. 1. 2012	3,870,571	7,090	767,674	8,806	4,654,141
New acquisitions	140,078	0	408,306	120,707	669,091
Disposals, withdrawals, transfers	-1,250	0	-633,600	-6,099	-640,949
Completion of ongoing investments	357,503	0	-357,503	0	0
BALANCE 31. 12. 2012	4,366,903	7,090	184,877	123,413	4,682,283
VALUE ADJUSTMENT					
BALANCE 1. 1. 2012	2,989,571	5,002	0	0	2,994,573
Increase (depreciation)	848,898	236	0	0	849,134
Disposals, withdrawals, transfers	-1,250	0	0	0	-1,250
BALANCE 31. 12. 2012	3,837,219	5,238	0	0	3,842,457
CARRYING AMOUNT					
BALANCE 1. 1. 2012	881,000	2,088	767,674	8,806	1,659,568
BALANCE 31. 12. 2012	529,684	1,852	184,877	123,413	839,826

Intangible assets refer mainly to long-term property rights, which represent rights to use computer software solutions or licenses.

Property rights in acquisition include investments in renovation and modernization of computer software equipment.

As at December 31 2013 the Group had no financial obligations in respect of acquiring intangible fixed assets.

15.2 TANGIBLE FIXED ASSETS

As at December 31 2013 tangible fixed assets amounted to **180,156,911 EUR**, which represents 82 % of balance sheet total of the Group. Compared to the balance as at December 31 2012 their value is by 494,343 EUR higher.

Presentation of changes in tangible fixed assets in year 2013:

in EUR

2013	LAND	BUILDINGS			EQUIPMENT			TANGIBLE FIXED ASSETS IN BUILDING	ADVANCES	TOTAL TANGIBLE FIXED ASSETS
		INFRASTRUC- TURE	ELECTRIC POWER PLANTS	OTHER BUILDINGS	INFRASTRUC- TURE	ELECTRIC POWER PLANTS	OTHER EQUIPMENT			
1	2	3	4	5	6	7	8	9	10	11=2+3+4+5+6+7+8+9+10
ACQUISITION COST										
BALANCE 31. 12. 2012	7,731,326	237,262,986	16,081,703	13,940,452	90,075,251	16,403,054	15,308,167	5,433,238	37,469	402,273,646
New acquisitions	89,419	278,338	1,769	8,581	1,311,281	143,327	572,322	8,389,424	18,991	10,813,454
Disposals, separations, transfers	-147,760	-4,151,710	-79,590	-69,003	1,637,602	-124,927	-2,774,559	-40,937	-26,985	-5,777,869
Transfer from investments in progress	30,806	5,621,837		161,525	1,590,011	520,454	31,338	-7,979,019	0	-23,048
BALANCE 31. 12. 2013	7,703,792	239,011,452	16,003,882	14,041,555	94,614,145	16,941,908	13,137,268	5,802,707	29,475	407,286,184
VALUATION ADJUSTMENT										
BALANCE 31. 12. 2012	0	145,388,960	9,260,634	3,517,610	46,044,240	6,936,726	11,462,910	0	0	222,611,080
Increase (depreciation)	0	4,148,742	464,809	289,624	3,298,094	756,470	822,193	0	0	9,779,931
Disposals, separations, transfers	0	-4,108,412	-14,883	-66,234	1,268,221	-14,836	-2,325,594	0	0	-5,261,737
BALANCE 31. 12. 2013	0	145,429,290	9,710,561	3,741,000	50,610,555	7,678,360	9,959,509	0	0	227,129,273
CARRYING AMOUNT										
BALANCE 31. 12. 2012	7,731,326	91,874,026	6,821,069	10,422,842	44,031,011	9,466,328	3,845,256	5,433,238	37,469	179,662,568
BALANCE 31. 12. 2013	7,703,792	93,582,162	6,293,321	10,300,555	44,003,591	9,263,548	3,177,759	5,802,707	29,475	180,156,911

Presentation of changes in tangible fixed assets in year 2012:

in EUR

2012	LAND	BUILDINGS			EQUIPMENT			TANGIBLE FIXED ASSETS IN BUILDING	ADVANCES	TOTAL TANGIBLE FIXED ASSETS
		INFRASTRUCTURE	ELECTRIC POWER PLANTS	OTHER BUILDINGS	INFRASTRUCTURE	ELECTRIC POWER PLANTS	OTHER EQUIPMENT			
1	2	3	4	5	6	7	8	9	10	11=2+3+4+5+6+7+8+9+10
ACQUISITION COST										
BALANCE 1. 1. 2012	7,512,870	230,937,568	16,187,343	13,847,572	86,559,680	11,421,614	14,916,619	9,028,276	571,462	390,983,004
New acquisitions	191,856	330,737	870	3,100	181,241	19,141	516,897	14,584,590	2,000,043	17,828,476
Impairment	-4,656	0	-148,409	0	0	-44,880	-4,471	-3,373	0	-205,789
Disposals, separations, transfers	-1,681	-2,181,145	0	0	-1,056,028	-12,694	-355,798	0	-2,534,036	-6,141,382
Transfer from investments in progress	32,937	8,175,825	41,899	89,780	4,390,358	5,019,873	234,920	-18,176,253	0	-190,662
BALANCE 31. 12. 2012	7,731,326	237,262,986	16,081,703	13,940,452	90,075,251	16,403,054	15,308,167	5,433,238	37,469	402,273,646
VALUATION ADJUSTMENT										
BALANCE 1. 1. 2012	0	143,359,292	8,832,852	3,224,043	43,836,821	6,384,193	10,693,611	0	0	216,330,812
Increase (depreciation)	0	4,145,826	454,519	293,567	3,263,268	580,407	1,087,190	0	0	9,824,776
Impairment	0	0	-26,737	0	0	-18,064	-1,949	0	0	-46,750
Disposals, separations, transfers	0	-2,116,159	0	0	-1,055,849	-9,810	-315,941	0	0	-3,497,759
BALANCE 31. 12. 2012	0	145,388,960	9,260,634	3,517,610	46,044,240	6,936,726	11,462,910	0	0	222,611,079
CARRYING AMOUNT										
BALANCE 1. 1. 2012	7,512,870	87,578,276	7,354,491	10,623,529	42,722,859	5,037,421	4,223,008	9,028,276	571,462	174,652,191
BALANCE 31. 12. 2012	7,731,326	91,874,026	6,821,069	10,422,842	44,031,011	9,466,328	3,845,256	5,433,238	37,469	179,662,568

New acquisitions are presented in the Business report, in 6.6.

Individually significant acquisitions are:

Buildings:

- investment in 35 kV DV Podkuže–Kranjska Gora (342,211 EUR),
- investment in 20 KBV TP Velika dolina–TP Rateče (133,607 EUR),
- investment in NNK Dražgoše (125,832 EUR),
- investment in 20 KBV TP Poligon–TP Planica (104,710 EUR).

Equipment:

- primary and secondary electric power equipment RTP Bohinj (192,477 EUR).

Disposals and withdrawals of tangible fixed assets are the consequence of new investments, investments in modernization and renovation (reconstruction) of existing assets.

Individually significant disposals (withdrawals) connected to energy facilities are:

Buildings:

- 20 kV DV Farma Hraše (reduction of acquisition cost by 104,738 EUR and revaluation adjustment by 104,738 EUR),
- 20 kV DV Kranjska Gora–Rateče vas (reduction of acquisition cost by 99,582 EUR and revaluation adjustment by 99,582 EUR),
- 20 kV DV Kranjska Gora–Rateče vas (reduction of acquisition cost by 91,169 and revaluation adjustment by 91,169 EUR).

Equipment:

- TRAFO 8 MVA 35/21/10.5 Š. 26137 (reduction of acquisition cost by 237,857 EUR and revaluation adjustment by 237,857 EUR).

Items **infrastructure** fully refer to electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 62/2003 and forwards). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2013 amounted to 142,226,940 EUR (31. 12. 2012: 139,810,285 EUR). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Two solar power station in net current value of 1,856,553 EUR are pledged as security for a long-term loan. Elektro Gorenjska Group discloses under its tangible fixed assets also hydro power station Sava and assets (equipment) referring to HPS Jelendol. In connection to the mentioned fixed assets denationalization disputes have begun in the past years, which have not yet been concluded until the date of the preparation of this report.

In years 2012 and 2013 Gorenjske elektrarne Company leased for a ten-year period renovated lighting systems in shopping centers, which are owned by the tenant. As the investor the company entirely renovated the lighting systems and give them renovated to the operating lease. In the same way in year 2013 the system for the production of compressed air with another client was renovated and given to a ten-year lease. In year 2014 rental income will amount to 17,955 EUR, in the next four years additional 65,421 EUR and in the last five years they amounted to 59,354 EUR.

To finance new acquisitions of fixed assets the group took several long-term loans in year 2013 and previous years, whose balance on 31. 12. 2013 amounted to 42,370,427 EUR (31. 12. 2012: 40,150,255 EUR). Please see also chapter 15.13 - Long-term liabilities.

15.3 INVESTMENT PROPERTY

At the end of 2013 investment property amounted to **2,003,475 EUR**. Changes in their acquisition value, valuation adjustment and their carrying amount in years 2013 and 2012 are presented in the following tables.

Presentation of changes in investment property in year 2013:

in EUR			
2013	LAND	BUILDINGS	TOTAL INVESTMENT PROPERTY
1	2	3	4=2+3
ACQUISITION COST			
BALANCE 1 .1. 2013	819,212	2,369,176	3,188,388
Spin-off	0	0	0
New acquisitions	6,652	1,917	8,569
Disposals	-22,383	-8,170	-30,553
Transfer from ongoing investments	0	23,048	23,048
BALANCE 31. 12. 2013	803,481	2,385,970	3,189,451
VALUE ADJUSTMENT			
BALANCE 1. 1. 2013	0	1,147,005	1,147,005
Depreciation	0	45,090	45,090
Disposals	0	-6,118	-6,118
BALANCE 31.12.2013	0	1,185,976	1,185,976
CARRYING AMOUNT			
BALANCE 1. 1. 2013	819,212	1,222,171	2,041,383
BALANCE 31. 12. 2013	803,481	1,199,994	2,003,475

Presentation of changes in investment property in year 2012:

in EUR

2012	LAND	BUILDINGS	TOTAL INVESTMENT PROPERTY
1	2	3	4=2+3
ACQUISITION COST			
BALANCE 1. 1. 2012	967,969	2,453,504	3,421,473
Spin-off	0	0	0
Disposals	-148,758	-274,990	-423,747
Transfer from ongoing investments	0	190,662	190,662
BALANCE 31. 12. 2012	819,212	2,369,176	3,188,388
VALUE ADJUSTMENT			
BALANCE 1. 1. 2012	0	1,246,470	1,246,470
Depreciation	0	45,214	45,214
Disposals	0	-144,679	-144,679
BALANCE 31. 12. 2012	0	1,147,005	1,147,005
CARRYING AMOUNT			
BALANCE 1. 1. 2012	967,969	1,207,034	2,175,004
BALANCE 31. 12. 2012	819,212	1,222,171	2,041,383

Following is the presentation of investment property structure.

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Apartments	352,491	284,047
Holiday facilities	499,642	493,144
Other buildings	347,862	444,980
Land	803,481	819,211
TOTAL INVESTMENT PROPERTY	2,003,475	2,041,383

On August 31 2010 valuation of most of the investment property was performed. Based on this valuation or comparable market price, fair value of investment property, which the group recognized in the balance as at 31. 12. 2013, amounted to 4,786,842 EUR.

Revenues from rent in investment property amount to 167,788 EUR.

Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2013, and direct operating expenses, which did not make revenues from rents in year 2013 consist of depreciation costs (48,098 EUR) and costs of material and services (104,108 EUR).

There were no significant separations or disposals of investment property in year 2013.

15.4 LONG-TERM FINANCIAL INVESTMENTS

On December 31 2013 long-term financial investments of the group amounted to **1,354,622 EUR**. Compared to the balance as at 31. 12. 2012 (2,427,707 EUR) their value lowered by 1,073,086 EUR despite the increase of the value of investment in the associate company. Main reason for the decrease was revaluation of part of investments to a lower fair value and elimination of investment in shares of Nova Ljubljanska bank due to termination of the share capital and the repeal of shares in the month of December 2013.

Long-term financial investment in Soenergetika Company is recognized in the Group financial statements using the equity method. Soenergetika Company started its business in year 2010. In 2010 and 2011 its operations represented a preparation stage, that is why the company did not make any sales revenues yet, while in year 2012 and 2013 the company operated with a profit.

Shares of Gorenjska bank were valued at 580.20 EUR, which meant 60 % of book value as at 31. 12. 2012. On the basis of the notification of the Bank of Slovenia stress tests showed poor performance of banks and the need for capital increase. Due to risks of the way to ensure capital adequacy the company has eliminated the equity revaluation adjustment. Since the elimination shares of Gorenjska bank have been valued at 122.88 EUR per share, which represents 12.77 % of the last known audited book value.

Shares of Zavarovalnica Triglav were revalued to the price of the last trading day on the Ljubljana Stock Exchange, which is 19.00 EUR. Value of the long-term financial investment and on the other side the value of capital increased for the revaluation amount, through surplus from revaluation of long-term investments.

In accordance with the stated long-term financial investments in shares of Gorenjska bank and shares of Zavarovalnica Triglav were revalued to their fair value. Revaluation surplus as at 31. 12. 2013 amounted to 39,081 EUR and has already been reduced for the deferred tax in the amount of 6,644 EUR (please see also chapter 12.5 – Statement of changes in equity of Elektro Gorenjska Group).

In connection with the long-term financial investments the Group is mostly exposed to the risks of unfavorable changes in the fair value of long-term financial investments. Group does not possess any special financial instruments to protect itself from this risk. Exposure to the risks and hedging systems are explained in the business report, in chapter 5 – Management and quality systems.

Related party transactions are presented in chapter 20 – Transactions with affiliates.

In consolidation of long-term financial investments investment of the controlling company in the shares of the group companies (18,818,484 EUR) was offset against the fixed capital of the controlled companies in the amount of 16,684,880 EUR and capital reserves in the amount of 2,133,604 EUR.

Changes in long-term financial investments are presented in the table below.

in EUR

INVESTMENT DESCRIPTION	SHARE DESIGNATION	NUMBER OF SHARES		SHARE IN THE OWNERSHIP (IN %)		BALANCE	INCREASES IN YEAR 2013		DECREASES IN YEAR 2013		TOTAL
		1. 1. 2013	31. 12. 2013	1. 1. 2013	31. 12. 2013	1. 1. 2013	VALUATION ADJUSTMENTS	NEW ACQUISITIONS	VALUATION ADJUSTMENTS	SALE OR REDISTRIBUTION	31. 12. 2013
Soenergetika, d. o. o.				25.00 %	25.00 %	300,637		126,497		0	427,134
TOTAL INVESTMENTS IN SHARES AND INTERESTS IN ASSOCIATES						300,637	126,497	0	0	0	427,134
NLB, d. d., Ljubljana	NLB	3,228	0	0.03 %	0.00 %	118,630	0	0	0	-118,630	0
Informatika, d. d., Maribor	INFG	1,562	1,562	9.56 %	9.56 %	193,680	0	0	0	0	193,680
Gorenjska banka, d. d., Kranj	GBKR	2,350	2,350	0.71 %	0.71 %	1,576,380	0	0	-1,287,614	0	288,766
Zavarovalnica Triglav, d. d., Ljubljana	ZVTG	2,664	2,664	0.01 %	0.01 %	43,956	6,660	0	0	0	50,616
Stelkom, d. o. o., Ljubljana		-	-	9.90 %	6.32 %	51,628	0	0	0	0	51,628
TOTAL OTHER SHARES AND INTERESTS						1,984,272	6,660	0	-1,287,614	-118,630	584,689
TOTAL LONG-TERM FINANCIAL INVESTMENTS, EXCEPT LOANS						2,284,909	133,157	0	-1,287,614	-118,630	1,011,823
Banka Koper - long-term deposit						0	0	200,000	0	0	200,000
Eldom Maribor						142,798	0	0	0	0	142,798
TOTAL LONG-TERM LOANS						142,798	0	200,000	0	0	342,799
TOTAL LONG-TERM FINANCIAL INVESTMENTS						2,427,707	133,157	200,000	-1,287,614	-118,630	1,354,622

15.5 ASSETS FOR SALE

Assets for sale in the amount of 100,103 EUR represent part of the investment property (land) and tangible fixed assets, for which it is reasonably expected that they will be settled mainly through sale and not by further use.

15.6 STOCKS

Value of stocks of material, small tools and merchandise as at 31. 12. 2013 amounted to a total of **218,182 EUR**. Compared to the balance as at 31. 12. 2013 they have increased by 34 % or by 55,790 EUR. Group estimates that net realizable value of stocks is at least equal to their book value.

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Material stocks at the beginning of the period 01. 01.	162,393	211,334
Purchases	3,250,002	2,132,848
Consumption	-3,074,785	-2,008,653
Impairments and cancellation of impairments	25,409	-5,040
Transfer of small tools in use	-146,228	-168,096
MATERIAL STOCKS AT THE END OF THE PERIOD 31. 12.	216,790	162,392

In stocktaking as at 31. 10. 2013 and 31. 10. 2012 no surpluses or deficits were established. In year 2012 stocks were impaired by 5,040 EUR, while in year 2013 realized impairment of stocks amounted to 25,409 EUR. Structure of stocks is shown in the following table.

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Material and raw materials	178,438	147,993
Small tools	38,351	14,399
TOTAL	216,790	162,392

Stocks in the amount of 1,392 EUR represent stocks of merchandise (wood pellets).
Group has no pledged stocks as security for its.

15.7 SHORT-TERM FINANCIAL INVESTMENTS

According to the balance as at 31. 12. 2013 the Group records 200,000 EUR of short-term loans to others. They refer to two short-term deposits in Bank Koper. Deposits are pledged as collateral for the guarantee received by counter-guarantee in favor of GME (Gestore dei Mercati energetici).

Group did not disclose any short-term financial investments as at 31. 12. 2012.

15.8 SHORT-TERM OPERATING RECEIVABLES

Short-term operating receivables as at 31. 12. 2013 amounted to **28,203,229 EUR** and have increased by 10.6 MM EUR compared to the balance as at 31. 12. 2012.

Following table represents the structure of short-term operating receivables:

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Short-term accounts receivable	28,581,506	17,874,916
Short-term advances	19,253	10,670
Adjustment of short-term accounts receivable	-1,726,176	-1,677,278
SHORT-TERM ACCOUNTS RECEIVABLE	26,874,583	16,208,308
Short-term operating receivables from others	1,331,455	1,320,403
Adjustment of short-term receivables from others	-2,808	-157
SHORT-TERM OPERATING RECEIVABLES FROM OTHERS	1,328,647	1,320,246
SHORT-TERM OPERATING RECEIVABLES	28,203,229	17,528,554

Short-term accounts receivable represent 95 % of all short-term operating receivables.

In Elektro Gorenjska Group Elektro Gorenjska Prodaja Company has the highest share in accounts receivable. Due to increased number of debtors the company already in 2012 approached the preparation of new rules on checking the creditworthiness of customers and insurance against defaults in the process of concluding contracts. Rules define procedural rules on checking the creditworthiness and eventual debt of the customer before concluding a contract, criteria for classification of business customers in individual categories according to size and credit assessment as well as hedging instruments, which are requested from the customers at the stage of concluding the contract in case of default. At the end of 2013 process of checking the credit assessments of

customers and other information arising from AJPES registers – on account blockages, on commenced bankruptcy proceedings, compulsory settlements or striking off the register, was computer-supported.

Receivables from some business partners are secured with a bill of exchange, guarantee statement or enforcement draft, otherwise they are entirely unsecured.

Breakdown of short-term claims for electricity, network charge and services including receivables referring to default interest as of December 31 2013 according to maturity terms is shown in the following presentation:

in EUR

ITEM DESCRIPTION	NOT YET DUE	UP TO 30 DAYS	31–60 DAYS	61–90 DAYS	OVER 90 DAYS	TOTAL AMOUNT DUE	TOTAL
Claims on buyers of electricity, network charge and services	23,188,294	2,179,749	912,354	398,085	1,643,165	5,133,353	28,321,647
Default interest claims	92,036	274	-93	1,899	165,743	167,823	259,859
TOTAL	23,280,330	2,180,023	912,261	399,984	1,808,908	5,301,175	28,581,506

Changes in valuation adjustment of claims are presented in the next table.

in EUR

ITEM DESCRIPTION	BALANCE	NEW FORMATIONS		WITHDRAWAL (USE) AND ELIMINATION			BALANCE
		CHARGEABLE TO EXPENSES OR REVENUES	CHARGEABLE TO CLAIMS	CLAIMS WRITE-OFF	PAID INTEREST – TRANSFER TO EXCESS VALUATION REVENUES	ELIMINATION OF EXCESS VALUATION ADJUSTMENTS	
	1. 1. 2013						31. 12. 2013
Valuation adjustment of accounts receivable	1,495,792	165,959	0	113,404	0	0	1,548,347
Valuation adjustment of interest claims	181,485	27,837	13,587	15,115	13,966	16,000	177,828
TOTAL VALUATION ADJUSTMENT OF CLAIMS	1,677,278	193,796	13,587	128,519	13,966	16,000	1,726,176

15.9 MONETARY ASSETS

As at 31. 12. 2013 Elektro Gorenjska Group had **5,582,111 EUR** of cash on the commercial banks accounts and short-term redeemable deposits in banks in the state.

15.10 SHORT-TERM ACCRUALS AND PRE-PAID EXPENDITURE

Accruals and pre-paid expenditure as at 31. 12. 2013 amount to **874,585 EUR**. Their structure is shown in the next table.

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Short-term deferred costs or expenses	654,312	657,802
Short-term accrued income	160,158	56,364
Valuables	3,950	9,970
Short-term deferred claims for VAT from received advances	56,166	66,033
TOTAL	874,585	790,168

Short-term deferred costs or expenses as at 31. 12. 2013 are by 84,417 EUR higher than they were on the last day of the previous year. Main two items of short-term deferred costs are:

- short-term deferred costs in respect of the distribution network losses in the amount of 431,993 EUR, which is explained in more detail in chapter 14.3 - Accounts of electricity purchase for losses in network and for implementation of other activities under the Contract with SODO and
- final account of derogations from schedules for year 2013 in the amount of 97,539 EUR, which is explained in more detail in chapter 14.4 - Accounts of electricity purchase - derogations from schedules.

15.11 CAPITAL

Entire capital of the Group consists of the share capital, capital reserves, statutory reserves, other reserves, surplus from revaluation and net profit or loss. Balance of the entire capital as at 31. 12. 2013 amounted to **135,989,844 EUR** and was higher by 1.9 % or 2,547,451 EUR compared with the balance of capital as at 31. 12. 2012.

Share capital of Elektro Gorenjska Company (72,019,069 EUR) is divided in 17,302,071 ordinary registered unit shares. All shares are paid-up entirely. Each share has an equal share and associated amount in the share capital. Ordinary shares are shares, which give their holders the right to interest, right to part of profit (dividends), and right to appropriate part of remaining property after the liquidation or bankruptcy of the company. All shares are of the same class. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d. d., in accordance with regulations. Other details in respect with the share capital and ownership structure of the capital are explained also in Business report, chapter 4.7 – Share capital and ownership structure.

Uncalled capital (121,008 EUR) refers to the denationalization process related to HE Sava.

In the denationalization process of HE Sava the Republic of Slovenia, Administrative Unit Kranj, issued a partial decision No. 301-58/1992-133, which has allowed the claim for the return of nationalized property to be part of the assets HE Sava returned to the ownership and possession of the denationalization claimants. Object of the denationalization was returned in kind.

Assets of HE Sava, which are subject of partial decision and whose book value at the end of December 2013 amounted to 121,008 EUR, have been eliminated from the accounts as Elektro Gorenjska no longer possesses or controls them and no longer has economic benefits of them.

Until their return in kind assets of HE Sava, which are subject of partial decision, were owned by Elektro Gorenjska Company and were part of its capital as established for the purposes of the ownership transformation of company Elektro Gorenjska Kranj into company Elektro Gorenjska, which is evident from The decision of the Agency of the Republic of Slovenia for Restructuring and Privatization as at October 16 1996 and Ownership Transformation Program, which was an integral part of this decision.

With regard to the denationalization claims the Ownership transformation program also determined that property subject to denationalization refers to assets or capital of the company, which is owned by the Republic of Slovenia. After completing the denationalization procedures in relation to the property of denationalization claimants the final decision of the competent authorities in charge of denationalization procedures will be taken into account. Statute of Elektro Gorenjska Company mutatis mutandis defines that the company "for all assets that will be in accordance with the interim measures and decisions subject of denationalization, **will issue shares to the state, which commits to return the share after the size of the denationalization property is finally established in the amount equal to the value of the denationalization property, while the company will remove the shares to the burden of state capital in case a real segregation of property subject of the**

denationalization claims occurs". Conditions for the return of the shares of Elektro Gorenjska owned by the Republic of Slovenia were fulfilled with the finality of the decision on the recovery of the assets of HE Sava in kind.

Arrangements for the refund and cancellation of shares in accordance with Article 6 of the Statute are being implemented in year 2014.

Simultaneously with the return of part of HE Sava assets and elimination of their recognition from the accounts Elektro Gorenjska Company recognized uncalled capital as a deduction from equity for the carrying amount of the returned property. After the realization of Article 6 of the Statute or implemented return of the shares by the Republic of Slovenia and elimination of these shares the equity of the company shall be reduced to the burden of uncalled capital. Calculated from the book value of the Elektro Gorenjska share on the day of the elimination of the object of denationalization, which amounted to 7.71 EUR, and book value of the returned property of HE Sava number of shares the Republic of Slovenia will return to the company for the purposes of elimination amounts to 15,695. As a result, relative ownership structure of shareholders in the company shall change as well.

Capital reserves in the amount of 45,944,898 EUR were formed on 1. 1. 2006 in accordance with the transitional provisions (point No 15 of the Introduction to SRS 2006) from the incumbent general revaluation equity adjustment. They are applied in accordance with the Article 64 of ZGD-1.

Statutory reserves as at 31. 12. 2013 amount to 1,388,027 EUR and are formed in accordance to the Article 64 of ZGD-1.

Other profit reserves amount to 16,852,387 EUR and are formed from net profit of the business years and used by the company according to Article 11 of the Statute.

Revaluation surplus (620,326 EUR) arises from revaluation of long-term financial investments (32,437 EUR), as explained in chapter 15.4 – Long-term financial investments, and negative fair value of interest rate swap (652,763 EUR).

In accordance with the policy of risk management of interest rate resetting for protection of cash flow (liabilities) related to long-term loans raised the group uses simple interest rate swaps, which means that in recording of these the group uses a methodology defined by IAS as »hedge accounting«.

In accounting of interest rate swaps the group uses assumptions on absence of inefficiency. This means that changes of cash flow of secured items are completely neutralized with cash flows related to interest rate swaps or that changes of fair values of interest rate swaps meet changes in values of cash flow of secured items (basic instruments). Changes of fair value of derivative financial instruments are recognized by the Group as positive or negative revaluation surplus.

Distributable profit of the Group or the remaining net profit of the business year amounted to 526,797 EUR. According to the balance as at 31. 12. 2013 Elektro Gorenjska Company recognized the remaining net profit of the business year in the amount of 1,466,431 EUR. Allocation of this profit is the responsibility of the shareholders meeting. On the last day of year 2013 company Gorenjske elektrarne recognized remaining net profit of the business year in the amount of 792,830 EUR. Its allocation is the responsibility of the owner Elektro Gorenjska Company. In year 2013 Elektro Gorenjska Prodaja recognized net profit in the amount of 627,490 EUR. Profit was entirely intended to cover losses brought forward from year 2012.

Distribution of distributable profit for year 2012 was determined with the decision of the general meeting as of July 1 2013 (please see also Business report, chapter 4.6.1 – Management and governance of Elektro Gorenjska Company). In accordance with the decision of the general meeting entire distributable profit in the amount of 1,384,166 EUR was intended for payment of dividends to the owners.

In accordance with the decision of the founder, Elektro Gorenjska Company, entire distributable profit of Gorenjske elektrarne Company for year 2012 (104,189 EUR) was allocated to other profit reserves.

In year 2012 net profit or loss after tax with respect to the cumulative growth factor of prices would amount to 3,720,657 EUR in year 2013.

in EUR

ITEM DESCRIPTION	CAPITAL AS AT 31. 12. 2013	% OF GROWTH	CALCULATED EFFECT	PROFIT OR LOSS WITH REVALUATION EFFECT
Capital	135,989,844	0.7	951,929	3,720,657

15.12 PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

As at December 31 2013 provisions and long-term accrued costs and deferred revenues amounted to **13,581,206 EUR**. Compared to their balance as at December 31 2012 they increased by 12,630 EUR.

Provisions for long-service bonuses and severance pay at retirement are formed in the amount of estimated future payments on the basis of actuary report on calculation of provisions for long-term earnings of employees, prepared for year 2013. Actuary calculation takes into account the following actuarial assumptions:

- Mortality tables of population of Slovenia from year 2007, reduced by 10 %;
- Linearly decreasing fluctuation from 1.5 % at 15 years of age to 0.5 % at 54 years, then constant 0.5 % fluctuation; total on employees as at 31. 12. 2013 this means fluctuation of 0.82 % a year for year 2014;
- Growth of average earnings in RS for years 2014 and 2015, resulting from the Autumn forecasts of economic trends (2013); from 2016 onwards 3.7 % nominal wage growth in RS has been foreseen; from 2016 onwards average salary in RS will increase annually by 2 % inflation and by real growth (2017 by 0.5 %, later by 1 %);
- Increase in basic salaries and variable part of salaries in the company in the amount of 85 % of annual inflation for years 2014 and 2015, from 2016 onwards also by real growth in the amount of 0.5 % annually above inflation;
- Growth of salaries due to promotion is linearly decreasing, namely from 5 % at 15 years to 0.5 % at 45 years, then constant 0.5 % annually, as a total on employees as at December 31 2013 this means 1.37 % annually for year 2014;
- The expected nominal wage growth rate in electricity industry is by 1.3 % higher than inflation in RS in years 2014 and 2015, from 2016 onwards by 2.3 % higher than inflation in RS;
- Inflation yield curve, which is calculated for AAA government bonds for Euro zone countries (spot rates) as at 27. 12. 2013.

Provisions for compensation in connection to the denationalization claims have been additionally formed in the amount of 197,969 EUR.

Tangible fixed assets received free of charge consist of customer connections, which the company took over to its tangible fixed assets together with its commitment to care for their maintenance and renovation, in accordance with regulations, above all the General conditions for the supply and consumption of electricity from the distribution electricity network (Official Gazette RS No. 126/07, 37/11), and free acquisition of other fixed assets.

Long-term deferred revenues in respect of average connection costs were formed until June 30 2007 in connection with implementation of GJS SODO on the basis and in accordance with the regulations, above all the Act determining the methodology for the calculation of network charge and methodology for setting the network charge, and the criteria for determining eligible costs for electricity networks (Official Gazette RS, No. 121/2005 and onwards). Average cost of connection is a lump-sum amount, paid for the connection to the network or to increase the connection power. It is a dedicated source for financing investments in network expansion.

The following table presents the changes in provisions and long-term accrued costs and deferred revenues:

in EUR

ITEM DESCRIPTION	BEGINNING OF THE PERIOD	INCREASES (FORMATIONS)		DECREASES (WITHDRAWALS, ELIMINATION)			END OF THE PERIOD
	1. 1. 2013	CHARGEABLE TO COSTS (EXPENSES)	RECOGNITION CHARGEABLE TO ASSETS	CREDIT TO OPERATING REVENUES	CREDIT TO LIABILITIES OR SHORT-TERM ACCRUED CHARGES	CREDIT TO APPROPRIATE ASSETS	31. 12. 2013
Provisions for long-service bonuses	1,083,873	57,722	0	1,890	63,849	10,769	1,065,088
Provisions for severance pay at retirement	1,764,905	22,953	0	20,847	44,265	0	1,722,746
TOTAL PROVISIONS FOR LONG-SERVICE BONUSES AND SEVERANCE PAY	2,848,778	80,675	0	22,736	108,114	10,769	2,787,834
Provisions for damages in connection with denationalization claims	4,367,109	197,969	0	0	0	0	4,565,078
TOTAL OTHER PROVISIONS	4,367,109	197,969	0	0	0	0	4,565,078
TOTAL PROVISIONS	7,215,886	278,644	0	22,736	108,114	10,769	7,352,911
Fixed assets acquired free of charge	1,059,844	0	0	328,638	0	0	731,206
Free acquisition of connections	3,268,999	0	272,826	135,461	0	0	3,406,364
RECEIVED TANGIBLE FIXED ASSETS FREE OF CHARGE	4,328,843	0	272,826	464,098	0	0	4,137,570
Deferred revenues in respect of average connection costs	1,952,108	0	0	85,319	0	0	1,866,789
Long-term accrued costs and deferred revenues – right to use	9,860	0	0	580	0	0	9,280
Rent and services SODO – RO account	0	0	24,449	0	24,449	0	0
Received state benefits	42,757	0	96,789	0	0	9,144	130,402
Received assets for Re-energy Fund	15,196	0	0	0	0	0	15,196
Other	3,927	0	78,572	9,514	3,927	0	69,059
TOTAL LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	6,352,690	0	472,636	559,511	28,376	9,144	6,228,295
TOTAL PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	13,568,576	278,644	472,636	582,247	136,490	19,914	13,581,206

15.13 LONG-TERM LIABILITIES

As at 31. 12. 2013 Elektro Gorenjska Group had **35,130,691 EUR** of long-term financial liabilities, which is by 1 % less as compared to the balance as at 31. 12. 2012. All long-term financial liabilities have the maturity of more than five years. Majority (98 %) of all long-term financial liabilities represent liabilities to banks.

In year 2013 we redeemed **6,145,334 EUR** worth of **principals** and paid **1,351,076 EUR** of interest (interest in connection to long-term loans and related interest rate swaps). Interest in the amount of 20,407 EUR was capitalized.

In year 2012 we redeemed by 6,307,927 EUR of principals and paid 1,285,360 EUR of interest. Balance of raised loans as of December 31 2013 amounted to 41,532,257 EUR, while at the end of year 2012 it was 40,433,223 EUR.

Contractual interest rate in most loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, 56/05, 65/06, 65/09). Interest rate of all the loans is floating rate, bound by three or six month EURIBOR. Add-on to the three or six month EURIBOR is between 0.3 and 3.6 percent point. All financial liabilities are secured by bills of exchange.

Balance of received loans to finance tangible fixed assets as at 31. 12. 2012 amounted to 42,370,427 EUR.

In connection with long-term financial liabilities the group is exposed mainly to the interest risk, as the long-term loans raised by the group are loans with a floating interest rate (EURIBOR + add-on). Future cash flows being uncertain the group decided to secure the cash flow by purchasing the interest rate swap. As at December 31 2013 there were 46 % of long-term loans secured with the fixed interest rate, which represents the amount of 19,171,759 EUR. Fair value of interest rate swap as at 31. 12. 2013 amounted to -652,763 EUR. Exposure to risks and hedging systems are explained in the Business report, in chapter 5 – Management and quality systems.

Deferred tax liabilities as at 31. 12. 2013 amounted to 6,644 EUR, while on the last day of year 2012 they amounted to 198,005 EUR. Decrease was the result of Nova Ljubljanska banka shares write-off.

Changes in long-term financial liabilities in year 2013 are presented in the following table:

in EUR

TITLE	YEAR OF APPROVAL	YEAR OF MATURITY	PURPOSE OF LOAN	INSURANCE OF LOAN	INTEREST RATE HEDGE	OPENING BALANCE 1. 1. 2013	INCREASES DUE TO NEW BORROWING	AMORTIZATIONS 2013	CLOSING BALANCE	SHORT-TERM PART OF LONG-TERM LOANS 31. 12. 2013	LONG-TERM PART OF LOANS 31. 12. 2013	DUE FROM 31. 12. 2013 TO 31. 12. 2018
1	2	3	4	5	6	7	8	9	10=7+8+9	11=part of 10	12=part of 10	13=part of 10
credit 1	2009	2017	investments	blank bills	yes	6,071,429	0	-1,214,286	4,857,143	1,214,286	3,642,857	4,857,143
credit 2	2008	2016	investments	blank bills	no	4,017,878	0	-1,004,470	3,013,409	1,004,470	2,008,939	3,013,409
credit 3	2007	2014	investments, current assets	blank bills	no	476,906	0	-238,453	238,453	238,453	0	238,453
credit 4	2007	2015	investments, current assets	blank bills	no	3,736,927	0	-1,245,642	2,491,285	1,245,642	1,245,642	2,491,285
credit 5	2006	2013	investments, current assets	blank bills	no	268,321	0	-268,321	0	0	0	0
credit 6	2006	2014	investments, current assets	blank bills	no	834,703	0	-417,351	417,351	417,351	0	417,351
credit 7	2010	2018	investments	blank bills	yes	6,171,429	0	-1,028,571	5,142,857	1,028,571	4,114,286	5,142,857
credit 8	2011	2023	investments	blank bills	yes	8,500,000	0	-637,500	7,862,500	850,000	7,012,500	4,250,000
credit 9	2012	2022	investments	mortgage, assignment of the claim	yes	1,400,000	0	-90,741	1,309,259	155,556	1,153,704	777,778
credit 10	2012	2023	investments	blank bills	no	4,500,000	0	0	4,500,000	450,000	4,050,000	2,250,000
credit 11	2012	2023	investments	blank bills	no	4,500,000	0	0	4,500,000	450,000	4,050,000	2,250,000
credit 12	2013	2024	investments	blank bills	no	0	7,200,000	0	7,200,000	0	7,200,000	2,880,000
TOTAL LONG-TERM LOANS						40,477,592	7,200,000	-6,145,334	41,532,257	7,054,330	34,477,928	28,568,276

15.14 SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities as at 31. 12. 2013 amounted to **9,246,077 EUR** and are by 2.9 MM EUR higher than as at 31. 12. 2012. Short-term financial liabilities to banks refer to the short-term part of long-term loans and short-term loan in the amount of 2 MM EUR.

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Short-term financial liabilities to banks	9,054,329	6,145,335
Other short-term financial liabilities	191,748	189,486
TOTAL SHORT-TERM LIABILITIES FROM FINANCING ACTIVITIES	9,246,077	6,334,821

15.15 SHORT-TERM OPERATING LIABILITIES

At the end of 2013 short-term operating liabilities in the amount of **23,200,418 EUR** were by 7.8 MM EUR higher than compared to the balance on the last day of 2012. They mainly refer to payables (for own account) and to SODO company (for third party account). Detailed review of the short-term operating liabilities is presented in the following table.

in EUR

ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Liabilities to suppliers for own account	16,614,702	9,575,630
to other suppliers in the country	16,614,702	9,575,630
Liabilities to other suppliers on its own behalf and for third party account	4,400,865	3,775,193
liabilities to SODO, d.o.o.	4,397,735	3,775,168
to others	3,131	25
Other liabilities, of which:	2,184,851	2,019,054
to workers	1,006,334	994,013
to state and other institutions	377,777	482,873
for received advances and collaterals	500,350	400,989
other (interests, employee deductions, pension fund management ...)	300,391	141,179
TOTAL SHORT-TERM LIABILITIES FROM OPERATING ACTIVITIES	23,200,418	15,369,877

15.16 SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

As at 31. 12. 2013 accrued costs and deferred revenues amounted to **2,275,895 EUR**. Compared to their balance as at 31. 12. 2012 they are by 1.8 MM EUR higher.

The highest item in accrued costs and deferred revenues (875,681 EUR), which at the same time represent also largest derogation according to the balance as at December 31 2012, represent short-time deferred revenues from settlement of rent and services for year 2013. Settlement is explained also in chapter 14.1 – Transactions with SODO company.

Other highest items in accrued costs and deferred revenues represent accrued costs of unused annual leave entitlement and accrued costs of holiday pay differences for year 2012 and 2013.

15.17 POTENTIAL ASSETS, LIABILITIES AND OFF-BALANCE SHEET RECORDS

Off-balance sheet assets or liabilities as at 31. 12. 2013 amounted to **17,225,367 EUR**. They were higher by 2.8 MM EUR compared to the balance as at 31. 12. 2012. Main items of off-balance sheet assets or liabilities are issued guarantees (9,180,620 EUR), fixed assets in the property of SODO (2,628,755 EUR), which Elektro Gorenjska Company is liable to keep records of in the off-balance sheet in accordance with the Contract with SODO or contract of sale (assets financed from average connection costs, which were after the balance as at 31. 8. 2010 transferred to the ownership and indirect property of SODO or sold to SODO in year 2011) and received guarantees in the amount of 3,053,114 EUR. In consolidate accounts guarantees given by Elektro Gorenjska to subsidiary Elektro Gorenjska Prodaja in the amount of 8,421,796 EUR were excluded.

in EUR		
ITEM DESCRIPTION	31. 12. 2013	31. 12. 2012
Foreign material in warehouse	123,334	35,478
Received guarantees	3,053,114	2,555,062
Issued guarantees	9,180,620	7,120,527
Pledged deposits	302,427	0
Small tools	1,101,965	1,081,055
Easement	835,153	896,625
Fixed assets in the property of SODO	2,628,755	2,730,083
TOTAL OFF-BALANCE SHEET ASSETS AND LIABILITIES	17,225,367	14,418,829

Storks have become an increasingly common phenomenon in Gorenjska region. In the photo are employees of Elektro Gorenjska moving the stork's nest in year 2013.

Photo: Elektro Gorenjska Archive

16. NOTES ON PROFIT AND LOSS ACCOUNT ITEMS

16.1 NET SALES REVENUES

In year 2013 net sales revenues amounted to **92,615,005 EUR**. 99.7 % of net sales revenues were achieved on the domestic market. Their structure is presented in the following table.

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Revenues from electricity sale	61,622,147	55,292,831
Revenues from electricity sale -SODO supplies	19,620	13,959
Revenues from rent and services in relation to SODO	26,118,300	24,845,998
Revenues for covering the losses of electricity in relation to SODO	3,260,505	3,285,655
Revenues from rents	361,696	379,869
Revenues from construction and assembly works	356,428	1,990,774
Revenues from other sale	876,309	948,249
TOTAL NET SALES REVENUES	92,615,005	86,757,335

Majority of net sales revenues in year 2013 represent revenues from electricity sale (61,622,147 EUR), revenues from rent and services related to SODO (26,118,300 EUR) and revenues for covering electricity losses in relation to SODO (3,260,505 EUR).

Quantities of sold electricity are presented in the Business report, chapter 6.3 – Quantities of purchased and sold electricity.

Revenues from rent and services in relation to SODO and revenues for covering the electricity losses in relation to SODO are achieved on the basis of a long-term contract with company SODO on lease of electricity distribution infrastructure and implementation of services of distribution electricity network operator. Contract with SODO is explained in chapter 4.9.4.

Transactions in connection with revenues for losses of electricity in network of the company are presented also in the Business report, chapter 4.9.5. – Electricity losses in network.

16.2 CAPITALIZED OWN PRODUCTS AND OWN SERVICES

In year 2013 capitalized own effects amounted to **3,792,950 EUR**. They were mostly investments in tangible fixed assets – energy infrastructure. Compared to year 2012 amount of capitalized own effects in year 2013 was by 1,001,828 EUR or by 35.9 % higher. Reason for that is mainly the fact that in year 2013 there were more investments on facilities of medium and low voltage where investments are usually implemented by the company itself.

16.3 OTHER OPERATING REVENUES

Other operating revenues in the amount of **876,575 EUR** consist of:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Revenues from reversal of provisions	22,736	0
Operating revenues from revaluation	71,636	478,299
Revenues in respect of transferring long-term deferred revenues to regular operating revenues:	558,110	293,527
– delivery of fixed assets free of charge	328,638	78,931
– delivery of connections free of charge	135,461	87,565
– average connection costs	85,319	85,319
– other	8,693	41,711
Other operating revenues	224,093	189,733
TOTAL OTHER OPERATING REVENUES	876,575	961,559

Revenues from transfer of long-term deferred revenues (long-term accrued costs and deferred revenues) to regular revenues and **revenues from reversal of provisions** are explained also in chapter 15.12 – Provisions and long-term accrued costs and deferred revenues.

16.4 FINANCIAL REVENUES FROM SHARES

In year 2013 Elektro Gorenjska Group realized by **175,180 EUR** of financial revenues from shares. Revenues in the amount of 169,852 EUR represent pro-rata net profit of the associated company Soenergetika, which is consolidated by the equity method, while revenues in the amount of 5,328 EUR refer to received dividends.

16.5 FINANCIAL REVENUES FROM LOANS

Financial revenues from given loans consist of:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Received interest for short-term deposits in money deposit banks	53,545	48,382
TOTAL FINANCIAL REVENUES FROM LOANS	53,545	48,382

16.6 FINANCIAL REVENUE FROM OPERATING RECEIVABLES

In year 2013 Elektro Gorenjska Group realized **159,127 EUR** of financial revenue from operating receivables. As shown in the following table main part were default interest on receivables from electricity and network charge.

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Default interest on receivables from electricity and network charge	149,617	124,970
Interest on other receivables	9,510	4,070
TOTAL FINANCIAL REVENUES FROM OPERATING RECEIVABLES	159,127	129,040

16.7 COSTS OF GOODS SOLD AND MATERIALS USED

Costs of goods sold and materials used include:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Electricity purchase	54,136,739	51,842,413
Electricity purchase – losses and SODO supplies	2,826,306	2,910,523
Costs of material:	4,067,180	3,061,981
– material costs of maintenance	333,698	306,963
– costs of materials in connection with capitalized own effects, market services	2,764,461	1,792,583
– energy costs	627,683	638,489
– small tool write-off	146,104	168,096
– costs of office supplies	106,528	112,273
– other material costs	88,705	43,578
COSTS OF GOODS SOLD AND EXPENSES	61,030,225	57,814,917

Biggest item within the costs of goods sold and materials used are costs of electricity purchase. Mainly due to electricity trade transactions in year 2013 they were by 2,294,326 EUR higher than in year 2012. Average purchase prices and quantities are explained in Business report, chapter 6.4.

Transactions of purchases for losses are presented also in the Business report, chapter 4.9.5 – Electricity losses in network.

Transactions of supplies with electricity are explained in more detail in the Business report, chapter 4.9.6 – SODO supplies.

Costs of material used in maintenance of tangible fixed assets are presented also in the Business report, chapter 6.7 – Maintenance of energy facilities.

Costs of materials related to capitalized own effects and market services (year 2013: 2,764,461 EUR and year 2012: 1,792,583 EUR) include values of material, which the group then treats as a component part of:

- acquisition values of tangible fixed assets, built or made in the company for the needs of the company (capitalized own effects), which is explained in more detail in chapter 16.2 - Capitalized own products and own services;
- values of own services (construction, on-site assembly and similar services), sold on the market (please see also chapter 16.1 – Net sales revenues).

16.8 COSTS OF SERVICES

In year 2013 costs of services amounted to **5,804,474 EUR**, while in year 2012 they amounted to 7,001,973 EUR. Biggest cost within costs of services represent costs of services related to maintenance of energy infrastructure and other tangible fixed assets. Detailed structure of service costs can be found in the following table.

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Costs of service in creating products and implementing services	76,687	1,437,845
Costs of transport services	514,265	535,781
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,808,122	1,813,226
Rents	165,457	102,600
Reimbursements of work related costs to employees	40,126	37,649
Costs of payment transactions, banking services and insurance premiums	649,748	563,826
Costs of intellectual and personal services	653,853	745,217
Costs of advertising and representation	147,384	143,824
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members...)	151,709	144,536
Costs of information and other services	1,597,124	1,477,469
TOTAL COSTS OF SERVICES	5,804,474	7,001,973

Costs of services in creating products and implementing services (year 2013: 76,687 EUR; year 2012: 1,437,845 EUR) include values of construction services, electricity on-site assembly, designing and other similar services, which the group then treats as a component part of:

- acquisition costs of tangible fixed assets, built or made in the company for the needs of the company (capitalized own effects), which is explained in more detail in chapter 16.2 - Capitalized own products and own services;
- values of services (construction, electricity on-site assembly and similar services) sold on market (please see also chapter 16.1 – Net sales revenues).

Maintenance of electricity infrastructure is presented also in Business report, chapter 6.7 – Maintenance of energy facilities.

Costs of intellectual services include costs of scientific and research work also presented in the business report, chapter 6.8 – Development and design, and costs of education and related costs of tuition fees and costs of additional professional education of employees presented in the Business report, chapter 8.1.4.

Costs of advertising and representation include also costs of sponsorships explained in more detail also in the Business report, chapter 8.3.1 – Communication with local community and social responsibility.

Costs of other services include mainly costs related to computer information system, which include concern for undisturbed and safe operation of group's information system, electronic mail, access to world wide web, ensuring appropriate level of data and services security, implementation of joint security policy, data processing, storage of computer-generated data and other services of computer software equipment maintenance.

16.9 LABOR COSTS

Labor costs in the amount of **12,774,538 EUR** consist of:

in EUR		
ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Salary costs	8,415,066	8,307,020
Costs of voluntary pension insurance of employees	407,722	396,039
Costs of employer's contributions and other benefits from salaries	1,564,577	1,420,034
Costs of transport allowances	2,387,173	1,715,829
TOTAL LABOR COSTS	12,774,538	11,838,922

Share of the parent Elektro Gorenjska Company in labor costs is 81 %.

Costs of voluntary pension insurance are presented also in the Business report, chapter 8.1.13 – Care for employees and related groups outside working hours.

Costs of employer's contributions and other salary benefits include also contributions for pension and disability insurance: year 2013 in the amount of 860,032 EUR; year 2012 in the amount of 780.578 EUR.

Number of employees and their education structure and other information in connection with the employees are presented in more detail in the Business report, chapter 8.1 – Care for employees.

Receipts of the management, supervisory board and employees according to individual contracts are presented in more detail in chapter 20.2 – Transactions with the management, supervisory board and employees under contract for which tariff part of the collective agreement does not apply.

16.10 AMORTIZATION / DEPRECIATION EXPENSES

Amortization /depreciation expenses in year 2013 amounted to **10,693,930 EUR** and were by 7.6 % lower than in year before. Lower value in year 2013 is mainly the result of lower operating expenses from revaluation of intangible fixed assets and lower costs of depreciation of intangible fixed assets.

Their structure is the following:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Depreciation of intangible fixed assets	382,115	849,134
Depreciation of tangible fixed assets	9,776,923	9,821,785
Depreciation of investment property	48,098	48,205
TOTAL DEPRECIATION COSTS	10,207,136	10,719,124
Operating expenses from revaluation of fixed assets and investment property	294,079	894,240
Operating expenses from revaluation of current assets:	192,715	5,270
TOTAL WRITE-OFFS	10,693,930	11,618,634

Costs of depreciation of intangible fixed assets (382,115 EUR) are presented also in chapter 15.1 – Intangible assets and long-term accruals and prepaid expenditure; costs of depreciation of tangible fixed assets (9,776,923 EUR) in chapter 15.2 – Tangible fixed assets; and costs of depreciation of investment property (48,098 EUR) in chapter 15.3 – Investment property.

16.11 OTHER OPERATING EXPENSES

Other operating expenses in the amount of 726,697 EUR include:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Contribution for promotion of employment of persons with disabilities	76,799	70,507
Contribution for urban land	114,412	99,308
Contribution for contaminated water	10,995	9,754
Concession for water use	137,592	117,114
Provisioning	197,969	197,969
Other expenses (environment protection costs, scholarships ...)	188,932	197,840
TOTAL OTHER OPERATING EXPENSES	726,697	692,491

Employment of persons with disability and policy of scholarships are presented in more detail in the Business report, chapter 8.1.3 – Employment of persons with disabilities or in chapter 8.1.4 – Education and in chapter 8.1.6 – Scholarships.

Provisioning is explained in more detail also in chapter 15.12 - Provisions and long-term accrued costs and deferred revenues.

16.12 FINANCIAL EXPENSES FROM IMPAIRMENTS AND FINANCIAL INVESTMENT WRITE-OFFS

In year 2013 the Group had by 118,629 EUR of financial expenses from impairments of long-term financial investments in shares of Nova Ljubljanska bank. Reason for that was termination of share capital and invalidation of Nova Ljubljanska bank shares in the month of December 2013. From impairment of long-term financial investment in shares of Nova Ljubljanska bank the group realized by 104,701 EUR of financial expenses from impairment in year 2012.

16.13 FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES

In year 2013 financial expenses from financial liabilities amounted to **1,420,044 EUR**. As shown in the table below, they mainly include expenses from interest for received long-term loans in commercial banks.

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Expenses from interests for received long-term loans in commercial banks	985,418	932,662
Expenses from interests for received short-term credit in commercial bank	68,968	29,656
Expenses from interest - interest rate swap	365,658	277,129
TOTAL FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	1,420,044	1,239,447

16.14 OTHER EXPENSES

Other expenses consist of donations and other expenses. In year 2013 they amounted to **47,988 EUR**, while in year 2012 to 18,957 EUR.

16.15 BREAKDOWN OF COSTS BY FUNCTIONAL GROUPS

Breakdown of costs by functional groups is shown in the following table:

in EUR

ITEM DESCRIPTION	YEAR 2013	YEAR 2012
Costs of operating effects sold	81,991,269	79,382,243
Costs of general activities	6,448,165	5,802,877
Costs of sales	2,103,636	2,882,307
TOTAL	90,543,070	88,067,427

16.16 INCOME TAX

Charged income tax for 2013 business year amounted to **373,622 EUR** (year 2012: 194,141 EUR). In year 2013 all companies in the group recorded liability for income tax. Overview of the calculation of income tax for year 2013 is in the following table:

in EUR	
ITEM DESCRIPTION	YEAR 2013
Pre-tax profit	4,922,893
Revenues reducing the tax base	-79,722
Expenses increasing the tax base	634,777
Expenses reducing the tax base	-233,752
Reduction of the tax base on the basis of relief	-2,786,028
Other	-260,393
Tax base	2,197,776
Tax rate	17 %
Income tax	373,622
EFFECTIVE TAX RATE	8 %

In year 2013 within the companies in Elektro Gorenjska Group only Elektro Gorenjska Company has been recognizing liability for income taxes. Gorenjske elektrarne Company has no liabilities for income taxes due to investment allowance for equipment, while Elektro Gorenjska Prodaja has no income tax liabilities due to its negative operating result.

16.17 DEFERRED TAX LIABILITIES AND DEFERRED TAXES

Deferred tax liabilities as at 31. 12. 2013 amounted to 6,664 EUR and refer entirely to the revaluation of long-term financial investments. Liabilities for deferred tax which amounted to 1,390,750 EUR as at 31. 12. 2013, were not recognized in accordance with SRS 5,16 by the group (uncertainty about future taxable profits).



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In year 2013 Elektro Gorenjska Company received the highest national award for business excellence. In the photo are employees of Elektro Gorenjska in Brdo where the award was handed to the Elektro Gorenjska Chairman of the Board.

Photo: Gorazd Kavčič

- 17. NOTES ON OTHER COMPREHENSIVE
INCOME ITEMS**
- 18. NOTES ON CASH FLOW ITEMS**
- 19. CONTINGENT LIABILITIES**
- 20. TRANSACTIONS WITH AFFILIATES**
- 21. AUDITING COSTS**
- 22. EVENTS AFTER THE BALANCE SHEET DATE**

17. NOTES ON OTHER COMPREHENSIVE INCOME ITEMS

Change in the revaluation surplus of financial assets, available for sale in the amount of –1,089,592 EUR, consists of revaluation of long-term financial investment to lower fair value (–1,287,614 EUR), revaluation of long-term financial investment to higher fair value (6,600 EUR) and consequently reduction of the deferred tax liabilities (191,361 EUR).

Other components of the comprehensive income in the amount of 467,950 EUR refer to the increase of the negative fair value of the interest rate swap, which is the result of a variable interest rate.

18. NOTES ON CASH FLOW ITEMS

In year 2013 Elektro Gorenjska Group had 145,569,391 EUR of receipts and 141,409,567 EUR of expenditures. Receipts and expenditures include appropriate amounts of duties, mainly VAT and excise duties, in accordance with the issued invoices and receipted invoices. Cash flow in year 2013 was positive and amounted to 4,159,823 EUR.

As at 1. 1. 2013 the Group had on transaction accounts in banks monetary assets in the form of short-term deposits or deposits redeemable in the amount of 1,422,288 EUR, while the balance of these assets on 31. 12. 2013 amounted to 5,582,111 EUR.

Net cash from operating activities in year 2013 amounted to 11,397,504 EUR, which means that companies in the Group operate positively with their main activity and create a positive cash flow. This way in year 2013 the group was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits and could partly finance new acquisitions of intangible and tangible assets. The largest revenues were revenues from customers for payment of electricity and revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure.

Net cash used in investing activities in year 2013 amounted to 7,464,867 EUR. Industry the Elektro Gorenjska Company operates in is technologically very intense and in order to provide quality supply to its customers in the area of Elektro Gorenjska distribution network large and constant investments are required (explained mainly in chapter 15.2 – Tangible fixed assets). New acquisitions of intangible and tangible assets were mainly financed by acquisition of new long-term credit in the amount of 7,200,000 EUR (explained in chapter 15.13 – Long-term liabilities), while partly they were financed also by net cash from operating activities. Net cash used in financing activities amounted to 227,186 EUR.

19. CONTINGENT LIABILITIES

Besides liabilities recognized in long-term provisions, Group Elektro Gorenjska acts as a defendant party in some other cases, but they are not disputes of bigger values and the group expects no significant expenses or losses in connection to these disputes. Contingent liabilities of the group are shown also in chapter 15.17 - Potential assets, liabilities and off-balance sheet records.

20. TRANSACTIONS WITH AFFILIATES

20.1 TRANSACTIONS WITH GROUP COMPANIES IN YEAR 2013

In year 2013 the controlling company Elektro Gorenjska operated with two controlled companies - Gorenjske elektrarne and Elektro Gorenjska Prodaja.

Among transactions within the Group, which were eliminated from the consolidated balance sheet, the most important are liabilities (claims) in respect of services provided for companies in the Group in the amount of 73,979 EUR.

Significant transactions within the group that were eliminated from the consolidated profit/loss account include the following:

in EUR	
ITEM DESCRIPTION	2013
Revenues from services rendered in general services of the controlling company (costs of controlled companies)	467,638
Revenues from rents (costs of controlled company rents)	260,130
Revenues (costs) from sale (purchase) of electricity within the group	40,892
Re-invoiced costs	290,846
Other revenues (costs or expenditures) within the group	53,082

All transactions with controlled companies were implemented under normal market conditions.

As controlling company Elektro Gorenjska Company did not obstruct or impair operations of companies Gorenjske elektrarne and Elektro Gorenjska Prodaja as the controlled companies.

20.2 TRANSACTIONS WITH MANAGEMENT, SUPERVISORY BOARD AND EMPLOYEES UNDER CONTRACT FOR WHICH TARIFF PART OF THE COLLECTIVE AGREEMENT DOES NOT APPLY

Chairman of the Board in the controlling company and directors of the controlled companies

In year 2013 Elektro Gorenjska Group paid persons stated below the following gross or net receipts:

in EUR

	EARNING	OPERATING PERFOR- MANCE	TERMINAL LEAVE PAY	LONG-SERVICE BONUS	PAY FOR ANNUAL LEAVE	PAYMENT OF UNUSED ANNUAL LEAVE	REIMBURSE- MENTS OF COSTS	TOTAL
1. ELEKTRO GORENJSKA								
gross receipt	73,333	0	0	0	0	6,756	2,967	83,056
net receipt	35,019	0	0	0	0	3,423	2,967	41,409
2. ELEKTRO GORENJSKA PRODAJA - FROM 15. 4. 2013								
gross receipt	22,869	0	0	0	0	0	697	23,567
net receipt	13,157	0	0	0	0	0	697	13,854
3. ELEKTRO GORENJSKA PRODAJA - FROM 5. 6. 2013								
gross receipt	37,783	0	0	0	0	0	1,644	39,427
net receipt	19,042	0	0	0	0	0	1,644	20,686
4. GORENJSKE ELEKTRARNE								
gross receipt	50,552	0	0	0	0	0	1,630	52,182
net receipt	28,543	0	0	0	0	0	1,630	30,172

Reimbursement of costs (so called material costs) include: daily allowances, transfer to work, meals and costs of official journeys. They are charged in accordance with the collective agreement or in accordance with the company's rules.

Benefits of the Chairman of the Board in the controlling company and directors of the controlled companies arising from the employment contract were the following in year 2013:

in EUR

CHAIRMAN OF THE BOARD / COMPANY DIRECTOR	INSURANCE PREMIUMS	USE OF COMPANY CAR	USE OF MOBILE PHONE	SUPPLEMENTARY EDUCATION
Elektro Gorenjska	1,180	11,303	1,130	0
Elektro Gorenjska Prodaja until 15. 4. 2013	355	1,065	656	0
Elektro Gorenjska Prodaja since 5. 6. 2013	755	4,621	587	0
Gorenjske elektrarne	858	5,287	339	1,214

Supervisory board

In year 2013 supervisory board held a total of 15 sessions. Supervisory board with mandate until August 26 2013 held eight regular sessions (5. 2. 2013, 13. 3. 2013, 25. 3. 2013, 23. 4. 2013, 15. 5. 2013, 29. 5. 2013, 16. 7. 2013 and 19. 8. 2013), and two correspondence sessions (6. 6.–7. 6. 2013 and 12. 6. 2013). Supervisory board with mandate from August 27 2013 held five regular sessions (12. 9. 2013, 3. 10. 2013, 23. 10. 2013, 20. 11. and 25. 11. 2013 and 5. 12. 2013). On two of the regular sessions one supervisory board member was missing. On the correspondence session all members of the supervisory board voted.

Within the supervisory board an audit committee has been operating, Until August 26 2013 its members were Dušan Kapevski, MSc, Alenka Bradač, MSc and Darja Orožen. Since October 3 2013 its members have been Andrej Koprivec, dr. Andrej Baričič, Dušan Kapevski, MSc and Elvis Duraković. Audit committee with a mandate until August 26 2013 held eight regular sessions (10. 1. 2013, 24. 1. 2013, 15. 2. 2013, 4. 3. 2013, 22. 3. 2013, 24. 4. 2013, 10. 5. 2013 and 27. 6. 2013) and two extraordinary sessions (29. 4. 2013 and 27. 5. 2013). Committee with a mandate since October 3 2013 has held four regular sessions (18. 10. 2013, 13. 11. 2013, 26. 11. 2013, 18. 12. 2013). One of the members was not present at one of the regular sessions otherwise all members were present. In June and July 2013 Nomination Committee operated as well.

Gross and net receipts of the supervisory board members in year 2013 are shown in table below (for those also members of supervisory board committees, receipts for participation in the committees are included as well). From the table attendance of individual members at the meetings is also evident.

in EUR

	Gross/net	PARTICIPATION AT THE SESSION		PARTICIPATION AT THE COMMITTEE		PAYMENT FOR THE PERFOR- MANCE OF THE FUNCTION	ATTEN- DANCE FEE SB	ATTEN- DANCE FEE COMMI- TTEE	TRAVEL EXPEN- SES	TOTAL
		No. of sessions	attendance	No. of sessions	attendance					
1. EXTERNAL MEMBERS OF SB (UNTIL 26. 8. 2013)										
mag. Darjan Petrič	gross	10	9			12,485	2,860	0	0	15,345
	net					9,535	2,217	0	0	11,751
dr. Aleš Groznik	gross	10	10			8,323	3,135	0	428	11,886
	net					6,309	2,430	0	332	9,071
mag. Alenka Bradač	gross	10	10	10	10	11,236	2,915	2,640	382	17,173
	net					8,567	2,259	2,046	296	13,168
mag. Duško Kapevski	gross	10	9	10	10	11,444	2,365	2,420	312	16,541
	net					8,728	1,833	1,876	242	12,679
2. EXTERNAL MEMBER OF THE COMMITTEE (FROM 27. 8. 2013 ONWARDS)										
Samo Logar	gross	5	5			4,465	1,100	0	138	5,704
	net					3,410	853	0	107	4,370
Andrej Koprivec	gross	5	5	4	4	3,660	1,100	660	222	5,642
	net					2,786	853	512	172	4,322
mag. Tedo Djekanović	gross	5	5			2,977	1,100	0	0	4,077
	net					2,256	853	0	0	3,109
Elvis Duraković	gross	5	5	4	3	3,433	1,100	440	0	4,973
	net					2,609	853	341	0	3,803
3. INTERNAL MEMBERS OF SB										
Vojko Oman	gross					11,300	4,235	0	40	15,575
	net	15	15			8,566	3,282	0	31	11,879
Leopold Zupan	gross					11,548	4,235	0	0	15,783
	net	15	15			8,758	3,282	0	0	12,040

Gross and net receipts and attendance of external members of the audit and nomination committees can be found in the table below:

in EUR

	gross/net	PARTICIPATION AT THE SESSION		PAYMENT FOR THE PERFORMANCE OF THE FUNCTION	ATTEN-DANCE FEE SB	ATTEN-DANCE FEE COMMITTEE	TRAVEL EXPEN-SES	TOTAL
		No. of sessions	attendance					
1. EXTERNAL MEMBERS OF COMMITTEES								
Darja Orožen	gross	10	10	4,994	0	4,240	368	9,601
(until 26. 8. 2013)	net			3,870	0	1,876	285	6,031
dr. Andrej Baričič	gross	4	4	911	0	660	72	1,643
(from 3. 10. 2013 onwards)	net			706	0	512	56	1,273
mag. Dušan Kapevski	gross	4	4	911	0	660	44	1,615
(from 3. 10. 2013 onwards)	net			685	0	512	34	1,231
Prijović Irena	gross	1	1	0	0	440	0	440
(june - july 2013)	net			0	0	341	0	341
Stanković Rajko	gross	1	1	0	0	440	0	440
(june - july 2013)	net			0	0	341	0	341
Biček Robert	gross	1	1	0	0	440	0	440
(june - july 2013)	net			0	0	341	0	341

As explained in chapter 4.6.1 – Management and governance of Elektro Gorenjska Company, besides the attendance fees they have been receiving also monthly payments for the performance of the function.

Costs of other supervisory board members' benefits in year 2013 are shown in the following table.

in EUR

INSURANCE COSTS	
1. EXTERNAL MEMBERS OF SB (UNTIL 26. 8. 2013)	
mag. Darjan Petrič	626
dr. Aleš Groznik	626
mag. Alenka Bradač	626
mag. Dušan Kapevski	626
2. EXTERNAL MEMBERS OF SB (FROM 27. 8. 2013 ONWARDS)	
Samo Logar	226
Andrej Koprivec	226
mag. Tedo Djekanović	226
Elvis Duraković	226
3. INTERNAL MEMBERS OF SB	
Vojko Oman	852
Leopold Zupan	852

Following table presents memberships of the company's supervisory board members in other managerial and supervisory bodies.

MEMBERSHIPS	
1. EXTERNAL MEMBERS OF SB	
mag. Darjan Petrič	Supervisory board of Vincenc Draksler Foundation for Addicts Management - Strateško in informacijsko svetovanje Darjan Petrič s. p.
dr. Aleš Groznik	Supervisory board of Modra zavarovalnica
mag. Alenka Bradač	Supervisory board of Tržič Municipality; AB PLUTOS, business consultancy Alenka Bradač s. p.
mag. Duško Kapevski	Management board member in Construction Institute ZRMK d. o. o.
Samo Logar	-
Andrej Koprivec	Management – KOPRICO d. o. o.
Tedo Djekanović	Supervisory board Triglav osiguranje d. d., Zagreb and Triglav Osiguranje a. d. o., Belgrade; management board member Triglav int. d. d.
Elvis Duraković	-
2. INTERNAL MEMBERS OF SB	
Vojko Oman	-
Leopold Zupan	-

Board of directors and the supervisory board did not receive any receipts in respect of performing the functions in controlled companies. Companies in Elektro Gorenjska Group received and also approved no advances, loans, or guarantees to persons mentioned in this chapter or groups of people and did not disclose any claims on them in this respect as of December 31 2013.

21. AUDITING COSTS

Under Article 57 of the Companies Act (ZGD-1) Elektro Gorenjska Group is subject to annual report audit. Contractual amount for auditing the financial statements of companies within the group and Elektro Gorenjska Group for year 2013 amounted to 24,100 EUR. Total costs of auditing services (different auditing firms) in year 2013 amounted to 25,374 EUR.

22. EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are presented in the Business report (Chapter 9 –Events after the balance sheet date).



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