interEnergo
a kelag company

Always in motion

Integrated Annual Report 2020

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Integrated Annual Report 2020
Interenergo, Ltd.

Our strategy and business are based on sustainable development. We understand this as business excellence with environmental and social responsibility. It also encompasses the simultaneous development of all six capitals at our disposal and our care for the retention of a dynamic balance.

Trading

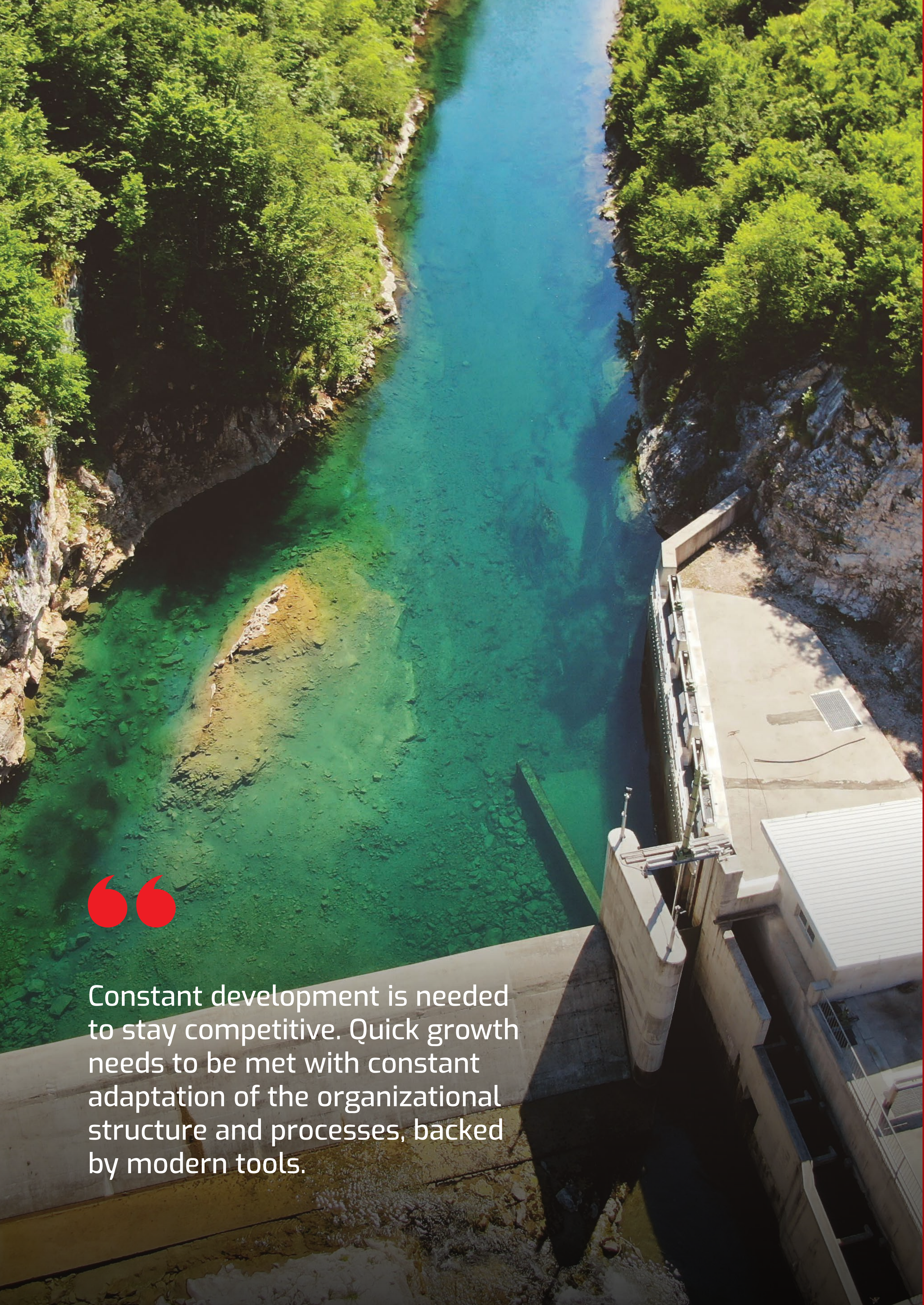
Trading is being developed in the direction of automation and quantitative analytical support.

Production of electricity

Our portfolio of power plants is diversified in terms of technology and geographic location.

Energy services

Many systems, using a wide variety of technologies, are currently in operation.



Constant development is needed to stay competitive. Quick growth needs to be met with constant adaptation of the organizational structure and processes, backed by modern tools.

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2020 Highlights

Sales revenue
in EUR million:
458.9

EBITDA
in EUR million:
5.4

EBIT
in EUR million:
4.3

Net profit
in EUR million:
1.1

Equity in EUR million
2019 62.5 **2020** 63.6

Investments in EUR million
2019 17.0 **2020** 36.9

Electricity produced by the Company in GWh
2019 2.9 **2020** 2.8

Electricity produced by the Group in GWh
2019 138.5 **2020** 121.1

Prevention of CO_2 emissions through production from renewable energy sources in tons
2019 47,622 **2020** 46,018

Prevention of CO_2 emissions from energy contracting projects in tons
2019 2,200 **2020** 4,200

Number of projects related to digital tools and own applications

Number of projects: **66**
Ongoing projects: **13**
Projects completed in 2020: **12**
Planned projects: **41**

Annual financial savings from the energy contracting projects in EUR thousand
2019 481 **2020** 881

Annual electricity savings from the energy contracting projects in MWh
2019 4,500 **2020** 7,600

Volume of traded electricity in TWh*
2019 26.4* **2020** 22.9*

* Inclusive of traded volume for own and foreign account.

Number of employees
2019 37 **2020** 44

Number of projects within the energy services in the Group

Energy contracting (EC)
2019 16 **2020** 21

District heating systems (DHS)
2019 3 **2020** 6

DHS by technology
Biomass boilers: 4
Natural gas boilers: 1
Combination of boiler and biomass cogeneration: 1

EC by technology
Heat production: 9
LED lighting: 9
CHP: 1
Complete renovation of buildings: 1
Cooling systems: 1

The number of renewable energy power plants in the Group, their installed capacity (MW) by technology and percentage increase in 2020

2020	Number of production facilities	Nominal capacity (MW)
Hydro	16 ↑ 23%	58.84 ↑ 17%
Wind	2 ↑ 100%	20.25 ↑ 102.5%
Solar	8 = 0%	2.86 = 0%

Letter from the Managing Directors

Figure: Blaž Šterk and Martin Dolzer

Agility, resilience, long-term sustainability. These simple words are at the core of our genetic code. As a result, 2020 was quite ordinary. Traditionally, we operated with success and exceeded our goals. We faced the unusual global challenges of the year without any negative impact on our business.

Despite special circumstances, the Interenergo Group completed the construction of the Vrbnica SHPP in Montenegro, and took over 2 SHPPs in Serbia and a wind farm in Croatia. Poor hydrological conditions in the region have had a negative impact on electricity production at our Group's hydropower plants. This further solidifies our decision to diversify the portfolio of production plants as much as possible in terms of technology as well as geographical distribution. In 2020, we invested EUR 37 million in renewable sources.

We are pursuing similar goals in the field of electricity trading activities, where we are introducing additional business models to adapt to the needs of energy markets and their development. We see an opportunity in the segment of services that connect production and consumption. We are developing trading to increase automation with algorithmic and quantitative analytical support. The realized revenue from traded electricity has decreased in comparison to 2019, and amounted to EUR 459 million in 2020. This is almost exclusively the consequence of an increased share of financial instruments trading.

Years ago, we included the pillar of energy services in the portfolio of activities with the aim of increasing resilience. From the beginning almost five years ago, we have managed to become a significant player in Slovenia, and last year we expanded to the market of North Macedonia. We have 27 systems in operation from a wide range of different technologies.

Constant development is needed to maintain competitiveness. Rapid growth must be accompanied by the adaptation of the organisational structure and processes, which must be supported by modern tools. Automation and digitization of processes are our daily task. Without the right information, there are no sensible business decisions. Therefore, developing and upgrading our BI system is a never-ending story.

What we missed most in 2020 were our co-workers. Contact via the screen cannot replace a live meeting and the flow of energies triggered by it. Although we fully trust our employees, even if they work from home, we will continue to promote genuine human contact in a safe way, as we see corporate culture as the main long-term competitive advantage.

If we take the slogan The future is electric, green and digital and add a proactive, motivated, connected and creative team to it, we cover all our key strategic emphases of what to do and how to achieve our goals. What is missing is the answer to the question why. Because the marginal utility of our activities is sustainably positive.

Blaž Šterk and **Martin Dolzer**

Company profile

Interenergo, energetski inženiring, d.o.o. (hereinafter also 'Interenergo' or 'Company') is an international company engaged in electricity trading, investments in facilities for producing electricity from renewable sources and energy services.

Company name	Interenergo, energetski inženiring, d. o. o.
Shortened corporate name	Interenergo, d. o. o.
Company name in English	Interenergo, energy engineering, Ltd.
Shortened company name in English	Interenergo Ltd.
Registered office	Tivolska cesta 48, 1000 Ljubljana, Slovenia
Telephone	+386 (0)1 620 37 00
Website	www.interenergo.com
E-mail	info@interenergo.si
Establishment	25 July 2006
Core business activity	35.111 – Production of electricity in hydropower plants
Ownership	KI-Kelag International, GmbH, 100 percent equity interest
Share capital	10.200.000 EUR
Tax ID no.	SI99144590
Company ID no.	2226405000

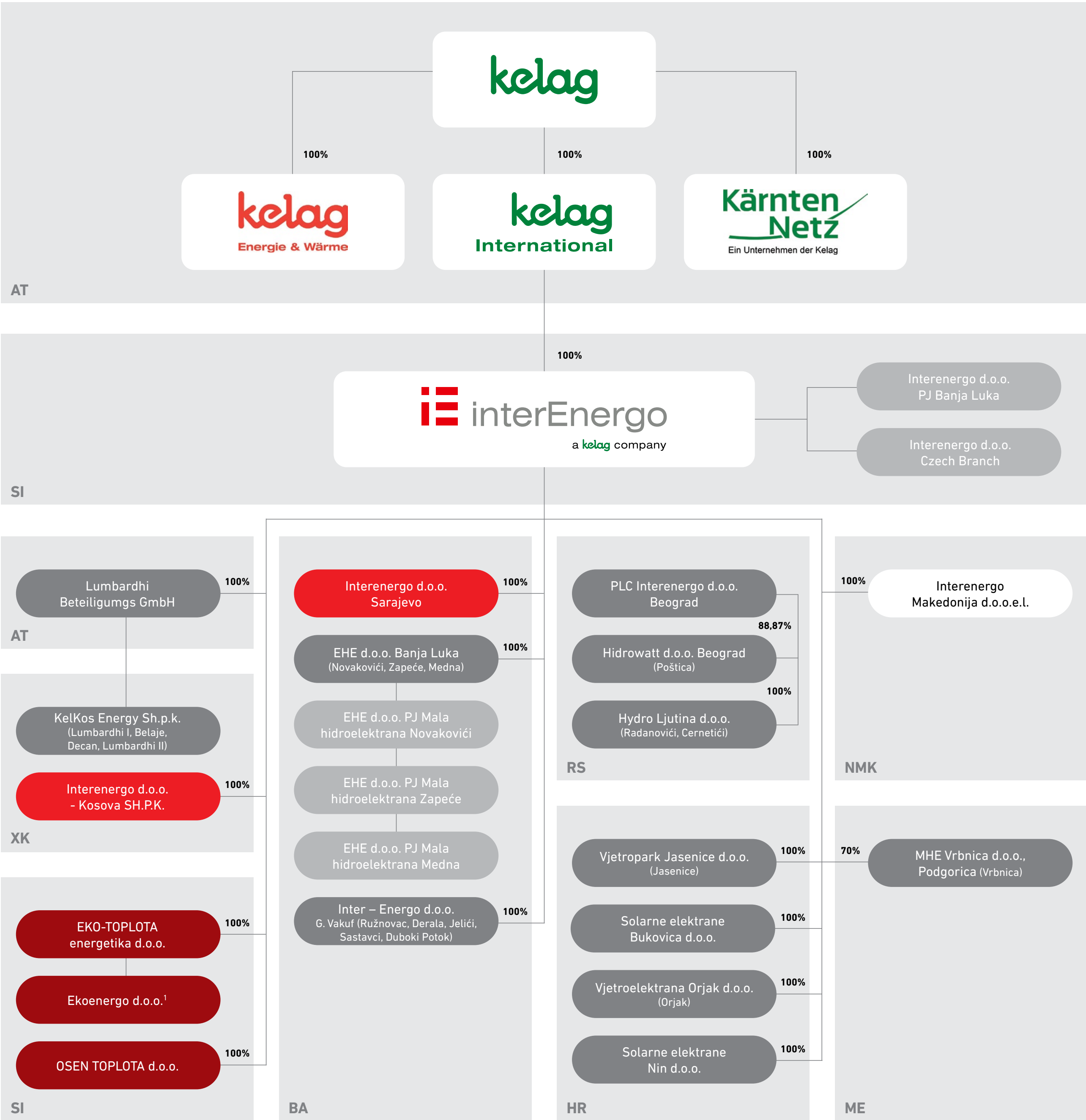
The management of Interenergo consists of two Managing Directors and two Holders of Procuration, who direct the operation and development of the parent company Interenergo and its subsidiaries. The company's operations are supervised by a four-member Supervisory Board, which approved a new Chairman and Deputy Chairman at the end of 2020.

Management Board:	
Managing Director	Blaž Šterk
Managing Director	Martin Dolzer
Holder of Procuration	Ingo Preiss
Holder of Procuration	Alfred Fürst

Supervisory Board:	
Chairman	Danny Güthlein
Deputy Chairman	Manfred Freitag
Member	Christian Schwarz
Member	Bernd Neuner

Interenergo Group

Figure: Interenergo Group



Trading · Energy services · Investments · Branch office · Several segments

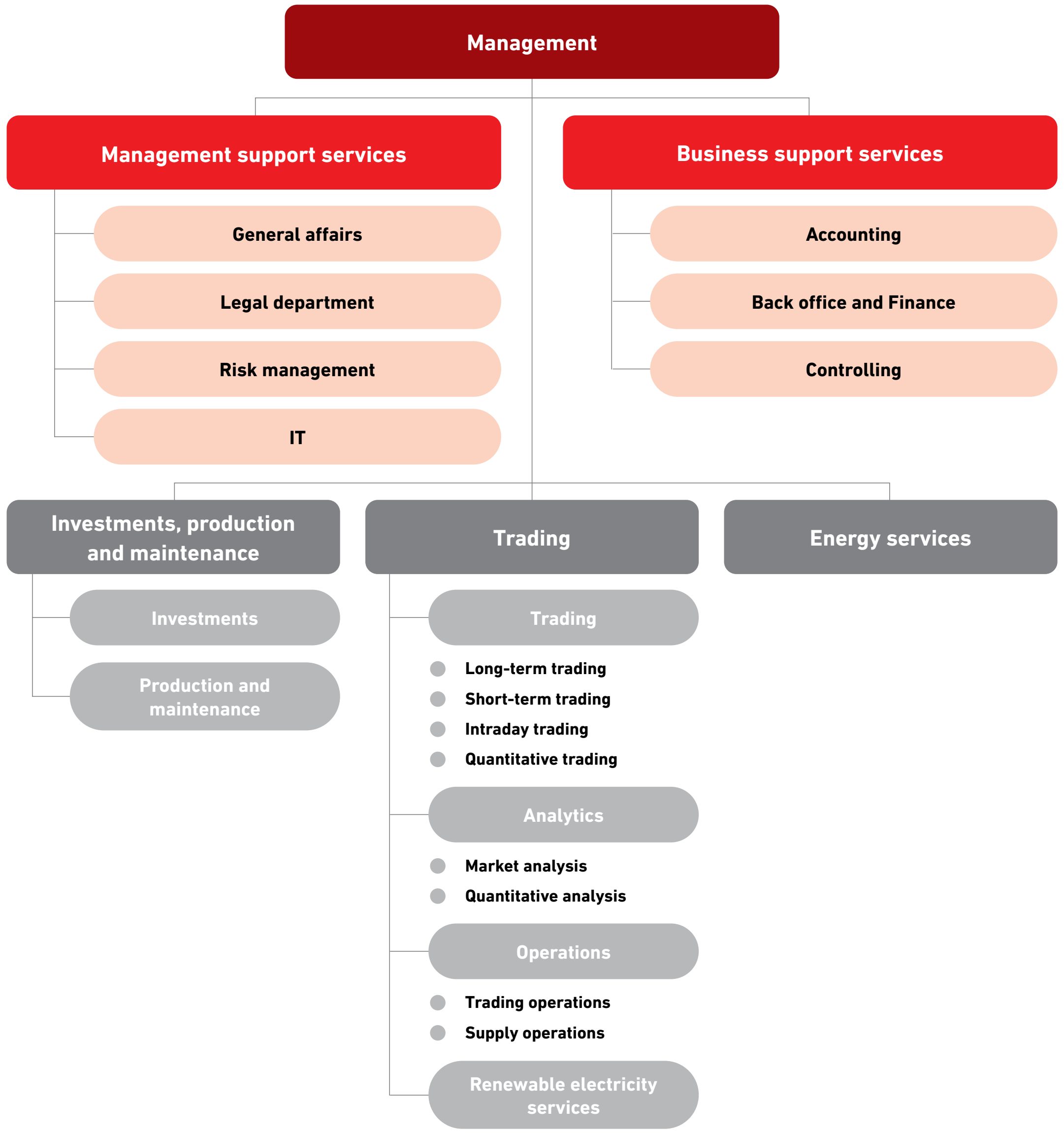
[1] Energetika Šentrupert, d. o. o., has been renamed to Ekoenergo, d. o. o.

Ownership structure

Since 2009, Interenergo has been part of the Austrian Kelag Group, which is one of the leading renewable energy companies in Central Europe and is majority-owned by Kärntner Energieholding Beteiligungs GmbH, owned by the Austrian state of Carinthia and the international energy group RWE.

Organisational structure

Figure: Organisational structure



Significant milestones

2007

- Start of operations

2008

- Joined the largest European power exchange – EPEX (Germany)

2009

- Joined the Austrian KELAG Group

2010

- Traded volume exceeded 1 TWh

2011

- Company's revenue exceeded EUR 200 million

2012

- Joined the HUPX power exchange (Hungary)
- Installed and started production in Martex and Mura solar PPs
- Started operations in the Novakovići small HPP (BA)
- Acquired Paloč 2 small HPP (BA)

2013

- Joined the GME power exchange (Italy)
- Acquired Rosewood 3 small HPP (BA)

2014

- Expanded the solar power plant portfolio with 5 new facilities

2015

- Traded volume reached 7.2 TWh
- Entered the Romanian market
- Started operations in the Zapeče small HPP (BA)

2016

- Traded volume exceeded 10 TWh and EUR 370 million of revenue
- Joined following power exchanges: SEEPEX (Serbia), OTE (Czech Republic), OKTE (Slovakia), CROPEX (Croatia)
- Entered the Swiss network Swissgrid

2017

- Traded volume exceeded 21 TWh and EUR 891 million of revenue
- Joined the IBEX power exchange (Bulgaria)
- Expanded the solar power plant portfolio with a new facility
- Launched energy services activity
- Concluded the first contract for energy contracting (ESCO)

2018

- Joined the HENEX power exchange (Greece)
- Started trading with financial instruments at the EEX power exchange
- Started operations in Medna small HPP (BA)
- Performed 8 energy contracting projects
- Acquired 4 HPPs in Kosovo of the Kelkos company

2019

- Successfully constructed and started operations in the 10 MW Jasenice wind park in Croatia
- Acquired Zarja Ekoenergija, that manages two wood biomass district heating systems
- Entered the market of complete building restorations based on the energy contracting principle
- Developed the service of managing renewables sources production

2020

- **Start of operation in Vrbnica small HPP (Montenegro), managed by the subsidiary MHE Vrbnica, d.o.o.**
- **Acquired wind farm Orjak, d.o.o., which manages the Orjak wind farm (Croatia)**
- **Acquired 2 HPPS on the Ljutina river (Serbia) by the subsidiary PLC Interenergo, d.o.o.**
- **Acquired Energetika Šentrupert, d.o.o. by the subsidiary Eko toplota energetika, d.o.o.**
- **Acquired Osen toplota, d.o.o.**
- **Concluded the first partnership agreement in the field of energy contracting abroad (North Macedonia)**
- **Implementation of the first project of integrated energy renovation of School Centre Kranj**
- **Concluded the first stand-alone contract PPA (Power purchasing agreement)**
- **Development of our own analytical models of algorithmic operations**

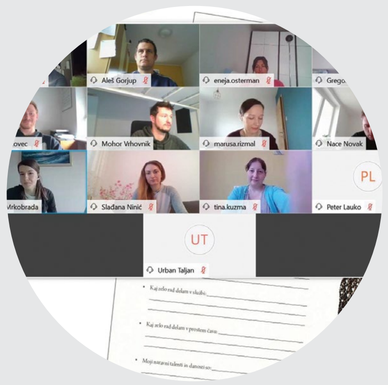
Major events in 2020

January

- We extended the agreement for investments in RES for another two years, based on the successful long-term cooperation with the Government of the Republic of Srpska (BA). As part of the previous agreement, which assumed investments in hydropower, our subsidiary EHE d.o.o. so far invested and built three small hydropower plants (15 MW). The new agreement will open up investment opportunities in the field of solar and wind energy production.
- In just over six months, we completed the project of renovating the entire public lighting in the municipality of Nova Gorica, which is the largest public-private partnership project in the field of LED lighting in Slovenia. Obsolete and inefficient existing luminaires have been replaced with 3,900 LED luminaires, which provide optimal lighting of public areas with automatic adjustment.

February

- We started the installation of a cogeneration system in the company Belinka, which simultaneously produces over 8,000 h/year of electricity, heat and steam for the technological process. With the new solution, the company will cover 30 percent of its own energy needs.



March

- At the beginning of the COVID-19 epidemic, the company provided all employees with an immediate option to work from home in accordance with contingency plans, critical business processes were audited, and appropriate measures were taken to ensure their maintenance.

April

- We developed a technical solution for a centralized cooling system with the possibility of cascading operation and management via a central control system, now used in the Slovenian company Elan.

May

- We completed the construction of a small hydroelectric power plant Vrbnica in Montenegro with a nominal capacity of 6.8 MW, managed by the subsidiary MHE Vrbnica d.o.o.
- We started the installation of a cogeneration system for the simultaneous production of heat and electricity for the international company JUB, d.o.o., thus enabling them to self-supply with 68 percent of the produced electricity and 72 percent of the produced heat.
- We merged LSB Elektrane, d.o.o., with EHE, d.o.o.

June

- We concluded a contract on energy distribution, wood chip supply and servicing of the wood biomass district heating system (DHS) in the municipality of Preddvor with Energetika Preddvor, d.o.o., and became the new system manager.
- We took over a 100% ownership share of Hydro Ljutina, d.o.o., which operates two small hydropower plants on the Ljutina River in Serbia with a nominal capacity of 1.84 MW.

July

- We signed a contract with the Municipality of Benedikt according to the model of public-private partnership, in line with which we energetically renovated public lighting and lighting in the sports hall of the Municipality of Benedikt.
- We took over the management of the district heating system in the municipality of Idrija.
- We signed a concession agreement with School Centre Kranj for the comprehensive energy rehabilitation of the Secondary School of Economics, Services and Construction. Consistent with the energy contracting model, we renovated the school and gym in the size of 5,447 m^2, where we upgraded the old boiler room to extra light heating oil (ELKO) with energy efficient boiler room, replaced old inefficient lights with LED lights, installed a central control system of the entire building, insulated the attic, installed new joinery and glazed the facade.
- We developed a reliable technical solution for the simultaneous production of heat and electricity (CHP) for the company DEOS. In addition to the two existing gas boilers, we upgraded two CHP plants, which will cover 75 percent of the thermal needs of the building, and the gas boilers will only be used for covering the peaks.

August

- Our company in North Macedonia acquired a project for the energy renovation of public lighting in the municipality of Radoviš in North Macedonia. This is our first project in the field of energy services abroad.

October

- We signed the first stand-alone Power Purchasing Agreement (PPA) for the purchase of electricity from wind farms in Hungary, with a total nominal capacity of 10 MW and approximate annual production of 27 GWh.
- Company Eko-toplota energetika, d.o.o., took over the company Energetika Šentrupert, d.o.o. (hereinafter: Ekoenergo, d.o.o.), which increased the portfolio of district heating systems managed by the Interenergo Group. At the same time, the company Zarja ekoenergija, d.o.o., merged with the company Eko-toplota energetika, d.o.o., which now operates three wood biomass district heating systems.

November

- At the Environmental Meeting conference, we received an award in the category of Environmentally Friendly Service for the project "Use of artificial intelligence in heat production for a remote system".
- The small hydroelectric power plant Vrbnica in Montenegro with a nominal capacity of 6.8 MW started operating.

December

- We took over a 100% ownership share of the company Vjetroelektrana Orjak, d.o.o., which owns a wind farm in Croatia.
- We took over a 100% ownership share in the company Osen toplota, d.o.o., which ensures the production and supply of thermal energy with a wood biomass district heating system in the municipality of Pivka.
- We took over an 80 % ownership share of the company Solarne elektrane Nin, d.o.o., in Croatia.

Vision, mission and values

The energy industry is constantly changing and we will not only adapt to, but also co-create those changes. While they bring new opportunities, there are also many risks. Putting these changes forward is the best possible way to mitigate the risk.

Renewable sources are at the core of our business model. Quality investments in the energy industry are, by definition, well thought out and made with a longterm vision in mind. Interenergo, together with its parent company Kelag, ensures progress and a strong financial support.

Vision

We are transforming from an electricity company into an energy company.

We will increase the production of energy from renewable sources, expand trading activity in the markets of continental Europe and provide advanced services and flexible energy supply in the region.

Mission

Using innovative solutions we create the energy of the future.

We transform energy trends into smart growth and integrate innovative solutions to ensure high added value for our stakeholders.

Values

Targeting

We believe that with a clear vision, objectives, and perseverance anything is possible.

- We form our own processes and priorities for achieving our goals.
- We adhere to high standards of quality.
- We are persistent and overcome obstacles.
- We can achieve outstanding results.

Responsibility

We take responsibility for the results of our work, the results of our employees, and the Company.

- We stand by our actions.
- Eliminate deficiencies in a proactive way.
- We do our best and more to be successful.
- Each employee generates added value.

Growth and development

Quality and professional services reflect our on-going learning and investing in knowledge.

- We find the possibility of improvement in everything.
- We take care of personal and professional growth based on self-initiative.
- We seek new solutions.
- We keep our focus on technologies of the future.

Teamwork

Every single one of us is important and together we are one step ahead.

- We create a pleasant working atmosphere through ease and transparency.
- We cooperate, respect and help each other.
- Individual goals are adapted to common goals.
- None of us can achieve as much individually as we can achieve together.

Corporate governance

Interenergo is headed by a Management Board that consists of two Managing Directors and is supervised by a four-member Supervisory Board. Interenergo's parent company and its sole owner is Kelag with its registered office in Austria.

Working pursuant to the highest corporate integrity and responsibility has been the cornerstone of the Interenergo Group since its very beginning. Business compliance is integrated into all aspects of Group's business operations.

Corporate governance statement

Pursuant to provisions of Paragraph 5, Article 70 of the Companies Act (The Official Gazette of the Republic of Slovenia, no. 55/2015), the following corporate governance statement is herewith provided as part of the business report.

Reference to the Corporate Governance Code

During its business operations in 2020 Interenergo adhered to the Corporate Governance Code for Nonlisted Companies (authors: the Slovenian Directors' Association (ZNS), the Ministry for Economic Development and Technology, and Slovenia's Chamber of Commerce), published at the web site www.gzs.si (hereinafter: Code).

Data on scope of deviations from the Code

While engaged in its corporate activities, Interenergo deviated in 2020 from following provisions of the Code:

Item 2.1.2. As Interenergo is a company with one shareholder, its Articles of Association do not determine mechanisms for solving disputes among shareholders and the possibilities, measures and proceedings of withdrawal or exclusion of shareholders.

Item 2.4. The Articles of Association are published at the web site of the Agency of the Republic of Slovenia for Public Legal Records and Related Services; thus, we believe that they are not required to be additionally published on the Interenergo's web site.

Item 2.7. Goals of Interenergo are defined in its other documents, hence their inclusion in the Articles of Association is unnecessary.

Item 2.8. Key relationships between the Company's bodies, relationships with shareholders and stakeholders, and the main corporate governance policies with respect to its long-term goals are set out in Company internal acts, therefore we believe that the adoption of Company's corporate governance policy is not necessary.

Item 4.3.2. All members to the Supervisory Board are appointed by the sole shareholder, and those connected with it or its parent company.

Item 4.6.2. All members to the Supervisory Board are appointed by the sole shareholder, and those connected with it or its parent company.

Item 4.6.4. In 2020, the Supervisory Board failed to consist of at least 20 percent members of each gender.

Item 5.12. Although Interenergo is pursuant to provisions of the Companies Act classified as a large company, we believe that the establishment of committees is unnecessary due to low number of employees and consequently smaller management-related complexity.

Item 9.2. All members of the Supervisory Board are properly trained by the parent company of the sole shareholder, where there are employed, hence a separate training programme on the Interenergo level is not necessary.

Item 11.3.5. The internal audit of Interenergo is conducted by the internal audit division of the sole shareholder's parent company

Key features of internal control and risk management systems in connection with the financial reporting process

With the purpose of ensuring greater transparency, efficiency and accountability, the Company has established a functioning system of internal controls and risk management, which corresponds to the organisational structure. The internal control system is supported by an adequate information system that enables the Company to accurately, promptly and comprehensively process data on a daily, weekly, monthly and annual level. This ensures that information on business operations is complete and that at the year-end the financial statements give a fair view of the Company's position.

Interenergo's Shareholders' Meeting, its key competences and description of shareholders' rights

The shareholder independently decides on amendments and additions to the Company's Articles of Association; status-related changes; adoption of the annual report if the Supervisory Board did not confirm it or if the Management and the Supervisory Board leave the decision on the annual report's adoption to the shareholder; use of the accumulated profit or covering of loss; payment and reimbursement of subsequent contributions; set-up and recall of the Supervisory Board; granting discharge to the Management and the Supervisory Board; division and termination of equity interests; increase or decrease in share capital; appointment of the Company's auditor; Company's representation in legal proceedings filed against managers; the dissolution of the Company; other matters determined by law.

The shareholder adopts its decisions by entering them into a special register of decisions.

Data on composition and working of the supervising and managing bodies, and their committees

Interenergo's Management Board consists of two managing directors and two holders of procuration, which direct the working and development of Interenergo and its subsidiaries. Company's business operations are supervised by a four-member Supervisory Board. The list of members of the Management and Supervisory Board is provided in the presentation section hereof.

Diversity policy

Interenergo has not adopted a diversity policy for the management and supervisory bodies. Candidates for members of the Management and Supervisory Boards are selected on the basis of expertise, competences and work experience, without discrimination on grounds of gender, age or education. By following the Corporate Governance Code for Non-listed Companies and other internal acts, Interenergo, however, ensures transparent and sound management.

We are agile, resilient and sustainable. Our business results are traditionally successful and above the set goals. We handled the major global challenges handled without a negative effect on our business.

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Business report

Strategic challenges and strategic goals

The current global reality is marked by responses to the pandemic and awareness of resilience to such stress, climate change challenges, and a lack of response to the sustainability of the global economic paradigm. While the pandemic has no significant long-term impact on energy activity, as it currently only complicates operations and indirectly negatively or in some cases even positively affects the profitability of certain business models, the other two challenges are key to the direction of business development.

The EU's commitment to medium-term CO_2 neutrality through policies has a direct impact on the structure and development of energy. Policy directives to promote renewables and green technologies through subsidies, CO_2 schemes, co-financing of hydrogen technology development projects, etc. affect the structure of production resources and, to a lesser extent, also energy consumption. A huge financial stimulus as a pandemic mitigator and at the same time a potential cure for the deficit in global demand is looking for new investment opportunities and thus spilling over into the energy markets.

As an active electricity trader and investor in production resources, we are constantly adapting to new realities. We are also trying to think of ideas for reducing financial incentives for renewables. However, our strategy is based on the premise that, in the end, performance is what makes the difference between winners and losers. The foundation of a good performance is human capital, which achieves extreme effects through appropriate personnel selection and good management due to team synergy. For effective tactical implementation, modern tools must be used, and that is where digitalization comes in.

Business environment analysis

The COVID-19 pandemic, combined with rigorous health and protection measures, severely affected global economic activity in 2020. Strict measures to curb the spread of coronavirus have led to a marked decline in economic activity due to the cessation of non-essential operations and hampered the accomplishments of other service activities. To lessen the negative effects of the pandemic, extensive packages of measures have been adopted at the national level and within the European Central Bank and the European Commission to mitigate the loss of economic and household incomes, provide liquidity and support the recovery of economic activity. These measures significantly mitigate the decline in economic activity and are vital for restarting activity.

With the gradual easing of containment measures in 2021, economic activity in Slovenia and globally could begin to recover, but isn't expected to return to pre-pandemic levels before 2022. The depth of the decline and the speed of recovery in 2021 and 2022 will vary greatly from country to country and will depend on the course of the epidemic and the severity of the containment measures, as well as the differences in the structure of the economies and the responses of each country's internal policies. The recovery will be limited over the next two years due to continual tackling of the epidemic and perpetual uncertainty, but will be supported by large financial packages agreed at national and EU levels, increased public investment and state aid to businesses and residents, and monetary stimulus policies. The rapid introduction and widespread use of an effective vaccine or rapid progress in treatment will significantly improve the prospects for higher economic growth in 2021.

The biggest risk for the realization of the estimated growth of Slovenia's economic activity is related to the epidemiological situation inside the country and the epidemiological situation in its important trading partners. Another important aspect is to gradually and thoughtfully withdraw measures to mitigate the effects of the epidemic.[2]

Table: Estimation and forecast of GDP growth

Real GDP growth rate in %	2019	2020e	2021p	2022p
Slovenia	3.20	-6.60	4.30	4.40
Euro zone	1.30	-7.20	4.20	3.60
Globally	2.80	-3.50	5.50	4.20

Note: e – estimate, p – projection.

[2] Source: UMAR, Winter forecast of economic trends 2020.

Summary of events in the energy market in 2020[3]

Electricity consumption in the EU-27 fell by approximately three percent in the first quarter of 2020. Despite the positive outlook at the beginning of the year, the emergence of coronavirus and measures to prevent the spread of the virus led to a drop in economic activity. Warm winter and temperatures, which were 2.7 degrees Celsius above the average for this period, further contributed to the drop in electricity consumption. The average price of emission coupons fell by eight percent compared to Q4 in 2019. In the first quarter of 2020, due to overcrowded storage facilities and lower consumption, natural gas prices in Europe continued their downward trend. Natural gas prices were also followed by coal prices on world markets, but lower prices did not help to increase production from these sources. The share of production from fossil fuels fell from 38 percent to 33 percent, which is a record low.

Electricity prices on the European wholesale market fell by almost a third in the first quarter compared to the end of 2019. The reasons for the decline in prices can be attributed mainly to relatively warm weather during this period and good conditions for electricity production from renewable energy sources. The share of electricity production from renewable energy sources reached 40 percent of total electricity production.

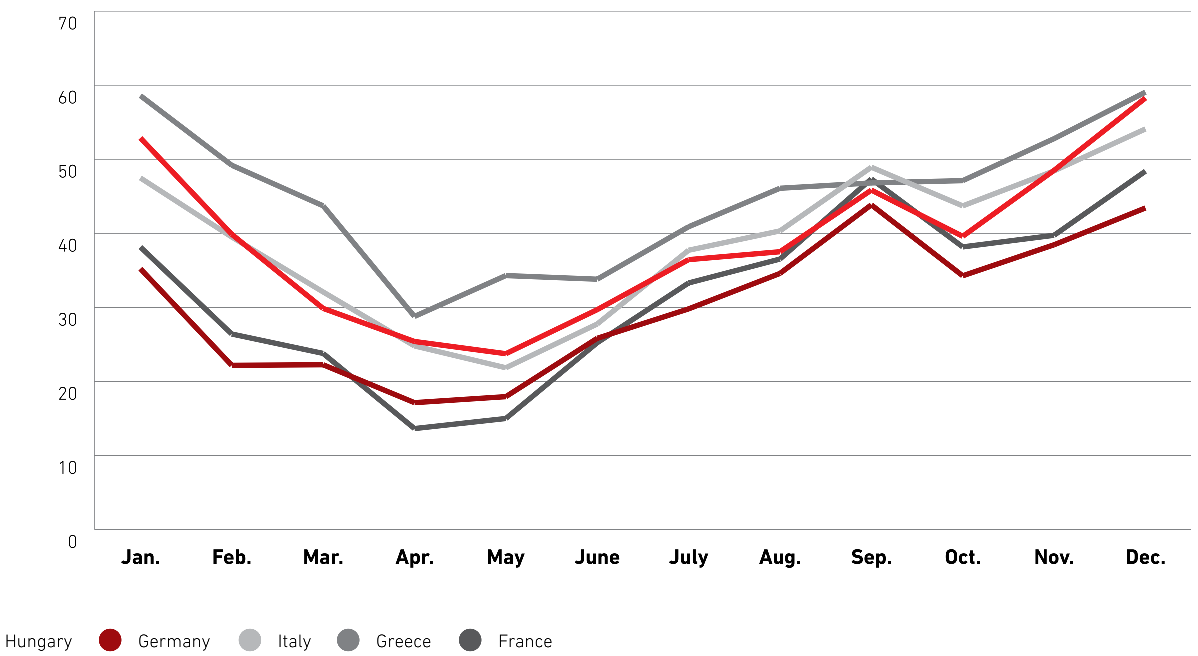
The trend from the end of the first quarter continued in the second. Electricity consumption as a whole fell by 11 percent compared to the same quarter in 2019. The price of coupons in the spot market fell further on average compared to the first quarter, but price and liquidity rose by the end of the quarter. Coal production experienced a sharp decline, as it was pushed out of the energy mix by a more competitive gas due to lower demand for electricity and growth in solar energy production. Renewable energy production rose further to 43 percent of total electricity production this quarter, while electricity prices in wholesale markets fell by a drastic 52 percent compared to the same quarter in 2019.

The third quarter was marked by an economic recovery after the spring closure, which was also reflected in electricity consumption, which fell by an average of three percent. The price of emission coupons recovered and in September exceeded EUR 30/t. This growth was followed by wholesale electricity prices, which also rose higher due to the low availability of nuclear power plants in France. Due to seasonality, the share of renewables decreased slightly compared to the second quarter and amounted to 37 percent. Growth in electricity demand has had a positive effect on fossil fuel production. At the same time, increased production of electricity from solar energy and a good hydrological picture contributed to satisfactory production of hydropower in combination with the high price of emission coupons and limited even greater growth in the production of energy from coal. Wholesale prices on the spot market reached the level of prices on forward markets with the economic recovery at the end of the quarter.

The last quarter was marked by the second wave of the COVID-19 pandemic, which also had a strong impact on the electricity market. Electricity demand fell again, but this time less than during the first wave. The price of emission coupons continued to rise, mainly due to stronger commitments by EU members to reduce greenhouse gas emissions and a more active transition to green energy sources. At the end of December, the price surpassed EUR 33/t and ended the year at a record high. Until the end of the year, energy prices followed the trend from the third quarter. Compared to the same quarter of 2019, wholesale electricity prices mostly achieved positive growth, and in some countries exceeded five percent.

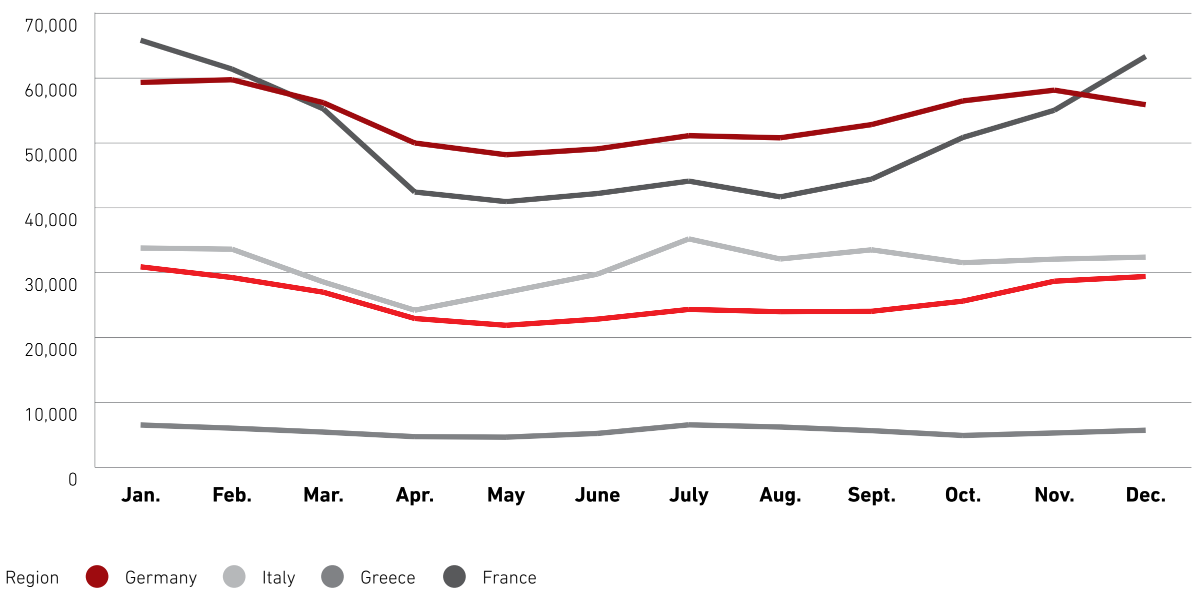
[3] Source: Internal analysis based on data from quarterly EU Commission reports.

Figure: Average monthly SPOT electricity prices on the wholesale market in EUR/MWh



Source: Internal analysis.

Figure: Average monthly electricity consumption in MWh



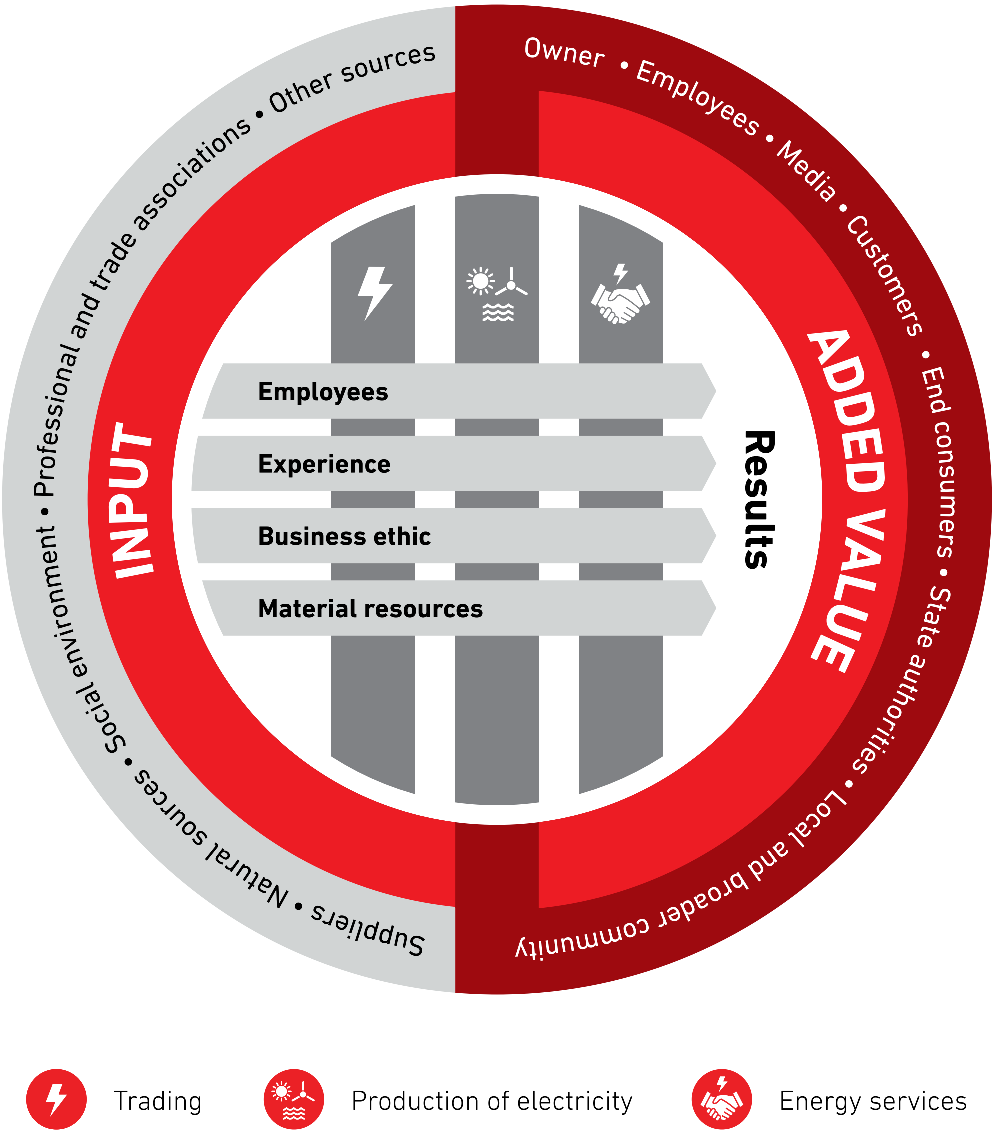
* The region represents the monthly average electricity consumption of the following countries: Hungary, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Romania and Bulgaria.

Source: Internal analysis.

Business model

Interenergo's business model is based on the intertwining of three pillars of activities, trading, electricity generation and energy services with key Interenergo capitals, which activate these pillars and thus create added value for the stakeholders. The key capitals are material resources (natural, production and financial), experience and business ethics, and last but not least, the employees of Interenergo. We create this value in cooperation with the environment, with key stakeholders and especially for these stakeholders. The key ones among them are not only suppliers, customers and users, but also other stakeholder groups, indirect users of the added value generated by Interenergo.

Figure: Business model



Sustainable development

Interenergo operates in accordance with the Group's existing strategy for the period 2018–2022 and considers the company's sustainable goals. The strategy, based on three key pillars, such as investments in the construction of energy facilities for the production of energy from renewable sources, energy services and electricity trading, pursues sustainable development, which we see as business excellence and environmental and social responsibility.

We think of sustainable development primarily as the harmonious development or growth of all six capitals that the company has at its disposal. As this coherence is a dynamic equilibrium, a necessary consequence of the sustainable orientation is that different capitals grow with different dynamics in different periods. At a time of greater investment in new resources for the development of social, human and intellectual capital, such as 2020, it is not surprising that financial capital is consequently slightly behind. In the next period, investments in the development of digitalization, new staff and especially new services that will benefit users, will lead to disproportionate growth of financial capital, while due to our business philosophy we expect a lasting positive growth of effects on natural capital. This philosophy has been the driving force behind the development of Interenergo so far and will continue to be so.

Compliance with the principles of sustainable reporting

In external support to the philosophy of sustainable development and in support of reporting, we use:

- **the goals of the United Nations**, which are becoming a universal standard for sustainable development and represent a plan for resolving the global crisis in an agreed, just and environmentally friendly way;
- **the GRI G4 (Global Reporting Initiative) international guidelines**, which represent the world's most widespread model of sustainable reporting and are based on measurable indicators of the economic, social and environmental impact of the organisation;
- **Integrated Reporting Council guidelines**, which encourage a concise presentation of ways of creating and increasing value for diverse stakeholders.

Figure: Sustainable development goals

Impact on society

Key stakeholders

Stakeholders	Added value	How we include them
Customers	• Timely and reliable delivery • Compliance with business agreements • Harmonized terms of sale • Long-term cooperation	• Transparent and non-discriminatory sales procedures • Compliance with the Kelag Group Code of Ethics
End consumers	• Reliability • Regular electricity supply • Safety • Competitiveness	• Regular communication • Professional and technical support • Prompt response time • Information about novelties and system delivery
Local and broader community	• Sponsorships and donations to business, cultural, scientific, sports and other events • New jobs • Availability of electricity from renewable sources	• Consistent observance of applicable regulations • Appropriate cooperation with energy, financial and other regulators
Media	• Regular and up-to-date information on performance results of the Company and its subsidiaries • Regular communication about ongoing activities	• Maintaining a constructive relationship based on the idea that actions speak louder than words

Stakeholders	Added value	How we include them
Professional and trade associations	• Transfer of knowledge and experience • Increase in power • Financial contributions	• Active participation
Suppliers	• Settlement of financial liabilities • Clear criteria for the selection of subcontractors • Consistent settlement of agreed obligations • Long-term relationships	• Transparent cooperation • Agreements in the contract • Non-discriminatory procurement procedures
Owner	• Relevant and timely information • Performance that leads to profit pay-out • Effective corporate governance	• Supervisory Board meetings • Participation of Kelag's employees in decisionmaking • Participation in joint projects and workshops • Meetings
State authorities	• Compliance with regulations • Provision of quality access to electricity • Sound and fair behaviour on the market	• Consistent observance of applicable regulations • Appropriate cooperation with energy, financial and other regulators

Customers

Trading

Trading volume of the company in TWh

2019	2020
26.4*	22.9*

Revenue from electricity trading in EUR million

2019	2020
699.3	458.9

* Inclusive of traded volume for own and foreign account.

In 2020, we exceeded the estimated plan in the field of electricity trading and thus continued the trend of successful trading. The amount of electricity traded at the company level reached 22.9 TWh. Realized revenues from electricity trading of the company in 2020 amounted to EUR 458.9 million, which is 35 percent less than in 2019. The main reason for the decrease is that the company transferred part of the electricity trading from the physical market, where it trades through energy exchanges and commodity forwards directly with partners, to the financial market, where it trades standardized futures contracts on the EEX, revenues and expenses from this address are shown in the company's financial statements in netted amounts, while revenues and expenses from trading on the physical market are shown in the company's financial statements in gross amounts. The achieved result was also marked by high volatility across markets and uncertainty due to the COVID-19 pandemic.

Electricity trading is one of the core activities of Interenergo, which is why accurate and reliable estimations of electricity consumption are of key importance to us. In 2020, we invested in the further development of our own analytical models of algorithmic operations and tools to support trading. Algorithmic trading provides us with a big competitive advantage in this area.

We signed our first stand-alone Power Purchasing Agreement (PPA) for the purchase of electricity from a Hungarian wind farm with a nominal capacity of 10 MW, which is an indicator of our successful work and contribution to a green and sustainable economy in the European Union. Contracts for the purchase of energy produced from renewable energy sources are crucial in supporting the transition to a green economy, as the period of state support schemes and state financing of RES projects for electricity generation is coming to an end. Interenergo thus enables investors in renewable energy sources access to market prices and other services for the economical operation of the renewable energy power plant.

Our presence on the markets and energy exchanges did not change in 2020: we were present in Slovenia, Austria, Italy, Germany, North Macedonia, Serbia, Montenegro, Bosnia and Herzegovina, Greece, Romania, Switzerland, Bulgaria, Croatia, Hungary, Czech Republic and Slovakia. We also traded on the European energy exchange EEX.

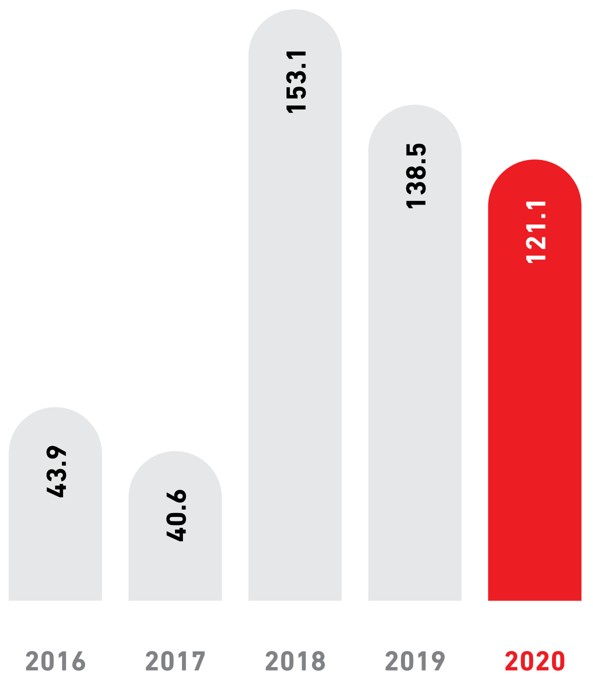
Figure: Presence on markets and energy exchanges

EPEX Spot	German power exchange
EEX	European Energy Exchange
OTE	Czech power exchange
OKTE	Slovak power exchange
Swissgrid	Swiss power grid
HUPX	Hungarian power exchange
BSP Southpool	Slovenian power exchange

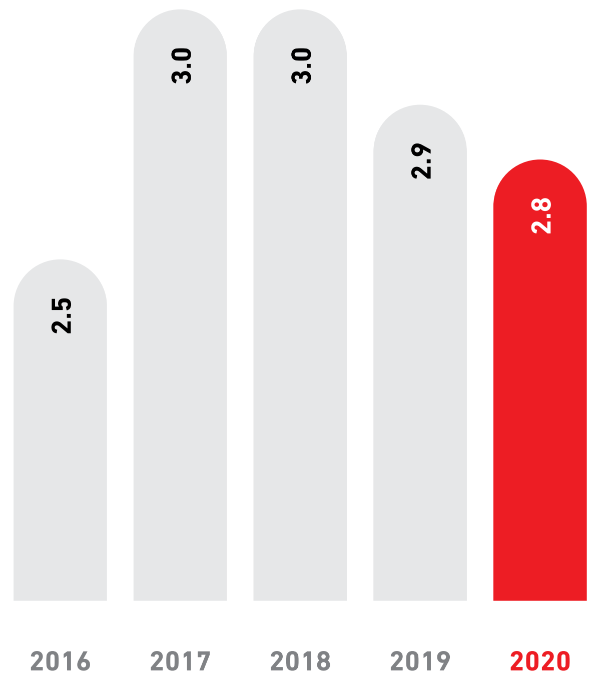
CROPEX	Croatian power exchange
OPCOM	Romanian power exchange
SEEPEX	Serbian power exchange
IBEX	Bulgarian power exchange
GME	Italian power exchange
HENEX	Greek power exchange

Production of electricity

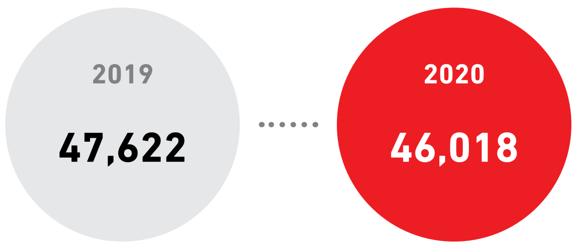
Electricity produced by the Group in GWh in the years 2016–2020



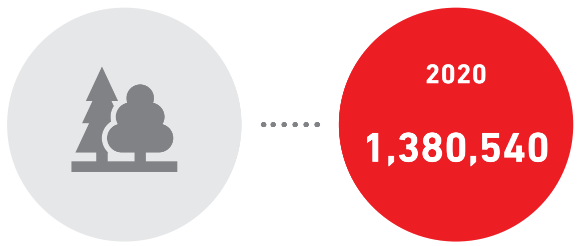
Electricity produced by the Company in GWh in the years 2016–2020



Prevention of CO_2 emissions through production from RES in tons



Number of trees needed to absorb the saved emissions



The electricity produced by the Interenergo Group in 2020 was 121.1 GWh, which is 13 percent less than in 2019, despite the low hydrology and the approximate 25% drop in planned quantities. By investing in development projects for the production of electricity with associated companies, headquartered in eight countries across Europe, Interenergo pursues its core values of environmental friendliness. By generating electricity from RES, we saved 46,018 tons of CO_2 emissions in 2020, which is equivalent to the amount absorbed annually by 1,380,540 trees.

We are constantly strengthening and expanding the range of projects for which we perform feasibility analyses. In 2020, we invested mainly in hydro and wind energy projects, and we actively researched the market of solar projects in the field of solar energy, especially in Croatia and North Macedonia. We continued to digitize maintenance processes and automate operations.

Units in operation

In the field of hydropower, our subsidiary in Montenegro completed the construction of the HPP Vrbnica with a nominal capacity of 6.8 MW, and our Serbian subsidiary acquired a 100% stake in Hydro Ljutina, d.o.o., which operates two small hydropower plants on the Ljutina River in Serbia, with a production capacity of 1.84 MW. With these new acquisitions, our Group is increasing our portfolio of small hydropower plants and our reputation as a professional and reliable company. With our knowledge base and employees, we enable optimal operation of hydroelectric power plants, which we regularly maintain for optimal electricity production. As of 31 December 2020, the Group had 16 operating production units in the Balkans with a total nominal capacity of 58.84 MW.

In the field of wind energy, the production capacity of electricity generation facilities in our Group increased by 10.25 MW. In cooperation with the parent Group, we took over a 100% stake in the company Vjetroelektrana Orjak, d.o.o., which will now be managed by Interenergo Group. The wind farm, which comprises five windmills, is located near Split in Croatia and produces 25 GWh of electricity annually and supplies around 7,000 households with clean energy. This is our second wind project in Croatia.

In 2020, we intensively developed wind projects in Bosnia and Herzegovina and North Macedonia. Our development and investments are part of a strategy aimed at strengthening the production of electricity from renewable sources, both locally and in the wider environment. We want to contribute to climate protection and transition to a green and digital future of energy.

The portfolio of solar power plants in Slovenia remained unchanged. The total nominal capacity of the Group's solar power plants was 2.86 MW on 31 December 2020, producing 2.8 GWh of electricity this year.

Units in development

In the coming years, the Interenergo Group has a plan for several projects in the field of solar energy at home and abroad. In Slovenia, we will develop several solar power plants and build at least two with a nominal capacity between 3 and 5 MW in the years 2021/2022. Two solar power plants in Croatia are under development with a total installed capacity of 15 MW and the planned start of operation in 2021/2022. We also plan to develop solar power plants in the Balkans, one in North Macedonia with 10 MW, and the other in Serbia with 5 MW of installed capacity.

In the field of wind farms, the capacity of the Jasenice wind farm in Croatia, which was built in 2019, will be expanded in 2021. In North Macedonia we will develop a wind farm with 30 MW of installed capacity, construction is expected to begin in 2021. We are also planning the development of two wind farms in Slovenia and the acquisition and development of a 50 MW wind farm in the Federation of Bosnia and Herzegovina.

Interenergo
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Figure: Power plant locations

Legend

- Solar power plant
- Wind power plant
- Hydro power plant
- MW Rated power

Slovenia

0.60 MW	Martex
0.10 MW	Grading Kurent
0.05 MW	SEP Eko Dar
0.12 MW	Hiko Trade
0.05 MW	Pack Service
0.46 MW	Jeruzalem Ormož
1.30 MW	Mura
0.18 MW	DOŠ1

Bosnia and Herzegovina

4.90 MW	Medna
4.10 MW	Zapeće
4.90 MW	Novakovići
0.70 MW	Sastavci
0.80 MW	Duboki potok
1.50 MW	Jelići
0.30 MW	Derala
0.80 MW	Ružnovac

Croatia

10.00 MW	Jasenice
10.25 MW	Orjak

Montenegro

6.80 MW	Vrbnica

Serbia

0.70 MW	Poštica
0.99 MW	Crnetići
0.85 MW	Radanovići

Kosovo

6.20 MW	Lumbardhi II
8.20 MW	Lumbardhi
7.20 MW	Belaje
9.90 MW	Decan

Energy services

Annual revenue from sale of energy services in EUR thousand

2019 340 ...... 2020 817

Prevention of CO_2 emissions from energy contracting projects in tons

2019 2,200 ...... 2020 4,200

Annual electricity savings from the energy contracting projects in MWh

2019 4,500 ...... 2020 7,600

The number of trees needed for absorption

...... 2020 126,000

Annual revenues from the sale of energy services in 2020 amounted to EUR 817,000, which is 140 percent more than in 2019, when sales revenues amounted to EUR 340,000. Actual annual energy savings through energy contracting projects amounted to 7,600 MWh in 2020, and annual financial savings to EUR 881,000. This year, we reduced CO_2 emissions by 4,200 tons, which is equivalent to the amount absorbed by 126,000 trees annually. We continued to invest in energy contracting and other technologies in Slovenia.

According to the model of energy contracting, which provides energy savings based on the repayment of investments in energy efficiency directly from the saved energy costs, we energetically renovated the Secondary School of Economics, Services and Construction of the School Centre Kranj. In three months, we replaced an old uneconomical boiler room with an energy-efficient one, which will use a highly efficient heat pump in combination with a natural gas condensing boiler to produce heat.

The new system will provide year-round financial savings of 66 percent and annual energy savings of 354 MWh. CO_2 emissions will be reduced by 140 tons annually – to absorb this, more than 4,200 trees would be needed.

We continued to implement energy efficient and environmentally friendly projects in the field of heat production and outdoor and indoor LED lighting, and updated our range of technologies with the implementation of the cooling project (Elan). In 2019, we had seven such projects, and in 2020, 12 new projects in which we invested approximately 5 million euros. With the acquisition of Ekoenergo, d.o.o., and Osen toplota, d.o.o., we increased our portfolio of district heating systems – Ekoenergo, d.o.o., produces heat from wood biomass for district heating of prisons in Dob and electricity from biomass cogeneration plants for sale on the market, and Osen heat, d.o.o., takes care of the production and supply of thermal energy in the municipality of Pivka.

A series of signed contracts for energy-saving renovation in Slovenian municipalities was followed by a contract for the renovation of public lighting in the municipality of Radoviš in North Macedonia, which is our first project started abroad by a subsidiary. In the municipality, which is 600 km2 in size, we have replaced existing old luminaires of various types with LED luminaires, which consume less electricity, require less maintenance, have a longer service life and are more environmentally friendly. We are constantly looking for and expanding a range of similar potential projects.

We are in constant contact with end consumers through energy services – this is why we adjusted communication in this part, based on the option that consumers can constantly be informed about all key data related to the realization of the contractual relationship through web applications and telephone communication.

Local communities

We act in a way that is socially responsible and our investments maintain or increase the quality of life in the immediate environment and beyond. By investing in the renovation of energy systems, we strive to improve the quality of living in public and private buildings, reduce energy consumption costs, increase the reliability of systems and improve the quality of air in the environment. For energy services, we always work with local partners and thus strengthen the local economy.

By investing in unit production in the Balkans through subsidiaries, we encourage the development of these areas. We indirectly provide jobs, thus improving the social situation of the local population, and we contribute to the standard of living by improving the infrastructure when building new production units. By constructing small hydroelectric power plants, we also establish flood protection.

Donations and sponsorships are an important way for us to connect with the local community in which we operate. In 2020, we financially supported charitable organisations, cultural organisations and educational and research organisations.

Donations:

- Chamber music society Amadeus,
- Rotary Club Ljubljana,
- Lions club Ljubljana
- Institution Klasika.

Sponsorships:

- Association of Students of Computer Science and Informatics,
- Zlati kamen 2020, Planet GV,
- Ljubljana Festival.

Media

Communication is key for good business and cooperation with all stakeholders, so we regularly cooperate with Slovenian and foreign media. We work transparently and build such a relationship externally, we communicate in an open and informative way.

Since 2020, we have been present on the social network LinkedIn, where we inform about our projects, important events, received awards and participation in conferences, as well as other important events.

Professional and trade associations

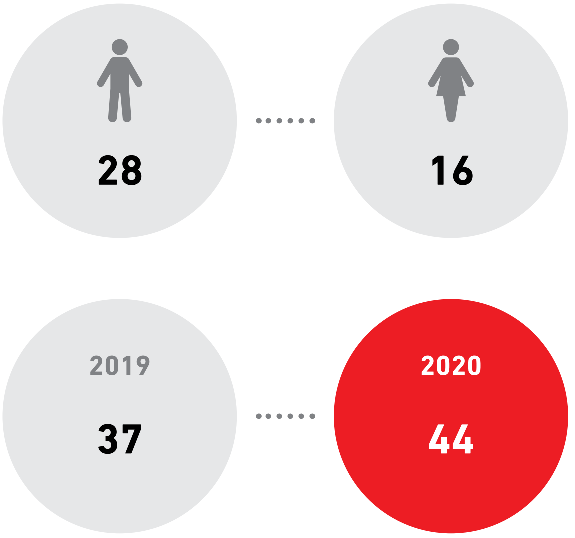
We see our mission in cooperation with various associations, in which we assert common interests in the field of energy and economy. With our experience, knowledge and support, we can also accelerate the transition to climate neutrality and the development of a green, smart and technologically advanced Slovenia. In addition to permanent memberships, we support the national alliance for a green economic recovery plan, which is actively addressing the challenges posed by the COVID-19 pandemic for our economy.

Memberships:

- Chamber of Commerce and Industry of Slovenia,
- Centre for Energy Efficient Solutions – CER,
- Slovenian Chamber of Engineers,
- Slovenian Economic Association.

Employees

Structure of employees by gender and number



Educational structure

Level	On 31 December 2020	On 31 December 2019
Secondary school (V)	1	3
1st level university (VI.1, VI.2)	17	20
2nd level university (VII.)	17	19
Master's degree (VIII.1)	2	1
Doctoral degree (VIII.2)	0	1
Students	7	7

Employees are a key stakeholder in Interenergo. They are the fundamental lever of our development, the key to realization of promises to stakeholders and the transfer of our values. In return for their contribution, employees are not only entitled to material compensation, but we also enable them to develop their careers and gain new knowledge and experience, which helps them raise their own value on the labour market. All this is provided not only through teamwork in a positive work atmosphere, but also through team building activities, opportunities for additional education, support for joint sports activities and also participation in events that we sponsor.

At the end of 2020, Interenergo had 44 full-time employees, which is seven more than in the previous year. We employ new staff in proportion to the growth of the company and the need for continuous development in the professional and innovation field. The company is adapting to new requirements of the environment and the wider society, so during the pandemic we switched to work from home without problems. As energy is a critical infrastructure, we also performed some work at the company's headquarters and on various other locations, where it was necessary.

The year 2020 was marked by several online trainings in the field of finance, accounting, marketing and learning about new computer environments and tools. Additional training was provided by department heads who attended various lectures on the topic of successful leadership. The average number of hours of education and training per employee is 24 hours. For the first time, team building was held only within departments due to preventive health measures. Despite a period full of business and personal challenges, measurements of the organisational climate showed above-average satisfaction. We encourage our employees to lead a healthy lifestyle, so we enable them to visit the gym for free, and they always have fresh seasonal fruit, water and coffee available at the company's headquarters. We have introduced a system of employee workplace health and safety training, which is according to legal provisions attended by all employees.

The transfer of knowledge and the involvement of young people in professional training are crucial for the common future of the wider society, so every year we offer the possibility of doing internships and student work. Students are assigned a mentor with whom they learn the basics of the professional field and upgrade their knowledge with practical experience. Student employment often develops into long-term collaboration with full-time employment. In 2020, an average of 7.6 students performed student work (2019: 8.3).

Remuneration in the company consists of permanent and variable work, which ensures the connection between the efficiency of the work of an individual employee and the amount of their salary. Variable reward systems are tailored to the nature of the work and provide an incentive for proactive action and employee engagement. At Interenergo, we implement the principle of equal pay for all employees and provide equal opportunities for remuneration for efficiently performed work.

Knowledge and experience

For the purposes of trading, we actively develop and use artificial intelligence to predict fundamental factors and price movements for various energy sources and financial instruments. We also use machine learning or artificial intelligence for more efficient management of energy consumption in the energy services department and for the preparation of simulations and production forecasts in the investment department, which enables us to make better decisions. We connect with other professionals, exchange knowledge and promote the development of artificial intelligence.

In the department of analytics and information technology, our employees have the necessary knowledge to develop and upgrade existing models as well as innovative ideas. In 2020, they developed business support applications, such as the Liquidity tool, and continued the introduction of automation into reporting systems, which we introduced in 2019 due to business growth and the need for better risk management.

In 2020, we continued to optimize and automate business support processes and began developing a five-year strategy in the field of information technology to maximize the digitalization of business processes at all levels. We monitor the development of new technologies and introduce them into our business in a meaningful way, while at the same time developing our own innovative solutions. We have developed a self-learning system for predicting heat consumption for 24 hours in advance, which we already use on our district heating (DO) systems, where artificial intelligence helps to save money. The project manager, who obtained the title of European Energy Manager (EUREM) for the project, presented our innovative project of using artificial intelligence in the system (DO) at the Environmental Meeting conference and received the third prize for the best innovation in energy solutions for 2020.

Business compliance

The compliance management system (CMS) of the Kelag Group and its subsidiaries, including Interenergo, has been certified in accordance with the Austrian standard ONR 192050 since 2014, and since 2016 in accordance with the international standard ISO 19600: Austrian Standards - Fair Business Compliance Certificate. The certificates confirm that the certificate holder implements an effective compliance management system and meets the requirements of the reference document, which includes areas of risk: anti-corruption legislation, data protection law, antitrust law, unfair competition law and public procurement law. The annual audit is performed by Austrian Standards plus GmbH.

Environmental liability

In accordance with our focus on providing electricity from renewable sources, we have been investing intensively in green technologies directly or through subsidiaries for more than ten years, at first exclusively in hydropower and solar energy, and from 2019 also in wind energy. We are constantly looking for energy solutions that go in the direction of the transition to a low-carbon society, and strive to produce clean energy from water, wind and sun, which are environmentally friendly sources. In various areas of business, we are introducing digitalization and new technologies that have positive effects on the environment.

Slovenia is a country enriched with forests, and almost all municipalities have a part of the territory overgrown with forests, which theoretically represents the potential of wood biomass. Interenergo's district heating systems use flat wood biomass in the form of wood chips or pellets, which are a domestic and renewable energy source. Therefore, more and more municipalities are opting for a wood biomass district heating system for space heating and preparation of sanitary drinking water. In the field of heat, we strive to use renewable energy sources and industrial waste heat. Regular emissions measurements are serving as proof of the environmental integrity of our district heating systems. These measurements have so far always confirmed that all emissions from our systems are at least five times lower than the limit values.

In 2020, we joined the Centre for Energy Efficient Solutions (CER), a network of advanced companies and organisations from various sectors that strive for a leading role in promoting and developing a climate-neutral economy. At their invitation, we joined the alliance for a green, smart and technologically advanced Slovenia. We also joined the "Tap Water" initiative and committed ourselves to encouraging and raising the awareness of our employees, partners, subcontractors and other stakeholders, that drinking tap water is healthier and more environmentally friendly than reaching for pre-packaged water.

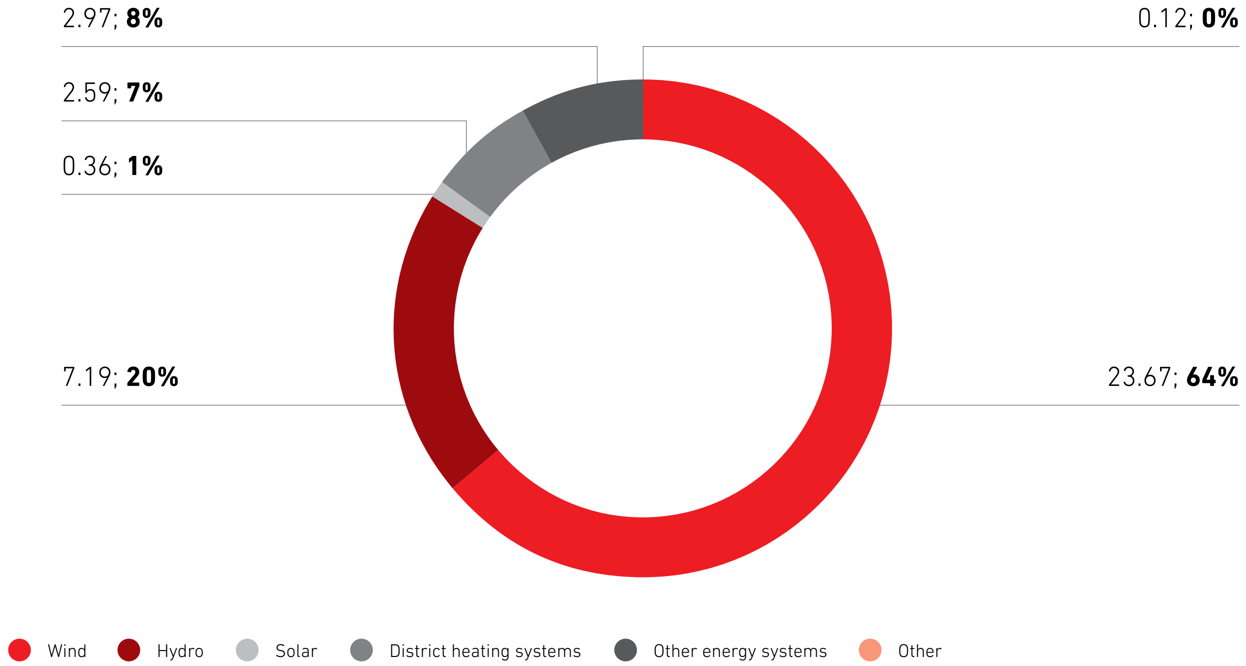
Financial management

In 2020, the company was marked by a markedly increased and development-oriented investment activity in the segment of investments in RES and also in the segment of energy services. We have invested as much as EUR 36.9 million in investments and new projects, which is approximately twice the usual investment activity in previous years. We invested the most in projects in the field of electricity production from renewable energy sources, namely a total of EUR 31.3 million, of which EUR 23.7 million in wind technology projects, EUR 7.2 million in hydro technology projects and EUR 0.4 million in solar technology projects. In addition, we invested EUR 5.6 million in energy systems, of which EUR 2.6 million in district heating systems and EUR 3 million in energy contracting projects.

In the field of electricity trading, we continued to shift trading from the previously predominantly physical electricity supply market to financial trading with standardized futures contracts, which brought the company a significant reduction in credit risk and more market opportunities due to greater liquidity of these markets compared to physical ones. As revenues from electricity trading on the financial markets are shown in the netted amount, the revenues in the company's financial statements are lower, which is only due to a different presentation of revenues generated on the financial markets compared to those generated on the physical market.

Although the business performance in 2020 did not reach the level of 2019, which was exceptional, it was significantly higher than the long-term average, despite the extraordinary situation in connection with the global pandemic; the company managed to generate EBITDA of EUR 5.4 million, which clearly shows the robustness and sustainability of the company's business model.

Figure: Structure of investments by type of technology in 2020 in EUR million



Risk management

Market risks

- Price risk
- Low market liquidity risk
- Currency risk
- Interest rate risk

Credit risks

- Default risk
- Non-supply risk

Financial risks

- Liquidity risk

Operational risks

- Organisational risk
- HR management risk
- Risk of misjudgement
- Risk of suspending operations

Other risks

- Legal risk
- Country risk
- Political risk
- Risk of amended legislation

Risks form an integral part of our activity; hence it is of utmost importance that we are aware of them and manage them appropriately. Accordingly, Interenergo has a risk management system in place, which ensures that all risks are identified, assessed and adequately managed. This makes the ratio between yield and risks consistent with the policies and guidelines adopted by the Kelag Group and management. Risks managed by the Company are classified into five core groups: market, credit, financial, operational and other risks.

Market risks

Market risks arise from the electricity and financial markets, as well as through fluctuations of prices, interest rates, exchange rates and have an impact on Company's operations and profitability. Consequently, all major changes in market risks are monitored and assessed on a daily basis.

Price risk results from possible price fluctuations on the market, which could have an adverse impact on business operations. The concluded, but not yet delivered, electricity-related contracts are exposed to price risk.

The Company is exposed to low market liquidity risk with open positions, which in case of low liquidity on the market, cannot be closed at 'fair value'. The respective risk is managed through constant monitoring of open positions and liquidity-related analyses performed for individual markets.

Transactions not denominated in euro are exposed to currency risk. The Company is not inclined to accept foreign currency risk as this is not part of its core activity, hence transactions concluded in a foreign currency are adequately hedged through foreign currency forward contracts.

Interest rate risk implies the possibility of loss due to unfavourable development of market interest rates. The Company discloses receivables and liabilities for long-term borrowings bearing a fixed interest rate, thus changes in reference interest rates on the market have no impact on the amount of Company's finance costs.

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Due to the increasing volatility in the market, the company has additionally developed a tool in the last year that monitors market risks and enables faster monitoring and management of positions.

Credit risks

Credit risk is defined as the risk that a contractual party will fail to meet its contractual obligations, thus affecting the entity's cash flow. Interenergo is exposed to credit risk through already delivered quantities, which arise from signed contracts (default risk), and through quantities that are not yet delivered and would in case of the contract's termination have to be replaced on the market at a price, which differs from the initially agreed in the relevant contract.

The Company is engaged in an active management of credit risk and of its financial exposure with respect to business partners, which is based on a consistent implementation of internal rules adopted by the Kelag Group and related and clearly defined procedures for identifying credit risks, and on assessing the exposure, defining the limits of permissible exposure and on the Annual Report 2019 29 ongoing monitoring of Company's exposure in relation to the individual business partner. Partners who are assessed as highly risky are additionally required to submit an appropriate form of collateral or insurance.

Financial risks

Liquidity risk represents entity's ability to settle its liabilities to its stakeholders. The risk is managed in the short term through constant monitoring and forecasting of (free) cash flow, daily monitoring of exposure to business partners, and consistent and efficient collection of overdue receivables. Long-term liquidity is ensured by approved credit lines at the parent company and commercial banks, as well as by an appropriate capital structure that ensures Company's financial stability. The Company developed a tool in the reporting period for monitoring liquidity, providing a better overview of liquidity requirements and thus reducing liquidity risk.

Operational risks

The Company defines the operational risks as the risk associated with the organisation of work processes, human resources management, risk of misjudgement and risks arising from suspension of business operations.

The risk of business interruption is associated with the failure of the information system, power outages, etc. Operational risks are managed by the Company based on established business processes, which include internal controls and precise job descriptions of individual departments and employees. Further, employees are engaged in continuous education and training. The stability of the information system is provided through uninterruptible power supply and continuous backups of databases.

Other risks

In addition to the above stated risks, the Company is exposed also to other risks such as legal, country, political risk and risk of amended legislation. Apart from the legal risks, the Company has no control over other risks and therefore monitors them closely and assesses the impact of changes on Company's operations.

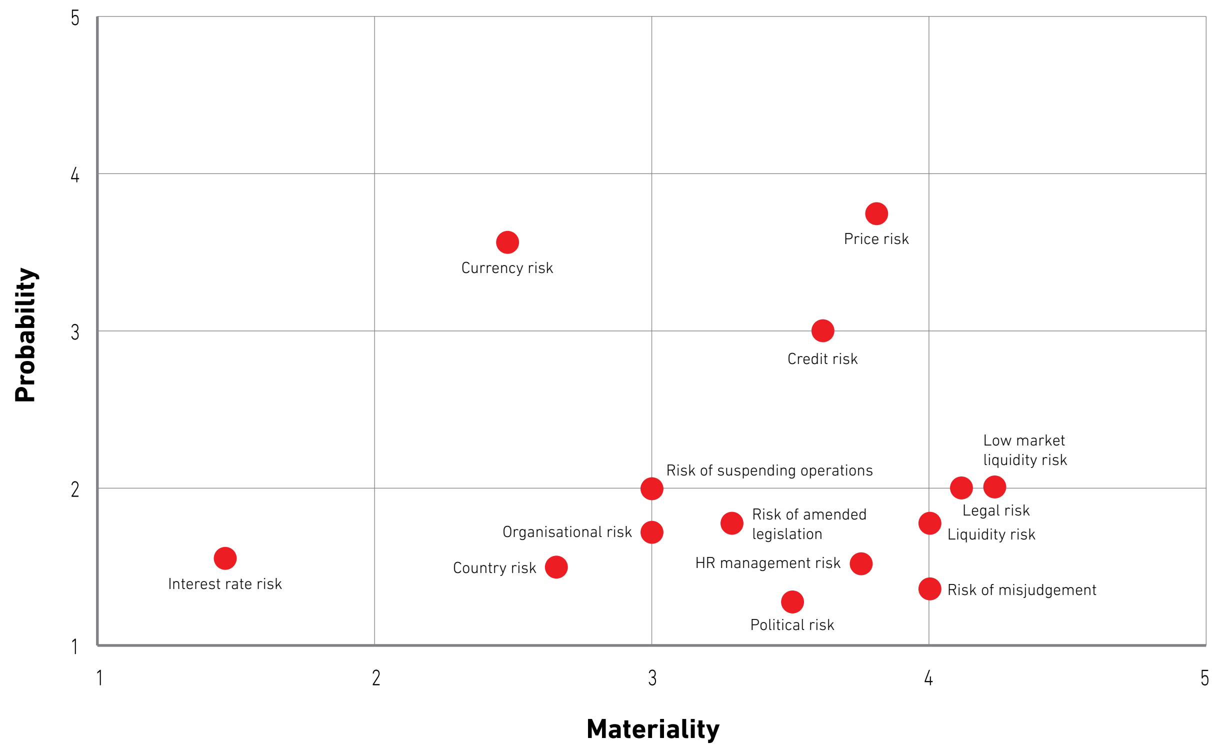
Legal risk is defined as the risk of loss caused by noncompliance with the applicable laws and regulations. It arises mainly from contracts and agreements not clearly specified or documented. The Company manages risks by combining internal competencies and recruiting external legal professionals.

Country and political risks relate to the unstable economic environment and the political system in an individual country. The Company is present in numerous European markets, hence a continuous monitoring of developments and swift response to change is crucial for Company's successful operations. The risk of amended legislation is managed by means of active participation and open communication with institutions and experts directly involved in the process of amending laws, regulations and directives.

Risk matrix

The risks were valued by the Company in terms of probability and materiality and were accordingly classified into a matrix. The price and credit risks are assessed the highest, whereas the interest rate risk as the lowest.

Figure: Risk matrix



Probability

Gravity	Level of probability	Probability of realisation
5	Very frequent	At least once a week.
4	Frequent	At least once a month.
3	Occasional	At least twice a year.
2	Rare	At least once a year.
1	Very rare	At least once every three years.

Materiality

Gravity	Level of importance	Impact of realisation
5	Critical	Exceeding EUR 500,000
4	Very important	EUR 250,001 to EUR 500,000
3	Important	EUR 100,001 to EUR 250,000
2	Less important	EUR 50,001 to EUR 100,000
1	Insignificant	Less than EUR 50,000

Statement of management's responsibility

The Management Board hereby confirms the financial statements for the year ended 31 December 2020, the notes thereto as well as the accounting policies applied.

The Management Board is responsible for the preparation of the annual report so that it gives a true and fair view of the financial position of the Company and the results of its operations for 2020.

The Management Board hereby confirms that the relevant accounting policies were applied consistently and that the accounting estimates were prepared in compliance with the principles of prudence and due diligence. The Management Board also confirms that the financial statements and the notes thereto were prepared on a going concern basis and in accordance with the applicable legislation and the International Financial Reporting Standards, as adopted by the EU.

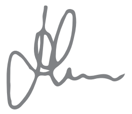
Furthermore, the Management Board is responsible for keeping proper accounting records and for taking reasonable measures to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Within five years after the end of the year in which the tax is to be assessed, tax authorities have the right to perform a tax audit, which may consequently lead to additional payments of taxes, late payment interest and fines in relation to the corporate income tax and other taxes and duties. The Management Board is not aware of any circumstances that might result in significant liabilities in this respect.

Ljubljana, 19 May 2021

Director:
Blaž Šterk

Director:
Martin Dolzer



Compliance with GRI sustainability reporting standards

We prepared this year's annual report according to the principles of sustainable reporting, supplemented with the guidelines of the Global Reporting Initiative (GRI) and included new reporting standards, i.e. GRI standards. As Interenergo operates in a sustainable way, it is in our interest to monitor our operations and contribute to the sustainable development of the company with appropriate measures, and at the same time offer our stakeholders sufficient information about our conduct.

This is our first reporting in accordance with the guidelines of the GRI standards, so some disclosures have not yet been met or are only partially met. In the future, we will strive to increase the compliance of reporting with the GRI Sustainable Reporting Guidelines and continue to collect the necessary data.

The further development of corporate reporting will also follow the accepted and established frameworks for the introduction of comprehensive thinking and comprehensive reporting.

For any questions regarding the annual report, contact us at info@interenergo.si.

The report covers the period from 1 January to 31 December 2020.

Table: GRI - General Standard Disclosures

Index	Disclosure	Chapter	Page	Notes
GRI 101: Foundation 2016				
GRI 102: General disclosures 2016				
Company profile				
102-1	Name of the organisation	Company profile	9	
102-2	Primary brands, products and services	Company profile	9	
102-3	Headquarters of the organisation	Company profile	9	
102-4	Geographical area of operation	Impact on society; Customers	32	
102-5	Ownership and legal form	Company profile; Ownership structure	11	
102-6	Markets (geographical and sectoral breakdown and breakdown by type of customer)	Impact on society; Trading	32	
102-7	Size of the organisation (number of employees, number of activities, sales revenue, liabilities/capital, number of products or services)	2020 Highlights	6	
		Company profile	9	
		Employees	40	
		Impact on society	30	
102-8	Employees by type of employment, type of contract, region and gender	Employees	40	We will report on the regions in more detail in future reports.
102-11	An explanation of if and how the organisation applies the precautionary principle	Statement of management's responsibility	47	
102-12	External documents, principles and other economic, environmental and social initiatives to which the organisation is a signatory and supporter	Corporate governance; Corporate governance statement	20	
102-13	Memberships in organisations	Impact on society; Professional and trade associations	39	
Strategy and analysis				
102-14	Statement of the highest decision-maker in the organization on the importance of sustainable development for the organization and on the strategy for implementing sustainable development	Letter from the managing directors	8	
		Business model; Sustainable development	29	
102-15	Key impacts, risks and opportunities	Risk management	44	We will also identify opportunities in the future.
Ethics and integrity				
102-16	Description of values, principles, standards and principles of conduct, i.e. codes of conduct and codes of ethics	Business model	9	
		Corporate governance; Corporate governance statement	20	
Management				
102-18	Management structure of the organization, including commissions of the highest governing body	Company profile	9	
		Corporate governance; Corporate governance statement	20	
102-22	Composition of the highest governing body and commissions	Company profile	9	
Stakeholder involvement				
102-40	List of stakeholder groups with which the organization cooperates	Impacts on society; Key stakeholders	30	
102-43	Approaches for involving stakeholders, including the frequency of cooperation by stakeholder groups	Impacts on society; Key stakeholders	30	In the future, we will include the frequency of cooperation with stakeholder groups
102-44	Key topics and questions raised in the process of cooperation with stakeholders and how the organisation responded to them, including through reporting	Impacts on society; Key stakeholders	30	In the future, we will include the response of the stakeholders to the process of cooperation.

Index	Disclosure	Chapter	Page	Notes
Report data				
102-45	List of entities is included in the consolidated financial statements	Corporate governance; Corporate governance statement	20	
102-46	Defining report content and topic boundaries	Corporate governance; Corporate governance statement Compliance with GRI sustainability reporting standards	20 48	In the future, we are planning a process of defining the topic boundaries.
102-49	Significant changes compared to previous report and topic boundaries	Sustainable development; Adherence to the principles of sustainable reporting Compliance with GRI sustainability reporting standards	29 48	
102-50	Reporting period	Compliance with GRI sustainability reporting standards	48	
102-52	Reporting cycle	Compliance with GRI sustainability reporting standards	48	
102-53	Contact information for questions regarding the report	Company profile Compliance with GRI sustainability reporting standards	9 48	
102-54	Reference in accordance with GRI standards	Compliance with GRI sustainability reporting standards	48	
102-55	Index according to GRI guidelines	GRI Table	48	

Tabela: GRI - Specific standard disclosures

Index	Disclosure	Chapter	Page	Notes
Economic impacts				
GRI 201: Economic performance				
201-1	Directly generated and distributed economic value (revenues, operating costs, salaries and bonuses of employees, payments to owners of capital, payments to the country (taxes), donations and other investments in the community)	Employees Local communities Financial management	40 39 43	In the future, we will define the values in more detail.

Index	Disclosure	Chapter	Page	Notes
GRI 203: Indirect economic impacts				
203-1	Development and impact of infrastructure investments and support activities	Impact on society; Employees	32	
Environmental impact				
305: Emissions				
305-1	Direct greenhouse gas emissions	Impact on society; Employees	32	
Social impacts				
GRI 401: Employment				
401-1	Number of new employees and employee turnover	Employees	40	
GRI 403: Security and health at work				
403-1	Explaination whether the company has an occupational safety and health management system in place	Employees	40	Included in the next report.
403-5	Training of employees on safety and health at work	Employees	40	Included in the next report.
403-6	Workplace health promotion	Employees	40	Included in the next report.
GRI 404: Education				
404-1	Average number of hours of education per employee by gender and by categories of employees	Employees	40	We are monitoring the number of hours of education and training.
GRI 405: Diversity and equal opportunities				
405-2	Ratio of basic income of women compared to men depending on the type of employment, by key locations	Employees	40	We implement the principle of equal pay for all workers.
GRI 413: Local communities				
413-1	Activities involving the local community, where impacts were assessed and development programs were made	Impact on society; Production of electricity Local communities	 34 39	

> We are constantly adapting to new realities, which are defined by different circumstances. As an active participant of the power market and an investor into production sources, we are always seeking best solutions.

Accounting report

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2. Notes to the company's financial statements 58
3. Independent auditor's report 104

Accounting report

1. Financial statements of the company

1.1 Statement of Financial Position as at 31 December 2020

in EUR	Note	31 Dec 2020	31 Dec 2019
Assets		**151,567,032**	**115,956,227**
Non-current assets		**95,019,384**	**64,006,352**
Intangible assets	2.4.1	396,683	429,465
Property, plant and equipment	2.4.2	5,563,928	4,385,730
Non-current investments	2.4.3	88,839,837	58,967,860
Non-current operating receivables	2.4.4	55,453	59,130
Deferred tax assets	2.4.5	163,483	164,168
Current assets		**56,547,648**	**51,949,875**
Current investments	2.4.6	4,593,239	3,110,672
Derivatives (assets)	2.4.7	5,293,775	8,389,941
Trade and other receivables	2.4.8	26,029,010	26,829,824
Prepayments, contract assets and other assets	2.4.9	11,695,507	7,437,375
Income tax receivables	2.4.23	503,902	127,050
Cash and cash equivalents	2.4.10	8,432,215	6,055,013
Equity and liabilities		**151,567,032**	**115,956,227**
Equity	**2.4.11**	**63,562,437**	**62,453,712**
Share capital		10,200,000	10,200,000
Capital surplus		65,450,000	65,450,000
Legal reserves		95,722	95,722
Retained losses		-13,292,010	-18,460,101
Net profit or loss for the period		1,108,725	5,168,092
Non-current liabilities		**62,166,657**	**25,450,332**
Non-current financial liabilities	2.4.12	61,610,638	24,285,059
Other current liabilities	2.4.13	556,018	1,165,272
Current liabilities		**25,837,939**	**28,052,183**
Current financial liabilities	2.4.14	3,074,708	4,749,460
Derivatives (liabilities)	2.4.7	5,065,860	5,865,698
Trade and other payables	2.4.15	17,697,371	15,419,149
Income tax payables	2.4.23	0	2,017,876

Accounting policies and notes form a constituent part of the Company's financial statements.

1.2 Statement of Profit or Loss for 2020

in EUR	Note	2020	2019
Revenue	2.4.16	458,898,377	699,298,011
Other operating income		22,204	500
Costs of goods sold and material used	2.4.17	-448,688,524	-682,607,737
Costs of services	2.4.18	-2,271,012	-2,090,486
Personnel costs	2.4.19	-2,414,520	-4,306,620
Amortisation and depreciation expense	2.4.20	-1,029,100	-795,352
Impairment of trade receivables and contract assets		-1,103	-4,697
Other operating expenses	2.4.21	-175,169	-39,120
Operating profit or loss		**4,341,153**	**9,454,499**
Finance income		3,207,835	2,983,328
Finance costs		-5,250,183	-4,980,129
Profit or loss from financing activities	2.4.22	**-2,042,348**	**-1,996,801**
Profit or loss before tax		**2,298,805**	**7,457,698**
Income tax expense	2.4.23	-1,190,080	-2,289,607
Profit or loss for the period		**1,108,725**	**5,168,092**

Accounting policies and notes form a constituent part of the Company's financial statements.

1.3 Statement of Other Comprehensive Income for 2020

in EUR	2020	2019
Profit or loss for the period	1,108,725	5,168,092
Total comprehensive income	1,108,725	5,168,092

Accounting policies and notes form a constituent part of the Company's financial statements.

1.4 Statement of Cash Flows for 2020

in EUR	Note	2020	2019
Cash flows from operating activities			
Profit or loss before tax		**2,298,805**	**7,457,698**
Adjustments		**1,784,756**	**618,424**
Amortisation/Depreciation	2.4.20	1,029,100	795,352
Impairment of trade receivables and contract assets		1,103	4,697
Impairment of investments	2.4.3	3,906,237	3,949,349
Finance income	2.4.22	-3,207,835	-2,983,328
Finance costs	2.4.22	1,343,946	1,030,780
Change in fair value	2.4.7	2,296,328	-2,421,339
Income tax paid	2.4.23	-3,584,123	242,913
Change in working capital		**-1,785,777**	**2,629,862**
Change in non-current receivables	2.4.4	3,677	8,358
Change in trade and other receivables	2.4.8	799,711	11,430,544
Change in prepayments, contract assets and other assets	2.4.9	-4,258,132	11,244,395
Change in other non-current liabilities	2.4.13	-609,254	942,599
Change in trade and other payables	2.4.15	2,278,221	-20,996,034
Cash generated from operating activities		**2,297,784**	**10,705,984**
Cash flows from investing activities			
Cash proceeds from investing activities		**2,916,539**	**7,251,096**
Interest received	2.4.22	1,947,267	3,017,345
Dividends received		0	0
Cash proceeds from sale of property, plant and equipment	2.4.1, 2.4.2	19,272	32,804
Cash proceeds from repayment of loans granted	2.4.3, 2.4.6	950,000	4,200,947
Cash disbursements from investing activities		**-38,670,635**	**-16,704,625**
Acquisition of intangible assets and property, plant and equipment	2.4.1, 2.4.2	-2,148,563	-1,271,147
Acquisition of subsidiaries	2.4.3, 2.4.6	-10,964,173	-2,622,823
Increase in loans granted	2.4.3, 2.4.6	-25,557,899	-12,810,655
Cash from (used in) investing activities		**-35,754,095**	**-9,453,530**
Cash flows from financing activities			
Cash proceeds from financing activities		**56,844,867**	**90,448,154**
Proceeds from contributions of capital		0	0
Proceeds from financial liabilities	2.4.12, 2.4.14	56,844,867	90,448,154
Cash disbursements from financing activities		**-21,011,355**	**-92,855,658**
Interest paid	2.4.22	-1,341,702	-1,025,300
Payment of lease liabilities	2.4.12, 2.4.14	-187,053	-170,416
Repayment of financial liabilities	2.4.12, 2.4.14	-19,482,600	-91,659,942
Cash from (used in) financing activities		**35,833,513**	**-2,407,504**
Opening balance of cash and cash equivalents		**6,055,013**	**7,210,063**
Change in cash and cash equivalents		2,377,202	-1,155,050
Closing balance of cash and cash equivalents		**8,432,215**	**6,055,013**

Accounting policies and notes form a constituent part of the Company's financial statements.

Interenergo Accounting report

1.5 Statement of Changes in Equity for 2020

in EUR	Share capital	Capital surplus	Legal reserves	Retained earnings or losses	Profit or loss for the period	Total equity
Balance at 31 Dec 2019	**10,200,000**	**65,450,000**	**95,722**	**-18,460,101**	**5,168,092**	**62,453,712**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**1,108,725**	**1,108,725**
Net profit for 2020	0	0	0	0	1,108,725	**1,108,725**
Changes within equity	**0**	**0**	**0**	**5,168,092**	**-5,168,092**	**0**
Allocation of profit to other equity components	0	0	0	5,168,092	-5,168,092	**0**
Balance at 31 Dec 2020	**10,200,000**	**65,450,000**	**95,722**	**-13,292,010**	**1,108,725**	**63,562,437**

Accounting policies and notes form a constituent part of the Company's financial statements.

1.6 Statement of Changes in Equity for 2019

in EUR	Share capital	Capital surplus	Legal reserves	Retained earnings or losses	Profit or loss for the period	Total equity
Balance at 31 Dec 2018	**10,200,000**	**65,450,000**	**95,722**	**-14,249,476**	**-4,210,626**	**57,285,620**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**5,168,092**	**5,168,092**
Net profit for 2019	0	0	0	0	5,168,092	**5,168,092**
Changes within equity	**0**	**0**	**0**	**-4,210,626**	**4,210,626**	**0**
Allocation of profit to other equity components	0	0	0	-4,210,626	4,210,626	**0**
Balance at 31 Dec 2019	**10,200,000**	**65,450,000**	**95,722**	**-18,460,101**	**5,168,092**	**62,453,712**

Accounting policies and notes form a constituent part of the Company's financial statements.

2. Notes to the company's financial statements

2.1 Reporting entity

Interenergo, energetski inženiring, d.o.o (hereinafter referred to as 'Interenergo or 'Company') is headquartered at Tivolska cesta 48, 1000 Ljubljana in Slovenia. Interenergo and its subsidiaries are present on energy markets of Central and South-Eastern Europe. The Company's core business goal and fundamental responsibility is a safe and business-efficient supply of electricity, implementation of investment-related projects that promote economically, environmentally and socially responsible exploitation of renewable energy sources, and provision of energy services.

The accompanying financial statements of the Company for the financial year ended 31 December 2020 give a true and fair view of its financial position.

The financial statements, compiled for the period from 1 January 2020 to 31 December 2020, were approved by the Management Board on 19 May 2021.

Interenergo, d.o.o. is the subsidiary of the Kelag company, which holds a 100 percent share, yet issued no securities for trading on a regulated market. Accordingly and in accordance with Paragraph 6, Article 56 of the Companies Act (ZGD-1), Interenergo is not obliged to compile a consolidated annual report (excluded company) as it is included in the consolidation of the Kelag controlling company. The Company will publish the translation of the consolidated annual report of the Kelag Group within one month after its publication.

The annual report is available at the registered seat of Interenergo, d.o.o., Tivolska 48, Ljubljana, the consolidated annual report of the overall Kelag Group is kept by the company KELAG-Kärntner Elektrizitäts-Aktiengesellschaft as the parent company of a larger group of companies at the address Arnulfplatz 2, Postfach 176, Klagenfurt am Wörthersee, Austria.

2.2 Basis for preparation of financial statements

2.2.1 Compliance statement

Company's financial statements are compiled in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and pursuant to provisions of the Companies Act.

The financial statements were prepared by complying with the fundamental accounting assumptions i.e. going concern and accrual basis.

2.2.2 Basis for measurement

Company's financial statements are prepared by applying the historical cost changed by fair value of financial instruments' classifications.

2.2.3 Functional and presentation currency

The financial statements hereof are presented in euro (EUR), which is also the Company's functional currency.

All financial information is presented in rounded to one unit, which may result in insignificant deviations in the tables.

2.2.4 Use of estimates and judgements

Judgements, assumptions and uncertainty related to estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

As assessments and assumptions are subject to subjective judgment and some degree of uncertainty, subsequent actual results may differ from estimates. Changes in accounting estimates, judgments and assumptions are recognized in the period in which the estimates are changed, if the change affects only that period, or in the period of the change and in future periods, if the change affects future periods. Information on assessments, assumptions and uncertainties associated with estimates is included in the following disclosures:

- Note 2.4.3 – assessing the impairment of investments in subsidiaries and loans to other subsidiaries: key assumptions used in determining the recoverable value;
- Note 2.4.16 – assessing whether the company acts as an agent or principal in implementing the contract on commission services;
- Note 2.4.16 – assessing whether revenue are recognised immediately or gradually;
- Note 2.5.1 – measuring expected credit loss (ECL) from trade receivables and contract assets: key assumptions in determining the loss rate.

Fair value measurement

Numerous accounting policies and disclosures require the measuring of fair value of financial assets, non-financial assets and liabilities.

The Company applies valuation methods that are adequate in given circumstances and for which sufficient information exists, in particular by using proper market input data and a minimum use of non-market data.

Assets and liabilities measured or disclosed in the financial statements at fair value are classified pursuant to the fair value hierarchy on the basis of the lowest level of input data that are significant for measuring the whole fair value:

- Level 1 – market prices (unadjusted) on the active market for similar assets and liabilities. Quoted prices (unadjusted) on active markets for equal assets or liabilities;
- Level 2 - valuation model based directly or indirectly on market data. Contributions in addition to quoted prices included in Level 1 that are directly (i.e. as prices) or indirectly (i.e. as derived from prices), perceptible to the asset or liability;
- Level 3 – valuation model that is founded on market data. Contributions to an asset or liability that are not based on observable market data.

The level in the fair value hierarchy in which the fair value measurement is fully classified is determined on the basis of the input at the lowest level that is relevant to the fair value measurement as a whole. The significance of the input is for this purpose is assessed relative to the measurement of fair value as a whole. Level 3 measurement occurs if the fair value measurement uses detectable inputs that require significant adjustments based on undetectable inputs. Assessing the significance of an individual input compared to measuring fair value as a whole requires an assessment of consideration of asset-specific factors.

The Company recognizes the transition between levels at the end of the accounting period in which the change was made.

Further disclosures about the assumptions used in measuring fair values are included in the following notes:

- Note 2.5.6 – fair values of financial instruments.

2.3 Company's fundamental accounting policies

Accounting policies that are outlined below were consistently applied in all periods presented in the accompanying financial statements. Certain reclassifications of amounts within individual items were carried out in some cases. Accordingly, also amounts in the comparative periods were reclassified due to comparability purposes.

Foreign currencies

Transactions expressed in a foreign currency are translated into the functional currency at the reference exchange rate of the ECB as at the date of transaction. Assets and liabilities expressed in a foreign currency at the end of the reporting period are translated into the functional currency at the then applicable reference rate of the ECB. The foreign currency exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate of the ECB at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the ECB at the date that the fair value was determined. Foreign exchange differences are recognised in profit or loss.

Intangible assets

The item of intangible assets includes primarily payments for developing software and easements.

Purchase cost includes costs that are directly attributable to the acquisition of an item of property, plant and equipment. The cost model is used for the subsequent measurement of intangible fixed assets. The Company has no intangible assets with an indefinite useful life.

Subsequent expenditure on an intangible asset is recognized in the carrying amount of the asset if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenses are recognized in profit or loss as an expense when incurred.

The straight-line method of amortisation is applied with intangible assets in their useful life, without considering the residual value.

The estimated useful lives for the current and comparable year are as follows:

	2020	2019
Software	25%	25%
Easement	6.7%	6.7%

An item of intangible asset shall be derecognised in the books of account on its disposal or when no future economic benefits are expected from its use. Difference between the profit on disposal and the carrying amount of the disposed intangible asset is included in profit or loss.

Amortisation rates, useful lives and residual values are verified at each year-end and adjusted if applicable.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises costs that are directly attributable to the purchase of an item of asset. The cost model is applied for subsequent measurement of property, plant and equipment.

Assets under construction are transferred to property, plant and equipment when they are ready for their intended use.

Gains or losses arising from the disposal or disposal of property, plant and equipment are defined as the difference between the net realizable value and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or disposal.

The straight-line method of depreciation is applied with property, plant and equipment in their useful life, without considering their residual value.

The estimated useful lives of property, plant and equipment for the current and comparable year are as follows:

	2020	2019
Production plant	6.7–8.9%	6.7–8.9%
Mechanical and electronic equipment	10–20%	10–20%
Computer and communications equipment	50%	50%
Other equipment	20%	20%

An item of property, plant and equipment shall be derecognised in the books of account on its disposal or when no future economic benefits are expected from its use. Difference between the profit on disposal and the carrying amount of the disposed item of property, plant and equipment is included in profit or loss.

Depreciation rates, useful lives and residual values are verified at each year-end and adjusted if applicable.

Costs incurred in connection with property, plant and equipment increase their cost if the future economic benefits associated with the part of this asset are likely to flow and if the cost can be measured reliably. Repairs and maintenance costs intended to restore and maintain economic benefits are recognized as an expense when incurred.

Leases

When concluding a contract, the Company assesses whether it is a lease contract or whether the contract contains a lease. A contract is a lease contract if it conveys the right to control the use of the identified asset for a fixed period in exchange for compensation. In assessing the transfer of the right to control, the Company applies the criteria as defined IFRS 16.

The Company accounts for each lease component in the contract as a lease separately from the non-lease components of the contract, unless it decides for practical reasons to account for all components as a single lease component.

At the date of the lease's start, the Company recognises the item of a fixed asset that represents the right of use and the lease liability. Fixed assets acquired under a lease are an integral part of the lessee's property, plant and equipment. Its cost includes:

- amount of the initial measurement of lease liabilities;
- payments of rents that were made on or before the lease's start, less received incentives for the lease;
- opening direct costs;

- an estimate of the costs that the lessee will have while dismantling or removing the leased asset, rebuilding the leased location or returning the leased asset to the condition as required by the lease terms, unless such occurred during the production of inventories.

The right of use the asset is subsequently reduced by accrued depreciation. Depreciation of leased property, plant and equipment must be in line with the depreciation of other similar property, plant and equipment. If there is no reasonable assurance that the lessee will acquire ownership until the end of the lease term, such property, plant and equipment will be fully depreciated, either during the lease term or during its useful life, whichever is shorter.

At the date of the lease's start, the Company measures the lease liability at the present value of the rents not yet paid at that date. While calculating the present value of rents, the discount rate on the lease is the associated interest rate, if it can be determined, otherwise the assumed borrowing rate to be paid by the lessee. Leases recorded at their starting date when measuring liabilities from the lease that are not paid yet include following payments of the right of use the leased asset during the lease period:

- fixed rents less receivables for lease-related incentives;
- variable rents, which depend on the index or rate and are initially measured with the index or rate that is applicable at the date the lease;
- amounts expected to be paid by the lessee based on guarantee for the residual value;
- the price of the purchase option if it is fairly certain that the lessee will exercise that option, and
- payment of fines for terminating the lease, if the duration of the lease indicates that the lessee will use the option of terminating the lease.

Upon the date of the lease's start, the Company measures lease liabilities as follows:

- increases the carrying amount, which reflects the interest on the lease liability;
- decreases the carrying amount, which reflects the payment of rents; and
- remeasures the carrying amount that must reflect new estimates or changes to the lease in terms of unmodified rents. The Company remeasures the lease liability by discounting the modified rents using the modified discount rate if the lease term has changed or the estimated option to purchase the leased asset has changed. In doing so, the Company determines the modified discount rate as the interest rate, which was adopted for the lease, for the remainder of the lease term. The Company remeasures the lease liability by discounting the modified rents if the amounts expected to be paid under the residual value guarantee are changed or future rents are changed as a result of changes in the index or rate, whereby the Company uses the unmodified discount rate, unless the modified rent is due to a change in variable interest rates.

Short-term leases and leases, where the leased asset is of minor value, are not recognised as an asset; instead the Company recognises lease-related rents as expenses on the straight-line basis over the entire lease term or any other systematic basis. Short-term lease refers to leases of up to 1 year. Low-value lease is a lease with a value of up to EUR 5,000, taking into account the value of the new leased asset.

Assets representing the right of use is in a lease depreciated from the date of lease's start until the end of its useful life or the end of the lease term if it is shorter from the asset's useful life. Rates ranging from 25% and 50% were used for such assets.

Investments in subsidiaries

Investments in subsidiaries, disclosed among non-current investments, are valued at cost.

Financial instruments

Trade receivables are recognised upon their accrual. Other financial assets and financial liabilities are recognised when the Company becomes subject to contractual provisions of the instrument.

Company's financial instruments comprise:

- financial assets, which comprise non-current and current investments, non-current and current operating receivables, as well as cash and cash equivalents, and
- financial liabilities, which comprise non-current and current financial liabilities and current operating liabilities.

Financial instruments are classified in groups in terms of their measurement, namely a) at amortised cost, b) at fair value through other comprehensive income or c) at fair value through profit or loss based on the business model for financial asset management and the characteristics of the financial asset's contractual cash flows. The business model relates to the manner used by the Company to manage financial assets in order to generate cash flows. The latter indicates that the business model determines whether the cash flows will arise from contractual cash flows, sale of financial assets or both:

- Financial assets held within a business model whose objective is to hold assets to collect contractual cash flows, are managed with the purpose to generate cash flows by receiving payments during the financial instrument's duration. These financial instruments are measured at amortised cost. These assets are generally kept until the date of expiry and contractually agreed cash flows are collected until the date of maturity. Most of financial assets disclosed by the Company are classified within this business model (i.e. non-current and current investments, non-current and current operating receivables, cash and cash equivalents).
- Financial assets held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, are managed by the management and considered as essential for achieving the goal of this business model. These financial instruments are measured at fair value through other comprehensive income and the Company does not disclose any such assets.
- Financial assets are measured at fair value through profit or loss if they are not part of a business model whose objective is to hold assets to collect contractual cash flows or a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, but are classified within a business model under which a company manages the financial assets in order to generate cash flows through the sale of assets. This group comprises Company's derivatives used in its trading activity i.e. commodities forwards contracts, contracts for cross-border transmission capacities and foreign currency forward contracts, whose fair value of open transactions is defined on the basis of the valuation model that is as at the date of the statement of financial position based on publicly available market data on the values of such instruments.

Non-derivative financial assets

Financial assets are not reclassified upon initial recognition unless the Company changes its business model for financial assets' management; in such case, the respective financial assets shall be reclassified on the first day of the next reporting period following the change in the business model.

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

Receivables are initially recognized at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses. Interest expenses and exchange differences are recognized in profit or loss. Any gain or loss arising on derecognition are also recognized in profit or loss.

Trade receivables and other receivables without a fixed interest rate are measured at the initial amount of the invoice, less expected credit losses.

Non-derivative financial liabilities

Financial liabilities are initially recognised on the date they are incurred. The Company derecognises a financial liability when the obligations under the contract are fulfilled, cancelled or when they expire. The Company derecognises a financial liability even when its terms change and the cash flow of the modified liability differs materially; in such case, the new financial liability is recognised at fair value based on the changed conditions.

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

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Trade and other payables are not measured at the initial amount of the invoice if the effect of discounting is insignificant.

Most of the Company's operating and financial liabilities are disclosed at amortised cost, except for derivatives traded within the framework of its trading activity, such as commodity forward contracts, contracts for cross-border transmission capacities and foreign currency forward contracts. The fair value of these contracts is defined on the basis of the valuation model that is as at the date of the statement of financial position based on publicly available market data on the values of such instruments and is recognized in the statement of profit or loss.

Offsetting

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

Derivatives

Contracts relating to purchase or sale of a non-financial asset that can be settled net of cash or by means of another financial instrument or exchange of financial instruments, are treated in accordance with IFRS 9 as if they were financial instruments, except for contracts that the Company concluded and continues to own them for the purpose of receiving or supplying the non-financial asset in accordance with the expected needs after the purchase, sale or use. Purchase contracts that fall within the scope of IFRS 9 are treated as derivatives and are valued at fair value through profit or loss.

The Company enters into contracts on purchasing or selling electricity with financial or physical settlement for the purpose of trading (standardized futures contracts and commodity forward contracts). Standardized futures contracts are binding agreements on the purchase or sale of a standard quantity of electricity on a standard day in the future at a price agreed in the present, and they are traded with on an organized (stock market) market and are financially settled. Commodity forward contracts are contracts on the purchase or sale of electricity with a deadline in the future at a price agreed during the contract's signing and with which the Company trades directly with partners and are physically settled, whereby the Company is also required to provide for cross-border transmission capacities. The Company treats these contracts as derivatives and does not apply an exemption based on own use (IFRS 9.2.4). The effects of trading with futures and forward contracts are recognized within operating income and expenses, as the Company does not avail itself of the possibility of using hedge accounting.

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

Assets and liabilities measured at fair value through profit or loss are remeasured at fair value at least annually during the preparation of financial statements.

Impairment of assets

Impairment of financial assets and contract assets

The Company recognises impairments arising on expected credit losses for:

- financial assets measured at amortised cost;
- contract assets;
- derivatives (commodity forward contracts).

The Company measures impairments in amounts equal to the loss over the life of the financial asset (LECL). The Company measures impairments equal to the 12-month expected credit losses for cash and bank deposits and financial assets for which the credit risk has not increased significantly since initial recognition. The recognized amount of impairment of receivables and contract assets is measured at the amount of losses over the life of the financial asset (LECL). Losses over the life of the financial asset are expected credit losses that arise from all possible events of default over the life of the financial instrument. 12-month expected credit losses are those portions of expected credit losses that result from potential defaults within 12 months of the reporting date (or a shorter period if the expected life of the total life of the instrument is less than 12 months).

Operating receivables that do not include a significant financial component usually have a short-term duration (less than 12 months), which means that the measurement of impairments in the amount of losses over the life of the financial asset (LECL) does not differ from that measured in 12 -monthly expected credit losses.

While determining whether the credit risk of a financial asset has increased significantly since initial recognition, and while estimating expected credit losses, the Company considers reasonable and useful information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative data and analyses, based on the Company's past experience and sound credit ratings, and includes forward-looking information.

The Company assumes that the credit risk of a financial asset is materially increased if the maturity of the payment is longer than 30 days. An asset is credit impaired if there is a breach of contract, for example due to late payment or maturity.

The Company assumes that a financial asset is a default if:

- the debtor is unlikely to pay its payables to the Company in full without the latter using the possibility of incashing the collateral (if any), or
- the debtor is considered to be at high risk (late payment is longer than 90 days).

The Company considers that the financial assets have a low credit risk according to the generally known and accepted credit rating definitions. It takes into account that the low-risk rating is Baa3 or higher (Moody's rating) or BBB rating or higher (S&P rating).

The maximum period for which expected credit losses are taken into account equals the maximum period for which the Company is exposed to credit risk.

Trade receivables and other receivables without a significant financing component are initially recognized at the transaction price and do not have a contractual interest rate. The effective interest rate for these claims is therefore considered to be zero. Accordingly, cash deficit discounting, which reflects the time value of money when measuring expected credit losses, is not applied.

As of each balance sheet date, the Company checks whether financial assets measured at amortised cost and assets from contracts with customers, are credit impaired. A financial asset is impaired if one or more events have occurred that adversely affect the estimated future cash flow of the financial asset. Evidence that a financial asset is impaired includes the following visible data:

- significant financial difficulties of the debtor;
- breach of contract e.g. late or overdue payment by more than 90 days;
- the probability that the debtor will go bankrupt or start insolvency proceedings;
- the likelihood that the debtor will not be able to comply with contractual provisions;
- the existence of negative external and internal factors indicating that the debtor will not be able to meet its contractual obligations.

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. Increases and decreases due to impairment are recognized in profit or loss.

The gross carrying amount of a financial asset is written off if the Company has no reasonable expectation that the financial asset will be repaid in full or in part. Che company prepares an assessment for each individual asset regarding the time and amount of the write-off and whether it is reasonably expected that repayment will occur. The Company does not expect a larger recovery from the written-off amount. However, write-offs may still be subject to enforcement activities in accordance with the Company's procedures for recovering outstanding amounts.

For financial assets that are credit impaired at the reporting date but not impaired at the acquisition date, including loans granted, the expected credit loss is measured as the difference between the carrying amount and the present value of expected cash flows, discounted at the original effective interest rate.

Impairment of other non-financial assets

The Company reviews the carrying amount of its non-financial assets (other than the carrying amount of inventories, contract assets and deferred tax assets) at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

At the end of each reporting period, the Company reviews internal and external sources of information to determine whether non-financial assets, including investments in subsidiaries, property, plant and equipment and the right of use assets, need to be impaired.

Other assets are impaired and impairment losses are recognized in profit or loss when the recoverable amount of the asset is less than its carrying amount and are reversed if the recoverable amount has changed favorably.

The recoverable amount of an asset or group of assets is the higher of its value in use and its fair value less costs to sell. In determining the value in use of an asset - or when the asset does not generate cash flows independently of other assets - the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk for an asset or group of assets.

Impairment losses are recognized in profit or loss.

Impairment of investments in subsidiaries

An impairment loss in connection with a financial asset is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future expected cash flows are discounted at a weighted average cost of capital rate (WACC) that reflects the cost of capital and financing. The value of the company, which expresses the value of the capital of a subsidiary, is relevant for assessing the impairment of investments; the debt's fair value is deducted from the present value of expected cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash, sight deposits with banks and other financial institutions, sight deposits with third parties and short-term, highly liquid investments that are readily convertible to known amounts of cash and for which there is insignificant risk of change in value.

Equity

Share capital is the called-up capital of the shareholder. Total equity consists of share capital, capital surplus (share premium), legal reserves, and retained earnings or losses.

Income

Income is the gross inflow of economic benefits during the period arising in course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Income is recognised when the company transfers the right of controlling the asset or service to the buyer i.e. up to the amount expected to be justified. Depending on whether certain criteria are met, income is recognised a) over time, in a manner depicting the company's performance, or b) at a point in time when control is transferred to the customer. Income arises on the sale of products and goods and rendering of services.

Manner and the point of time of complying with enforceable obligations and recognition of income for individual types of goods or services are as follows:

- Sale of products and goods: control of goods and products is transferred to the customer at the time of delivery. Revenue generated thereunder are recognised at the time of delivery. The Company generates this revenue from sale of electricity produced by solar power plants and from electricity wholesale trading and trading at power exchanges. In case of an electricity supply contract, the seller transfers control gradually, and the buyer simultaneously obtains and uses the benefits of the seller's obligation when it is performed. Thus, the seller fulfils its enforceable obligation and recognizes revenue gradually by measuring progress towards complete fulfilment of the enforceable obligation of supplying electricity by the method of outputs i.e. method of calculated amounts based on the delivered quantities of electricity.

- Sale of services: the control over services is transferred to the customer in the moment when the service is performed. Revenue from rendered trading, energy and engineering services are recognised in the reporting period in which the services are performed. Revenue from services rendered is recognized in the income statement based on the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reviewing the work performed.
- Commission services: the Company has a contract with the parent company, where it acts as a commission agent who pursuant to the contract conducts electricity trading on behalf of the client, for which it charges a commission fee. The Company is under the contract entitled to a fixed monthly part of the commission and a variable part of the commission, which is determined at the end of the accounting period. During the provision of services, the Company does not bear the risk of losses that would arise from the concluded commission transactions, as these are borne by the client. As the Company does not bear the risk of losses that must be settled by the client under the contract, the Company deemed that it acts as an agent in this contract. Revenue is recognized on a net basis, in the amount of the commission as defined under the contract. Revenue is recognized gradually according to the stage of completion of the enforcement obligation.

Employee benefits

Salaries, allowances, paid annual leave and defined retirement benefit plans and non-cash benefit costs are recognized as a liability in profit or loss or in costs related to services during the period in which they are incurred by employees.

Finance income and finance costs

Finance income and finance costs comprise:

- interest income;
- dividend income;
- interest expenses;
- expenses for impairment of investments, and
- foreign exchange differences arising on revaluation of financial assets and financial liabilities.

Dividend income is recognized in the income statement on the date the Company obtains the right to receive the dividend.

When calculating finance income and costs, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or the amortised cost of the financial liability. For financial assets that were impaired after their initial recognition, financial income is calculated from the amortised cost (gross carrying amount of the impairment loss), whereas it is recalculated from the gross carrying amount when the asset is no longer financially impaired.

Income tax expense

Income tax for the financial year comprises current tax and changes in deferred tax assets and deferred tax liabilities. Current tax and changes in deferred tax assets and liabilities are recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable profit for the financial year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax liabilities in respect of previous years.

Deferred tax is provided, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Future taxable profit, on the basis of which deferred tax assets from deductible temporary differences may be recognized, includes temporary differences that will arise from the elimination of existing temporary tax differences if those differences relate to the same tax authority in respect of the same taxable unit or to different taxable units that intend to repay tax liabilities or receive payment of deferred tax assets in a set-off amount or that intend to repay tax liabilities or receive payment of deferred tax assets at the same time. The same criteria are adopted in determining whether existing taxable temporary differences support the recognition of a deferred tax asset due to unused tax losses and credits i.e. these differences are taken into account if they relate to the same tax authority and the same taxpayer and are expected to be eliminated in the period or periods in which the tax loss or credit can be used.

The amount of recognized deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax benefit can be utilized. Any such reduction shall be reversed if it is probable that sufficient taxable profit will be available.

Accounted taxes, deferred taxes and their changes are presented separately and are not offset. Accounted tax receivables are offset by current tax liabilities, and deferred tax assets are offset by deferred tax liabilities if the Company has legally enforceable rights to offset accounted tax receivables with short-term tax liabilities and the following additional conditions are met:

- in case of accounted tax receivables and liabilities: the Company intends to either settle the net amount or liquidate the asset and settle its liability at the same time, or
- in case of deferred tax assets and deferred tax liabilities: in the case of income taxes levied by the same tax authority on the same taxable person or on different taxable persons and intended for any future period in which significant future payments are expected to be settled or recovered the amounts of deferred tax liabilities or assets, either to cash in the accounted tax receivables and settle the net amount of the tax liability, or to cash and settle at the same time.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, which can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the time value of money is significant, provisions are stated at the present value of the expected costs of settling the liability.

When it is unlikely that an outflow of economic benefits will be required or if the amount cannot be estimated reliably, a contingent liability is disclosed unless the probability of an outflow of economic benefits is low. Possible liabilities, the existence of which will be confirmed only by the occurrence or absence of one or more future events, are also disclosed as contingent liabilities, unless the probability of an outflow of economic benefits is low.

Statement of cash flows

The statement of cash flows is a fundamental financial statement showing a true and fair view of changes in cash and cash equivalents during a financial year. The statement of cash flows is prepared by using the indirect method in accordance with IFRS. The cash flow statement includes cash flows from operating, investing and financing activities. Cash flows are generally not presented in set-off amounts. The statement of cash flows includes data taken from the statement of financial position and the statement of profit or loss by considering also appropriate adjustments for cash flows.

New standards and interpretations and amendments to applicable standards

Certain new accounting standards and interpretations have been published, which are not mandatory for the reporting periods as of 31 December 2020 and have not been adopted by the Company prematurely. These standards are not expected to have a material impact on the Company in the short or future reporting periods and on foreseeable future transactions:

- Onerous Contracts – Costs of Fulfilling a Contract (amendments to IAS 37);
- Reform of reference interest rates – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Adjustment of rents with respect to COVID-19[4] (amendments to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS 16);
- Reference to the conceptual framework (suggested amendments to IFRS 3);
- Classification of liabilities as current or non-current (amendments to IAS 1)
- IFRS 17 insurance Contracts and amendments to IFRS 17 Insurance Contracts.

2.4 Disclosures to the items of financial statements

2.4.1 Intangible assets

in EUR	31 Dec 2020	31 Dec 2019
Intangible assets	**396,683**	**429,465**
Long-term property rights	384,678	354,836
Intangible assets in acquisition	12,005	74,629

Long-term property rights include computer software in the amount of EUR 240,083 (2019: EUR 189,033) and easements for installing solar power plants on the Martex and Mura buildings in the amount of EUR 144,595 (2019: EUR 165,802), whereby intangible assets in acquisition include investments in developing the software.

[4]The standard became effective as of 1 June 2020 (early application is permitted).

Movement in intangible assets for 2020

in EUR	Long-term property rights	Intangible assets in acquisition	Other intangible assets	Total
Purchase cost				
Balance at 1 Jan 2020	870,101	74,629	0	**944,730**
Additions	60,725	63,229	0	**123,953**
Transfer	125,853	-125,853	0	**0**
Balance at 31 Dec 2020	1,056,678	12,005	0	**1,068,683**
Accumulated amortisation				
Balance at 1 Jan 2020	-515,265	0	0	**-515,265**
Amortisation	-156,735	0	0	**-156,735**
Balance at 31 Dec 2020	-672,000	0	0	**-672,000**
Carrying amount				
Balance at 1 Jan 2020	354,836	74,629	0	**429,465**
Balance at 31 Dec 2020	384,678	12,005	0	**396,683**

Movement in intangible assets for 2019

in EUR	Long-term property rights	Intangible assets in acquisition	Other intangible assets	Total
Purchase cost				
Balance at 1 Jan 2019	807,650	13,230	6,665	**827,545**
Additions	62,451	61,399	0	**123,850**
Disposals	0	0	-6,665	**-6,665**
Balance at 31 Dec 2019	870,101	74,629	0	**944,730**
Accumulated amortisation				
Balance at 1 Jan 2019	-387,774	0	0	**-387,774**
Amortisation	-127,491	0	0	**-127,491**
Balance at 31 Dec 2019	-515,265	0	0	**-515,265**
Carrying amount				
Balance at 1 Jan 2019	419,876	13,230	6,665	**439,771**
Balance at 31 Dec 2019	354,836	74,629	0	**429,465**

2.4.2 Property, plant and equipment

in EUR	31 Dec 2020	31 Dec 2019
Property, plant and equipment	**5,563,928**	**4,385,730**
Real properties	100,095	237,417
Production plant	1,787,158	2,053,594
Other plant and equipment	2,839,829	1,345,077
Other plant and equipment in construction	836,846	749,642

Production plants include solar power plants, while other plants comprise mechanical and electronic equipment referring to energy contracting projects, passenger cars, investments in foreign-owned fixed assets, and other equipment.

The item of production plant comprises: the solar power plant in Volčja Draga on the Martex building (PV Martex), the solar power plant on the Mura building in Murska Sobota (PV Mura), the solar power plants in Trebnje, Limbuš and Lendava under the collective name Galaksija (PV Galaksija), and the solar power plant on the Jeruzalem building in Ormož (PV Jeruzalem). All solar power plants are insured and none are pledged as security.

Movement in property, plant and equipment in 2020

in EUR	Real properties	Production plant	Other plant and equipment	Other plant and equipment in construction	Total
Purchase cost					
Balance at 1 Jan 2020	363,702	3,665,602	1,783,407	749,642	**6,562,353**
Additions	479	0	116,124	1,956,485	**2,073,088**
Transfer	0	0	1,869,280	-1,869,280	**0**
Disposals	0	0	-72,432	0	**-72,432**
Balance at 31 Dec 2020	364,182	3,665,602	3,696,379	836,846	**8,563,009**
Accumulated depreciation					
Balance at 1 Jan 2020	-126,285	-1,612,009	-438,330	0	**-2,176,623**
Depreciation	-137,802	-266,436	-468,127	0	**-872,365**
Disposals			49,908	0	**49,908**
Balance at 31 Dec 2020	-264,087	-1,878,444	-856,550	0	**-2,999,081**
Carrying amount					
Balance at 1 Jan 2020	237,417	2,053,594	1,345,077	749,642	**4,385,730**
Balance at 31 Dec 2020	100,095	1,787,158	2,839,829	836,846	**5,563,928**

Movement in property, plant and equipment in 2019

in EUR	Real properties	Production plant	Other plant and equipment	Other plant and equipment in construction	Total
Purchase cost					
Balance at 31 Dec 2018	0	3,665,602	1,042,398	274,626	**4,982,627**
Recognised right of use the assets pursuant to IFRS 16	325,254	0	84,183	0	**409,437**
Balance at 1 Jan 2019	325,254	3,665,602	1,126,581	274,626	**5,392,064**
Additions	38,448	0	702,603	475,016	**1,216,067**
Disposals	0	0	-45,778	0	**-45,778**
Balance at 31 Dec 2019	363,702	3,665,602	1,783,407	749,642	**6,562,353**
Accumulated depreciation					
Balance at 1 Jan 2019	0	-1,345,574	-182,828	0	**-1,528,402**
Depreciation	-126,285	-266,435	-275,141	0	**-667,861**
Disposals	0	0	19,639	0	**19,639**
Balance at 31 Dec 2019	-126,285	-1,612,009	-438,330	0	**-2,176,623**
Carrying amount					
Balance at 1 Jan 2019	325,254	2,320,029	943,753	274,626	**3,863,662**
Balance at 31 Dec 2019	237,417	2,053,594	1,345,077	749,642	**4,385,730**

Company's assets are not pledged.

Based on the new IFRS 16 standard, the Company recognised in its statement of financial position also the right of use the assets arising from the operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars. The Company leases also other equipment, although these leases are of short-term nature or the objects of such leases are assets of minor value.

Movement of values relating to the right-of-use the assets

in EUR	2020 Real properties	2020 equipment	2020 Total	2019 Real properties	2019 equipment	2019 Total
Purchase cost						
Balance at 1 Jan	363,702	126,883	**490,586**	325,254	84,183	**409,437**
Additions	0	47,999	**47,999**	38,448	46,900	**85,348**
Changes	479	0	**479**	0	-4,199	**-4,199**
Disposals	0	-36,856	**-36,856**	0	0	**0**
Balance at 31 Dec	364,182	138,026	**502,208**	363,702	126,883	**490,586**
Accumulated depreciation						
Balance at 1 Jan	-126,285	-38,501	**-164,786**	0	0	**0**
Depreciation	-137,802	-43,456	**-181,258**	-126,285	-38,501	**-164,786**
Disposals	0	31,589	**31,589**	0	0	**0**
Balance at 31 Dec	-264,087	-50,368	**-314,455**	-126,285	-38,501	**-164,786**
Carrying amount						
Balance at 1 Jan	237,417	88,382	**325,800**	325,254	84,183	**409,437**
Balance at 31 Dec	100,095	87,659	**187,753**	237,417	88,382	**325,800**

Lease-related expenditure

in EUR	2020	2019
Amounts recognised in the income statement		
Interest on lease liabilities	4,102	3,622
Costs for current leases for which the right of use the asset was not recognised	11,569	15,214
Lease related costs of minor value for which the right of use the asset was not recognised	200,929	190,893
Amounts recognised in the statement of cash flows		
Cash flows from leases	187,053	170,416

2.4.3 Non-current investments

in EUR	31 Dec 2020	31 Dec 2019
Non-current investments	**88,839,837**	**58,967,860**
Investments in subsidiaries	25,706,657	15,527,984
Non-current loans granted	63,133,181	43,439,876

2.4.3.1 Investments in subsidiaries

Company's non-current investments in subsidiaries comprise following:

in EUR	Equity interest	Carrying amount of the investment 31 Dec 2020	Carrying amount of the investment 31 Dec 2019	Equity of subsidiary 31 Dec 2020	Equity of subsidiary 31 Dec 2019	Net profit or loss of the subsidiary 2020	Net profit or loss of the subsidiary 2019
EHE d.o.o., BA	100%	0	976,383	7,314,024	6,592,555	-1,469,161	-286,792
Interenergo d.o.o., BA	100%	399,105	399,105	587,744	524,154	63,590	114,419
PLC Interenergo d.o.o., RS	100%	400,000	0	863,250	459,420	2,807	4,288
• *Hidrowatt d.o.o., RS	89%	-	-	579,529	531,210	47,307	60,264
• *Hydro Ljutina d.o.o., RS	100%	-	-	918,581	-	-185,149	-
Interenergo Makedonija d.o.o.e.l., MK	100%	258,613	258,613	121,855	118,120	5,718	117,803
LSB Elektrane d.o.o., BA	100%	0	0	0	-2,078,824	-147,520	-490,240
Inter-Energo d.o.o., BA	100%	2,667,530	2,667,530	6,881,040	7,000,716	-119,676	17,717
MHE Vrbnica d.o.o., ME	70%	7,000	7,000	-934,272	-96,714	-837,557	-35,407
Interenergo d.o.o.-Kosova Sh.p.k., XK	100%	10,000	10,000	-10,869	-6,571	-4,298	-3,492
Lumbardhi Beteiligungs GmbH, AT	90%	3,793,240	7,531,500	3,917,303	8,342,493	-4,425,189	-1,850
• *KelKos Energy Sh.p.k., XK	90%	-	-	-3,219,800	2,027,845	-5,247,645	-4,613,371
Eko-toplota energetika d.o.o., SI	100%	1,740,563	1	1,305,696	-103,993	-155,968	-32,093
• *Ekoenergo d.o.o., SI	100%	-	-	430,678	-	-8,068	-
Vjetropark Jasenice d.o.o., HR	100%	3,194,111	3,182,908	1,021,571	975,677	60,416	-108,297
Zarja ekoenergija d.o.o., SI	100%	0	239,562	0	64,657	0	-44,549
Solarne elektrane Bukovica d.o.o, HR	100%	489,381	255,381	-33,202	-24,111	-9,449	-2,972
Vjetroelektrana Orjak d.o.o., HR	100%	12,062,904	0	2,899,259	-	0	-
Osen toplota d.o.o., SI	100%	553,273	0	61,130	-	0	-
Solarne elektrane Nin d.o.o., HR	80%	130,936	0	1,014	-	0	-
Total		**25,706,657**	**15,527,984**	**22,704,533**	**24,326,634**	**-12,429,844**	**-5,304,572**

* Indirect ownership.

The Company acquired in December a 100% equity interest in Vjetroelektrana Orjak, d.o.o., which owns a wind farm in Croatia, an 80% equity interest in Solarne elektrane Nin, d.o.o., where it will develop a new solar power plant project in Croatia, and a 100% equity interest in the company Osen toplota, which owns a wood biomass district heating system in the municipality of Pivka. Further, the Company increased the capital in companies Eko-toplota energetika, d.o.o., EHE d.o.o., and Vjetroelektrana Orjak, d.o.o. by converting long-term loans into capital in 2020, and merged LSB Elektrane, d.o.o. to EHE, d.o.o. and the Zarja ekoenergija, d.o.o. to the company Eko-toplota energetika, d.o.o.

Movement of investments in subsidiaries

in EUR	2020	2019
Balance at 1 Jan	**15,527,984**	**13,721,230**
Additions	9,392,316	2,894,943
Impairments	-3,906,237	-2,484,384
Transfer of impairment from loans to subsidiaries	-5,225,554	-1,548,570
Share capital increase in subsidiaries based on conversion of loans granted	9,918,147	2,944,765
Balance at 31 Dec	**25,706,657**	**15,527,984**

As at the reporting date, the Company assessed the indications of impairment and established that following investments show signs of impairment:

- EHE, d.o.o.: downward forecasting on the future movement of electricity prices for the period for which the subsidized electricity price is no longer valid on the basis of the contract;
- Inter-Energo, d.o.o Gornji Vakuf: downward forecasting on the future movement of electricity prices for the period for which the subsidized electricity price is no longer valid on the basis of the contract;
- Lumbardhi Beteiligungs GmbH that owns Kelkos Sh.p.k., which operates four power plants: temporary suspension of the power plants' operations and additionally planned investments;
- Vjetropark Jasenice, d.o.o.: shortening the economic life of the power plant from 24 years to 16 years.

The recoverable value estimate was calculated based on the return-based approach using the discounted cash flow method. The estimated value is in view of assumptions used classified as Level 3 within the fair value hierarchy (Note 2.5.6). Assumptions used the anticipated quantity of electricity produced, assessed on the basis of hydrological curves, estimated value of investments in the construction of power plants, duration of concessions, the amount of concession fees and the structure of other operating expenses (industrial standard combined with a historical analysis of other comparable power plants owned by Kelag Group and its companies). The discount rates used were calculated as the weighted average costs of capital for investments in power plants by taking into account the risk of individual country.

The recoverable value estimate was determined based on following assumptions:

- electricity produced on an annual basis equals the estimated production as confirmed by the competent bodies and the parent company. An exception would apply with power plants, where their 10-year average production, normalised by one-off events, would fail to achieve the initially expected production; however, there were no such cases.
- during the initial phase, the "feed-in" (FiT) tariffs were used as the price for electricity produced. The transition to the market price for electricity, whose amount is assessed via an external study, is carried out once the announced market price for electricity exceeds the "feed-in" tariff or not later than at the latter's expiry.
- considered duration of the project equals the duration of the licence.

Impairment testing was carried out on 31 December 2020 based on the present value method of expected cash flows. The significant assumptions used for individual investments are shown in the table below.

Investment	Cash generating unit (CGU)	Discount rate (WACC) in %	Average annual production of electricity in MWh	Production period ill year	FIT period	Initial market purchase price in EUR/MWh*	Period of market prices	Value of investments and loans granted ** prior to impairment	Estimate of recoverable amount	Impairment of investments recognised in income statement
EHE d.o.o.	CGU1	9.00%	10,500	2046	2021-2031	59.35	2031-2046	26,597,624	26,430,360	-167,263
	CGU2	9.00%	17,000	2056	2021-2028	56.34	2028-2056			
	CGU3	9.00%	20,000	2056	2021-2031	59.40	2032-2056			
Inter-Energo d.o.o Gornji Vakuf	CGU1	8.80%	3,800	2035	-	51.97	2021-2035	2,667,530	4,360,522	0
	CGU2	8.80%	8,600	2042	2021-2027	56.64	2027-2042			
Lumbardhi GmbH	CGU1	9.00%	25,000	2056	-	51.97	2021-2056	7,531,500	3,408,691	4,122,809
	CGU2	9.05%	20,000	2069	2021-2026	54.82	2026-2069			
	CGU3	9.05%	29,500	2069	2021-2026	54.82	2026-2069			
	CGU4	9.05%	14,000	2069	2021-2029	58.40	2030-2069			
Vjetropark Jasenice d.o.o.	CGU1	5.70%	21,500	2035	2021-2033	62.00	2034-2035	13,953,079	17,641,168	0

* Market prices are based on the stock exchange prices of standardized futures contracts on the HUPX stock exchange for the 2021–2024 period; upon that period, the RWE study is the source of long-term forecasts of market price movements.

** Inclusive of long-term and short-term loans and interest receivables.

While the calculation method remained the same – relative to the impairment-related estimates made by the Company last year – the key change in this year's impairment assumptions was the general lowering of the electricity price level in the price forecasting study and emergencies related to unforeseen activities by state bodies in Kosovo, due to which the operation of power plants has been partially curtailed. At the same time, the need for impairment also resulted from the share capital increases.

The Company is of the opinion that the stated changes in assumptions contribute to a more accurate and realistic valuation of non-current investments in subsidiaries. In view of the results of the performed analysis, which included the aforesaid changes in assumptions, the Company impaired the investments in EHE, d.o.o. (in the amount of EUR 976,383, whereof EUR 167,976 refers to impairment and EUR 808,406 to transfer of impairment from 'loans' to 'investments') and investments in Lumbardhi Beteiligungs GmbH (EUR 3,738,260). Within the conversion of the loan into equity of EHE, d.o.o., the Company also transferred the relevant impairment of the loan over to the investment (EUR 4,417,148).

The Management assesses that the key assumptions for estimating the recoverable amount of investments are the quantity of electricity production and the weighted average cost of capital. The sensitivity analysis of the recoverable amount to changes in the projected amount of electricity production and the weighted average cost of capital is shown in the table below.

Sensitivity analysis of the estimated recoverable amount

in EUR	Changed estimate of the recoverable value relative to	
	changed quantity by +/- 5%	changed WACC by +/- 0,5%
EHE d.o.o.	+/- 1,390,589	-/+ 966,354
Inter-Energo d.o.o.	+/- 282,542	-/+ 127,252
Lumbardhi GmbH	+/- 2,773,694	-/+ 2,327,244
Vjetropark Jasenice d.o.o.	+/- 849,763	-/+ 449,351

2.4.3.2 Non-current loans granted

The item of non-current loans includes loans granted to subsidiaries that bear the fixed interest rate. The loans mature in years from 2030 to 2035 and are not secured.

Movement of non-current loans granted

in EUR	2020	2019
Balance at 1 Jan	**43,439,876**	**34,316,982**
Increase	25,335,899	12,730,000
Decrease	-950,000	-4,186,947
Impairment	0	-1,464,964
Transfer of 'impairment of granted loans' to 'investments in subsidiaries'	5,225,554	1,548,570
Share capital increase in subsidiaries based on conversion of granted loans	-9,918,147	-2,944,765
Transfer from current loans	0	3,441,000
Balance at 31 Dec	**63,133,181**	**43,439,876**

The need to impair the non-current loans to subsidiaries was assessed together with the impairment testing of investments by applying the discounted cash flow method (Note 2.4.3.1). In line with the analysis performed, there was no need to impair the non-current loans granted. A part of existing impairments of loans to EHE, d.o.o. was transferred to the investment (Note 2.4.3.1).

Non-current loans granted to Group companies are in detail outlined among related party transactions (Note 2.6).

2.4.4 Non-current receivables

in EUR	31 Dec 2020	31 Dec 2019
Non-current receivables	**55,453**	**59,130**
Non-current given securities	26,793	26,793
Other non-current receivables	28,660	32,338

Non-current receivables comprise given securities and the non-current receivable to the servient owner.

2.4.5 Deferred tax assets

in EUR	31 Dec 2020	31 Dec 2019
Deferred tax assets	**163,483**	**164,168**
from impairment of operating receivables	149,915	158,154
from temporary differences arising on useful lives of property, plant and equipment	13,568	6,014

Movement of deferred tax assets

in EUR	Impairment of receivables	Useful life of fixed assets	Total
Balance at 1 Jan	**158,154**	**6,014**	**164,168**
Change in the income statement	-8,239	7,554	-685
Balance at 31 Dec	**149,915**	**13,568**	**163,483**

2.4.6 Current investments

in EUR	31 Dec 2020	31 Dec 2019
Current investments	**4,593,239**	**3,110,672**
Current loans to subsidiaries	305,655	83,655
Current interest receivables from loans	4,287,584	3,027,017

Short-term investments comprise loans granted to subsidiaries and the value of interest receivables from loans that fall due in the period of up to 1 year.

Movement of current investments

in EUR	2020	2019
Balance at 1 Jan	**3,110,671**	**6,519,035**
Increase in current loans granted	222,000	80,655
Repayment of current loans granted	0	-14,000
Transfer to non-current loans	0	-3,441,000
Increase in interest receivables	3,204,559	2,979,989
Decrease in interest receivables	-1,943,991	-3,014,007
Balance at 31 Dec	**4,593,239**	**3,110,671**

2.4.7 Derivatives

in EUR	31 Dec 2020	31 Dec 2019
Derivatives (assets)	**5,293,775**	**8,389,941**
Assets relating to commodity forward contracts	5,293,775	8,389,941
Derivatives (liabilities)	**-5,065,860**	**-5,865,698**
Assets relating to commodity forward contracts	-5,043,303	-5,865,137
Assets relating to foreign currency forward contracts	-22,557	-560

The value of derivatives is derived from the fair value estimate of commodity forwards with physical settlement and cross-border transmission capacity contracts related to electricity trading and foreign exchange forwards arising from currency risk hedging, open on the reporting day. The stated assets and liabilities are to be treated collectively; the assets refer to the group of contracts, whose fair value is positive, whereas the liabilities refer to the group of contracts, whose fair value is negative. If a contract is signed with a partner with a netting clause, the positive and negative fair values of individual contracts with that partner are shown in a netted amount for the relevant periods. In the financial year, the Company discloses expenses from the valuation of derivatives (commodity forward contracts) in the fair value of EUR 2,274,332 (Note 2.4.16). The effects of trading with standardized futures contracts are recorded as revenue for the period in the amount of EUR 5,271,592 (Note 2.4.16).

2.4.8 Trade and other receivables

in EUR	31 Dec 2020	31 Dec 2019
Trade and other receivables	**26,029,010**	**26,829,824**
Trade receivables to domestic customers	7,507,561	2,068,085
Trade receivables to foreign customers	7,198,009	19,524,723
Receivables to related entities	11,113,089	4,584,005
Tax receivables	998,645	1,447,459
Other receivables	-1,421	2,282
Bad debt allowance	-786,873	-796,731

Current trade receivables to customers refer to the sale of electricity and cross-border transmission capacities in December 2020. Trade receivables and trade payables can be set off in accordance with provisions of the standard EFET agreement. The set-offs include receivables to domestic, foreign and related customers, who on the hand act also as suppliers.

As at 31 December 2020, 75% of trade receivables were secured by means of credit insurance provided by an insurance company or other forms of credit insurance (2019: 69%). The Company formed EUR 1,103 of bad debt allowances in 2020 based on the expected credit loss model (2019: EUR 4,697).

As at the reporting date as well as at 31 December 2019, the Company recorded no receivables to members of the Management Board and the Supervisory Board.

2.4.9 Prepayments, contract assets and other assets

in EUR	31 Dec 2020	31 Dec 2019
Prepayments, contract assets and other assets	**11,695,507**	**7,437,375**
Prepayments	8,694,142	4,040,445
Contract assets	2,500,931	2,877,577
Other assets	500,435	519,353

Receivables for prepayments refer to advance payment made on the basis of electricity purchase contracts and guarantees provided for trading at European energy exchanges. Their value depends on the volume of electricity purchased at individual energy exchanges in the respective period; relative to December 2019, more purchases of electricity at energy exchanges were recorded in December 2020, which resulted also in higher relevant receivables.

Other assets refer to short-term deferred operating costs, primarily to the purchase of cross-border transmission capacities, annual memberships, subscriptions and insurances.

Contract assets relate to Company's rights to compensation for performance obligations fulfilled under contracts with customers. Contract assets are transferred to receivables when the right to payment becomes unconditional, but after time period elapses. This occurs when the Company issues an invoice to the customer in accordance with the billing specifics agreed in the contract. Contract assets refer to non-charged sale of goods and service as the Company deferred accrued income from the December electricity sale at the year-end of 2020, which primarily relate to the electricity sales on power exchanges and sales of cross-border transmission capacities in December 2020. The value of income is based on the confirmed contracts on the sale of electricity including delivery in December 2020.

Contract balances relating to contracts with customers

in EUR	31 Dec 2020	31 Dec 2019
Receivables include in 'Trade and other receivables'	25,818,658	26,176,813
Contract assets included in 'Prepayments, contract assets and other assets'	2,500,931	2,877,577
Contract liabilities included in 'Trade and other payables'	0	0

Changes in the value of contract assets

in EUR	2020	2019
Balance at 1 Jan	**2,877,577**	**8,957,024**
Increase	2,500,931	2,877,577
Transfer to receivables	-2,877,577	-8,957,024
(Recognition) / Reversal of impairment	-70	0
Balance at 31 Dec	**2,500,861**	**2,877,577**

2.4.10 Cash and cash equivalents

in EUR	31 Dec 2020	31 Dec 2019
Cash	**8,432,215**	**6,055,013**
Bank balances	7,186,073	4,042,838
Cash on other accounts	1,176,586	1,767,547
Short-term deposits	69,555	244,628

2.4.11 Equity

in EUR	31 Dec 2020	31 Dec 2019
Equity	**63,562,437**	**62,453,712**
Share capital	10,200,000	10,200,000
Capital surplus	65,450,000	65,450,000
Revenue reserves	95,722	95,722
Retained losses	-13,292,010	-18,460,101
Profit or loss for the period	1,108,725	5,168,092

Revenue reserves comprise legal reserves and capital surplus that arises from additional contributions paid by the sole shareholder. Profit for the period covers the loss from previous periods.

Accumulated profit or loss for 2020

in EUR	2020	2019
Profit for the period	1,108,725	5,168,092
Retained earnings or losses from previous periods	-13,292,010	-18,460,101
Accumulated loss	**-12,183,285**	**-13,292,010**

2.4.12 Non-current financial liabilities

in EUR	31 Dec 2020	31 Dec 2019
Non-current financial liabilities	**61,610,638**	**24,285,059**
Non-current borrowings	60,427,190	23,823,066
Non-current lease liabilities	48,277	136,965
Other non-current financial liabilities	1,135,171	325,028

Company's non-current financial liabilities primarily relate to the borrowings granted by KI-Kelag International in the amount of EUR 60,427,190 (2019: EUR 23,823,066), which bear the fixed interest rates ranging from 1.5% to 3.6% and are not secured. The borrowings mature between 2030 and 2035. The borrowings are used for financing investments in projects relating to renewable energy sources based on energy contracting. The remaining non-current investments refer to payables arising from the purchase of investments and to leases.

Movement of non-current financial liabilities

in EUR	31 Dec 2020	31 Dec 2019
Balance at 1 January	**24,285,059**	**29,660,916**
Increase in borrowings	54,344,867	88,705,000
Repayment of borrowings	-17,740,743	-91,659,942
Increase in other non-current financial liabilities	852,868	470,350
Decrease in other non-current financial liabilities	-131,413	-191,265
Other changes	0	-2,700,000
Balance at 31 December	**61,610,638**	**24,285,059**

Based on the new IFRS 16 standard, the Company discloses in its statement of financial position the non-current labilities from operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars. Non-current lease liabilities are due not later than by the year-end of 2024.

Movement of non-current lease liabilities

in EUR	2020	2019
Balance at 1 Jan	**136,965**	**248,503**
Increase	29,944	49,876
Changes	203	-6,748
Interest	2,028	2,019
Repayments	-120,863	-156,686
Balance at 31 Dec	**48,277**	**136,965**

2.4.13 Other non-current liabilities

in EUR	31 Dec 2020	31 Dec 2019
Other non-current liabilities	**556,018**	**1,165,272**
Accrued costs	494,093	1,088,482
Long-term deferred costs	61,925	76,790

Accrued costs comprise primarily the variable earnings of the employees that are to be paid out in a period longer than one year.

2.4.14 Current financial liabilities

in EUR	31 Dec 2020	31 Dec 2019
Current financial liabilities	**3,074,708**	**4,749,460**
Current borrowings	2,501,297	1,743,154
Current lease liabilities	125,411	174,448
Current interest payables	0	1,857
Other current financial liabilities	448,000	2,830,000

As at 31 December 2020, the Company used the cash pool of the Kelag Group in the amount of EUR 2,500,000. other current financial liabilities represent liabilities arising under the purchase of investments.

Movement of current liabilities

in EUR	31 Dec 2020	31 Dec 2019
Balance at 1 Jan	**4,749,460**	**0**
Increase in current borrowings	2,500,000	1,743,154
Repayment of current borrowings	-1,741,857	0
Increase in other current financial liabilities	338,079	176,306
Decrease in other financial liabilities	-2,770,974	0
Other changes	0	2,830,000
Balance at 31 Dec	**3,074,708**	**4,749,460**

Based on the new IFRS 16 standard, the Company discloses in its statement of financial position the current labilities from operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars.

Movement of current lease liabilities

in EUR	2020	2019
Balance at 1 Jan	**174,448**	**148,555**
Increases	18,055	35,472
Decreases	-3,253	0
Changes	277	2,548
Interest	2,074	1,603
Repayments	-66,190	-13,730
Balance at 31 Dec	**125,411**	**174,448**

2.4.15 Trade and other payables

in EUR	31 Dec 2020	31 Dec 2019
Trade and other payables	**17,697,371**	**15,419,149**
Trade payables to domestic suppliers	391,202	1,125,273
Trade payables to foreign suppliers	7,030,583	4,664,532
Liabilities to related entities	6,242,463	3,096,188
Liabilities for received prepayments and collaterals	367,325	100,000
Payables to employees	94,240	84,017
Tax payables and payables for contributions	931,593	65,958
Other payables	2,639,963	6,283,182

Current trade payables to suppliers include payables referring to the purchase of electricity and the related costs in December 2020. Trade receivables to customers and trade payables to suppliers relating to electricity trading can be set off in accordance with provisions of the standard EFET agreement. The set-offs comprise receivables to domestic, foreign and related suppliers, who on the other hand act also as buyers.

Company's other payables comprise mostly short-term accrued costs for electricity purchased, cross-border transmission capacities and the related costs of trading for December 2020. The Company has deferred costs based on the confirmed contracts on the sale of electricity including delivery in December 2020. Purchases recorded on power exchanges declined in the reporting period over the last year's comparable period, thus the value of accrued costs hereunder is lower.

2.4.16 Revenue

in EUR	2020	2019
Revenue	**458,898,377**	**699,298,011**
Revenue from contracts with customers, recognised gradually	**455,913,471**	**696,760,852**
Revenue from electricity trading	450,351,059	692,885,205
Revenue from sale of electricity produced	520,904	536,429
Revenue from commission services	3,178,523	1,770,785
Revenue from sale of other services	1,862,985	1,568,432
Fair value of commodity forward contracts	**-2,286,687**	**2,537,159**
Effects of standardized futures contracts	**5,271,592**	**0**

Relative to the previous year, Company's revenue from electricity trading declined by 35%, which is mainly due to the transferred part of Company's electricity trading from the physical market to the financial market, where it trades in standardized futures contracts on the EEX, and revenue and expenses thereunder are shown in Company's financial statements at netted amount.

Revenue from commission services are recognized on a net basis, in the amount of the commission to which it is entitled on the basis of a contract in which the Company acts as a commission agent who performs electricity trading in its name for the client's account. As the Company does not bear the risk of losses that must be settled by the client based on the contract, the Company acts as an agent in this contract.

Revenue from the sale of other services include energy services, trading services and engineering services.

2.4.17 Cost of goods sold and cost of material

in EUR	2020	2019
Purchase cost of goods sold and material used	**-448,688,524**	**-682,607,737**
Purchase cost of goods sold	-448,479,230	-682,274,599
Costs of material used	-209,293	-132,051
Effects of standardized futures contracts	0	-201,088

Costs of goods, which include the electricity purchases, cross-border transmission capacities and trading costs, have declined by 34% over the previous period. The aforesaid is primarily due to the fact that the Company transferred part of its electricity trading from the physical market to the financial market, where it trades in standardized futures contracts on the EEX, and revenue and expenses thereunder are shown in Company's financial statements at netted amount.

Costs of material used comprise costs of energy systems, costs of fuel, of energy used, office stationary and professional literature, and write-off of small tools.

2.4.18 Cost of services

in EUR	2020	2019
Costs of services	**-2,271,012**	**-2,090,486**
Consultancy services	-785,703	-583,473
Costs of maintenance	-320,088	-252,795
Bank fees	-241,644	-238,937
Rents	-219,879	-213,559
Costs of student work	-164,741	-135,647
Insurance costs	-126,929	-138,561
Marketing costs	-75,920	-169,115
Reimbursement of work-related costs to employees	-35,102	-91,291
Other costs of services	-301,005	-267,106

The costs of professional services increased in 2020 mainly because of advisory services in connection with new investments (2020: EUR 363,038, 2019: EUR 144,334). The costs of audit services amounted in the reporting period to EUR 23,550 (2019: EUR 16,900), whereof EUR 21,550 (2019: EUR 14,900) refers to auditing of the annual report and EUR 2,000 (2019: € 2,000) to other assurance-related services. KPMG did not perform any non-audit services for the Company.

2.4.19 Personnel costs

in EUR	2020	2019
Personnel costs	**-2,414,520**	**-4,306,620**
Salaries	-1,791,152	-3,801,088
Pension and social insurance costs	-447,375	-355,926
Other personnel costs	-175,993	-149,606

As at 31 December 2020, the Company recorded 44 full-time employees (2019: 37), who in terms of full working time equal 43.875 employees. Relative to 2019, the personnel costs declined due to lower variable remuneration of employees, which depends on the Company's business results. The Company formed no provisions for jubilee premiums and retirement benefits, as the amount is insignificant in view of the number and age of employees.

The Company is run by two Managing Directors and two holders of procuration. Remuneration of management members, which includes gross salaries, other work-related remuneration, bonuses and premiums for voluntary supplementary pension insurance, amounted to EUR 198,389 in 2020 (2019: EUR 264,782). Remuneration of other employees employed under contracts for which the tariff part of the collective agreement does not apply, amounted to EUR 1,004,650 (2019: EUR 570,421). In 2020 and 2019, no remuneration was paid to the members of the Supervisory Board.

Educational structure of staff

	No. of employees*		Average no. of employees *	
	31 Dec 2020	31 Dec 2019	2020	2019
Secondary school education (level V)	3	1	2	1
1st level university education (level VI.1, VI.2)	20	17	18.5	14
2nd level university education (level VII.)	18.875	17	17.938	17
Master's degree (level VIII.1)	1	2	1.5	2.5
Ph.D. (level VIII.2)	1	0	0.5	0
Total	**43.875**	**37**	**40.438**	**34.5**

* Full time equivalent.

2.4.20 Amortisation and depreciation expense

in EUR	2020	2019
Amortisation and depreciation expense	**-1,029,100**	**-795,352**
Amortisation of intangible assets	-156,735	-127,491
Depreciation of property, plant and equipment	-181,258	-164,786
Amortisation of the right of use the assets	-691,107	-503,075

2.4.21 Other operating expenses

in EUR	2020	2019
Other operating expenses	**-175,169**	**-39,120**
Charges and other levies	-24,055	-20,931
Net foreign exchange losses	-129,576	-9,312
Other costs	-21,538	-8,877

2.4.22 Operating result from financing activites

in EUR	2020	2019
Finance income	**3,207,835**	**2,983,328**
Finance income on interests and loans to subsidiaries	3,204,559	2,979,989
Other finance income	3,276	3,339
Finance costs	**-5,250,183**	**-4,980,129**
Costs of impairment of investments	-3,906,237	-3,949,349
Costs of borrowings from the parent company	-1,215,047	-861,400
Finance costs of loans from others	-72,206	-76,828
Net foreign currency exchange losses	-52,592	-88,930
Finance lease expenses	-4,102	-3,622
Operating result from financing activities	**-2,042,348**	**-1,996,801**

Finance costs for impairment of investments refer to the impairment of an investment in the amount of EUR 3,906,237 (Notes 2.4.3.1 and 2.4.3.2).

2.4.23 Income tax expense

in EUR	2020	2019
Income tax	1,189,395	2,212,750
Deferred tax	685	76,856
Total income tax	**1,190,080**	**2,289,607**
Profit or loss before tax	2,298,805	7,457,698
Current tax pursuant to applicable tax rate	**436,773**	**1,416,963**
Tax effect from increase of the taxable base	761,574	777,131
Tax effect from decrease of the taxable base	-26,358	-25,014
Tax effect from temporary differences	8,449	77,749
Non-deductible foreign tax	7,741	35,063
Tax effect from previous periods	1,902	7,715
Total income tax	**1,190,080**	**2,289,607**
Effective tax rate (in %)	**51.77%**	**30.70%**

The Company does not form deferred tax assets from impairment of investments, as deferred taxes thereunder can be claimed only upon their disposal, which is not planned and thus the Company assesses that the period until enforcement is too long and associated with excessive uncertainty.

The Company discloses income tax receivable from the deducting foreign tax for previous periods in the amount of EUR 129,052 and from overpaid advances for the reporting period in the amount of EUR 374,850.

2.5 Financial instruments and risk management

Disclosures relating to financial risks (i.e. credit risk, liquidity risk, currency risk, interest rate risk and price risk) are outlined below.

3.5.1 Credit risk

Credit risk is the risk that a client included in a financial instrument will default, as well as the risk that a bank will default.

The largest item among financial assets that are exposed to credit risk are in terms of value the non-current loans granted to subsidiaries, while the trade receivables are the second largest item. In 2020, 75% (2019: 69%) of trade receivables, exclusive of subsidiaries and parent companies, were secured with credit insurance and other forms of credit insurance.

The carrying amount of financial assets represents the maximum exposure to credit risk, and at the reporting date amounted as follows:

in EUR	31 Dec 2020	31 Dec 2019
Non-current loans granted	63,133,181	43,439,876
Non-current receivables	55,453	59,130
Current investments	4,593,239	3,110,672
Derivatives (assets)	5,293,775	8,389,941
Trade receivables	25,031,786	25,380,082
Cash and cash equivalents	8,432,215	6,055,013
Total	**106,539,648**	**86,434,714**

Impairment of trade receivables, contract assets and derivatives (assets)

As part of the credit risk management process, the Company determines credit limits for customers based on credit ratings of internationally recognized credit rating agencies (Moody's) and internal creditworthiness testing. Based on internally adopted policies, the risk management department analyses and classifies the customer into one of seven credit rating classes before starting business operations and checks the possibility of assigning a credit limit to the insurance company, on the basis of which customer's receivables are included in credit insurance. Approved limits are checked and supplemented on an ongoing basis. The ratings of all customers are updated annually. A review of customer credit assessment procedures is also carried out on an annual basis and a formal opinion on compliance is obtained.

Customers are ranked in seven credit rating classes:

- Class 1 (very good credit rating - very low credit risk), equivalent to Moody's credit ratings from Aaa to A2;
- Class 2 (high credit rating - low credit risk), equivalent to Moody's A3 credit rating;
- Class 3 (good credit rating - certain credit risk), equivalent to Moody's credit ratings from Baa1 to Baa3;
- Class 4 (medium credit rating - medium credit risk), equivalent to Moody's credit ratings from Ba1 to Ba3;
- Class 5 (speculative credit rating - significant credit risk), equivalent to Moody's credit ratings from B1 to B3;
- Class 6 (low credit rating - high credit risk), equivalent to Moody's credit rating Caa1;
- Class 7 (very low credit rating - very high credit risk), equivalent to Moody's credit ratings from Caa2 to C.

Transactions are concluded only with customers classified within the credit rating Class 3 (good credit rating) and higher, which represents a credit rating of Baa3 and higher according to Moody's. Trading with partners in lower classes is possible in cases where they provide additional collateral, such as corporate guarantees, bank guarantees, deposits or other forms of collateral that can significantly reduce the credit risk of the buyer.

in EUR	31 Dec 2020	31 Dec 2019
Impairment of trade receivables, contract assets and other assets, recognised in the income statement	1,103	4,697
Impairment of derivatives (assets), recognised in the income statement	36,674	73,102

In 2019, the Company measured expected credit losses based on a matrix formed by applying the age intervals of receivables. In 2020, the Company switched to a new model based on the individual assessment of each customer. The 12-month probability of default (PD) or the probability of default over the life of the financial asset is determined based on data of the Moody's credit rating agency. The loss generated on default (LGD) is set at 90%, except when the instrument is financially impaired, in which case the value is estimated on the basis of the expected contractual cash flows. The Company recognises expected credit losses for unsecured assets as well as for secured assets, as it receives 90% of the value of secured receivables from the insurance company on the basis of a credit insurance contract if the customer fails to pay. For the secured part of receivables, the probability of default of the insurance company is taken into account, which is also estimated on the basis of data from the credit rating agency Moody's or S&P.

	Secured			Unsecured		
v EUR	Gross value	Rate of weighted average loss	Expected credit loss	Gross value	Rate of weighted average loss	Expected credit loss
Trade receivables	**9,958,697**	**0.01%**	**-1,189**	**15,928,227**	**4.93%**	**-785,683**
Very low credit risk	0	0.00%	0	509,798	0.00%	0
Low credit risk	0	0.00%	0	11,099,976	0.00%	-312
Certain credit risk	1,272,951	0.00%	-56	1,616,977	0.01%	-223
Medium credit risk	7,919,961	0.01%	-887	1,436,855	0.07%	-944
Significant credit risk	533,129	0.04%	-200	62,708	0.21%	-131
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	223,721	0.02%	-46	782,668	100.00%	-782,668
Credit rating is not available	8,935	0.00%	0	419,244	0.34%	-1,405
Contract assets	**0**	**0.00%**	**0**	**2,500,931**	**0.00%**	**-70**
Very low credit risk	0	0.00%	0	2,347,612	0.00%	0
Low credit risk	0	0.00%	0	108,000	0.00%	-3
Certain credit risk	0	0.00%	0	0	0.00%	0
Medium credit risk	0	0.00%	0	0	0.00%	0
Significant credit risk	0	0.00%	0	0	0.00%	0
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	0	0.00%	0	0	0.00%	0
Credit rating is not available	0	0.00%	0	45,318	0.15%	-66
Other assets	**0**	**0.00%**	**0**	**8,707,255**	**0.01%**	**-585**
Total	**9,958,697**	**0.01%**	**-1,189**	**27,136,413**	**2.90%**	**-786,338**

Movement of allowances for receivables, contract assets and other assets

in EUR	31 Dec 2020	31 Dec 2019
Balance at 1 Jan	**-796,731**	**-792,034**
Formation of allowances	0	-4,697
Reversal of allowances	1,199	0
Write-off of receivables	8,659	0
Balance at 31 Dec	**-786,873**	**-796,731**

Impairment of loans granted

The credit quality of loans granted to Group companies, measured at amortised cost, is presented below i.e. for granted loans that were subject to impairment assessment including investments in subsidiaries, and for loans that were not subject to impairment assessment including investments in subsidiaries. By checking the impairment of investments in subsidiaries, the Company also checks the impairment of loans. In this case, the impairment value is recognized as the difference between the carrying amount and the expected contractual cash flows, discounted at the initial effective interest rate.

in EUR	Gross value	Expected credit loss
Granted loans subject to impairment testing	37,703,578	-3,687,475
Granted loans not subject to impairment testing	29,422,732	0
Total	**67,126,310**	**-3,687,475**

Movement of allowances for loans granted

in EUR	31 Dec 2020	31 Dec 2019
Balance at 1 Jan	**-8,913,028**	**-8,996,634**
Formation of allowances	0	-1,464,964
Transfer of allowances to investments	5,225,554	1,548,570
Balance at 31 Dec	**-3,687,475**	**-8,913,028**

Cash and cash equivalents

The value of cash and cash equivalents amounted as at 31 December 2020 to EUR 8,432,215 (2019: EUR 6,055,013). Cash and cash equivalents are invested with first-class banks with the highest credit rating according to the company's internal valuation.

Impairment of cash and cash equivalents was measured based on a 12-month expected credit loss, reflecting the short-term maturity of the instrument and the short-term exposure of the Company. Based on the credit ratings of banks, the Company estimates that cash and cash equivalents have a low credit risk, and impairment was recognised in the amount of EUR 1,497 on 31 December 2020.

2.5.2 Liquidity risk

Liquidity risk is the financial risk associated with the Company's liquidity. Liquidity risk is the risk of a mismatch between Company's matured assets and liabilities. Liquidity risk indicates the possibility of a lack of cash to repay overdue liabilities

The Company in engaged in an active and on-going monitoring of liquidity and planning of all cash flows. In 2019 and 2020, the Company settled its liabilities without any delays.

Liabilities by maturity are outlined below.

Company's liabilities by maturity as at 31 December 2020

in EUR	Carrying amount of liability	Contractual cash flows			
		Liability	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Non-current financial liabilities	61,610,638	**77,926,637**	1,700,344	12,645,143	63,581,150
Current financial liabilities	3,074,708	**3,074,708**	3,074,708	0	0
Derivatives (liabilities)	5,065,860	**5,065,860**	5,065,860		
Trade and other payables	17,697,371	**17,697,371**	17,697,371	0	0

Company's liabilities by maturity as at 31 December 2019

in EUR	Carrying amount of liability	Contractual cash flows			
		Liability	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Non-current financial liabilities	24,285,059	**33,563,151**	856,439	3,887,750	28,818,961
Current financial liabilities	4,749,460	**4,749,460**	4,749,460	0	0
Derivatives (liabilities)	5,865,698	**5,865,698**	5,865,698	0	0
Trade and other payables	15,419,149	**15,419,149**	15,419,149	0	0

2.5.3 Currency risk

Currency risk is a financial risk and indicates the risk of financial loss due to changes in the value of one currency compared to another. Within the framework of electricity trading, the Company is exposed to currency risk, particularly to the Romanian leu (RON) and the Hungarian forint (HUF). The Company actively manages and hedges foreign currency transactions and for this purpose concludes also foreign currency forward contracts. As of the reporting date, the fair value of foreign currency forward contracts was recorded at EUR 22,557 (2019: EUR -560).

	31 Dec 2020							
in EUR	Total	EUR	RON	HUF	CZK	BAM	BGN	HRK
Trade and other receivables	**26,029,010**	25,673,444	310,042	0	49	1,074	44,400	0
Cash and cash equivalents	**8,432,215**	6,251,789	1,485,368	69,830	274,969	219,030	131,229	0
Trade and other payables	**-17,697,371**	-17,287,356	-356,252	0	0	-260	-53,314	-189
Statement of financial position's exposure	**16,763,854**	**14,637,878**	**1,439,158**	**69,830**	**275,018**	**219,844**	**122,315**	**-189**

	31 Dec 2019							
in EUR	Total	EUR	RON	HUF	CZK	BAM	BGN	HRK
Trade and other receivables	**26,829,824**	26,463,169	315,586	0	3	4,020	0	47,046
Cash and cash equivalents	**6,055,013**	2,978,432	2,459,353	167,148	9,591	56,561	383,928	0
Trade and other payables	**-15,419,149**	-15,300,033	-2,078	-116,344	-55	-299	-148	-192
Statement of financial position's exposure	**17,465,687**	**15,232,924**	**1,920,447**	**-7,876**	**8,059**	**38,605**	**226,674**	**46,855**

2.5.4 Interest rate risk

Interest rate risk means the possibility of loss due to adverse interest rate movements on the market. The Company is financed based on non-current borrowings bearing a fixed interest rate from the parent company, and is exposed to interest rate risk when using bank overdrafts at commercial banks for the purpose of financing temporary liquidity gaps. Variable interest rates are based on Euribor and Euro-Libor.

in EUR	31 Dec 2020	31 Dec 2019
Instruments bearing the fixed interest rate	**205,991**	**19,616,810**
Non-current loans granted	63,133,181	43,439,876
Non-current borrowings	-60,427,190	-23,823,066
Current borrowings	-2,500,000	0
Instruments bearing a variable interest rate	**-1,297**	**-1,743,154**
Current borrowings	-1,297	-1,743,154

2.5.5 Price risk

Price risk is a type of market risk that arises from unfavourable movements in electricity prices on the markets and has a negative impact on the value of open commodity forward contracts and consequently a negative effect on business operations. Concluded and not yet delivered electricity forward contracts and cross-border transmission capacity contracts are exposed to price risk is exposed to. The mark-to-market (MtM) value of open commodity forward contracts is estimated daily on the basis of the relevant hourly price forward curves (HPFCs) derived from stock prices, whereas transactions related to cross-border transmission capacities are based on differences between the relevant forward price curves. A risk management system based on the value-at-risk model (VaR) has also been established. The latter enables that the risk measures of the concluded contracts are valued by different portfolios, markets and strategies for which pre-defined maximum exposure limits are defined.

A sensitivity analysis of the change in prices showed that in the event of a general price change of 10%, the fair value of open commodity forward contracts and cross-border transmission capacity contracts would change by EUR 664,103.

2.5.6 Carrying amounts and fair values of financial instruments

Financial instruments are classified to three levels according to the verifiability of the input data for the calculation of their fair value. Derivatives consist of:

- Standardized futures contracts, whose fair values are valued based on the market prices of the relevant European Energy Exchange (EEX) products on the last active trading day;
- commodity forward contracts and cross-border transmission capacity contracts, whose fair values are valued on the basis of the market prices of annual products on the European Energy Exchange (EEX) on the last active trading day;
- foreign currency forward contracts, whose fair values are valued on the basis of market exchange rates and differences in market interest rates.

The fair value levels of derivatives are hence determined on the basis of:

- Level 1: prices for similar instruments i.e. the valuation is based on unadjusted prices of products that are traded on active markets. At this level, the Company values futures contracts, whose market prices are publicly listed on the EEX for each trading day but due to day-to-day settlement, the reported value of assets or liabilities arising from this equals zero;
- Level 2: market inputs that can be observed directly if they are not Level 1 inputs. The aforesaid indicates that the valuation is based on models, whose inputs are market parameters (stock prices). At this level, the Company discloses commodity forward contracts, cross-border transmission capacity contracts and foreign currency forward contracts. Commodity forward contracts are valued on the basis of the hourly price forward curves (HPFCs) derived from stock prices, whereas transactions related to cross-border transmission capacities are based on differences between the relevant forward price curves. Foreign currency forward contracts are valued on the basis of the market exchange rate and differences in the respective interest rates.

The table below outlines the carrying amounts and fair values of financial assets and financial liabilities. The table is exclusive of disclosures about the fair values of financial assets and liabilities not measured at fair value when the carrying amount is a sufficient approximation of fair value.

	31 Dec 2020			31 Dec 2019		
		Fair value			Fair value	
in EUR	Carrying amount	Level 2	Total	Carrying amount	Level 2	Total
Financial assets measured at amortised cost	**113,938,605**	**-**	**0**	**86,931,889**	**-**	**0**
Non-current loans granted	63,133,181	-	-	43,439,876	-	-
Non-current receivables	55,453	-	-	59,130	-	-
Current investments	4,593,239	-	-	3,110,672	-	-
Trade and other receivables	26,029,010	-	-	26,829,824	-	-
Prepayments, contract assets and other assets	11,695,507	-	-	7,437,375	-	-
Cash and cash equivalents	8,432,215	-	-	6,055,013	-	-
Financial assets measured at fair value	**5,293,775**	**5,293,775**	**5,293,775**	**8,389,941**	**8,389,941**	**8,389,941**
Derivatives (assets)	5,293,775	5,293,775	5,293,775	8,389,941	8,389,941	8,389,941
Financial liabilities measured at amortised cost	**-82,938,735**	**-**	**0**	**-45,618,941**	**-**	**0**
Non-current financial liabilities	-61,610,638	-	-	-24,285,059	-	-
Other non-current liabilities	-556,018	-	-	-1,165,272	-	-
Current financial liabilities	-3,074,708	-	-	-4,749,460	-	-
Trade and other payables	-17,697,371	-	-	-15,419,149	-	-
Financial liabilities measured at fair value	**-5,065,860**	**-5,065,860**	**-5,065,860**	**-5,865,698**	**-5,865,698**	**-5,865,698**
Derivatives (liabilities)	-5,065,860	-5,065,860	-5,065,860	-5,865,698	-5,865,698	-5,865,698

2.6 Related party transactions

As at 31 December 2020, the Company recorded following equity interests in its subsidiaries:

Subsidiary	Address	Country	Equity interest
EHE d.o.o.	Dunavska 1C, 78000 Banja Luka	BA	100%
Interenergo d.o.o.	Fra Anđela Zvizdovića 1A/8, 71000 Sarajevo	BA	100%
PLC Interenergo d.o.o.	Osmana Đikića 30, 11000 Beograd	RS	100%
Hidrowatt d.o.o.	Osmana Đikića 30, 11000 Beograd	RS	88.87% indirect
Interenergo Makedonija d.o.o.e.l.	Gančo Hađipanzov 32, 1000 Skopje	MK	100%
Inter-Energo d.o.o.	Vrbaska 42, 70240 Gornji Vakuf - Uskoplje	BA	100%
MHE Vrbnica d.o.o.	Ulica 8. marta 74, 8100 Podgorica	ME	70%
Interenergo d.o.o.-Kosova Sh.p.k.	Sali Çeku str., Gogaj Building App. 14, Dečani	XK	100%
Lumbardhi Beteiligungs GmbH	Arnulfplatz 2, 9020 Klagenfurt am Wörthersee	AT	90%
KelKos Energy Sh.p.k.	Sali Çeku str., Gogaj Building App. 14, Dečani	XK	90% indirect
Eko-toplota energetika d.o.o.	Tivolska cesta 48, 1000 Ljubljana	SI	100%
Vjetropark Jasenice d.o.o.	Podudbina 15, 53234 Udbina	HR	100%
Solarne elektrane Bukovica d.o.o.	Petra Zoranića 61, 23450 Obrovac	HR	100%
Hydro Ljutina d.o.o.	Dragoljuba Savića 23, 31330 Priboj	RS	100% indirect
Ekoenergo d.o.o.*	Tivolska cesta 48, 1000 Ljubljana	SI	100%
Vjetroelektrana Orjak d.o.o.	Trg žrtava fašizma 14, 10000 Zagreb	HR	100%
Osen toplota d.o.o.	Tivolska cesta 48, 1000 Ljubljana	SI	100%
Solarne elektrane Nin d.o.o.	Sajmišna 1, 40323 Prelog	HR	80%

* In February 2021, the company changes its name from Energetika Šentrupert d.o.o. to Ekoenergo d.o.o.

In 2020, the Company acquired the sole (100%) interest in companies Vjetroelektrana, Orjak, d.o.o. and Osen toplota, d.o.o., and an 80% equity interest in Solarne elektrane Nin, d.o.o. In addition, LSB Elektrane, d.o.o. was in 2020 merged to EHE, d.o.o., and Zarja ekoenergija, d.o.o. to Eko-toplota energetika, d.o.o.

Company's transactions and balances, as disclosed in the financial statements, comprise also transactions and balances relating to the company KI-Kelag International GmbH and KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, which are the parent companies of Interenergo and the companies Windfarm Balchik 1 OOD, Windfarm Balchik 2 OOD and Windfarm Balchik 4 OOD, which are associated companies.

Related party transactions are outlined below and are carried out by using the arm's length principle that applies to transactions with non-Group entities.

Business transactions with related parties

in EUR	Receivables		Liabilities		Receivables		Liabilities	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	2020	2019	2020	2019
Parent companies								
KELAG-Kärntner Elektrizitäts-AG, AT	2,438,438	976,486	46,841	36,198	144,646,530	158,286,643	84,109,946	122,879,990
KI-KELAG International GmbH, AT	0	0	88,652	84,668	0	0	175,784	166,712
Subsidiaries								
EHE d.o.o. , BA	18,525	11,874	90	129	14,146	7,023	967	1,913
Interenergo d.o.o. , BA	2,235,108	1,292,672	2,834,111	1,686,133	16,159,296	25,225,391	17,955,707	26,239,408
PLC Interenergo d.o.o., RS	7,865	0	52,127	42,381	7,865	0	94,508	56,508
Interenergo Makedonija d.o.o.e.l., MK	5,934,914	1,525,635	3,258,642	1,246,679	29,013,244	23,144,592	26,257,243	22,308,413
LSB Elektrane d.o.o., BA	0	156,949	0	0	3,912	22,114	0	0
Inter-Energo d.o.o., BA	0	0	0	0	212	9,753	0	0
MHE Vrbnica d.o.o., ME	493,893	427,335	0	0	66,558	68,354	0	0
KelKos Energy Sh.p.k., XK	21,258	31,600	0	0	21,258	31,283	0	0
Eko-toplota energetika d.o.o., SI	11,117	4,079	0	0	30,082	13,564	0	0
Vjetropark Jasenice d.o.o., HR	0	257,376	0	0	14,673	192,756	0	0
Zarja ekoenergija d.o.o., SI	0	0	0	0	0	2,858	0	0
Solarne elektrane Bukovica d.o.o, HR	42,132	0	0	0	42,132	0	0	0
Hydro Ljutina d.o.o., RS	4,446	0	0	0	7,278	0	0	0
Vjetroelektrana Orjak d.o.o., HR	1,133	0	0	0	1,133	0	0	0
Other related parties								
Windfarm Balchik 1 OOD, BG	4,087	0	0	0	4,087	0	0	0
Windfarm Balchik 2 OOD, BG	4,087	0	0	0	4,087	0	0	0
Windfarm Balchik 4 OOD, BG	4,087	0	0	0	4,087	0	0	0
Total	**11,221,089**	**4,684,005**	**6,280,463**	**3,096,188**	**190,040,579**	**207,004,331**	**128,594,155**	**171,652,943**

Financial transactions with related parties

in EUR	Financial receivables		Financial liabilities		Finance income		Finance costs	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	2020	2019	2020	2019
Parent companies								
KELAG-Kärntner Elektrizitäts-AG, AT	0	0	2,500,000	0	0	0	1,228	0
KI-KELAG International GmbH, AT	0	0	60,427,190	23,824,923	0	0	1,213,818	861,400
Subsidiaries								
EHE d.o.o. , BA	30,117,122	13,447,354	0	0	1,669,982	920,857	0	0
Interenergo Makedonija d.o.o.e.l., MK	908,826	0	0	0	8,826	0	0	0
LSB Elektrane d.o.o., BA	0	20,612,718	0	0	306,706	1,243,425	0	0
Inter-Energo d.o.o., BA	0	0	0	0	0	66,853	0	0
MHE Vrbnica d.o.o., ME	8,276,817	6,971,323	0	0	431,004	307,784	0	0
Interenergo d.o.o.-Kosova Sh.p.k., XK	13,560	6,084	0	0	476	249	0	0
Eko-toplota energetika d.o.o., SI	3,282,757	2,261,179	0	0	125,935	85,750	0	0
Vjetropark Jasenice d.o.o., HR	10,758,968	10,674,005	0	0	458,968	305,810	0	0
Zarja ekoenergija d.o.o., SI	0	1,443,138	0	0	0	49,142	0	0
Solarne elektrane Bukovica d.o.o, HR	125,778	47,775	0	0	3,003	120	0	0
Hydro Ljutina d.o.o., RS	6,090,445	0	0	0	170,445	0	0	0
Ekoenergo d.o.o., SI	1,048,030	0	0	0	7,997	0	0	0
Vjetroelektrana Orjak d.o.o., HR	10,791,593	0	0	0	21,217	0	0	0
Total	**71,413,895**	**55,463,576**	**62,927,190**	**23,824,923**	**3,204,559**	**2,979,989**	**1,215,047**	**861,400**

The balance of guarantees received from parent companies as at 31 December 2020 was as follows:

- corporate guarantee by KELAG-Kärntner Elektrizitäts-AG in the amount of EUR 7,000,000 (2019: EUR 7,000,000), and
- corporate guarantee by KI-KELAG International GmbH in the amount of EUR 15,750,000 (2019: EUR 14,600,000).

2.7 Contingent liabilities

Company's contingent liabilities comprise performance bonds and bid bonds, as well as bank and corporate guarantees for insuring timely payment.

in EUR	31 Dec 2020	31 Dec 2019
Contingent liabilities	**16,943,881**	**16,802,062**
Bank guarantees issued	16,771,836	16,749,494
Bills of exchange issued	172,045	52,568

2.8 Significant events after the reporting date

No significant transactions and events occurred after the reporting date, which would have an impact on the financial statements for 2020.

Events that occurred after 31 December 2020 and are deemed significant for business operations in 2021:

- Danny Güthlein was on 1 January 2021 appointed as new Chairman of the Supervisory Board to replace the previous Chairman, Armin Wiersma, and Manfred Freitag was appointed Deputy Chairman of the Supervisory Board.
- In March 2021, the Company signed a contract for the purchase of a 51% equity interest in PVE Euroing, d.o.o.; it will take over the ownership once all the suspensive conditions are met. The Company will in partnership with Trigal, d.o.o. develop a project to build a 30 MW wind farm in the municipality of Bogdanci in northern Macedonia.

2.9 Company's financial statements by activity pursuant to the Services of General Economic Interest Act

In addition to marketing activities, the Company provided in 2020 public utility service for public lighting and heat supply from the district heating system based on concession contracts (hereinafter: SGEI activities), and is required to provide separate accounting monitoring of the activity (i.e. performing of the SGEI activities under concession contracts) in accordance with provisions of the Services of General Economic Interest Act and Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act, in a manner that enables the accounting of costs, expenses and revenue by the principles applicable to companies.

Company's activity is divided into three segments: investments and trading, which are entirely market activities, and energy services, which are partly a market and partly a SGEI activity. In accordance with the aforesaid structure, the Company records all revenue, costs and expenses by cost centre, which enables accurate division of all revenue, costs and expenses by segment and simultaneously by type of activities. The indirect costs of the segment and Company's general costs are divided by the different types of activities according to predefined criteria (division keys).

The income, expenses and expenses of the SGEI activities shown in the income statement by type of activity thus consist of:

- direct revenue, expenses and costs identified by the cost centres of the SGEI activity;
- the proportionate share of indirect revenue, expenses and costs of the segment allocated to the SGEI activity based on the appropriate division key; and
- the proportionate share of general revenue, expenses and costs of the Company assigned to the SGEI activity based on the appropriate division key.

The assets and liabilities of the SGEI activity recorded in the statement of financial position by type of activity consist of:

- plant and equipment directly assigned to the SGEI activity;
- current receivables arising directly from the SGEI activity;
- current liabilities arising directly from the SGEI activity, and
- net profit or loss as shown in the statement of profit or loss by type of activity.

All other items of the statement of financial position that are not directly attributable to the SGEI activity are shown under the market activity.

2.9.1 Statement of Financial Position by Activity as at 31 December 2020

in EUR	Total	Market activity	SGEI activity	SGEI activity for heat supply from the district heating system
Assets	**151,567,032**	**150,509,835**	**957,931**	**99,266**
Non-current assets	**95,019,384**	**94,092,168**	**876,438**	**50,778**
Intangible assets	396,683	396,683	0	0
Property, plant and equipment	5,563,928	4,636,712	876,438	50,778
Non-current investments	88,839,837	88,839,837	0	0
Non-current receivables	55,453	55,453	0	0
Deferred tax assets	163,483	163,483	0	0
Current assets	**56,547,648**	**56,417,667**	**81,493**	**48,488**
Current investments	4,593,239	4,593,239	0	0
Derivatives (assets)	5,293,775	5,293,775	0	0
Trade and other receivables	26,029,010	25,899,029	81,493	48,488
Prepayments, contracts assets and other assets	11,695,507	11,695,507	0	0
Income tax receivables	503,902	503,902	0	0
Cash and cash equivalents	8,432,215	8,432,215	0	0
Equity and liabilities	**151,567,032**	**151,409,545**	**148,807**	**8,680**
Equity	**63,562,437**	**63,483,169**	**89,390**	**-10,122**
Share capital	10,200,000	10,200,000	0	0
Capital surplus	65,450,000	65,450,000	0	0
Legal reserves	95,722	95,722	0	0
Retained losses	-13,292,010	-13,371,278	89,390	-10,122
Net profit or loss for the period	1,108,725	1,108,725	0	0
Non-current liabilities	**62,166,657**	**62,166,657**	**0**	**0**
Non-current financial liabilities	61,610,638	61,610,638	0	0
Other current liabilities	556,018	556,018	0	0
Current liabilities	**25,837,939**	**25,759,719**	**59,417**	**18,802**
Current financial liabilities	3,074,708	3,074,708	0	0
Derivatives (liabilities)	5,065,860	5,065,860	0	0
Trade and other payables	17,697,371	17,619,151	59,417	18,802
Income tax payables	0	0	0	0

2.9.2 Statement of Profit or Loss by Activity for 2020

in EUR	Total	Market activity	SGEI activity	SGEI activity for heat supply from the district heating system
Revenue	458,898,377	458,549,894	281,038	67,445
Other operating income	22,204	22,204	0	0
Costs of goods sold and material used	-448,688,524	-448,634,248	-459	-53,817
Costs of services	-2,271,012	-2,227,011	-25,691	-18,310
Personnel costs	-2,414,520	-2,403,481	-7,292	-3,747
Amortisation and depreciation expense	-1,029,100	-872,034	-156,057	-1,010
Impairment of trade receivables and contract assets	-1,103	-1,103	0	0
Other operating expenses	-175,169	-174,993	-134	-42
Operating profit or loss	**4,341,153**	**4,259,228**	**91,407**	**-9,481**
Finance income	3,207,835	3,207,835	0	0
Finance costs	-5,250,183	-5,247,525	-2,017	-641
Profit or loss from financing activities	**-2,042,348**	**-2,039,690**	**-2,017**	**-641**
Profit or loss before tax	**2,298,805**	**2,219,537**	**89,390**	**-10,122**
Income tax expense	-1,190,080	-1,190,080	0	0
Profit or loss for the period	**1,108,725**	**1,029,457**	**89,390**	**-10,122**

2.9.3 Statement of Cash Flows by Activity for 2020

in EUR	Total	Market activity	SGEI activity	SGEI activity for heat supply from the district heating system
Cash flows from operating activities				
Profit or loss before tax	2,298,805	2,219,537	89,390	-10,122
Adjustments	1,784,756	1,627,690	156,057	1,010
Change in working capital	-1,785,777	-1,680,401	-75,690	-29,686
Cash generated from operating activities	**2,297,784**	**2,166,827**	**169,756**	**-38,798**
Cash flows from investing activities				
Cash proceeds from investing activities	2,916,539	2,916,539	0	0
Cash disbursements from investing activities	-38,670,635	-38,418,389	-201,045	-51,201
Cash from (used in) investing activities	**-35,754,095**	**-35,501,850**	**-201,045**	**-51,201**
Cash flows from financing activities				
Cash proceeds from financing activities	56,844,867	56,723,579	31,289	89,999
Cash disbursements from financing activities	-21,011,355	-21,011,355	0	0
Cash from (used in) financing activities	**35,833,513**	**35,712,225**	**31,289**	**89,999**
Opening balance of cash and cash equivalents	**6,055,013**	**6,055,013**	**0**	**0**
Change in cash and cash equivalents	2,377,202	2,377,202	0	0
Closing balance of cash and cash equivalents	**8,432,215**	**8,432,215**	**0**	**0**

3. Independent auditor's report

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This document is a free translation of the Slovenian original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Slovenian original should be referred to in matters of interpretation.

Independent Auditors' Report

To the owner
of Interenergo, energetski inženiring, d.o.o.

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Interenergo, energetski inženiring, d.o.o. (the "Company"), which comprise:

- the statement of financial position as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

The Independent Auditor's Report is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

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Interenergo Accounting report

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the "Management Report", the "Report of Supervisory Board for business year 2020", the "Business Report" and the "Appendix" included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in other information. We have nothing to report in this respect.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

The Company disclosed the financial statements by activity with notes in the section *Company's financial statements by type of activity in accordance with the Services of General Economic Interest Act*, which include the statement of financial position by activity as at 31 December 2020, the statement of profit or loss by activity, and the statement of cash flows by activity for the year then ended.

Company's management is responsible for keeping separate accounting records by activity and applying criteria defined in the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1) and in compliance with provisions of the Services of General Economic Interest Act (ZGJS).

Our responsibility is to examine the adequacy of criteria and accuracy of their use as required under the provisions of ZPFOLERD-1 and whether the Company observed the provisions of the ZGJS in view of disclosures in the financial statements by activity.

Based on procedures carried out during the audit of financial statements, we herewith report that the Company disclosed the financial statements by activity and that it appropriately applied the criteria during the compilation of these statements.

On behalf of audit firm

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Signed on the Slovenian original

Matej Ušaj
Certified Auditor

Signed on the Slovenian original

Danilo Bukovec
Certified Auditor
Director

Ljubljana, 20 May 2021

KPMG Slovenija, d.o.o.
1

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