

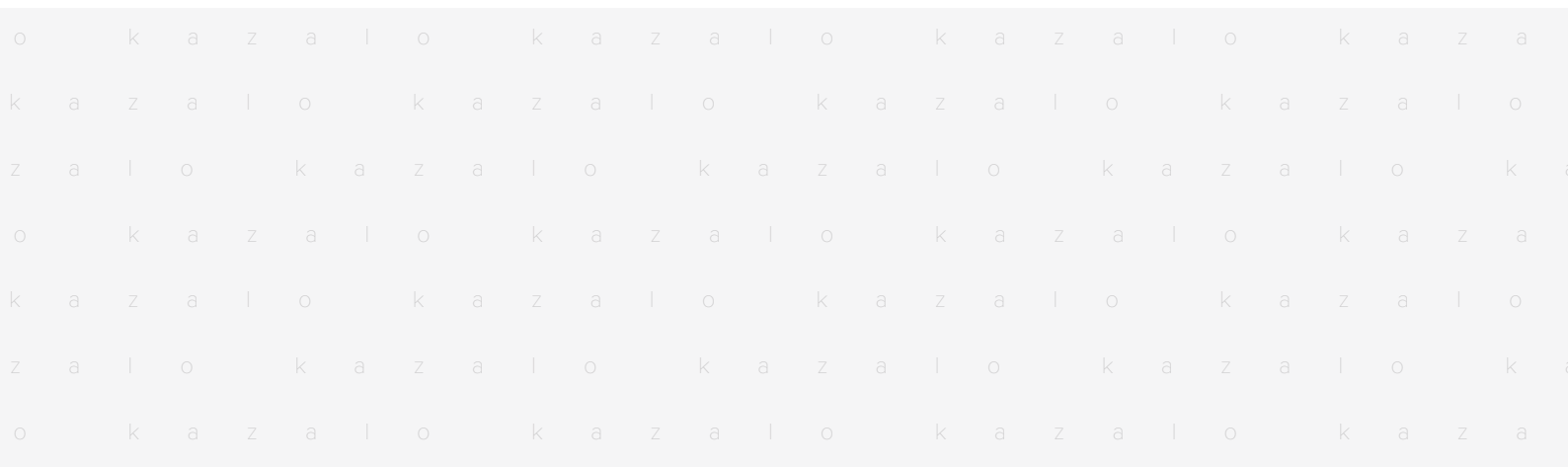
BORZEN

# Annual Report 2017

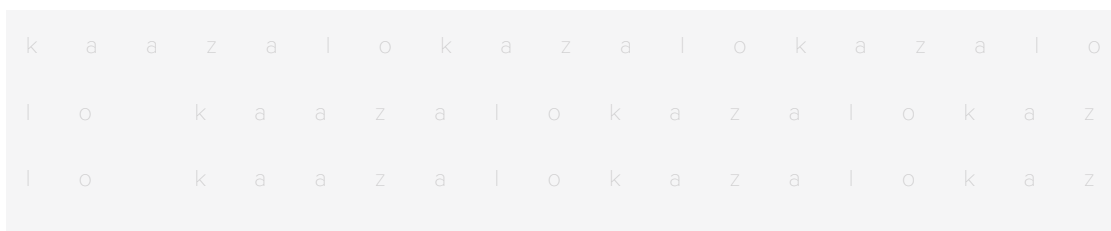
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# GENERAL MANAGER'S STATEMENT

With its mission and operation, Borzen helps shape an energy-efficient and socially responsible future. The nature of our core activities is oriented towards sustainability. We manage the Slovenian Support Scheme for environmentally friendly ways of electricity generation, and thus encourage the use of natural resources, which leads to positive consequences for the environment. As a Market Operator, we contribute to a stable, transparent and well-functioning electricity market.

The setting and achieving of Borzen's objectives are closely intertwined with the European and Slovenian legislative situation and trends in the energy markets as well as in the economy itself. With the strengthening of economic growth, the positive trend of economic conditions continued in 2017.

## ELECTRICITY MARKET

The composition of the Balance Scheme remained at a similar level to the previous year. It consisted of 76 members (half of these were foreign and the other half were Slovenian companies), while the number of recorded closed contracts and operational forecasts increased by approximately 5 percent. In total, we recorded 87.6 TWh of electricity, which represents a more than 5 percent increase compared to 2016. In 2017, we recorded the new highest volume of recorded closed contracts, which amounted to 59,147 GWh and exceeded the previous record value from 2016 by 7.9 percent. In 2017, Slovenia was a net importer of electricity, with net imports amounting to 2,612,827 MWh, which represented 17.9 percent of the total Slovenian electricity consumption.

The Electricity Balancing Market, under which the imbalances in the

electricity system are settled, recorded a significant increase in the number and volume of transactions in 2017. The year was also marked by the amended and updated Rules on the operation of the electricity balancing market. In total, 4,713 transactions were concluded in the total amount of 228.9 GWh.

## GREEN ENERGY

The Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration remained in a similar framework as in the year before. In 2017, 3,864 production units generated a total of 944.9 GWh of electricity and the total amount of support payments equalled EUR 143.5 million. The power plants, included in the Support Scheme, had a total nominal capacity of 412 MW, which represented a good tenth of the installed capacity in the Republic of Slovenia. From the comparison of the

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payments and the produced electricity in the Support Scheme, it follows that the total electricity production in 2017 was 6 percent lower than last year, while the amount of support payments was 2 percent lower. In terms of the quantity, the production of the units in the Support Scheme accounted for a little over 7 percent of the Slovenian annual consumption.

Under its own brand TRAJNO-STNA ENERGIJA (“SUSTAINABLE ENERGY”), Borzen has been successfully providing information and raising awareness on the use of renewable energy sources and energy efficiency for the last few years. In this way, we aim to empower individuals to make good energy decisions. In 2017, we successfully completed a variety of projects. We are particularly proud of our cooperation with the Slovenian artist Klemen Slakonja, with whom we made a music video dedicated to the Earth, entitled “How beautiful you are”, our new series of informative programmes Eko utrinki (“Eco Glimp-

ses”) and animated cartoon series Lepši svet (“A Better World”), our co-operation with younger generations through the competitions and the organisation of the conference “Sustainable Energy Locally”.

### SUSTAINABILITY

As a Slovenian Market Operator, Borzen is a vital link in the electricity supply chain to the final customer. Transparency, integrity and honesty are the basis of the electricity market and form the foundation on which our company operates. They reflect in the positive relationships that we nurture with our key public. We are pleased that our efforts have been recognised in a number of areas. In 2017, we received the following array of awards and recognitions: the award for the best promotional RES and EE project awarded by the Slovenian daily newspaper Finance and the award for the best annual report in the category of medium and small-sized businesses. We were also

granted the recognition for the successful upgrade of the Corporate Social Responsibility Certificate and for the successful maintenance of the Family-Friendly Enterprise Certificate. I believe that together with our colleagues we are successfully following the strategically planned sustainable path, along which we strive to include all our stakeholders and make a positive contribution to the energy market and beyond. Committed to creating a sustainable future, we embrace new challenges with optimism.

Sincerely yours,  
**Karol Peter Peršolja, PhD**  
 General Manager of Borzen

# REPORT OF THE SUPERVISORY BOARD

In 2017, Borzen carried out a variety of projects and activities that aimed to support the development of the Slovenian energy market, thus continuing to fulfil its mission as the electricity market operator.

## COMPOSITION OF THE SUPERVISORY BOARD

In 2017, the Supervisory Board composed of Mr. Gorazd Ažman, MSc (Chairman), Mr. Janez Černe (Deputy Chairman) and Ms. Alenka Kolar, PhD (Member).

## COOPERATION WITH THE COMPANY'S MANAGEMENT

Throughout the year, the constructive cooperation between the Management and the Supervisory Board enabled the supervisors to monitor the operations and attainment of the company's set objectives. According to the estimation of the Supervisory Board, the cooperation with the Management was successful.

## OPERATION OF THE SUPERVISORY BOARD

The Supervisory Board of Borzen has accepted its role of the supervisory authority with considerable responsibility and with awareness of Borzen's role as the Market Operator on the Slovenian electricity market. Therefore, the Supervisory Board expects from the company's Management and its employees to also act in a diligent, responsible and transparent manner.

In 2017, the Supervisory Board regularly monitored and supervised the work of the company's management. In 2017, the Supervisory Board held seven regular sessions and one correspondence session. The sessions were also attended by the members of the company's management, with whom the Chairman of the Supervisory Board successfully cooperated within his respective competences between the regular sessions. Regarding the size of the company and the composition and structure of the

Supervisory Board, the latter assessed that no committee was necessary to be appointed for its functioning.

The Supervisory Board addressed the issues in accordance with the applicable legislation, i.e. the Act of the establishment of Borzen and the Rules of procedure of the Supervisory Board, and got acquainted with the quarterly reports prepared by the Management. It also monitored the operation of BSP Energy Exchange where Borzen has a 50-percent stake. The Supervisory Board adopted Borzen's Business Plan for the 2018-2020 period. During 2017, the Supervisory Board also monitored the company's operations in terms of compliance with the provisions of the Corporate Governance Code and the recommendations of the Slovenian Sovereign Holding.

**Gorazd Ažman, MSc**

Chairman of Borzen's Supervisory Board



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# RELEVANT DATA ON THE COMPANY'S OPERATIONS

Borzen closed the 2017 financial year with a net profit of EUR 1.70 million. In this period, the company generated EUR 4.58 million in total revenues and total expenses amounted to EUR 2.66 million.

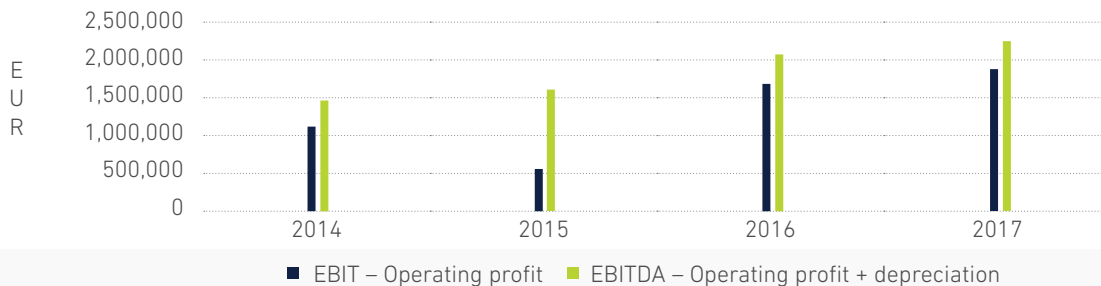
As at 31 December 2017, the balance sheet total equalled EUR 122.43 million and, compared to the previous year, increased due to the higher surplus funds of the Centre for Support.

As at 31 December 2017, the company's equity capital equalled EUR 5.13 million.

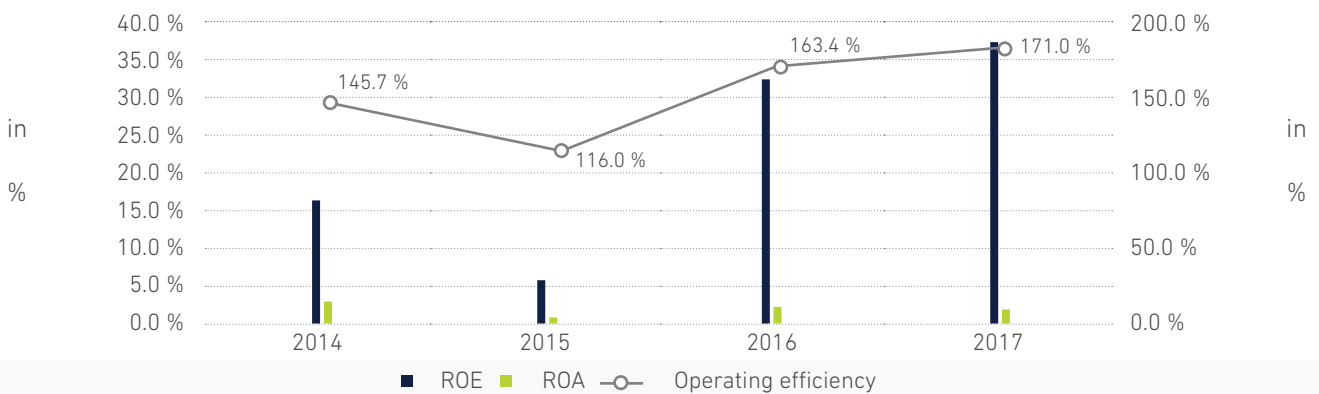
| INDICATORS                                      | 2014       | 2015       | 2016       | Business Plan 2017 | 2017        |
|-------------------------------------------------|------------|------------|------------|--------------------|-------------|
| <b>FROM THE BALANCE SHEET as at 31 December</b> |            |            |            |                    |             |
| Assets in EUR                                   | 35,429,681 | 44,949,382 | 76,335,698 | 88,225,830         | 122,433,365 |
| Equity in EUR                                   | 5,291,811  | 4,738,582  | 4,435,041  | 4,389,544          | 5,130,887   |
| <b>FROM THE INCOME STATEMENT</b>                |            |            |            |                    |             |
| Operating revenues in EUR                       | 3,499,818  | 3,914,975  | 4,348,563  | 4,368,200          | 4,532,107   |
| Operating expenses in EUR                       | 2,402,439  | 3,375,905  | 2,661,138  | 2,655,100          | 2,651,078   |
| Net profit for year in EUR                      | 835,576    | 281,517    | 1,424,774  | 1,379,511          | 1,699,773   |
| EBIT – operating profit in EUR                  | 1,097,379  | 539,070    | 1,687,425  | 1,713,100          | 1,881,029   |
| EBITDA – operating profit + depreciation in EUR | 1,435,781  | 1,671,988  | 2,054,681  | 2,079,200          | 2,231,117   |
| <b>PERFORMANCE INDICATORS</b>                   |            |            |            |                    |             |
| Return on equity (ROE)                          | 15.9 %     | 5.6 %      | 31.1 %     | 31.4 %             | 35.5 %      |
| Return on assets (ROA)                          | 2.7 %      | 0.7 %      | 2.3 %      | 1.8 %              | 1.7 %       |
| EBITDA margin                                   | 41.1 %     | 42.7 %     | 47.3 %     | 47.6 %             | 50.8 %      |
| Operating efficiency                            | 145.7 %    | 116.0 %    | 163.4 %    | 164.5 %            | 171.0 %     |
| <b>NUMBER OF EMPLOYEES as at 31 December</b>    | <b>29</b>  | <b>30</b>  | <b>31</b>  | <b>30</b>          | <b>30</b>   |

After the end of the financial year (as at 31 December 2017), there were no particular business events that had materially affected the overall operating results of the Company in 2017.

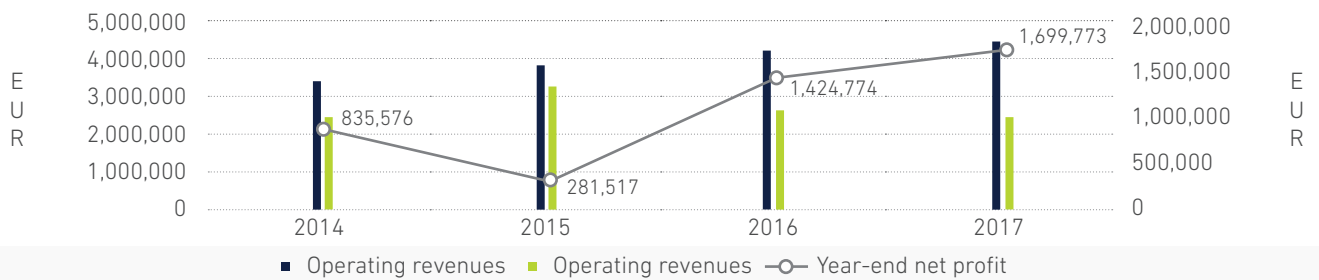
**EBIT AND EBITDA MOVEMENTS**



**RETURN ON ASSETS (ROA), RETURN ON EQUITY (ROE) AND OPERATING EFFICIENCY**

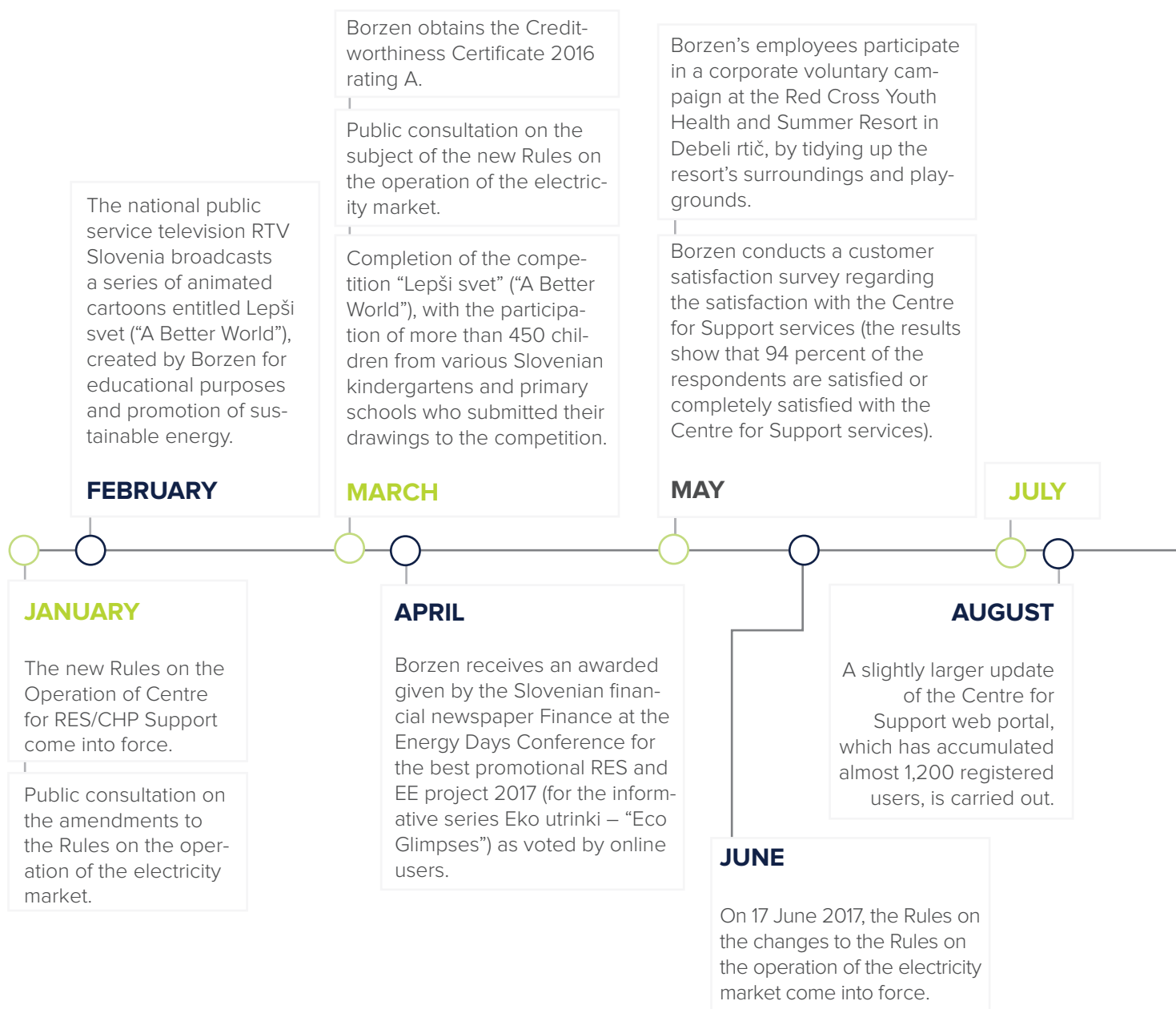


**REVENUES AND EXPENSES FROM OPERATION AND MOVEMENT OF NET PROFIT**



| ELECTRICITY MARKET                                                                                    | BALANCING MARKET                                       | SUPPORT SCHEME                                                                                 |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Number of members (Balance Scheme)<br><b>75 / 76</b>                                                  | Number of members<br><b>36 / 34</b>                    | Number of production units<br><b>3,888 / 3,864</b>                                             |
| Number of recorded contracts and operational forecasts<br><b>109,235 / 114,531</b>                    | Number of transactions<br><b>4,054 / 4,713</b>         | Quantity of electricity generated (GWh) by production units<br><b>1,003.5 / 944.9</b>          |
| Quantity of electricity (TWh) from recorded contracts and operational forecasts<br><b>83.1 / 87.5</b> | Quantity of transactions (GWh)<br><b>197.9 / 228.9</b> | Support payments for electricity generated by production units<br><b>146.2 mio / 143.5 mio</b> |

# OVERVIEW OF SIGNIFICANT EVENTS





Director of Operations at Borzen, Mr. Borut Rajer, is elected as the new member of the Europex Board.

Borzen sends out a DVD with environmental cartoons Lepši svet ("A Better World") together with a booklet containing learning material to all Slovenian kindergartens, elementary schools and libraries.

**OCTOBER**

Public consultation: Changes to the Rules on the operation of the electricity market.

Borzen is granted the recognition for the successful implementation and maintenance of the Family-Friendly Enterprise Certificate.

Borzen is awarded the Corporate Social Responsibility Certificate as one of the first companies in Slovenia and one of the first companies in the power industry.

A successful completion of the third competition for students for the best research project in the field of energy efficiency refurbishments of buildings.

**DECEMBER**

**SEPTEMBER**

In the "Best of the Best" programme, organised by AmCham Slovenia, Borzen takes third place in the category "Motivation" (with the informative series Eko utrinki – "Eco Glimpses" and environmental animated cartoon series Lepši svet – "A Better World").

A successful organisation of the conference "Sustainable Energy Locally 017: Successful financing of energy efficiency measures".

**NOVEMBER**

Borzen organises a conference on transparency and integrity in the energy market 017.

Borzen receives the award for the best annual report award in the category of medium and small-sized businesses (among companies that are not public-interest entities according to the Slovenian Companies Act) given by the Slovenian daily newspaper Finance.

In collaboration with the Slovenian artist Klemen Slakonja, Borzen launches a music video "How beautiful you are" on social networks to raise awareness on the efficient energy use.

Borzen and RTV Slovenia present new informative series Eko utrinki ("Eco Glimpses"). The series consist of six new episodes on energy efficiency which join the existing series of fifteen episodes.

Borzen starts publishing the Price Index for the Slovenian Balancing Market on its website.

# 2018

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The Slovenian Ministry of Infrastructure designates Borzen to implement an action programme for more efficient use of energy in households to tackle the issue of energy poverty.

## FEBRUARY

## JANUARY

Borzen offers the Balance Scheme members to receive a day-ahead forecast of the electricity production and consumption on the territory of the Republic of Slovenia.

Borzen selects five projects in a call for the reimbursement of costs for the implementation of educational projects in the field of RES and EE for young people.

» **We build our  
business  
relationships  
on the principle  
of trust. We  
trust in people,  
we trust in the  
market, we  
trust in energy.**

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# BUSINESS REPORT

# 1. COMPANY'S OPERATION IN 2017

## 1.1 COMPANY PRESENTATION

### ABOUT THE COMPANY

Borzen, d.o.o. was founded on 28 March 2001, in accordance with the provisions of the Energy Act for the implementation of the public service obligation relating to the organisation of the electricity market as a subsidiary of the public company Elektro-Slovenija, d.o.o. In mid-2007, the Government of the Republic of Slovenia, on the proposal of the Ministry of Economy and as the founder and sole shareholder of Elektro-Slovenija reached the conclusion that the total Elektro-Slovenija's share in Borzen was to be transferred for consideration to the Republic of Slovenia. The full transfer of the ownership was carried out in December 2007.

The principal activity of Borzen, whose sole shareholder is **the Republic of Slovenia, is the implementation of the public service obligation relating to the organisation of the electricity market.** On the basis of the public authority and in accordance with the fourth paragraph of Article 97 of the Energy Act (EA-1), Borzen is obliged to issues the following regulatory acts:

- Rules on the operation of the electricity market (for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);

- Rules on the operation of the electricity balancing market (which are issued after prior coordination with the system operator and for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the operation of the Centre for RES/CHP Support (for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Slovenian Government).

With the above rules, Borzen provides coordinated operation of the electricity market and determines details regarding national RES and CHP support scheme. As **Market Operator**, Borzen provides and enables a coherent operation of the Slovenian electricity system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and financial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's **Centre for RES/CHP Support** is the support scheme operator for the generation of energy

from renewable energy sources and high-efficiency cogeneration of heat and power. The company also provides the functioning and managing of the Slovenian Registry of the Guarantees of Origin, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY") brand, Borzen **provides information, training and raises awareness on the use of renewable energy sources and energy efficiency.** In this way, the company fulfils its tasks in accordance with Article 351 of the Energy Act (EA-1) and supports environmental policies through public awareness.

In addition to the implementation of tasks of a public service of the organised electricity market, Borzen also executes **clearing and information services for BSP Energy Exchange and RRM - REMIT reporting services.**

»
**Our vision is to become a juncture of expertise, professional competence and responsibility for developing and performing services in the field of energy markets, as well as promoting the use of sustainable energy.**

| MARKET OPERATOR                                                                                           |                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Balance Scheme management (entry in the market)                                                           | Centre for Support                                                                                                                                                                              |
| Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules | RES/CHP Support Scheme <ul style="list-style-type: none"> <li>conclusion of contracts and support payments</li> <li>management of scheme assets</li> <li>management of scheme energy</li> </ul> |
| Imbalance settlement                                                                                      | Registry of guarantees of origin                                                                                                                                                                |
| Balancing market                                                                                          | Providing information on RES and energy efficiency                                                                                                                                              |
| REMIT – RRM reporting                                                                                     | Web portal Trajnostna energija (“Sustainable Energy”)                                                                                                                                           |
| <b>Clearing and financial settlement</b>                                                                  |                                                                                                                                                                                                 |
| <b>ENSURING A REGULATED AND TRANSPARENT ELECTRICITY MARKET</b>                                            |                                                                                                                                                                                                 |

Figure 1: Activities of the Market Operator

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## IDENTITY CARD

| COMPANY'S FULL NAME               | Borzen, operater trga z elektriko, d. o. o.  |
|-----------------------------------|----------------------------------------------|
| SHORT NAME                        | Borzen, d.o.o.                               |
| ADDRESS                           | Dunajska cesta 156, 1000 Ljubljana, Slovenia |
| PHONE                             | +386 1 620 76 00                             |
| FAX                               | +386 1 620 76 01                             |
| E-MAIL ADDRESS                    | info@borzen.si                               |
| WEBSITE                           | www.borzen.si                                |
| MAIN ACTIVITY                     | 66.110 Administration of financial markets   |
| REGISTRATION NUMBER               | 1613383000                                   |
| VAT IDENTIFICATION NUMBER         | 27799468                                     |
| NUMBER OF ENTRY IN COURT REGISTER | 1/34438/00                                   |
| DATE OF ENTRY IN COURT REGISTER   | 28 March 2001                                |
| PLACE OF ENTRY IN COURT REGISTER  | Ljubljana District Court                     |
| SHARE CAPITAL                     | EUR 1,963,279                                |
| GENERAL MANAGER                   | Karol Peter Peršolja, PhD                    |
| CHAIRMAN OF THE SUPERVISORY BOARD | Gorazd Ažman, MSc                            |

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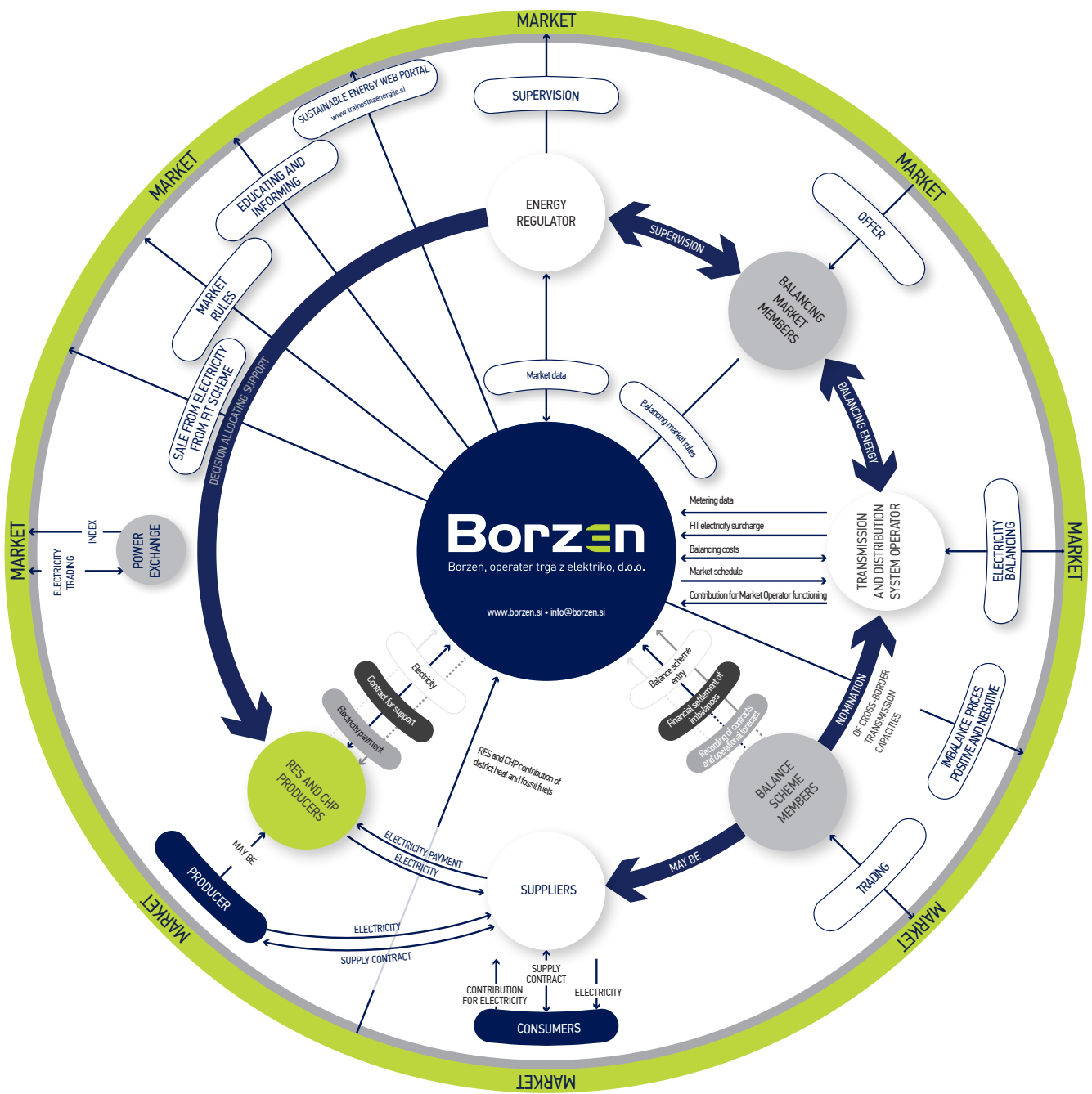


Figure 2: Role of the Market Operator on the Slovenian electricity market



## 1.2 COMPANY'S BUSINESS STRATEGY AND PLANS

### COMPANY'S MISSION AND VISION



#### VISION

Borzen – a juncture of expertise, competency and responsibility towards the development and implementation of services in energy markets and promotion of the use of sustainable energy.

#### MISSION

- By way of providing high-quality services, professionalism and neutrality, Borzen ensures a competitive, effective, transparent and system-defined electricity market in Slovenia and its further integration into the European internal market.
- Borzen promotes energy efficiency together with the generation and use of energy from renewable sources.
- Borzen participates in the formation of the Slovenian and European energy policies.
- Borzen is a socially responsible company with a focus on sustainable development.
- Borzen provides an environment for professional development of a highly-motivated workforce, leveraged in the co-creation of a dynamic company.

#### OPERATIONAL EXCELLENCE

Enhancing operational efficiency and performance:

- Improving business performance and operational efficiency;
- Increasing the quality of business processes and functions;
- Risk management.

Increasing the quality of services and customer satisfaction:

- Information support to the implementation and availability of services.

#### GROWTH AND DEVELOPMENT

- Implementing new activities within the public service in the field of energy markets.
- Developing market activities in synergy with the services operated by Borzen within the public service.
- Enhancing Borzen's recognition and reputation.

Figure 3: 'Strategy House'

### COMPANY'S VALUES

#### EXPERTISE

- We possess, use, upgrade and share our expertise.
- We are self-critical; we believe in our own abilities and are not afraid of admitting our mistakes.

#### RESPONSIBILITY

- We are responsible towards the market.
- We are responsible towards our fellow human beings.
- We are responsible towards Borzen.
- We are responsible towards ourselves.
- We take full responsibility for our actions.

#### TRUST

- We trust in the market.
- We trust in ourselves.
- We trust in our employees.
- We trust in Borzen.
- We embrace trust as a privilege.

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## CREATIVITY AND INNOVATION

- We achieve our goals creatively.
- We are aiming to improve our existing goals – progress.
- We encourage innovation – development.
- We seek new challenges.

## COMPANY'S KEY STRATEGIC GUIDELINES

- Achieving a satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and undertaking tasks that are in synergy with our services.

## IMPACT OF ECONOMIC AND LEGISLATIVE CONDITIONS ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2017

With the strengthening of economic growth, the positive trend of economic conditions continued in 2017. In 2016, the electricity consumption in Slovenia was one and a half percent higher than in 2015. There is still no definitive data for the year 2017, but monthly data indicate a renewed increase.

Last year, the trend of increasing investments into renewable energy resources in Slovenia focused on the achievement of certain moderated minimum percentages of Directive 2009/28/EC. In December 2016, the Slovenian Energy Agency launched a first public call for new entrants into the Support Scheme, which was followed by a second call in September 2017. According to Eurostat, the share of energy from renewable sources in gross final consumption of energy equalled 21.3 percent in 2016, which

is slightly less than in 2015 (21.9 percent). The data for 2017 is not yet available. The ultimate objective of the Republic of Slovenia is to achieve the overall 25 percent of renewable generation by 2020.

Further integration of the European power market as one of the most important tasks of the European Union also marked the previous year. Slovenia was also actively focused on the integration of the European internal market, since now both, Italian and Austrian electricity markets are coupled at the day-ahead level and in the certain intra-day segments at the Italian border. Slovenia is one of the few countries which has been successfully integrating the segment of intra-day trading and balancing market due to the constructive cooperation between the market operator, energy exchange and system

operator. In 2017, preparations to connect the last remaining borders with a physical interconnection between Slovenia and Croatia were under way.

At the end of 2017, Borzen submitted the Rules on the changes to the Rules on the operation of the electricity to public consultation. The Rules aim to shorten the imbalance settlement procedure and make other adjustments for a more efficient operation of the electricity market.

The setting and achieving of Borzen's objectives is thus closely intertwined with the European and Slovenian legislative situation and energy market trends, which are also reflected in the company's business operations of last year.

<sup>1</sup> According to the data of the Statistical Office of the Republic of Slovenia - Electricity (GWh), Slovenia, annually, final consumption – TOTAL.

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## ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2017

In 2017, Borzen successfully followed its strategic plans and objectives.

| PLANNED OBJECTIVES FOR 2017                                                                            | ACHIEVEMENT OF THE OBJECTIVES IN 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Cooperation in the Slovenian and international development projects in the energy market</b></p> | <p>Participation in various working groups in the field of the development of the energy market, among the most important ones are the cooperation within Europex, Energy Market Data Exchange Section (IPET Section), Slovenian Association for Energy Economics (SAEE) and Blockchain Think Tank Slovenia.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Smart devices, models and platforms in the active network (project PAKT)</b></p>                 | <p>Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium which was successful in the call for applications carried out by the Slovenian Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology (SIRIT Slovenia). The project was launched on 1 July 2017 and it will last for three years. The role of Borzen is the establishment and management of an aggregation trading platform.</p> |
| <p><b>Development of the Centre for Support services</b></p>                                           | <p>In order to follow the digitalisation trends and greater user-friendliness, we launched a web portal for the Centre for Support users in May 2016. The portal enables easy and quick invoicing procedure, submission of applications, reviewing production data, changing contact details and accessing news related to the support scheme. Less than a year after the launch, the portal has more than a thousand registered users, which represents more than 40 percent of all support beneficiaries. On a monthly basis, more than 1,300 invoices are issued through the portal.</p>                                                                                                                                                                                                                                                 |
| <p><b>Attention and kindness towards stakeholders</b></p>                                              | <p>Analysis of stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders; greater involvement of stakeholders and more targeted communication of the new content.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p><b>Sustainable development</b></p>                                                                  | <p>Quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of the activities of the TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY") brand and web portal; implementation of an action programme for efficient energy use in households and eradicating energy poverty; maintenance of the Corporate Social Responsibility Certificate; preparation of the Sustainability Report in accordance with the GRI guidelines; corporate volunteerism.</p>                                                                                                                                                                                                                                                                                                                     |
| <p><b>Optimisation of business processes and quality of operations</b></p>                             | <p>Optimisation of certain business processes and the provision of IT support to different business processes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



## COMPANY'S PERFORMANCE INDICATORS

Integrated quality of operations is achieved through knowledge and professionalism of the employees and in pursuit of the company's mission, vision and values. At a time of great economic changes, the company

operates with an increased level of responsibility and is making informed decisions in order to maintain the existing trust in its operations to the greatest extent possible. The key indicators for comparing the performance of the

company are monitored by applying a balanced system of indicators as a system of strategic management.

Selected strategic performance indicators are presented in the table below.

|                                                                                                                         | 2015      | 2016      | Business plan<br>2017 | 2017      |
|-------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------------------|-----------|
| Revenue (in EUR)                                                                                                        | 3,923,744 | 4,364,661 | 4,373,200             | 4,581,099 |
| EBIT - operating profit (in EUR)                                                                                        | 539,070   | 1,687,425 | 1,713,100             | 1,881,029 |
| EBIT margin                                                                                                             | 13.8 %    | 38.8 %    | 39.2 %                | 41.5 %    |
| EBITDA margin                                                                                                           | 42.7 %    | 47.3 %    | 47.6 %                | 50.8 %    |
| Return on assets (ROA)                                                                                                  | 0.7 %     | 2.3 %     | 2.7 %                 | 1.7 %     |
| Return on equity (ROE)                                                                                                  | 5.6 %     | 31.1 %    | 21.0 %                | 35.5 %    |
| Operating efficiency                                                                                                    | 116.0 %   | 163.4 %   | 164.5 %               | 171.0 %   |
| Revenue per employee (in EUR)                                                                                           | 131,804   | 137,135   | 145,607               | 147,196   |
| Added value per employee (in EUR)                                                                                       | 102,635   | 109,902   | 116,940               | 119,314   |
| Time needed for the preparation of the monthly imbalance settlement (in working days)                                   | 14        | 14        | 17                    | 14        |
| Time needed for the preparation and sending an agreement on the provision of support and Eco decision (in working days) | 10        | 9.5       | 10                    | 8.5       |
| Customer satisfaction                                                                                                   | 90 %      | 83 %      | above 80 %            | 94 %      |

Table 1: Strategic performance indicators

**Preparation of the monthly imbalance settlement** shows the number of working days needed for the preparation of the imbalance settlement.

**Preparation and sending an agreement on the provision of support** shows the number of working days needed to prepare an agreement on the provision of support and Eco decision.

**Customer satisfaction** is monitored through periodic satisfaction surveys, by separately conducting a satisfaction survey on the operation of the Market Operator (carried out in 2016) and a satisfaction survey on the operation of the Centre for Support (carried out in 2017) every two years.

Other performance indicators are presented in the continuation.

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| <b>OTHER PERFORMANCE INDICATORS</b>           | <b>2015</b> | <b>2016</b> | <b>Business plan 2017</b> | <b>2017</b> |
|-----------------------------------------------|-------------|-------------|---------------------------|-------------|
| Operating fixed assets rate                   | 4.2 %       | 2.1 %       | 6.0 %                     | 1.5 %       |
| Long-term assets rate                         | 5.1 %       | 2.5 %       | 7.2 %                     | 1.8 %       |
| Net profit before tax (in EUR)                | 492,324     | 1,691,190   | 1,703,100                 | 1,917,723   |
| Operating efficiency                          | 116.0 %     | 163.4 %     | 164.5 %                   | 171.0 %     |
| Labour costs share in added value             | 44.6 %      | 40.6 %      | 40.4 %                    | 40.7 %      |
| Material and service cost management (in EUR) | 866,316     | 863,281     | 860,000                   | 832,278     |
| Equity financing rate                         | 10.5 %      | 5.0 %       | 17.7 %                    | 4.2 %       |
| Long-term financing rate                      | 10.7 %      | 5.1 %       | 17.9 %                    | 4.3 %       |
| Equity to operating fixed assets ratio        | 2.506       | 2.422       | 2.951                     | 2.796       |
| Immediate solvency ratio                      | 0.417       | 0.565       | 0.144                     | 0.542       |
| Quick ratio                                   | 1.034       | 0.877       | 1.025                     | 0.768       |
| Current ratio                                 | 1.059       | 1.030       | 1.025                     | 1.024       |

Table 2: Performance indicators

## ANTICIPATED CIRCUMSTANCES AND COMPANY'S KEY OBJECTIVES IN 2018

In 2018, Borzen will be affected by the developments on the Slovenian as well as on the international energy market, arising from legislative frameworks and the general economic situation. It is assumed that, on the one hand, they will be similar to those in 2017, and, on the other hand, in accordance with the implementing regulations deriving from the Energy Act (EZ-1), certain changes in the operation of the Support Scheme are anticipated.

The following list summarises some of the key objectives that the company will pursue in 2018 and are part of

the continuous implementation of the company's long-term strategy:

- achieving a target ROA,
- achieving a target ROE,
- achieving a target EBITDA margin,
- development and optimisation of the services of the Market Operator and Centre for Support,
- successful implementation of providing information and raising public awareness on RES and EE in the framework of the TRAJNOSTNA ENERGIJA brand,
- development and optimisation

of the RRM - REMIT reporting services,

- participation in the development Slovenian and international energy market projects,
- being attentive and kind to stakeholders,
- sustainable development,
- optimisation of business processes and quality of operations.

» **Today  
we make  
tomorrow.**

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## 1.3 MANAGEMENT OF THE COMPANY

### CORPORATE-GOVERNANCE STATEMENT

The Management and the company's Supervisory Board give a corporate-governance statement in accordance with Article 70 of the Companies Act and Point 3.4.1 of the Corporate Governance Code for Companies with State Capital Investments, which contains the content as required by Article 70 of the Companies Act for Public Limited Companies.

#### 1. Reference to the Corporate Governance Code

Borzen follows, mutatis mutandis, the recommended standards of the Corporate Governance Code for Companies with State Capital Investments (hereinafter referred to as the Code), adopted by the management board of the Slovenian Sovereign Holding (SSH) on 17 May 2017. The Code is publicly accessible on the Issuer's website.

#### 2. Borzen derogates from the following provisions:

Individual derogations from the Code are disclosed in the continuation of this statement.

According to the size of the company and its management modes (including the size of the Supervisory Board), certain provisions of the Code are not applicable to the operation of Borzen and thus cannot be complied with.

This involves the following provisions of the Code:

| Number in the Code                                      | Requires Borzen's undertaking | Borzen complies with the provision | Explanations                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------|-------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.2                                                     | NO                            | NO                                 | The provision does not apply to a small limited liability company.                                                                                                                                                                                                                                         |
| 4.2                                                     | NO                            | NO                                 | Borzen has only one shareholder.                                                                                                                                                                                                                                                                           |
| 4.2.3                                                   | NO                            | NO                                 | The provision applies only to public limited companies.                                                                                                                                                                                                                                                    |
| 4.3                                                     | NO                            | NO                                 | The provision does not apply to Borzen, since, in accordance with the provision of Article 511 of the EA-1, the rights and duties which belong to the Republic of Slovenia on the basis of equity investments in these companies are exercised by the Government and, consequently, cannot be implemented. |
| 9.2.4, 9.2.5, 9.2.6, 9.2.7, 9.2.8, 9.2.9, 9.2.10 in 9.3 | NO                            | NO                                 | Since Borzen is a small company, it is not required to set up an internal audit activity                                                                                                                                                                                                                   |

Borzen partially complies with the following recommendations:

| Number in the Code | Requires Borzen's undertaking | Borzen complies with the provision | Explanation                                                                                                                                                                                                                                    |
|--------------------|-------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.1.5              | YES                           | PARTIALLY                          | The Government of the Republic of Slovenia has concluded that instead of the Supervisory Board, it is allowed to decide for itself in regards to certain types of transactions, which is also evident from the company's Act of establishment. |
| 8.3                | YES                           | PARTIALLY                          | Borzen discloses only the gross receipts of the general manager and members of the supervisory board in accordance with the legal requirements. Borzen does not disclose the net receipts (i.e. the result of personal circumstances).         |

Borzen does not comply with the following recommendations:

| Number in the Code | Requires Borzen's undertaking | Borzen complies with the provision | Explanation                                                                                                                                                                                                               |
|--------------------|-------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.4.1              | YES                           | NO                                 | Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competence profiles is neither reasonable nor necessary. |
| 6.8.7              | YES                           | NO                                 | Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government, the compliance with the Provisions 6.8.3, 6.8.4 and 6.8.5 is neither reasonable nor necessary.          |
| 6.9.1              | YES                           | NO                                 | Regarding the amount of attendance fees and remunerations for the functions, the Government of the Republic of Slovenia did not comply with the provisions of SSH.                                                        |

In 2018, Borzen will continue to take into account the same provisions of the Code that were taken into account in 2017.

With the enforcements of the Energy Act (EA-1), the Government of the Republic of Slovenia started to exercise its rights as Borzen's sole shareholder.

### 3. Corporate governance system

Borzen has a two-tier governance structure. The managing bodies of the company are the Management, the Supervisory Board and the Shareholder.

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## MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a five-year period. General Manager Karol Peter Peršolja has been managing and representing the company since 1 January 2010. In

2014, Mr Peršolja was reappointed as General Manager for a new five-year term, beginning on 1 January 2015.

Mr Peršolja has also been appointed as the Vice-Chairman of the Supervisory Board of BSP Energy Exchange (since 2014).

The General Manager is entitled to a basic payment (salary) and an acceptable performance-based remuneration (performance-related bonus). The remunerations are defined in the company's Financial Report.

## MANAGEMENT STRUCTURE OF THE COMPANY IN THE BUSINESS YEAR 2017

### Karol Peter Peršolja, PhD, General Manager of the company

Year of birth: 1963 / Gender: male / Nationality: Slovenian

Education: Bachelor of Economics, Master of Science, Doctor of Science of Law / Professional profile: Energy

First appointment to the function: 1 January 2010

Conclusion of the mandate: 31 December 2020 (expected)

Memberships in other supervisory or management bodies that are not related to Borzen: chairman of the supervisory board of SODO d.o.o., chairman of the supervisory board of GEN energija d.o.o.

## SUPERVISORY BOARD OF THE COMPANY

In line with the company's Articles of Association, the Supervisory Board consists of three members who are appointed by the Shareholder for a period of five years.

At the company's Annual General Meeting, the Government of the Republic of Slovenia appointed a Supervisory Board, which took office on 17 April 2014 and after the constitutive meeting, dated 6 May 2014 operated in the following composition:

- Chairman of the Supervisory Board: Mr Gorazd Ažman,
- Vice-Chairman of the Supervisory Board: Mr Dejan Paravan, PhD,
- Member of the Supervisory Board: Mr Janez Černe.

On 29 July 2015, the Government of the Republic of Slovenia recalled Dejan

Paravan as the member of the Supervisory Board (effective on 30 July 2015) and appointed Nejc Brezovar as the new member of the Supervisory Board from 31 July 2015 to 17 April 2019. The Supervisory Board operated in the following composition:

- Chairman of the Supervisory Board: Mr Gorazd Ažman,
- Vice-Chairman of the Supervisory Board: Mr Janez Černe,
- Member of the Supervisory Board: Mr Nejc Brezovar, PhD.

On 16 June 2016, the Government of the Republic of Slovenia recalled Nejc Brezovar as the member of the Supervisory Board and appointed Alenka Kolar as the new member of the Supervisory Board from 17 June 2016 to 17 April 2019. Thus, the Supervisory Board currently consists of:

- Chairman of the Supervisory Board: Mr Gorazd Ažman MSc,
- Vice-Chairman of the Supervisory Board: Mr Janez Černe,
- Member of the Supervisory Board: Ms Alenka Kolar, PhD.

In accordance with the company's Articles of Association, the competences of the Supervisory Board are as follows:

- Appointing and dismissing the General Manager;
- Reviewing the composition of the annual report and the proposal for the use of distributable profit, preparing a written report for the founder or the sole shareholder on the results of the verification of the annual report and confirming or stating the observations regarding the annual report;
- Proposing the adoption of resolu-

tions within its field of competence or giving its opinions on proposals for the adoption of resolutions of the general meeting, made by the General Manager,

- Adopting the annual establishment plan and approving the company's annual report;
- Issuing a reasoned opinion on the company's strategic plan;
- Concluding employment contra-

cts with the General Manager and confirming the content of other contracts, concluded with the General Manager or the Procurement Holder;

- Giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence;

- Giving consent to the General Manager for disposing of the shares or shares in a legal person, in which the company holds a controlling stake or a dominant influence;
- Giving requirements to the General Manager to provide any information necessary for exercising supervision in the company or its subsidiaries.

#### COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD IN THE BUSINESS YEAR 2017

##### Gorazd Ažman, MSc, Chairman of the Supervisory Board

Year of birth: 1975 / Gender: male / Nationality: Slovenian

Education: Bachelor of Electrical Engineering, Master of Science / Professional profile: Energy, finance

Beginning of the mandate: 17 April 2014 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 7/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the business year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: General manager at Mentem, poslovno svetovanje, d.o.o.

##### Janez Černe, Vice-Chairman of the Supervisory Board

Year of birth: 1967 / Gender: male / Nationality: Slovenian

Education: Bachelor of Electrical Engineering / Automation / Professional profile: Energy, finance

Beginning of the mandate: 17 April 2014 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 7/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the business year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: general manager at ENERGOVAT inženiring d.o.o., general manager at KOENERGO A soproizvodnja toplote in električne energije d.o.o.

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### Alenka Kolar, PhD, Member of the Supervisory Board

Year of birth: 1972 / Gender: female / Nationality: Slovenian

Education: Bachelor of Mechanical Engineering, MSc of Organisational Theory, PhD in Informatics / Professional profile: Computer and/or information technologies

Beginning of the mandate: 17 June 2016 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 8/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the business year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: chairman of the supervisory board of Informatika d.d., member of the institute council of the Ljubljana University Medical Centre

In accordance with the Companies Act, Articles of Association and Rules of Procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the business year 2017, the Supervisory Board held seven regular sessions and one correspondence meeting. The Supervisory Board did not set

up any special commission for the purpose of its operation.

In 2017, the members of the Supervisory Board were entitled to benefits for their function in accordance with the valid decision of the Shareholder. The benefits are specified in the Financial Report.

In 2017, the members of the Supervisory Board carried out a self-assessment of their work and adopted the action plan.

The members of the Supervisory Board were acquainted with the criterion of independence and signed an independence declaration.

### SHAREHOLDER

The Republic of Slovenia is the sole Shareholder of Borzen. Since the enforcement of the Energy Act (EA-1) in March 2014, the rights of the Shareholder are exercised by the Government of the Republic of Slovenia. The Shareholder decides independently on all matters within its competences. In accordance with the company's Act of Establishment, the Shareholder decides on the following matters:

- Appointment of an auditor;
- Adoption of the annual report;
- Adoption of the company's strategic plan;
- Use of distributable profit and cover of accumulated losses;

- Granting discharge to the General Manager;
- Appointment and dismissal of the Supervisory Board members;
- Granting discharge to the Supervisory Board members;
- Taking measures to increase and reduce the share capital;
- Taking on responsibility for the dismemberment and dissolution of business shares;
- Giving consent to the General Manager to hire loans exceeding EUR 1 million;
- Representing the company in court proceedings against the Supervisory Board members;
- Dissolution and reorganisation of the company;
- Other matters provided for by law

and not transferred to the Supervisory Board.

The Shareholder usually holds one general meeting once a year. In the financial year 2017, two general meetings were held, namely the first one in August 2017, at which the Shareholder got acquainted with the company's annual report for the financial year 2016, decided on the payment of the accumulated profit in the amount of EUR 1,424,761.63, granted a discharge to the General Manager and the Supervisory Board members for their work in 2016 and adopted the Decision on determining the attendance fees, remunerations and reimbursement of costs to the Supervisory Board members.



The second general meeting took place on 16 November 2017, at which the Shareholder adopted the Decision on granting consent to the General Manager to conclude the loan contract as a guarantor to BSP d.o.o. up to the principal amount of EUR 1,750,000 with possible ancillary obligations and the delivery of the blank bill of exchange to the bank as collateral for liabilities.

**4. Declaration of Conformity with the Provisions of the Corporate Governance Code for Companies with State Capital Investments**

The Management and the Supervisory Board of Borzen hereby declare that

ending on 31 December 2017 and the notes to the financial statements, which are prepared under the assumption of the company’s continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies were consistently applied in the preparation of the financial statements, that the accounting estimates were prepared on the basis of precautionary principle and good governance and that the financial statements represent a true and fair view of the company’s assets

Supervisory Board carried out a self-assessment of its work. On the basis on the said procedure, the Supervisory Board carried out the evaluation procedure of work effectiveness and adopted a special report with the action plan.

**7. Associated companies**

Borzen has an ownership stake in BSP Energy Exchange where it participates also as its co-founder.

BSP Energy Exchange is managed by Borzen and ELES, each holding a 50-percent stake in the company.

BSP Energy Exchange provides day-ahead and intra-day trading on the Slovenian energy exchange market. At the same time, the company actively takes part in the processes of the formation of the single European electricity market in the field of trading on the electricity exchange. In the field of day-ahead trading on the electricity market, the company is connected through a mechanism of coupling with the neighbouring Italian and Austrian markets into a single European electricity market. In the field of intra-day trading, the company has been participating as an associate member on the project of creating a single European intra-day market since August 2015. The services of the exchange include the trading processes as well as clearing and financial settlement of transactions.

BSP Energy Exchange ended the financial year 2017 with a net profit of EUR 601,000. The positive result was mainly due to a seven-percent increase in the amount of concluded transactions on the exchange and the additional revenues arising from the implementation of custom auctions for long-term physical electricity products.

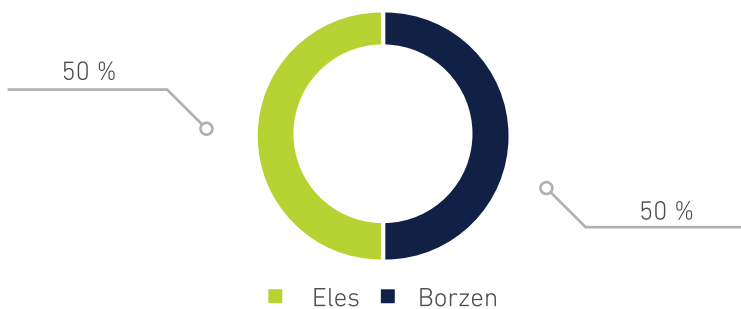


Figure 4: Equity participation in BSP Energy Exchange

the Company respects the provisions of the Corporate Governance Code for Companies with State Capital Investment in its business operation, except for the provisions that are set out in Chapter 2 of this Statement.

In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board hereby ensure that the Annual Report was compiled and will be published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management accepts and approves the financial statements of the company Borzen, d.o.o. for the year

and the results of the company’s business operation in 2017.

**5. System of internal controls and risk management of the company**

The company conducts a system of internal controls and risk management in accordance with the integrated risk management system, which is described in more detail in a later chapter of this annual report.

**6. System of corporate integrity in the company**

Borzen adheres to the recommendations of the good corporate practice of SSH and the Slovenian Directors’ Association. In 2017, the company’s

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## 1.4 RISK MANAGEMENT

### CIRCUMSTANCES THAT AFFECTED THE RISKS AND THEIR MANAGEMENT

For a successful business operation, it is of great importance to identify risks in most efficient manner and to provide a successful risk management. Borzen is a company providing public service, which consequently means that we are related to our regulatory environment that seriously affects all the categories of identified risks.

### INTEGRATED RISK MANAGEMENT

Based on the Rules on the integrated risk management, the company reports on the exposure to key risks and measures for their control, significant changes in the exposure to individual risks and other relevant information regarding risk management.

In accordance with the aforementioned Rules, the risks are assessed based on the parameters listed below.

### Determining the consequences/damages (of the impact)

The consequences of the risks are considered the possible outcomes of the event. The consequences can be positive or negative and are valued according to the achievement of the intended objectives.

| Value | Scale of impact | Measure; revenue, expenses, payments, sensitivity...                                                                                                                                                                                                       |
|-------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4     | SEVERE          | The financial impact is greater than 50 percent of the company's revenue/expenditure; the company's core mission and activities are at risk; the threat of judicial proceedings; the loss of confidence; the cessation of activities and competences, etc. |
| 3     | SIGNIFICANT     | The financial impact is between 25 and 50 percent of the company's revenue/expenditure; the need for adjustments and changes; the change of organisation; great influence on stakeholders' satisfaction; long-term loss of reputation, etc.                |
| 2     | MODERATE        | The financial impact is between 10 and 25 percent of the company's revenue/expenditure; the need to reorganise activities, moderate influence on stakeholders' satisfaction, short-term loss of reputation, etc.                                           |
| 1     | MINOR           | The financial impact is lower than 10 percent of the company's revenue/expenditure; low influence on stakeholders' satisfaction, etc.                                                                                                                      |

The criteria for assessing the consequences of risks arise from two parts, namely:

#### 1. SIGNIFICANCE OF THE IMPACT ON THE OPERATION (MATERIALITY PRINCIPLE) - **QUANTITATIVE:**

- Significance of costs in the profit (participation in % of costs or expenses);
- Significance of revenue (percentage of service, etc. in all revenues);
- Significance of assets (size of investment, value of the assets in the balance sheet);
- Significance in terms of the number of employees involved in the processes (also related to costs).

#### 2. THE SENSITIVITY OF THE AREA - **QUALITATIVE:**

- Significant changes (e.g. new investments, organisational changes);
- Importance in terms of stakeholders' satisfaction;
- Impact on service quality;
- Personnel and their knowledge;
- Integrity of IT support;
- Protection of personal data;
- Control area;
- Reputation of the company.

**Determining the probability (how likely and how often is an event to occur):**

The criteria for assessing the likelihood of a negative event or loss of opportunity are as follows:

| Value | Rating      | Criterion                                                          |
|-------|-------------|--------------------------------------------------------------------|
| 4     | VERY LIKELY | Probability above 75 percent                                       |
| 3     | LIKELY      | Probability between 50 and 75 percent                              |
| 2     | POSSIBLE    | Probability between 25 and 50 percent                              |
| 1     | UNLIKELY    | Probability less than 25 percent, small possibility of realisation |

**Risk level (severity of the risk)**

The level of risk is calculated by multiplying the assessment of the likelihood of risk occurrence and the assessment of the consequences or possible damage.

**RISK = IMPACT X PROBABILITY**

The significance of the risk is demonstrated by the risk matrix below.

|        |                 | PROBABILITY        |                 |            |            |
|--------|-----------------|--------------------|-----------------|------------|------------|
|        |                 | Almost certainly 4 | Very possible 3 | Possible 2 | Unlikely 1 |
| IMPACT | Severe 4        | 16                 | 12              | 8          | 4          |
|        | Significant 3   | 12                 | 9               | 6          | 3          |
|        | Moderate 2      | 8                  | 6               | 4          | 2          |
|        | Minor/Minimal 1 | 4                  | 3               | 2          | 1          |

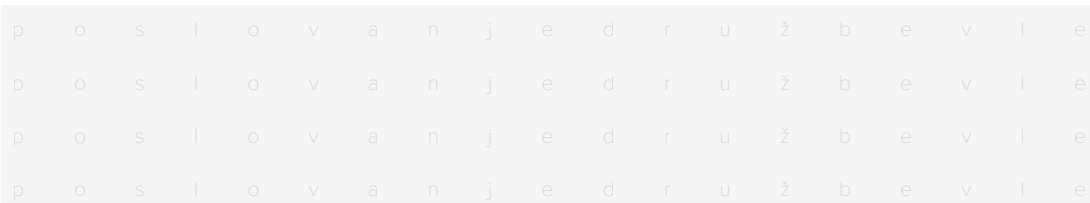
Table 3: Risk matrix

The comprehensive risk management system is thus supported by a risk register that identifies all the key risks that can affect the achievement of the company's planned business objectives and represents the company's strategic risk management.

The identification of risks is carried out during the preparation of the company's business plan, the revision of the company's strategic plan and during any Mayor business decision, project or any significant change in the market or of relevant legislation. The identified risks are analysed in detail,

by determining the significance of a particular risk and the necessary measures for their control.

Based on the risk assessments and the cost-benefit balancing, the company sets its priorities and selects the most appropriate way of managing risks. In this way, we want to ensure that the risk stays at the desired exposure level after the implementation of measures. In this regard, we have decided upon the strategies of risk aversion, risk reduction, risk transfer to a third party or risk acceptance.



## KEY IDENTIFIED RISKS

According to the activity and size of the company, the number of employees, the conduct on the market and the legislative framework that limits and binds the company's operations, we classified the risks into four systematic groups, namely:

- Strategic/business risks,
- Operational risks,
- Financial/market risks,
- Legislative risks – risk of non-compliance with the regulations.

In the continuation, we present the key identified risks in the framework of the systematic risk groups described above and the risks to which we will be exposed in the next period.

### STRATEGIC/BUSINESS RISKS

Strategic or business risks are related to the successful implementation of the company's strategy and set strategic objectives, with the ability to ensure the short-term and long-term creation of operating revenues, as well as maintaining the value of the company's assets and reputation. These risks are related to changes in legal and statutory obligations and environmental impacts, which are consequently connected to the organisation of the company, its activities and restrictions on the company's operations.

One of the strategic risks is the investment risk related to the investment in the energy exchange BSP, in which Borzen holds a 50-percent stake. This is primarily related to the management of the investment, which represents an issue addressed by both stakeholders and their mutual coordination regarding the management and further development of the company.

Other business risks include the risk of investments and procurement procedures which the company ma-

nages through constant improvement of the quality of preparation, implementation, activation and monitoring.

In the course of monitoring the strategic/business risks in 2017, no significant deviations were detected.

### OPERATIONAL RISKS

Operational risks are related to the damage caused by inadequately implemented internal processes, improper employee behaviour, information technology failures and poor quality services provided by external providers. The recognition and management of operation risks are crucial for the successful operation of the company since efficient internal processes, professionally qualified, experienced and motivated employees ensure the prevention of operational risks and the correct and efficient adjustment in the operation in all economic conditions.

Among the information system risks, there are significant risks of potential interruptions in the operation of the application and system software, hardware, communication and

network connections, and special attention is paid to the risks associated with information security. The risks are primarily reduced through redundant independent optical connections between two locations, synchronous replications, central control system and data backup.

The human resources risks are of particular importance for the company, due to the implementation of different activities of the market operator and the specificity of the assigned tasks. The additional tasks acquired by Borzen every year and changes in the market require that the employees constantly upgrade their existing knowledge and obtain new knowledge, flexibility and quality team work. The biggest risk for the company is the potential loss of key employees, thus special attention is given to social dialogue, additional professional training, motivation and provision of stimulating working conditions and environment.

Other operational risks are limited by clearly defined procedures, unambiguously defined roles, responsibilities and powers of the employees and adopted rules by the company.

In the course of monitoring the operational risks in 2017, no significant deviations were detected.

### FINANCIAL/MARKET RISKS

The financial risk management implies the attainment of stable operations, management of financial expenses within the planned framework and long-term solvency.

The risk of default or non-payment of financial obligation means that there is a risk that the counterparty will not fulfil its financial liabilities in accordance with the contractual terms. The management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. The risk of default is largely present in the implementation of the financial settlement of the imbalance settlement. Therefore, Borzen already included this type of risk to the Rules on the operation of the organised electricity market. Future Balance Scheme members are verified upon their application for membership by a careful review of their credit rating and by monitoring their operations. Before entering the Balance Scheme, members are required to submit an adequate financial guarantee in the form of a cash deposit or a first call bank guarantee. The process of managing the risks of default includes the calculation of the relevant variation margins in case of deviations. The increase in the variation margin arises on the basis of projected deviations (on a daily basis) or at every issuing of the imbalance settlement invoices if these are higher than the already submitted margins. In the event that the participants in the financial settlement fail to fulfil their

financial obligations, Borzen can use their financial guarantees and, in the extreme case, exclude a member from the Balance Scheme.

The liquidity risk defines the ability to provide sufficient funds for a prompt settlement of due liabilities. Borzen ensures the highest possible financial liquidity by always having sufficient liquid assets for settling due liabilities within the deadline and separately managing the assets under management. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and careful planning of inflows and outflows on a monthly/weekly basis. The company has also established a system for managing and optimising short-term cash surpluses, taking into account the investment diversification. At the same time, the company is also responsible for coordinating the maturity of claims and liabilities and their consistent enforcement.

In addition to the above mentioned risks, the company also monitors the foreign currency and interest rate risks, which were fairly modest and did not require any special management. In the framework of foreign operations, both recalculation and imbalance settlement for different business segments are carried out in euros. The interest rate risk is related to an unexpected increase in financing costs or a reduction in financial revenues arising from the placement of cash surpluses due to the change in the interest rate on the market. During the reporting period, the company did not have any loans. On the other hand, some banks have already introduced negative interest

rates and demurrage charges for cash deposits above a certain limit on the accounts, which requires an additional optimisation in the placement of the company's surplus funds.

In the course of monitoring the financial/market risks in 2017, no significant deviations were detected.

### LEGISLATIVE RISKS (COMPLIANCE WITH THE REGULATIONS)

A legislative risk is a risk related to the amendments and inconsistencies in the regulations on which the company has no influence. Borzen's exposure to the regulatory risks is high, since the company's core business of a public utility service is a regulated activity. In this regard, it is necessary to emphasise that the source of financing a public utility service is also regulated.

The risks related to the damage caused by violation or non-compliance with legislation and statutory regulations are primarily managed by regular monitoring and active participation in the preparation of regulations and by up-to-date adjustment of operations. Regulatory risks are also managed by as precise as possible and unambiguous regulations. A considerable level of attention is paid to the risk related to a potential loss of public utility service due to the implementation of the Network Codes on Electricity Balancing (NC EB). However, a reduction of the risk is also expected in this area as a relatively favourable text of the network code has been adopted.

In the course of monitoring legislative risks in 2017, no significant deviations were detected.

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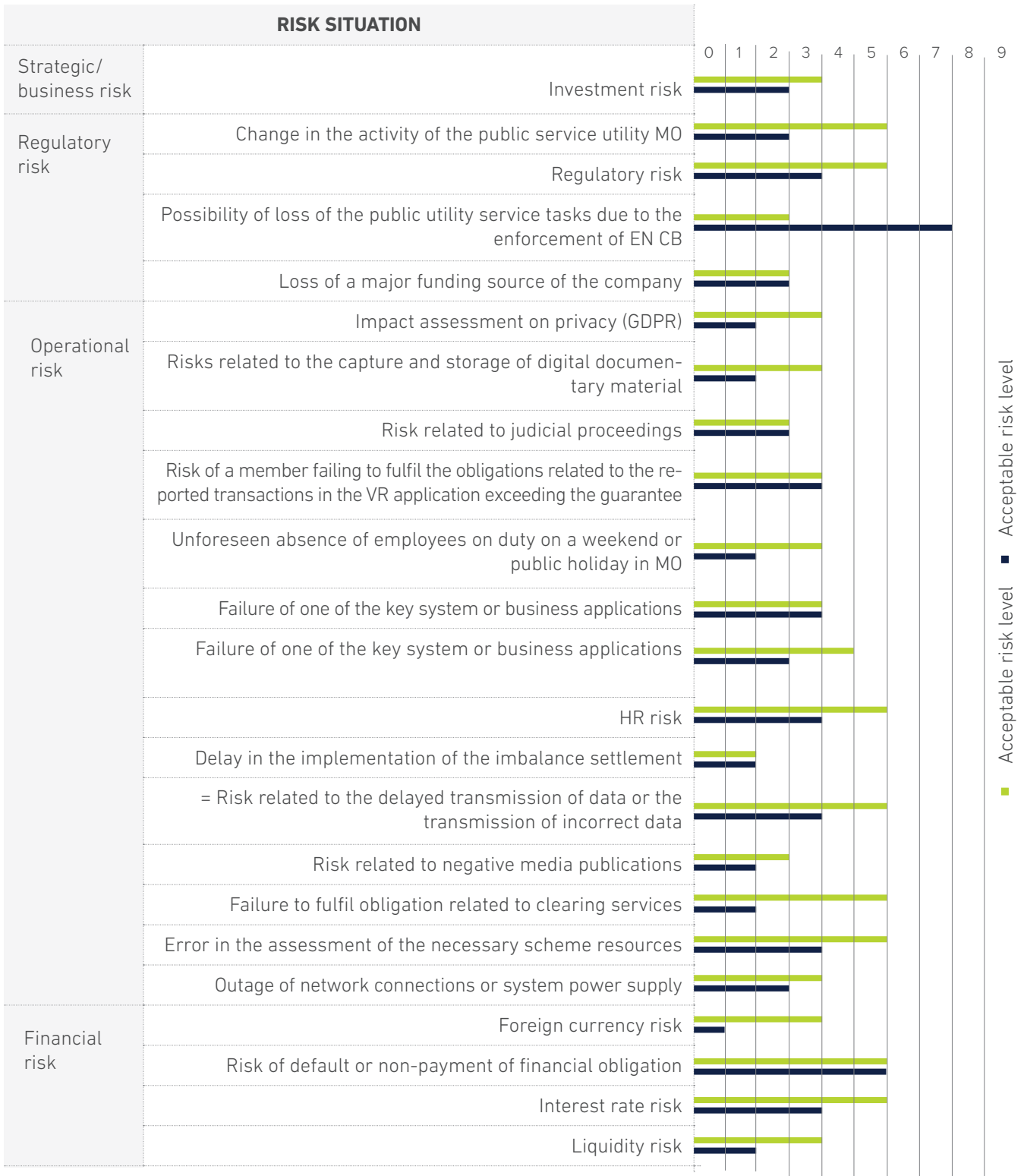


Figure 5: Risk situation as at 31 December 2017

» **Hand in  
hand with  
energy.**

# 2. ACTIVITIES OF THE POWER MARKET OPERATOR IN SLOVENIA

## 2.1 RECORDING OF CLOSED CONTRACTS, OPERATIONAL FORECASTS AND PREPARATION OF INDICATIVE OPERATING SCHEDULES OF THE TRANSMISSION AND DISTRIBUTION NETWORK

The Energy Act imposes on the Market Operator the obligation of recording contracts of the Balance Scheme membership, operational forecasts and closed contracts. All contractually agreed obligations according to which electricity is purchased or sold in the Republic of Slovenia or is transferred outside the control area are recorded. Closed contracts and operational forecasts are recorded on a daily basis, seven days a week. Every day, the market operator draws up an indicative operating schedule of the transmission and distribution network that is submitted to the Slo-

venian Transmission System Operator, ELES. In the case of changes in the reported quantities of closed contracts and operational forecasts that can be reported in accordance with the Rules on the operation of the organised electricity market due to “intra-day” trading the corrected final schedule is also prepared.

### **RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS**

A total of 114,531 closed contracts and operational forecasts were recorded

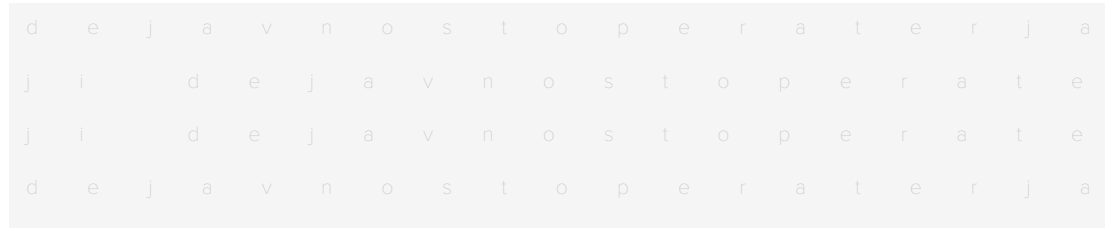
in 2017, in total quantity of 87,584,962 MWh. Compared to the previous year, the number of recorded closed contracts and operational forecasts in the same period was 4.8 percent higher, while total quantity of electricity was 5.3 percent higher.



» **With our services,  
we ensure and  
enable a consistent  
operation of the  
Slovenian electricity  
system.**

| Month        | Closed contracts<br>[in MWh] | Operational forecasts<br>[in MWh] | Number of closed contracts and<br>operational forecasts |
|--------------|------------------------------|-----------------------------------|---------------------------------------------------------|
| January      | 5,289,121                    | 2,538,782                         | 9,154                                                   |
| February     | 4,829,391                    | 2,245,113                         | 9,101                                                   |
| March        | 5,280,179                    | 2,436,926                         | 9,465                                                   |
| April        | 4,780,908                    | 2,142,710                         | 9,455                                                   |
| May          | 5,219,133                    | 2,316,629                         | 9,813                                                   |
| June         | 4,781,325                    | 2,240,179                         | 9,759                                                   |
| July         | 4,624,527                    | 2,387,163                         | 9,656                                                   |
| August       | 4,883,641                    | 2,352,735                         | 9,926                                                   |
| September    | 4,694,505                    | 2,419,496                         | 9,690                                                   |
| October      | 4,646,448                    | 2,374,607                         | 9,750                                                   |
| November     | 4,754,748                    | 2,430,816                         | 9,090                                                   |
| December     | 5,360,719                    | 2,555,161                         | 9,672                                                   |
| <b>Total</b> | <b>59,144,645</b>            | <b>28,440,317</b>                 | <b>114,531</b>                                          |

Table 4: Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia in 2017



In 2017, we also recorded the new highest value of recorded closed contracts, which exceeded the previous record value of 2016 by 7.8 percent and amounted to 59,144 GWh.

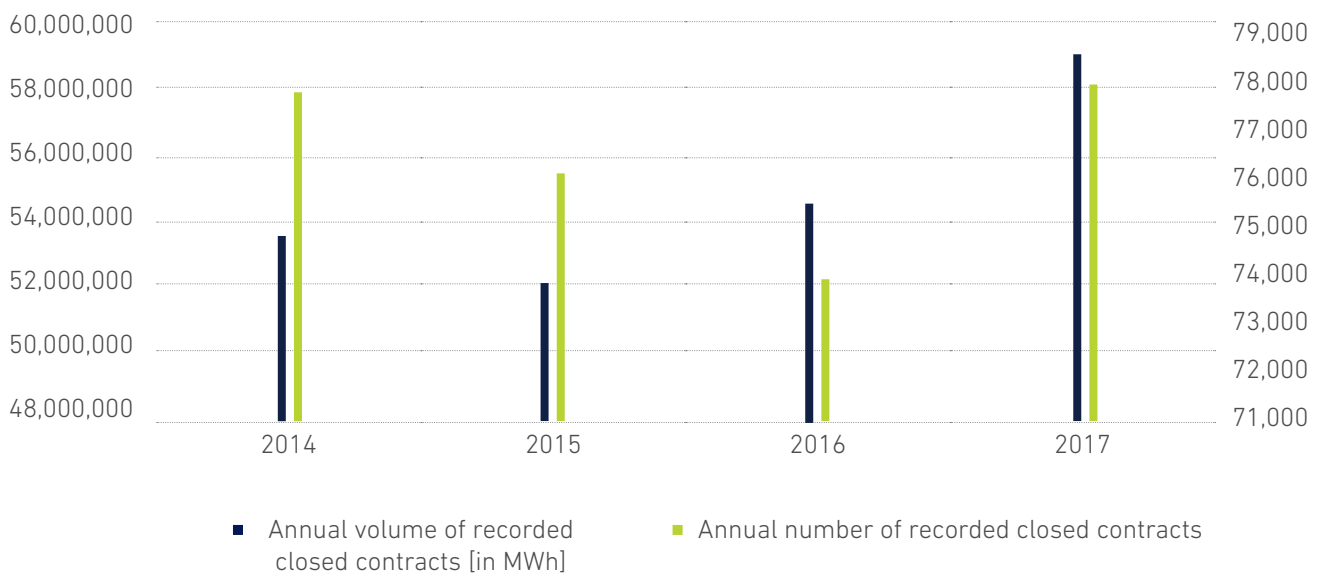


Figure 6: Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts on the organised market in Slovenia in the 2014-2017 period

The table below shows the data on the growth trend over the last four years.

| Year | Annual volume of recorded closed contracts [in MWh] | Increase in the volume of closed contracts compared to the previous year | Annual number of recorded closed contracts | Increase in the number of closed contracts compared to the previous year |
|------|-----------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------|
| 2014 | 53,870,328                                          | 2.43 %                                                                   | 77,675                                     | 8.28 %                                                                   |
| 2015 | 52,143,848                                          | -3.20 %                                                                  | 76,273                                     | -1.80 %                                                                  |
| 2016 | 54,834,360                                          | 5.16 %                                                                   | 73,887                                     | -3.13 %                                                                  |
| 2017 | 59,144,645                                          | 7.90 %                                                                   | 77,763                                     | 5.20 %                                                                   |

Table 5: Annual volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia in the 2014-2017 period

From 2014 to 2017, the reported volumes of electricity from closed contracts and operational forecasts increased by 9.8 percent, while the number of recorded closed contracts and operational forecasts in the Slovenian market remained at a similar level.

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## TRANSMISSION OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN CONTROL AREA

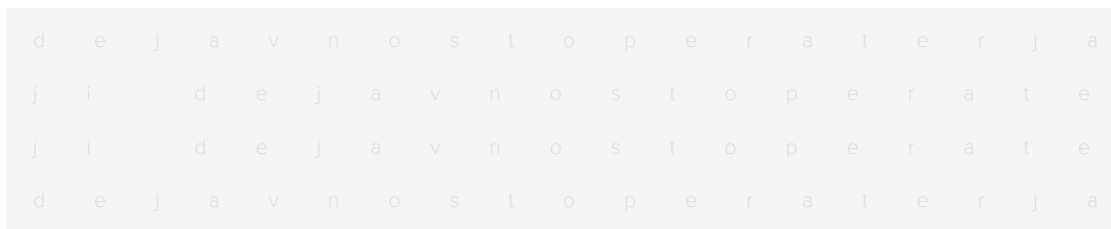
In 2017, the net electricity exchange at the borders of the Slovenian control area totalled a little less than 367 GWh, which means that there was a 2.5-percent surplus of electricity compared to

the total electricity consumption. Since slightly less than 2,980 GWh of electricity from the Croatian share of the Krško Nuclear Power Plant (KNPP) belonged to the Croatian network, Slove-

nia was a net importer of electricity in 2017. The net imports amounted to almost 2,613 GWh, which represents 17.9 percent of the total electricity consumption in Slovenia.

| Month        | Export [in MWh]  | Export from KNPP [in MWh] | Import [in MWh]   | Import incl. KNPP [in MWh] | Net position [in MWh] | Net position excl. KNPP [in MWh] |
|--------------|------------------|---------------------------|-------------------|----------------------------|-----------------------|----------------------------------|
| January      | 686,937          | 943,643                   | 1,030,984         | 1,031,113                  | -87,470               | -344,047                         |
| February     | 643,536          | 877,248                   | 904,775           | 917,862                    | -40,614               | -261,239                         |
| March        | 751,609          | 1,009,721                 | 953,468           | 953,538                    | 56,183                | -201,859                         |
| April        | 624,718          | 876,468                   | 881,761           | 897,458                    | -20,990               | -257,043                         |
| May          | 739,365          | 995,823                   | 918,057           | 918,164                    | 77,659                | -178,692                         |
| June         | 525,611          | 769,267                   | 828,263           | 828,813                    | -59,546               | -302,652                         |
| July         | 621,590          | 872,283                   | 763,235           | 763,662                    | 108,621               | -141,645                         |
| August       | 670,003          | 917,209                   | 792,260           | 792,478                    | 124,731               | -122,257                         |
| September    | 718,483          | 965,158                   | 779,684           | 780,092                    | 185,066               | -61,201                          |
| October      | 588,836          | 846,850                   | 855,574           | 855,639                    | -8,789                | -266,738                         |
| November     | 628,412          | 878,196                   | 889,431           | 889,657                    | -11,461               | -261,019                         |
| December     | 759,645          | 1,017,742                 | 974,080           | 974,299                    | 43,443                | -214,435                         |
| <b>Total</b> | <b>7,958,745</b> | <b>10,969,608</b>         | <b>10,571,572</b> | <b>10,602,775</b>          | <b>366,833</b>        | <b>-2,612,827</b>                |

Table 6: Total import and export of electricity on the borders of the Slovenian control area in 2017



The export of electricity excluding the electricity generated from the Croatian part of the KNPP was 7.1 percent lower than in 2016, amounting to 7,958 GWh, while the total imports increased by 2.8 percent in the same period and amounted to 10,602 GWh.

The export on the Austrian border in 2017 was 52.8 percent lower than in 2016, amounting to 668 GWh, while the import was higher by 17.3 percent and amounted to 5,882 GWh.

Compared to 2016, the export on the Croatian border was 22.8 percent higher, taking into account the generation of the Croatian part of the KNPP and amounted to 7,448 GWh. The import decreased by 23.4 percent and equalled 3,612 GWh. The total generation in the KNPP increased by 9.9 percent compared to 2016 and amounted to 5,961 GWh. The higher production is mainly result of the overhaul of the KNPP, which occurred in 2016.

Compared to 2016, the exports on the Italian border were lower by 25 percent, while the imports amounted to 1,107 GWh, increasing by more than 90 percent compared to the previous year.

The table below shows the data on the number of recorded closed contracts concerning electricity import and export in 2017 by individual borders.

| Border       | AUSTRIA        |                  | ITALY            |                  | CROATIA          |                  |                  |
|--------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|              | Export         | Import           | Export           | Import           | Export           | Import           | Export KNPP      |
| January      | 28,420         | 595,725          | 208,303          | 143,733          | 706,920          | 291,655          | 256,706          |
| February     | 68,655         | 507,469          | 295,514          | 59,636           | 513,079          | 350,757          | 233,712          |
| March        | 112,083        | 514,967          | 397,906          | 28,404           | 499,732          | 410,167          | 258,112          |
| April        | 51,240         | 517,326          | 163,234          | 113,925          | 661,994          | 266,207          | 251,750          |
| May          | 38,721         | 602,419          | 129,323          | 140,975          | 827,779          | 174,770          | 256,458          |
| June         | 27,323         | 482,761          | 183,042          | 75,359           | 558,902          | 270,693          | 243,656          |
| July         | 21,828         | 400,587          | 134,815          | 180,189          | 715,640          | 182,886          | 250,693          |
| August       | 12,821         | 408,183          | 147,670          | 180,213          | 756,718          | 204,082          | 247,206          |
| September    | 84,783         | 441,640          | 253,067          | 31,935           | 627,308          | 306,517          | 246,675          |
| October      | 22,331         | 471,383          | 229,511          | 86,740           | 595,008          | 297,516          | 258,014          |
| November     | 35,820         | 490,485          | 279,492          | 63,529           | 562,884          | 335,643          | 249,784          |
| December     | 164,682        | 449,091          | 430,616          | 3,324            | 422,444          | 521,884          | 258,097          |
| <b>Total</b> | <b>668,707</b> | <b>5,882,036</b> | <b>2,852,493</b> | <b>1,107,962</b> | <b>7,448,408</b> | <b>3,612,777</b> | <b>3,010,863</b> |

Table 7: Recorded closed contracts by border for export and import of electricity in 2017 [in MWh]

## 2.2 IMBALANCE SETTLEMENT

The report covers the accounting period for the year 2017 and it contains concluded imbalance settlements from January to December. The results are summarised in the text and figures below.

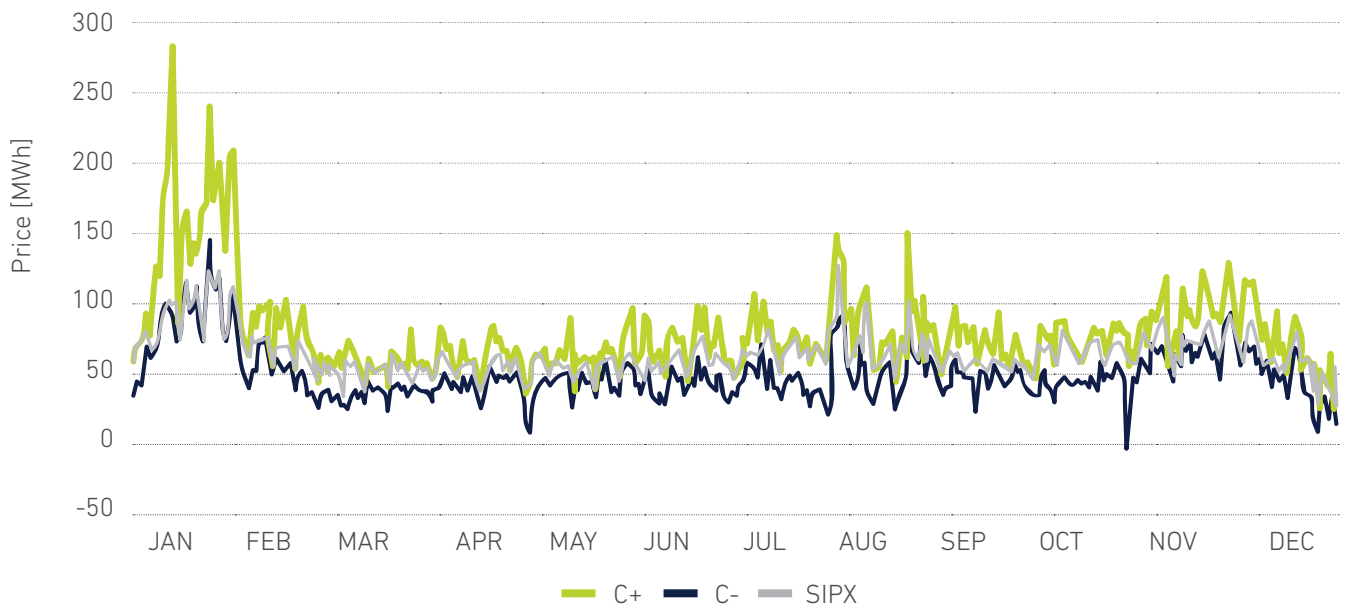


Figure 7: Average daily values of derived imbalance prices C<sub>+</sub> in C<sub>-</sub> and the SIPX Index in 2017

A slightly higher average daily value of prices for positive and negative imbalances was recorded in the months of January, February, August and November. In the remaining months, the price values for positive and negative imbalances were relatively stable compared to the previous years. The price movement for positive and negative imbalances C<sub>+</sub> and C<sub>-</sub> and the SIPX Index are shown in the figure above. The higher average prices in

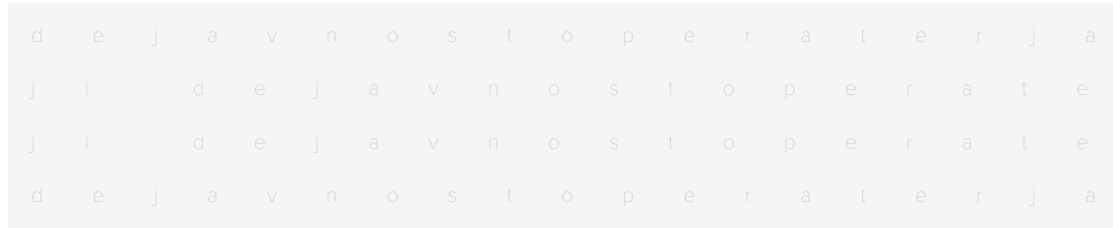
the aforementioned months follow the cost points in the balancing of the electricity system, since the (basic) price for the imbalances is calculated as the ratio between the cost and the amount (of the balancing).

The average value of the derived (corrected) price for positive imbalances C<sub>+</sub> totalled EUR 64.62 per MWh and EUR 34.62 per MWh for negative imbalances C<sub>-</sub>. The highest price value for C<sub>+</sub> amou-

nted to EUR 1,444.62 per MWh and EUR 193.03 per MWh for C<sub>-</sub>. The lowest price value for C<sub>+</sub> and C<sub>-</sub> equalled EUR -3.82 per MWh and EUR -189.87 per MWh, respectively. The highest price C<sub>+</sub> occurred on 13 January in the 3rd hour block and the highest price C<sub>-</sub> occurred on 24 August in the 8th hour block. The lowest price C<sub>+</sub> was recorded on 31 December in the 4th hour block and the lowest price C<sub>-</sub> was recorded on 14 May in the 12th hour block.

|               | 2016 [EUR/MWh] |         |        | 2017 [EUR/MWh] |         |        |
|---------------|----------------|---------|--------|----------------|---------|--------|
|               | C+             | C-      | SIPX   | C+             | C-      | SIPX   |
| Average value | 44.64          | 22.60   | 35.62  | 64.62          | 34.62   | 49.52  |
| Highest value | 2,151,29       | 97,65   | 104,96 | 1,444,62       | 193,03  | 199,00 |
| Lowest value  | -7.78          | -668.52 | 0.00   | -3.82          | -189.87 | -42.93 |

Table 8: The average, highest and lowest values of C<sub>+</sub> and C<sub>-</sub> and the SIPX Index in 2016 and 2017



According to the Rules on the operation of the organised electricity market, the SIPX Index is applied to calculate the basic prices for imbalances C+ and C- and, consequently, for the calculations of the derived prices for imbalances C+ and C-. The figure below shows the movement of the SIPX Index in comparison with the imbalance prices in 2017.

To calculate the prices for positive and negative imbalances, we use the costs and quantities that have been incurred for the balancing of the electricity system in Slovenia. The balancing of the electricity system is the result of the imbalances of electricity market participants from their forecasts. The figure below shows the total positive and ne-

gative imbalances of all balance groups in Slovenia in 2017.

The imbalances in the positive direction reflect the electricity deficit in the electricity system, while the imbalances in the negative direction reflect the electricity surplus in the Slovenian electricity system.

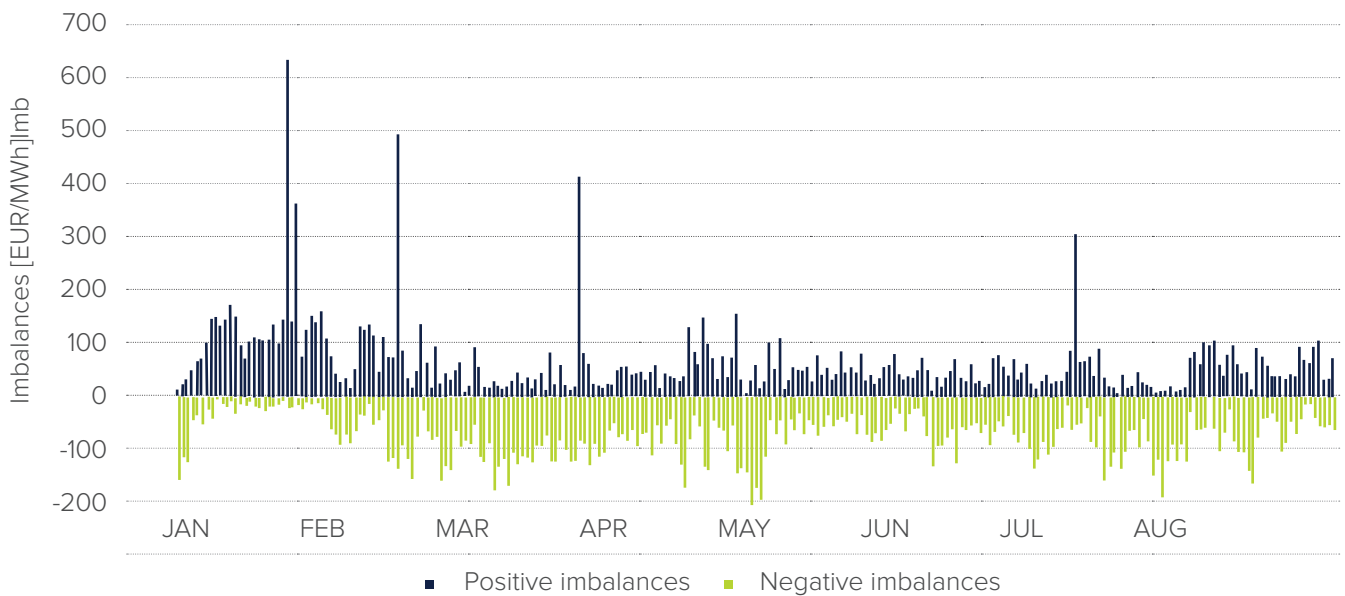


Figure 8: Imbalances in the Slovenian electricity system in 2017

The balancing energy for the settlement of positive and negative imbalances in the Slovenian electricity system is provided by the Transmission System Operator, ELES. In 2017, a total of 280,935.63 MWh of energy was used for the settlement of po-

sitive imbalances and 344,063.04 MWh for the settlement of negative imbalances. The figure below shows the average monthly values of regulatory costs for the balancing of the electricity system. The costs include secondary and tertiary regulatory co-

sts, energy from the balancing market and energy from the Imbalance Netting Cooperation (INC).

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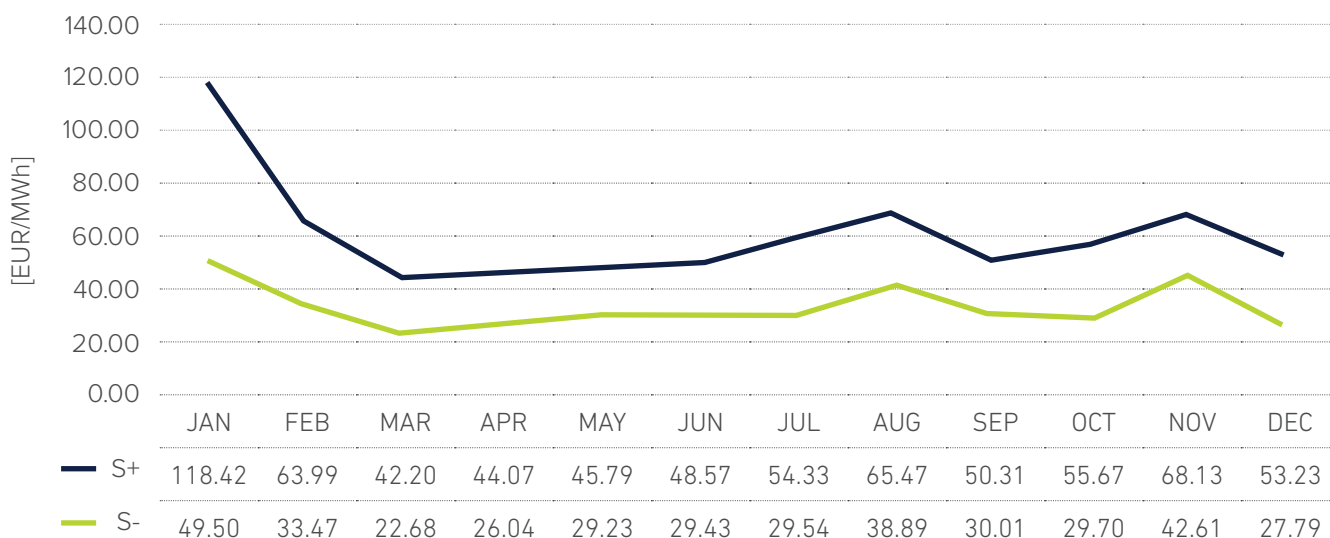


Figure 9: Average monthly values of regulatory costs (S+ and S-) in 2017

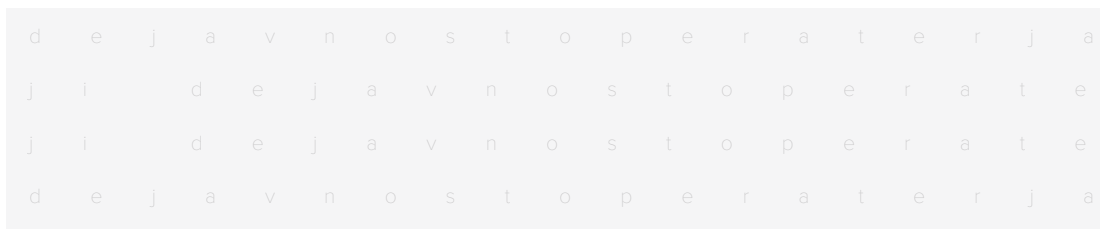
The average monthly value of regulatory costs in 2017 coincides with the prices for positive and negative imbalances. The figure above shows slightly higher average values of the S+ and S- imbalance costs in January, February, August and November.

The following table shows the average monthly values of regulatory costs in 2017 and the comparison with 2016. The costs include secondary regulatory costs, tertiary regulatory costs, energy from the balancing market and energy from the INC. It can be observed that the regulatory costs are much higher; the exceptional situation in the network in January 2017 is in particular evident. This means that the system operator had to activate very large quantities of positive regulation (energy deficit in the network).

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| Month     | 2016         |              | 2017         |              |
|-----------|--------------|--------------|--------------|--------------|
|           | S+ [EUR/MWh] | S- [EUR/MWh] | S+ [EUR/MWh] | S- [EUR/MWh] |
| January   | 56.28        | 30.64        | 118.42       | 49.50        |
| February  | 32.38        | 15.81        | 63.99        | 33.47        |
| March     | 32.66        | 17.95        | 42.20        | 22.68        |
| April     | 36.35        | 20.10        | 44.07        | 26.04        |
| May       | 33.43        | 16.52        | 45.79        | 29.54        |
| June      | 38.48        | 22.19        | 48.57        | 29.43        |
| July      | 38.77        | 22.57        | 54.33        | 29.54        |
| August    | 37.78        | 20.05        | 65.47        | 38.89        |
| September | 41.59        | 24.80        | 50.31        | 30.01        |
| October   | 54.31        | 29.80        | 55.67        | 29.70        |
| November  | 51.84        | 27.28        | 68.13        | 42.61        |
| December  | 59.06        | 30.28        | 53.23        | 27.79        |

Table 9: Average monthly values of regulatory costs (S+ and S-) in 2016 and 2017



The table below shows the INC+ and INC- volumes in the last five years. The INC Regulation was first introduced in May 2013. The first column presents the values in which there was the electricity deficit in the Slovenian electricity system and the INC+ function was activated. On the other hand, the second column shows the values in which the electricity surplus occurred in the Slovenian electricity system and the INC- function was activated.

| Year                  | INC+ [v MWh] | INC- [v MWh] |
|-----------------------|--------------|--------------|
| 2013 (May - December) | 25.491       | 47.458       |
| 2014                  | 41.457       | 69.909       |
| 2015                  | 28.091       | 71.007       |
| 2016                  | 33.997       | 114.247      |
| 2017                  | 37.247       | 98.399       |

Table 10: INC volumes from 2013 to 2017

The following table presents a more detailed overview of positive and negative imbalances for the years 2016 and 2017 on a monthly basis.

| Month        | 2016                                           |                                                | 2017                                           |                                                |
|--------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
|              | Positive imbalances of balance groups [in MWh] | Negative imbalances of balance groups [in MWh] | Positive imbalances of balance groups [in MWh] | Negative imbalances of balance groups [in MWh] |
| January      | 24,954.09                                      | 18,044.99                                      | 50,623.89                                      | 8,573.38                                       |
| February     | 12,207.49                                      | 21,966.73                                      | 16,606.03                                      | 20,258.99                                      |
| March        | 12,634.15                                      | 21,737.83                                      | 7,175.96                                       | 37,637.85                                      |
| April        | 12,750.97                                      | 25,474.89                                      | 13,438.75                                      | 27,707.50                                      |
| May          | 14,305.04                                      | 25,004.27                                      | 13,759.75                                      | 24,084.61                                      |
| June         | 15,463.58                                      | 21,455.44                                      | 9,767.67                                       | 21,042.27                                      |
| July         | 8,660.17                                       | 27,530.63                                      | 9,342.49                                       | 33,954.50                                      |
| August       | 8,859.89                                       | 37,864.17                                      | 17,220.10                                      | 19,513.22                                      |
| September    | 13,531.09                                      | 19,129.75                                      | 16,405.14                                      | 23,396.77                                      |
| October      | 16,471.75                                      | 22,603.45                                      | 10,206.47                                      | 25,003.09                                      |
| November     | 11,142.24                                      | 29,078.23                                      | 23,693.04                                      | 9,860.90                                       |
| December     | 11,372.88                                      | 24,440.94                                      | 21,033.85                                      | 19,024.30                                      |
| <b>Total</b> | <b>162,353.34</b>                              | <b>294,331.31</b>                              | <b>209,273.14</b>                              | <b>270,057.37</b>                              |

Table 11: Positive and negative imbalances of the balance groups in 2016 and 2017



The following table presents the quantities of positive and negative imbalances of all balance groups on the electricity market from 2013 onwards. The imbalances on the borders of the Slovenian control area are also included in the volume of imbalances of the balance groups.

| Year | Total positive imbalances of the balance groups [in MWh] | Total negative imbalances of the balance groups [in MWh] |
|------|----------------------------------------------------------|----------------------------------------------------------|
| 2013 | 301,776                                                  | 397,808                                                  |
| 2014 | 307,168                                                  | 367,965                                                  |
| 2015 | 300,051                                                  | 388,574                                                  |
| 2016 | 239,765                                                  | 371,02                                                   |
| 2017 | 263,038                                                  | 326,166                                                  |

Table 12: Total positive and negative imbalances of the balance groups from 2013 to 2017

Based on the data presented in the table above, it can be noted that there is a downward trend in both segments of imbalances, especially in the segment of negative imbalances. This represents one of the essential tasks of the imbalance settlement system, namely, that it motivates market participants to participate in a more careful behaviour and forecasting and thus contribute to the stability of the electricity market.

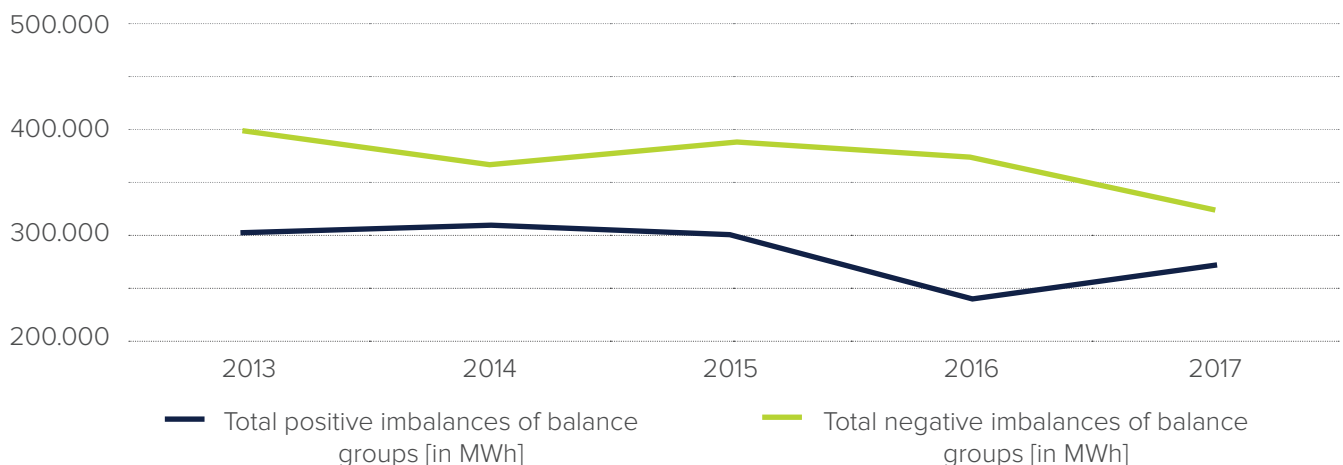


Figure 10: Total positive and negative imbalances of the balance groups from 2013 to 2017

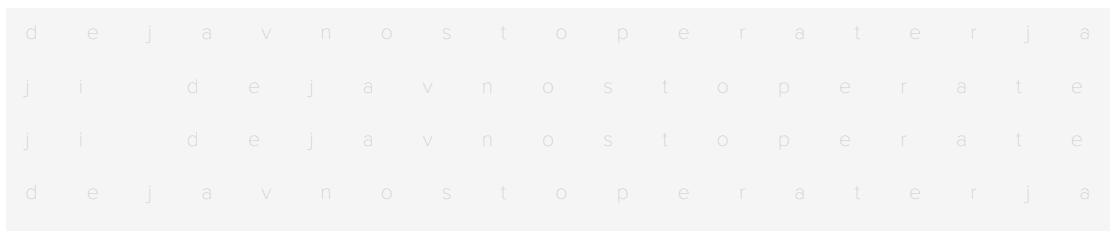
## ANNUAL RECALCULATION

Since the imbalance settlement applies to the so-called analytical procedure to determine the realisation of delivery points without the execution of measurements in each quarter of an hour, their consumption is estimated based on the remaining

consumption of the area. Thus, the differences generated among quantities acquired on the basis of the analytical procedure and the actual realised quantities are recalculated within the annual recalculation.

In 2017, the annual recalculation was made for the year 2016. The redistri-

bution of differences between balance groups was carried out on the basis of calculated differences and average annual price that equalled the annual average C+ and C- and amounted to EUR 33.62 per MWh. In the annual recalculation for 2017, a total of 56,351 MWh of electricity was redistributed, totalling EUR 1.89 million (net).



## 2.3 BALANCE SCHEME

The electricity market is hierarchically regulated as a Balance Scheme. Any legal or natural person that wishes to actively operate on the electricity market must become a member of the Balance Scheme. The membership and structure of the Balance Scheme are defined with the balancing agreements, concluded with the Market Operator and with compensation agreements concluded with the Balance Scheme members. Market Operator, which is at the top

of the Balance Scheme, provides balancing energy delivery to the balance groups through balancing agreements. Transmission system operator physically implements the balancing of the electric power system. Market Operator is responsible for keeping, updating and publishing the record of Balance Scheme membership contracts on its website.

The year 2017 was considerably less dynamic compared to 2016. In 2017,

three domestic companies and one foreign company entered the Balance Scheme. During the same period, three foreign companies left the Balance Scheme, which, compared to 2016, means that the membership in the Balance Scheme increased by one member. In total, there were **52 balance groups** (17 Slovenian and 35 foreign companies) and **24 balance subgroups** (21 Slovenian and 3 foreign companies) registered in the Republic of Slovenia.

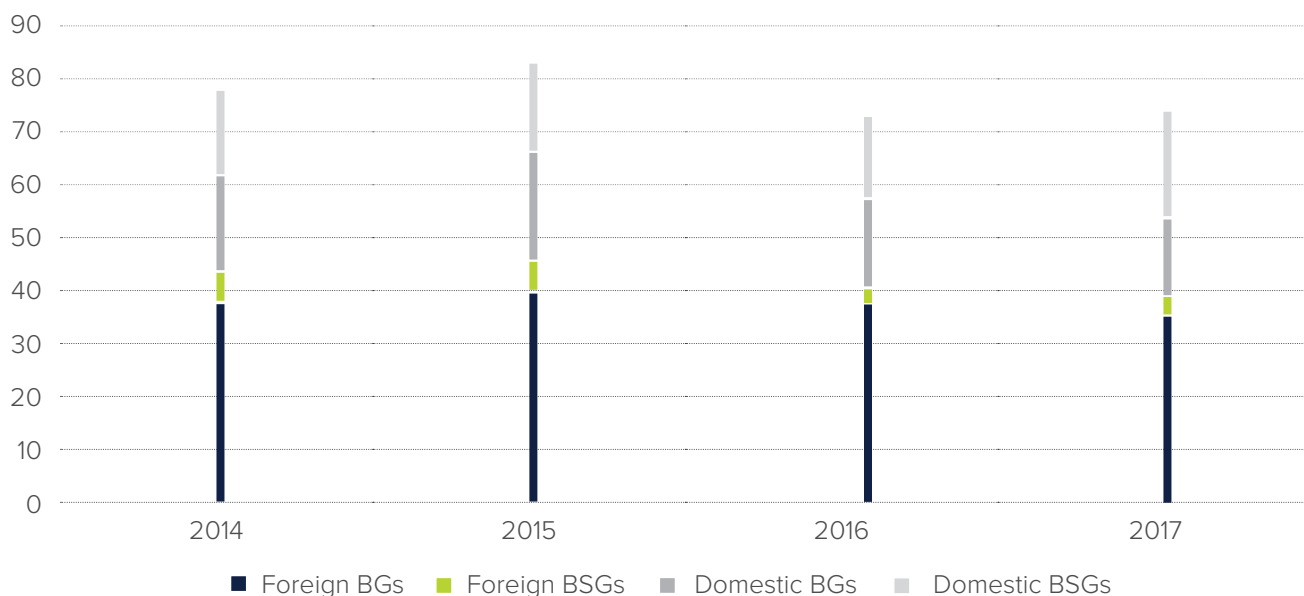


Figure 11: Number of foreign and domestic balance groups (BGs) and balance subgroups (BSGs) from 2014 to 2017

In 2017, the following companies entered the Balance Scheme: CATV SELNICA RUŠE d.o.o., ENGIE ENERGY MANAGEMENT SCRL, INVOLTA d.o.o. and SONCE energija d.o.o. During the same period, the

following companies left the Balance Scheme: B.E.K. GROUP s.r.o., GALA S.p.A. and Gunvor International B.V. In addition, two transfers occurred in 2017 due to the cancellation of the balancing agreement by the conclu-

sion of the compensation agreement as well as two transfers between the balance groups. The table below shows the changes in the Balance Scheme in 2017.

| Datum dogodka | Naziv člana bilančne sheme                                     | Status                                                      |
|---------------|----------------------------------------------------------------|-------------------------------------------------------------|
| 29 Dec        | SONCE energija d.o.o.                                          | Entry                                                       |
| 15 Dec        | Gunvor International B.V.                                      | Exit                                                        |
| 12 Dec        | INVOLTA d.o.o.                                                 | Entry                                                       |
| 6 Dec         | GALA S.p.A.                                                    | Exit                                                        |
| 5 Dec         | ENGIE ENERGY MANAGEMENT SCRL                                   | Entry                                                       |
| 1 Oct         | ENERGENTI PLUS d.o.o. (together with BPS LOGO ENERGIJA d.o.o.) | Transfer from the independent BG to BG RWE Ljubljana d.o.o. |
| 1 Apr         | CRODUX ENERGIJA, d.o.o.                                        | Transfer from BG CRODUX PLIN d.o.o to BG HSE d.o.o.         |
| 6 Mar         | B.E.K. GROUP s.r.o.                                            | Exit                                                        |
| 1 Feb         | CATV SELNICA RUŠE d.o.o.                                       | Entry to BSG ECE d.o.o., which belongs to BG HSE            |
| 1 Jan         | CRODUX ENERGIJA, d.o.o.                                        | Transfer from the independent BG to BG CRODUX PLIN d.o.o.   |
| 1 Jan         | GORENJSKE ELEKTRARNE, d.o.o.                                   | Extension of the compensation agreement                     |
| 1 Jan         | LOGO ENERGIJA d.o.o.                                           | Extension of the compensation agreement                     |
| 1 Jan         | Borzen, d.o.o. – Centre for Support (Eco Group)                | Transfer from BG GEN-I, d.o.o. to BG HEP d.d.               |

Table 13: Timeline of the membership movement in the Balance Scheme in 2017

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## 2.4 FINANCIAL SETTLEMENT OF IMBALANCES

As a clearing agent, Borzen provides accounting and financial settlement of liabilities/claims arising from the imbalance settlement of financial settlement participants. All final imbalance

settlements of an individual balance group in a specific time period are the subject of the financial settlement.

The table below presents the value-based data, resulting from the financial settlement of imbalances for the year 2017, compared to the data from 2016. in EUR excl. VAT

| Year                  | 2016                 |                   |                | 2017                 |                    |                |
|-----------------------|----------------------|-------------------|----------------|----------------------|--------------------|----------------|
| Month                 | Imbalance settlement | Balancing costs   | Surplus        | Imbalance settlement | Balancing costs    | Surplus        |
| January               | 1,204,826            | -1,170,222        | 34,604         | 7,533,410            | -7,382,846         | 150,564        |
| February              | 529,832              | -522,611          | 7,221          | 1,065,186            | -1,038,358         | 26,828         |
| March                 | 423,808              | -419,037          | 4,771          | -258,828             | 317,626            | 58,798         |
| April                 | 500,940              | -473,060          | 27,880         | 271,706              | -243,426           | 28,280         |
| May                   | 537,953              | -528,117          | 9,836          | 326,408              | -282,895           | 43,513         |
| June                  | 562,898              | -553,252          | 9,646          | 245,816              | -236,309           | 9,507          |
| July                  | -43,499              | 49,304            | 5,805          | 31,655               | 6,153              | 37,808         |
| August                | 208,258              | -177,109          | 31,149         | 1,053,172            | -1,010,232         | 42,940         |
| September             | 415,180              | -411,670          | 3,510          | 746,157              | -721,035           | 25,122         |
| October               | 811,993              | -780,898          | 31,095         | 185,346              | -155,212           | 30,134         |
| November              | 142,582              | -110,747          | 31,835         | 1,863,625            | -1,834,721         | 28,904         |
| December              | 228,457              | -212,870          | 15,587         | 1,302,226            | -1,226,926         | 75,300         |
| <b>Total</b>          | <b>5,523,228</b>     | <b>-5,310,289</b> | <b>212,939</b> | <b>14,365,879</b>    | <b>-13,808,181</b> | <b>557,698</b> |
| Default interest      |                      |                   |                |                      |                    | 165            |
| <b>Total Surplus:</b> |                      |                   | <b>212,939</b> |                      |                    | <b>557,863</b> |

Table 14: Value overview of the imbalance settlement for the years 2016 and 2017

The imbalance settlement item represents the net value of a final imbalance settlement of the balance groups on a monthly basis. Costs or balancing revenues arise from the purchase or sale of electricity for the purposes of balancing imbalances of the electricity system in the Republic of Slovenia. The financial settlement of balancing costs is carried out between the Transmission System Operator and the Market Operator. The

negative values represent outflow for Borzen, while the positive values represent inflow.

The surplus of revenues over expenses arising from the imbalance settlement is intended for the management of the risks of default or late payments and are kept in a separate account for the management of the imbalance settlement surpluses. In 2017, the surplus of

the imbalance settlement totalled EUR 557,698. There were no disbursements of the surplus of the imbalance settlement during this period. At the end of 2017, the total amount of the surplus of the imbalance settlement equalled EUR 2,099,870 and it included the undisbursed portion of the surplus from 2014, the surplus from 2015 with default interests, the surplus from 2016 and the total surplus from 2017 with default interests.

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## 2.5 BALANCING MARKET

The electricity balancing market is an organised form of collecting and soliciting the offers for the sale and purchase of the balancing energy for balancing purposes in a transparent and economically efficient way. On the Slovenian electricity balancing market, which has been in operation since October 2012, **4,713 transactions** were concluded in 2017 in the total amount of **228,929.75 MWh**. 68,808.75 MWh represented the purchase of electricity, while 160,121 MWh represented the sale of electricity by the Transmission System Operator. The highest number of transactions was concluded with hourly products in the total amount of 141,615.80 MWh. The highest number of transactions was also concluded with hourly products, amounting to 3,411 transactions.

As shown in the chart below, in 2017, the System Operator operated as a seller of electricity for most of the time. Most balancing electricity was sold in March, namely 24,770 MWh, while the purchase of balancing electricity reached its peak in January, when it amounted to 34,765.50 MWh. January has also been a record month in terms of quantity and number of transactions since the establishment of the electricity balancing market. Namely, 716 transactions were concluded in the total amount of 38.405,50 MWh. In 2017, the highest price for the purchase of balancing electricity equalled EUR 310 per MWh, while the lowest price for the sale of balancing electricity totalled EUR -60 per MWh. In addition to the System Operator, four more members were involved in the transactions concluded in the

balancing market. As at 31 December 2017, the balancing market consisted of **34 members**.

The balancing market has been experiencing a steady growth since its establishment, as shown in the chart below. The highest increase in the volume and number of transactions was recorded in 2015, when the volume increased by 138 percent and the number of transactions increased by 228 percent compared to the preceding year. In 2017, we also experienced a stable upward trend in the number and volume of concluded transactions. Compared to the previous year, the volume of concluded transactions increased by slightly less than 16 percent, while the number of concluded transactions increased by more than 16 percent.

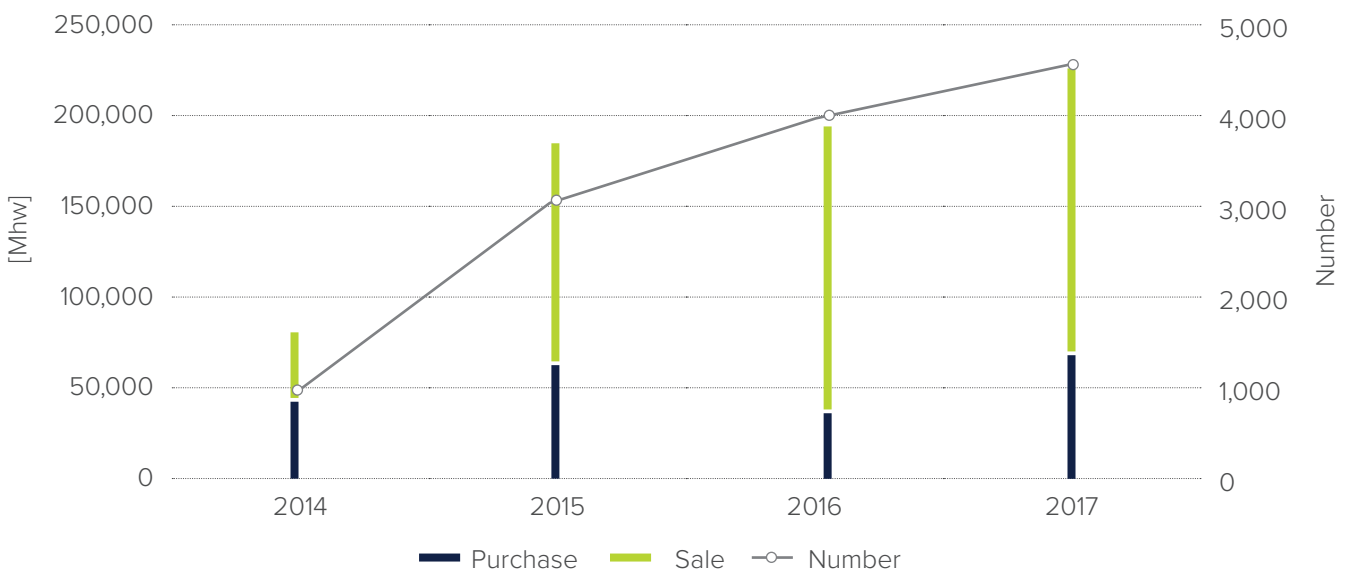
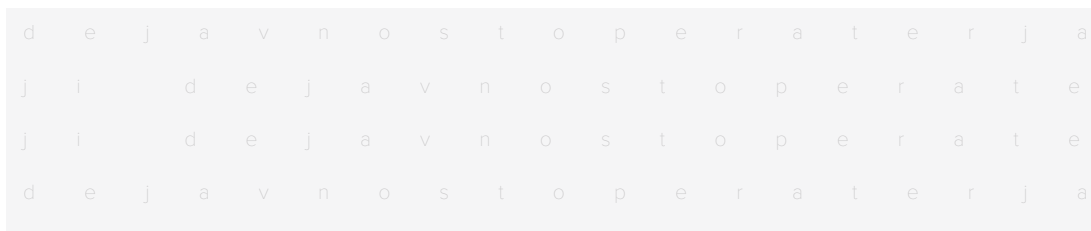


Figure 12: Volume and number of concluded transactions on the electricity balancing market by year



In 2017, the electricity balancing market accounted for 36.6 percent of the total balancing system, which is 5 percentage points higher than in 2016, when the share of the balancing market in the total balancing system equalled 31.6 percent. The highest monthly share of balancing electricity from the balancing market was recorded in April 2017 and amounted to 54.6 percent. In 2017, the share of electricity from the balancing market for the upward balancing (purchase) represented 24 percent, while the share for the downward balancing (sale) equalled 46 percent.

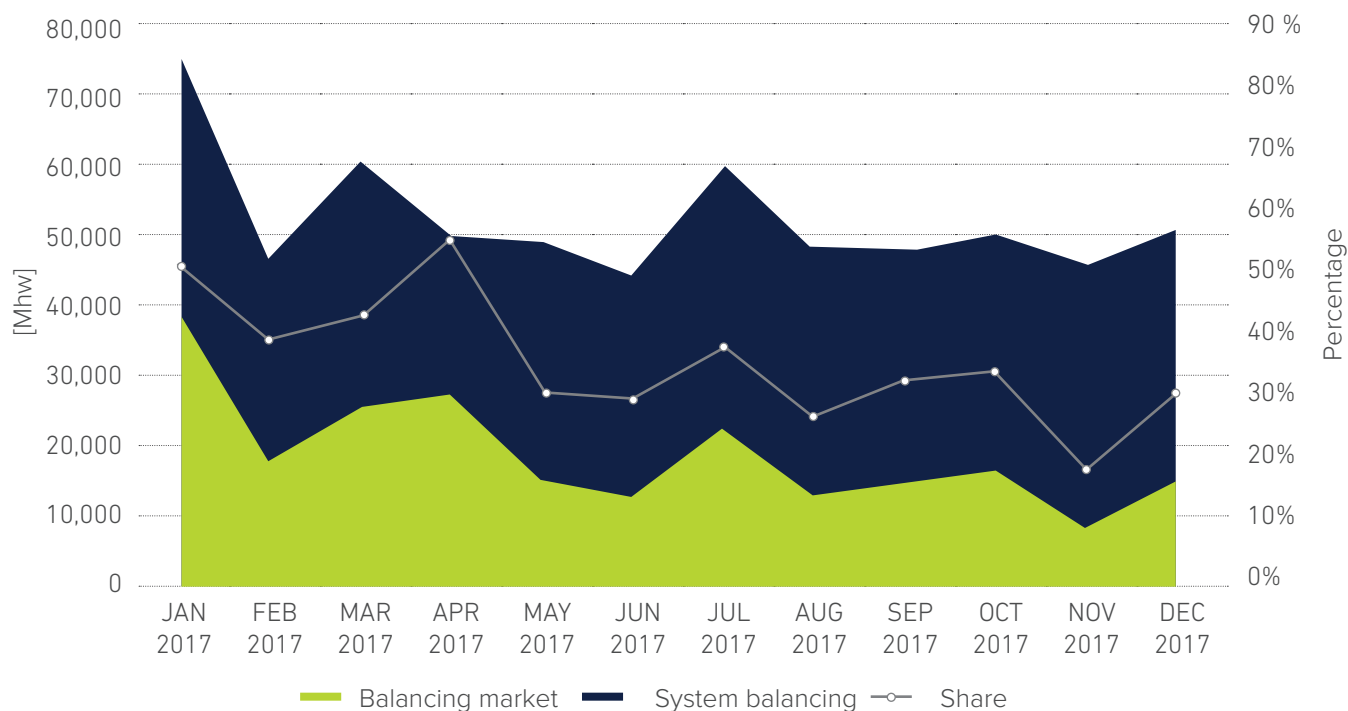


Figure 13: Balancing market share in the total system balancing of the Slovenian electricity system

Trading on the balancing market is carried out in combination with “intra-day” trading, namely one hour after the intra-day gate closure time until the physical delivery of the traded product. In the so-called “balancing market” phase, the total

volume of recorded transactions amounted to 128,555 MWh in 2017, which represented 54 percent of the total volume of recorded transactions. A trend in increased transactions in this phase was also noticeable, ranging from 16 percent

in 2013 to 54 percent in 2017, which means that the System Operator purchased or sold electricity directly before delivery and thus balanced the electricity system more effectively.

| Year | “Balancing market” phase | “Intra-day trading” phase |
|------|--------------------------|---------------------------|
| 2013 | 16 %                     | 84 %                      |
| 2014 | 20 %                     | 80 %                      |
| 2015 | 34 %                     | 66 %                      |
| 2016 | 52 %                     | 48 %                      |
| 2017 | 54 %                     | 46 %                      |

Table 15: Percentage of recorded transactions according to the trading phase

## 2.6 ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

### 2.6.1 DATA EXCHANGE AND IMBALANCE SETTLEMENT

The exchange of information is essential for the proper execution of the Market Operator's activities and the operation of the entire electric power system. The electronic data exchange constitutes an important step towards a more reliable and faster submission of data to the Market Operator. Therefore, Borzen strives to further develop and

strengthen this area, also by participating in associations, such as the Energy Market Data Exchange Section (iPET).

Since 2015, Borzen has been using the electronic data exchange or recording data from all five distribution networks for the purposes of the imbalance settlement. In

the future, we plan to extend the system to the operators of closed distribution systems and members of the Balance Scheme, enabling them to import the results of the imbalance settlement into their own systems in XML format. The XML exchange was established with a few closed distribution system operators already in 2017.

### 2.6.2 OTHER ACTIVITIES RELATED TO ENSURING THE TRANSPARENCY OF THE ELECTRICITY MARKET

#### TRANSMISSION OF DATA UNDER EUROPEAN REGULATION 543/2013 - »TRANSPARENCY«

Since the end of 2014, Borzen has already established an automated data transmission via web services, since the company is obliged to send the data on the quantity of bids on the balancing market and the data on quantities and prices of transactions concluded on the balancing market to the System Operator every hour in accordance with the European Regulation No. 543/2013 (the so-called "Transparency Regulation"). In addition to the data about the balancing market, Borzen also submits the prices of imbalances to the System Operator on a monthly basis. The submitted data are published on the European platform "ENTSO-E Transparency platform" in order to increase the transparency of the European energy market. In 2017, we made certain adjustments due to the changes in the data source.

#### ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

On a proposal from the Slovenian Energy Agency, Borzen established an electronic access to the Balance Scheme records via web services. The access provides the Energy Agency with the automated control of the data on the Balance Scheme members which are submitted upon their registration in accordance with the

REMIT Regulation. In 2017, the exchange process operated smoothly, enabling the verification of the data submitted by market participants as part of their registration with the Energy Agency. In the future, we want to integrate the data on the status of the supplies into the access, which we already publish on our corporate website.

#### PUBLICATION OF ADDITIONAL DATA ON THE FUNCTIONING OF THE MARKET ON THE WEBSITE

Borzen regularly publishes different information on its website as required by law. In order to increase transparency in the electricity market, the company also publishes additional information, such as the data on residual diagram. For each accounting interval, the residual diagram of a particular distribution area is calculated in the following way: the number of the total energy received by a particular transmission area (from the transmission network, the distribution network of the adjacent areas or the production delivery points) is subtracted by the value of estimated losses for the area and the realised consumption of all non-measured consumers, where the registration interval is shorter than or equal to the accounting interval. The data primarily makes it easier for new participants to operate on the market and represents an additional activity of the company in the direction of collecting, analysing and publishing the data in order

to ensure the transparency of the electricity market. In addition to this, Borzen also publishes a list of suppliers, i.e. the Balance Scheme members with physical delivery points either on the consumption or on the production side. After the suspension of licences under the new Energy Act, a coherent list of the suppliers on the market is no longer available.

Borzen also regularly publishes more detailed information related to the imbalance settlement (balancing costs, balancing quantities, imbalances of the balance groups in the Slovenian control area), including the history from 2007 onwards. Borzen also carries out activities related to the automation of posts and extension of data sets that are or will be available to market participants. All available data sets are updated on a monthly basis.

At the end of 2017, we started publishing the Price Index for the Slovenian balancing market, which allows the members of the market and other interested third parties insight into the announcement of the forecasts of the total electricity production and consumption in the territory of the Republic of Slovenia for the day-ahead time frame.

In the future, we wish to expand the scope of published data, thus striving to contribute to greater transparency in the electricity market.

# 3. CENTRE FOR RES/CHP SUPPORT

## 3.1 SUPPORT SYSTEM

In accordance with the Energy Act, the Centre for RES/CHP Support is an operational provider of the support scheme for environmentally friendly ways of generating electricity. The support schemes are an instrument of state aid (subsidies), approved by the European Union, which enables, with higher purchase prices, the realisation of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP), which are necessary for achieving national objectives concerning the share of use of renewable energy sources in final energy consumption. The Energy Act (EA-1) provides for a call for the integration of power plants that do not comply with the provisions of Article 535 (energisation before 22 September 2014). At the end of 2016, the Energy Agency issued first such call for new entrants. According to the Energy Agency's data of 3 March 2017, a total of 278 power plants with a total power of 267 MW were registered. After the closure of the call and in accordance with the established criteria, the Agency approved the entry to 78 power plants.

These power plants are expected to receive EUR 10 million of support at an annual level. The Agency issued another call of the same financial volume in September 2017, in which 93 projects were selected.

### TYPES OF SUPPORT

CHP units with a power output of less than 500 kW and RES units with a power output of less than 500 kW can choose between two types of support: guaranteed purchase or operating support. Larger units may only receive the operating support and are not entitled to receive the support for guaranteed purchase. For CHP units, the support is limited to the units whose age does not exceed 10 years and for RES units, the limit is 15 years after the start of operational use.

#### Guaranteed purchase of electricity

In the case of guaranteed purchase, the Centre for Support receives the electricity and pays it at a price specified in the decision. The production unit is included in a special

balance group or subgroup, created by the Centre for Support («Eco Group»). For the units, which are eligible for this type of support, the Centre for Support regulates the balancing differences between the forecasted and realised production (i.e. the coverage of "imbalances").

#### Operating support ("operating aid scheme")

In the case of operating support, the Centre for Support does not receive or pays for any electricity, but instead, based on the produced net quantities of electricity, pays only the operating support intended to compensate the production unit for the difference between the production costs and the market price, which the unit acquires over-the-counter. The production units which are eligible for this type of support must regulate the balancing of differences between the forecasted and realised production and their balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an open contract for the sale of electricity.



## 3.2 SUPPORT SCHEME FOR ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES AND COGENERATION OF HEAT AND POWER

### 3.2.1 POWER PLANTS IN THE SUPPORT SYSTEM

At the end of 2017, the Support Scheme consisted of **3,864 power plants** with a total power of **412 MW**, which represented approximately one tenth

of installed capacities in the Republic of Slovenia.

The share of units in the Support Scheme that independently sell electricity on

the market (and thus receive the operating support) is at a similar level as in the previous years and accounts for 70 per cent of units that receive the support.

| Type of power plant       | Power in kW    | Number       |
|---------------------------|----------------|--------------|
| Biogas power plants       | 31,900         | 31           |
| Wood biomass power plants | 23,171         | 41           |
| Hydro power plants        | 22,973         | 91           |
| Solar power plants        | 257,633        | 3,312        |
| Fossil-fuelled CHP        | 72,338         | 380          |
| Other                     | 1,035          | 2            |
| Wind power plants         | 3,283          | 7            |
| <b>Total</b>              | <b>412,334</b> | <b>3,864</b> |

Table 16: Power plants in the new support system (as at 31 December 2017)<sup>2</sup>

### 3.2.2 SUPPORT PAYMENTS

In 2017, the production and support payments went below the levels of 2015, which is mainly due to the fact that some larger units stopped receiving support. However, the intensity of the decrease is largely dependent on the weather conditions. Compared to 2016, the year 2017 was much less hydrologically favourable (but

close to the long-term average). On average, 2017 experienced more sunny days and, consequently, there was a stronger influence of solar power plants on the Support Scheme, which is a relatively more expensive source. From the comparison of payments and electricity production in the Support Scheme, it can be con-

cluded that the production of electricity in 2017 was 6 percent lower than the production in 2016, while 2 percent less payments were made.

Production that receives one of the types of support accounts for 7 percent of the Slovenian annual consumption.<sup>3</sup>

<sup>2</sup> Due to rounding, the sums in the table may not add up.

<sup>3</sup> According to the Statistical Office of the Republic of Slovenia (Final consumption of electricity in Slovenia, Final consumption - total, year 2016; final data for 2017 are not yet available), the final consumption in 2016 totalled 13,121 GWh.

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| Year                                                                | 2017   | 2016    | 2015   | 2014   | 2013   | 2012   | 2011  | 2010  | 2009  |
|---------------------------------------------------------------------|--------|---------|--------|--------|--------|--------|-------|-------|-------|
| <b>Quantity of electricity (in GWh)</b>                             | 944.9  | 1.003.5 | 980.8  | 905.9  | 802.9  | 654    | 943.3 | 995.5 | 934.2 |
| <b>Support payments under contracts (in million EUR, excl. VAT)</b> | 143.5  | 146.2   | 147.1  | 130.8  | 118.5  | 89.8   | 69.5  | 48.6  | 22.7  |
| <b>Average support (in EUR/MWh)</b>                                 | 151.89 | 145.6   | 149.97 | 144.42 | 147.61 | 137.28 | 73.69 | 48.81 | 24.3  |

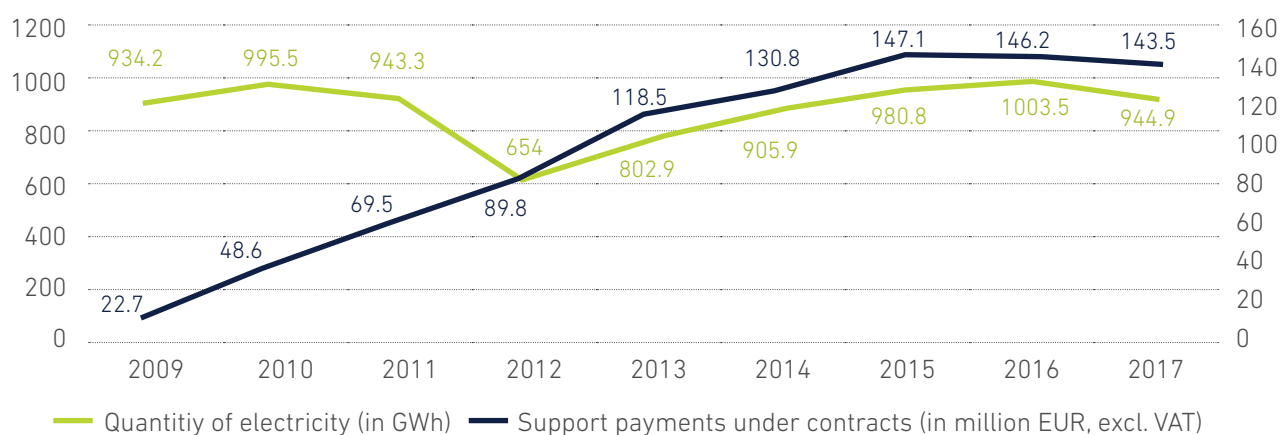
Table 17: Support payments from 2009 to 2017<sup>4</sup>

Figure 14: Production and support payments by year (2009-2017)

Based on the share of produced electricity, fossil-fuelled CHP units (31 percent) and solar power plants (29 percent) stood out in 2017. The latter also received almost half (49 per-

cent) of all support payments in 2017. The average calculated support (in EUR/MWh) should also be noted. In 2017, the average calculated support for solar power plants equalled EUR

254.17 per MWh, while the average support for hydro power plants is much lower, totalling EUR 62 per MWh.

<sup>4</sup> The data for 2017 are as at 26 February 2018.

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| Type of power plant       | Produced electricity (in GWh) | Support payment (in million EUR, excl. VAT) | Share of energy (in %)* | Share of support (in %)* |
|---------------------------|-------------------------------|---------------------------------------------|-------------------------|--------------------------|
| Biogas power plants       | 126.9                         | 16.7                                        | (in %)*                 | 11.65 %                  |
| Solar power plants        | 279.1                         | 70.9                                        | 29.53 %                 | 49.42 %                  |
| Other                     | 5.0                           | 1.3                                         | 0.53 %                  | 0.92 %                   |
| Wind power plants         | 5.7                           | 0.4                                         | 0.60 %                  | 0.25 %                   |
| Hydro power plants        | 103.0                         | 6.0                                         | 10.90 %                 | 4.20 %                   |
| Wood biomass power plants | 129.8                         | 19.0                                        | 13.73 %                 | 13.25 %                  |
| Fossil-fuelled CHP        | 295.4                         | 29.2                                        | 31.27 %                 | 20.32 %                  |
| <b>Total</b>              | <b>944.9</b>                  | <b>143.5</b>                                |                         |                          |

Table 18: Support payments in 2017 <sup>5</sup>

Compared to 2015, no substantial change in terms of proportions of production and payments was recorded. It is worth noting that slight differences in the proportions of production were the result of different weather conditions, which more or less affected not only the production of an individual

plant but also the aggregate production of a specific type of unit.

In 2017, the support payments slightly decreased compared to the previous two years for several reasons. The main reason is the outage of production units from the Support Scheme

(some of the units stopped receiving the support), while the weather conditions in 2017, compared to 2016, were beneficial for the increase in the support payments (e.g. a higher production of a more expensive energy source due to the increased solar activity).

| Type of power plant       | Support share in 2017* | Support share in 2016 | Difference in share | Energy share in 2017* | Energy share in 2016 | Difference in energy |
|---------------------------|------------------------|-----------------------|---------------------|-----------------------|----------------------|----------------------|
| Biogas power plants       | 11.65 %                | 12.53 %               | -0.88 %             | 13.43 %               | 13.76 %              | -0.33 %              |
| Wood biomass power plants | 13.25 %                | 13.14 %               | 0.11 %              | 13.73 %               | 13.08 %              | 0.65 %               |
| Hydro power plants        | 4.20 %                 | 5.98 %                | -1.78 %             | 10.90 %               | 13.90 %              | -3.00 %              |
| Solar power plants        | 49.42 %                | 45.69 %               | 3.73 %              | 29.53 %               | 25.87 %              | 3.66 %               |
| Fossil-fuelled CHP        | 20.32 %                | 21.82 %               | -1.50 %             | 31.27 %               | 31.97 %              | -0.70 %              |
| Wind power plants         | 0.25 %                 | 0.26 %                | -0.01 %             | 0.60 %                | 0.58 %               | 0.02 %               |
| Other                     | 0.92 %                 | 0.57 %                | 0.35 %              | 0.53 %                | 0.83 %               | -0.30 %              |

Table 19: Comparison of payments by power plant type in 2016 and 2017

\*Each individual share in the table is rounded to two decimal places, which can lead to a discrepancy in the addition of shares.

<sup>5</sup> The data for 2017 are as at 26 February 2018. Due to rounding, the sums in the table may not add up.



Already in 2014, as a part of a comprehensive control of the scheme payments by the Centre for Support, which is regularly carried out, we introduced additional systematic monitoring of weather indices with respect to prior periods and the long-term average. The following parameters are monitored: temperature, solar radiation, rainfall and hydrology. The data are obtained from the database of the Slovenian Environment Agency. The preparation of the forecast takes into account several scenarios, also based on the realisation of a certain group of power plants. In addition to the monthly examination of trends in disbursements by using sample checks D-1 (the measurement for the day back) and regular financial reviews and recalculations, this is an addi-

onal piece in the mosaic of a more systematic monitoring of payments of the Centre for Support.

The actual comparison of production and payments in 2017 and 2016 is best evident from the figure below, which clearly shows the absolute difference in payments and relative change in the 2017 production compared to 2016. The figure shows that the production of certain unit types in 2017 was lower than in the previous year. Due to the specific weather conditions (warm year, bad hydrology), an increase in the production by solar power plants is notable (+7.5 percent compared to 2016). On the other hand, the production decreased in other groups, e.g. fossil-fuelled CHP (-7.2 percent compared to 2016), hydro

power plants (-26.1 percent compared to 2016), biogas power plants (-8.1 percent compared to 2016), wind power plants (-1.1 percent compared to 2016) and wood biomass power plants (-1.2 percent compared to 2016).

Nonetheless, the year 2017 was relatively below average, regardless of the fact that the support payments and production were within the forecasted and planned limits, which is mainly due to the fact that individual power plants stopped receiving support. The reduction in payments was partially mitigated due to the favourable weather conditions, especially due to the positive production of a relatively »more expensive« source, i.e. solar power plants.

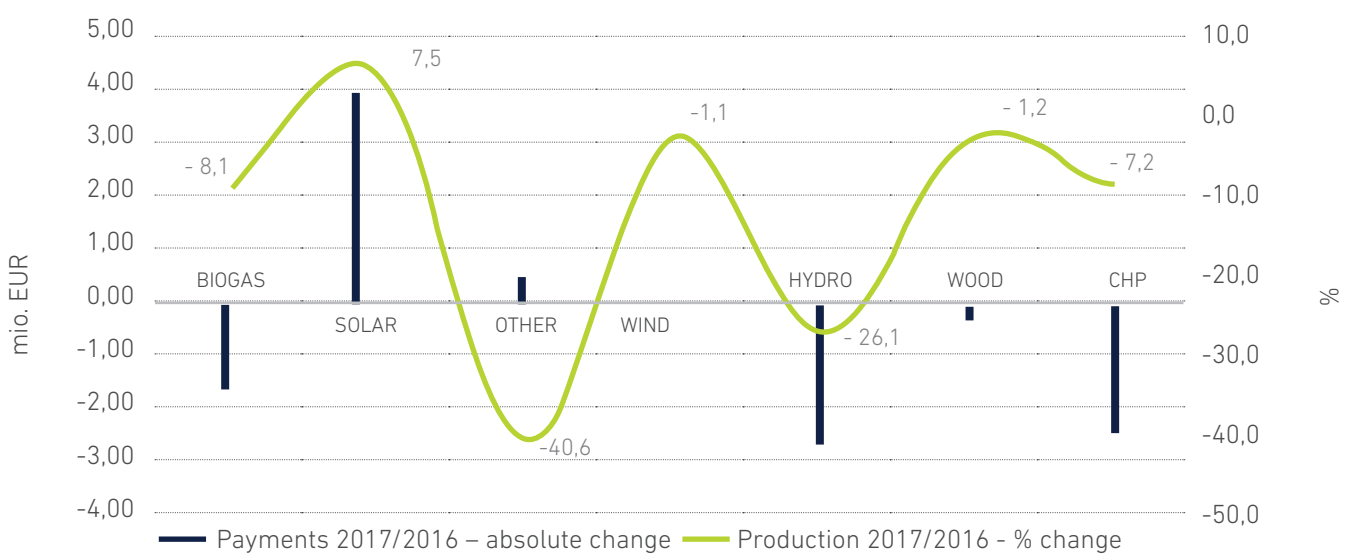


Figure 15: Comparison of support payments and production in 2017 and 2016

### 3.3 FINANCIAL DATA OF THE CENTRE FOR SUPPORT

The contributions are transferred into a special account of the Centre for Support and are used for the provision of support, the operation of the Centre for Support and other purposes stipulated by law.

The table below presents the revenues and expenses of the Centre for Support for the year 2017, namely the realised values in 2016 compared to the realised values in 2017 (as at 26 February 2018).

in EUR, excl. VAT

| Item                     | Realisation 2016   | Realisation 2017   |
|--------------------------|--------------------|--------------------|
| <b>A</b> Opening balance | 11,314,852         | 45,790,480         |
| <b>1 Revenues</b>        | <b>181,257,994</b> | <b>184,567,176</b> |
| a RES+CHP contribution   | 174,231,194        | 178,540,388        |
| b DES contribution       | 49,864             | 1                  |
| c CS – EE sales          | 6,968,393          | 6,015,947          |
| d Default interests      | 8,543              | 10,840             |
| <b>2 Expenses</b>        | <b>146,782,366</b> | <b>144,112,978</b> |
| a RES+CHP support        | 146,191,366        | 143,521,978        |
| b DES support            | 0                  | 0                  |
| c Operation of the CS    | 591,000            | 591,000            |
| d CS – EE purchase       | 0                  | 0                  |
| <b>3 Total (1+2)</b>     | <b>34,475,628</b>  | <b>40,454,198</b>  |
| <b>4 Total (A+3)</b>     | <b>45,790,480</b>  | <b>86,244,678</b>  |

Table 20: Overview of the revenues and expenses of the Centre for Support in 2016 and 2017

The table shows that in 2017 the Centre for Support collected EUR 178.54 million net of the RES/CHP contributions and EUR 1 of contributions for the provision of secure energy supply with the use of domestic primary energy sources (DES contributions). As of 2014, the DES activity is no longer performed, thus the amount derives from the recalculations which the Distribution System Operator carries out for the previous period. The RES/CHP contributions also include the assets from the contribution for final consumers of district heating

and buyers of fossil fuels, in the total amount of EUR 36.66 million net.

The revenues of the Centre for Support also disclose the received funds from the direct sale of electricity from the Eco Balance Group, which was, in 2017, sold indirectly in such a way that the Centre for Support transferred the Eco Balance Group into the balance group of another member. The revenues of the Centre for Support also include the default interests in the realisation of 2017.

In 2017, the payments of RES/CHP support amounted to EUR 143.52 million net. The contribution for the operation of the Centre for Support equalled EUR 591 thousand and has remained unchanged since 2009.

After the payments of support in 2017, the Centre for Support recorded a surplus in the amount of EUR 86.24 EUR million.

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### 3.3.1 FINANCING OF THE SUPPORT SCHEME AND CONTRIBUTIONS

The Support Scheme is financed by all electricity consumers who are charged a contribution for ensuring supports for the production of electricity from high-efficiency cogeneration and from renewable energy sources in accordance with the legislation.

The contribution is charged on a monthly basis per capacity charges, namely as a separate item on the invoice for the network use. This is a separate contribution and is not part of the price for the network use.

From June 2014 onwards, the suppliers of fossil fuels and district heating who charge the contribution to final

customers are also subject to billing and payment of contributions. For the purpose of reporting and contribution payment, Borzen launched a web portal (<http://prispevek.borzen.si>) which allows the preparation of the registration application and easy reporting on the amount of accrued contribution accounted to final customers.

## 3.4 MANAGEMENT OF THE ENERGY OF THE BALANCE GROUP WITHIN THE CENTRE FOR SUPPORT

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. The Eco Group would also include power plants that would have a concluded Eco contract or a contract on the sale of electricity through the Centre for Support. In 2017, none of these types of contracts were concluded.

Compared to the situation at the end of 2016, the number of power plants in the Eco Group decreased by 14 units in 2017, namely to 1,172 units. To-

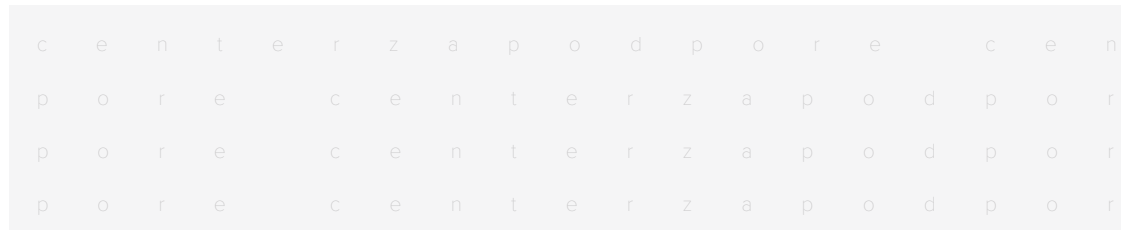
tal installed capacity of units included in the Eco Group decreased by 3 percent and equalled 93.4 MW at the end of the year.

Despite the fact that in 2017 the Energy Agency completed the first public call for power plants that generate electricity from RES and CHP, no power plant selected under the call entered the Eco Group in 2017. The dynamics of changes in the composition of the Eco Group were mainly caused by changes in the type of support, exits from the Support Scheme due to the age of power plants, withdrawal of the support due to the expiry of declaration and change of ownership.

Upon the occurrence of the latter, the Energy Agency first withdraws the support from the previous owner with a decision and issues a new decision to the new owner. In the intervening period (from the withdrawal of the support to the receipt of a new decision), such power plant is usually not entitled to support and, consequently, it is not included in the Eco Group. The Energy Agency acts in the same way in the case of the expiry of declaration. In this case as well, the beneficiary is deprived of support until the declaration and subsequent decision on the grant of support have been adequately regulated.

| Type of power plant         | As at 31 Dec 2009 | As at 31 Dec 2010 | As at 31 Dec 2011 | As at 31 Dec 2012 | As at 31 Dec 2013 | As at 31 Dec 2014 | As at 31 Dec 2015 | As at 31 Dec 2016 | As at 31 Dec 2017 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Solar                       | 36                | 371               | 755               | 1,126             | 1,141             | 1,111             | 1,092             | 1,094             | 1,086             |
| Hydro energy                | 6                 | 43                | 40                | 31                | 30                | 27                | 25                | 21                | 16                |
| CHP                         | 8                 | 19                | 21                | 32                | 42                | 60                | 60                | 58                | 57                |
| Biogas                      | 2                 | 12                | 12                | 12                | 10                | 10                | 9                 | 7                 | 7                 |
| Wind                        | 3                 | 3                 | 4                 | 5                 | 5                 | 5                 | 5                 | 5                 | 5                 |
| Landfill gas                | 1                 | 2                 | 2                 | 1                 | 1                 | 1                 | 0                 | 0                 | 0                 |
| Gas from waste water sludge | 1                 | 1                 | 1                 | 0                 | 1                 | 1                 | 1                 | 1                 | 1                 |
| <b>TOTAL</b>                | <b>57</b>         | <b>451</b>        | <b>835</b>        | <b>1,207</b>      | <b>1,230</b>      | <b>1,215</b>      | <b>1,192</b>      | <b>1,186</b>      | <b>1,172</b>      |

Table 21: Number of power plants in the Eco Group from 2009 to 2017



| Type of power plant         | As at 31 Dec 2009 | As at 31 Dec 2010 | As at 31 Dec 2011 | As at 31 Dec 2012 | As at 31 Dec 2013 | As at 31 Dec 2014 | As at 31 Dec 2015 | As at 31 Dec 2016 | As at 31 Dec 2017 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Solar                       | 1,219             | 27,015            | 65,353            | 85,891            | 85,531            | 81,403            | 78,222            | 78,312            | 75,682            |
| Hydro energy                | 125               | 10,985            | 10,458            | 8,616             | 8,586             | 6,309             | 6,104             | 5,289             | 4,555             |
| CHP                         | 3,633             | 6,748             | 6,989             | 6,568             | 6,244             | 7,043             | 6,682             | 6,420             | 6,370             |
| Biogas                      | 1,970             | 15,544            | 11,416            | 11,416            | 9,182             | 9,182             | 8,197             | 6,199             | 6,199             |
| Wind                        | 20                | 20                | 24                | 74                | 73                | 73                | 73                | 73                | 73                |
| Landfill gas                | 469               | 3,171             | 3,171             | 2,702             | 2,702             | 2,702             | 0                 | 0                 | 0                 |
| Gas from waste water sludge | 130               | 130               | 130               | 0                 | 518               | 518               | 518               | 518               | 518               |
| <b>TOTAL</b>                | <b>7,566</b>      | <b>63,613</b>     | <b>97,541</b>     | <b>115,267</b>    | <b>112,836</b>    | <b>107,230</b>    | <b>99,796</b>     | <b>96,811</b>     | <b>93,397</b>     |

Table 22: The sum of new power of the power plants in the Eco Group (in KWh) from 2009 to 2017

The decrease in the number and total installed capacity of the power plants included in the Eco Group represented in the above figures did not significantly affect the composition and proportion of the representation of individual technologies compared to the previous years.

The chart below showing the amount of monthly electricity production by the Centre for Support Balance Group from 2009 to 2017, displays a marked increase in the production in the months with more favourable conditions for the operation of solar power plants. The latter is, of course,

entirely expected since the share of solar power plants represents more than 90 percent of the total number of power plants and more than 80 percent of the installed capacity of the power plants included in the Eco Group.

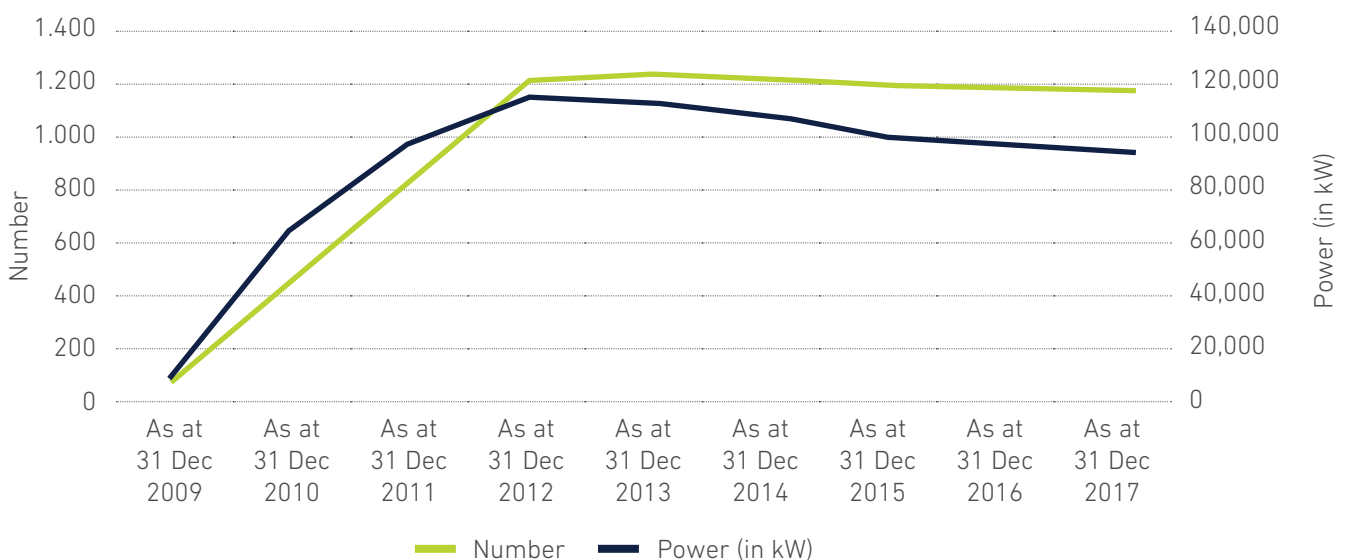


Figure 16: Overview of the movement of the total number and installed capacity of the power plants included in the Eco Group



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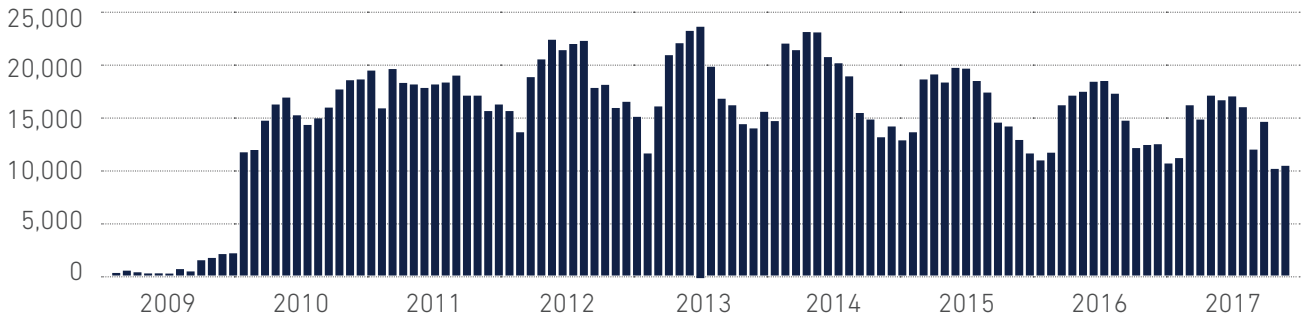


Figure 17: Monthly realisation of the Eco Group from 2009 to 2017 [in MWh]

The present graph also indicates a gradual decrease in the total production of the Eco Group. In 2017, the conditions for the solar production and hydrological conditions affecting production of small hydro power plants were somewhat worse compared to 2016 in the segment of hydro-

logy (in terms of rainfall) and better in the segment of solar radiation. The average temperatures were comparable to the previous year, which in turn meant a similar volume of production from CHP. As indicated in the chart below, which shows the average hourly production in the previous

years in 2017 less electricity was produced during the hours when solar power plants did not produce any electricity. A somewhat lower production in the Eco Group can also be attributed to the aforementioned exit of some units from the Eco Group, especially small hydro power plants.

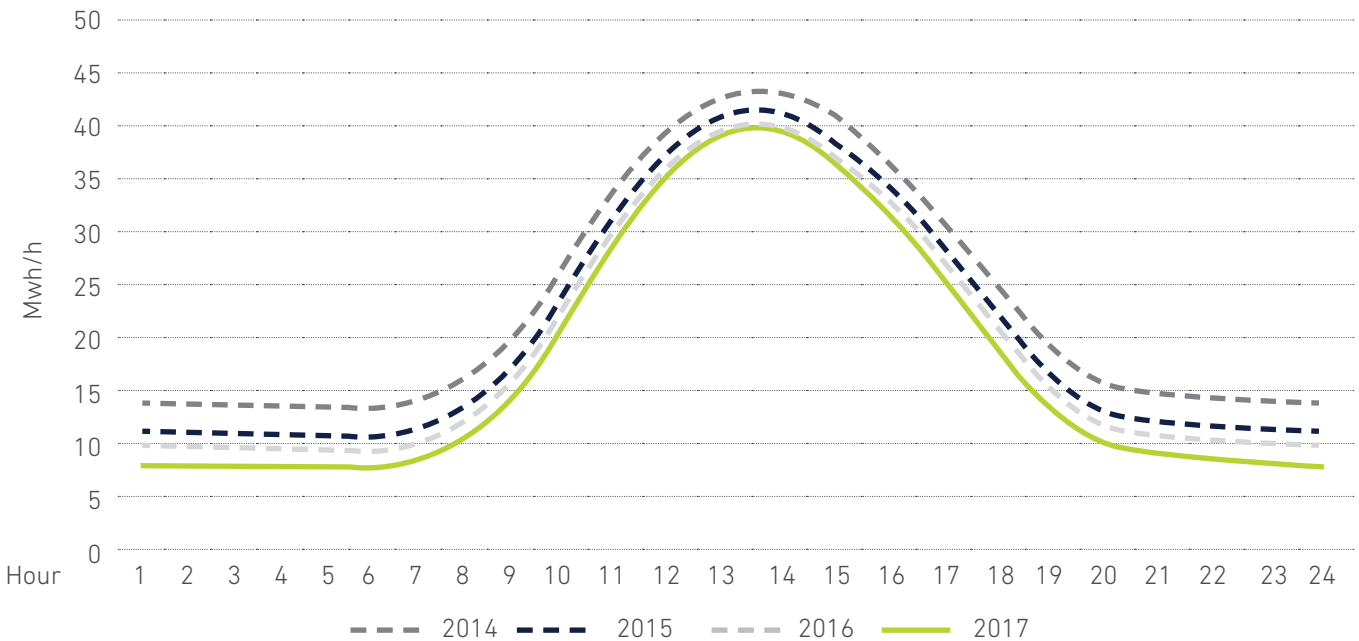
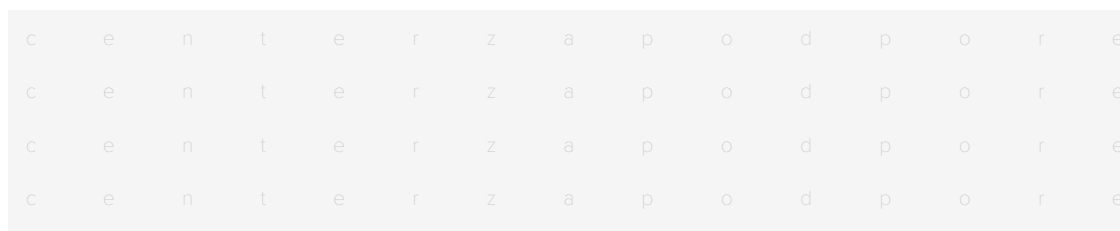


Figure 18: Average daily production profile (comparison of 2017 with respect to 2014-2016)

For the purpose of ensuring the highest possible degree of transparency in the implementation of the RRM - REMIT service, it was decided

that the sale of electricity from the Eco Group in the following years was to be carried out in an indirect way. In accordance with the Rules on the operation

of the Centre for RES/CHP Support, this means the sale or transfer of the entire Eco Group into a balance group of a member of the Balance Sche-



me who offers the best conditions for the purchase of electricity. At the auction held in November 2016, a single purchase price of EUR 38.25 per MWh was achieved for electricity produced in 2017. The price included the balancing costs between the fo-

recasted and realised production. Due to lower volumes and the comparatively lowest average annual prices since the start of operation of the Centre for Support, just over EUR 6 million was collected from the electricity sold from the Eco Group in 2017.

In November 2017, the Centre for Support carried out an auction for the transfer of the Eco Group in 2018. The final auction price amounted to EUR 47.33 per MWh, which was, given the situation on the market, quite favourable.

| Year                                                               | 2009         | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           |
|--------------------------------------------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total [in MWh]</b>                                              | <b>9,908</b> | <b>176,902</b> | <b>201,482</b> | <b>212,840</b> | <b>201,955</b> | <b>202,499</b> | <b>181,083</b> | <b>169,427</b> | <b>157,295</b> |
| Sales at auctions/<br>transfer of the Eco<br>Group [in MWh]        | 0            | 86,148         | 157,680        | 121,068        | 61,320         | 52,560         | 52,560         | 169,427        | 157,295        |
| Sales at BSP Energy<br>Exchange [in MWh]                           | 0            | 34,962         | 35,533         | 82,493         | 142,521        | 151,656        | 122,107        | 0              | 0              |
| Imbalances [in<br>MWh]****                                         | 9,908        | 55,792         | 8,106          | 9,135          | -1,902         | -1,815         | 6,418          | 8,464          | 8,582          |
| Recalculation of<br>imbalances*                                    | 0            | 0              | 163            | 144            | 16             | 98             | -2             | 1              | /              |
| <b>Total (in EUR mil-<br/>lion)**</b>                              | <b>0.5</b>   | <b>5.2</b>     | <b>10.5</b>    | <b>11.6</b>    | <b>9.4</b>     | <b>8.7</b>     | <b>7.6</b>     | <b>7.0</b>     | <b>6.0</b>     |
| <b>Final achieved price<br/>(incl. imbalances,<br/>EUR/MWh***)</b> | <b>46.02</b> | <b>41.36</b>   | <b>52.02</b>   | <b>54.96</b>   | <b>45.67</b>   | <b>42.42</b>   | <b>41.80</b>   | <b>41.13</b>   | <b>38.25</b>   |
| Achieved price at<br>the auction (EUR/<br>MWh***)                  | n.p.         | 40.27          | 51.15          | 58.53          | 51.02          | 44.32          | 43.50          | 41.13          | 38.25          |
| Weighted price of<br>the sale at BSP (EUR<br>/MWh***)              | n.p.         | 49.38          | 63.42          | 54.29          | 43.90          | 41.00          | 43.33          | 0.00           | 0.00           |
| BSP MAX (EUR /<br>MWh***)                                          | n.p.         | 117.02         | 165.01         | 224.00         | 123.14         | 145.03         | 143.02         | 104.96         | 199.00         |
| BSP MIN (EUR /<br>MWh***)                                          | n.p.         | 4.76           | 0.00           | 0.00           | 0.00           | 0.10           | 0.00           | 0.01           | -42.93         |

Table 23: Sale of electricity from the Eco Group from 2009 to 2017

\*The values are taken into account in the balance year in which they were incurred (and not in the year in which they were financially realised).

\*\*Rounded to one decimal place.

\*\*\*Rounded to two decimal places.

\*\*\*\*From 2016 onwards, when the electricity from the Eco Group is sold indirectly, the balance group, to which the Eco Group is transferred by auction, is responsible for the imbalances.



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## 3.5 OTHER ACTIVITIES OF THE CENTRE FOR SUPPORT

### 3.5.1 GUARANTEES OF ORIGIN REGISTRY

The guarantees of origin are electronic certificates that certify that a certain amount of energy was produced in a certain amount of time in a certain power plant in a way that is determined by the guarantee of origin of electricity.

The registry is a computer support for the system of issuing the guarantees of origin (GoO) of electricity. The users can gain, transfer, and redeem guarantees of origin in a transparent and simple manner using the internet. Different lists supported by the GoO registry enable the permanent overview of users' accounts. Data can also be exported and freely processed using appropriate software.

The Energy Act stipulates that the issuing of guarantees of origin for the whole of Slovenia is the responsibility of the Energy Agency. In accordance with the law, Borzen is, in its role as the Centre for Support, responsi-

ble for maintaining a joint application support for the registries that are necessary for the implementation of the support system for the production of electricity from renewable energy sources and high-efficiency cogeneration, which also include the GoO registry.

The GoO registry, which is an upgrade of the central guarantees of origin database, was established in cooperation with the Energy Agency. Borzen administers the application software, while the Energy Agency issues the guarantees of origin.

As at 31 December 2017, the GoO registry included **1,378 users** and consisted of the administrator account (Borzen), the account of the issuer of guarantees of origin (Energy Agency), the account of the Centre for Support, 6 accounts of the System Operators, 16 trading accounts and 1,354 producer accounts.

A total of **1,882 production units** with the total net power of **1,255,606 kW** were registered in the registry.

In 2017, a total of **4,165,848 MWh of guarantees of origin** were issued, which is 0.5 percent more than in 2016. A total of 5,941,910 MWh were transferred among users' accounts, which is 92 percent more than in the same period last year, while the number of invalidations was 8 percent lower than the year before.

In 2017, the international transactions were also carried out. The imports via AIB-HUB into the Slovenian registry amounted to 442,573 MWh, while the Slovenian export of certificates via AIB-HUB decreased by 17 percent and equalled 2,707,863 MWh.

<sup>6</sup> AIB-HUB is a special register/interface managed by the Association of Issuing Bodies (AIB), which enables international transfers between registries.

| Energy source                                               | Issued               | Cancelled            | Imported           | Exported             | Transferred          |
|-------------------------------------------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| Renewable                                                   | 81,908,000           | 88,194,000           |                    | 23,526,000           | 86,924,000           |
| Renewable/solid/wood                                        | 49,345,000           | 49,345,000           | /                  | /                    | 49,345,000           |
| Renewable/solid/wood/<br>forestry by-products and<br>waste  | 25,000               | 25,000               | /                  | /                    | 25,000               |
| Renewable/liquid                                            | 10,27,000            | 1,228,000            | /                  | 1,820,000            | 1,027,000            |
| Renewable/gaseous                                           | 13,781,000           | 15,728,000           | /                  | 23,328,000           | 22,180,000           |
| Renewable/gaseous/<br>landfill gas                          | 529,000              | 529,000              | /                  | /                    | 529,000              |
| Renewable/gaseous/gas<br>from agriculture/ energy<br>crops  | 635,000              | 635,000              | /                  | /                    | 635,000              |
| Renewable/thermal/<br>solar                                 | 7,294,000            | 7,662,000            | /                  |                      | 6,809,000            |
| Renewable/mechanical<br>source or other/wind                | /                    | 3,511,000            | 3,511,000          | 1,665,000            | /                    |
| Renewable/mechanical<br>source or other/hydro<br>and marine | 3,934,863,000        | 1,469,594,000        | 439,062,000        | 2,657,524,000        | 5,704,879,000        |
| Fossil/liquid/petroleum<br>products/LPG                     | 12,000               | 12,000               | /                  | /                    | 12,000               |
| Fossil/gaseous/natural<br>gas                               | 76,429,000           | 76,429,000           | /                  | /                    | 69,545,000           |
| <b>Total</b>                                                | <b>4,165,848,000</b> | <b>1,712,892,000</b> | <b>442,573,000</b> | <b>2,707,863,000</b> | <b>5,941,910,000</b> |

Table 24: Activities of the GoO registry in 2017 (in KWh)

The data in the table include the issues and invalidations of all existing types of guarantees of origin (national GoO register, EECS RECS, EECS GoO registry) and all existing forms of transfers (i.e. transfers among accounts within the registry and transactions via AIB-HUB).

## 4. RRM - REMIT REPORTING SERVICES

In October 2015, Borzen started performing reporting services of transactions on wholesale energy market for all participants on the electricity and gas markets in accordance with the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). According to the Regulation, all participants who enter into wholesale transactions on the electricity and gas markets, both on the regulated as well as the bilateral and over-the-counter (OTC) markets, are required to report their wholesale energy transactions to the Agency for the Cooperation of Energy Regulators (ACER).

In accordance with the Energy Act and the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market adopted by the Government of the Republic of Slovenia, Borzen started performing the RRM service after registering with the national Energy Agency and the approval of the RRM ("Registered Reporting Mechanism") status by ACER. The RRM status, which can only be obtained by legal

entities that meet ACER's strict requirements, enables Borzen the implementation of reporting services to third parties.

As a part of the RRM - REMIT service, Borzen implements a daily transaction reporting on the wholesale market (the elements of transactions and trading orders) through a web application and on behalf of the market participant to ACER. Within the RRM - REMIT service, Borzen also prepares and provides information on transactions and trading orders made on the BSP Energy Exchange to other RRM.

In 2017, Borzen carried out all the necessary activities (i.e. expanding the functionality of the web application, preparation of the examples of XML files for market participants, etc.) that enabled market participants a smooth and successful reporting (REMIT phase I and II). 2017 was marked by various activities that were intended for users both in the field of knowledge-transfer and consulting, as well as in providing quality services and user support, including the

updated version of the REMIT web application.

At the end of 2017, more than 50 clients (mostly foreign companies) entrusted Borzen with the implementation of the RRM reporting services. The continuous growth in the number of customers can be attributed to the fact that in the years 2015 and 2016 Borzen proved to be a reliable partner and thus managed to acquire a large number of new customers in the second phase of the REMIT reporting.

Borzen provides a service that generates various synergistic effects that go hand in hand with our knowledge, experience and the role entrusted to us by the legislator in ensuring a transparent functioning of the electricity market. In this way, the Slovenian Market Operator provides a systematic, transparent, efficient and competitive Slovenian electricity market and its further integration into the internal European market.



**We provide a  
transparent,  
efficient and  
competitive  
electricity  
market.**

## 5. IMPLEMENTATION OF INFORMATION, PUBLIC AWARENESS AND TRAINING PROGRAMMES ON THE EFFICIENT USE OF ENERGY AND RENEWABLE ENERGY SOURCES - TRAJNOSTNA ENERGIJA (“SUSTAINABLE ENERGY”)

In accordance with Article 351 of the Energy Act (EA-1), Borzen performs a variety of activities in the field of information awareness, raising public awareness and training on the effi-

cient use of energy and renewable energy sources. The activities are carried out under our brand TRAJNOSTNA ENERGIJA (“SUSTAINABLE ENERGY”), through which we

reach a wide range of different publics. Therefore, the brand conceptually combines and properly communicates the efficient use of energy and renewable energy sources.



### TRAJNOSTNA ENERGIJA

Figure 19: Logo of the TRAJNOSTNA ENERGIJA (“SUSTAINABLE ENERGY”) brand

In 2017, we carried out a series of activities in the field of information provision, raising awareness and training on the efficient use of energy and renewable energy sources, which we efficiently combined and communicated to the public through the

web portal [www.trajnostnaenergija.si](http://www.trajnostnaenergija.si). The portal represents a meeting point for accessing the information on the efficient use of energy and renewable energy sources, which is collected in a simple and transparent manner. The quality and profes-

sional information, on the one hand, contributes to a more efficient use of energy and, on the other hand, offers various information on renewable energy sources and their use.



# » We believe in the right information. The right information is a key building block for the right choices.

## KEY ACTIVITIES IN THE FIELD OF INFORMATION PROVISION, RAISING AWARENESS AND TRAINING ON RES AND EE, WHICH WERE CARRIED OUT IN 2017

### Conference SUSTAINABLE ENERGY LOCALLY

In mid-September 2017, we held the third expert meeting of the local energy managers entitled »SUSTAINABLE ENERGY LOCALLY 017: Successful financing of energy efficiency measures«. 14 speakers, among them a leading sustainable financial expert from the University of Cambridge, Dr Nina Seega, addressed over 130 participants. The conclusion of the panel and its participants were that, due to the reduction of subsidies for the energy efficiency projects, the new innovative financing methods as well as regional integration and pooling of projects would become increasingly topical and necessary.

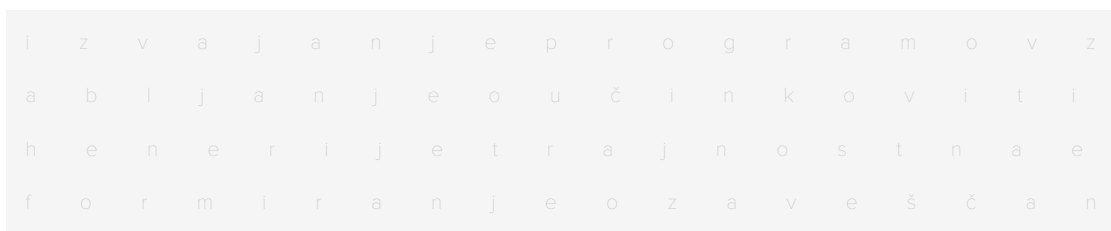
### Content upgrade of the portal [www.trajnostnaenergija.si](http://www.trajnostnaenergija.si)

We prepared new contents for the TRAJNOSTNA ENERGIJA web portal, which enhanced the information provision in the field of RES and EE. A part of the contents also included a new section entitled "For children", where we published our series of environmental cartoons Lepši svet ("A Better World").

### New video contents

In collaboration with the Slovenian artist Klemen Slakonja, Borzen recorded a song and launched a music video "How beautiful you are", which is dedicated to the Earth and raises awareness on the efficient energy use. The video was published on Klemen Slakonja's social media platforms (Facebook, Youtube and Instagram) and it has reached over 50,000 views.

In cooperation with the national television channel RTV Slovenia, Borzen prepared new informative series on sustainable energy, entitled Eko utrinki (»Eco Glimpses«). The series was included in the RTV Slovenia's programme scheme at the end of 2017 and was also published on our web portal [www.trajnostnaenergija.si](http://www.trajnostnaenergija.si) and the RTV Slovenia's MMC portal. The series are thematically related to efficient use of energy and renewable energy sources and are intended not only for households but also for economic operator and public administration.



|                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Student competition</b>                                                                                    | Students from more than 13 different Slovenian faculties applied for the competition for the best research project in the field of energy efficiency improvements in buildings. The case study of the research paper was the energy renovation of the Jesenice High School and was selected in cooperation with the Slovenian Ministry of Education, Science and Sport. The competition ended with the announcement of the winners with the award ceremony. The awards for the best research paper were awarded to three students.                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Learning materials</b>                                                                                     | Borzen prepared learning materials for the cartoon series Lepši svet ("A Better World"), primarily intended for teachers and educators. Borzen sent out a DVD with the cartoons and the booklet containing learning materials to all Slovenian kindergartens, elementary schools and libraries.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Geographical representation of the realisation and potential for RES and EE</b>                            | Borzen prepared a new online application, i.e. the Atlas of sustainable energy with data on RES (production sources of electricity and potentials) and EE (implemented measures by households and legal entities). The application aggregated the data from different organisations, such as the Centre for Support, Eco Fund (Slovenian Environmental Public Fund), Geological Survey of Slovenia, Slovenian Environment Agency and Slovenian Ministry of Infrastructure.                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Demonstration renovations</b>                                                                              | The essence of the activity that we started in 2016 was the empirical comparison of the data on energy consumption before and after the energy efficient renovation and the publication of the data on the web portal <a href="http://www.trajnostnaenergija.si">www.trajnostnaenergija.si</a> . With this project, we aim to raise confidence in calculations of theoretical savings and prove that the energy efficient renovation measures are economically justified. In 2017, Borzen obtained actual measurements for the heating season 2016/2017 of all three facilities in question and carried out an analysis comparing the previous years. The results are published on the portal <a href="http://www.trajnostnaenergija.si">www.trajnostnaenergija.si</a> .                                                                                                                                              |
| <b>Promotion of RES and EE</b>                                                                                | In 2017, Borzen co-created all five issues of the Slovenian magazine »Varčujem z energijo«, preparing various articles, columns and advertisements. The magazine is free and all of its contents are also available on the magazine's website. We designed and printed a jigsaw puzzle Lepši svet (»A Better World«), which we sent out to all games libraries in Slovenia. We also donated the jigsaw puzzle to all participants in the competition, in which more than 450 children participated with their drawings on the topic of a beautiful world. The winning team visited the premises of RTV Slovenia and got to know how the cartoons were created. We helped co-create the first energy electronic magazine, entitled E-stik, which is also available online. We prepared an electronic version of the monograph Renewable Energy Sources in Slovenia, which is suitable for all electronic book readers. |
| <b>Analytical monitoring of energy consumption and behaviour of households</b>                                | Borzen participated in the pan-Slovenian research on energy efficiency, entitled REUS. REUS is a systematic survey of various aspects regarding the energy management in households in Slovenia. The survey covers both general energy management and energy use in buildings, the segment of electricity and transportation, including the comparisons with previous research. Borzen, as a co-financier of the research, published the results on its website and at the event that took place at the Energy Chamber of Slovenia at the end of November 2017.                                                                                                                                                                                                                                                                                                                                                       |
| <b>Call for reimbursing part of the costs for the implementation of educational projects for young people</b> | Borzen launched the Call for reimbursing part of the costs for the implementation of educational projects in the field of RES and EE for young people. The subject of the call was the reimbursement of part of the costs for the implementation of educational projects in the field of RES and EE intended for children from the fourth to the ninth grade and secondary school students in the Republic of Slovenia. The primary purpose of the notified project was to prepare a practical demonstration of performance or otherwise highlight the benefits of the efficient energy use and energy production from renewable sources. The selection commission chose five best projects.                                                                                                                                                                                                                          |

a i n f o r m i r a n j e o z a v e š č a n j e i n u  
r a b i e n e r g i j e i n o b n o v l j i v i h v i r  
n e r g i j a i z v a j a n j e p r o g r a m o v z  
j e u s t r a n j e o u č i n k o v i t

# »» We are an important player in the Slovenian and European energy podium.

Among other things, we received an awards given by the Slovenian financial newspaper Finance at the Energy Days Conference for the best promotional RES and EE project in 2017 (for the informative series Eko utrinki – “Eco Glimpses”) as voted by online users..

In the »Best of the Best« programme, organised by AmCham Slovenia, Borzen participated with its informa-

tive series Eko utrinki (»Eco Glimpses«) and environmental cartoons Lepši svet (»A Better World«). In the category »Motivation«, we took third place, which shows that Borzen was recognised as an excellent business practice in the company of great names among the leading economic companies in Slovenia.

The field of information provision, awareness raising and training is a

great opportunity to provide information on renewable energy sources and efficient use of energy to the widest possible range of people and thus contribute to raising awareness and knowledge on both topics and empower various target publics. In the future, we intend to implement new projects in this area and add new content to the existing ones.

## 6. COMMERCIAL ACTIVITIES

Within the framework of commercial activities in 2017, Borzen performed settlement and clearing services and IT services for BSP Energy Exchange.

As part of the clearing of transaction on the energy exchange, Borzen mainly performs the following services:

- Calculation of financial liabilities and receivables;
- Determining the net balance of financial receivables and liabilities by offsetting reciprocal claims and liabilities;
- Financial settlement of transactions;
- Financial guarantee management;
- Performing counterparty tasks in the process of market coupling;
- Administration for the energy exchange members.

Within the commercial activities, the RRM - REMIT reporting service is also defined in the financial part, although it is already covered in the fourth chapter of this report.

# 7. SUSTAINABLE DEVELOPMENT

We are aware that we are leaving a sustainable footprint for the future. We are building it with small actions; today we are creating tomorrow's yesterday. We understand the sustainable development as a commitment towards sustainable operations of our company, as well as the efforts of each of our employees to contribute to a better world through their work and in the service of society. Too ambitious? Maybe. Feasible? By all means.

We perceive social responsibility as our company's responsibility for the im-

pacts of our decisions and activities on a wider society and environment. With our transparent and ethical conduct, we:

- contribute to sustainable development, including health and prosperity of the country,
- take into account the expectations of our stakeholders,
- comply with the applicable legislation and international norms of operation,
- our transparent and ethical conduct

is integrated in our whole company and implemented in our relations.

Borzen is one of the first companies in Slovenia and one of the first companies in the electricity sector the proud holder of the Corporate Social Responsibility Certificate, which represents a socially responsible concept of management. We obtained the certificate in the field of organisational management (level B) and community involvement and development (level A). On the overall level, Borzen achieved level B.

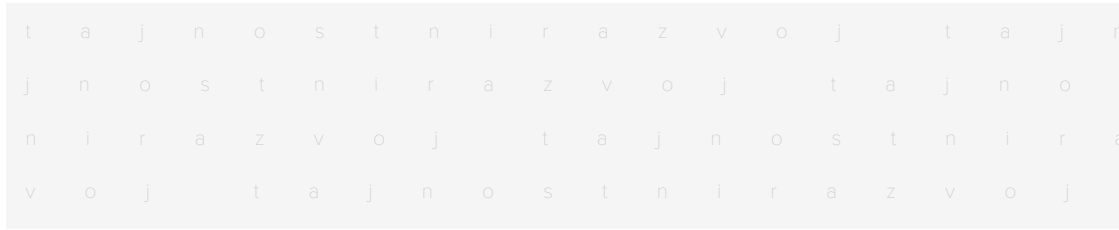
## 7.1 OUR EMPLOYEES

We are aware of how important people, the employees, are for the success of the company. Therefore, we take care of their personal and professional growth. We strive to create a working environment in which working demands and results are combined with our employees' satisfaction, motivation, commitment and good interpersonal relationships.

### 7.1.1 INTERNAL ORGANISATIONAL CHART OF THE COMPANY



Figure 20: Internal organisational chart of Borzen



## 7.1.2 HR INDICATORS

### NUMBER OF EMPLOYEES

At the end of 2017, Borzen employed 30 employees. Compared to the end of 2016, the number of employees decreased by one employee.

The average number of employees in 2017 equalled 30 employees and decreased by 2 percentage points in comparison with 2016.

At the end of 2017, the share of fixed-term employees accounted for 3 percent of all the employees and decreased by just over 6 percentage points compared to the previous year.

### AGE STRUCTURE

The average age of the employees was 39 years. The age structure displayed in the chart below shows that most of the employees belong to the 36-45 age group (56 percent), which is followed by the 26-35 age group, with 27 percent of all the employees.

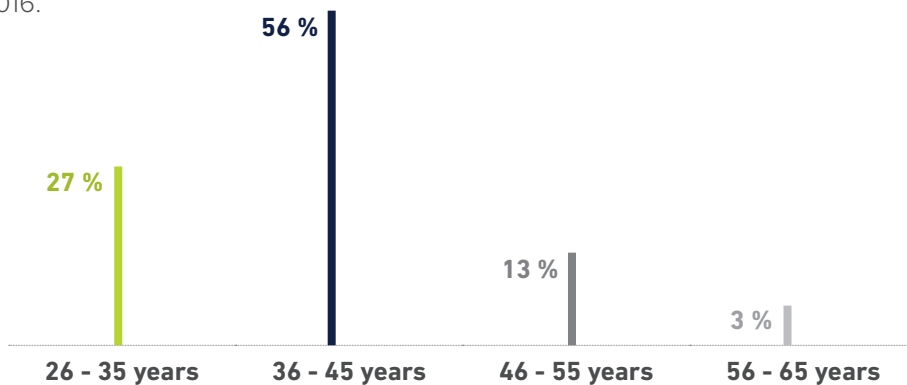


Figure 21: Age structure of the employees in percentage as at 31 December 2017

### STRUCTURE BY GENDER

There were 17 men among the employees at Borzen, accounting for 57 percent of all the employees, and 13 women, which equals 43 percent of all the employees in the company.

Compared to the previous year, the gender ratio slightly changed. Namely, the share of female employees decreased by 2 percentage points, whereas the share of male employees increased by 2 percentage points.

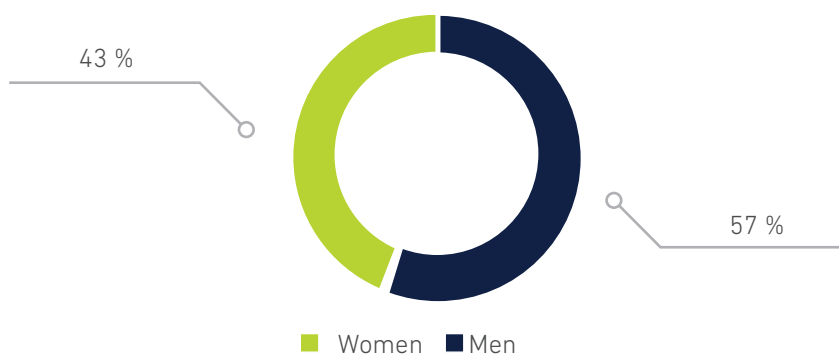


Figure 22: Gender structure of the employees as at 31 December 2017

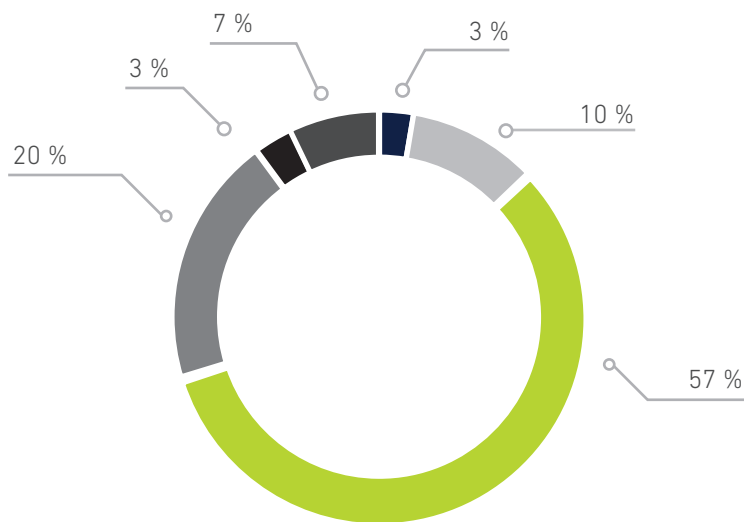


**EDUCATIONAL STRUCTURE**

| Level        | Title of professional education           | 2016      | Share in % | 2017      | Share in % |
|--------------|-------------------------------------------|-----------|------------|-----------|------------|
| VIII/2       | Doctor's degree                           | 1         | 3          | 1         | 3          |
| VIII/1       | Master's degree                           | 3         | 10         | 3         | 10         |
| VII          | University education                      | 18        | 58         | 17        | 57         |
| VI/2         | Four-year tertiary professional education | 6         | 19         | 6         | 20         |
| VI/1         | Two-year tertiary professional education  | 2         | 7          | 1         | 3          |
| V            | Secondary education                       | 1         | 3          | 2         | 7          |
| <b>Total</b> |                                           | <b>31</b> | <b>100</b> | <b>30</b> | <b>100</b> |

Table 25: Educational structure in shares as at 31 December 2016 and 31 December 20167

Most employees have the seventh level of education, namely 57 percent, which is followed by the four-year tertiary professional education (20 percent) and Master's degree (10 percent).



- Doctor's degree (VIII/2) ■ Master's degree (VIII/1) ■ University education (VII)
- 4-year tertiary professional education (VI/2) ■ 2-year tertiary professional education (VI/1) ■ Secondary education

Figure 23: Educational structure of the employees as at 31 December 2017



### 7.1.3 DEVELOPMENT OF THE EMPLOYEES

#### MOTIVATION

The development of the competences of the employees, targeted guidance, directed two-way communication and other tools have generated an adequate level of motivation and commitment among employees. Special attention is placed on the immaterial remuneration such as integration into various projects, working groups and similar that additionally motivates the staff.

#### ORGANISATIONAL CLIMATE

We recognise the importance of a positive organisational climate within the company. Thus, in 2017, we once again carried out an analysis of the organisational climate and work ethics of the employees in the company. Compared to 2015, the organisational climate and work ethics decreased from 4.33 to 4.31 (with 6 being the highest value), which is a statistically insignificant change. The overall assessment of the organisational climate equalled 72 percent (out of a 100

percent), where the highest ranking criterion was in the field of professional qualification and knowledge with 80 percent, which was followed by the criterion of innovation and initiative with 77 percent. Based on the obtained results, we prepared an action plan of the activities in this area, with which we want to positively contribute to the employees' work ethics.

#### EDUCATION

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the tasks. Employment is therefore upgrading careful staff planning and development. Every year, an annual educational plan is elaborated covering the educational needs of the employees and following the strategic objectives of the Company. The educational plan focuses on individuals covering the necessary content and taking into account individual wishes that are in line with the goals of the Company. The employees attend various seminars, courses,

training sessions and conferences.

Already acquired knowledge and education can be upgraded and improved with in-service training. The employees are very interested in further schooling to acquire higher formal educational level. Borzen supports this kind of personal growth with training leave. In 2017, there were four employees integrated into study programmes to obtain a higher educational level.

The company takes care of the internal knowledge transfer among the employees and of the presentations of new procedures in operations. Training sessions and educational programmes are organised in the head office in the fields that are important to the majority of employees.

Professional literature and memberships within professional associations in which informal transfer of knowledge occurs, also represent an important aspect of the development and education of the employees.

### 7.1.4 COMMUNICATION WITH THE EMPLOYEES

The regular annual interviews with the employees are a tool to establish performance of individuals in the past and to recognise their competences in the future. The content of these annual interviews is an in-depth conversation focusing on current tasks, the work performed and the results, objectives and tasks for the future period as well as on the individual's personal growth and professional path.

The employees are promptly informed of the activities within Borzen via the Intranet, e-mail and various formal and informal meetings. They can take part in the formation of the company's objectives and can freely express their opinion and at the level of the company an open-door policy has been applied.

We believe good communication is necessary between the levels in the Company as well as quality communication within the team. This is also the focus of our on-line communication, which is also reflected in regular team-building programmes.





# Borzen is the people.

## 71.5 CARE FOR THE EMPLOYEES

### OCCUPATIONAL HEALTH AND SAFETY

Borzen provides all the employees with safe, healthy and pleasant working environment. All new processes and projects include developments in the field of health and safety at work and fire safety. Risk assessment was prepared for every job and all measures are prescribed that ensure adequate safety of the employees. Risks are periodically assessed and maintained at an acceptable level with suitable safety measures and at the same time the employees are provided with advanced and user friendly technology and materials.

Regular periodical medical examinations are organised in order to enable monitoring of the health status and the ability to perform tasks. The rate of sick leave in the Company is negligible. The reason for this is the address of health issues of the employees and preventive measures to maintain the health status.

### FAMILY FRIENDLY ENTERPRISE

We are aware that coordinating professional and family life represents a

challenge of ever increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of a reconciliation of professional and private life, which we achieved within the scope the Family-friendly Enterprise Certificate.

At the beginning of 2017, we conducted an opinion survey among our employees, with which we measured the satisfaction of the employees with the certificate. The obtained results will serve as a basis for carrying out of further activities.

We are pleased that in 2017 we were given special recognition for the successful implementation and maintenance of the full Family-friendly Enterprise Certificate.

### HEALTH PROMOTION

As part of the health promotion at Borzen, we aim to raise awareness among our employees on the importance of health and encourage them to take an integrated approach towards improving and maintaining their health. We inform our employees about disease-prevention activities, while enabling them to take an

active role in ensuring a healthy working environment for themselves. We implement and promote various activities, both at the workplace and outside the office.

### ADDITIONAL VOLUNTARY PENSION SCHEME AND ACCIDENT INSURANCE

Borzen provides all of its employees with voluntary additional pension insurance in order to increase their social security, especially after retirement. All the employees are covered by voluntary pension insurance.

We also provide all employees with accident insurance which covers accidents both at work and outside of work.



## 7.2 RESPONSIBILITY TOWARDS WIDER COMMUNITY

### RELATIONS WITH STAKEHOLDERS

At Borzen, we are aware that our stakeholders are the core of our operations. We recognise and acknowledge various groups of stakeholders and the public and adapt our communication to each of these groups separately. Responsible attitude towards our stakeholders is embedded in our business processes both at strategic

and day-to-day basis. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and thus fulfilling our mission of a public service.

The general satisfaction of our stakeholders is regularly checked by satisfaction analysis. The results from 2017 show that the provision of the services of the Centre for Support is

at a very high level, i.e. 94 percent of respondents were satisfied or completely satisfied with its services, while the average satisfaction rating equaled 5.41 (with 6 being the highest value) and is statistically higher than the values from 2014 and 2015 (5.23 and 5.29, respectively). The results are remarkably positive and encouraging. In the future, we will continue to conduct satisfaction analyses.

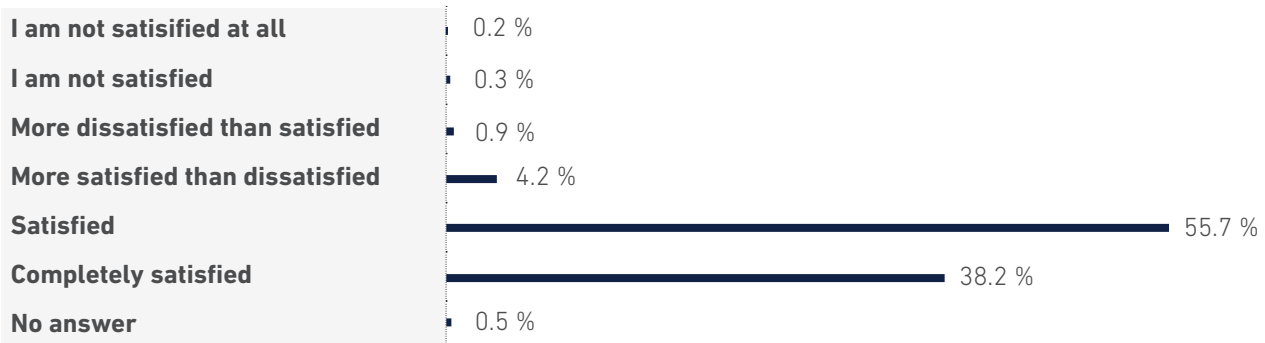


Figure 24: Overall satisfaction of our stakeholders

In 2017, the area of communication with stakeholders was primarily targeted at the following three key groups, namely the existing and potential members of the Balance Scheme, the existing and potential members of the Support Scheme and the general public that was targeted through our brand TRAJNOSTNA ENERGIJA (»SUSTAINABLE ENERGY«). In addition, our attention was also focused on communicating and updating the contents and visual appearance of our corporate website (e.g. the updated contents related to the RRM - REMIT service and the Centre for Support), as well as actively cooperating with the Slovenian media and other stakeholders. Regarding the latter, it is especially important to highlight the communication in the segment of public debates on rules that were in the phase of updating (i.e. a public debate on the amendments to the Rules on the operation of the electricity

balancing market and a public debate on the proposal for amendments and supplements to the Rules on the operation of the electricity market), which means that all interested parties could present their observations and suggestions. Borzen strives to achieve an advanced energy market, which will, as such, represent the biggest added value for all existing and potential members of the Balance Scheme. The preparation and publication of the additional information on the operation of the electricity market on our corporate website are also one of the activities in the field of communications that were carried out in 2017. Borzen strives to consider the proposals of market participants to improve the functioning of the power market to the greatest extent possible.

In August 2017, we carried out a slightly larger upgrade of the Centre for

Support web portal. In the context of the upgrade, we carried out certain adjustments that resulted from legislative changes and the upgrades that improved the user-experience. The positive reception of the portal among the beneficiaries is witnessed by the fact that almost 1,200 users were registered on the portal at the end of 2017 and that more than 40 percent of all support invoices were issued through the portal on a monthly basis.

In the field of information provision and raising awareness on renewable energy source and efficient energy use under our brand TRAJNOSTNA ENERGIJA (»SUSTAINABLE ENERGY«), we strengthened and established communication with our key stakeholder through various communication channels and tools, such as a local conference, TV broadcasts, a scientific monograph,



# We move towards sustainability

the web portal [www.trajnostnaenergija.si](http://www.trajnostnaenergija.si) and other tools mentioned in the previous chapters. Furthermore, we intend to upgrade and strengthen the communication in the future. All activities in the field of information provision, raising awareness and training on RES and EE were adequately covered by communication support, which has resulted in great media coverage and positive feedback from the public.

Sharing knowledge and experience and simultaneous positioning of Borzen as the hub of the energy markets is the priority orientation of our company. In 2017, the representatives of Borzen were invited to attend various professional conferences as lecturers and they actively participated in working groups and associations in Slovenia and abroad.

## TRANSPARENCY

Borzen aims to provide a transparent business operation, since we believe it is our commitment to all our users as well as to the citizens of the Republic of Slovenia. We believe that transparency is an important value and we strive to attain it with the publication of various types of data and information about our business operation on our website and via other channels. Among other things, we have also published a list of beneficiaries, a list of the Balance Scheme members, reports on market operations and Support Scheme operation, public procurement tenders and various other public information. We also regularly submit relevant information to the interested members of public and strive towards an open cooperation with the media.

At Borzen, we respect and appreciate the principle of transparency, which is an important guiding thread in the preparation of the company's annual

report every year. In the spirit of sustainable development and sustainable communication, we have been preparing a sustainability report in accordance with the Global Initiative Reporting (GRI) guidelines from 2012 onwards. In our sustainability reports we also cover the aspect of diversity, which is carried out in connection with the composition of the governance bodies, although the company does not perform the diversity policies. In the spirit of sustainable development and sustainable communication, we prepared the company's annual report and launched a call for the allocation of sponsorship and donor funds for the year 2017.

## SOCIAL RESPONSIBILITY

Socially responsible action is contained in the core activity that we perform as the Market Operator since we ensure reliable and stable functioning of the Slovenian electricity market, and as the Support Scheme Operator for RES and CHP we promote and raise awareness on the use of green energy sources and energy efficiency. Our social responsibility is directed towards our employees and other stakeholders, which is also reported in our sustainability reports in accordance with the GRI guidelines. This is also confirmed by the obtained Corporate Social Responsibility Certificate. The certificate represents a socially responsible principle of corporate governance. The process of obtaining the certificate is based on an analysis of the gaps of the company by different stakeholders. With the aim to eliminate the gaps in the field of corporate social responsibility and, consequently, progressing to a higher level of certification in 2017, Borzen carried out various activities. As a result of our efforts, we were awarded a certificate in the field of organisational management (level B) and in the field of community involvement

and development (level A). On the overall level, Borzen achieved level B.

Borzen is a member of the Network of socially responsible companies. The network that promotes and raises awareness of the importance of social responsibility is a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility. The activities of the Slovenian Network for social responsibility are based on the information provision and raising awareness of companies, organisations and the general public on the importance of socially responsible strategies in companies' operations and of positive effects of the participation as well as of good practices of socially responsible business.

Dedicated and targeted sponsorships and donations are one of the ways to connect to the community and thus contribute to the positive functioning of the society as a whole. We support participation in different sports activities, working with young people, culture, education and humanitarianism.

We aim to share good practice and support knowledge transfer to the wider social environment.

In 2016, we have traditionally carried out another corporate voluntary campaign. This time we joined forces with the Red Cross Youth Health and Summer Resort in Debeli rtič. Our employees also participated in the charity campaign organised by the Slovenian Philanthropy, called Three Winter Godfathers, during which we collected gifts for refugee children from socially disadvantaged backgrounds. Excited about the results of our good work, we are already looking forward to the next year's volunteer campaign.

t a j n o s t n i r a z v o j t a j n o  
 j n o s t n i r a z v o j t a j n o  
 n i r a z v o j t a j n o s t n i r  
 v o j t a j n o s t n i r a z v o j

## 7.3 ENVIRONMENTAL RESPONSIBILITY

Environmental protection is one of the basic rights, duties and responsibilities of all our employees and is considered an integral part of our corporate policy. We follow the trend of the efficient use in the field of energy, water and materials.

Borzen seeks to follow the principles of sustainable development also in the segment of environmental protection, which is directly integrated into the company's operation. Namely, Borzen manages the national support scheme for environmentally friendly ways of

electricity generation (RES and CHP), thereby promoting the use of natural resources, which has a positive impact on the environment. At the same time, Borzen also promotes the efficient use of energy and takes care of the transfer of knowledge in this field.

Today, sustainability is a part of our everyday life but the topics of sustainable action and environmental protection will even be stronger tomorrow. Borzen was entrusted with tasks related to information provision, awareness raising, training

and publication of information on the efficient use of energy and renewable energy sources. In this respect, we are extremely proud of our brand TRAJ-NOSTNA ENERGIJA (»SUSTAINABLE ENERGY«), which works towards expanding and promoting knowledge in the field of sustainable energy.

At Borzen, we are actively engaged in raising awareness on environmental protection among our employees, i.e. by separating waste, using recycled materials and saving water and electricity.

## 7.4 COOPERATION AND DEVELOPMENT

### 7.4.1 COOPERATION IN PROFESSIONAL ASSOCIATIONS AND WORKING GROUPS

Borzen actively shapes the trends of the Slovenian as well as the European energy sector. We are aware of the importance of cooperation between different players on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects exceptional trust we enjoy in professional circles. In the continuation, some forms of cooperation are mentioned that mark the operations of our company.

Among the more important ones, let us mention the cooperation in the association of the European energy exchanges Europex, in which our Director of Operations, Mr Borut Rajer occupies a responsible position in the management board. The APEX Association and cooperation within the section established by the Slovenian Chamber of Commerce, through which Borzen is a member of Eurelectric (The Union of the Electricity Industry), are among other important organisations through which we exchange knowledge.

Borzen has been also actively involved in the Energy Market Data Exchange Section (IPET), which operates within the Energy Industry Chamber of Slovenia and promotes the development in the field of data exchange on the electricity market. Our employees are also active in the Slovenian Committee of Electric Power CIGRÉ-CIRED, especially within the Marketing and regulation of energy systems working group.

Borzen is also a member of the Section for quality and excellence in electricity as well as a founding member of the Slovenian Association for Energy Economics (SAEE), which is the 30th national affiliate of the International Association for Energy Economics (IAEE) and as a section operates within the Energy Industry Chamber of Slovenia.

Borzen is also a member of the Blockchain Think Tank Slovenia association, which aims to achieve an optimal balance between regulation and self-regulation via appropriate communication with competent regulators, which can provide an adequate level of legal certainty

for all participants, while, on the other hand, it enables a rapid development of the blockchain technology in Slovenia.

Borzen is a corporate member of the Association of Slovenian Supervisors, which is a professional, non-profit and non-governmental organisation that is connecting the members of supervisory boards, management boards and other corporate management stakeholders.

Borzen is also a long-time board member of the electricity industry journal Naš stik that plays an important role in the provision of information to professional energy public and to promote energy literacy among general public.

Borzen is also a member of the Network of socially responsible companies which promotes and raises awareness on the importance of social responsibility and represents a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.



## We believe in cooperation and integration. Together we can do more.

### 7.4.2 SIGNIFICANT PROJECTS AND ACTIVITIES OF THE COMPANY

#### RULES ON THE OPERATION OF THE ELECTRICITY MARKET

In 2017, we carried out quite a few activities related to the fundamental document of the electricity market, i.e. the Rules on the operation of the electricity market. In March 2017, we organised a public consultation in which we gave all market participants the opportunity to comment on certain proposed changes, such as the shortening of the imbalance settlement process and changing the correction mode of the imbalance settlement prices in order to reduce the volatility. Based on the received comments and suggestions, we submitted the Amendment to the Rules to the public hearing at the end of the year.

#### CHANGES TO OTHER RULES

In 2017, Borzen was actively engaged in the amendment of other rules within its competence. The amended Rules on the operation of the Centre for RES/CHP Support entered into force on 1 January 2017 and were fully harmonised with the Slovenian Energy Act. During 2017, we also implemented all other necessary changes (for example, changes in the model contracts and procedures). In 2017, we also implemented a minor but very important amendment to the Rules on the operation of the electricity balancing market (the amendment entered into force on 17 June 2017). The essence of the amendment was that the »technical« part was partially withdrawn from the Rules themselves into a special document that the Market Operator published on its website.

This amendment allows for faster adjustment (for example, new types of products or offers). At the same time, the Rules still provide for adequate safeguards since the Balance Scheme members shall be informed of the change at least thirty days before the change and have the opportunity to comment on the proposed changes.

#### PROJECT PAKT – SMART DEVICES, MODELS AND PLATFORMS IN THE ACTIVE NETWORK

Despite the state-of-the-art technologies that are used in energy devices and a variety of available technologies that enable the connection and communication between devices, the global market still lacks common and standardised solutions that would enable authorised companies (for example, energy traders, energy distributors, market operators, etc.) to continuously manage the flexible loads (DSM/DR) in a direct way or through remote aggregators and thus contributing to the integrated energy management system (EMS) at the level of smart cities and communities. In order to achieve this, it is necessary to provide innovative building blocks for energy infrastructure, which would enable the improvement of distribution management system (DMS) and could be marketed globally. The project covers the following conceptual areas.

- Knowledge and manageability of distribution management system (DMS);
- Active inclusion of the demand response (DR) and demand side management (DSM);

- Integrated energy management system (EMS).

Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium with partial reimbursement of research and development costs. The role of Borzen is the establishment and management of an aggregation trading platform.

#### PROJECT SRIP PMIS - STRATEGIC DEVELOPMENT INNOVATION PARTNERSHIP 'SMART CITIES AND COMMUNITIES'

Borzen is a member of the Strategic development and innovation partnership 'Smart cities and communities' (SRIP PMIS). The purpose of the partnership is to connect stakeholders, especially research organisations and business representatives to develop products that will be successful on the global market. Within the first phase of the operation, the members of the project prepared an action plan. Within the project, Borzen operates in the field of »Energy and other supply«. The key objective of this regional vertical is the increased flexibility of energy production, consumption, storage and conversion and improved management of the energy and water distribution network.



## 7.5 INVESTMENTS

In accordance with the company's business plan, the majority of planned investments carried out in 2017 were related to information technology. In the scope of hardware and software equipment, we made investments related to the maintenance of a high level information security and high availability.

We also invested in the upgrade of the existing software for the implementation of the RRM - REMIT services and imbalance settlement. A significant share of investments was intended for a major upgrade of the infrastructure and platform of our single IT system, which will subsequ-

ently result in several improvements both at the architectural and process level. This will give the system an additional reliability and added value.



**We create a  
junction of  
knowledge  
and ideas.**





# FINANCIAL REPORT

# 1. AUDITOR'S REPORT

**RE**alinea

## Independent Auditor's Report

To the owners of BORZEN, operater trga z elektriko, d.o.o.

### *Opinion*

We have audited the financial statements of the BORZEN, operater trga z elektriko, d.o.o. («the Company»), which comprise the statement of balance sheet as at December 31 2017, the income statement, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BORZEN, operater trga z elektriko, d.o.o. as at December 31 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *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 the both the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and 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. Other information comprises the information included in the Annual Report other than financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The knowledge and understanding of the Company we have obtained during the audit compel us to report whether this other information contains any material misstatements of fact. Based on the procedures conducted and to the extent that we can assess, we report the following:

- The other information describing facts also presented in financial statements is in all material respects compliant with the financial statements.
- The other information has been prepared in accordance with the applicable legislation and regulations.
- On the basis of the procedures conducted related to the other information we have obtained, we have not detected any material misstatements of fact.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

## REalinea

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 management, 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.

Realinea d.o.o.  
Partizanska cesta 8, Grosuplje

Marija Košmrlj  
Certified auditor

*For signature please refer to the original Slovenian version*

Grosuplje, 4 April 2018

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

# 2. FINANCIAL STATEMENTS

## 2.1 BALANCE SHEET

in EUR

| DESCRIPTION                                                                  |                    | 31/12/2017         | 31/12/2016        |
|------------------------------------------------------------------------------|--------------------|--------------------|-------------------|
| <b>ASSETS</b>                                                                |                    | <b>122,433,365</b> | <b>76,335,698</b> |
| <b>A. LONG-TERM ASSETS</b>                                                   | <b>Explanation</b> | <b>2,373,599</b>   | <b>2,345,405</b>  |
| I. INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES | 4.1.1              | 373,826            | 437,542           |
| II. TANGIBLE FIXED ASSETS                                                    | 4.1.2              | 1,461,147          | 1,370,335         |
| 1. Business premises                                                         |                    | 1,214,404          | 1,085,189         |
| 2. Equipment                                                                 |                    | 246,743            | 285,146           |
| III. LONG-TERM FINANCIAL INVESTMENTS                                         | 4.1.3              | 419,568            | 419,568           |
| 1. Shares in associated companies                                            |                    | 419,568            | 419,568           |
| IV. DEFERRED TAX                                                             | 4.1.4              | 119,058            | 117,960           |
| <b>B. SHORT-TERM ASSETS</b>                                                  |                    | <b>120,030,734</b> | <b>73,961,504</b> |
| I. SHORT-TERM FINANCIAL INVESTMENTS                                          | 4.1.5              | 30,000,000         | 11,000,000        |
| II. SHORT-TERM OPERATING RECEIVABLES                                         | 4.1.6              | 26,524,330         | 22,366,151        |
| 1. Short-term trade receivables                                              |                    | 23,601,579         | 19,733,485        |
| 2. Short-term receivables due from others                                    |                    | 2,922,751          | 2,922,751         |
| III. CASH AND CASH EQUIVALENTS                                               | 4.1.7              | 63,506,404         | 40,595,353        |
| <b>C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES</b>                  | <b>4.1.8</b>       | <b>29,032</b>      | <b>28,789</b>     |
| Off-balance sheet assets                                                     | 4.1.12             | 4,678,903          | 4,267,913         |

in EUR

| DESCRIPTION                                                               |                | 31/12/2017         | 31/12/2016        |
|---------------------------------------------------------------------------|----------------|--------------------|-------------------|
| <b>LIABILITIES</b>                                                        |                | <b>122,433,365</b> | <b>76,335,698</b> |
| <b>A. EQUITY</b>                                                          | <b>4.1.9</b>   | <b>5,130,887</b>   | <b>4,435,041</b>  |
| I. CALLED-UP CAPITAL                                                      |                | 1,963,279          | 1,963,279         |
| 1. Share capital                                                          |                | 1,963,279          | 1,963,279         |
| II. CAPITAL RESERVES                                                      |                | 395                | 395               |
| III. PROFIT RESERVES                                                      |                | 1,472,321          | 1,047,559         |
| 1. Statutory reserves                                                     |                | 196,328            | 196,328           |
| 2. Other profit reserves                                                  |                | 1,275,993          | 851,231           |
| IV. FAIR VALUE RESERVES                                                   |                | -4,865             | -954              |
| V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD                            |                | 0                  | 0                 |
| VI. NET PROFIT OR LOSS FOR THE PERIOD                                     |                | 1,699,757          | 1,424,762         |
| <b>B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES</b> | <b>4.1.10</b>  | <b>102,399</b>     | <b>86,920</b>     |
| <b>C. SHORT-TERM LIABILITIES</b>                                          | <b>4.1.11,</b> | <b>117,199,859</b> | <b>71,813,693</b> |
| I. SHORT-TERM OPERATING LIABILITIES                                       |                | 117,199,859        | 71,813,693        |
| 1. Short-term liabilities to suppliers                                    |                | 26,110,131         | 22,328,410        |
| 2. Other short-term operating liabilities                                 |                | 91,089,728         | 49,485,283        |
| <b>D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES</b>               |                | <b>220</b>         | <b>44</b>         |
| Off-balance sheet liabilities                                             | 4.1.12         | 4,678,903          | 4,267,913         |

Table 26: Balance sheet as at 31 December 2017 and 31 December 2016

r a ; u n o v o d s k i i z k a z i  
k a z i r a ; u n o v o d s k i i z  
v o d s k i i z k a z i r a ; u n o  
r a ; u n o v o d s k i i z k a z i

## 2.2 INCOME STATEMENT

in EUR

| DESCRIPTION                                                       | EXPLANATION   | 01/01/2017-<br>31/12/2017 | Business plan<br>2017 | 01/01/2016-<br>31/12/2016 |
|-------------------------------------------------------------------|---------------|---------------------------|-----------------------|---------------------------|
| 1. NET SALES REVENUES                                             |               | 4,368,200                 | 4,368,200             | 4,347,172                 |
| Revenues arising from the MO's operation                          |               | 1,730,082                 | 1,700,800             | 1,695,807                 |
| Revenues arising from the recorded closed contracts               |               | 1,563,273                 | 1,581,800             | 1,565,145                 |
| Revenues arising from the Centre for Support                      |               | 591,000                   | 591,000               | 591,000                   |
| Revenues arising from BSP                                         |               | 93,350                    | 90,000                | 103,194                   |
| Revenues arising from information provision and raising awareness |               | 259,354                   | 260,000               | 226,609                   |
| Revenues arising from RRM - REMIT                                 |               | 155,014                   | 144,600               | 134,757                   |
| Other revenues                                                    |               | 1,739                     | 0                     | 30,660                    |
| 2. OTHER OPERATING REVENUES                                       |               | 138,295                   | 0                     | 1,391                     |
| <b>TOTAL OPERATING REVENUES</b>                                   | <b>4.2.1.</b> | <b>4,532,107</b>          | <b>4,368,200</b>      | <b>4,348,563</b>          |
| 3. COST OF MATERIALS AND SERVICES                                 | 4.2.3.        | 832,278                   | 860,000               | 863,281                   |
| Cost of materials                                                 |               | 48,053                    | 59,000                | 48,617                    |
| Cost of services                                                  |               | 784,225                   | 801,000               | 814,664                   |
| 4. LABOUR COSTS                                                   | 4.2.4.        | 1,449,641                 | 1,419,000             | 1,412,936                 |
| Costs of wages and salaries                                       |               | 1,066,289                 | 1,064,000             | 1,053,573                 |
| Costs of pension insurance                                        |               | 140,698                   | 142,200               | 139,220                   |
| Costs of other social insurances                                  |               | 81,460                    | 79,600                | 78,698                    |
| Other labour costs                                                |               | 161,194                   | 133,200               | 141,445                   |
| 5. WRITE-DOWNS                                                    | 4.2.5.        | 350,088                   | 366,100               | 367,256                   |
| Depreciation                                                      |               | 350,088                   | 366,100               | 367,166                   |
| Operating expenses from revaluation of operating current assets   |               | 0                         | 0                     | 90                        |
| 6. OTHER OPERATING EXPENSES                                       | 4.2.6.        | 19,071                    | 10,000                | 17,665                    |
| <b>OPERATING PROFIT OR LOSS</b>                                   |               | <b>1,881,029</b>          | <b>1,713,100</b>      | <b>1,687,425</b>          |
| 7. FINANCIAL REVENUES                                             | 4.2.7.        | 48,972                    | 5,000                 | 15,852                    |
| 8. FINANCIAL EXPENSES                                             | 4.2.8.        | 1,763                     | 5,000                 | 2,157                     |
| <b>NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES</b>                |               | <b>1,928,238</b>          | <b>1,713,100</b>      | <b>1,701,120</b>          |
| 9. OTHER REVENUES                                                 | 4.2.9.        | 20                        | 0                     | 246                       |
| 10. OTHER EXPENSES                                                | 4.2.9.        | 10,535                    | 10,000                | 10,176                    |
| <b>NET PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES</b>           |               | <b>-10,515</b>            | <b>-10,000</b>        | <b>-9,930</b>             |
| TOTAL REVENUES                                                    |               | 4,581,099                 | 4,373,200             | 4,364,661                 |
| TOTAL EXPENSES                                                    |               | 2,663,376                 | 2,670,100             | 2,673,471                 |
| <b>TOTAL PROFIT</b>                                               |               | <b>1,917,723</b>          | <b>1,703,100</b>      | <b>1,691,190</b>          |
| 11. TAX ON PROFIT                                                 |               | 219,048                   | 323,589               | 279,108                   |
| 12. DEFERRED TAX                                                  |               | -1,098                    | 0                     | -12,692                   |
| <b>NET PROFIT OR LOSS FOR THE FINANCIAL YEAR</b>                  |               | <b>1,699,773</b>          | <b>1,379,511</b>      | <b>1,424,774</b>          |

Table 27: Income statement for the period from 1 January 2016 to 31 December 2017

## 2.3 CASH-FLOW STATEMENT

in EUR

| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                                                                     |                    |                    |
|-------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>a. Inflows from operating activities</b>                                                                       | <b>2,012,626</b>   | <b>1,781,411</b>   |
| Operating revenues (except for revaluation) and financial revenues from operating receivables                     | 4,531,132          | 4,348,157          |
| Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities | -2,300,556         | -2,300,330         |
| Tax on profit and other taxes not included in operating expenses                                                  | -217,950           | -266,416           |
| <b>b. Outflows from operating activities</b>                                                                      | <b>41,220,752</b>  | <b>34,061,334</b>  |
| Opening less closing operating receivables                                                                        | -4,158,179         | 2,388,044          |
| Opening less closing deferred costs and accrued revenues                                                          | -6,436             | 114                |
| Opening less closing deferred tax assets                                                                          | -1,098             | -12,692            |
| Closing less opening operating liabilities                                                                        | 45,386,289         | 31,685,824         |
| Closing less opening accrued expenses and deferred revenues and provisions                                        | 176                | 44                 |
| <b>c. Positive or negative cash flow from operating activities (a + b)</b>                                        | <b>43,233,378</b>  | <b>35,842,745</b>  |
| <b>B. CASH FLOW FROM INVESTMENTS</b>                                                                              |                    |                    |
| <b>a. Inflows from investments</b>                                                                                | <b>22,048,664</b>  | <b>1,015,567</b>   |
| Inflows from interests arising from investment activities                                                         | 48,664             | 15,112             |
| Revenues from disposal of tangible fixed assets                                                                   | 0                  | 455                |
| Revenues from disposal of short-term financial investments                                                        | 22,000,000         | 1,000,000          |
| <b>b. Outflows from investments</b>                                                                               | <b>-41,370,991</b> | <b>-11,284,673</b> |
| Outflows from acquisition of intangible assets                                                                    | -127,615           | -128,532           |
| Outflows from acquisition of tangible fixed assets                                                                | -243,376           | -156,141           |
| Outflows from acquisition of short-term financial investments                                                     | -41,000,000        | -11,000,000        |
| <b>c. Positive or negative cash flow from investments (a + b)</b>                                                 | <b>-19,322,327</b> | <b>-10,269,106</b> |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                                                                     |                    |                    |
| <b>a. Inflows from financing activities</b>                                                                       | <b>0</b>           | <b>0</b>           |
| Inflows from an increase in short-term financial liabilities                                                      | 0                  | 0                  |
| <b>b. Outflows from financing activities</b>                                                                      | <b>-1,000,000</b>  | <b>-1,729,069</b>  |
| Outflows from interests pertaining to financing activities                                                        | 0                  | -533               |
| Outflows from repayment of financial liabilities                                                                  | 0                  | 0                  |
| Outflows from dividends paid and other profit-sharing                                                             | -1,000,000         | -1,728,536         |
| <b>c. Positive or negative cash flow from financing activities (a + b)</b>                                        | <b>-1,000,000</b>  | <b>-1,729,069</b>  |
| <b>D. Closing balance of cash and cash equivalents</b>                                                            |                    |                    |
| <b>Net cash flow</b>                                                                                              | <b>22,911,051</b>  | <b>23,844,570</b>  |
| Opening balance of cash and cash equivalents                                                                      | 40,595,353         | 16,750,783         |

Table 28: Cash-flow statement based on the indirect method (version II)

r a ; u n o v o d s k i i z k a z i  
 k a z i r a ; u n o v o d s k i i z  
 v o d s k i i z k a z i r a ; u n o  
 r a ; u n o v o d s k i i z k a z i

## 2.4 ALLOCATION OF NET PROFIT FOR THE FINANCIAL YEAR

in EUR

| DESCRIPTION                                                                           | 31/12/2017       |
|---------------------------------------------------------------------------------------|------------------|
| Net profit from the preceding financial years                                         | 0                |
| Net profit for the financial year                                                     | 1,699,773        |
| Portion of net profit from the financial year for the elimination of actuarial losses | 16               |
| <b>DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR</b>                                    | <b>1,699,757</b> |

Table 29: Allocation of net profit for the financial year 2017



## 2.5 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

| DESCRIPTION                                                | 01/01/2017 - 31/12/2017 | 01/01/2016 - 31/12/2016 |
|------------------------------------------------------------|-------------------------|-------------------------|
| NET PROFIT OR LOSS FOR THE PERIOD                          | 1,699,773               | 1,424,774               |
| Actuarial gains and losses on defined benefit plans        | -3,927                  | 221                     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b> | <b>1,695,846</b>        | <b>1,424,995</b>        |

Table 30: Statement of other comprehensive income from 1 January 2016 to 31 December 2017

r a ; u n o v o d s k i i z k a z i  
k a z i r a ; u n o v o d s k i i z  
v o d s k i i z k a z i r a ; u n o  
r a ; u n o v o d s k i i z k a z i

## 2.6 STATEMENT OF CHANGES IN EQUITY

in EUR

|                                                                          | Share capital    | Capital reserves | Profit reserves    |                       | Fair value reserves | Retained profits | Net profit for the year | Total equity     |
|--------------------------------------------------------------------------|------------------|------------------|--------------------|-----------------------|---------------------|------------------|-------------------------|------------------|
|                                                                          |                  |                  | Statutory reserves | Other profit reserves |                     |                  |                         |                  |
| <b>Closing balance 31/12/2015</b>                                        | <b>1,963,279</b> | <b>395</b>       | <b>196,328</b>     | <b>569,714</b>        | <b>-1,187</b>       | <b>1,728,535</b> | <b>281,517</b>          | <b>4,738,581</b> |
| Changes in equity - transactions with owners                             |                  |                  |                    |                       |                     |                  |                         |                  |
| Dividend payment                                                         |                  |                  |                    |                       |                     | -1,728,535       |                         | -1,728,535       |
| Total comprehensive income                                               |                  |                  |                    |                       |                     |                  |                         |                  |
| Change in fair value reserves                                            |                  |                  |                    |                       | 221                 |                  |                         | 221              |
| Entry of net profit                                                      |                  |                  |                    |                       |                     |                  | 1,424,774               | 1,424,774        |
| Changes in equity                                                        |                  |                  |                    |                       |                     |                  |                         |                  |
| Allocation of the remaining part of net profit of the comparative period |                  |                  |                    |                       |                     | 281,517          | -281,517                | 0                |
| Reserve transfer after the resolution of the general meeting             |                  |                  |                    | 281,517               |                     | -281,517         |                         | 0                |
| Other changes                                                            |                  |                  |                    |                       | 12                  |                  | -12                     |                  |
| <b>Closing balance 31/12/2016</b>                                        | <b>1,963,279</b> | <b>395</b>       | <b>196,328</b>     | <b>851,231</b>        | <b>-954</b>         | <b>0</b>         | <b>1,424,762</b>        | <b>4,435,041</b> |

Table 31: Statement of changes in equity for the year 2016

in EUR

|                                                                              | Share capital    | Capital reserves | Profit reserves    |                       | Fair value reserves | Retained profits | Net profit for the year | Total equity     |
|------------------------------------------------------------------------------|------------------|------------------|--------------------|-----------------------|---------------------|------------------|-------------------------|------------------|
|                                                                              |                  |                  | Statutory reserves | Other profit reserves |                     |                  |                         |                  |
| <b>Closing balance 31/12/2016</b>                                            | <b>1,963,279</b> | <b>395</b>       | <b>196,328</b>     | <b>851,231</b>        | <b>-954</b>         | <b>0</b>         | <b>1,424,762</b>        | <b>4,435,041</b> |
| Changes in equity - transactions with owners                                 |                  |                  |                    |                       |                     |                  |                         |                  |
| Dividend payment                                                             |                  |                  |                    |                       |                     | -1,000,000       |                         | -1,000,000       |
| Total comprehensive income                                                   |                  |                  |                    |                       |                     |                  |                         |                  |
| Change in fair value reserves                                                |                  |                  |                    |                       | -3,927              |                  |                         | -3,927           |
| Entry of net profit                                                          |                  |                  |                    |                       |                     |                  | 1,699,773               | 1,699,773        |
| Changes in equity                                                            |                  |                  |                    |                       |                     |                  |                         |                  |
| Allocation of the remaining part of the net profit of the comparative period |                  |                  |                    |                       |                     | -1,424,762       | -1,424,762              | 0                |
| Reserve transfer after the resolution of the general meeting                 |                  |                  |                    | 424,762               |                     | -424,762         |                         | 0                |
| Other changes                                                                |                  |                  |                    |                       | 16                  |                  | 16                      |                  |
| <b>Closing balance 31/12/2017</b>                                            | <b>1,963,279</b> | <b>395</b>       | <b>196,328</b>     | <b>1,275,993</b>      | <b>-4,865</b>       | <b>0</b>         | <b>1,699,757</b>        | <b>5,130,887</b> |

Table 32: Statement of changes in equity for the year 2017

# 3. ACCOUNTING POLICIES

## BASES FOR THE STRUCTURE OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Slovenian Accounting Standards and the Slovenian Companies Act. The data in the financial statements are based on accounting documents and ledgers administered in accordance with the Slovenian Accounting Standards. The preparation takes into account the following basic accounting assumptions: going concern, consistency and accruals – based accounting principles. The accounting policies take into account the basic accounting principles of caution, substance over form, relevance and comparability.

All important items are disclosed and the importance depends on the size of the item. When preparing and presenting the financial statements for the final financial year, the same accounting policies and accounting estimates have been used as in the previous financial year.

## INTANGIBLE ASSETS

In the accounts, the intangible assets and long-term deferred expenses and accrued revenues are disclosed separately as acquisition costs and valuation adjustments as a cumulative write-down, which is the result of depreciation. In the balance sheet,

the assets are declared at the net book value, which represents the difference between the acquisition cost and valuation adjustment.

## TANGIBLE FIXED ASSETS

In the accounts, the tangible fixed assets are disclosed separately as the acquisition cost and the valuation adjustments, where the valuation adjustment represents their cumulative write-off as a result of depreciation. In the balance sheet, they are declared as the carrying amount of operating fixed assets, which represents the difference between the acquisition cost and the write-down value.

The actual acquisition cost of the tangible fixed asset includes its purchase price and all costs that can be directly attributable to their fitness for the intended use. The costs related to the tangible fixed asset that are subsequently incurred increase its acquisition cost if they increase the future benefits compared to the previous estimates.

## LONG-TERM FINANCIAL INVESTMENTS

The long-term financial investments are disclosed at the acquisition cost that corresponds to the invested cash assets or other assets.

## SHORT-TERM FINANCIAL INVESTMENTS

The short-term financial investments are disclosed at the acquisition cost that corresponds to the invested cash assets or other assets.

## SHORT-TERM OPERATING RECEIVABLES

The receivables are recognised in the amounts arising from the relevant documents under the assumption that they will be paid. The receivables from foreign legal and natural persons are converted into the domestic currency on the date of the incurrence. Currency exchange differences that arise up to the date of the settlement or the balance sheet date are considered as the item of financial revenues or expenses. The adequacy of the reported amounts of the individual receivables is reviewed before the preparation of the financial statements.

## CASH RESOURCES

The cash assets comprise of the demand deposits and short-term deposits held at calls with banks.

## ACCRUALS FOR FINANCIAL ASSETS AND LIABILITIES

The accruals may be active or passive. They include deferred revenues or

deferred expenses/costs, accrued expenses and accrued revenues as a special type of claims or debts.

### **EQUITY**

The company's total equity consists of share capital, as called-up capital of Shareholder, capital reserves, profit reserves, revaluation surplus, net profit or loss from previous periods and undistributed profit or loss of the current financial year.

### **SHORT-TERM LIABILITIES**

The short-term liabilities are disclosed separately as the short-term financial liabilities and short-term operating liabilities. The short-term financial liabilities relate to borrowings. The short-term operating liabilities include advance payments from buyers, liabilities to suppliers at home and abroad, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are disclosed at fair value.

**THE INCOME STATEMENT** is compiled according to Version I.

### **REVENUE**

The revenues are divided into operating revenues, financial revenues and other revenues. The operating and financial revenues are regarded as regular revenues. The operating revenues are revenues from sales and other operating revenues related to business impact. The revenues from sales consist of the market values of the supplied services in the accounting period. The revenues are recognised on the basis of the sale prices indicated on the invoices or other documents. The financial revenues are revenues arising from investments, financial investments and receivables. Other revenues consist of extraordinary items and other income that increase the profit.

### **EXPENSES**

The expenses are divided into operating expenses, financial expenses and other expenses. The operating and financial expenses are regular expenses. The operating expenses include all costs incurred during the financial year and are recorded by

their nature, i.e. material costs, service costs, labour costs, depreciation, operating expenses from revaluation and other operating expenses. The operating expenses from revaluation arise upon the disposal of the tangible fixed assets in connection with the intangible assets and current assets due to their impairment if the decrease in their value is not covered by a special capital revaluation adjustment. The financial expenses are expenses arising from financing and investment expenses, while other expenses consist of extraordinary items that decrease the profit.

# 4. NOTES TO THE FINANCIAL STATEMENTS

## 4.1 NOTES TO THE BALANCE SHEET ITEMS

### 4.1.1 INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

in EUR

|                                           | Software         | Software in production | Total            |
|-------------------------------------------|------------------|------------------------|------------------|
| <b>Purchase price</b>                     |                  |                        |                  |
| <b>01/01/2017</b>                         | <b>1,790,959</b> | <b>0</b>               | <b>1,790,959</b> |
| Direct increases – purchases              | 0                | 127,615                | 127,615          |
| Transfer from the investments in progress | 118,258          | -118,258               | 0                |
| Disposals                                 | 89,370           | 0                      | 89,370           |
| <b>31/12/2017</b>                         | <b>1,819,847</b> | <b>9,357</b>           | <b>1,829,204</b> |
| <b>Write-down value</b>                   |                  |                        |                  |
| <b>01/01/2017</b>                         | <b>1,353,417</b> | <b>0</b>               | <b>1,353,417</b> |
| Yearly depreciation                       | 197,524          | 0                      | 197,524          |
| Disposals                                 | 89,370           | 0                      | 89,370           |
| <b>31/12/2017</b>                         | <b>1,461,571</b> | <b>0</b>               | <b>1,461,571</b> |
| <b>Current value</b>                      |                  |                        |                  |
| <b>01/01/2017</b>                         | <b>437,542</b>   | <b>0</b>               | <b>437,542</b>   |
| <b>31/12/2017</b>                         | <b>358,276</b>   | <b>9,357</b>           | <b>367,633</b>   |

Table 33: Table of intangible assets

The investments in 2017 consist of software investments that include the upgrade of the company's single information system (EIS), the upgrade of the RRM - REMIT reporting application and new licenses necessary for the continuous functioning of the company's business (SQL, CISCO, SharePoint, etc.).

The disposals refer to the old software that was no longer in use and was already fully written off.

The depreciation rate for software ranges from 20 to 50 percent and reflects the expected useful life.

The long-term deferred expenses and accrued revenues represent reserve funds, which are collected by the manager of the business premises on a special account and amounted to EUR 6,193 at the end of 2017.

## 4.1.2 TANGIBLE FIXED ASSETS

in EUR

|                         | Real estate      | Information system equipment | Office equipment | Other equipment | Total            |
|-------------------------|------------------|------------------------------|------------------|-----------------|------------------|
| <b>Purchase price</b>   |                  |                              |                  |                 |                  |
| <b>01/01/2017</b>       | <b>1,367,135</b> | <b>644,861</b>               | <b>143,091</b>   | <b>154,567</b>  | <b>2,309,654</b> |
| Purchases               | 182,528          | 15,937                       | 584              | 44,327          | 243,376          |
| Disposals               | 0                | 26,041                       | 1,950            | 21,872          | 49,863           |
| <b>31/12/2017</b>       | <b>1,549,663</b> | <b>634,757</b>               | <b>141,725</b>   | <b>177,022</b>  | <b>2,503,167</b> |
| <b>Write-down value</b> |                  |                              |                  |                 |                  |
| <b>01/01/2017</b>       | <b>281,946</b>   | <b>477,029</b>               | <b>87,165</b>    | <b>93,179</b>   | <b>939,319</b>   |
| Depreciation            | 53,313           | 71,864                       | 15,001           | 12,385          | 152,563          |
| Disposals               | 0                | 26,041                       | 1,950            | 21,872          | 49,863           |
| <b>31/12/2017</b>       | <b>335,259</b>   | <b>522,852</b>               | <b>100,216</b>   | <b>83,692</b>   | <b>1,042,019</b> |
| <b>Current value</b>    |                  |                              |                  |                 |                  |
| <b>01/01/2017</b>       | <b>1,085,189</b> | <b>167,832</b>               | <b>55,926</b>    | <b>61,388</b>   | <b>1,370,335</b> |
| <b>31/12/2017</b>       | <b>1,214,404</b> | <b>111,905</b>               | <b>41,509</b>    | <b>93,330</b>   | <b>1,461,148</b> |

Table 34: Table of tangible fixed assets

The investments in the real estate represent the purchase of the additional business premises, new portable and desktop computers, a new passenger car and some other equipment.

The disposals refer to the written-off obsolete equipment that has been replaced.

The depreciation of the equipment was calculated at the following rates:

- Computer equipment 20.00 to 33.33 percent
- Office furniture 11.00 to 12.00 percent
- Other equipment 10.00 to 50.00 percent

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v o d s k i m i z k a z o m p o j a

### 4.1.3 LONG-TERM FINANCIAL INVESTMENTS

|                                          | in EUR         |                |
|------------------------------------------|----------------|----------------|
|                                          | 31/12/2017     | 31/12/2016     |
| Long-term financial investments in share | 419,568        | 419,568        |
| <b>Total</b>                             | <b>419,568</b> | <b>419,568</b> |

Table 35: Table of long-term financial investments

Borzen holds a 50-percent equity stake in BSP Energy Exchange. On the basis of the valuation performed

in April 2011, the value of the 50-percent equity stake as at 31 December 2010 was estimated at EUR 419,568.

In recent years, BSP has been operating profitably.

### 4.1.4 DEFERRED TAX ASSETS

|                                        | in EUR         |                |
|----------------------------------------|----------------|----------------|
|                                        | 31/12/2017     | 31/12/2016     |
| Deferred tax assets arising from:      |                |                |
| impairment of the financial investment | 109,682        | 109,682        |
| provisions                             | 9,376          | 8,278          |
| <b>Total</b>                           | <b>119,058</b> | <b>117,960</b> |

Table 36: Table of deferred tax assets

The deferred tax assets refer to the deferred tax from the impairment of financial investment in BSP in 2010. The actual impairment of the financial investment is not a tax-deductible expense in the year of the impa-

irment but will become a recognised tax expense in the year of the actual disposal of investment, which is why the company has disclosed this information in its financial statements. In addition, the company also disclo-

ses the information on the deferred tax provision for severance pay and long-service bonuses, which slightly increased in 2017 due to the increase in the provisions.

### 4.1.5 SHORT-TERM FINANCIAL INVESTMENTS

|                                  | in EUR            |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 31/12/2017        | 31/12/2016        |
| Short-term financial investments | 30,000,000        | 11,000,000        |
| <b>Total</b>                     | <b>30,000,000</b> | <b>11,000,000</b> |

Table 37: Table of short-term financial investments

The financial investment represents the fixed-term deposits at Sberbank d.d., Ljubljana and Addiko Bank d.d., which are bound for the period of nine months. All three deposits (each in the amount of EUR 10 million) represent the funds of the Centre for Support and are bound until 15 January 2018, 3 April 2018 and 6 July 2018.



#### 4.1.6 SHORT-TERM OPERATING RECEIVABLES

|                                             | in EUR            |                   |
|---------------------------------------------|-------------------|-------------------|
|                                             | <b>31/12/2017</b> | <b>31/12/2016</b> |
| Short-term trade receivables                | 23,601,579        | 19,733,485        |
| a) Short-term domestic trade receivables    | 22,864,476        | 19,659,256        |
| - receivables from the associated companies | 10,138            | 9,490             |
| b) Short-term foreign trade receivables     | 737,103           | 74,229            |
| Short-term advances and securities          | 1,953             | 246               |
| Short-term receivables for interests        | 15,910            | 4,925             |
| Other short-term receivables                | 2,904,888         | 2,627,495         |
| <b>Total</b>                                | <b>26,524,330</b> | <b>22,366,151</b> |

Table 38: Table of short-term operating receivables

As at 31 December 2017, the share of the short-term receivables amounted to EUR 23,601,579 and consisted of:

- 79 percent of the receivables from the Centre for Support;
- 19 percent of the receivables from the imbalance settlement;
- 2 percent of the regular receivables (mainly from the services of recording bilateral contracts and closed contracts).

Short-term receivables by maturity:

- EUR 23,413,738 of the short-term trade receivables are not yet matured (99.2 percent), of which EUR 22,199,615 is due in January 2018, EUR 1,142,118 EUR is due in February 2018 and EUR 72,004 is due in March 2018;
- EUR 175,548 of the short-term trade receivables fell due (0.7 percent), of which EUR 167,263 has a 30-day delay in payment and EUR 8,285 has a 60-day delay in payment;
- EUR 12,293 (0.1 percent) of the short-term receivables is in the enforcement proceedings.

Other short-term receivables relate to the input VAT from the invoices received in January 2018, which refer to December 2017 and to the overpayment of the corporation income tax.

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#### 4.1.7 CASH ASSETS

|                                                        | in EUR            |                   |
|--------------------------------------------------------|-------------------|-------------------|
|                                                        | 31/12/2017        | 31/12/2016        |
| <b>Cash and cash equivalents in banks</b>              | <b>1,361,398</b>  | <b>2,803,776</b>  |
| Cash assets in the commercial account                  | 202,066           | 663,997           |
| Cash assets in special accounts - Centre for Support   | 61,125            | 50,882            |
| Cash assets in special accounts - efficient energy use | 0                 | 142,683           |
| Cash assets in special accounts - Balance Scheme       | 1,098,207         | 1,946,214         |
| <b>Deposits held at call – Total</b>                   | <b>62,145,006</b> | <b>37,791,577</b> |
| Deposit held at call                                   | 2,500,000         | 500,000           |
| Deposit held at call - Centre for Support              | 58,647,555        | 36,294,127        |
| Deposit held at call - Balance Scheme                  | 997,451           | 997,450           |
| <b>Total</b>                                           | <b>63,506,404</b> | <b>40,595,353</b> |

Table 39: Table of cash assets

In addition to regular resources, the assets of the Centre for Support and Balance Scheme are separately shown and are held in special accounts. The deposits held at call with Unicredit Bank Slovenia, BKS Bank, Sberbank and Spar-kasse bank are also kept separately.

A substantial increase is visible in the amount of the cash and cash equivalents of the Centre for Support. The surplus funds of the Centre for Support are manifested in the deposits, which are even higher than those displayed in the table, mostly because

se the part of deposits was bound for several months and is shown in the table of short-term investments.

#### 4.1.8 SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

|                                       | in EUR        |               |
|---------------------------------------|---------------|---------------|
|                                       | 31/12/2017    | 31/12/2016    |
| Short-term deferred costs or expenses | 29,032        | 28,789        |
| <b>Total</b>                          | <b>29,032</b> | <b>28,789</b> |

Table 40: Table of short-term deferred expenses and accrued revenues

The costs that were charged in 2017 but which relate to the next financial year and will be charged as costs in 2018 are declared as the deferred expenses and accrued revenues.

## 4.1.9 EQUITY

|                                                   | in EUR           |                  |
|---------------------------------------------------|------------------|------------------|
|                                                   | 31/12/2017       | 31/12/2016       |
| Called-up capital                                 | 1,963,279        | 1,963,279        |
| Share capital - equity investment                 | 1,963,279        | 1,963,279        |
| Capital reserves - general revaluation adjustment | 395              | 395              |
| Profit reserves                                   | 1,472,321        | 1,047,559        |
| Statutory reserves                                | 196,328          | 196,328          |
| Other profit reserves                             | 1,275,993        | 851,231          |
| Fair value reserves                               | -4,865           | -954             |
| Profit from the previous period                   | 0                | 0                |
| Profit for the financial year                     | 1,699,757        | 1,424,762        |
| <b>Total</b>                                      | <b>5,130,887</b> | <b>4,435,041</b> |

Table 41: Table of equity

At the end of 2017, the total equity of the company equals EUR 5.13 million. The profit for the previous year was partly paid to the Shareholder (in the amount of EUR 1 million), the rest of the amount increased the other profit reserves.

## 4.1.10 PROVISIONS

|                                     | in EUR         |               |
|-------------------------------------|----------------|---------------|
|                                     | 31/12/2017     | 31/12/2016    |
| Provisions for long-service bonuses | 54,000         | 48,386        |
| Provisions for severance pays       | 48,399         | 38,534        |
| <b>Total</b>                        | <b>102,399</b> | <b>86,920</b> |

Table 42: Table of provisions

Based on the actuarial calculations, the company built up the provisions for the retirement allowances and long service bonuses. There was no use of provision in 2017 and after the reestablishment of the provisions at the end of 2017 the provision amounted to EUR 102,399.

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in EUR

|                                    | Provisions for severance pays upon retirement | Provisions for long-service bonuses | Total          |
|------------------------------------|-----------------------------------------------|-------------------------------------|----------------|
| <b>Balance at 31 Dec 2016</b>      | <b>38,534</b>                                 | <b>48,386</b>                       | <b>86,920</b>  |
| Interest expenses                  | 424                                           | 532                                 | 956            |
| Current service costs              | 0                                             | 0                                   | 0              |
| Benefit payments                   | 5,514                                         | 6,179                               | 11,693         |
| Actuarial gains/losses (IPI)       | /                                             | -1,097                              | -1,097         |
| Actuarial gains/losses through IFP | 3,927                                         | /                                   | 3,927          |
| <b>Balance at 31 Dec 2017</b>      | <b>48,399</b>                                 | <b>54,000</b>                       | <b>102,399</b> |

Table 43: Table of the movement of provisions

in EUR

| Parameters                                       | Provisions for severance pays upon retirement | Provisions for long-service bonuses |
|--------------------------------------------------|-----------------------------------------------|-------------------------------------|
| Reduction of disc. interest rate by 0.5%         | 4,334                                         | 3,263                               |
| Increase of disc. interest rate by 0.5%          | -3,869                                        | -2,993                              |
| Increase in wage growth by 0.5% per year         | 4,703                                         | 0                                   |
| <b>Reduction in wage growth by 0.5% per year</b> | <b>-4,160</b>                                 | <b>0</b>                            |

Table 44: Sensitivity analysis

#### 4.1.11 SHORT-TERM LIABILITIES

in EUR

|                                                                          | 31/12/2017         | 31/12/2016        |
|--------------------------------------------------------------------------|--------------------|-------------------|
| <b>Short-term operating liabilities to suppliers</b>                     | <b>26,110,131</b>  | <b>22,328,410</b> |
| Short-term liabilities to suppliers - regular suppliers                  | 192,714            | 184,697           |
| liabilities to related parties                                           | 8,967              | 8,967             |
| Short-term liabilities to suppliers - Centre for Support                 | 21,218,417         | 19,853,322        |
| Short-term liabilities to suppliers - Balance Scheme                     | 4,699,000          | 2,290,391         |
| <b>Short-term liabilities from the Centre for Support</b>                | <b>86,244,678</b>  | <b>45,790,480</b> |
| <b>Liabilities for the deposits from the Centre for Support</b>          | <b>650,000</b>     | <b>650,000</b>    |
| <b>Short-term liabilities from the efficient energy use</b>              | <b>0</b>           | <b>142,683</b>    |
| <b>Short-term liabilities from the Balance Scheme</b>                    | <b>2,099,871</b>   | <b>1,542,008</b>  |
| <b>Short-term liabilities to employees</b>                               | <b>220,110</b>     | <b>170,360</b>    |
| Liabilities for net salaries and wage compensations                      | 90,809             | 78,040            |
| Liabilities for contributions from gross salaries and wage compensations | 64,031             | 49,010            |
| Liabilities for taxes from gross salaries and wage compensations         | 23,338             | 18,670            |
| Liabilities for other remunerations from employment                      | 41,932             | 24,640            |
| <b>Liabilities to state and other institutions</b>                       | <b>1,861,545</b>   | <b>1,167,845</b>  |
| Liabilities for charged VAT                                              | 1,860,641          | 1,081,911         |
| Liabilities for corporate income tax                                     | 0                  | 85,205            |
| Other short-term liabilities to state and other institutions             | 904                | 729               |
| <b>Other short-term operating liabilities</b>                            | <b>13,524</b>      | <b>21,907</b>     |
| <b>Total</b>                                                             | <b>117,199,859</b> | <b>71,813,693</b> |

Table 45: Table of short-term liabilities

As at 31 December 2017, the liabilities consist of open commitments to regular suppliers, open commitments to the beneficiaries of the Centre for Support and open commitments to the Balance Scheme suppliers. In regard to the beneficiaries of the Centre for Support, the amount refers to the November and December invoices falling due in early January and February 2018. The company settles its obligations towards the suppliers within the agreed contractual terms.

The short-term liabilities to the Centre for Support represent the surplus of the RES/CHP funds and funds collected from DSE, which increased significantly in the course of 2017. This surplus is also evident and disclosed under the cash assets and short-term financial investments.

The short-term liabilities arising from the efficient use of energy equalled EUR 0.00 at the end of 2017. All collected funds were paid to the benefici-

aries in accordance with the approved programmes, while the rest of the assets were transferred to the Eco Fund.

The short-term liabilities arising from the Balance Scheme represent the surplus of assets.

The short-term liabilities to employees represent open items to employees arising from the December salaries, Christmas bonus and the unpaid bonuses to the General Manager.

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#### 4.1.12 OFF-BALANCE SHEET ASSETS

In 2017, the company's off-balance sheet assets equalled EUR 4.68 million, of which the amount of EUR 1.76 million represented the funds of the Balance Scheme members deposited on the deposit sub-accounts, which are open in their names. The assets refer to the insurance for the fulfilment of the financial obligations arising from the imbalance settlement. The financial coverage must

be submitted by the balance group's responsible party upon signing the balance agreement with the Market Operator in accordance with the applicable Rules on the operation of the electricity market. The assets are disclosed as off-balance sheet items as they have no direct impact on the volume and composition of the assets or liabilities; they merely represent a guarantee for the fulfil-

ment of the Balance Scheme members' liabilities.

In addition to cash deposits, the Balance Scheme members may also submit financial guarantees in the form of bank guarantees payable on first demand. As at 31 December 2017, the value of the bank guarantees submitted by the Balance Scheme members equalled EUR 2.92 million.

## 4.2 NOTES TO THE INCOME STATEMENTS

### 4.2.1 OPERATING REVENUES

|                                                                   | 2017             | Share in %   | Business plan 2017 | Share in %   | 2016             | Share in %   |
|-------------------------------------------------------------------|------------------|--------------|--------------------|--------------|------------------|--------------|
| Revenues arising from the MO's operation                          | 1,730,082        | 38.2         | 1,700,800          | 38.94        | 1,695,807        | 39.0         |
| Revenues from recorded closed contracts                           | 1,563,273        | 34.5         | 1,581,800          | 36.21        | 1,565,145        | 36.0         |
| Revenues arising from the Centre for Support                      | 591,000          | 13.0         | 591,000            | 13.53        | 591,000          | 13.6         |
| Revenues arising from BSP                                         | 93,350           | 2.1          | 90,000             | 2.06         | 103,194          | 2.4          |
| Revenues arising from information provision and raising awareness | 259,354          | 5.7          | 260,000            | 5.95         | 226,609          | 5.2          |
| Revenues arising from RRM - REMIT                                 | 155,014          | 3.4          | 144,600            | 3.31         | 134,757          | 3.1          |
| Other revenues                                                    | 1,739            | 0.0          | 0                  | 0.00         | 30,660           | 0.7          |
| Total operating revenues                                          | 4,393,812        | 96.9         | 4,368,200          | 100.0        | 4,347,172        | 100.0        |
| Other operating revenues                                          | 138,295          | 3.1          | 0                  | 0.0          | 1,391            | 0.0          |
| <b>Total</b>                                                      | <b>4,532,107</b> | <b>100.0</b> | <b>4,368,200</b>   | <b>100.0</b> | <b>4,348,563</b> | <b>100.0</b> |

Table 46: Table of operating revenues

The largest share of revenues refers to the revenues of the MO operation. In June 2015, the amount of the revenue was defined in the Decree on the concession and the method for the implementation of performing public service obligation relating to the activity of the Market Operator, which newly regulates the method

of the public service financing and replaces the supplement to network charge with a contribution to the operation of the concessionaire (Market Operator) in the amount of EUR 0.00013 EUR per kWh.

The second largest share of the revenues is represented by the reve-

nues from the recording of closed contracts. The amount of the fee paid by the Balance Scheme members for the recording of closed contracts equals EUR 0.00005 per kWh for each individual recording of a closed contract, in which the Balance Scheme member acts as a seller.

The activities of the Centre for RES/CHP Support are financed from a share of contributions for promoting the production of electricity from renewable sources and high-efficiency cogeneration of heat and power.

Other operating revenues refer to the refund of VAT, which was returned on the basis of the reversing of the invoices for the receivables

to ELES arising from recording of contracts using the cross-border transmission capacities. For the receivables, a 100-percent value adjustment was made because the court of first instance rejected Borzen's claim and since the new appeal was not resolved in our favour, we reversed the invoices that were wrongly issued. Considering the fact that in 2015 a value adjustment (financial

expenses for revaluation) was created for the total value of receivables, the VAT for the year 2017 represents the revaluation income based on the reversed invoices.

Of the total sales revenues, EUR 3,811,196 was charged to domestic buyers, while EUR 582,616 was charged to foreign buyers.

#### 4.2.2 OPERATING EXPENSES

|                                                                 | in EUR           |            |                    |            |                  |            |
|-----------------------------------------------------------------|------------------|------------|--------------------|------------|------------------|------------|
|                                                                 | 2017             | Share in % | Business plan 2017 | Share in % | 2016             | Share in % |
| Material costs                                                  | 48,053           | 1.8        | 59,000             | 2.2        | 48,617           | 1.8        |
| Service costs                                                   | 784,225          | 29.6       | 801,000            | 30.2       | 814,664          | 30.6       |
| Labour costs                                                    | 1,449,641        | 54.7       | 1,419,000          | 53.4       | 1,412,936        | 53.1       |
| Depreciation                                                    | 350,088          | 13.2       | 366,100            | 13.8       | 367,166          | 13.8       |
| Operating expenses from revaluation of operating current assets | 0                | 0.0        | 0                  | 0.0        | 90               | 0.0        |
| Other operating expenses                                        | 19,071           | 0.7        | 10,000             | 0.4        | 17,665           | 0.7        |
| <b>Total</b>                                                    | <b>2,651,078</b> | <b>100</b> | <b>2,655,100</b>   | <b>100</b> | <b>2,661,138</b> | <b>100</b> |

Table 47: Table of operating expenses

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#### 4.2.3 MATERIAL AND SERVICE COSTS

in EUR

| Type of cost                                     | 2017           | Share in % | Business plan 2017 | Share in % | 2016           | Share in % |
|--------------------------------------------------|----------------|------------|--------------------|------------|----------------|------------|
| Energy costs                                     | 14,280         | 29.72      | 16,000             | 27.12      | 11,884         | 24.5       |
| Office supplies                                  | 6,373          | 13.26      | 15,000             | 25.42      | 10,904         | 22.4       |
| Professional literature                          | 17,760         | 36.96      | 16,000             | 27.12      | 16,444         | 33.8       |
| Other material costs                             | 9,640          | 20.06      | 12,000             | 20.34      | 9,385          | 19.3       |
| <b>Total material costs</b>                      | <b>48,053</b>  | <b>100</b> | <b>59,000</b>      | <b>100</b> | <b>48,617</b>  | <b>100</b> |
| Banking services                                 | 10,039         | 1.3        | 10,000             | 1.2        | 10,232         | 1.3        |
| Membership fees                                  | 32,028         | 4.1        | 33,000             | 4.1        | 32,084         | 3.9        |
| Other services                                   | 29,789         | 3.8        | 29,000             | 3.6        | 33,641         | 4.1        |
| Education and training                           | 42,881         | 5.5        | 40,000             | 5.0        | 36,499         | 4.5        |
| Rental costs                                     | 49,853         | 6.4        | 55,000             | 6.9        | 52,916         | 6.5        |
| Business premises costs                          | 32,258         | 4.1        | 34,000             | 4.2        | 33,380         | 4.1        |
| Public relations                                 | 147,466        | 18.8       | 160,000            | 20.0       | 153,625        | 18.9       |
| Postal services                                  | 26,435         | 3.4        | 31,000             | 3.9        | 30,613         | 3.8        |
| SLA costs                                        | 88,200         | 11.2       | 90,000             | 11.3       | 92,942         | 11.4       |
| Insurance costs                                  | 14,723         | 1.9        | 18,000             | 2.2        | 13,653         | 1.7        |
| Mission and duty travel costs                    | 35,331         | 4.5        | 30,000             | 3.7        | 35,372         | 4.3        |
| Supervisory Board costs                          | 10,142         | 1.3        | 11,000             | 1.4        | 8,423          | 1.0        |
| Advisory services and professional studies costs | 162,471        | 20.7       | 155,000            | 19.4       | 176,254        | 21.6       |
| Student work                                     | 4,247          | 0.5        | 5,000              | 0.6        | 1,558          | 0.2        |
| Regular maintenance of fixed assets              | 98,362         | 12.5       | 100,000            | 12.5       | 103,472        | 12.7       |
| <b>Total service costs</b>                       | <b>784,225</b> | <b>100</b> | <b>801,000</b>     | <b>100</b> | <b>814,664</b> | <b>100</b> |

Table 48: Table of material and service costs

The material costs in the total amounts are approximately the same in the comparison with the previous year and are lower in relation to the planned items. The material and service costs also include the costs

arising from the implementation of activities in the field of information provision and raising awareness on renewable energy sources and efficient energy use, which are reimbursed to the company by the Eco

Fund. The costs of advisory services also include the costs of the audit of annual accounts totalling EUR 5,700 per year.



#### 4.2.4 LABOUR COSTS

In 2017, the total labour costs equalled EUR 1,449,641. At the end of the year, the company had 30 employees, while the average number of employees based on the working hours equalled 28.27. The labour costs are calculated

in accordance with the Rules on labour relations. Among other labour costs, the costs arising from the increase in provision for long-service bonuses and severance payments in the total amount of EUR 11.694 were also taken into

account and were calculated based on the actuarial calculations. In 2017, the increase in provision was influenced by the low discount rate due to the low interest rates, higher total wage bill, additional year of work and low fluctuation.

#### 4.2.5 WRITE-OFFS

In 2017, the depreciation equalled EUR 350,088. The company uses a straight line depreciation method in its calculations.

#### 4.2.6 OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 19,071 and refer to the construction land contribution, court fees

and contribution that the company pays to the Public Scholarship, Development, Disability and Maintenance

Fund of the Republic of Slovenia due to non-compliance with legislation on the employment of the disabled.

#### 4.2.7 FINANCIAL REVENUES

|                                                                        | 2017          | Share in % | Business plan 2017 | Share in % | 2016          | Share in % |
|------------------------------------------------------------------------|---------------|------------|--------------------|------------|---------------|------------|
| Interest revenues                                                      | 48,664        | 99.4       | 5,000              | 100.0      | 15,851        | 100.0      |
| Other financial revenues including financial revenues from revaluation | 308           | 0.6        | 0                  | 0.0        | 1             | 0.0        |
| <b>Total</b>                                                           | <b>48,972</b> | <b>100</b> | <b>5,000</b>       | <b>100</b> | <b>15,852</b> | <b>100</b> |

Table 49: Table of financial revenues

The interest revenues relate to the interests on deposits made with banks and interests on demand cash deposits in accounts. The interests are

higher than planned and higher than the amount from the previous year, mainly due to the higher surplus of the Centre for Support and thus

higher free cash flow which was placed, whereas the interest rates on the market were very low.

#### 4.2.8 FINANCIAL EXPENSES

|                                                    | 2017         | Share in % | Business plan 2017 | Share in % | 2016         | Share in % |
|----------------------------------------------------|--------------|------------|--------------------|------------|--------------|------------|
| Interest expenses                                  | 1,681        | 95.3       | 0                  | 0.0        | 2,016        | 93.5       |
| Other financial expenses with revaluation expenses | 82           | 4.7        | 0                  | 0.0        | 141          | 6.5        |
| <b>Total</b>                                       | <b>1,763</b> | <b>100</b> | <b>0</b>           | <b>0</b>   | <b>2,157</b> | <b>100</b> |

Table 50: Table of financial expenses

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The interest expenses in the amount of EUR 1,681 arise from the interests on provisions (based on the actuarial

calculation) and the default interest of the suppliers that occur in exceptional cases since the company

settles its liabilities according to the payment deadlines.

#### 4.2.9 OTHER REVENUES AND EXPENSES

Other revenues are of the minimal value and refer to the paid compensation of the insurance company.

Other expenses relate to the donations, for which the company allocated a total of EUR 10,535 in 2017. The funds were donated to the As-

sociation of Friends of Youth Ljubljana Moste Polje, Red Cross, Muscular Dystrophy Association and different sports associations.

#### 4.3 OTHER DISCLOSURES

The management of the company is a one-member body, i.e. General Manager, appointed by the Supervisory Board for a five-year period. Ge-

neral Manager Karol Peter Peršolja has been running and representing the Company since 1 January 2010. General Manager is entitled to ba-

sic payment (salary) and reasonable payment for the performance of the Company (performance-related bonus).

|                                                                            | in EUR                    |
|----------------------------------------------------------------------------|---------------------------|
|                                                                            | <b>Gross remuneration</b> |
| Salary in 2017                                                             | 110,015                   |
| Performance-based bonus for 2014 (second half) and 2016 (first half)       | 20,729                    |
| Deferred payment – performance-based bonus (second half) for 2015 and 2016 | 22,045                    |
| Holiday pay                                                                | 1,136                     |
| Bonuses                                                                    | 1,744                     |

Table 51: General Manager's remuneration in 2017

The Supervisory Board consists of three members, all appointed by the Government of the Republic of Slovenia. In 2016, the members of the Supervisory Board were entitled to basic remuneration for the performance of their function, session fees and reimbursement of the expenses based on the applicable decision of the Stakeholder.

|                   | Gross benefits |
|-------------------|----------------|
| Gorazd Ažman, MSc | 3,579          |
| Janez Černe       | 2,939          |
| Alenka Kolar, PhD | 2,779          |

Table 52: Remuneration of the Supervisory Board members in 2017

The company has no receivables from members of the Management or Supervisory Board and did not pay or approve any advances, loans or sureties for liabilities to the members of the Supervisory Board.



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v o d s k i m i z k a z o m p o j a

## 4.4 ADDITIONAL DISCLOSURES IN ACCORDANCE WITH THE SLOVENIAN ACCOUNTING STANDARDS (SRS 35)

Individual activities performed by Borzen are governed by the Slovenian Accounting Standards (SRS 35).

In accordance with the Energy Act, the Decree on the concession and on the method for implementation of public service obligation relating to the organisation of the Market Operator, the Act of the establishment of Borzen and other applicable regulations, Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the activities of the Centre for Support. In addition, the company also performs a commercial activity (i.e. the provision of the REMIT - RRM services and services for BSP Energy Exchange) and activities related to the information provision and raising awareness on the efficient use of energy and renewable energy sources (RES and EE).

The Energy Act defines the activities regarding the organisation of the electricity market and the activities of the Centre for Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for Support. For the purpose of keeping the market organisation and the Centre for Support accounts separate, they are regarded as two separate business entities where the funds used by both activities are divided according to predetermined keys.

The starting point for demonstrating successful operation of a particular activity is to include funds as well as expenses as revenues and expenses directly by activities to the maximum extent possible. For items that cannot be assigned unambiguously to a particular activity, keys that are based mainly on assumpti-

ons regarding their distribution to each activity are used. The keys for the division of joint revenues and expenses are set in the company's Rules on separate accounts for revenues, expenses, assets and liabilities by individual activities.

The company has set certain cost centres to which revenues are allocated and direct and indirect costs are charged. Cost centres belong indirectly to individual activities or are of general nature and are charged indirectly to each activity. The company has established keys for sharing indirect costs that are examined on a yearly basis and amended according to new facts.

The table of general keys specified and adopted for 2017 is presented in the continuation.

| ACTIVITY             | Market Operator | Centre for Support | Commercial activity |
|----------------------|-----------------|--------------------|---------------------|
| General expenses key | 55 %            | 40 %               | 5 %                 |
| Wage costs key       | 52 %            | 40 %               | 8 %                 |
| Fixed assets key     | 64 %            | 30 %               | 6 %                 |

Table 53: Table of general keys for the year 2017

**The general expenses key** takes into account a distribution of balance items of a specified activity as referred to in cost centres which are indirectly charged to an activity according to the workload of an individual post, which is measured by working time in hours needed for an individual activity.

**The wage costs key** considers the distribution of balance sheet items to activities as arising from cost centres that are indirectly charged to activities based on the workload of individual jobs that is measured by hours expressed

as a value based on labour costs that are charged to an individual post.

**The fixed assets key** takes into account a distribution of balance sheet items of information system of a specified activity as referred to in cost centres which directly or indirectly incur an activity according to information system's burden.

Borzen prepared the income statement separately for the activity of the Market Operator, the activity of the Centre for Support, the activity for information provision and awareness-

-raising and the commercial activity.

In 2017, the company as a whole reports net profit in the amount of EUR 1.7 million. The activity of the public service obligation relating to the Market Operator discloses a profit of EUR 1.9 million, while the activity of the Centre for Support records a deficit in the amount of EUR 267 thousand. The commercial activity reports a profit of EUR 69.6 thousand and the activity of information provision and awareness-raising is managed on the principle of reimbursement by the Eco Fund.

## INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1 JANUARY 2017 AND 31 DECEMBER 2017

in EUR

|                                                                   | BORZEN Total     | Market Operator  | Centre for Support | Information provision and awareness raising | Commercial activity |
|-------------------------------------------------------------------|------------------|------------------|--------------------|---------------------------------------------|---------------------|
| <b>1. NET SALES REVENUES</b>                                      | <b>4,393,812</b> | <b>3,294,286</b> | <b>591,084</b>     | <b>259,354</b>                              | <b>249,088</b>      |
| Revenues arising from the MO's operation                          | 1,730,082        | 1,730,082        | 0                  | 0                                           | 0                   |
| Revenues arising from the recorded closed contracts               | 1,563,273        | 1,563,273        | 0                  | 0                                           | 0                   |
| Revenues arising from the Centre for Support                      | 591,000          | 0                | 591,000            | 0                                           | 0                   |
| Revenues arising from BSP                                         | 93,350           | 0                | 0                  | 0                                           | 93,350              |
| Revenues arising from information provision and raising awareness | 259,354          | 0                | 0                  | 259,354                                     | 0                   |
| Revenues arising from RRM - REMIT                                 | 155,014          | 0                | 0                  | 0                                           | 155,014             |
| Other revenues                                                    | 1,739            | 931              | 84                 | 0                                           | 724                 |
| <b>2. OTHER OPERATING REVENUES</b>                                | <b>138,295</b>   | <b>137,801</b>   | <b>439</b>         | <b>0</b>                                    | <b>55</b>           |
| <b>TOTAL OPERATING REVENUES</b>                                   | <b>4,532,107</b> | <b>3,432,087</b> | <b>591,523</b>     | <b>259,354</b>                              | <b>249,143</b>      |
| <b>3. COSTS OF MATERIALS AND SERVICES</b>                         | <b>832,278</b>   | <b>398,253</b>   | <b>208,354</b>     | <b>168,140</b>                              | <b>57,531</b>       |
| Cost of materials                                                 | 48,053           | 30,191           | 14,704             | 1,455                                       | 1,703               |
| Cost of services                                                  | 784,225          | 368,062          | 193,650            | 166,685                                     | 55,828              |
| <b>4. LABOUR COSTS</b>                                            | <b>1,449,641</b> | <b>723,597</b>   | <b>559,501</b>     | <b>86,166</b>                               | <b>80,377</b>       |
| Costs of wages and salaries                                       | 1,066,289        | 535,711          | 413,660            | 57,815                                      | 59,103              |
| Costs of pension insurance                                        | 140,697          | 70,799           | 45,780             | 16,402                                      | 7,716               |
| Costs of other social insurances                                  | 81,460           | 38,878           | 26,144             | 11,949                                      | 4,489               |
| Other labour costs                                                | 161,195          | 78,209           | 73,917             | 0                                           | 9,069               |
| <b>5. WRITE-DOWNS</b>                                             | <b>350,088</b>   | <b>187,603</b>   | <b>124,886</b>     | <b>5,048</b>                                | <b>32,551</b>       |
| Depreciation                                                      | 350,088          | 187,603          | 124,886            | 5,048                                       | 32,551              |
| Operating expenses from revaluation of operating current assets   | 0                | 0                |                    | 0                                           | 0                   |
| <b>6. OTHER OPERATING EXPENSES</b>                                | <b>19,071</b>    | <b>9,588</b>     | <b>8,634</b>       | <b>0</b>                                    | <b>849</b>          |
| <b>TOTAL OPERATING EXPENSES</b>                                   | <b>2,651,078</b> | <b>1,319,041</b> | <b>901,375</b>     | <b>259,354</b>                              | <b>171,308</b>      |
| <b>OPERATING PROFIT OR LOSS</b>                                   | <b>1,881,029</b> | <b>2,113,046</b> | <b>-309,852</b>    | <b>0</b>                                    | <b>77,835</b>       |
| <b>7. FINANCIAL REVENUES</b>                                      | <b>48,972</b>    | <b>877</b>       | <b>48,022</b>      | <b>0</b>                                    | <b>73</b>           |
| <b>8. FINANCIAL EXPENSES</b>                                      | <b>1,763</b>     | <b>573</b>       | <b>1,138</b>       | <b>0</b>                                    | <b>52</b>           |
| <b>NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES</b>                | <b>1,928,238</b> | <b>2,113,350</b> | <b>-262,968</b>    | <b>0</b>                                    | <b>77,856</b>       |
| 9. OTHER REVENUES                                                 | 20               | 11               | 8                  | 0                                           | 1                   |
| 10. OTHER EXPENSES                                                | 10,535           | 5,794            | 4,214              | 0                                           | 527                 |
| TOTAL REVENUES                                                    | 4,581,099        | 3,432,975        | 639,553            | 259,354                                     | 249,217             |
| TOTAL EXPENSES                                                    | 2,663,376        | 1,325,408        | 906,727            | 259,354                                     | 171,887             |
| <b>TOTAL PROFIT</b>                                               | <b>1,917,723</b> | <b>2,107,567</b> | <b>-267,174</b>    | <b>0</b>                                    | <b>77,330</b>       |
| 11. TAX ON PROFIT                                                 | -219,048         | -211,295         | 0                  | 0                                           | -7,753              |
| 12. DEFERRED TAX                                                  | 1,098            | 1,059            | 0                  | 0                                           | 39                  |
| <b>NET PROFIT OR LOSS FOR THE FINANCIAL YEAR</b>                  | <b>1,699,773</b> | <b>1,897,331</b> | <b>-267,174</b>    | <b>0</b>                                    | <b>69,616</b>       |

Table 54: Income statement for the period between 1 January 2017 and 31 December 2017

p o j a s n i k a k r a č u n o v o d  
o v o d s k i m i z k a z o m p o j  
p o j a s n i k a k r a č u n o v o d  
o v o d s k i m i z k a z o m p o j

## BALANCE SHEET AS AT 31 DECEMBER 2017 SHOWING THE ASSETS UNDER MANAGEMENT

in EUR

| DESCRIPTION                                                                     | Borzen<br>Total    | Borzen excl. public utility<br>service | Centre for Support | Balance<br>Scheme |
|---------------------------------------------------------------------------------|--------------------|----------------------------------------|--------------------|-------------------|
| <b>ASSETS</b>                                                                   | <b>122,433,365</b> | <b>5,701,961</b>                       | <b>109,254,014</b> | <b>7,477,390</b>  |
| <b>A. LONG-TERM ASSETS</b>                                                      | <b>2,373,599</b>   | <b>2,373,599</b>                       | <b>0</b>           | <b>0</b>          |
| I. INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES | 373,826            | 373,826                                | 0                  | 0                 |
| II. TANGIBLE FIXED ASSETS                                                       | 1,461,147          | 1,461,147                              | 0                  | 0                 |
| 1. Business premises                                                            | 1,214,404          | 1,214,404                              | 0                  | 0                 |
| 2. Equipment                                                                    | 246,743            | 246,743                                | 0                  | 0                 |
| III. LONG-TERM FINANCIAL INVESTMENTS                                            | 419,568            | 419,568                                | 0                  | 0                 |
| 1. Shares in associated companies                                               | 419,568            | 419,568                                | 0                  | 0                 |
| IV. DEFERRED TAX                                                                | 119,058            | 119,058                                | 0                  | 0                 |
| <b>B. SHORT-TERM ASSETS</b>                                                     | <b>120,030,734</b> | <b>3,299,330</b>                       | <b>109,254,014</b> | <b>7,477,390</b>  |
| I. SHORT-TERM FINANCIAL INVESTMENTS                                             | 30,000,000         | 0                                      | 30,000,000         | 0                 |
| II. SHORT-TERM OPERATING RECEIVABLES                                            | 26,524,330         | 597,264                                | 20,545,334         | 5,381,732         |
| 1. Short-term trade receivables                                                 | 23,601,579         | 500,995                                | 18,519,860         | 4,580,724         |
| 2. Short-term operating receivables due from others                             | 2,922,751          | 96,269                                 | 2,025,474          | 801,008           |
| III. CASH AND CASH EQUIVALENTS                                                  | 63,506,404         | 2,702,066                              | 58,708,680         | 2,095,658         |
| <b>C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES</b>                     | <b>29,032</b>      | <b>29,032</b>                          | <b>0</b>           | <b>0</b>          |
| Off-balance sheet assets                                                        | 4,678,903          | 4,678,903                              | 0                  | 0                 |
| <b>LIABILITIES</b>                                                              | <b>122,433,365</b> | <b>5,701,961</b>                       | <b>109,254,014</b> | <b>7,477,390</b>  |
| <b>A. EQUITY</b>                                                                | <b>5,130,887</b>   | <b>5,130,887</b>                       | <b>0</b>           | <b>0</b>          |
| I. CALLED-UP CAPITAL                                                            | 1,963,279          | 1,963,279                              | 0                  | 0                 |
| 1. Share capital                                                                | 1,963,279          | 1,963,279                              | 0                  | 0                 |
| II. CAPITAL RESERVES                                                            | 395                | 395                                    | 0                  | 0                 |
| III. PROFIT RESERVES                                                            | 1,472,321          | 1,472,321                              | 0                  | 0                 |
| 1. Statuary reserves                                                            | 196,328            | 196,328                                | 0                  | 0                 |
| 2. Other profit reserves                                                        | 1,275,993          | 1,275,993                              | 0                  | 0                 |
| IV. FAIR VALUE RESERVES                                                         | -4,865             | -4,865                                 | 0                  | 0                 |
| V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD                                  | 0                  | 0                                      | 0                  | 0                 |
| VI. NET PROFIT OR LOSS FOR THE PERIOD                                           | 1,699,757          | 1,699,757                              | 0                  | 0                 |
| <b>B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES</b>       | <b>102,399</b>     | <b>102,399</b>                         | <b>0</b>           | <b>0</b>          |
| <b>C. SHORT-TERM LIABILITIES</b>                                                | <b>117,199,859</b> | <b>468,455</b>                         | <b>109,254,014</b> | <b>7,477,390</b>  |
| I SHORT-TERM OPERATING LIABILITIES                                              | 117,199,859        | 468,455                                | 109,254,014        | 7,477,390         |
| 1. Short-term liabilities to suppliers                                          | 26,110,131         | 192,714                                | 21,218,417         | 4,699,000         |
| 2. Other short-term operating liabilities                                       | 91,089,728         | 275,741                                | 88,035,597         | 2,778,390         |
| <b>D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES</b>                     | <b>220</b>         | <b>220</b>                             | <b>0</b>           | <b>0</b>          |
| Off-balance sheet liabilities                                                   | 4,678,903          | 4,678,903                              | 0                  | 0                 |

Table 55: Balance sheet as at 31 December 2017 with a separate overview of the assets under management

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In the above table, the items that relate to assets and liabilities to assets managed by Borzen are disclosed separately and intended exclusively to perform the activities within an individual

public utility service (PUS). It separately discloses the assets of the Centre for Support and the assets of the Balance Scheme. These are, on the one hand, the cash assets held in separate spe-

cial accounts and the receivables and liabilities that are also kept separately and are settled via special settlement accounts.

# STATEMENT BY THE MANAGEMENT

In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board hereby ensure that the annual report of Borzen, operater trga z elektriko, d. o. o. was compiled and published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms the financial statements of Borzen, operater trga z elektriko, d. o. o. for the year finishing on 31 De-

cember 2017 and the Notes on financial statements compiled on the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that appropriate accounting policies were used in the creation of the financial statements and that the accounting estimates were made according to the precautionary principle and the principle of good management and

that the financial statements reflect the true and fair picture of the company's assets and results of its business operations for 2017.

Ljubljana, 28 March 2018

**Karol Peter Peršolja, PhD**  
General Manager





# RELEVANT ENERGY REGULATIONS

Some relevant energy regulations that govern the operations of a provider of commercial public services of the organised electricity market are listed in the continuation:

- Energy Act (Official Gazette of the RS, No. 17/14 and 81/15);
- Decree on the method of provision of an electricity market operator service of general economic interest (Official Gazette of the RS, No. 39/15);
- Decree on support for the electricity generated from renewable energy sources and in cogeneration with high efficiency (Official Gazette of RS, No. 74/16);
- Regulation on supports for the electricity generated from renewable energy sources (Official Gazette of RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 94/10, 43/11, 105/11, 43/12 and 90/12, 17/14 – EA-1);
- Decree on support for the electricity generated in cogeneration with high efficiency (Official Gazette of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10 and 81/10, 17/14 – EA-1 and 74/16);
- Decree on energy savings requirements (Official Gazette of the RS, No.: 96/2014);
- Decree on the method of determining and calculating the contribution for ensuring support for the generation of electricity from high-efficiency cogeneration and renewable energy sources (Official Gazette of the RS, No. 46/15 and 76/17);
- Rules on the operation of the electricity market (Official Gazette of the RS, No. 105/15);
- Rules on the operation of the Centre for RES/CHP Support (Official Gazette of the RS, No. 88/16);
- Rules on the operation of the electricity balancing market (Official Gazette of the RS, No. 97/14 and 28/17);
- Act on the methodology determining the regulatory framework and the methodology for charging the network charge for the electricity system operators (Official Gazette of the RS, No. 66/15 a 105/15 and 61/16).

# CODES AND RECOMMENDATIONS

Hereunder are the Codes and Recommendations of the stakeholder, which Borzen fully respects in its operation:

- Recommendations of the Slovenian Sovereign Holding;
- Corporate governance code for companies with state capital investment;
- Corporate governance code for public limited-liability companies.

# CONTACT DATA

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# DICTIONARY

- BG – balance group
- BSG – balance subgroup
- CHP – combined heat and power
- DSE – domestic sources of primary energy
- EE – efficient energy
- EECS – European Energy Certificate System
- ENTSO-E – European Network of Transmission System Operators
- GoO – Guarantees of origin
- INC – Imbalance Netting Cooperation
- MO – Market Operator
- RECS – Renewable Energy Certificate System
- REMIT – Regulation on Wholesale Energy Market Integrity and Transparency
- RES – renewable energy source
- RRM – Registered Reporting Mechanism
- SIPX – Slovenian Price Index

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**Borzen**