

**ANNUAL
REPORT
OF
BORZEN
2010**

Borzen

Borzen, Power Market Operator, d.o.o.

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Annual Report of Borzen 2010







Index

Key data from the 2010 annual report	11
1. Business Report	14
1.1 Company Presentation	15
1.1.1 About the Company	15
1.1.2 A Brief History of the Company	16
1.1.3 Business Operations Strategy	17
1.1.4 Company Management	17
1.1.5 Company Ownership	18
1.1.6 Affiliated Companies	18
1.2 Organisation of the Electricity Market in Slovenia	19
1.2.1 Recording of Closed Contracts, Operational Forecasts and Preparation of an Indicative Operating Schedule of Transmission and Distribution Network	19
1.2.2 Imbalance Settlement	22
1.2.3 Balance Scheme	24
1.2.4 Financial Settlement of Imbalance Settlement	26
1.2.5 Implementation of the New Rules for the Operation of the Organised Electricity Market	27
1.3 The Centre for RES/CHP Support	28
1.3.1 About the Centre for RES/CHP Support	28
1.3.2 Support Scheme for the Production of Electricity from RES and CHP – Transitional Period	30
1.3.3 New Support Scheme for Electricity Production from RES and CHP	32
1.3.4 Support Scheme Financing and Clearing and financial settlement of the Centre for RES/CHP Support	38
1.3.5 Overview of the Centre for RES/CHP Support's Inflows and Outflows in 2010	38
1.3.6 Guarantees of Origin Registry	40
1.3.7 Wood Biomass Portal	41
1.4 Investments	42
1.5 Risk Management	43
1.6 Declaration of Conformity with the Provisions of the Corporate Governance Code for Companies with State Capital Investments	45

2. Sustainable Report	46
2.1. Environmental Effects	48
2.1.1 Environmental responsibility	48
2.2. Social Effects	49
2.2.1 Human Resources	49
2.2.2 Sponsorships and Donations	51
2.2.3 Communication with the public	51
2.2.4 Development and Research	52
2.2.5 Cooperation in International Professional Associations and Working Groups	52
3. Financial Report	54
3.1 Auditor's Report	55
3.2 Financial Statements	56
3.2.1 Balance Sheet	56
3.2.2 Income Statement	57
3.2.3 Cash Flow Statement (version I)	58
3.2.4 Allocation of net profit of the financial year	59
3.2.5 Statement of changes in equity	60
3.3 Notes to the Financial Statements	61
3.3.1 Notes on Balance Sheet Items	61
3.3.2 Notes on Items in the Income Statement (version II)	69
3.3.3 Additional Disclosures on the Basis of SRS 35	74
Statement by the Management	77
Contact with Borzen	78

Company's identity card

FULL NAME	Borzen, organizator trga z električno energijo, d.o.o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska 128 a, 1000 Ljubljana, Slovenija
PHONE	01 620 76 00
FAX	01 620 76 01
E-MAIL	info@borzen.si
WEBSITE	www.borzen.si
PRINCIPAL ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383
TAX NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	March 28th 2001
PLACE OF ENTRY IN COURT REGISTER	Ljubljana District Court
SHARE CAPITAL	1,963,279.00 EUR
GENERAL MANAGER	mag. Karol Peter Peršolja
CHAIRMAN OF SUPERVISORY BOARD	mag. Vekoslav Korošec

General Manager's Address

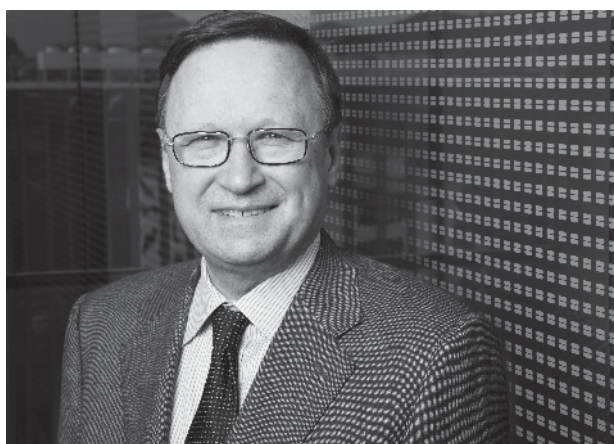


Borzen's entry into the 10th year of business operation is a turning point in which we turn back and proudly note that after a decade of operation and efforts, the organisation of the Slovenian electricity market is based on independence, transparency and non-discrimination towards all participants. Promotion and provision of support mechanisms for renewable sources of energy contribute to the increased use of renewable sources and environmental protection in Slovenia and indirectly contribute to the achievement of Slovenian commitments within the EU energy package. Looking back, all changes which led to the benefit of the environment and community are a progress and our guidance for future sustainable development. Striving for system regulated, transparent, efficient and competitive Slovenian electricity market and its integration into European area in cooperation with other important players are the objectives that we conscientiously follow. For providing excellent implementation and further realizations of organised market functions, we wish successful provision of regulatory, systematic and other conditions which are strictly necessary also in the future.

There is an abundance of knowledge, new ideas and highly professional personnel at Borzen which will continue to create and endeavour for quality conditions towards the development of a modern and advanced electricity market. In the business year 2010, we have deepened our path towards new social responsibility since ethical business operation and personal efforts of all employees provide results and desired success shown in our work done.

Karol Peter Peršolja, M. Sc.
General Manager

President of Supervisory Board's Address



In the business year 2010, Borzen has successfully implemented its mission to create high-quality conditions for the development of modern and advanced electricity market.

In 2010, changes were made at Borzen's operation since its line of business expanded to new areas. Borzen took over the implementation of the Support Scheme for the production of electricity from renewable sources and Support Scheme for cogeneration of electricity and heat with high efficiency. The implementation of the scheme is necessary for pursuing the European objectives and the Slovenian objective which is a 25% of electricity production from renewable sources by 2020.

Borzen implemented changes towards modern electricity market also in the field of organising the electricity market. New rules for the operation of electricity market have been adopted at the end of 2009 after lengthly preparations. According to these new rules, Borzen took over the Balance Scheme management entirely on 1st January 2010.

In 2010, the supervisory board consisted of: Mr. Vekoslav Korošec, M. Sc. (chairman) and Mojca Kert Kos (member). In accordance with the provisions of the Memorandum of Association and in accordance with the Rules of Procedure, the Supervisory Board started supervising the company's business operation already during the year. Supervisory Board held thirteen meetings where we discussed business issues and adopted decisions.

With regard to the goals set and achieved in the business plan for 2010 and in the general sense of the company's vision and mission, I am pleased to note that Borzen's management and all employees operate in a professional and responsible manner and in accordance with requirements imposed on them by this important activity. Borzen is a company that builds upon young, highly competent personnel. In its ten years' operation, Borzen has played an important role in the energy field. This role will become even more important in Slovenia and in a wider region in the following years. The successes achieved and the achievement of objectives defined in the business plan for 2010 are a solid ground and an encouragement for all employees for successful work also in the future.

Vekoslav Korošec, M. Sc.
Chairman of the Supervisory Board

Key data from the 2010 Annual Report

A brief overview of financial operations in 2010

At the end of 2010, Borzen, Power Market Operator, had 29 employees, who generated EUR 3,631 thousand of total revenues, which were 15% higher than in 2009. Total expenses amounted to EUR 2,743 thousand and were 8% lower according to the previous year. Net profit amounted to EUR 665 thousand.

Borzen has EUR 3,093 thousand of equity capital, which represents 5% of all liabilities, while 95% are short-term operating liabilities which were particularly high in 2010 due to the presentation method of the Centre for RES/CHP Support's items. The Centre for RES/CHP Support's assets that remained unallocated in 2010 are presented as a liability. Only 4% of assets are long-term assets, i.e. fixed assets and long-term investments, whereas 96% of all assets are short-term assets of which finances that belong to the Centre for RES/CHP Support account for four fifths and receivables account for one fifth. The introduction of the Centre for RES/CHP Support has significantly transformed the structure of the company's assets and resources which was demonstrated in 2010 in increased short-term assets on one hand and increased short-term liabilities on the other.

With regard to its line of business and field of operations, the company is not exposed to any major price, credit or solvency risks. Transactions in which Borzen underwrites risks of fulfilment of financial liabilities are secured since Balance Scheme Members are obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee.

Since 27th December 2007, Borzen is in the sole ownership by the Republic of Slovenia.

Important events in 2010

BORZEN'S MANAGEMENT CHANGE

On 1st January Karlo Peter Peršolja, M. Sc. took over Borzen's management. He was elected General Manager for a term of five years at the Supervisory Board's Meeting on 19th November 2009.

IMPLEMENTATION OF THE NEW RULES FOR THE OPERATION OF THE ORGANISED ELECTRICITY MARKET

New Rules for the operation of the organised electricity market (Official Gazette of the RS No. 98/2009) (hereinafter: the Rules) entered into force on 1st January. The Rules govern in more detail the method for the implementation of public service obligation relating to the organisation of the electricity market performed by Borzen in accordance with concession.

COLLECTION AND MANAGEMENT OF FUNDS FOR PROGRAMMES FOR INCREASING THE EFFICIENCY OF ENERGY USE

In accordance with the Regulation on energy savings ensured to final customers (published in the Official Gazette No. 114/2009 on 31st December 2009) Borzen started collecting and managing the funds for programmes for increasing the efficiency of energy use within the framework of implementation of activities of the Centre for RES/CHP Support. Within this Borzen issued a Decision on the financial settlement for the implementation of programmes for increasing the efficiency of energy use.

BORZEN'S NEW CORPORATE IDENTITY

In 2010, Borzen developed completely new graphic design. A thoroughly developed and professional corporate graphic design represents the company's vision, business strategy and culture through visual communication, which is why we decided to completely refresh our existing image.

HANDBOOK: Useful Tips for Small Power Plant Construction

In September 2010, Borzen in cooperation with SODO published a handbook which triggered a positive response by the interested public. In the handbook "Useful Tips for the Construction of Small Power Plants for Production of Electricity and Cogeneration of Heat and Electricity" are gathered all useful tips for the construction and information needed for more effective implementation of such investments.

ENERGY MARKET DATA EXCHANGE SECTION

Borzen was one of the foundation members of the Energy Data Exchange Section (IPET) which began to operate with the foundation meeting at the Energy Chamber of Commerce (EZS) in December 2010. IPET's goals are to achieve an efficient data exchange on the Slovenian market by preparing guidelines and models based on available open standards and standardized methodology of business process modelling for data exchange. The Section also joined an international organisation ebIX (European Forum for Energy Business Exchange).

THE PRESENTATION OF ELECTRICITY BALANCING MARKET MODEL

In cooperation with ELES, the transmission system operator, Borzen created a model of balancing market for Slovenian regulatory area which is intended to be implemented by the end of the year. Borzen will implement the

the balancing market which constitutes an important source of balancing energy for the electricity system and thereby the safety of electricity system operation. In addition, it is also a fundamental integral part of the electricity market since its purpose is to release activated capacities of system services for continuous provision of adequate quantities of secondary regulation. All Balance Scheme Members are allowed to participate on the market; however, the bids can only be received by the transmission system operator ELES.

IMPLEMENTATION PLAN OF THE SUPPORT SCHEME FOR ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND FROM HIGH-EFFICIENCY COGENERATION OF HEAT AND ELECTRICITY IN 2011

Jointly with Energy Agency of RS, Borzen prepared a report "Implementation Plan of the Support Scheme for Electricity From Renewable Energy Sources and From High-efficiency Cogeneration of Heat and Electricity in 2011" and submitted the report to the Ministry of Economy. The report represents the operation overview of the scheme and anticipations for the year 2011.

Important events after the end of business year 2010

MARKET COUPLING ON THE SLOVENIAN – ITALIAN BORDER

Italian and Slovenian electricity exchanges and Slovenian market operator (GME, BSP and Borzen) jointly with the Italian and Slovenian transmission system operators (TERNA and ELES) started with the implementation of market coupling on the Slovenian – Italian border in January 2011.

On the basis of the institutional support given by the Slovenian Ministry of Economy and Italian Ministry of Economic Development and following the approval stated by the National Regulation Authorities of both countries (AEEG and AGEN-RS), the market coupling connects the day-ahead with yearly volume of trading 200TWh (data from the year 2010).



Business Report

1.1 Company Presentation

1.1.1 About the Company

The company Borzen, organizator trga z električno energijo, d.o.o. (hereinafter: Borzen) was founded on 28th March 2001 on the basis of provisions in the Energy Act for the implementation of obligatory public utility service relating to the organisation of the electricity market as a subsidiary of Elektro-Slovenija d.o.o. In the middle of 2007, the Government of the Republic of Slovenia as the founder and sole partner in the public company Elektro-Slovenija d.o.o. adopted a decision on the proposal by the Ministry of the Economy to transfer Elektro-Slovenija d.o.o.'s complete business share in Borzen to the Republic of Slovenia. Transfer of ownership was performed in December 2007. Today, Borzen is solely owned by the Republic of Slovenia.

Public utility service relating to the organisation of the electricity market which is performed by Borzen on the basis of concession in accordance with the Decree on the method for the implementation of public service obligation relating to the organization of the market of electricity (Official Gazette of the RS No. 8/2009) includes the following tasks:

- Balance Scheme management;
- Recording of contracts on Balance Scheme membership, Open and Closed Contracts,
- Implementation of the balancing power market;
- Implementation of activities of the Centre for RES/CHP Support;
- Imbalance Settlement;
- Gathering and publishing data for providing transparency of organised electricity market operation;
- Imbalance and financial settlement of transactions connected with aforementioned activities.

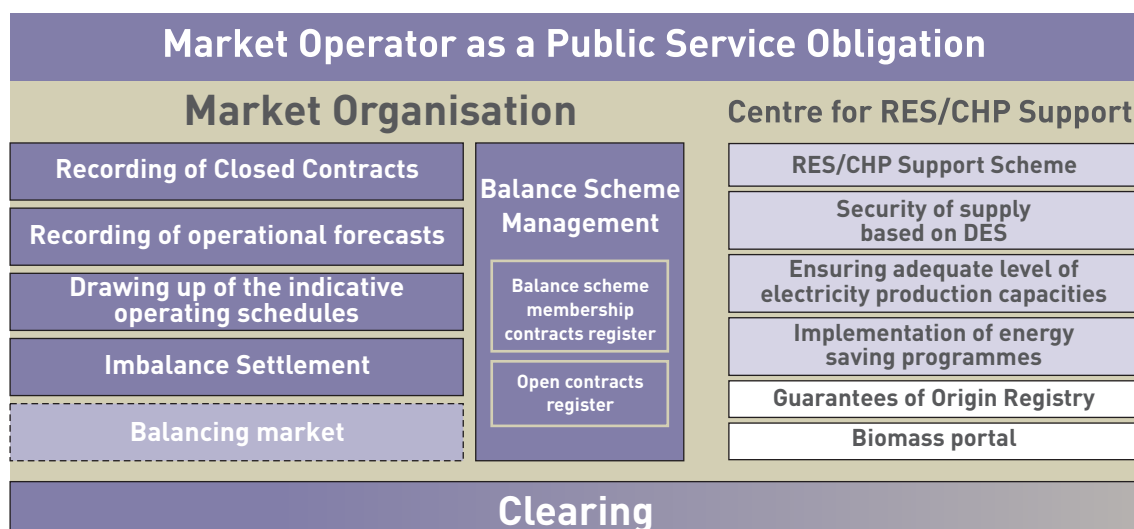


Figure 1: Borzen's main functions

The company's principal activity is the implementation of public service obligation relating to the organisation of the electricity market that includes organisation of the electricity market in the strict sense and the activities of the Centre for RES/CHP Support – implementation of the Support Scheme for the production of electricity from renewable sources and high-efficiency cogeneration of heat and power. In addition, the company also gathers and manages the funds for increasing the efficiency of electricity use, manages the wood biomass information portal and the national Guarantees of Origin Registry, and under the contract performs various educational workshops and services for the company BSP Regional Energy Exchange d.o.o.

1.1.2 A Brief History of the Company

Borzen d.o.o. was established in the spring 2001 for the implementation of the public utility service relating to the organisation of the electricity market. At the beginning, trading between buyers and sellers took place in the form of organised weekly meetings and later on via an electronic trading platform.

In 2002, in addition to providing a daily and weekly market for preferential dispatch electricity, the company also performed daily auctions for the allocation of cross-border transmission capacities for the import and export of electricity on the Slovenian – Italian border. The year 2002 was also marked by the establishment of the Association of European Power Exchanges EuroPEX. The Association which is instrumental in the operation of the European electricity market was established by Borzen and seven other energy exchanges.

In 2004, Borzen started with the implementation of the imbalance settlement in the delivery and consumption of electricity from announced operating schedules which enabled more precise forecasts for electricity consumption and production of market participants. In the same year, a wood biomass information portal was also set up.

In 2005, the implementation of daily auctions for the allocation of cross-border transmission capacities for the import and export of electricity started on all Slovenian borders except on the Hungarian border.

In 2007, the existing central database was upgraded to the Guarantees of Origin Registry by Borzen and the Energy Agency; the Registry enables user-friendly and simple handling of Guarantees of Origin.

In 2008, Borzen established the BSP Regional Energy Exchange d.o.o jointly with the German company Eurex, an international derivatives exchange, whose aim is to establish a centralised energy trading centre in the region of SE Europe. The energy exchange activity was consequently transferred from Borzen to the new company.

In 2009, Borzen started the implementation of activities of the Centre for RES/CHP Support, the Support Scheme operator for the generation of energy from renewable energy sources and highly efficient cogeneration of heat and power.

In 2010, Borzen's Centre for RES/CHP Support started collecting and managing the funds for programmes for increasing the efficiency of energy use in accordance with the Regulation on energy savings ensured to final customers.

1.1.3 Business Operations Strategy

VISION

Borzen's vision is to act as the Slovenian juncture of knowledge and ideas, as well as provision of quality services in the field of energy markets. Being highly professional and neutral, Borzen's wish is to create high-quality conditions that will enable the development towards a modern and advanced energy market.

MISSION

By providing quality services in the field of energy markets, Borzen's mission and wish are to ensure transparent and efficient operation for all participants. As the promoter of the development of these markets, Borzen strives towards a regulated and competitive Slovenian market and the promotion and increased use of green energy.

VALUES

Our values – social responsibility, ethical business operation, high professionalism, knowledge, orientation towards development and progress – are embedded in our operation and are reflected in all our relations.

1.1.4 Company Management

MANAGEMENT

On 1st January 2010 Karlo Peter Peršolja, M. Sc. became Borzen's General Manager.

SUPERVISORY BOARD

From 19th November 2009 the Supervisory Board includes:

Chairman of the Supervisory Board: Mr. Vekoslav Korošec, M. Sc.

Supervisory Board Member: Mojca Kert Kos

COMPANY ORGANISATIONAL CHART

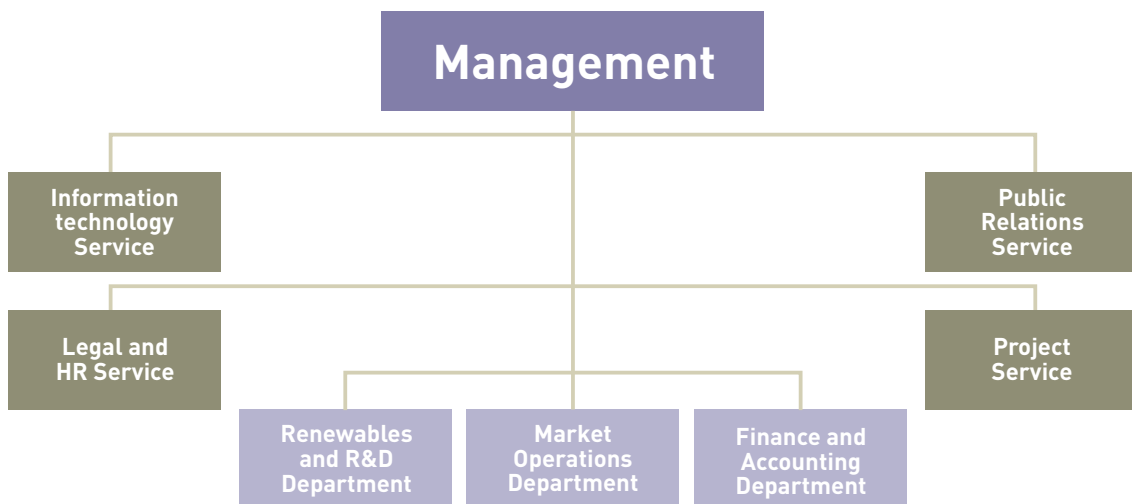


Figure 2: Borzen's organisational chart

We have designed a new organisational chart which will contribute to better transparency and work organisation. We have assigned our employees to new organisational units according to new organisational chart. Business operation is organised within three sectors and four services, the work of which is managed and controlled by the company management.

1.1.5 Company Ownership

Borzen is in the sole ownership of the Republic of Slovenia.

1.1.6 Affiliated Companies

Together with the German company Eurex, an international derivatives exchange, Borzen established BSP Regional Energy Exchange d.o.o in May 2008. Thereby a centralised energy trading centre in SE Europe was established and Borzen's important strategic goal fulfilled. In November 2008, the activities of the energy exchange were transferred to this new company.

Year 2010 was crucial for the operation of BSP since the financial and organisational changes occurred; Eurex had withdrawn from the ownership and a new partner entered the ownership. Elektro-Slovenija d.o.o. gave a capital injection to the BSP, thus became 50 percent owner of the company.

On 31st December 2010, Borzen and Eles each had 50 percent share of the company.

In accordance with the signed contract, Borzen performed financial, accounting and information services as well as clearing and financial settlement services of electricity exchange transactions for BSP d.o.o in 2010.

1.2 Organisation of the Electricity Market in Slovenia

1.2.1 Recording of Closed Contracts, Operational Forecasts and Preparation of an Indicative Operating Schedule of Transmission and Distribution Network

The Energy Act imposes on the Market Operator the obligation of recording contracts of Balance Scheme Membership and Open and Closed Contracts. Recording of Closed Contracts constitutes the basis for the calculation of Balance Scheme Members' market plans, which together with operational forecasts for their delivery points form the basis for the indicative operating schedule of the System Network Operator (ELES). Market plans also constitute the basis for the calculation of the Imbalance Settlement of the Balance Groups. Recording of contracts includes receipt of contract notifications, supervision of the correctness and completeness of notifications, intervention in any disputes between contracting parties regarding recorded data, keeping of official records, supervision of compliance between recorded data on concluded contracts and the operational forecasts of the same notifier, as well as recording of official records. Contracts and operational forecasts are reported to the Market Operator by Balance Responsible Parties which are responsible for reporting closed contracts and operational forecasts for themselves and for all hierarchically inferior members of the Balance Group.

All contracting liabilities are recorded in which electricity is bought or sold in the Republic of Slovenia, or the energy is transferred over the regulatory area. This means that all contracts concluded among Balance Scheme Members, all closed contracts for import or export, and all concluded transactions on the exchange are being recorded; besides that, the contracts among suppliers, consumers, and generators of electricity are being recorded in the form of operational forecasts of consumption and generation.

QUANTITIES OF RECORDED CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2010, there were 78,411 registered Closed Contracts (CC) and operational forecasts within the framework of Open Contracts (OC) in the quantity of 62,942,491.50 MW h altogether. Compared to the previous year, the number of recorded Closed Contracts and operational forecasts was, in the same period, 11.1 percent higher and the total quantity was 12.9 percent higher.

Month	Mwh	The number of reported CC and OF
January	5.235.354,20	6.147
February	4.935.840,60	5.696
March	5.485.092,90	6.367
April	4.922.593,80	6.296
May	5.142.115,80	6.346
June	5.163.514,90	6.528
July	5.168.151,90	6.682
August	4.970.081,00	6.534
September	5.202.816,90	6.721
October	5.024.752,80	7.101
November	5.625.883,40	7.048
December	6.066.293,30	6.945
Total	62.942.491,50	78.411

Table 1: Monthly volumes of recorded Closed Contracts (CC) and operational forecasts (OF) on the organised electricity market in Slovenia in 2010

Table 2 shows the volumes of electricity sold or bought through Closed Contracts and operational forecasts. Compared to 2009, the volume of electricity from Closed Contracts was 20.9 percent higher, while the volume of electricity sold through operational forecasts was 4.0 percent higher.

Month	CC	OF
January	2.848.276,20	2.387.078,00
February	2.812.958,00	2.122.882,60
March	3.092.699,00	2.392.393,90
April	2.771.837,20	2.150.756,60
May	2.776.403,60	2.365.712,20
June	2.884.088,50	2.279.426,40
July	2.942.897,10	2.225.254,80
August	2.763.742,60	2.206.338,40
September	2.883.445,90	2.319.371,00
October	3.039.755,80	1.984.997,00
November	3.171.299,40	2.454.584,00
December	3.406.388,10	2.659.905,20
Total	35.393.791,40	27.548.700,10

Table 2: Monthly volumes of electricity sold or bought through Closed Contracts and operational forecasts on the organised market in Slovenia in 2010 (in MWh)

TRANSFER OF ELECTRICITY ON THE BORDERS OF SLOVENIAN REGULATORY AREA

Table 3 shows import and export of electricity on the borders of Slovenian regulatory area. In 2010, the export excluding NEK compared to 2009 was 15.6 percent higher and amounted to 7,438,618 MW h, import, on the other hand, was 31.8 percent higher and amounted to 8,018,401 MW h in the same period.

Month	Export	Export NEK	Import	Total excl. NEK	Total incl. NEK	Net position excl. NEK
January	529.177	781.148	598.896	1.128.073	1.380.044	-69.719
February	552.481	786.019	689.695	1.242.176	1.475.714	-137.214
March	685.327	943.817	713.031	1.398.358	1.656.848	-27.704
April	596.840	846.272	654.024	1.250.864	1.500.296	-57.184
May	616.383	873.897	583.964	1.200.347	1.457.861	32.419
June	639.033	886.003	652.836	1.291.869	1.538.839	-13.803
July	556.287	805.160	728.918	1.285.205	1.534.078	-172.631
August	555.147	807.858	599.300	1.154.447	1.407.158	-44.153
September	648.034	885.542	616.557	1.264.591	1.502.099	31.477
October	592.741	592.741	804.972	1.397.713	1.397.713	-212.231
November	725.729	916.915	655.734	1.381.463	1.572.649	69.995
December	741.439	1.000.699	720.474	1.461.913	1.721.173	20.965
Total	7.438.618	10.126.071	8.018.401	15.457.019	18.144.472	-579.783

Table 3: Joint import and export of electricity on the borders of Slovenian regulation area in 2010 in MW h

In 2010, the export on the Austrian border compared to 2009 was 50.3 percent higher and amounted to 3,250,804 MW h, import, on the other hand, was 25.1 percent higher and amounted to 4,438,179 MW h.

In 2010, the export from NEK to the Croatian border was 1.5 percent higher than in 2009. The export amounted to 4,014,934 MW h. The import was 41.1 percent higher and amounted to 3,549,958 MW h in the same period.

The total production in the Krško Nuclear Power Plant in 2010 was 1.4 percent lower than in 2009 and amounted to 5,374,906 MW h (the Slovenian part of NEK amounted to 2,687,453 MW h).

In 2010, the export on the Italian border was 6.1 percent lower than in 2009, the import, however, was in negligible quantity and amounted only to 30,264 MW h in the same period.

Border	AUSTRIA		ITALY		CROATIA		
	Export	Import	Export	Import	Export	Import	Export of NEK
January	222.444	268.207	248.207	170	310.497	330.519	251.971
February	215.808	358.693	278.737	0	291.474	331.002	233.538
March	306.717	343.725	298.408	346	338.692	368.960	258.490
April	281.529	316.104	246.446	448	318.297	337.472	249.432
May	347.322	300.784	207.062	250	319.513	282.930	257.514
June	299.137	396.980	211.835	3.690	375.031	252.166	246.970
July	140.921	542.196	237.780	3.987	426.459	182.735	248.873
August	201.826	480.710	77.660	1.213	528.372	117.377	252.711
September	266.895	381.722	229.950	300	388.697	234.535	237.508
October	150.162	551.866	294.070	6.358	148.509	246.748	0
November	370.251	285.242	265.822	2.510	280.842	367.982	191.186
December	447.792	211.950	264.356	10.992	288.551	497.532	259.260
Total	3.250.804	4.438.179	2.860.333	30.264	4.014.934	3.549.958	2.687.453

Table 4: Recorded Closed Contracts by borders for import and export of electricity in 2010 in MW h

1.2.2 Imbalance Settlement

On 1st January 2010 the new Rules for the operation of the organised electricity market entered into force. The changes reflected in the level of basic imbalance prices so that the difference in the level of basic prices C+ and C- was higher than in past years.

The Figure 3 shows the basic price fluctuation for imbalances C+ and C- in 2010.

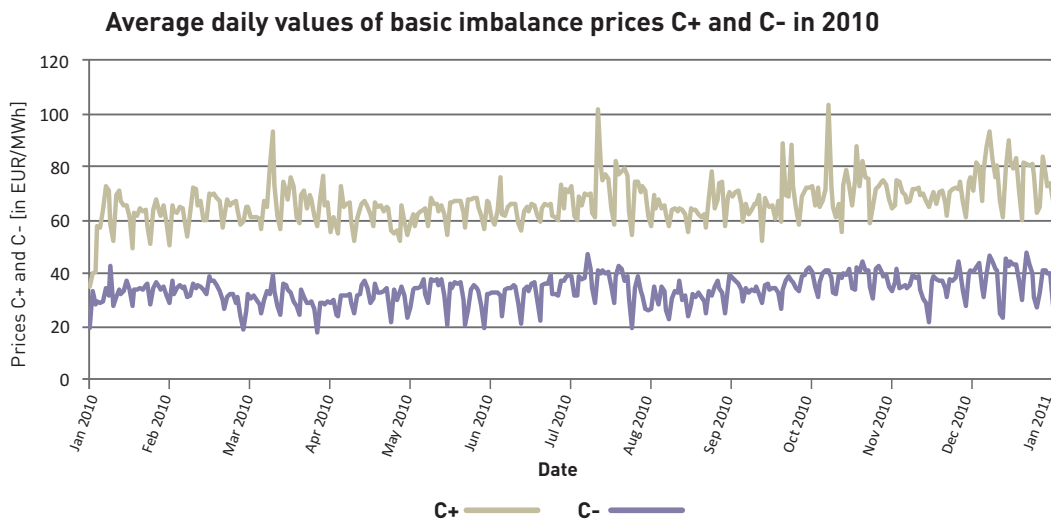


Figure 3: Average daily values of basic imbalance prices C+ and C- in 2010

Average daily values of prices C+ and C- fluctuated rather steadily and constantly in 2010. Within this period we have registered three slightly pronounced price jumps where the price C+ has increased namely during 10th and 12th March, 12th and 13th July and 6th and 7th October. Thus, from January to December 2010, the average value of basic price for positive imbalances C+ was 66.85 EUR/MW h and for negative imbalance C- 33.69 EUR/MW h. Within this period, the highest price value for C+ was 381.23 EUR/MW h and the lowest was 5.66 EUR/MW h. The highest price C+ occurred on 5th June 2010 in 12-hourly block and the lowest occurred 1st January 2010 in 7-hourly block. The highest price value of C- was 77.94 EUR/MW h on 21st December 2010 in 9-, 10- and 11-hourly block. The lowest price value of C- was -8.27 EUR/MW h on 1st March 2010 in 4-hourly block.

The existing hourly index of electricity on the organised market in Slovenia C_{SLOex} was replaced by index for positive imbalance prices C_{SLOp} and index for negative imbalance prices C_{SLOn} . Indexes C_{SLOp} and C_{SLOn} are determined on the basis of average peer prices C+ and C- for working days, Saturdays, Sundays and holidays as specified in the Rules for the operation of the organised electricity market. As is evident from the diagram (Figure 4) of average daily index values, both indexes followed the basic imbalance prices C+ and C- throughout the whole period. Average index values C_{SLOp} and C_{SLOn} were 64.49 EUR/MW h and 34.64 EUR/MW h.

Average daily index values CSLOp and CSLOn in 2010

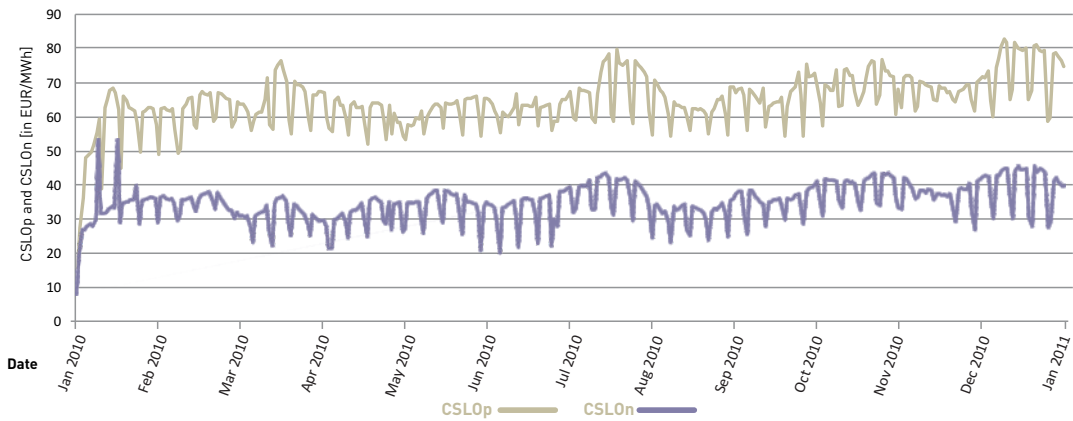


Figure 4: Average daily index values CSLOp and CSLOn in 2010

Figure 5 shows the total positive and negative imbalances of all Balance Groups in Slovenia in 2010. The highest positive imbalances were registered in January, namely 40,786.12 MW h. The lowest positive imbalances were 20,870.42 MW h registered in August. The highest negative imbalances occurred in December and amounted to 43,321.29 MW h; the lowest negative imbalances occurred in October and amounted to 26,683.30 MW h.

Imbalances in positive direction reflect a shortage of electricity; imbalances in the negative direction reflect a surplus of electricity in the Slovenian electricity system.

Montly imbalances in the Slovenian network in 2010

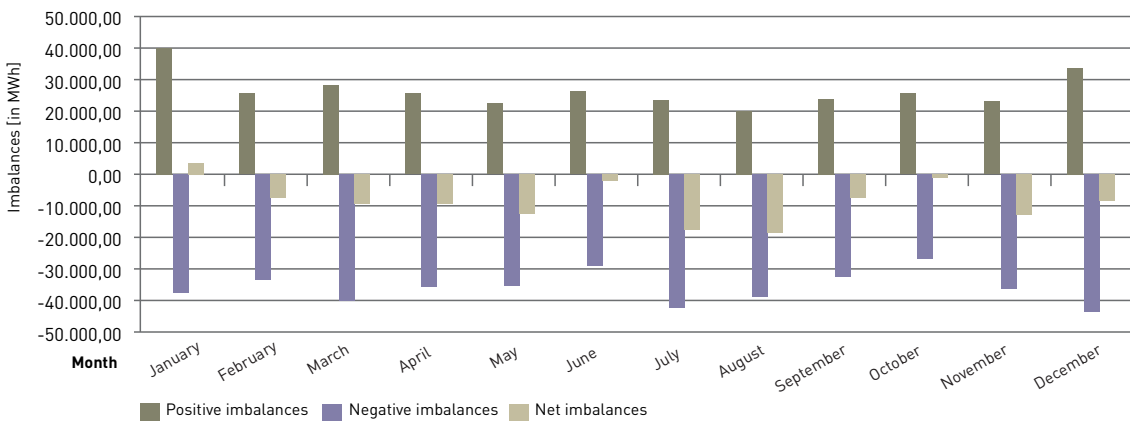


Figure 5: Monthly imbalances in the Slovenian network in 2010 [MW h]

Comparison of monthly imbalances between 2009 and 2010

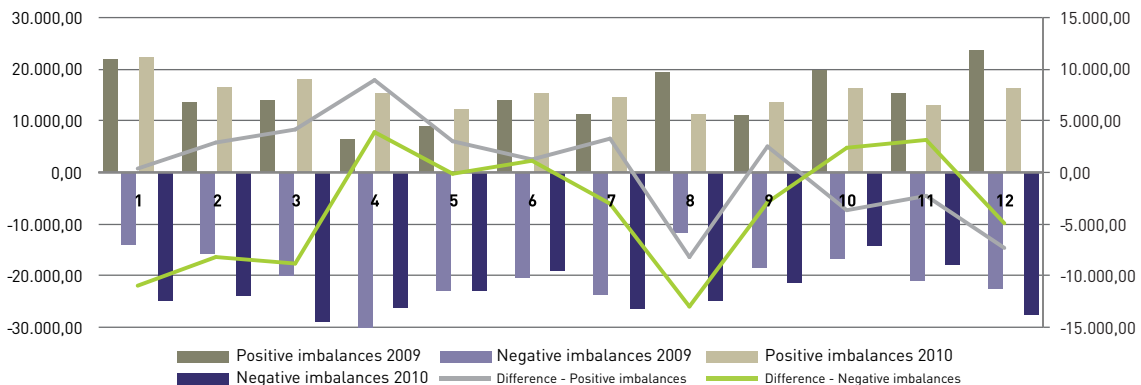


Figure 6: Comparison of monthly imbalances between 2009 and 2010 [MW h]

The change in price level affected also imbalances of Balance Groups. In 2010, Balance Groups, similarly to the previous year, had more imbalances into negative direction rather than positive, but from the differences of monthly quantities is evident that total quantities of positive imbalances were decreasing compared to last year; negative imbalances, however, fluctuated and were most of the time higher than last year.

1.2.3 Balance Scheme

The organised electricity market is hierarchically arranged into a Balance Scheme. Any legal or natural person who wishes to actively operate on the electricity market in Slovenia must become a member of the Balance Scheme led by Borzen as the power market operator.

Balance Scheme Members can act on the market as traders who buy or sell electricity according to volumes known in advance (Closed Contracts), or as suppliers of electricity who, besides trading with electricity, also deal with electricity supply to consumers or with electricity purchase from producers (Open Contracts).

In 2010, there were nine new Balance Groups and five Balance Subgroups included in the Balance Scheme. In total, there were 42 registered Balance Groups (24 foreign and 18 Slovenian companies) and 20 Balance Subgroups (7 foreign and 13 Slovenian companies) on 31st December 2010.

No.	Balance Groups	Balance Subgroups I.	Balance Subgroups II.
1	ALPIQ ENERGY SE		
2	Borzen, d.o.o. – Centre for RES/CHP (Eco Group)		
3	Budapesti Energiakereskedő Kft.		
4	BSP Regional Energy Exchange d.o.o.		
5	Danske Commodities A/S		
6	DB Energy Commodities Limited		
7	e&t Energiehandelsgesellschaft m.b.H		
8	E3, energetika, ekologija, ekonomija, d.o.o.		
9	Edelweiss Energia S.p.A.		
10	EDF Trading Limited		
11	Edison Trading S.p.A.		
12	Ekstra olje d.o.o.		
13	Electrabel S.A.		
14	Electrade S.p.A		
15	Električni finančni tim d.o.o.	Energy Financing Team (Switzerland) AG	
16	Elektrizitäts-Gesellschaft Laufenburg AG		
17	Elektro Maribor, podjetje za distribucijo električne energije, d.d.		
18	ELEKTRO PRODAJA E.U. d.o.o.	Elektro prodaja d.o.o.	
19	ELEKTRO-SLOVENIJA d.o.o.		

No.	Balance Groups	Balance Subgroups I.	Balance Subgroups II.
20	ENEL TRADE S.p.A.		
21	Energieallianz Austria GmbH		
22	E.ON Energy Trading SE		
23	Ezpada s.r.o.		
24	GEN-I, prodaja in trgovanje električne energije, d.o.o.	GEN energija d.o.o.	
		Ekowatt d.o.o.	
		SODO d.o.o., (for distribution area: El. Gorenjska, El. Primorska)	
		UNI energija, družba za upravljanje d.o.o.	
25	HEP-Trgovina d.o.o.		
26	Holding Slovenske elektrarne d.o.o.	Elektro Celje d.d.	
		Elektro Gorenjska d.d.	Gorenjske elektrarne, proizvodnja elektrike d.o.o.
		Elektro Ljubljana d.d.	
		Elektro Primorska d.d.	
		ENI S.p.A.	
		Acroni, d.o.o.	
		PETROL ENERGETIKA, d.o.o.	PETROL, Slovenska energetska družba d.d.
		TALUM, Tovarna aluminija d.d. Kidričevo	
27	IMC Energy Trading B.V. Amsterdam, Cham Branch	ENIPOWER S.p.A.	
		SODO d.o.o., (za distribucijska območja: El. Celje, El. Ljubljana, El. Maribor)	
28	INTERENERGO, energetski inženiring, d.d.		
29	JAS Budapest Zrt.		
30	Merrill Lynch Commodities (Europe) Limited		
31	NORDJYSK ELHANDEL A/S		
32	REPOWER Trading Češka republika s.r.o.	Rezia Energia Italia S.p.A.	
33	RUDNAP ENERGY LIMITED		
34	RUDNAP-HUNGARY ENERGIA -KERESKEDELMI KFT.		
35	RWE Supply & Trading GmbH		
36	SODO, sistemski operater distribuc. omrežja z el. energijo, d.o.o.		
37	Statkraft Markets GmbH		
38	Termoelektrarna Toplarna Ljubljana d.o.o.		
39	UKR-ENERGIJA, podjetje za trgovino in storitve d.o.o.	Korlea Invest, a.s. VERBUND AG	
40	VERBUND-Austrian Power Trading SL d.o.o.		

Table 5: List of Balance Groups and Balance Subgroups with the Power Market Operator in the Republic of Slovenia on 31st December 2010

1.2.4 Financial Settlement of Imbalance Settlement

As the clearing agent, Borzen provides financial settlement of liabilities arising from Imbalance Settlement of financial settlement participants. The subject of the financial settlement refers to all final Imbalance Settlements of an individual Balance Group in a specific time period.

The following Table presents the values of financial settlement of imbalances for 2010.

Month	Imbalance Settlement	Costs of Balancing	In EUR excluding VAT
			Surplus
January	1.023.015,44	-683.679,48	339.335,96
February	352.045,89	-25.152,41	326.893,48
March	457.244,24	-118.854,11	338.390,13
April	190.967,07	109.949,07	300.916,14
May	7.386,51	226.177,83	233.564,34
June	568.444,70	-356.744,40	211.700,30
July	89.142,40	126.983,74	216.126,14
August	-98.775,64	275.971,69	177.196,05
September	291.593,89	-61.380,22	230.213,67
October	762.576,06	-562.096,36	200.479,70
November	82.555,56	159.077,53	241.633,09
December	467.908,46	-111.148,42	356.760,04
Total	4.194.104,58	-1.020.895,54	3.173.209,04

Table 6: Value overview of Imbalance Settlement in 2010

Imbalance Settlement item represents the difference between invoices for supplied electricity of positive imbalances and invoices for received electricity of negative imbalances by individual months. Expenditures or revenues occur by purchasing or selling electricity for the purposes of balancing Imbalance Settlements of the electricity system in the Republic of Slovenia. Financial settlement of Imbalance Settlement is conducted between the Transmission System Operator and Power Market Operator. In the Table above, the negative values represent outflow and positive values represent inflow for the Market Operator.

The surpluses of revenues over expenditures arising from the Imbalance Settlement are intended for risk management in case of non-fulfilment of financial liabilities or late payments and are administered on a separate account for booking Imbalance Settlement surpluses.

1.2.5 Implementation of the New Rules for the Operation of the Organised Electricity Market

New Rules for the Operation of the Organised Electricity Market, which entered into force on 1st January 2010, were published in the Official Gazette of the RS No. 98/2009 on 4th December. Borzen performed all activities defined in new Rules for the operation of organised electricity market in accordance with amendments brought by this regulation.

The Rules for the Operation of the Organised Electricity Market (hereinafter: the Rules) govern in more detail the method of the implementation of public service obligation relating to the organisation of the electricity market performed by Borzen in accordance with concession, namely, in the part which refers to Balance Scheme management, the recording of contracts of Balance Scheme Membership, Open and Closed Contracts, the Imbalance Settlement, the financial settlement of Imbalance Settlement, and gathering and publishing data for providing transparency of organised electricity market operation.

After a certain period of applying the Rules, certain new needs and shortcomings were revealed which must be regulated for the effective implementation of the Rules. A proposal for amendments and supplements of the Rules for the operation of the organised electricity market has therefore been launched for public hearing in the second half of 2010. The amendments of the Rules bring about novelties, mainly in the field of balance affiliation to suppliers, calculation of imbalance price indexes and financial settlement of Imbalance Settlement. The new Rules will contribute to the more efficient and transparent operation of the organised electricity market in Slovenia, which is one of Borzen's strategic goals and also the ambition of Slovene energy circles.

1.3

The Centre for RES/CHP Support

1.3.1 About the Centre for RES/CHP Support

The Centre for RES/CHP Support is the operator of the Support Scheme for the production of electricity from renewable sources (hereinafter: RES) and high-efficiency cogeneration of heat and power (hereinafter: CHP) which was introduced or amended by the Acts amending the Energy Act (EZ-C; The Official Gazette of the RS, No. 70/2008 and EZ-D, the Official Gazette of RS, No. 22/2010). The Centre for RES/CHP Support is stipulated as one of the obligatory commercial public services in the organisation of the electricity market, and is provided by Borzen.

In accordance with the Energy Act and other regulations, the activity of the Centre for RES/CHP Support includes the following:

- Management of assets from Article 64 of the Energy Act;
- Conclusion of Support Agreements;
- Payments of financial support;
- Purchase of electricity referred to in the first indent of the fourth paragraph of Article 64.n of Energy Act;
- Electricity purchase from producers from Paragraph 11 of Article 64.n of the Energy Act ("old production units");
- Settlement of differences between the announced and realised production for the purchased electricity (»Centre for RES/CHP Support's Eco Balance Group«);
- The sale of purchased energy on the organised electricity market;
- Duties regarding Guarantees of Origin;
- Keeping of registries connected with the Support System.

In addition to operating the Support Scheme for RES and CHP, the Centre for RES/CHP Support has also undertaken the following activities in accordance with the Energy Act:

- Activities related to the provision of secure electricity supply in the country on the basis of the use of national primary energy sources referred to in Article 15 of this Act;
- Activities connected with the provision of adequate production capacities from Article 52.a of this Act;
- Activities connected with the implementation of energy saving programmes from Article 66.b of this Act.

The Centre for RES/CHP Support also carries out analyses in the field of RES/CHP and reports to the competent institution.

The Centre for RES/CHP Support shall maintain a joint application support for registries that are required for the implementation of the support system in the generation of electricity from renewable energy sources and high-efficiency cogeneration – this includes the Registry of Guarantees of Origin in the Republic of Slovenia.

In 2010, Borzen also managed the wood biomass information portal within the framework of its informative and educational tasks.

SUPPORT SCHEME FOR ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND HIGH-EFFICIENCY COGENERATION

In 2010, Centre for RES/CHP Support implemented two Support Schemes in parallel – the old scheme in transitional period by 31st December 2011 and the new scheme which was fully implemented on 1st November 2009.

Details regarding the old scheme are laid down in Chapter 1.3.2 and regarding the new scheme in Chapter 1.3.3.

The Guarantees of Origin are deemed as the condition for the provision of support (in the transitional period as well as under the new Support Scheme) and have to be transferred to the Centre for RES/CHP Support as proof for RES/CHP. The acquisition of such guarantees and their transfer to the Centre for RES/CHP Support is arranged with the issuer of Guarantees of Origin (the Energy Agency of the RS) upon or after obtaining the production unit declaration that needs to be obtained by all producers who wish to obtain the guarantee of origin and/or support.

IMPLEMENTATION PLAN OF THE SUPPORT SCHEME FOR THE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND HIGH-EFFICIENCY COGENERATION OF HEAT AND POWER IN 2010

The implementation plan for the Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration of heat and power (RES/CHP Scheme) in 2010 was prepared by Borzen and the Energy Agency of the RS, and was sent to the Ministry of the Economy in November. The document served as a basis for the determination of the amount of required funds for 2010.

ELECTRICITY-SAVING PROGRAMMES IN 2010

In accordance with the Regulation on energy savings ensured to final customers (published in the Official Gazette No. 114/2009 on 31st December 2009), Borzen started collecting and managing the funds for programmes for increasing the efficiency of energy use in within the framework of implementation of activities of the Centre for RES/CHP Support. Within this Borzen issued a Decision on the financial settlement for the implementation of programmes for increasing the efficiency of energy use.

The Centre for RES/CHP Support gathers information on supplied quantities of energy to final customers from all operators and providers. It also issues invoices to small operators and providers (who supply less than 300 GWh per annum) and submits the funds received to Eco Fund while it only submits information regarding large operators and providers to Eco Fund in accordance with provisions of the Regulation until large operators and providers have no confirmed programmes.

Information on supplied quantities and collected contribution funds for 2010 is shown in Table 7.

2010 Period	Small operators and providers	Large operators and providers	
	Notified quantities (in kWh)	Collected funds (in EUR excl. VAT)	Notified quantities (in kWh)
February	33.298.093	16.649,05 €	818.118.634
March	44.813.241	22.406,62 €	932.644.568
April	35.405.685	17.702,84 €	954.025.105
May	43.700.495	21.850,25 €	947.872.520
June	38.774.372	19.387,19 €	913.982.939
July	37.088.713	18.544,36 €	1.070.711.769
August	35.801.619	17.900,81 €	904.451.115
September	42.009.220	21.004,61 €	879.399.057
October	40.399.108	20.199,55 €	1.001.185.401
November	43.080.954	21.540,48 €	1.005.347.823
December	43.107.556	21.553,78 €	1.009.724.139
Total	437.479.056	218.739,54 €	10.437.463.070

Table 7: Overview of supplied quantities and collected funds for programmes for increasing the efficiency of energy use

In 2010, collected funds were submitted to Eco Fund entirely since programmes have not been prepared yet.

SECURED ELECTRICITY SUPPLY WITH THE USE OF DOMESTIC PRIMARY SOURCES OF ENERGY IN 2010

By a Decision of Ministry of the Economy No. 4301-44/2010/8 on 17th September 2010, the thermal power plant Termoelektrarna Trbovlje d.o.o. (TET) was chosen as the electricity producer to take over the obligation of providing secure electricity supply with the use of domestic primary sources of energy in 2010. TET is obliged to use brown coal from the mine Rudnik Trbovlje Hrastnik d.o.o. and according to the Decision of the Ministry of Economy is entitled to receive coverage of eligible, additional expenses due to production from domestic primary sources of energy.

At the end of September, an agreement between Borzen and TET has been concluded on the basis of which net assets of EUR 7,260,060.00 has been paid for the provision of secure electricity supply with the use of domestic primary sources of energy in 2010.

1.3.2 Support Scheme for the Production of Electricity from RES and CHP – Transitional Period

RECEIVING SUPPORT FOR “QUALIFIED PRODUCERS” IN THE TRANSITIONAL PERIOD FROM 1ST JANUARY 2009

Qualified producers who had concluded the agreement with the System Operator on 12th July 2008 or concluded the agreement until 31st December 2008 on the basis of a valid decision on qualified producer status issued by the Ministry responsible for energy, have the right to receive the existing support in the “transitional period” until 31st December 2011 or until the transition to new system in accordance with Article 42 of Act Amending the Energy Act EZ-C.

Condition for receiving support in the »transitional period« is the acquisition of the production unit declaration (issued by the Energy Agency of RS) and, on this basis, acquisition and transfer of Guarantees of Origin to the Centre for RES/CHP Support; the transfer shall be executed at least on yearly basis. Transfer to the »transitional period« was automatic on the basis of the Decision sent from the Centre for RES/CHP Support to the qualified producers by post.

Existing producers whose production units fulfil conditions regarding age for obtaining the support according to Act Amending the Energy Act EC-Z (up to 15 years for RES and up to 10 years for CHP) enter new system for receiving supports. Existing producers included to the transitional period and whose production units does not fulfil age criteria for obtaining support upon new system in accordance with Act Amending the Energy Act EZ-C (above 15 years RES and above 10 years CHP) can receive supports according to transitional provisions within third Paragraph of Article 42 of Act Amending the Energy Act EZ-C but no longer than by the end of 2011.

PRODUCTION UNITS INCLUDED TO THE TRANSITIONAL PERIOD

There were 568 production units included and thermal power plants Termoelektrarna Šoštanj and Trbovlje (biomass co-firing) to the transitional period. Micro and small hydroelectric power plants and solar power plants predominated by number. Disregarding thermal power plants Šoštanj and Trbovlje Total, the nominal power of power plants included to the transitional period was slightly over 211 MW. The part of hydropower plants was approximately one half of this sum; thermal power plants for district heating accounted for less than one third.

Some power plants were transferred to new Support Scheme in 2009 and 2010, so the number of remaining power plants at the end of 2010 was as it is shown in the Table below.

Source in the old system	Number	Sum of power (in kW)
Hydroelectric power plants up to 1MW (source 1)	310	31.878
Hydroelectric power plants above 1MW up to 100MW (source 2)	16	48.037
Biomass power plants up to 1MV (source 3)	2	1.880
Biomass power plants above 1MV (source 4)	5	16.480
Solar power plants up to 50kW (source 8)	24	296
Solar power plants above 50kW (source 9)	3	217
Other qualified power plants (source 10)	3	669
Power plants or thermal power plants using municipal wastes up to 1MW (source 12)	2	599
District heating thermal power plant (source 14)	3	2.645
District heating thermal power plant (source 15)	4	29.900
Industrial thermal power plant up to 1MW (source 16)	2	1.003
Total	374	133.603

Table 8: Power plants in the old support system at the end of 2010

SUM OF PAYMENTS ACCORDING TO OLD SUPPORT SCHEME

Sum of payments for 2010 according to old Support Scheme is presented in the following Table¹.

Type of QPP1 according to the primary source of energy	Source No.	Size class	Produced el. at the threshold of QPP1 (kWh)	Mandatory purchase form QPP3 (EUR)	Independent sale (EUR)	QP's ² own consumption (EUR)
Hydroelectric power plants	1	Up to and including 1 MW	152.084.676	22.598	1.603.477	16.278
	2	Above 1 MW and up to 10 MW	208.892.224	0	1.787.594	29.751
Biomass QPP1	3	Up to and including 1 MW	6.816.357	0	460.852	6.479
	4	Above 1 MW	93.939.714	0	5.002.729	342.060
Wind QPP1	5	Up to and including 1 MW	0	0	0	0
	6	Above 1 MW	0	0	0	0
Geothermal QPP1	7		0	0	0	0
Solar QPP1	8	Up to and including 50 kW	330.537	21.778	94.228	0
	9	Above 50 kW	195.985	0	68.044	0
Other QPP1	10		11.927.990	0	797.882	3.876
Combined QPP1 using RES	11		0	0	0	0
QPP1 or thermal power plants using municipal wastes	12	Up to and including 1 MW	695.948	20.404	1.048	2.555
	13	Above 1 MW and up to 10 MW	3.130.896	0	963	187
District heating thermal power plants	14	Up to and including 1 MW	3.039.376	0	72.840	4.104
	15	Above 1 MW and up to 10 MW	110.997.277	0	956.735	463.789
Industrial thermal power plants	16	Up to and including 1 MW	0	0	0	0
Biomass co-firing	17	Above 1 MW	0	0	0	0
TOTAL			592.050.979	64.781	10.846.391	869.079

Table 9: Sum of payments for 2010 – old Support Scheme

¹ Data on 15th February 2011 are not final due to possible recalculations, subsequent invoices or rejected invoices.

² QP – Qualified Producer.

1.3.3 New Support Scheme for Electricity Production from RES and CHP

Only production units not older than 10 years (high-efficiency cogeneration – CHP) or 15 years (renewable sources – RES) can enter new support system introduced by the amendment of the Energy Act EZ-C. From 1st January 2010, new special conditions regarding efficiency apply for units which produce electricity using biomass or existing combined qualified power plants fuelled by renewable energy sources using biomass.

The age of units is the most relevant factor for entry to new support system which is determined by the Energy Agency of RS within the procedure for obtaining decisions regarding the grant of support. If the unit is older than 10 (CHP) or 15 (RES) years but renovation or reconstruction of the unit was carried out within this period of time, the application for obtaining decision regarding the grant of support at the Energy Agency of RS can be submitted, which shall determine if the reconstruction was carried out according to conditions specified in relevant regulations and if the unit can re-enter support system as “renewed unit”.

ESSENTIAL ELEMENTS OF THE NEW SUPPORT SYSTEM

Essential changes in comparison with the old system:

- New method for calculating and adjusting reference costs, implicit market price and consequently the support amount;
- Better specificity with regard to technology of the production unit (better arrangement mainly for CHP units);
- Faster harmonisation and adjustment to market situations;
- Clear definition of responsibilities for settlement of differences between forecasted and realised production and balance affiliation;
- The level of the support (the source of Support Scheme financing) does not depend on the quantity of consumed electricity;
- Guarantees of Origin as the basis of or a necessary condition for payments of supports;
- The implementation of the scheme is transferred from the System Operators to Market Operator (Centre for RES/CHP Support).

TYPES OF BENEFICIARIES IN THE NEW SUPPORT SYSTEM

- CHP units divided to micro and small (<1MW of power) and other (up to 200MW);
- RES units divided to a group up to 5MW of power and other (up to 125MW).

Units CHP with power less than 1MW and units RES with power less than 5MW may choose between the available support types – guaranteed purchase or operational support. Larger units can receive only operational support, e.g. have no right to claim guaranteed purchase. For CHP units, the support is limited up to 10 years of age and for RES units the limit is 15 years from the start of operation. If the unit enters the system which is already in operation, the duration of the support is reduced for the time from the start of operation up to the entry to the support system.

SUPPORT TYPES IN THE NEW SUPPORT SYSTEM

- Guaranteed purchase of electricity: Guaranteed purchase means that Centre for RES/CHP Support receives electricity and pays the price stipulated in the decision. The production unit is included in a special Balance Group or Subgroup established by the Centre for RES/CHP Support (“Eco Group”). Centre for

RES/CHP Support settles the differences between forecasted and realised production (e.g. coverage of “imbalances”) for units with this support type. Guaranteed purchase is similar to “obligatory purchase or price” from the previous support system.

Operational support (or “financial support for current business operation”): Operational support means that Centre for RES/CHP Support does not assume and does not pay for electricity but on the basis of produced net quantities of electricity pays only the operational support aimed to compensate production unit for the difference between production costs and market price which the unit acquires on the open market. Production units with this support type must settle the differences between forecasted and realised production and balance affiliation by themselves or this can also be arranged by their supplier with which they have concluded Open Contract for the sale of electricity. This type of support is similar to the support in the form of “premium” within the previous system.

UNITS IN THE NEW SUPPORT SCHEME

Source No. according to the new system	Number		Power in kW		TOTAL number	TOTAL power in kW
	Operational support	Guaranteed purchase	Operational support	Guaranteed purchase		
Biogas from wastes up to 1MW	1		381		1	381
Biogas from biomass up to 1MW	1	5	985	4.706	6	5.691
Biogas from biomass above 1 and up to 10MW		3		7.074	3	7.074
Hydroelectric power plants up to 50kW	21	12	522	304	33	826
Hydroelectric power plants above 50kW and up to 1MW	44	23	11.054	4.663	67	15.717
Hydroelectric power plants above 1MW and up to 10MW	2	3	2.450	6.073	5	8.523
Landfill gas up to 1MW	1		625		1	625
Landfill gas above 1MW up to 10MW	1	1	1.669	2.702	2	4.371
Wind power plants up to 50kW		3		20	3	20
Solar power plants – on buildings up to 50kW	172	149	4.596	3.126	321	7.722
Solar power plants – on buildings above 50kW and up to 1MW	22	13	2.863	1.546	35	4.408
Solar power plants – other up to 50kW	9	7	189	130	16	319
Solar power plants – other above 50kW and up to 1MW	1	6	65	2.703	7	2.768
CHP using fossil fuel up to 4000 hours, up to 50kW		6		114	6	114
CHP using fossil fuel up to 4000 hours, above 50kW and up to 1MW	5	5	3.233	2.749	10	5.982
CHP using fossil fuel up to 4000 hours, above 1MW and up to 5MW	5		10.838		5	10.838
CHP using fossil fuel up to 4000 hours, above 5MW and up to 25MW	2		17.338		2	17.338
CHP using fossil fuel above 4000 hours, above 50kW and up to 1MW		2		1.757	2	1.757
CHP using fossil fuel above 4000 hours, above 1MW and up to 5MW	3		7.153		3	7.153
CHP using wood biomass up to 4000 hours, above 50kW and up to 1MW SL12	1		550		1	550
CHP using wood biomass above 4000 hours, above 50kW and up to 1MW SL12	1		140		1	140
Total	292	238	64.651	37.667	530	102.318

Table 10: Production units' status according to the new support system at the end of 2010

STATEMENTS TO THE INVESTORS AND DECISIONS ON ENTRY TO THE ECO GROUP

Centre for RES/CHP Support issues standardized statements for investors confirming its legal obligations (conclusion of an agreement after obtaining decision on the provision of support). Namely, investors need the statements for procedures for obtaining loans. There were 125 statements issued in 2010; by the end of 2010 there were 152 issued statements in total. The statements are issued on the basis of the investor's request, namely for solar power plants and biogas plants.

With the Amendment of the Energy Act EZ-D which entered into force at the beginning of April, the Centre for RES/CHP Support obtained a possibility to put units which chose guaranteed purchase to the balance group as soon as the operation starts. In particular, according to the provisions in the Amendment EZ-D (Article 30 or paragraph 12 of Article 64.n) electricity producers of new production units from renewable sources with nominal capacity of 5 MW and new micro and small production units with high-efficient co-generation which do not have any balancing affiliation and have no concluded Open Contract and submit an application for obtaining a declaration for production unit and an application for obtaining support as guaranteed purchase, can sell produced electricity from the start of operation of the new production unit to the start of obtaining support on the basis of an agreement on guaranteed purchase, but no longer than eight months, to the Centre for RES/CHP Support according to a special decision issued by the Centre for RES/CHP Support at reference market price. Producers must submit a written application for purchase to the Centre for RES/CHP Support at least one month prior to the estimated start of operation. Also, a simpler registration for producers (natural persons) was established by the Amendment of Energy Act EZ-D.

In 2010, 236 decisions were issued; details are presented in the Table below:

Power plant type	Number	TOTAL power in kW
Biogas	4	3.816
Solar energy	227	20.970
CHP	4	178
Liquid biomass	1	950
Total	236	25.914

Table 11: Issuing decisions on entry to the Eco Group (2010)

ELECTRICITY SALE IN THE CENTRE FOR RES/CHP SUPPORT

On 31st December 2010, there were 451 electric power plants (including electric power plants with Eco decisions) included to the Eco Group of the Centre for RES/CHP Support ("Eco Group of the CS") with total nominal power of 63.6 MW within the range from 1kW up to and above 4.2MW. Those are the power plants that chose guaranteed purchase and from which Centre for RES/CHP Support receives electricity. Solar power plants and biogas plants predominate by power; the share of hydroelectric power plants is also high.

Power plant type	Number	Sum of power in kW
Solar energy	371	27.015
Hydro energy	43	10.985
CHP	19	6.748
Biogas	12	15.544
Wind	3	20
Landfill gas	2	3.171
Biogas from wastewater treatment plants sludge	1	130
TOTAL	451	63.613

Table 12: Units in Eco Group on 31st December 2010

Energy sale is performed under an agreement concluded on the basis of the auction results from 18th March 2010 and also through BSP Regional Energy Exchange since May. At the auction, where nine companies participated, the energy was sold for the period from and including April 2010 up to and including December 2010. The sale was conducted per 1 lot for the combination of base-load and peak power in the total quantity of 86,148 MW h. The price achieved was 40.27 EUR/MW h. In 2010, the sale was made between 2 and 11 MW on hourly auctions at the BSP Regional Energy Exchange. The average price achieved (the average of hourly prices for BASE product) fluctuated between 24.51 and 71.10 EUR/MW h.

On the chart below the hourly profile (e.g. realised hourly production quantities) of the Support Centre's Eco Group is presented within the period from 1st January 2009 until 31st December 2010.

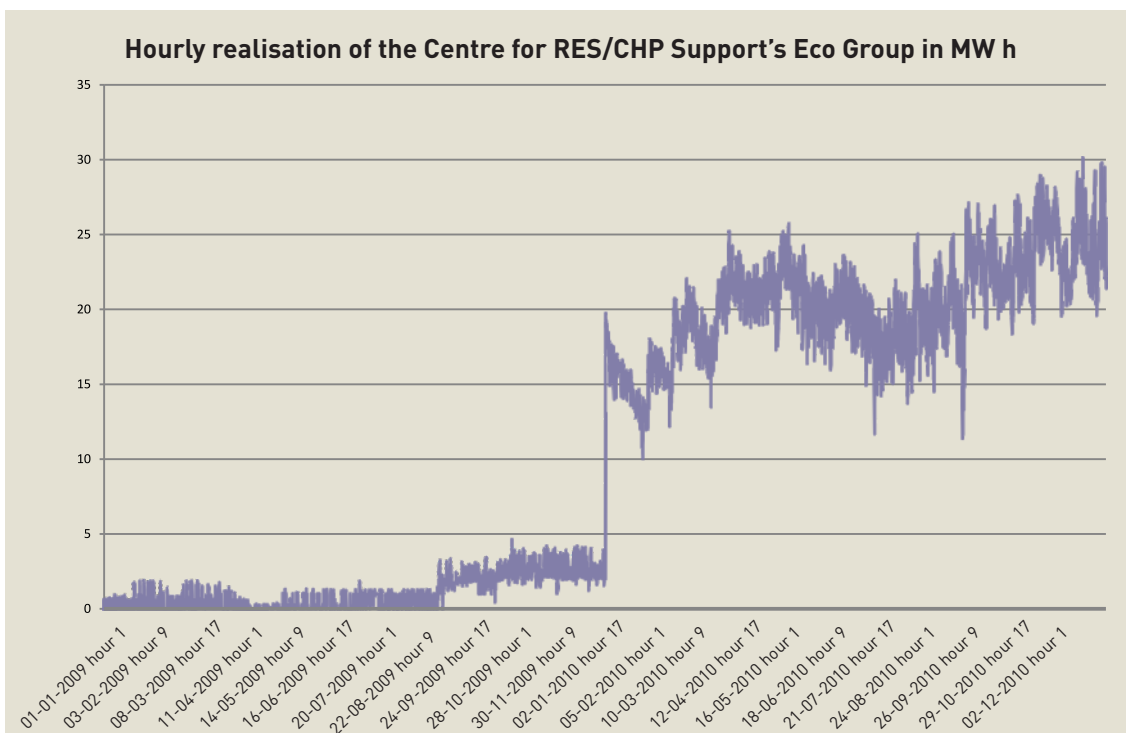


Figure 1: Hourly realisation of the Centre for RES/CHP Support's Eco Group (from 1st January 2009 to 31st December 2010, in MW h)

SUMMARY PAYMENTS UNDER THE NEW SUPPORT SCHEME

Summary payments for 2010 under the new Support Scheme are shown in the Table below.

Unit code	Unit type	kWh	Guaranteed purchase (EUR)	Operational support (EUR)	TOTAL (EUR)
HE01	Water – micro	4.540.762	152.742	176.152	328.894
HE02	Water – small	74.290.395	2.036.440	2.412.445	4.448.884
HE03	Water – medium	43.111.073	2.665.397	368.075	3.033.473
VE01	Wind – micro	10.666	1.017	0	1.017
SE11	Solar – buildings – micro	4.318.015	634.128	960.619	1.594.747
SE12	Solar – buildings – small	3.336.463	386.315	759.877	1.146.192
SE21	Solar – individual – micro	265.008	41.536	52.545	94.081
SE22	Solar – individual – small	1.847.050	612.431	19.356	631.787
BP12	Biogas – biomass – small	35.368.726	4.968.074	843.093	5.811.167
BP13	Biogas – biomass – medium	46.921.124	6.742.947	0	6.742.947
OP02	Landfill gas – small	2.071.279	0	37.967	37.967
OP03	Landfill gas – medium	22.020.522	1.264.460	19.006	1.283.467
BP22	Biogas – wastes – small	2.051.206	0	204.485	204.485
SF11	Fossil fuel <= 4000 OH – micro	166.365	39.038	0	39.038
SF12	Fossil fuel <= 4000 OH – small	15.650.555	982.239	953.610	1.935.850
SF13	Fossil fuel <= 4000 OH – medium	26.169.237	0	1.804.018	1.804.018
SF14	Fossil fuel <= 4000 OH – medium2	66.873.704	0	4.354.310	4.354.310
SF22	Fossil fuel > 4000 OH – small	11.431.650	1.358.269	0	1.358.269
SF23	Fossil fuel > 4000 OH – medium	42.736.808	0	1.934.654	1.934.654
	TOTAL	403.180.606	21.885.035	14.900.212	36.785.247

Table 13: Sum of payments for 2010 – new Support Scheme

COMPARISON BETWEEN 2009 AND 2010

Key data	2009	2010
Generated electricity in total per kWh	945.373.590	995.254.585
Paid support in total in EUR	23.254.819	48.565.498
Average support in EUR per kWh	0,02460	0,04880

Table 14: Comparison between 2009 and 2010

COMPARISON ACCORING TO UNIT TYPE

Unit type	Support share in 2009%	Support share in 2010%	Difference in share in % (%t)	Energy share in 2009%	Energy share in 2010%	Difference in energy in % (%t)
Hydroelectric PP (source 1,2; codes HE)	20,10	23,21	3,11	45,31	48,52	3,21
Solar PP (source 8, 9; codes SE)	3,87	7,52	3,64	0,27	1,03	0,76
Wind PP (source 5)	0,00	0,00	0,00	0,00	0,00	0,00
Biogas PP (source 10, 12, 13; codes BP, OP)	26,06	30,69	4,63	12,02	12,48	0,46
Biomass PP (source 3, 4, 11, 17)	24,80	11,97	-12,83	11,20	10,12	-1,08
CHP using fossil fuels (source 14, 15, 16; SF codes)	25,16	26,61	1,45	31,20	27,84	-3,36

Table 15: Comparison between 2009 and 2010 (old and new Support Scheme together)

1.3.4 Support Scheme Financing and Clearing of the Centre for RES/CHP Support

In January 2009, the financing source of the scheme has also changed in accordance with amendments and supplements of the Energy Act and adopted regulations. All electricity consumers are charged contributions, namely:

- Contribution for the provision of secure energy supply with the use of domestic primary sources of energy
- Contribution for ensuring supports for production of electricity from high-efficiency cogeneration and from renewable energy sources.

These contributions replace the previous addition to network charges to cover the mandatory purchase of electricity from qualified producers (so-called "addition for preferential dispatch") that was charged for the same purpose. Contributions are charged monthly per unit of accounting power as a special item on the bill for the use of the network. These are separate contributions and are not part of the price for the use of the network.

The contribution for the provision of supports is intended for the financing of Support Scheme for RES and CHP and the contribution for the provision of secure electricity supply with the use of domestic sources of primary energy is intended for the implementation of an additional activity of the Centre for RES/CHP Support with the same nomination.

Since February 2010, final customers of electricity are obliged to pay also

- A contribution for the implementation of programmes for increasing the efficiency of energy use which is calculated per energy (kWh) and is collected by suppliers. A contribution bound by an additional activity of the Centre for RES/CHP Support "the implementation of energy saving programmes". The funds received are intended for financing the programmes executed by persons liable (suppliers) and were submitted by the Centre for RES/CHP Support to Eco Fund entirely in 2010 since programmes have not been prepared yet.

Clearing of supports is performed on a monthly basis. In the current month and on the basis of the received decision or a contract concluded with the Centre for RES/CHP Support, the eligible producer issues the Centre for RES/CHP Support an invoice for the previous month with a payment deadline of 30 days from its date.

1.3.5 Overview of the Centre for RES/CHP Support's Inflows and Outflows in 2010

In accordance with Paragraph 2 of Article 49 of the Decree on the method for implementing public service obligation relating to the organised electricity market, the Market Operator is obliged to keep separate accounting records and clearings by each contribution from Article 64 of the Energy Act and their use. The contributions are paid into a special account of the Centre for RES/CHP Support and used for the provision of support, the operation of the Centre for RES/CHP Support and other purposes stipulated by law.

The Table below shows the inflows and outflows of the Centre for RES/CHP Support, namely the planned values and the realisation for 2010.

Value excl. VAT

A	Item Initial status	Plan 2010 8.112.615	Realisation 2010 14.652.658
1	Inflows	90.676.884	85.116.216
a	RES+CHP contribution	83.416.743	77.796.766
b	DES (domestic energy source) contribution	7.260.141	7.319.450
2	Outflows	98.812.455	56.541.265
a	RES+CHP support	90.961.395	48.690.205
b	DES support	7.260.060	7.260.060
c	Operation of the CS	591.000	591.000
3	Total (1-2)	-8.135.571	28.574.951
a	Total (1a-2a)	-7.544.652	29.106.561
b	Total (1b-2b)	81	59.390
4	Total (A + 3)	-22.956	43.227.609

Table 16: Overview of the Centre for RES/CHP Support's Inflows and Outflows in 2010

As shown in the Table above, the Centre for RES/CHP Support received EUR 77,796,766 net RES/CHP contributions and EUR 7,319,450 net DES contributions. The RES/CHP contributions also include the funds received from Imbalance Settlement for Eco Group in a net value of EUR 1,809,723 and sale of electricity of the Centre for RES/CHP Support at an auction and on exchange in a net value of EUR 5,195,885.

The planned values of RES/CHP inflows are derived from the planned data of the accounting power by each month for distribution and transmission network, and contributions set by the Decision on determining the amount of the contribution for the provision of support for the production of electricity from renewable energy sources and high-efficiency cogeneration. The DES contribution estimate is also derived from the planned data of the accounting power by each month for distribution and transmission network and the contributions set by the Decision on determining the amount of the contribution for the provision of secure energy supply with the use of domestic primary sources of energy.

The RES/CHP outflows for 2010 amounted to EUR 48,690,205 net, and the DES payments to EUR 7,260,060 net. The contribution for the operation of the Centre for RES/CHP Support amounted to EUR 591,000 net in 2010 and is stipulated in the Market Operator's Tariff which was defined in a Decision No. 36001-11/2010/4 on 23rd September 2010 with effect from 1st January 2010. The planned outflow value was set in a document "Implementation Plan of the Support Scheme for Electricity From Renewable Energy Sources and from High-efficiency Cogeneration of Heat and Electricity in 2011" which was prepared by Borzen jointly with the Energy Agency of RS and submitted to the Ministry of Economy for determining the amount of contributions.

1.3.6 Guarantees of Origin Registry

The Guarantees of Origin (GO) 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 Guarantees of Origin Registry is computer support for the system of issuing the Guarantees of Origin of electricity. The users can gain, transfer, and redeem GOs in a transparent and simple manner using the World Wide Web. Different lists supported by the GO Registry enable the permanent overview of a user's accounts. Data can also be exported and freely processed using appropriate software.

The introduction of a system of GO is required by EU Directive 2001/77/EC (electricity from RES; the so-called RES-E directive). GO should also cover cogeneration of heat and electricity – CHP (in this regard, the provisions of EU Directive 2004/8/EC on cogeneration are also relevant). The introduction of guarantees for other, the so-called "grey" forms of energy, is envisaged subsequently.

The Energy Act stipulates that the Energy Agency of the RS is responsible for issuing Guarantees of Origin for the whole of Slovenia. In accordance with Article 32 of the Decree on the method for implementing public service obligation relating to the organised electricity market (Official Gazette of RS, No. 8/2009), in its role as the Centre for RES/CHP Support Borzen is also responsible for maintaining a joint application support for registries that are required for the implementation of the support system for the production of electricity from RES and CHP, which includes the Guarantees of Origin Registry.

The GOs Registry, which is an upgrade of the central Guarantees of Origin database, was established in cooperation with the Energy Agency of the RS. Borzen administers the application software, while the Energy Agency of the RS issues the Guarantees of Origin.

The GOs Registry consists of a web portal and a database. The web portal serves for the overview, entry, and printing of needed data, whereas the database contains all information regarding the issue, transfer, printing, and redemption of GOs.

The Registry enables the following basic functions:

- Entry of measured data of produced energy (system operator);
- Issue of GOs (producer);
- Transfer of GOs to another producer or trader's account (producer or trader);
- Export of GO (producer, trader);
- Import of GOs (producer, trader);
- Redemption of GOs (for personal use or third parties);
- Overview of lists (public list of registered devices; availability of other reports depends on the user profile);
- GOs bulletin-board (producer, trader).

Some additional functionalities (providing help to the Energy Agency of RS in issuing GOs in the support system) were added to the Registry in 2009 and some issues were resolved. A special account of the Centre for RES/CHP Support intended for the management of the GOs transferred to the Centre for RES/CHP Support within the Support Scheme for the production of electricity from RES and CHP was established already in 2009. Regular help to the System Operators with the entry of measuring data and the correction of erroneous entries was also provided.

On 31st December 2010 Guarantees of Origin Registry included 53 users: administrator account (Borzen), issuer of Guarantees of Origin account (Energy Agency of the RS), the Centre for RES/CHP Support account and 6 System Operators accounts, 8 trading accounts and 36 producer accounts. A total of 100 production units were registered with a combined rated load of 1,028,590 kW, from which two were CHP and the rest RES. In seven RES units the source energy was solar; the other units were smaller or larger hydroelectric plants.

In 2010, the issued GOs covered 3,170,595,404 kWh, from which GOs for 2,779,416,513 kWh were issued for production in the calendar years 2008 and 2009. 2,652,480,962 kWh were redeemed and a total of 467,723,470 kWh were transferred between user accounts in this period.

1.3.7 Wood Biomass Portal

In Slovenia wood biomass represents great energy potential. For energy purposes it can be used for the production of heat and the cogeneration of heat and electricity.

In 2004, Borzen set up the Wood Biomass Portal together with the Ministry of the Environment and Spatial Planning – the Agency for Energy Efficiency and Renewable Energy Sources (AURE) – in order to encourage interest in this renewable energy source and increase information flow regarding it. The portal is a combination of two services: a general online information portal and an online application for the exchange of supply and demand. Individuals as well as companies can become members of the Wood Biomass Portal; use of the exchange and the application is free-of-charge.

In 2010, 14 new members joined the portal.

On 31st December 2010 the portal's operation can be summarised as follows:

- 352 members;
 - 32 posted advertisements on the Slovenian site, 8 on the English, 8 offers for rental/lease of equipment.
-

1.4 Investments

INFORMATION SYSTEM INVESTMENTS

Bigger and more important investments in Borzen concern information technology which is of key importance for the successful implementation of its duties within the public service obligation. Namely, these are to a great extent supported by high-tech information equipment thus ensuring high-quality services. In 2010, applications for operating schedules and for recording of Closed Contracts and operational forecasts have been updated and a new accounting application has been obtained.

PURCHASE OF BUSINESS PREMISES

The biggest investment made in 2010 is connected with the purchase of business premises. On the basis of a confirmed business plan and investment for the purchase of business premises, Borzen carried out a public tender for the purchase of business premises by public invitation to tender and on the basis of most cost-efficient solution bought the business premises in business building at Dunajska cesta 156, Ljubljana, also as known WTC Ljubljana.

1.5 Risk Management

Openness of the electricity market and differentiated structure and the number of participants bring bigger risks and uncertainties that we face every day. For a successful business operation it is of great importance to identify risks in most efficient manner and to provide successful management. We have developed a comprehensive risk management process which, besides identification, includes oriented monitoring and key risks management. In the following, different natures of the risks are presented to which Borzen gives the most attention.

FINANCIAL RISKS

The effects of financial crisis are seen, among other things, in overindebtedness of the companies, insolvency and late payments. Market Operator's task is to manage such situations and diligence for short- and long-term solvency and business operation in accordance with the Rules which dictate deadlines and obligations regarding payment implementation to the Market Operator.

The risk of non-fulfilment of financial obligations means that there is a risk that the counterparty would not fulfil its financial liabilities in accordance with contractual terms. Management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows.

This risk of non-fulfilment of financial liabilities is present mainly in the financial settlement of the Imbalance Settlement. To this end, Borzen included this type of risk management to the Rules for operation of the organised electricity market. Future Balance Scheme members' verification is carried out upon their application request by careful verification of their credit ratings and with monitoring of their business operation accordingly. Prior to joining the Balance Scheme members are obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee payable upon first call. The process of managing the risks of non-fulfilment of financial obligations includes the calculation of requisite variable financial guarantees when joining the Balance Scheme and in case of imbalances. The variable financial guarantees are increased on the basis of forecasted imbalances (on a daily level) or every time an invoice for positive imbalances is issued if the imbalances are higher than submitted guarantees. In case of Financial Settlement Participants' non-fulfilment of financial liabilities, Borzen can use their financial guarantees and, as a last resort, exclude a Balance Scheme Member from the Balance Scheme.

In 2010, Balance Scheme Members fulfilled their liabilities in due time; therefore it was not necessary to cash in financial guarantees in this respect.

Liquidity risk defines the ability to provide adequate financial funds for prompt payment of due liabilities. Borzen ensures the highest financial liquidity by always having at its disposal sufficient liquid assets for the settlement of due liabilities within the deadline. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and careful planning of outflows and inflows on monthly basis. A system for the management and optimisation of short-term financial surpluses is also in place. In addition, diversification of financial investments and coordination of maturity of liabilities and receivables and their consistent recovery are also ensured.

In spite of financial crisis there were not any major problems observed in 2010 regarding inflows; all due liabilities were settled in due time in accordance with contractual terms. Beside aforementioned risks, we also monitor **foreign-exchange risks** and **interest risks** which were fairly modest in 2010 and did not need any special management. Clearings in different segments of business operation within foreign-exchange business operation are done in Euro. Interest risk is integrated with unexpected increased financing costs due to a change in interest rates on the market. Since the company took out no loans in 2010 and previous years and is also the sole owner of its share capital, these risks are deemed insignificant.

OPERATIONAL RISKS

Operational risks are related to damage caused by improper execution of internal procedures, improper actions by employees, information-technology errors, legal practice and amendments of external regulations and legislation. Identification and management of operational risks are crucial for successful business operation of the company since efficient internal procedures, professional, experienced and highly-motivated employees represent a guarantee for the prevention of operational risks and correct and efficient adaptation of business operation in all economic situations.

More important **information system risks** include possible disruptions to the operation of the applicative and system software, hardware, and communication and network connections; special attention is also given to information security risks. These risks are managed with a network architecture based on using two hot sites and a system duplication for individual types of applicative and system software, hardware, and communication and network connections in the system; these effects are also managed by planning management practices for the event of information support failure, regular maintenance of software and hardware and communication and network connections, management of changes in the information system development, by training employees and other measures.

Human resources risks are highly important for Borzen due to implementation of different activities within organisation of the electricity market and specificity of the assigned activities. Additional tasks allocated to Borzen each year demand 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 possibility to lose the key employees; this is why special attention is given to social dialogue, additional professional training, motivation of employees and providing stimulating working conditions and working environment.

Legal risks, related to the damage due to breaching or non-compliance with law and statutory acts, are managed mainly by precise and clear Rules for the organisation of the electricity market and consequently best possible defined contractual provisions.

Regulatory risks arising from changes in the market rules or legislation that affect the company's business operation are the most difficult to manage since it is difficult to quantify them and limit their effects. That is why our employees follow and actively participate in the development of the Slovenian electricity market and the changing regulations. The company responds to regulatory changes by regularly adapting its business operation.

Other operational risks are limited by clearly defined processes, precisely defined roles, responsibilities and authorities of the employees, and adopted rules.

1.6 Declaration

of Conformity with the Provisions of the Corporate Governance Code for Companies with State Capital Investments

Management and supervisory board of BORZEN, organizator trga z električno energijo, d.o.o. hereby declare that the company in its business operation respects the provisions of the Corporate Governance Code for Companies with State Capital Investments adopted by the Capital Assets Management Agency of the Republic of Slovenia in compliance with the Article 21 of the Law on corporate governance of state capital investments on 13th January 2011 and is available on Agency's web site (link: http://www.auknrs.si/f/docs/PDF_dokumenti/kodeks.pdf)



Sustainable Report

Borzen's socially responsible conduct has become an indispensable part of day-to-day business operation and is shown through work of all employees. In its business activities and relations with stakeholders, Borzen includes solutions regarding social and environmental issues exceeding the boundaries of statutory regulations. We perceive social responsibility not just as our duty, but mainly as our added value. We are following the new guidelines, standards and good practices of socially responsible approach on domestic as well as foreign area, our main focus, however, is on areas within energy sector. Our efforts for successful business operation include ethical business operation, high professionalism, knowledge and orientation towards development and progress. This point of view is part of our vision and coincides with our company values.

2.1 Environmental Effects

2.1.1 Environmental responsibility

RESPONSIBILITY TOWARDS THE SOCIAL ENVIRONMENT

Borzen's operation is integrated in the social environment in which it operates. By donating and sponsoring sport, cultural, health and humanitarian activities, Borzen has a positive effect on their development and the development of the entire society and at the same time strengthens its reputation in Slovenia and abroad.

RESPONSIBILITY TOWARDS THE NATURAL ENVIRONMENT

Borzen recognises the fact that a healthy and safe working and living environment constitutes a fundamental condition for the positive development of our society, and therefore we are committed to environmental responsibility. With environmentally aware employees and continuous improvement of systems for managing the environment, we contribute to environmental care – we look after the environment even at our company's headquarters: through separated waste collection, reduced dumping of batteries, collection of empty cartridges, use of recycled materials and other things.

Our responsibility towards the natural environment is also strongly intertwined in our business operation. By performing activities within the Centre for RES/CHP Support, managing the Wood Biomass Exchange and Guarantees of Origin Registry we wish not only to provide information and increase awareness on the use of renewable energy sources but also to contribute to their actual use.

2.2 Social Effects

2.2.1 Human Resources

The company is presented by people, individuals, employees who jointly achieve company's strategic goals on different levels. Since we are aware that satisfaction of our employees and business success are two interconnected factors, we provide a healthy and safe working environment and enhance the motivation of employees and their development.

The development of human resources is one of the most important elements for successful business operation since it enables continued employee satisfaction by ensuring their constant growth and development in accordance with their potential. And the employees are the ones who are invaluable for the capital of the company since they provide improvements in business operation and development. We are aware that trained, motivated, satisfied and flexible employees who respond to changes in the social environment successfully fulfil the company's vision, strategies and goals.

EMPLOYMENT

We employ competent and qualified workers to whom we wish to provide further training to become the best employees. Satisfaction at work, proper motivation and goal orientation, company's visions and strategies are important factors by which we can succeed. In doing that we are guided by our values like social responsibility, ethical business operation, high professionalism, knowledge, orientation towards development and progress.

The recruitment and employment field is coordinated with recruitment plan which is an integral part of the annual report. The employment follows the set business goals and adjusts to the guidelines of employment costs management. At the end of the business year 2010, Borzen employed 29 people.

The age structure shown in the chart below shows that most of the employees are aged between 25 to 30 years, i.e. 34 percent of all employees. The least of employees (three percent) are aged between 20 and 25. Young and ambitious team works in our company where the average age of the employees is 32 years.

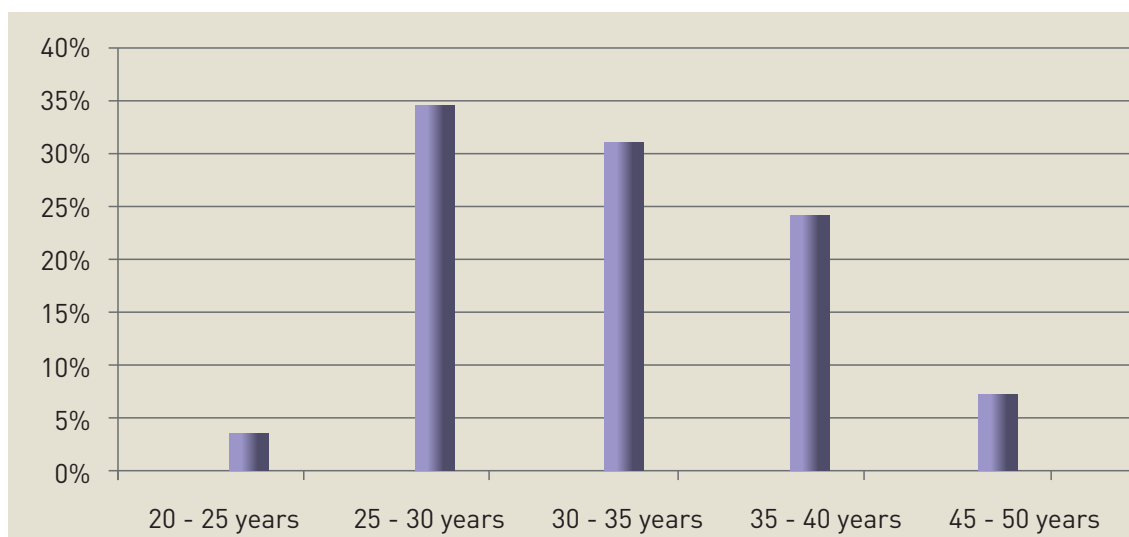


Figure 8: Age structure of employees in percentage as of 31st December 2010

EDUCATIONAL STRUCTURE

Compared to 2009, the educational structure of employees changed. In 2010, the number of employees with seventh level of education has increased and the number of employees with sixth and fifth level of education decreased. The reasons for that are seen in the completion of ongoing training of some employees and in the need for recruitment of employees with higher level of education.

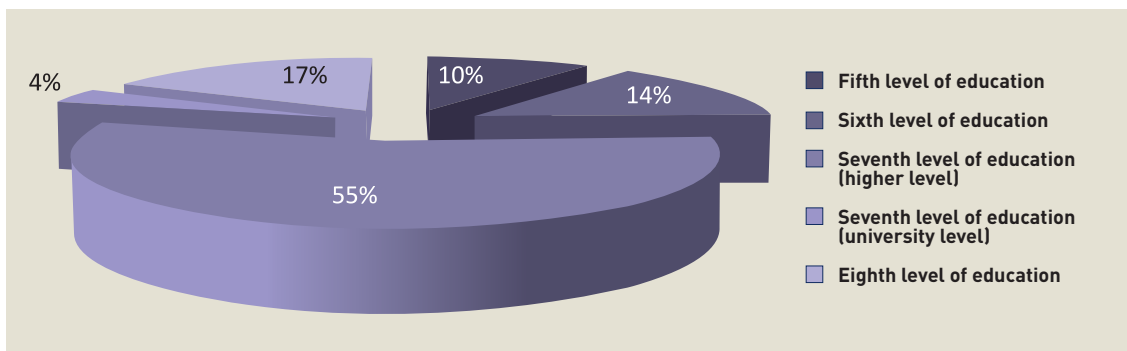


Figure 9: Educational structure of employees in percentage as of 31st December 2010

CARE FOR EMPLOYEES' SATISFACTION

The attention given to employees' satisfaction regarding their work performance is seen mainly as our care for healthy, safe and stimulated working environment and also through other additional benefits.

The employees' medical condition is also regularly monitored (regular medical examinations of all employees are intended for that purpose) and health-friendly solutions for a safe and healthy working environment are regularly introduced.

We also care for team co-operation and sport spirit. In October 2010, a team of Borzen's runners attended 15th Ljubljana Marathon for the first time. Beside health and education care, the purpose of sport and cultural events in the company is to strengthen our mutual relations.

INTERNAL COMMUNICATION

Quality relations between colleagues in the company are ensured through clear, timely and appropriate communication. Through various communication channels and highly competent management open and trust-based relations are built, alliances between employees strengthened and a high-level of motivation and commitment ensured.

Employees use various tools for internal communication that enable the fast and accurate transfer of information. Intranet, bulletin board, e-mail and other messages intended for employees strengthen and facilitate communication among them. Weekly meetings, colleges, trainings and professional meetings include employees in activities that help them achieve the goals set and fulfil the company's vision.

2.2.2 Sponsorships and Donations

The sponsorship and donation strategy is prepared on yearly basis and the activities are carried out through different areas. For some years now, company's social responsibility framework includes donations to educational, cultural and humanitarian institutions and providing support for professional conferences in the form of sponsorships. The company also supports activities of those institutions which with their operation contribute to a better awareness of economic and social issues. The employees, as professionals, cooperate in various conferences and workshops in exchanging knowledge, experience, practices thus contributing for the development of quality education environment.

Funds, distributed in 2010 were mainly aimed at professional energy events and support of youth sport involvement for quality time-spending in accordance with the communication strategy which was adapted to meet the needs of new relevant publics which entered our existing spectre of publics according to the change in company's scope of activities.

2.2.3 Communication with the public

The purpose of communicating with the public is to establish and maintain communication and mutual understanding between the company and its public stakeholders. Planned and respectful communication strengthens the company's reputation in energy circles as well as the broader public. Participants in the organised electricity market, mainly members and potential members of the Balance Groups or Subgroups, members and potential members of the Support Scheme of the Centre for RES/CHP Support, professional public within the energy sector, business partners, media, owner and employees all represent different stakeholders; hence communication methods are adapted to suit each of them.

We upgrade a successful and creative relationship that has been built with the organised market participants and Support Scheme Members with the help of our web site, daily contacts by telephones and e-mails. Those proved one of the most appropriate and successful channels for communication with energy market participants which is why its content and design are upgraded each year to satisfy the needs of as many stakeholders as possible simultaneously. In the second half of 2010, the preparations for content and design upgrade of the company's web site has started.

Appropriate relations that are based on ongoing communication are also maintained with our business partners and the professional public within energy sector, at home and abroad. Business partners are informed about the company's business operation through annual reports and certain events are organised for them in order to improve mutual relations even further. In June 2010, we have successfully carried out a panel discussion titled "Development and changes on the electricity market".

The media is one of the most important groups of the public and Borzen is aware how important it is to create and maintain fair, open and mutual relations. Through various forms of cooperation, such as the regular publishing of Market Operator's reports, responses to interviews, information about the most important events in the Company's operation, we strive to create the best possible relations for communication with the media that follow and are connected to the business operation of our company.

2.2.4 Development and Research

Research and development play an important role in the strengthening and continued development of the company. In order to ensure the highest level of quality in our business processes and of the systematically arranged, efficient, transparent and competitive electricity market, we follow guidelines in all fields and at the same time follow new directions in the energy sector by knowing, monitoring and co-creating the regulatory demands.

2.2.5 Cooperation in International Professional Associations and Working Groups

Borzen actively co-creates the trends of the Slovenian as well as the European energy sector. We are aware of the importance of co-operation between different actors on the energy podium.

Within Eurelectric section, established at the Chamber of Commerce and Industry of Slovenia, Borzen is a member of Eurelectric Union – European association of electricity producers, transmission and distribution operators, suppliers and trading companies. Borzen has an active role in a working group Legal affairs and Regional Implementation thus making us one of the more active members of the Slovenian's section.

Borzen has an active role also in the EuroPex Association which connects European electricity exchanges and electricity market operators. Here Borzen co-operates in working groups WG Environmental Markets and WG Power Markets.

Our co-operation in the European Regulators' Group for Electricity and Gas, ERGEG is also important, where we actively participate within the Central/South European region (ERGEG ERI CSE).

We co-operate in the National Committee of the International Council on large Electrical Systems (CIGRE – CIRED), mainly in the group CIGRE ŠK C5 Markets and regulation.

Borzen also co-operates in the Central Eastern European Electricity Forum aimed at the electricity market integration which in 2010 established two working groups in the field of market coupling and network development where Borzen will also take part. The Forum was established by memorandum signed in December 2009. Founders were governments from seven countries: Poland, Czech Republic, Germany, Austria, Hungary, Slovakia and Slovenia.

In 2010, we also participated in the "Feed in co-operation" group; this group was established by Germany, Spain and Slovenia in order to ensure development in the field of support mechanisms for RES/CHP in the form of purchasing systems.

More specific projects in which Borzen participated in 2010 and which had a significant effect on the making of Slovenian and European policy are presented in continuation.

IMPLICIT ALLOCATION OF DAILY TRANSMISSION CAPACITIES ON THE SLOVENIAN – ITALIAN BORDER

Within the ERGEG, the European Regulators' Group for Electricity and Gas, and in co-operation with GME, the Italian electricity exchange and BSP SouthPool, the Slovenian electricity exchange, we presented an initiative in 2008 for the implicit allocation of transmission capacities on the Slovenian-Italian border. In 2009, a working group was formed which, in addition to Borzen, also included the Slovenian and Italian regulators, both competent ministries, Transmission System Operators (Terna and ELES) as well as BSP SouthPool and GME. The initiative for the implicit capacity allocation was defined and supported in a joint declaration by the Slovenian and Italian Foreign Ministries. This method for capacity allocation will improve the liquidity and transparency of the Slovenian electricity market and its integration in the inner European market.

ENERGY MARKET DATA EXCHANGE SECTION

With the foundation meeting on 2nd December 2010 at the Energy Chamber of Commerce in Ljubljana Energy Market Data Exchange Section (IPET) began to operate. The goals of the IPET Section's operation are implementation, development and maintenance of a standardised model for electronic data exchange on Slovenian electricity market with regard to available standards which, based on an efficient model for data exchange, will enable a unification of approaches among all market participants. At first, the Section's operation will be focused on the electricity market. In order to achieve its set goals, the Section also joined an international organisation eBIX – European Forum for Energy Business Exchange. Namely, the objectives of eBIX membership are exchange of information and experiences among members, use of standardised process modelling of data exchange and methodologies, analysis of good practice examples, development, optimisation and standardisation of the use of electronic information exchange in energy industry.

Financial Report



3.1 Auditor's Report



BM Veritas Revizija d.o.o., Dunajska cesta 106, 1000 Ljubljana
T: 01 568 43 80, 01 568 24 36, F: 01 568 40 75

INDEPENDENT AUDITOR'S OPINION

To the owner of the company
Borzen, d.o.o.
Dunajska 128a
1000 Ljubljana

We have audited the accompanying financial statements of the company BORZEN, d.o.o. which comprise the balance sheet as at December 31st 2010, the income statement, the cash flow statement, the statement of changes in equity for the year then ended, and the summary of significant accounting policies and other explanatory notes. We also read the Management Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with Slovenian Accounting Standards 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company BORZEN, d.o.o. as at December 31st 2010, and its financial performance and its cash flows for the year ended in accordance with the Slovenian Accounting Standards. The Management's Report is in conformity with the audited financial statements.

Report on Other Legal and Regulatory Requirements

The business report is consistent with the audited financial statements.

Ljubljana, May 13th 2011



Benjamin Fekonja, BSc. Econ.
Certified Auditor

3.2 Financial Statements

3.2.1 Balance Sheet

In EUR

DESCRIPTION	31. 12. 2010	31. 12. 2009
ASSETS	58.981.682	22.514.614
A. LONG-TERM ASSETS	2.116.108	1.435.318
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	331.788	318.006
II. TANGIBLE FIXED ASSETS	1.238.280	204.128
1. Business premises	1.063.916	0
2. Equipment	174.364	204.128
III. LONG-TERM FINANCIAL INVESTMENTS	419.568	835.873
1. Shares in associated companies	419.568	70.625
2. Long-term loans given to others	0	765.248
IV. DEFERRED TAX ASSETS	126.472	77.311
B. SHORT-TERM ASSETS	56.857.831	21.029.361
I. SHORT-TERM FINANCIAL INVESTMENTS	0	750.000
II. SHORT-TERM OPERATING RECEIVABLES	11.620.685	6.246.951
1. Short-term accounts receivable	10.362.350	5.437.821
2. Short-term receivables from others	1.258.335	809.130
III. CASH	45.237.146	14.032.411
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	7.744	49.935
Off-balance-sheet assets	4.715.742	2.191.837
LIABILITIES	58.981.682	22.514.614
A. EQUITY	3.092.594	2.427.652
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. REVENUE RESERVES	497.225	25.959
1. Statutory reserves	59.206	25.959
1. Other revenue reserves	438.020	0
IV. NET PROFIT OR LOSS FROM PREVIOUS FINANCIAL YEAR	0	385.009
V. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	631.695	53.011
1. Net profit for financial year	631.695	53.011
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	48.606	41.512
C. SHORT-TERM LIABILITIES	55.838.532	20.041.872
A. SHORT-TERM OPERATING LIABILITIES	55.838.532	20.041.872
1. Short-term trade liabilities	8.457.114	4.844.012
2. Other short-term operating liabilities	47.381.418	15.197.860
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	1.951	3.578
Off-balance-sheet liabilities	4.715.742	2.191.837

Table 17: Balance Sheet as of 31st December 2010

3.2.2 Income Statement

		In EUR	
DESCRIPTION	1.1. - 31.12.10	1.1. - 31.12.09	
1.	NET SALES REVENUES	3.186.847	3.005.119
	a. Revenues from addition to network charges	1.552.357	1.464.999
	b. Revenues – recorded contracts (cross-border transmission capacities)	963.174	836.671
	c. Revenues from the Centre for RES/CHP Support	591.000	591.000
	c. Revenues from BSP	62.783	111.404
	d. Other revenues	17.533	1.045
2.	OTHER OPERATING REVENUES	1.214	1.104
	TOTAL OPERATING REVENUES	3.188.061	3.006.223
3.	COSTS OF GOODS, MATERIAL, AND SERVICES	852.604	872.991
	a. Material costs	79.171	73.266
	b. Costs of services	773.433	799.724
4.	LABOUR COSTS	1.213.614	1.059.705
	a. Wage costs	852.931	771.043
	b. Pension insurance costs	114.163	100.732
	c. Costs of other social insurances	66.184	59.246
	d. Other labour costs	180.336	128.684
5.	WRITE DOWNS	207.275	346.988
	a. Depreciation	207.275	346.740
	b. Revalued operating expenses	0	248
6.	OTHER OPERATING EXPENSES	8.763	6.052
	OPERATING PROFIT OR LOSS	905.806	720.487
7.	FINANCIAL REVENUES	443.379	139.866
	a. Financial revenues from loans given to others	0	139.740
	b. Other financial revenues with revaluation financial revenues	443.379	126
8.	FINANCIAL EXPENSES	460.433	694.974
	a. Financial expenses due to write-downs and impairment of investments	460.173	694.375
	b. Financial expenses for operating liabilities	260	599
	NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	888.751	165.379
9.	OTHER REVENUES	0	420
10.	OTHER EXPENSES	1	1
	PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES	-1	420
	TOTAL REVENUES	3.631.440	3.146.509
	TOTAL EXPENSES	2.742.690	2.980.711
	TOTAL PROFIT	888.750	165.798
11.	CORPORATE INCOME TAX	272.969	187.308
12.	DEFERRED TAX	49.161	77.311
	NET PROFIT OR LOSS FOR ACCOUNTING PERIOD	664.942	55.801

Table 18: Income Statement for the period between 1st January 2009 and 31st December 2010

3.2.3 Cash Flow Statement (version I)

In EUR

DESCRIPTION	2010	2009
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Income statements items		
Operating revenues (excluding revaluation) and financial revenues from operating receivables	3.186.847	3.005.539
Operating expenses without depreciation (excluding revaluation) and financial expenses for operating liabilities	-2.068.148	-1.933.622
Income taxes and other taxes not included in operating expenses	-272.969	-187.308
	845.730	884.609
b. Changes in net operating assets in balance sheet items (including accruals and deferrals)		
Opening less closing operating receivables	-5.373.734	-5.973.928
Opening less closing deferred costs and accrued revenues	42.191	2.857
Closing less opening operating liabilities	35.796.660	19.878.580
Closing less opening accrued costs and deferred revenues and provisions	-1.627	979
	30.463.490	13.908.488
c. Net cash from operating activities	31.309.220	14.793.097
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Cash receipts from investing activities		
Cash receipts from received interest related to investing activities	399.511	128.666
Cash receipts from disposal of intangible assets	1.657	1.104
Cash receipts from disposal of short-term financial investments	4.920.000	0
	5.321.168	129.770
b. Cash disbursements from investing activities		
Cash disbursements for acquisition of intangible assets	-130.409	-40.396
Cash disbursements for acquisition of tangible fixed assets	-1.125.244	-125.809
Cash disbursements for acquisition of long-term financial investments	0	-750.000
Cash disbursements for acquisition of short-term financial investments	-4.170.000	-200.000
	-5.425.653	-1.116.205
c. Net cash from investments	-104.485	-986.435
C. CLOSING BALANCE OF CASH	45.237.146	14.032.411
Net cash flow for period	31.204.735	13.806.662
Opening balance of cash	14.032.411	225.749

Table 19: Cash flow statement (version I)

3.2.4 Allocation of net profit of the financial year

DESCRIPTION	In EUR
	31. 12. 2010
Net profit from previous financial years	0
Net profit for the financial year	664.942
Part of net profit for statutory reserves	33.247
Accumulated profit for financial year	631.695

Table 20: Allocation of net profit for financial year 2010

The accumulated profit for the 2010 financial year amounts to EUR 631,695 and is comprised of net profit from financial year minus the reserves created pursuant to Paragraph 4 of Article 64 of the Companies Act.

3.2.5. Statement of changes in equity

In EUR

	Share capital	Capital reserves General reval. equity cap. adjust.	Revenue reserves Statutory reserves	Other reserves from profit	Retained net profit Net profit	Net profit or loss of the finan. year	Total equity
Closing balance as of 31st December 2008	1.963.279	395	23.168		335.553	49.456	2.371.851
Opening balance as of 1st January 2009	1.963.279	395	23.168		385.009		2.371.851
Total comprehensive income							
Entry of net profit or loss for financial year						55.801	55.801
Changes in equity							
Creating mandatory reserves			2.790			-2.790	0
Closing balance as of 31st December 2009	1.963.279	395	25.958		385.009	53.011	2.427.652
Opening balance as of 1st January 2010	1.963.279	395	25.958		438.020		2.427.652
Total comprehensive income							
Entry of net profit or loss for financial year						664.942	664.942
Changes in equity							
Transfer of profit to reserves				438.020	-438.020		0
Creating mandatory reserves			33.247			-33.247	0
Closing balance as of 31st December 2009	1.963.279	395	59.205	438.020	0	631.695	3.092.594

Table 21: Statement of changes in equity for 2009 and 2010

3.3 Notes to the Financial Statements

BASIS FOR FINANCIAL STATEMENTS

The financial statements were compiled in accordance with the Slovenian Accounting Standards and the Companies Act. The figures contained in the financial statements are based on accounting documents and ledgers administered in accordance with the Slovenian Accounting Standards. The basic accounting assumptions were applied in compiling the financial statements: going concern and accrual basis and consistency. The basic accounting principles taken into account in the accounting guidelines were transparency, the precedence of content over form, and significance.

3.3.1 Notes on Balance Sheet Items

INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

For intangible fixed assets their historical cost and adjustments to the value as a cumulative write-down as the result of depreciation are declared separately in ledgers; in the balance sheet the assets are declared at the net book value, which is the difference between the historical cost and the adjustment to the value.

In EUR

	Software	Software in production	Total
Purchase value			
01. 01. 2010	734.264	17.641	760.906
Direct increases – purchases		130.409	130.409
Transfer from assets being acquired	92.715	-92.715	0
Disposals	99.141	0	99.141
31. 12. 2010	736.838	55.336	792.173
Write-down value			
01. 01. 2010	442.900	0	442.900
Yearly depreciation	116.627	0	116.627
Disposals	99.141	0	99.141
31. 12. 2010	460.385	0	460.385
Current value			
01. 01. 2010	300.364	17.641	318.006
31. 12. 2010	276.452	55.336	331.788

Table 22: Intangible assets and long-term deferred costs and accrued revenues

In 2010, we invested a total of EUR 130,409 in new software. More than half of the amount refers to the purchase of Microsoft licences, the rest refers to an upgrade of the information system for operating schedules and bilateral contracts and applications which were in 2010 still under construction; those are a new information ERP system, an upgrade of internet portal for access of Balance Scheme Members to the Imbalance Settlement data, and an upgrade of application for selling electricity through Centre for RES/CHP Support.

Disposals refer to old software that was no longer used and was also a write-off.

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

TANGIBLE FIXED ASSETS

For tangible fixed assets, the purchase value and value adjustments are declared separately in ledgers, whereby the value adjustment represents the cumulative write-down as a result of depreciation. They are declared in the balance sheet at the net book value, which is the difference between the purchase value and the write-down value.

The actual purchase value of a tangible fixed asset includes its purchase price and all costs that can be directly ascribed to making it fit for its intended use. Costs in connection with a tangible fixed asset that are subsequently incurred increase its purchase value if they increase future benefits in comparison with the previous estimates.

In EUR

	Real-estate under acquisition	Information systems	Office equipment	Tools, instruments, devices and other investments	Total
Purchase value					
01.01.2010	0	778.200	84.611	107.982	970.792
Purchases	1.063.916	58.375	0	2.953	1.125.244
Disposals	0	39.446	0	8.612	47.451
31.12.2010	1.063.916	797.129	84.661	102.928	2.048.584
Write-down value					
01.01.2010	0	633.805	65.509	67.350	766.663
Depreciation	0	70.234	8.855	11.559	90.648
Disposals	0	39.002	0	8.006	47.008
31.12.2010	0	665.036	74.364	70.903	810.303
Current value					
01.01.2010	0	144.395	19.101	40.632	204.128
31. 12. 2010	1.063.916	132.093	10.247	32.026	1.238.281

Table 23: Tangible fixed assets

Investments in tangible fixed assets amounted to EUR 1,125,244 and were used mostly for the purchase of business premises and information system as is evident from the Table above. The investments in the information system were made mainly in order to replace old and deteriorated equipment as well as to upgrade the information system.

Disposals refer to deteriorated equipment that was replaced.

Depreciation was charged on equipment at the following rates:

- Computer equipment 20.00 to 33.33%
- Office furniture 11.00 to 12.00%
- Other equipment 10.00 to 25.00%.

LONG-TERM FINANCIAL INVESTMENTS

Long-term financial investments are valued at the purchase value that corresponds to the cash or other assets invested.

	In EUR	
	31. 12. 2010	31. 12. 2009
Long-term financial investment in shares	419.568	70.625
Long-term loans and interest	0	761.075
Long-term deposits with banks	0	4.173
Total	419.568	835.873

Table 24: Table of long-term financial investments

On 8th May 2008 Borzen and Eurex Frankfurt A. G. founded BSP Regional Energy Exchange d.o.o. EUR 765,000 was invested in the company, which amounted to a 34% share at the end of 2009. On the basis of an appraisal performed in April 2010, the investment was estimated at EUR 70,625 on 31st December 2009.

In 2010, Eurex Frankfurt A.G. withdrawn from the ownership of BSP d.o.o.; in 2009, Borzen gave a capital injection to BSP d.o.o. by providing long-term loan including accrued interests. A new partner entered the ownership structure and by the end of 2010 both partners, Borzen and Elektro Slovenija d.o.o., had a 50% share each. On the basis of an appraisal performed in April 2011, the value of a 50% equity share was estimated at EUR 419,568 on 31st December 2010.

A long-term deposit in the amount of EUR 4,173 deposited at Probanka for the period of 5 years with its due date in May 2011 was transferred to short-term assets.

DEFERRED TAX ASSETS

Deferred tax assets mainly refer to the deferred tax from the impairment of financial investment in BSP d.o.o. (EUR 115,455). The actual impairment of the financial investment is not a recognised tax expense in the year of the impairment but will become a recognised tax expense in the year of the actual disposal of investment (liquidation, sale etc.), which is why the company has disclosed this in its books of account. In addition, the company is also disclosing deferred tax receivable from reservations for severance pay and long service awards (EUR 4,861) and from depreciation charged at higher levels than those taxable (EUR 6,157) for business purposes.

SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are valued upon initial recognition at the historical cost, which corresponds to the cash or other assets invested.

	In EUR	
	31. 12. 2010	31. 12. 2009
Short-term deposits with banks	0	750.000
Total	0	750.000

Table 25: Short-term financial investments

At the end of 2010, Borzen had no termed deposits at banks. All deposits were made available to inspect and are shown as cash.

SHORT-TERM OPERATING RECEIVABLES

Receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be paid. Receivables from legal and natural persons abroad are converted into the domestic currency on the day of appearance. Exchange rate differences that arise up to the day the receivables are settled or up to the day the balance sheet is compiled are deemed to be financial revenues or financial expenses. Before compiling the financial statements the company verifies whether the declared amounts of individual receivables are correct.

In EUR

	31. 12. 2010	31. 12. 2009
Short-term accounts receivable	10.362.350	5.437.821
Short-term domestic accounts receivables	9.926.172	5.417.033
- of which receivables from associated companies	14.856	10.800
Short-term foreign accounts receivables	436.178	20.788
Short-term advances and securities	7.248	9.077
Short-term interest receivables	140	4.114
Other short-term receivables	1.250.947	795.939
Total	11.620.685	6.246.951

Table 26: Short-term operating receivables

On 31st December 2010, the largest portion of the short-term domestic accounts receivables is accounted for by receivables from the Centre for RES/CHP Support (almost 80%), 5% from Imbalance Settlement and 15% from services of recording bilateral contracts and Closed Contracts with the use of cross-border transmission capacities. Receivables from affiliated persons refer to receivables from BSP d.o.o.

Almost all accounts receivables (99.97%) were not due yet on the last day of 2010, and were paid in 2011. The risk of non-payment is in our opinion minimal.

Other short-term receivables refer to input VAT from invoices received in January 2011 and refer to December 2010. The majority of these invoices are from the beneficiaries of the Centre for RES/CHP Support.

CASH

In cash funds in addition to regular funds, the cash of the Centre for RES/CHP Support and Imbalance Settlement is disclosed separately and kept in a special account. Call deposits are also kept on special accounts at two banks; at Volksbank d.d. and Sparkasse d.d.

	In EUR	
	31. 12. 2010	31. 12. 2009
Cash in hand	58	21
Cash in banks	1.720.302	101.434
Cash in business transaction account	14.807	18.222
Cash in special accounts – The Centre for RES/CHP Support	777.369	83.212
Cash in special accounts – Imbalance Settlement	928.126	0
Call deposits – Total	43.516.786	13.930.956
Call deposit	745.568	215.908
Call deposit – The Centre for RES/CHP Support	40.566.466	13.715.048
Call deposit – Imbalance Settlement	2.204.752	0
Total	45.237.146	14.032.411

Table 27: Cash funds

SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Costs that were charged in 2010 but relate to the next financial year and will be met as costs in 2011 are declared as deferred costs and accrued revenues.

	In EUR	
	31. 12. 2010	31. 12. 2009
Short-term deferred costs or expenses	7.744	49.935
Total	7.744	49.935

Table 28: Short-term deferred costs and accrued revenues

EQUITY

The company's total equity consists of the share capital, reserves, retained earnings or previous losses, net profit not yet distributed or net loss not yet settled.

	In EUR	
	31. 12. 2010	31. 12. 2009
Called-up capital	1.963.279	1.963.279
Share capital – capital role	1.963.279	1.963.279
Capital reserves – general revaluation equity capital adjustment	395	395
Revenues reserves	497.225	25.959
Statutory reserves	59.205	25.959
Other revenue reserves	438.020	0
Net profit from previous financial years	0	385.009
Net profit for the financial year	631.695	53.011
Total	3.092.594	2.427.652

Table 29: Equity

In 2010, the company generated a net profit of EUR 664,942. After creating mandatory reserves pursuant to Paragraph 4 of Article 64 of the Companies Act in the amount of EUR 33,247, a remaining net profit in the amount of EUR 631,695 was declared. The company's accumulated profit thus amount to EUR 631,695 and equals to net profit for 2010. In 2010, following the owner's decision we have transformed all non-allocated profit to other revenue reserves.

An estimate of the operating result based on a revaluation in order to retain purchasing power on the basis of growth in the cost of living:

- Revaluing the equity capital based on the growth rate of the cost of living (1.9%) for 2010, the revaluation expenditures would amount to EUR 46,125 and the positive result to EUR 585,570 (without taking into account the corporate tax).

RESERVATIONS

On the basis of an actuarial calculation the company created reservations for severance pay upon retirement and long-service awards. In 2010, a total of EUR 11,764 reservations were used; at the end of 2010 reservations for severance pay upon retirement amounted to EUR 22,415 and reservations for long-service awards to EUR 26,191.

	In EUR	
	31. 12. 2010	31. 12. 2009
Reservations for long-service awards and severance pay	48.606	41.512
Total	48.606	41.512

Table 30: Reservations

SHORT-TERM LIABILITIES

Short-term liabilities are declared separately as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities are loans that have been acquired. Short-term operating liabilities consist of advances acquired from customers, accounts payable to domestic and foreign suppliers, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are declared at the fair value.

In EUR

	31. 12. 2010	31. 12. 2009
Short-term trade liabilities	8.457.114	4.844.012
Short-term trade liabilities – regular suppliers	316.887	156.281
Short-term trade liabilities for the Centre for RES/CHP Support	6.698.964	4.687.731
Short-term trade liabilities – Balance Scheme	1.441.263	0
Short-term accounts payable for the Centre for RES/CHP Support	43.613.239	14.652.833
Short-term trade liabilities for the Balance Scheme	3.173.209	0
Short-term liabilities to employees	95.040	102.136
Liabilities for net salaries and wage compensations	53.026	41.040
Liabilities for contributions from gross salaries and wage compensations	19.630	21.485
Liabilities for taxes from gross salaries and wage compensations	15.980	20.477
Liabilities for other benefits from employment	6.404	19.134
Liabilities to state and other institutions	497.103	440.349
Liabilities for charged VAT	371.248	262.259
Liabilities for corporate income tax	109.446	161.308
Other short-term liabilities to state and other institutions	16.409	16.782
Other short-term liabilities	2.827	2.542
Total	55.838.532	20.041.872

Table 31: Short-term operating liabilities

On 31st December 2010 accounts payable consist of open items to regular suppliers, open items to the beneficiaries of the Centre for RES/CHP Support, and open items for suppliers under the Balance Scheme. The amount of beneficiaries of the Centre for RES/CHP Support refers to invoices in December that were paid in January 2011. The company settles all liabilities toward suppliers in agreed/contractual deadlines.

Short-term accounts payable for the Centre for RES/CHP Support refer to funds not yet allocated to beneficiaries in 2010 that are transferred to 2011. These funds are also seen as cash funds.

SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

	In EUR	
	31. 12. 2010	31. 12. 2009
Accrued costs or expenses	743	2.069
VAT from advances paid	1.208	1.509
Total	1.951	3.578

Table 32: Short-term accrued costs and deferred revenues

Costs charged in the 2010 financial year for which no invoices were received in 2010 and VAT from advances paid are declared among the accrued costs and deferred revenues.

OFF-BALANCE-SHEET ITEMS

The company's off-balance-sheet assets amounted to EUR 4,715,742. From this, EUR 1,204,401 represents Balance Scheme Members' cash in deposit sub-accounts opened in the Balance Scheme Members' names. Funds refer to security for the fulfilment of financial liabilities stemming from Imbalance Settlement. The basic security must be submitted by the Balance Responsible Party upon signing the Balancing Agreement with the Market Operator in accordance with the rules for the financial settlement of the Imbalance Settlement applicable for the transition period. The assets are not declared on the company's balance sheet as they have no direct impact on the size and composition of the assets or liabilities: they merely represent a guarantee for the fulfilment of Balance Scheme Members' liabilities.

In addition to cash guarantees, Balance Scheme Members may also submit financial coverage in the form of bank guarantees payable upon first call. On 31st December 2010, the value of received bank guarantees of the Balance Scheme Members amounted to EUR 3,511,341.

3.3.2 Notes on Items in the Income Statement (version II)

NET SALES REVENUE

Sales revenue consists of the selling price of services provided in the accounting period. Revenues are recognised on the basis of the invoices issued on the basis of the selling prices, minus discounts approved when the sale is made or subsequently.

	In EUR			
	2010	Share in %	2009	Share in %
Net sales revenue				
Revenues from addition to network charges	1.552.357	48,7	1.464.999	48,8
Revenues from recorded contracts with the use of cross-border transmission capacities	963.174	30,2	836.671	27,8
Revenues from the Centre for RES/CHP Support	591.000	18,5	591.000	19,7
Revenues from BSP	62.783	2,0	111.404	3,7
Other revenues	17.533	0,6	1.045	0,0
Total sales revenues	3.186.847	100,0	3.005.119	100,0
Other operating revenues	1.214	0,0	1.104	0,0
Total	3.188.061	100,0	3.006.223	100,0

Table 33: Net sales revenue

The largest proportion of revenues refers to revenues from addition to network charges. The network charges in the amount of 0.13 EUR/MW h is stipulated in the Market Operator's Tariff which was defined in a Decision No. 36001-11/2010/4 on 23rd September 2010 with effect from 1st January 2010. In accordance with provisions of the Rules on setting prices for the use of electricity networks and criteria for the justification of costs (Official Gazette of the RS, No. 134/03) and Article 90 of the Act determining methodologies for the calculation and settlement of network charges and the criteria for determining eligible costs for electricity networks (Official Gazette of the RS, No. 121/05), the Market Operator charges a fee to the Distribution System Operator (SODO) and Transmission System Operator (ELES).

The second largest share of revenues was accounted for by revenues from recording of contract with the use of cross-border transmission capacities. The contracting party supplying electricity outside of the regulation area is obliged to pay the provision for contract recording on the border of the regulation area, in accordance with the issued invoice.

With the introduction of the Centre for RES/CHP Support, almost one-fifth of revenues are coming from the Centre for RES/CHP Support.

OPERATING EXPENSES

Operating expenses are all expenses arising in the financial year, and are recorded by type such as material costs, costs of services, labour costs, depreciation, revaluation operating expenses and other operating expenses. Revaluation operating expenses arise upon the alienation of tangible fixed assets, and in connection with intangible fixed assets and current assets owing to their impairment, if the reduction in their value is not covered by the specific equity capital revaluation adjustment.

In EUR

	2010	Share in %	2009	Share in %
Material costs	79.171	3,4	73.266	3,2
Costs of services	773.433	33,9	799.724	35,0
Labour costs	1.213.614	53,2	1.059.706	46,3
Depreciation	207.275	9,1	346.740	15,2
Re-valued operating expenses	0	0,0	248	0,0
Other operating expenses	8.763	0,4	6.052	0,3
Total	2.282.256	100,0	2.285.736	100,0

Table 34: operating expenses

COSTS OF MATERIALS AND SERVICES

Material costs, which amounted to EUR 79,171 in 2010, consist primarily of electricity costs (48.1%), professional literature (21.9%), other material costs (16.1%) and office supplies (13.3%).

Costs of services, which amounted to EUR 773,433, consisted primarily of costs of advisory services and professional studies (26.9%), rental costs (20.6%), computer software and hardware maintenance and other maintenance costs (8.5%), public relations costs (6,8%), employees' training costs (6.7%), other services costs (5.2%) and employees' travel expenses (4.2%).

Advisory services costs included the costs paid to auditors for auditing services in 2010 in the amount of EUR 5,800. Auditing costs include the costs of auditing annual reports.

LABOUR COSTS

Total labour costs amounted to EUR 1,213,614 in 2010. At the end of 2010 the company had 29 employees. The average number of employees based on work hours was 25. Labour costs are calculated in accordance with the Rules on the employment relationships and the Government Regulation on the reimbursement amounts for work-related expenses and other remuneration recognised as expenses in the determination of the tax basis.

WRITE-DOWNS

Depreciation in 2010 amounted to EUR 207,275 and is lower than in the previous year since in 2010 quite a few fixed assets were already finally depreciated; new purchases were implemented at the end of the year and did not affect the level of depreciation. The straight-line method is used.

OTHER OPERATING EXPENSES

Other operating expenses, which primarily refer to construction land contribution, amounted to EUR 8,763 in 2010.

FINANCIAL REVENUES

	In EUR			
	2010	Share in %	2009	Share in %
Interest revenues	443.379	100,0	139.740	99,9
Other financial revenues with revaluation financial revenues	0	0,0	126	0,1
Total	443.379	100,0	139.866	100,0

Table 35: Financial revenues

Interest revenues refer to interest on deposits made with banks and interest on demand cash deposits in accounts, as well as interest on the loan made to BSP.

FINANCIAL EXPENSES

	In EUR			
	2010	Share in %	2009	Share in %
Financial expenses due to write-downs and impairment of investments	460.173	99,9	694.375	99,9
Financial expenses for operating liabilities	260	0,1	599	0,1
Total	460.433	100,0	694.974	100,0

Table 36: financial expenses

Expenses from investment impairment and write-downs refer to the impairment of the investment in BSP d.o.o. At the end of the year, Borzen owned 50% of BSP Regional Energy Exchange d.o.o. The investment amounted to EUR 880,000 and was estimated at EUR 419,568.

The financial expenses for operating liabilities in 2010 refer to revaluation of liabilities for preservation of value. These values are minimal.

NET PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

In EUR

	2010	Share in %	2009	Share in %
PRvenues	3.631.440	100,0	3.146.509	100,0
Net sales revenue	3.186.847	87,8	3.005.119	95,5
Other operating revenues	1.214	0,0	1.104	0,0
Financing revenues	443.379	12,2	139.866	4,5
Other revenues	0	0,0	420	0,0
Expenses	2.742.690	100,0	2.980.711	100,0
Costs of sale of services incl. write-downs	2.273.493	82,9	2.279.684	76,5
Other operating expenses	8.763	0,3	6.052	0,2
Financing expenses	460.433	16,8	694.974	23,3
Other expenses	1	0,0	1	0,0
Corporate income tax	272.969		187.308	
Deferred tax	-49.161		-77.311	
Net profit or loss for accounting period	664.942		55.801	
Total comprehensive income for accounting period	664.942		55.801	

Table 37: Net profit or loss and total comprehensive income for the period

OTHER DISCLOSURES

The total earnings, including bonuses, of Borzen's management work and tasks amounted to EUR 74,834 in 2010. The company has no receivables from members of the management, and did not pay or approve any advances, loans or sureties for liabilities to these persons.

PERFORMANCE AND FINANCIAL SITUATION INDICATORS

The Centre for RES/CHP Support's activity which was introduced in 2009 has a great impact on the structure of assets in the balance sheet and consequently on the indicator value. The share of capital among all financing sources is low as well as the share of fixed assets among all assets, which is, however, very dependent on the activity performed.

The most illiquid assets and part of the current assets are wholly financed by equity capital, which increases creditors' security. The immediate solvency ratio shows that the company could settle 81% of all its liabilities with the available funds on a given day. The accelerated liquidity indicator and current ratio are slightly above 1 which means that the company also finances a part of its short-term assets in the long-term.

	INDICATOR TYPE	2010	2009
	Basic financing indicators		
1.	Equity financing rate	0,052	0,108
2.	Long-term financing rate	0,053	0,110
	Basic investing indicators		
3.	Operating fixed assets rate	0,027	0,023
4.	Long-term assets rate	0,034	0,064
	Basic horizontal financial structure indicators		
5.	Equity to fixed operating assets ratio	1,970	4,674
6.	Immediate solvency ratio	0,810	0,700
7.	Quick ratio	1,018	1,012
8.	Current ratio	1,018	1,049
	Basic economic indicators		
9.	Operating efficiency ratio	1,397	1,315
	Basic profitability indicators		
10.	Net return on equity ratio in %	0,270	0,023

Table 38: Performance and financial situation indicators

	INDICATOR TYPE	2010	2009
1.	Net sales revenue	3.186.847	3.005.119
2.	Costs of materials and services	852.604	872.991
3.	Labour costs	1.213.614	1.059.705
4.	Added value	2.334.243	2.132.128
5.	Average no. of employees	28,4	23,9
6.	Added value per employee	82.337	89.210
7.	Labour costs share in added value	0,5199	0,4970
8.	Revenues per employee	112.411	125.737

Table 39: Labour costs indicators

3.3.3. Additional Disclosures on the Basis of SRS 35

The field of certain activities, performed by Borzen, d.o.o. is governed by Slovenian Accounting Standards (SRS 35).

In accordance with the Energy Act, the Decree on the method for implementation of public service obligation relating to the organisation of the electricity market, the Act on the formation of Borzen, organizator trga z električno energijo, d.o.o. 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 Centre for RES/CHP Support's activities. In addition, it also performs a commercial activity (services for BSP d.o.o.).

The Energy Act defines the activities regarding the organisation of the electricity market and the activities of the Centre for RES/CHP Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for RES/CHP Support. For the purpose of keeping the market organisation (hereinafter "MO") and the Centre for RES/CHP Support (hereinafter "CS") 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 are used which are based mainly on assumptions regarding their distribution to each activity. The keys for the division of joint revenues and expenses are set in Borzen'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 accorded. 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.

Table of general keys specified and adopted for 2010:

ACTIVITY	Market organisation	The Centre for RES/CHP Support	Commercial activity
Key K1	70 %	27 %	83 %
Key K3:		razporeditev stroškov plač	
- FRS	60 %	30 %	10 %
- IT	75 %	15 %	10 %
- management, other	87 %	13 %	0 %
Key K90	80 %	16 %	4 %

Table 40: General keys for 2010

“Key K1” takes into account a distribution of balance items of a specified activity as referred to in cost centres which directly or indirectly incur an activity according to individual cost centre’s burden which is measured by working time spent in hours needed for an individual activity.

“Key K3” takes into account a distribution of balance items of a specified activity as referred to in cost centres which directly or indirectly incur an activity according to individual cost centre’s burden which is measured by hours expressed with labour costs included which incur an individual cost centre.

“Key K90” takes into account a distribution of information system balance items of a specified activity as referred to in cost centres which directly or indirectly incur an activity according to information system’s burden.

Borzen's Income Statement is prepared separately for each commercial public service and separately for its commercial activity.

In 2010, the company as a whole generated a net profit of EUR 664,942. The public service obligation regarding the organisation of the electricity market generated a profit of EUR 419,324, the public service obligation regarding Centre for RES/CHP Support generated a profit of EUR 223,676 and the commercial activity generated a profit of EUR 21,941.

INCOME STATEMENT BY ACTIVITIES FOR THE PERIOD BETWEEN 01.01.2010 AND 31.12.2010

In EUR				
Elements	BORZEN Total	Market organisation	Centre for RES/CHP Support	Market activity
1. Net domestic sales revenue:	3.169.314	2.515.531	591.000	62.783
a. - Revenues from addition to network charges	1.552.357	1.552.357		
b. - Revenues from recorded contracts with the use of cross-border transmission capacities	963.174	963.174		
c. - Revenues from BSP	62.783			62.783
d. - Revenues from the Centre for RES/CHP Support	591.000		591.000	
2. Other operating revenues:	18.747	2.446	16.201	99
TOTAL OPERATING REVENUES	3.188.061	2.517.977	607.201	62.882
3. Costs of materials and services:	852.604	565.832	265.284	21.489
a. - Material costs	79.171	54.981	21.839	2.351
b. - Costs of services	773.433	510.851	243.445	19.138
4. Labour costs:	1.213.614	798.920	367.172	47.522
a. - Wage costs	852.931	555.761	262.562	34.608
b. - Health care contributions, contributions for maternity leave	66.184	43.191	20.321	2.672
c. - Pension insurance (mandatory + additional)	114.163	75.114	34.212	4.836
d. - Other labour costs	180.336	124.853	50.077	5.406
5. Write-downs:	207.275	142.595	51.255	13.424
a. - Depreciation	207.275	142.595	51.255	13.424
6. Other operating expenses:	8.763	6.134	2.366	263
TOTAL OPERATING EXPENSES	2.282.255	1.513.481	686.077	82.698
NET OPERATING PROFIT OR LOSS	905.806	1.004.496	-78.875	-19.816
7. Financial revenues:	443.379	31.850	363.050	48.479
a. - Interest revenues	443.379	31.850	363.050	48.479
TOTAL FINANCIAL REVENUES	443.379	31.850	363.050	48.479
8. Financial expenses:	460.433	460.355	70	8
a. - Financial expenses due to write-off and impairment of investments	460.173	460.173	0	0
b. - Financial expenses for operating liabilities	260	182	70	8
TOTAL FINANCIAL EXPENSES	460.433	460.355	70	8
NET PROFIT FROM ORDINARY ACTIVITIES	888.751	575.990	284.104	28.656
9. Other revenues	0	0	0	0
10. Other expenses	1	1	0	0
TOTAL REVENUES (3+10+14):	3.631.440	2.549.827	970.251	111.361
TOTAL EXPENSES (8+12+15):	2.742.690	1.973.838	686.147	82.706
TOTAL PROFIT	888.750	575.989	284.104	28.656
11. Tax on profit	272.969	191.078	73.702	8.189
12. Deferred taxes	49.161	34.413	13.273	1.475
NET PROFIT FOR ACCOUNTING PERIOD	664.942	419.324	223.676	21.941

Table 41: Profit or loss by activities for the period between 01.01.2010 and 31.12.2010

Statement by the Management

In accordance with Article 60 of the Companies Act, the management hereby ensures that the annual report of Borzen, organizator trga z električno energijo, d.o.o. was compiled and published in accordance with the Slovenian Accounting Standards and the Companies Act.

The management approves and confirms Borzen's financial statements for the year finishing 31st December 2010 and 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 2010.

Ljubljana, 4th May 2011

Karol Peter Peršolja, M. Sc.
General Manager

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78

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