

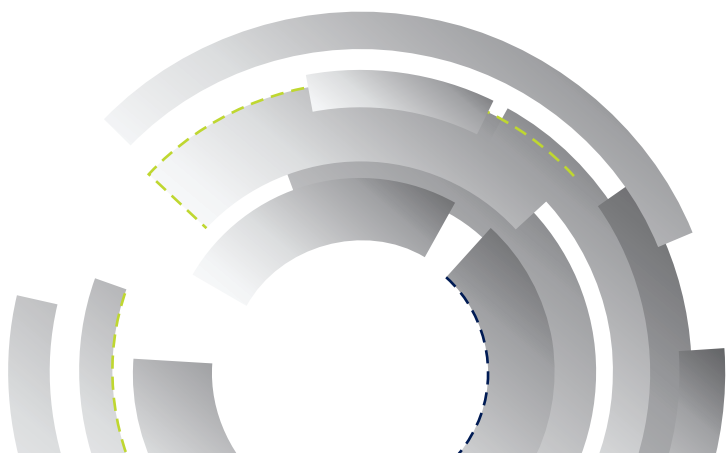
annual
report
of the
borzen
company

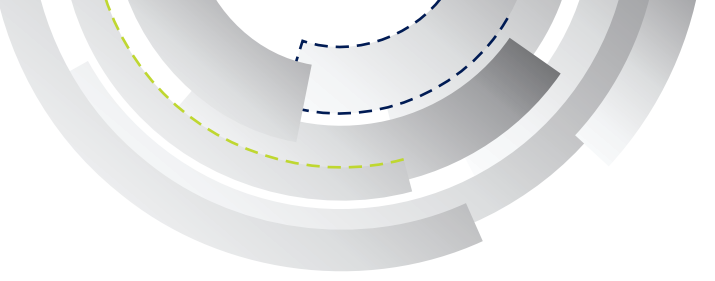
20**2023**



Borzen

Power Market Operator





the junction of 

sustainable development

knowledge

energy market

people
experiences

nature

energies

ideas

expert employees



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general manager's address

2012 was a record year in many ways; the profit of the Company was not only higher than planned but was even the highest in its history and amounted to EUR 1.67 million. However, the number and quantity of recorded contracts that exceeded 100,000 for the first time and 81.5 TWh of electricity were also records and the highest in the history of the Company. Compared to 2011, the number of participants of the support scheme increased by almost 70 percent and equalled 2,543 production units at the end of the year.

The sum of the numbers of the previous year totalled $2+0+1+2 = 5$, which is an excellent mark. And the same applies to the financial year of Borzen. The goals set were achieved and even outdone and thus our efforts were also rewarded and resulted in the additional enthusiasm of all of us at Borzen who had strived so much to reach them.

We proudly carry out the mission of a public service organising the electricity market and believe in further energy market development. The balancing market that we established in October 2012 is definitely an important contribution and practically came to life overnight.

At the same time, our colleagues at Borzen will remember the year 2012 as a year of turbulent events in relation to the support scheme. The story concerning the increase in contributions for renewable energy sources and the highly efficient cogeneration of heat and electricity that was urgently needed to provide payments to all the production units integrated into the system of support came a bit too late and therefore provoked the general and professional public. We made sure, with due care and attention that, despite the unfavourable situation, the producers got paid. At the same time, the situation clearly revealed the need to give the system of support a thorough overhaul and to update it, which is expected to be done by the legislator in 2013. We want our state to achieve the goals of the EU Directive in this field with the assistance of the support scheme and people, the investors, who believe in a green future.

The five-year strategy of the Company which was prepared last year and brings some fresh ideas about the future of Borzen should also be mentioned. We are well aware of the responsibility our role on the energy market brings and therefore we want to build our future prudently and systematically with new ideas, opportunities, knowledge and cooperation. We wish to build the future which will be added value for the entire energy market.

And our future also contains an even stronger commitment to sustainable development at the level of our core business, the organisation of the electricity market and the Centre for RES/CHP support, as well as at the level of transferring and communicating good practices.

I trust in our experience and knowledge and I trust in my team and our motivation. I trust in our partners and owners. I trust in Borzen. I trust in the future.

Sincerely yours,

Karol Peter Peršolja, M.Sc.
General Manager





report on the operation of the supervisory board

Actions speak louder than words and the results of Borzen in 2012 also speak for themselves. Despite the times that mirrored increasingly turbulent developments in the economy and introduced a slightly uncertain future, Borzen had a successful financial year. The year was not only the most successful from a financial perspective but also some important projects were completed having a positive impact on the Slovenian energy market and the Company was entrusted with some new responsible tasks by the legislator. All the members of the Supervisory Board are well aware of that responsibility and together with the Company's Management, our sustainable commitment and optimism we are entering the year ahead.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board composition did not change in 2012. It was composed of three members: Chairman Vekoslav Korošec M.Sc., Deputy Chairman Janko Kramžar and a member, Tomaž Fatur, M.Sc.

COOPERATION WITH THE COMPANY'S MANAGEMENT

Throughout the year, the cooperation between the Supervisory Board and the Management was constructive. The Management provided all the necessary information in a timely manner so that the Supervisory Board was able to monitor the operations and take decisions while performing controls. In 2012, a product of good cooperation between the Supervisory Board and the Management was also a draft Strategy of Borzen for the 2013-2017 period that was submitted to the Shareholder for adoption. According to the estimation of the Supervisory Board, the cooperation with the Management was successful.

SUPERVISORY BOARD FUNCTIONING

In 2012, the Supervisory Board regularly monitored and supervised the work of the Company's Management. It had six regular meetings and it convened one correspondence meeting. All the members fully cooperated and participated at all the meetings. They were also attended by the Management, who the Chairman of the Supervisory Board cooperated with also in the period between regular meetings. With regard to the size of the Company and the composition and structure of the Supervisory Board, the latter assessed that no committee was necessary to be appointed for its functioning.

The Supervisory Board addressed the issues in accordance with the applicable legislation, the Act of incorporation of Borzen and the Rules of procedure of the Supervisory Board. It got acquainted with the quarterly reports of the Management and closely monitored the problem of financing the Centre for RES/CHP Support. It also introduced regular reporting of the Management on all transactions of the Company exceeding EUR 10,000. In May, it examined the audited annual report of the Company for 2011 and adopted a reasoned opinion. The Supervisory Board adopted the proposal by the Management to assign part of the non-allocated profit to the Shareholder and the other part to other profit reserves. All the time, it also paid very close attention to the operations of BSP Regional Energy Exchange where Borzen has a 50-percent stake. In the second part of the year, the Supervisory Board cooperated with the Management in designing the strategy of Borzen for the 2013 – 2017 period and adopted a business plan for the Company for the period from 2012 to 2014. It also monitored the compliance with the provisions of the Corporate Governance Code for Companies with State Capital Investments and the recommendations by the Capital Assets Management Agency of the Republic of Slovenia. It concluded 2012 with the performance of a procedure to evaluate the efficiency of its work and adopted a special report with an action plan.

Vekoslav Korošec, M.Sc.
Chairman of Borzen's Supervisory Board



relevant data on the company's operations

Borzen concluded the 2012 financial year with a net profit amounting to EUR 1.67 million. In this period, Borzen generated EUR 4.35 million of total revenues, which were 6% higher than the planned values and similar to the results of the previous year. Total expenses that amounted to EUR 2.32 million equalled the planned ones and the values in the previous year.

As of 31 December 2012, it had a balance sheet totalling EUR 19.68 million and compared to the previous year it decreased by 66% due to the reduction of the resources related to the surpluses of the Centre for RES/CHP support. As of 31 December 2012, the Company's equity capital equalled EUR 4.35 million, which is 2% higher than in the previous year.

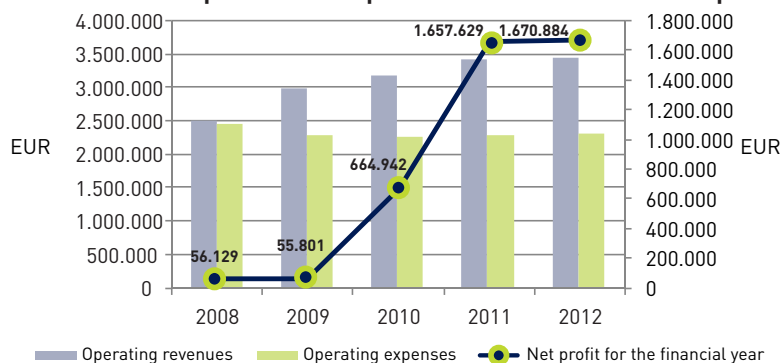
in EUR

INDICATORS	In 2008	In 2009	In 2010	In 2011	BP 2012	In 2012
FROM BALANCE SHEET as of 31 December						
Assets	2,573,676	2,514,614	58,981,682	58,059,206	34,986,255	19,680,184
Equity	2,407,785	2,427,653	3,092,594	4,250,223	4,960,436	4,346,359
FROM THE INCOME STATEMENT						
Operating revenues in EUR	2,517,532	3,006,223	3,188,061	3,442,490	3,324,400	3,446,257
Operating expenses in EUR	2,460,819	2,285,735	2,282,256	2,303,883	2,348,700	2,319,155
Total revenues in EUR	2,546,669	3,146,509	3,631,440	4,369,641	4,094,400	4,352,606
Total expenses in EUR	2,460,825	2,980,711	2,742,690	2,303,931	2,348,700	2,319,194
Net profit for the financial year in EUR	56,129	55,801	664,942	1,657,629	1,396,560	1,670,884
EBIT - operating profit in EUR	56,713	720,488	905,805	1,138,607	975,700	1,127,102
EBITDA - operating profit + depreciation in EUR	444,705	1,067,476	1,113,080	1,400,307	1,305,400	1,443,180
Investments in EUR	162,319	166,205	1,255,653	723,562	745,000	636,946
PERFORMANCE INDICATORS						
Return on equity - ROE	2,4%	2,3%	24,1%	45,1%	30,3%	38,9%
Return on assets - ROA	2,2%	0,4%	1,6%	2,8%	3,0%	4,3%
Operating efficiency	102,3%	131,5%	139,7%	149,4%	141,5%	148,6%
Added value per employee in EUR	56,967	89,210	82,337	89,445	84,347	92,094
NUMBER OF EMPLOYEES on 31 December	22	26	29	29	30	30

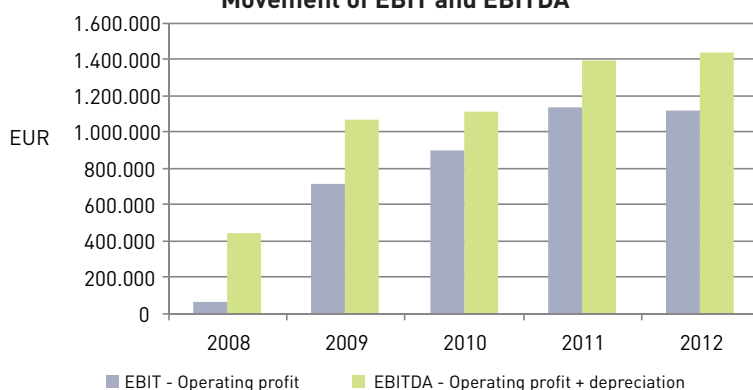
* BP - Business plan



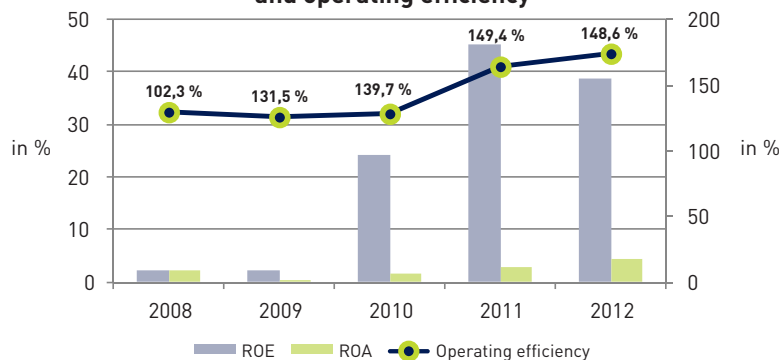
Revenues and expenses from operation and movement of net profit



Movement of EBIT and EBITDA



Return on assets (ROA), return on equity (ROE) and operating efficiency



QUANTITY OF ELECTRICITY FROM RECORDED CONTRACTS AND OPERATING FORECASTS	2012	81,505,102 MWh
	2011	73,114,379 MWh

QUANTITY OF ELECTRICITY GENERATED BY PRODUCTION UNITS INCLUDED IN THE SUPPORT SCHEME	2012	653,969 MWh
	2011	943,254 MWh

NUMBER OF RECORDED CONTRACTS AND OPERATING FORECASTS	2012	100,291
	2011	93,958

NUMBER OF PRODUCTION UNITS INCLUDED IN THE SUPPORT SCHEME	2012	2,543
	2011	1,522





important events in 2012

ADOPTION OF THE ACT AMENDING THE ENERGY ACT

When, on 11 January 2012, the Act amending the Energy Act entered into force, Borzen as a public service acquired new powers within the Centre for Support. New powers primarily include the tasks related to information provision, awareness raising, training and the publication of information on efficient energy use and renewable energy sources.

ADOPTION AND PUBLICATION OF THE CHANGES AND AMENDMENTS OF THE RULES FOR THE OPERATION OF THE ORGANISED ELECTRICITY MARKET

On 1 January 2012, the Changes and amendments of the Rules for the operation of the organised electricity market entered into force; in compliance with the Energy Act, Borzen published them in December in the Official Journal of the RS, No. 97/2011. The changes within imbalance settlement had the most significant impact on the calculation of basic prices for imbalances.

PUBLICATION OF A HANDBOOK »USEFUL TIPS FOR SMALL POWER PLANT CONSTRUCTION«

In cooperation with SODO Borzen published the third updated version of the handbook "Useful tips for Small Power Plants for the Production of Electricity from Renewable Energy Sources and the Cogeneration of Heat and Electricity" that should provide relevant information to potential investors. One of significant novelties in the reproduced handbook is a scheme that simply and transparently presents the basic steps in constructing a small power plant from the acquisition of the location information to the start of operation of the new production unit in the support scheme. The handbook was published in Slovene and English.

BALANCING MARKET

On 16 October, Borzen opened the electricity balancing market where the bids of market participants are collected either to sell or purchase electricity at the time prior to electricity exchange for the purposes of imbalance settlement in the electricity system. The balancing market is regulated by the Rules for the balancing of electricity market published in the Official Journal of the RS on 28 September 2012. The establishment of the balancing market is a step towards more transparency and efficiency of the electricity market.

INFORMATION PROVISION AND AWARENESS RAISING on RES and EEU

In accordance with the tasks newly acquired with the Energy Act that mainly cover information provision, awareness raising and training and the publication of information on efficient energy use and renewable energy sources, we also published independent sets of content in exposed parts of our Company on its website.

AUCTION OF THE CENTRE FOR SUPPORT FOR THE FORWARD SALE OF A PART OF ELECTRICITY

In the middle of December, an auction for part of the energy of the Centre for Support took place. At the auction, the base load electricity from the balance group of the Centre for Support (Eco Group) was sold for 2013. The subject of the auction was the base load product divided into lots for the period from 1 January 2013 00:00 to 31 December 2013 24:00. 7 lots of the base load product were sold.

STAKEHOLDER SATISFACTION ANALYSIS

In cooperation with an independent external provider, Borzen carried out a satisfaction analysis of the stakeholders, namely the users of the services of the Centre for Support and the members of balance groups and sub-groups who are the users of the services of the organised market. The results of both surveys are extremely positive and encouraging and at the same time we obtained some very precious information that can be used in our future work.





FIVE-YEAR STRATEGY OF THE COMPANY

In the past year, a new strategy of the Company that will mark the next five-year period of its activities was intensively prepared. The vision and mission of the Company was reviewed and new goals were set. The five-year strategy was confirmed by the Supervisory Board and submitted to the Shareholder for its approval.

EUROPEAN E-BADGE PROJECT

Together with 13 companies from 5 European countries Borzen plays an important role in a European project called 'e-BADGE'. The project is aimed at preparing a proposal for a Pan-European intelligent mechanism for the integration of renewable sources and virtual power plants into the cross-border balancing market based on the example of three countries: Slovenia – Italy – Austria. The role of Borzen is mainly to provide professional support by assessing individual architectural alternatives of setting such a mechanism. The project is a positive contribution to more efficient management of electricity in the field of transmission as well as distribution, in particular with regard to further optimisation, control and safety on the electricity market.

GREEN OFFICE

Borzen wishes to improve the working environment as well as the broader social and natural environment and introduce good green practices that will result in a better climate for the employees at Borzen, raise the Company's profile, set an example in a broader context and reflect in reduced costs of the Company in the field of energy and material consumption. The project represents the active cooperation of the Company in accordance with the Global Sustainable Development guidelines.



important events after the end of the 2012 financial year

INCREASE IN CONTRIBUTION FOR THE PROVISION OF SUPPORT

At the beginning of January 2013, the Government of the Republic of Slovenia gave its consent to the Act laying down a fee to assure support to the production of electricity from cogeneration with high efficiency and from renewable energy sources that was published on 18 January 2013 (Official Journal of the RS, No. 4/2013). Although it was enforced late, the urgently needed increase in the contribution will enable undisturbed functioning of the scheme of the Centre for Support in 2013.

DATA CENTRE AT A NEW REMOTE LOCATION

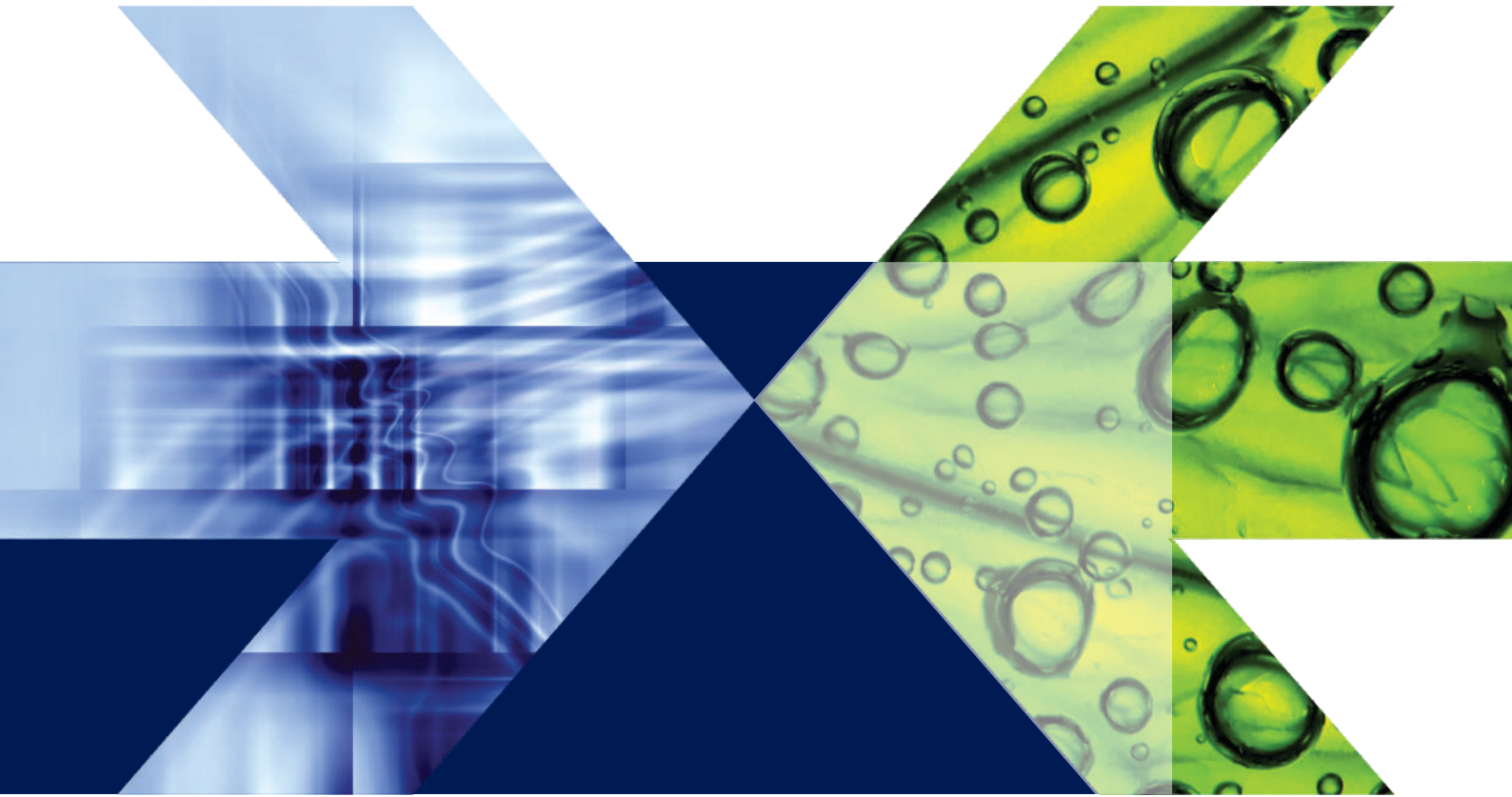
At the beginning of 2013, the remote data centre was moved to a new location. The new provider or hosting in its data centre enjoys the support of high data safety standards, support for uninterrupted operation and fire safety, which is crucial for optimal operations of the Company.

GRI REPORT

In the spirit of sustainable development and sustainable communications Borzen is committed to the preparation of annual sustainable reports in line with the Global Initiative Reporting guidelines. Such a report covers the year 2012 and contains all the topics and indicators that reflect relevant economic, managerial, social and environmental impacts of our Company.

PROVISION OF PAYMENTS TO THE BENEFICIARIES OF THE SUPPORT SCHEME

Due to delayed enforcement of the new RES/CHP contribution and consequently a shortage of funds within the support scheme, Borzen introduced measures to overcome the liquidity problems of the support scheme. Based on the consent of the Shareholder, a public tender procedure was implemented to take a framework loan amounting to EUR 9.3 million with maturity on 31 December 2013. Thus we ensured the funds for timely and full payments to all the beneficiaries of the support scheme.



business report



1. operations of the company in 2012



1.1 Company presentation

ABOUT THE COMPANY

The Borzen Company was founded on 28 March 2001. The establishment of a market operator was one of the obligations arising from the Energy Act and at the same time one of the fundamental conditions for the opening of an internal power market in Slovenia.

The Company's principal activity is the implementation of the public service obligation relating to the organisation of the electricity market that includes the organisation of the electricity market in a narrow sense and the activities of the Centre for Support - implementation of the Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration of heat and power.

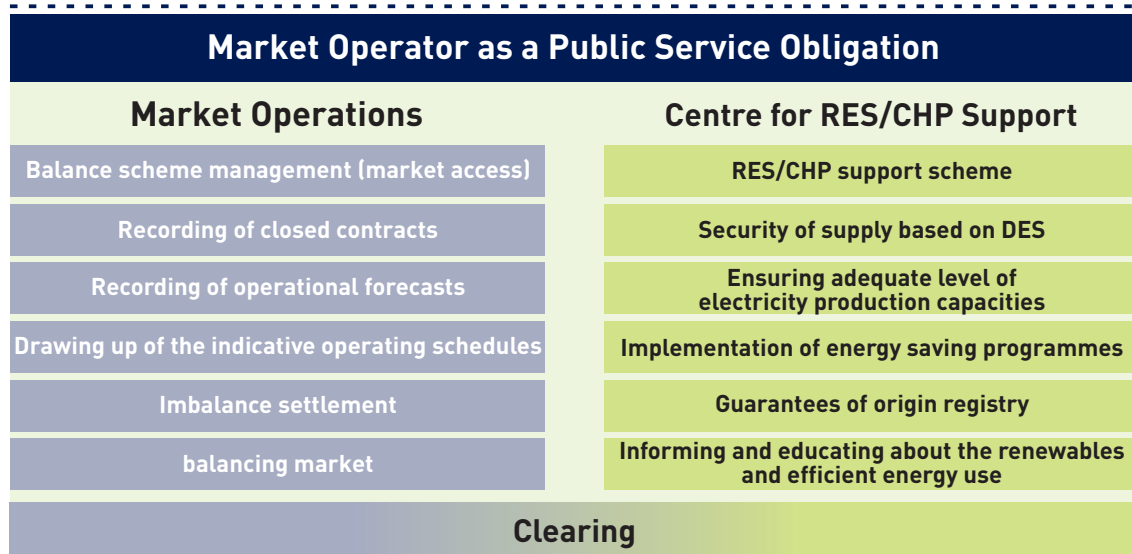


Figure 1: Tasks of a public utility service relating to the organisation of the power market

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

- Balance Scheme management;
- Recording contracts of Balance Scheme Membership, and open and closed contracts;
- Imbalance Settlement;
- Implementation of the balancing power market;
- Implementation of activities of the Centre for RES/CHP support;
- Data collection and publishing for providing transparency of operations in the operation of the organised electricity market and
- Providing clearing and financial settlement.

In addition to the implementation of tasks of a public service of the organised electricity market, Borzen also performs imbalance and financial settlement of transactions and information services for BSP Regional Energy Exchange.

IDENTITY CARD

FULL NAME	Borzen, organizator trga z električno energijo, d.o.o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenia
PHONE NUMBER	00 386 1 620 76 00
FAX	00 386 1 620 76 01
E-MAIL	info@borzen.si
WEBSITE	www.borzen.si
CORE BUSINESS	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
TAX NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	28 March 2001
PLACE OF ENTRY IN COURT REGISTER	Ljubljana District Court
SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Mr. Karol Peter Peršolja, M. Sc.
CHAIRMAN OF THE SUPERVISORY BOARD	Mr. Vekoslav Korošec, M. Sc.



1.2 Strategy of operations and the Company's plans

MISSION AND VISION

Borzen is a Company that is growth-, development- and excellence-oriented.



KEY STRATEGIC GUIDELINES

- Business growth in the sense of Borzen's positioning as a hub of activities on the Slovenian power market;
- Striving for a system-defined, transparent, effective, and competitive Slovenian electricity market and its further integration into the European internal market;
- Promotion and provision of support mechanisms for renewable energy source utilisation to contribute to the increased use of renewable sources and environmental protection and to indirectly contribute to the achievement of Slovenian commitments in the international framework;
- Optimal management of the Eco Balance Group of the Centre for RES/CHP Support, which includes the transparent sale of electricity and endeavours to reduce the imbalance costs of the balance group;
- Preservation of the equity stake in BSP Regional Power Exchange and the co-creation of conditions for further development;
- Efficient management of regulatory risks by monitoring legislative and legal processes and co-creation of the legal framework for successful performance of the tasks by the market operator;
- Provision of undisturbed trading in balancing energy on the balancing market;
- Ensuring the optimal liquidity and solvency of the Company;
- Endeavours to improve the educational structure of employees and encouraging the employees to acquire new knowledge and to take part in life-long learning;
- Company's operation in the spirit of sustainable development and living, which has a positive effect on the employees and on the wider social environment; Responsible conduct preserves and additionally strengthens trust in the successful and stable operation of the Company.

IMPACT OF ECONOMIC AND LEGISLATIVE SITUATION ON THE OPERATION AND DEVELOPMENT STRATEGY IMPLEMENTATION IN 2012

Compared to 2011, the economic situation additionally aggravated in 2012. In contrast to the previous year, the consumption of electricity also decreased such that in 2012¹ it was more than 1 percent lower than in 2011. The drop in electricity consumption directly resulted in lower revenues for the Company from the supplement to the network fee that also dropped by slightly less than 1 percent.

In Slovenia, the trend of increasing investments in renewable energy sources aimed at the attainment of the shares defined in Directive 2009/28/EC continued last year whereas in many parts of Europe such investments had already shrunk due to the problem of financing. Such adjustment, primarily in the field of solar power stations, also took place in Slovenia since lower investments were followed by lower support. Despite this situation, more than 20 MW of new solar power plants were connected to the network in the last quarter of the year² representing a 10-percent increase compared to the end of the third quarter. In the short-term and long-term period, the demand for additional sources for financing the support scheme can be expected.

Further integration of the European power market as one of the most important tasks of the European Union marked the previous year as well. Slovenia was also actively focused on the integration of the European internal market since the coupling of the Slovenian and Italian daily electricity markets came to life in 2012 and new projects of establishing a similar mechanism on the northern and southern borders also started where our Company also takes part.

In the Slovenian energy sector, the 2012 financial year was again in anticipation of new energy legislation with which our country would transpose the third European energy package into national law. The Ministry competent for energy released the Act amending the Energy Act for public consideration in October 2012 but it was not adopted the same year.

¹ According to the data of The Statistical Office of the RS.

² According to the data of SODO, Distribution System Operator.

Borzen's goal setting and implementing is thus closely intertwined with the conditions in European and Slovenian legislation and the situation and trends on energy markets, which also reflected in the business operations of last year.

ACHIEVED STRATEGIC AND ANNUAL PLAN IN 2012

The well-considered strategy of our Company and the annual plans within it that we set for 2012 were achieved and some even exceeded as evident from the presented financial data on page 6.

In terms of content, we are proud that the following goals were achieved last year that pursue the long-term strategy of our Company:

- Establishment of the balancing power market;
- Establishment of a comprehensive risk management system in the Company,
- Efficient functioning of the Slovenian power market,
- Efficient implementation of the support scheme for the production of electricity from renewable sources,
- Integration of the Slovenian electricity market into the internal European market,
- Efficiency of the Company's internal business processes,
- Promotion of employee training and education,
- Borzen's reputation and recognisability,
- Optimisation of services and relations with the stakeholders,
- Optimisation of the conditions for further development of the associate company, BSP Regional Energy Exchange.

ANTICIPATED CIRCUMSTANCES AND KEY GOALS OF THE COMPANY IN 2013

Also in 2013, Borzen will be affected by the circumstances in Slovenia as well as on the international energy market that are the consequence of legislative frameworks and the general economic situation. It is estimated that on the one hand, they will be similar to those in 2012 and on the other hand, in the anticipation of the Act amending the Energy Act and of the reform of the support scheme, certain changes are expected. The unstable economic situation and financial crisis can, if they further deepen, have an impact on the operations of our Company via the activities of the participants on the energy market.

In the continuation, some key objectives being a part of the continuous implementation of our long-term strategy that the Company will be striving for in 2013 are summarised:

- Achieving a target ROA – indicator of profitability – of 4.1% by 2015;
- Achieving a target ROE of 15.1% by 2015;
- Achieving a profit exceeding EUR 800,000;
- Allocating EUR 472,000 for investments;
- Cooperating in Slovenian and international development projects of the energy market;
- Developing services of the Centre for RES/CHP support;
- Being attentive and kind to stakeholders;
- Sustainable development;
- Optimising of business processes and the quality of operations.

1.3 Management of the Company

CORPORATE-GOVERNANCE STATEMENT

The Management and the Company's Supervisory Board give a corporate-governance statement in accordance with Article 70 of the Companies Act and point 73 of the Corporate Governance Code for Companies with State Capital Investments.

The corporate-governance statement in compliance with the Corporate Governance Code for Companies with State Capital Investments and the recommendations by the Capital Assets Management Agency of the Republic of Slovenia contains the content as required by Article 70 of the Companies Act for public limited companies.

1. System of corporate governance of the Company

Borzen, organizator trga z električno energijo, d.o.o., has a two-tier system of governance.

The managing bodies of the Company are: the Management, Supervisory Board and the Shareholder.

MANAGEMENT OF THE COMPANY

The management of the Company is a one-member body, the General Manager, appointed by the Supervisory Board for a five-year period. The General Manager – who, since 1 January 2010, has been Karol Peter Peršolja, M.Sc. - has been running the Company and has represented it.

The General Manager of the Company was also appointed a member of the Supervisory Board in an unrelated company Casino Kobarid d.d.

The General Manager is entitled to basic payment (salary) and reasonable payment for the performance of the Company (performance-related pay). These remunerations are presented in more detail in the Financial Report.

SUPERVISORY BOARD OF THE COMPANY

In line with the Act of incorporation of Borzen, the Supervisory Board consists of three members appointed by the Shareholder for a period of five years.

The members of the Supervisory Board were first appointed on 16 April 2009. The composition of the Supervisory Board changed in 2011. Until 19 August 2011 the Supervisory Board was composed of only two members which was necessary to constitute a quorum. The Supervisory Board was chaired by Vekoslav Korošec M. Sc., and Mrs. Mojca Kert Kos was a member. On 19 August 2011, Mrs. Mojca Kert Kos was recalled by the Shareholder who appointed two new alternates. Since that date the Supervisory Board of the Company has been composed of:

- Chairman of Borzen's Supervisory Board: Mr. Vekoslav Korošec, M. Sc.
- Deputy Chairman of the Supervisory Board: Janko Kramžar,
- Supervisory Board Member: Mr. Tomaž Fatur; M. Sc.

The term of office of the Supervisory Board members ends on 16 April 2014.

All the Supervisory Board Members pronounced themselves independent and signed a statement in relation to this.

In line with the Act of incorporation of Borzen, the Supervisory Board has the following competences:

- Appointment and recall of the General Manager,
- Adoption of the annual business plan,
- Publishing a reasoned opinion to the annual report and the plan of the Company's development,
- Conclusion of the employment contract with the General Manager and the confirmation of the content of other contracts that the Company concludes with either the General Manager or procurator,
- Giving a consent to the General Manager to appoint a member of the supervisory or administrative body of the legal entity where the Company effectively exercises a dominant influence,

- Giving a consent to the General Manager to dispose of the shares or a stake of the legal entity where the Company effectively exercises a dominant influence,
- Posing a requirement to the General Manager to provide any information necessary to perform control in the Company or in subsidiaries.

The Supervisory Board meets at least once every quarter in accordance with the Companies Act, the Act of the incorporation of Borzen and the Rules of procedure of the Supervisory Board. In the 2012 financial year, it had six regular meetings and a correspondence meeting. The Supervisory Board did not establish a special committee for its work. At the end of 2012, the members of the Supervisory Board implemented the procedure of evaluating the efficiency of its work in accordance with the Corporate Governance Code for Companies with State Capital Investments of 18 January 2011.

The Supervisory Board Members have positions in other companies that are not associated with Borzen:

- Mr. Vekoslav Korošec, M. Sc. /
- Mr. Janko Kramžar: General Manager of Snaga d.o.o.
- Mr. Tomaž Fatur M.Sc. /

In 2012, the Supervisory Board Members were entitled to remuneration for the performance of their function based on the applicable decision of the Shareholder, which are presented in detail in the Financial Report.

SHAREHOLDER

The Republic of Slovenia is the only Shareholder of Borzen. After the entry into force of the Slovenian Sovereign Holding Act (Official Journal of RS, No. 105/2012) of 28 December 2012, the Capital Assets Management Agency of the Republic of Slovenia was abolished. The rights of the Shareholder were exercised by the Slovene Compensation Fund until it was transformed into the Slovenian Sovereign Holding.

The Shareholder independently makes decisions in all matters within its competences. In accordance with the Act of incorporation of Borzen, the Shareholder shall decide on the following:

- Appointment of an auditor,
- Adoption of the annual report and the development plan of the Company,
- Use of the accumulated profit and covering losses,
- Granting discharge to the Management,
- Appointment and recall of the Supervisory Board Members,
- Granting discharge to the Supervisory Board Members,
- Measures to increase or decrease share capital,
- Division and cessation of stakes,
- Giving consent to the General Manager to raise a loan,
- Representing the Company in legal proceedings before the courts against the Supervisory Board Members,
- Winding up of the Company and reorganisation of its status,
- Other matters stipulated by law and not transferred to the Supervisory Board.

The Shareholder normally holds one session each year – the Assembly. In the 2012 financial year, the general meeting was convened on 21 December 2012 where the Shareholder:

- Adopted the Annual Report of Borzen for 2011 in the submitted text with the opinion of the certified auditor and the reasoned opinion by the Supervisory Board;
- Took a decision concerning distributable profit sharing and allocated it to the Shareholder;
- Did not grant discharge to the General Manager or the Supervisory Board Members for 2011;



- Appointed BM Veritas Revizija d.o.o to audit financial statements of the Company for the financial years 2012 – 2014 and
- Adopted the amendments to the Act of the incorporation of Borzen.

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

The Management and the Supervisory Board of Borzen, 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, the Reporting Guidelines for the Companies with State Capital Investments and individual recommendations by the Capital Assets Management Agency of the Republic of Slovenia.

The Governance Code, Guidelines and recommendations are accessible on the website of the former Capital Assets Management Agency of the Republic of Slovenia that stopped its operations on 28 December 2012 and whose tasks were taken over in accordance with the Slovenian Sovereign Holding Act (Official Journal of the RS, No. 105/2012) by the Slovene Compensation Fund until it was transformed into the Slovenian Sovereign Holding.

3. System of internal controls and risk management of the Company

A system of internal controls is implemented in the Company. In 2012, a new system of risk management was established as further described in a special chapter of the Annual Report.

4. Associated companies

BSP Regional Energy Exchange is managed by Borzen and Eles d.o.o. each having a 50-percent stake.

BSP Regional Energy Exchange provides the participants on the market with high-quality and integrated services of liquid, competitive, and transparent trading in electricity on the Slovenian market. The development of Day-ahead trading is an important market signal to all market participants that strengthens trust in the transparency of the market player's performance.

After successful restructuring of the Company at the end of 2010, the results of the Company exceeded all expectations since it operated with a positive outcome and almost completely covered the accumulated loss from previous years. The successful implementation of the market coupling project on the Slovenian-Italian border and the establishment of the Balancing Market Project and the "Intra-day" Trading Project mainly had an impact on the positive result.



1.4 Risk management

CIRCUMSTANCES THAT AFFECTED THE RISKS AND THEIR MANAGEMENT

For a successful business operation it is of great importance to identify risks in a most efficient manner and to provide their successful management. Borzen is a company providing a public service, which consequently means that we are related to our regulatory environment that seriously affects all the categories of identified risks presented in more detail in the continuation. The economic and political situation was followed by the legislative environment with the increase in the contribution for RES and CHP that was already late, which considerably marked the risk management of our Company in the past year as discussed in detail in the continuation.

INTEGRATED RISK MANAGEMENT

At the beginning of 2012, the renewed system of integrated risk management was upgraded with a new register of risks aimed at identifying all potential risks that can have an impact on the attainment of set business goals of the Company.

Risk identification is conducted in parallel with the preparation of the Company's business plan, the preparation or revision of the strategic business plan and in parallel with major business decisions, projects or any considerable change on the market or of relevant legislation. Identified risks are analysed in detail whereby the significance of a risk is defined as well as the necessary measures to manage it.

Priorities were set based on performed risk assessments and cost and benefit weighting and the most appropriate risk management was selected so that after the implementation of measures risk would be at the desired exposure level. Thus we chose between strategies to avoid risk, risk reduction, risk transfer to a third party or risk acceptance.

KEY IDENTIFIED RISKS

In the first phase of identification, risks are classified into four groups based on the size of the company and its activities, number of employees, action on the market and the legislative framework that limits and binds the company, namely:

- Strategic / business risks
- Operational risks
- Financial / market risks
- Risk of non-compliance with the regulations - legislation

In the continuation, we present the key identified risks in individual risk groups that are estimated to be present and to which we will be exposed also in the next period.

STRATEGIC / BUSINESS RISKS

Strategic or business risks are related to successful implementation of the strategy and the Company's objectives, the ability to generate short-term and long-term operating revenues and the maintenance of assets and the Company's reputation. These risks are related to the changes of legislation and statutory acts and the impacts on the environment, and the organisation of the Company, its activities and restrictions of operations.

One of the strategic risks is also the investment risk that is connected with the investment in BSP Regional Energy Exchange where Borzen has a 50-percent stake. It is mainly about a risk related to investment management, which is the issue that has been addressed by both partners and their mutual coordination concerning the management

and further development of the Company. The risk is related to the non-implementation of the business plan and therefore the representatives in the Supervisory Board have an important role in monitoring the operations and acquiring information from the Management.

Other business risks arise from investments and public procurement procedures that are managed by a constant improvement of the quality of investment preparation, implementation, activation and monitoring.

OPERATIONAL RISKS

Operational risks are related to damage caused by improper execution of internal procedures, the improper conduct of the employees, information-technology errors and poor quality of the services performed by external providers. Operational risk identification and management are crucial for the successful operation of the Company since efficient internal procedures, professional, experienced and highly-motivated employees represent a guarantee for the prevention of operational risks and the correct and efficient adaptation of operations in all economic situations.

More important information system risks include possible disruptions to the operation of the application and system software, hardware, and communication and network connections; special attention is also given to information security risks. The risks are primarily reduced by redundant independent optical connections between the two locations, synchronous replication and data backup. In the future, these risks will be further reduced by a central control system.

Human resource risks are vital for Borzen due to the implementation of different activities within the organisation of the electricity market and the specificity of the assigned tasks. Additional tasks acquired by Borzen every 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 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.

Processes account for an important operational risk, which is why we made, together with the external provider, an inventory of all the processes in the Company and, based on this, a coordinated matrix of all the processes and their owners was prepared. In the future, the processes in the Company will be optimised.

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

FINANCIAL / MARKET RISKS

The effects of the financial crisis are reflected, among other things, in the over indebtedness of companies, insolvency and late payments. The Market Operator is tasked to manage such situations and strive 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. Financial risk management also implies the attainment of stable operations, management of financial expenses within the planned framework and long-term solvency.

The risk of non-fulfilment of financial obligations means that there is a risk that the counterparty would not fulfil its financial obligations 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 is estimated to be moderate. This risk of non-fulfilment of financial liabilities is mainly present in the financial settlement of the

imbalance settlement. To this end, Borzen included the system of such risk management into the Rules for operation of the organised electricity market. Future Balance Scheme members are verified upon their application for membership by careful examination of their credit ratings and by monitoring their operations in the continuation. 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 basis) 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 2012, Balance Scheme Members fulfilled their liabilities on 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 a 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 the maturity of liabilities and receivables and their consistent recovery are also ensured.

In 2012, we were exposed to an increased risk related to the provision of sufficient funds to pay support for renewable energy sources and cogeneration of heat and electricity. Considering that the Centre for RES/CHP support manages the Support Scheme funds, the level of which is determined by the Energy Agency and also given that we cannot have an impact on the outflow of funds from the Support Scheme (number of beneficiaries, quantity of produced electricity) we estimate that the liquidity risk is high. Although we repeatedly and in a timely manner called the attention of the competent authorities to this issue and based our arguments on concrete analysis and calculations, the contribution for renewable energy sources did not increase in good time. Consequently, the degree of probability of occurrence of negative effects, especially an inability to pay the supports, considerably increased and thus a lot of efforts were made to solve the problem of a shortage of funds. In accordance with our powers based on the Rules on the operation of the Centre for RES/CHP Support we delimited the payments to beneficiaries to 115 percent of the forecast production. We had no other direct leverage.

In order to provide full and timely payments to the beneficiaries of the support scheme, a public tender procedure was initiated at the beginning of 2013 to take a revolving loan amounting to EUR 9.3 million.

Beside the aforementioned risks, we also monitor foreign-exchange and interest risks which were fairly modest and did not need any special management. In the field of foreign operations, clearings and financial settlements in different segments are done in Euro. Interest risk is linked to unexpected increases in financing costs due to a change in interest rates on the market. Since the Company took out no loans in 2012 and previous years and is also the sole owner of its share capital, these risks are deemed insignificant and do not require measures for risk management.

LEGISLATIVE RISKS / COMPLIANCE WITH THE RULES

A regulatory risk is a risk related to the amendments made to regulations and their ambiguity, which cannot be influenced by the Company. The exposure of the Borzen Company to regulatory risks is high since the core business of the Company, being a public service, is regulated. It also needs to be emphasised that the sources of financing a public service are also regulated.



Regulatory risks that are related to damage due to breaching or non-compliance with the law and statutory acts are mainly managed by regular monitoring and active participation in the preparation of regulations and the timely adjustment of operations.

Regulatory risk is also managed by as precise as possible and unambiguous regulations that Borzen, acting under public authority, issues as a provider of commercial public services of the organised electricity market, and consequently well-defined contractual provisions.

In 2012, no action was brought against Borzen; however, a general administrative procedure was initiated before the Energy Agency of the Republic of Slovenia in connection with the procedure of imbalance settlement for the month of January 2012. During the procedure, it was established that Borzen was not the counterparty and this is why the procedure against Borzen as the counterparty was stopped.





2. organisation of the electricity market in slovenia

2.1 Recording of closed contracts, operational forecasts and preparation of an indicative operating schedule of the 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. All contractually agreed obligations according to which electricity is bought or sold in the Republic of Slovenia or is transferred outside the regulation area are recorded. Closed contracts and operational forecasts are recorded on a daily basis seven days a week. The market operator draws up an indicative operating schedule of the transmission and distribution network that is submitted to the Transmission System Operator (ELES). In the event of a change in concluded closed contracts and operational forecasts that can be reported in accordance with the Rules for the Operation of the Organised Electricity Market due to »Intra-day« trading a corrected final schedule is also prepared.

In 2012, there were 100,291 registered closed contracts and operational forecasts within the framework of open contracts, which is 6.7 percent more than in 2011.

RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2012, there were 100,291 registered closed contracts and operational forecasts within the framework of open contracts with a total quantity of 81,505,102.3 MWh. Compared to the previous year, the number of recorded closed contracts and operational forecasts was, in the same period, 6.7 percent higher and the total quantity was 11.5 percent higher.

Month	Closed contracts (in MWh)	Operating forecasts (in MWh)	The number of CC and OF
January	4,907,952	2,339,811	8,097
February	4,703,145	2,250,980	7,750
March	5,232,896	2,220,642	8,541
April	3,942,883	1,894,166	7,885
May	4,026,575	1,844,032	8,095
June	4,149,299	2,260,520	8,133
July	4,319,990	2,402,378	8,271
August	4,048,881	2,288,932	8,383
September	4,267,662	2,347,381	8,300
October	4,959,177	2,504,864	9,233
November	4,731,702	2,581,219	8,728
December	4,775,811	2,504,206	8,875
Total	54,065,973	27,439,131	100,291

Table 1: Monthly volumes of electricity bought or sold through closed contracts (CC) and operational forecasts (OF) and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia in 2012

Table 1 shows the volumes of electricity bought or sold through closed contracts and operational forecasts. Compared to 2011, the volume of electricity from closed contracts was 19.4 percent higher, whereas the volume of electricity recorded through operational forecasts was 1.4 percent lower. This means that trading among the participants increased by almost a fifth while consumption and production only changed slightly.

Slovenia was a net importer of energy also in 2012. Imports equalled 13.4 percent of the consumption of electricity in Slovenia.

A comparison of the number of recorded closed contracts and the total quantity of electricity covered by recorded closed contracts in the last five years (from 2008 to 2012) shows that the quantity and number of contracts increased the most in 2011. The data indicate increased activity of market participants, especially in the last three years. Unlike the energy quantities, the number of recorded contracts in the last four years grew rather steadily but with a high percentage.

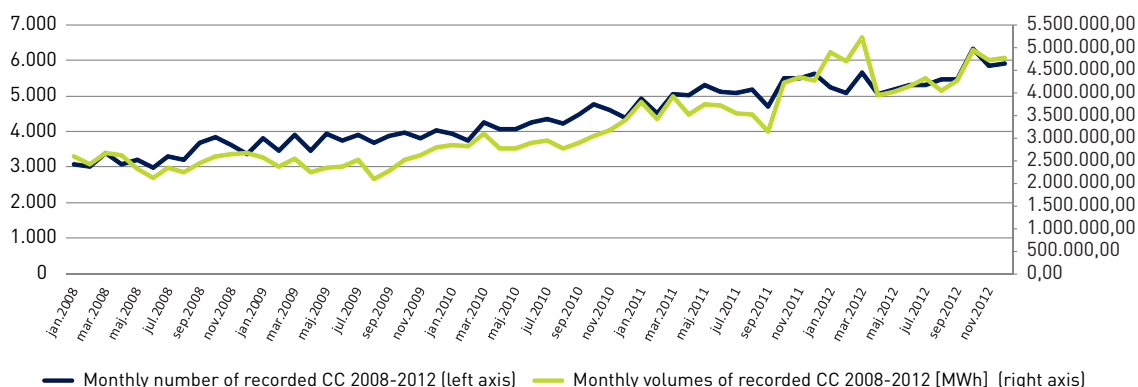


Figure 3: Monthly volumes of electricity bought or sold through closed contracts (CC) and operational forecasts (OF) and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia in 2008-2012

The data on growth trends in the last five years are also presented in the next table.

Year	Annual volume of recorded CC [MWh]	Increased number of CC in % compared to the previous year	Recorded CC at the annual level	Increased number of CC in % compared to the previous year
2008	29,686,083		39,737	
2009	29,275,292	-1.38%	45,606	14,77%
2010	35,393,791	20.90%	51,169	12,20%
2011	45,288,986	27.82%	61,541	20,27%
2012	54,065,973	19.38%	65,904	7,09%

Table 2: Yearly volumes of electricity bought or sold through closed contracts (CC) and operational forecasts (OF) and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia from 2008 to 2012



From 2008 to 2012, total electricity bought through closed contracts and operational forecasts increased by 82.1percent and the number of recorded closed contracts and operational forecasts on the organised market in Slovenia rose by 65.9percent.

TRANSMISSION OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN REGULATION AREA

Transmission of electricity on the borders of the Slovenian regulation area in 2012 accounted for 909,874 MWh, which means that in Slovenia there was a 7.14-percent surplus of electricity compared to total consumption in Slovenia. However, since 2,616,582 MWh of electricity from the Krško Nuclear Power Plant (NPP) belonged to the Croatian network, Slovenia was a net importer of electricity in 2012. Net imports totalled 1,706,708 MWh representing 13.40 percent of Slovene consumption.

Month	Export	Export from NEK	Import	Net position	Net position excl. NEK
January	683,125	940,314	952,327	-12,013	-269,202
February	622,207	859,615	918,478	-58,863	-296,271
March	711,356	966,061	993,873	-27,812	-282,517
April	550,050	655,928	838,534	-182,606	-288,484
May	573,182	597,329	911,176	-313,847	-337,994
June	714,378	961,275	838,537	122,738	-124,159
July	824,402	1,074,649	866,671	207,978	-42,269
August	742,605	989,533	834,374	155,159	-91,769
September	804,733	1,051,588	829,954	221,604	-25,221
October	984,409	1,222,609	932,364	290,245	52,045
November	922,043	1,171,139	834,302	336,837	87,741
December	841,129	1,100,191	929,737	170,454	-88,608
Total	8,973,619	11,590,201	10,680,327	909,874	-1,706,708

Table 3: Total import and export of electricity on the borders of the Slovenian regulation area in 2010 in MWh

Compared to 2011, exports of electricity excluding the Croatian energy from the Krško NPP increased by 2.6% and equalled 8,973,619 MWh whereas imports in the same period rose by 2.0% and equalled 10,680,327 MWh.

In 2012, exports on the Austrian border compared to 2011 were 58.3 percent higher and amounted to 944,503 MWh; imports, on the other hand, were 26.7 percent higher and amounted to 7,549,853 MWh.

In 2011, the export on the Croatian border that included the Croatian part of the Krško NPP was 25.4 percent higher than in 2011. Exports amounted to 6,817,849 MWh. Imports were 32.4 percent lower and amounted to 3,011,196 MWh in the same period. Total power generation in the Krško NPP dropped by 12.5 percent compared to 2011 and equalled 5,233,164 MWh.

In 2012, exports on the Italian border were 5.1 percent lower than in 2011; imports, however, were in negligible quantity and amounted to only 119,278 MWh in the same period.

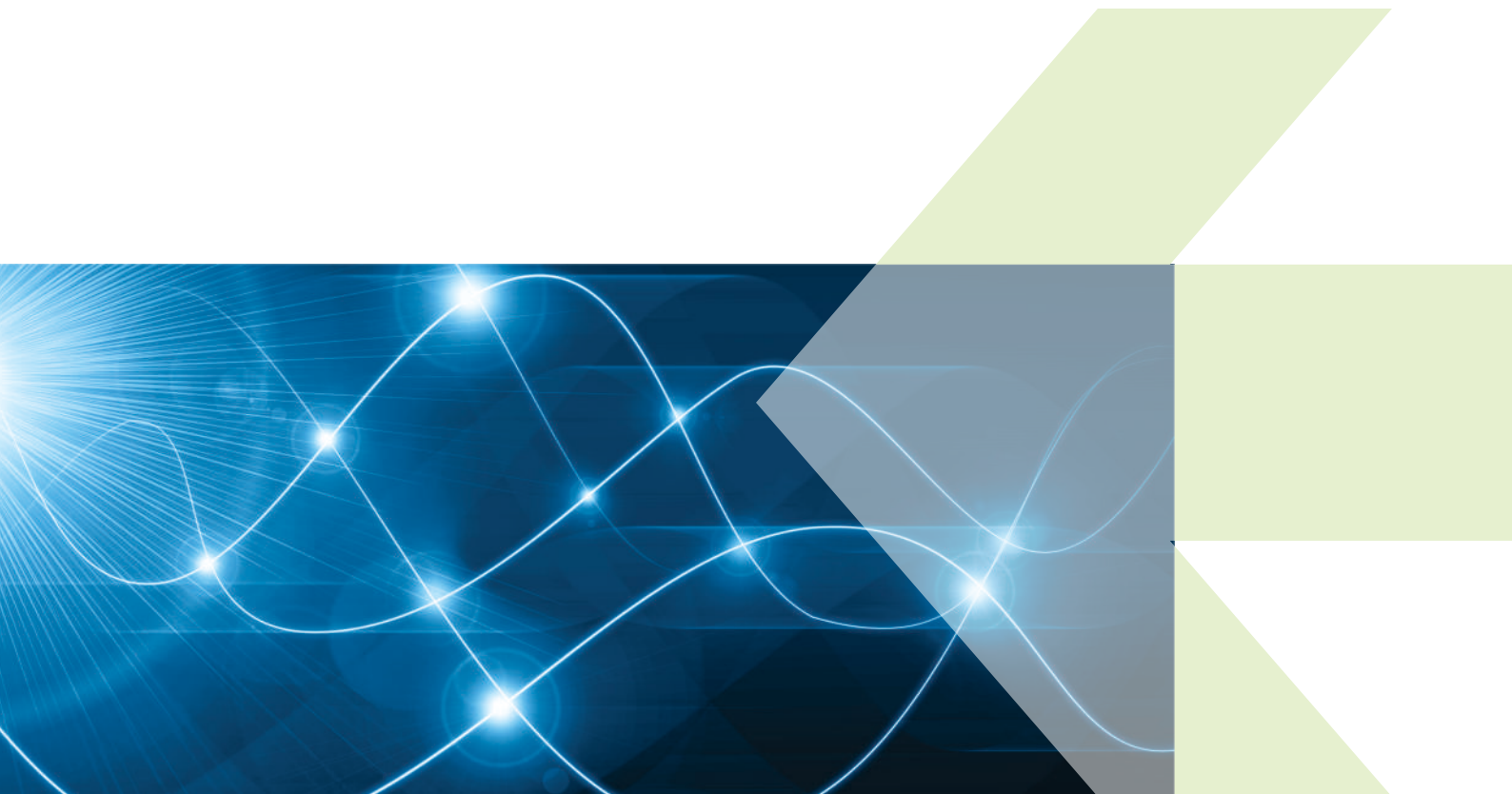


Table 4 in the continuation presents the data on recorded closed contracts concerning electricity exports and imports in 2012 by borders.

Border	AUSTRIA		ITALY		CROATIA		
Mesec	Exports	Imports	Exports	Imports	Exports from NEK	Imports	Exports from NEK
January	25,812	671,929	328,363	29,710	586,139	250,688	257,189
February	13,839	611,248	286,761	42,586	559,015	264,644	237,408
March	33,808	662,502	401,248	1,650	531,005	329,721	254,705
April	72,726	571,613	281,131	14,077	302,071	252,844	105,878
May	39,026	666,708	279,578	2,257	278,725	242,211	24,147
June	69,046	623,387	277,574	80	614,655	215,070	246,897
July	44,082	669,435	311,990	2,601	718,577	194,635	250,247
August	12,626	647,278	201,283	10,427	775,624	176,669	246,928
September	78,493	620,673	318,977	1,544	654,088	207,737	246,825
October	152,914	617,811	433,070	7,354	636,625	307,199	238,200
November	195,035	587,549	377,493	3,364	598,611	243,389	249,096
December	207,096	599,720	330,381	3,628	562,714	326,389	259,062
Total	944,503	7,549,853	3,827,849	119,278	6,817,849	3,011,196	2,616,582

Table 4: Recorded closed contracts by borders for imports and exports of electricity in 2012 in MWh



2.2 Imbalance settlement

The report covers the billing period in 2012 that contains concluded imbalance settlement from January to December. The results are presented by the text and pictures in the continuation.

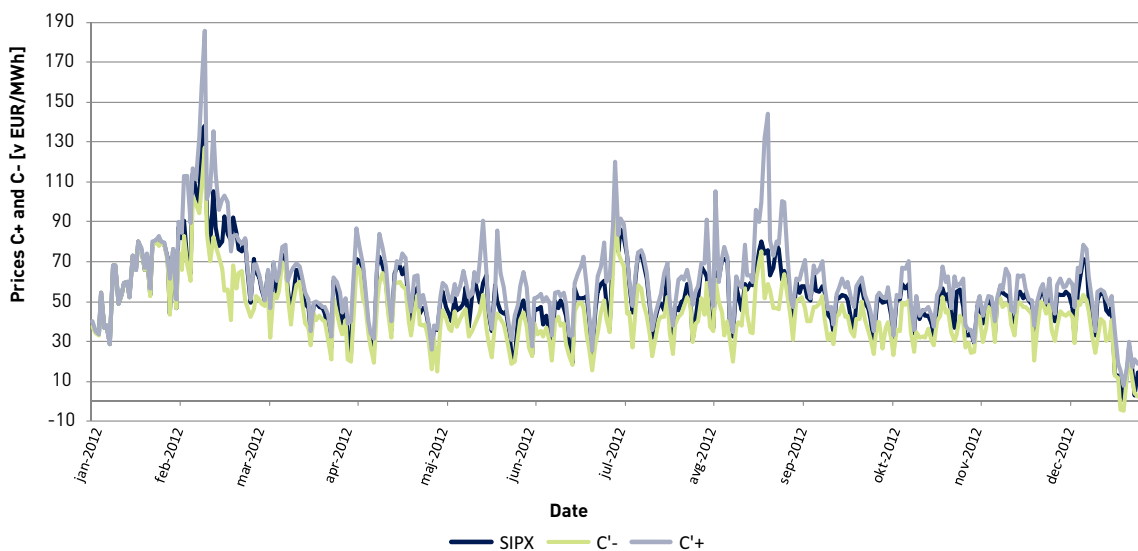


Figure 4: Average daily values of derived imbalance prices C⁺ and C⁻ and the SIPX index in 2012 [EUR/MWh]

The amendments to the Rules for the Operation of the Organised Electricity Market entered into force at the start of 2012. The changes within imbalance settlement had the most significant impact on the calculation of basic prices for imbalances. Of late, correction of basic prices for imbalances are calculated every month so that revenues and expenses from imbalance settlement of balance groups, excluding penalisation, cover all the costs arising from balancing on the part of the Transmission System Operator.

Correction of calculated prices is thus performed in the case of a surplus as well as a deficit. In February, June, August, October and December this year, a deficit was recorded whereas in the other months a surplus was established. Correction is performed in as many billing intervals as necessary so that the costs related to the settlement of deviations in the billing period borne by the Transmission System Operator are covered. The correction of imbalance prices is calculated without taking account of imbalance penalisation and forecasted imbalances. The calculation of penalisation charges is performed after the correction of imbalance prices which means that imbalance settlement surpluses are generated only from the imbalance penalisation of Balance Groups.



Thus, from January to December, the average value of the derived price for positive imbalances C+ was 60.41 EUR/MWh and for negative imbalances C- 44.35 EUR/MWh. Within this period, the highest price value for C+ was 481.88 EUR/MWh and the lowest was 0.00 EUR/MWh. The highest price C+ was established on 23 August in the 21st hourly block and the lowest during several intervals at the end of December. The highest price value of C- was 217.28 EUR/MWh on 10 February in the 19th hourly block whereas the lowest price value was -121.56 EUR/MWh on 25 December in the 4th hourly block.

According to the new Rules, the SIPX index is applied to calculate basic prices C+ and C- for imbalances and consequently also for the calculation of the C+ and C- derived prices. In this period, the average value of the SIPX index equalled 53.15 EUR/MWh. The SIPX value was the highest on 10 February in the 19th hourly block and amounted to 224 EUR/MWh whereas it was the lowest in several intervals in December and equalled 0 EUR/MWh.

On average, the C+ value was EUR 7.25 higher than the SIPX index whereas the C- value was, on average, EUR 8.80 lower than the SIPX index.

Figure 5 presents the total positive and negative imbalances of all the balance groups in Slovenia in 2012. In February, the highest positive imbalances were recorded equalling 47,349.87 MWh. The highest negative imbalances were recorded in December, namely 46,169.12 MWh.

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

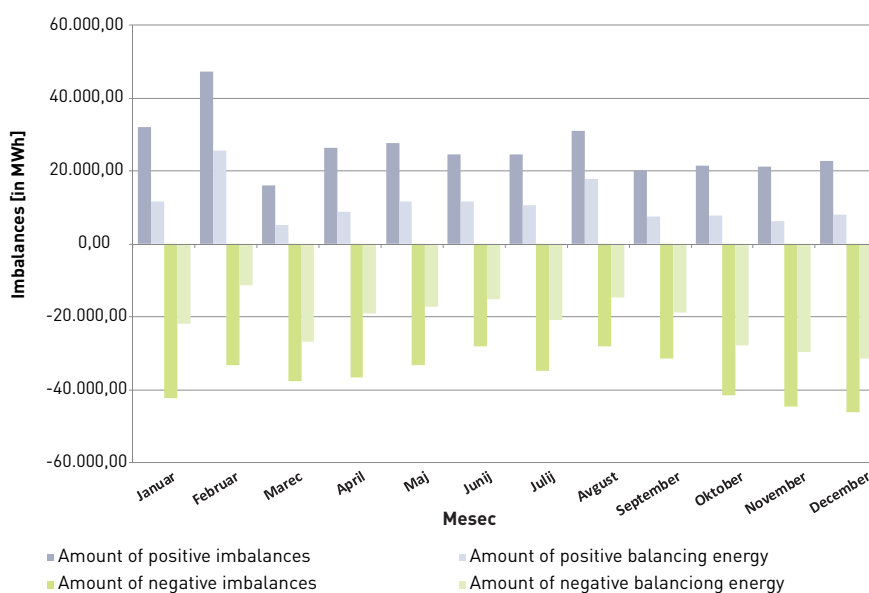


Figure 5: Monthly imbalances in the Slovenian network in 2012 [MWh]



Balancing energy for the settlement of positive and negative imbalances in the electricity system of Slovenia is provided by the Transmission System Operator ELES. In 2012, a total of 132,575.98 MWh was used for the settlement of positive imbalances and 255,047.05 MWh for negative imbalances.

In 2010 and 2011 as well as in the previous year, balance groups tended to be long since total negative imbalances were 38.8% higher than positive ones. Thus, balance groups avoided the payment of high prices of imbalances and preferred to take a risk related to an energy surplus for which they received payments with a lower price of imbalance than the market price on the Day-ahead market. This means that power market participants in the Republic of Slovenia apply a similar strategy, which was confirmed by the analyses of market participants on foreign markets, such as on the German and Dutch markets.

Year	Total positive imbalances of BG [MWh]	Total negative imbalances of BG BS [MWh]
2010	326,710	-424,619
2011	326,247	-398,217
2012	314,933	-437,407

Table 5: Total positive and negative imbalances in 2010, 2011 and 2012

RECALCULATION

Since the imbalance settlement applies the so-called analytical procedure to determine the realisation of delivery points without the execution of measurements in each quarter of an hour, their consumption is estimated based on the remaining consumption of the area. The differences thus generated among quantities acquired on the basis of the analytical procedure and the actual realised quantities are recalculated within the annual recalculation. This is conducted annually after the completion of all imbalance settlements.

In 2012, an annual recalculation was made for 2011. Redistribution of differences between balance groups is made on the basis of calculated differences and the average annual price that equals the annual average C+ and C- and amounted to 56.36 EUR/MWh. Within the 2011 annual recalculation 96,748.50 MWh of electricity was redistributed totalling EUR 5,452,745.64.

VALUE OVERVIEW OF IMBALANCE SETTLEMENT IN 2011

In 2012, Borzen also distributed surpluses over expenses from the 2011 imbalance settlement. In accordance with Article 25d of the Energy Act, the Energy Agency of the Republic of Slovenia conducted a procedure of establishing and distributing the surpluses and tasked Borzen with carrying out the distribution of the surplus from 2011 to balance groups that had participated in the imbalance settlement in the accounting year concerned. The total surplus of 2011 amounting to EUR 3,772,004.74 was distributed among the balance groups.



→ → → 2.3 Balance Scheme

The organised electricity market is hierarchically arranged into a Balance Scheme. Any legal or natural person that wishes to operate on the electricity market actively needs to become a member of the Balance Scheme. The membership and structure of the Balance Scheme are defined with balancing agreements, concluded with the Power Market Operator, and with compensation agreements concluded with Balance Scheme members. The Power Market Operator, which represents the peak of the Balance Scheme, provides balancing energy delivery to the balance groups through balancing agreements. A Transmission System Operator physically implements the balancing of the electric power system. The Power Market Operator is responsible for keeping, updating, and publishing the record of Balance Scheme membership contracts on its website.

In 2012, there were 10 new companies included in the Balance Scheme. In the same period, 6 companies withdrew from the Balance Scheme. As of 31 December 2012, there were 49 balance groups registered in the Republic of Slovenia (31 foreign and 18 Slovene companies) and 17 balance subgroups (5 foreign and 12 Slovene companies). The year 2012 was concluded with 66 Balance Scheme members.

No.	Balance Groups	Balance Subgroups	Balance Subgroups
1	Axpo Trading AG		
2	A2A Trading S.r.l.		
3	ALPIQ ENERGY SE		
4	B.E.K. GROUP s.r.o.		
5	Borzen, d.o.o. - Center za podpore (Eko skupina)		
6	BSP d.o.o.		
7	C & G zastopanje, svetovanje in inženiring d. o. o.		
8	Danske Commodities A/S		
9	DB Energy Commodities Limited		
10	e&t Energiehandelsgesellschaft m.b.H		
11	Edelweiss Energia S.p.A.		
12	EDF Trading Limited		
13	Edison Trading S.p.A.		
14	Electrabel S.A.		
15	Electrade S.p.A		
16	ELEKTRIČNI FINANČNI TIM d.o.o.	Energy Financing Team (Switzerland) AG	
17	ELEKTRIKA CENEJE d.o.o.		
18	ELEKTRO ENERGIJA d.o.o.	SODO d.o.o., (for distribution areas: Elektro Celje, Elektro Primorska, Elektro Maribor, Elektro Gorenjska)	
19	ELEKTRO PRODAJA E.U. d.o.o.		
20	ELES, d.o.o., Ljubljana		
21	ENEL TRADE S.p.A.		
22	Energi Danmark A/S		
23	Energieallianz Austria GmbH		
24	E.ON Energy Trading SE		
25	Europe Energy S.p.A.		
26	Ezpada s.r.o.		
27	Gazprom Marketing & Trading Limited		
28	Gala S.p.A.		
29	GEN-I, d.o.o.	GEN energija d.o.o. GORENJSKE ELEKTRARNE, d.o.o. UNI energija, družba za upravljanje d.o.o	

Št.	Balance Groups	Balance Subgroups	Balance Subgroups
30	HEP - TRGOVINA d.o.o.		
31	HOLDING SLOVENSKE ELEKTRARNE d.o.o.	E 3, d.o.o. ELEKTRO CELJE ENERGIJA d.o.o. ELEKTRO GORENJSKA PRODAJA d.o.o. ELEKTRO MARIBOR ENERGIJA PLUS d.o.o. PETROL ENERGETIKA, d.o.o. TALUM d.d. Kidričevo SODO d.o.o., (for distribution area: Elektro Ljubljana)	ACRONI, d.o.o.
32	Interenergo d.o.o.		
33	JAS Budapest Zrt.	JAS Energy Trading s.r.o.	
34	KTG Swiss SA		
35	Merrill Lynch Commodities (Europe) Limited		
36	Morgan Stanley Capital Group Energy Europe Limited, trgovanje z energijo		
37	MVM Partner Energija, družba za energijo, d.o.o.		
38	PETROL d.d., Ljubljana		
39	REPOWER Trading Češka republika s.r.o.	Rezia Energia Italia S.p.A.	
40	RUDNAP ENERGY GmbH		
41	RUDNAP ENERGY LIMITED		
42	RWE Supply & Trading GmbH		
43	SODO d.o.o.		
44	Statkraft Markets GmbH		
45	TE-TOL, d.o.o., Ljubljana		
46	Vattenfall Energy Trading GmbH		
47	VERBUND AG		
48	Virtuse Energija d.o.o.	Virtuse Energy sp. z o.o. Virtuse Wealth Management, a. s.	
49	Vitol Gas & Power B.V.		

Table 6: List of balance groups and subgroups as of 31 December 2012





2.4 Financial Settlement of Imbalances

As the clearing agent, Borzen provides financial settlement of liabilities arising from imbalance settlement of financial settlement participants. All final imbalance settlements of an individual Balance Group in a specific time period are the subject of the financial settlement.

The following table presents the values of financial settlement of imbalances for 2012.

In EUR excluding VAT

Month	Imbalance settlement	Costs of balancing	Surplus
January	384,242	-19,379	364,863
February	2,602,677	-2,303,585	299,092
March	-570,940	624,338	53,398
April	171,271	-14,099	157,172
May	457,582	-370,390	87,192
June	255,424	-250,054	5,370
July	324,355	-271,897	52,458
August	971,686	-905,623	66,063
September	-129,237	138,463	9,226
October	-303,974	335,806	31,832
November	-635,918	665,828	29,910
December	-175,689	235,794	60,105
Total	3,351,479	-2,134,798	1,216,681

Table 7: Value overview of imbalance settlement in 2012

An Imbalance Settlement item represents the netted value of a final imbalance settlement of balance groups by individual months. Expenditures or revenues occur by purchasing or selling electricity for the purposes of balancing imbalances of the electricity system in the Republic of Slovenia. Financial settlement of balancing costs of imbalance 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. Surpluses of the imbalance settlement for 2012 amounted to EUR 1,216,681.



2.5 Balancing market

On 16 October 2012, a balancing market for electricity was established where a single trading platform enables all the members of the Slovene Balance Scheme in cooperation with BSP to trade in electricity on the electricity market as well as enabling Intra-day trading. Joint provision of both services in one place generates numerous positive effects; among other things, better liquidity of both markets should be mentioned.

Trading on the Balancing Market is implemented through a platform for collecting purchase and sale bids for electricity through which the System Operator (ELES) buys and sells electricity intended for settlement of imbalances in the electricity system. Trading on the Balancing Market is carried out together with Intra-day trading; that is one hour after the closure of the latter and until actual supply of the product. All companies included in the Balance Scheme of the electricity market and which acceded to trading on the Balancing Market and Intra-day trading can participate in the trading. The performance of the services in the field of the Balancing Market that also includes the management of the trading platform and calculation and financial settlement of the transactions has been the subject of a contract concluded with BSP.

After a public consideration, the Rules on the operation of the electricity balancing market was published in the Official Journal of the RS at the end of September that have a significant impact on the reliable and undisturbed operation of the Balancing Market.

From the opening of the Balancing Market to the end of September, 191 transactions were made with a total quantity of 27,779 MWh. Most transactions, 99 in total, were concluded concerning block products with a total quantity of 24,234 MWh. In the same period, 90 transactions were made with regard to hourly products totalling 3,540 MWh and 2 transactions with 15-minute products totalling 5 MWh.

These transactions engaged 7 members of the Balancing Market. By the end of December, the Balancing Market had 29 members.

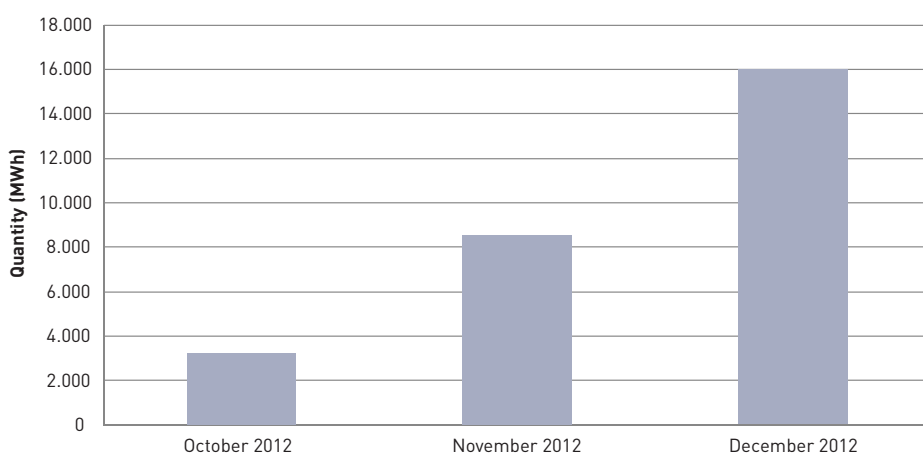


Figure 6: Quantity of concluded transactions on the electricity balancing market in 2012



3. the centre for res/chp support



3.1 System of support

In accordance with the Energy Act, the Centre for Support is the support scheme operator for the generation of electricity that is environmentally friendly. Support schemes are an instrument of state aid (subsidies) approved by the European Union that enables, with a higher purchase price of electricity, the implementation of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP) necessary to achieve national goals concerning the share of use of renewable sources in total energy consumption.

BENEFICIARIES OF SUPPORT

The entry into the system of support (the so-called new support scheme) is enabled to CHP production units that are divided into micro and small (<1 MW) and others (no more than 200 MW) and the RES units that are divided into a group of up to 5MW and others (up to 125MW). Only production units not older than 10 years (high-efficiency cogeneration – CHP) or 15 years (renewable energy sources – RES) can enter the new support system. If the production unit is older than 10 (CHP) or 15 years (RES) but has undergone reconditioning or reconstruction during this time, an application for a Decision on the provision of support can still be submitted to the Energy Agency of the RS, which then assesses whether the reconstruction met the conditions of the relevant regulations and if the production unit can re-enter the support system as a "reconditioned production unit".

At the end of 2012, both schemes contained 2,543 power plants with a total power of 375 MW representing approximately 11 percent of installed capacities in the Republic of Slovenia. This represents an almost 70-percent increase in the number compared to 2011.

TYPES OF SUPPORT

CHP production units with less than 1MW and RES production units with less than 5MW can choose between two types of support – guaranteed purchase and operating support. Larger production units can only receive operating support and are not entitled to guaranteed purchase. For CHP production units the support is limited to those that are not more than 10 years old and for RES production units this limit is 15 years.

Guaranteed purchase of electricity: Guaranteed purchase means that the Support Centre receives electricity and pays the price defined 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"). The Centre for RES/CHP Support settles the differences between forecasted and realised production (e.g. coverage of "imbalances") for units with this support type.

Operating support (or "financial support for the current business"): Operational support means that the Support Centre 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 the production unit for the difference between production costs and the market price which the unit acquires on the open market. Production units receiving this type of support have to arrange the settlement of differences between the announced and realised production and the balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an open contract for the sale of electricity.

In comparison with 2011, the share of solar power plants that already account for 43 percent of support with only a 19-percent share of energy production significantly increased. Other types of units experienced no considerable changes and the drop in hydro power plants is partly the consequence of a smaller number of new units as well as a worsened hydrological situation.



3.2 Support scheme for electricity production from RES and CHP

3.2.1 Power plants in the systems of support

At the end of 2012, both schemes contained 2,543 power plants with a total power of 375 MW representing approximately 11 percent of installed capacities³ in the Republic of Slovenia. This means a net increase in the number of power plants of less than 70 percent compared to the end of 2011. The fact that the increase in the number is much higher than the increase in power can be explained by new units of solar power plants that are, on average, of slightly lower power.

The share of units in the new support scheme that independently sell electricity on the market (and thus receive support in the form of operational funding) increased compared to 2011. At the end of 2011, it accounted for 53 percent and at the end of 2012 slightly less than 60 percent. The situation in 2012 can be better demonstrated by a datum that as many as 64 percent of all the units that had entered the support scheme in the particular year opted for operating support. This is the consequence of favourable conditions at the time of the purchase of electricity on the market.

Source according to the new system	Power in kW	Number
Biogas from waste up to 1 MW	1,195	2
Biogas from biomass up to 1 MW	16,941	19
Biogas from biomass above 1 and up to 10MW	9,992	3
Hydro power plants up to 50 kW	814	34
Hydro power plants above 50 kW up to 1 MW	16,201	63
Hydro power plants above 1 MW up to 10 MW	8,523	5
Landfill gas up to 1 MW	625	1
Landfill gas above 1MW up to 10MW	4,371	2
Wind farms up to 50 kW	24	4
Solar power plants – on buildings up to 50kW	62,158	1,997
Solar power plants – on buildings above 50kW up to 1 MW	68,033	269
Solar power plants – others up to 50kW	501	22
Solar power plants – others above 50kW up to 1 MW	13,720	25
CHP using fossil fuel up to 4000 hours, up to 50kW	1,688	56
CHP using fossil fuel up to 4000 hours, above 50 kW up to 1 MW	9,366	18
CHP using fossil fuel above 4000 hours, above 1MW up to 5 MW	13,398	6
CHP using fossil fuel above 4000 hours, above 5MW up to 25 MW	17,338	2
CHP using fossil fuel above 4000 hours, above 50 kW up to 1MW	2,540	4
CHP using fossil fuel above 4000 hours, above 1MW up to 5 MW	5,816	2
CHP using fossil fuel above 4000 hours, up to 50kW	55	2
CHP using wood biomass up to 4000 hours, above 50kW and up to 1MW	1,104	2
Power plants using wood biomass above 50 kW up to 1 MW	550	1
Power plants using wood biomass above 1 MW up to 10 MW	6,150	1
Co-incineration of wood biomass >5%, above 1MW up to 10 MW	113,000	1
Power plants using gas from waste water plants, above 50 kW up to 1 MW	450	1
Individual treatment	930	1
TOTAL	375,481	2,543

Table 8: Power plants in the new system of support – as of 31 Dec. 2012

³ According to the data provided by the Energy Agency of the Republic of Slovenia (Report on the Energy Sector in Slovenia in 2010) the installed capacity at the power plant threshold amounted to 3,363 MW.



3.2.2. Eco decision

In particular, according to the provisions in the Amendment to the Energy Act, electricity producers of new production units from renewable sources with a nominal capacity of 5 MW and new micro and small production units with high-efficiency co-generation which do not have any balancing affiliation and have no concluded Open Contract and submit an application to obtain a declaration for a production unit and an application to obtain support as a 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 the reference market price.

In 2012, there were 323 decisions issued representing a 9-percent increase compared to 2011 when 296 decisions were issued. Details are given in the table below.

Power plant type	Number	Power (in kW)
Wind power plants	1	50
Solar power plants	311	22,407
CHP devices	11	1,409
Total	323	23,936

Table 9: Issue of Eco decisions in 2012

3.2.3 Payments of support

The trend of increasing payments of support continued also in 2012 when, despite a slightly lower total quantity of produced electricity (31% less than in 2011), the amount of paid support increased by 30%. The average support increased from 73.69 EUR/MWh in 2011 to 137.28 EUR/kWh in 2012. Production that enjoys one of the two forms of support accounts for approximately 5 percent of Slovene annual consumption⁴.

Year	2009	2010	2011	2012
Quantity of electricity (in kWh)	934,180,729	995,508,812	943,253,650	653,969,311
Payment of support acc. to contracts (in EUR, excl. VAT)	22,736,785	48,588,434	69,505,462	89,777,431
Average support (in EUR/kWh)	0.02434	0.04881	0.07369	0.13728

Table 10: Payments of support from 2009 to 2012⁵

⁴ According to the data provided by the Energy Agency of the Republic of Slovenia (Report on the Energy Sector in Slovenia in 2010) the installed capacity at the power plant threshold amounted to 12,159 MW.
⁵ Data for 2012 as of 28 February 2013.

Payments by types of units are presented in the table below. Based on the share of generated electricity, CHP generating plants using fossil fuels (30 percent) and biogas plants (23 percent) stand out whereas according to the share of paid support, solar power plants stand out with a 43-percent share of paid support. The average support calculated in EUR/kWh is worth mentioning which equals 0.31502 EUR/kWh for solar plants in 2012 whereas for hydro power plants the average support is considerably lower and amounts to 0.05779 EUR/kWh.

The trend of increasing payments of support continued also in 2012 when despite a lower total quantity of produced electricity (-31% less than in 2010) the amount of paid support increased by 30% and the average support equalled 137.28 EUR/MWh. Production that enjoys one of the two forms of support accounts for slightly more than 5% of Slovene annual consumption.

Unit type	Support (EUR)	Produced electricity (kWh)	Share of energy	Share of support
Biogas power plants (BP, OP codes)	18,275,162	150,589,023	20.4%	23.0%
Biomass power plants (SL, LB codes)	8,676,032	80,867,227	9.7%	12.4%
Geothermal power plants	0	0	0.0%	0.0%
Hydro power plants (HE codes)	5,812,251	100,576,030	6.5%	15.4%
Solar power plants (SE codes)	38,239,960	121,390,569	42.6%	18.6%
CHP using fossil fuels (SF codes)	18,418,377	198,994,838	20.5%	30.4%
Wind farms (VE codes)	175	1,834	0.0%	0.0%
Other	355,475	1,549,790	0.4%	0.2%
TOTAL	89,777,431	653,969,311	100%	100%

Table 11: Support in 2012⁶

In comparison with 2011, the share of solar power plants that already accounts for 42 percent of support with only a 19-percent share of energy production significantly increased. However, a significant decrease in the share of electricity production should also be mentioned compared to 2011 when hydro power plants generated 38 percent of electricity but in 2012 only 15 percent – this difference is mainly due to the completion of the old scheme and consequently the older hydro power plants were no longer part of the scheme.

⁶ Data for 2011 as of 16 February 2012



Unit type	Support share in 2011	Support share in 2012	Difference in share in % (%t)	Energy share in 2011	Energy share in 2012	Difference in energy in % (%t)
Biogas power plants (BP, OP codes)	27.85%	20.36%	-7.49%	16.19%	23.03%	6.84%
Biomass power plants (SL, LB codes)	11.81%	9.66%	-2.14%	9.97%	12.37%	2.39%
Geothermal power plants	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hydro power plants (HE codes)	12.15%	6.47%	-5.68%	38.15%	15.38%	-22.77%
Solar power plants (SE codes)	24.70%	42.59%	17.89%	5.31%	18.56%	13.26%
CHP using fossil fuels (SF codes)	23.38%	20.52%	-2.87%	30.35%	30.43%	0.08%
Wind farms (VE codes)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.10%	0.40%	0.29%	0.03%	0.24%	0.20%

Table 12: Comparison of payments by types between 2011 and 2012⁷

Until November 2012, the Centre for Support issued the so-called »statements for investors« but due to estimated insufficient funds (a Decision in compliance with the Rules on the operation of the Centre for RES/CHP support was published on 30 October 2012) it no longer issues them. Because of an expected deficit in the scheme, the Centre for Support limited the payments with the decision adopted on 23 October 2012 (for power plants of 50kW or more) to a maximum of 15% with regard to annual forecast quantities.

⁷ Data for 2012 as of 18 February 2013



3.3 Other activities of the Centre for RES/CHP Support

3.3.1 Programmes of electricity saving

In 2010, Borzen's Support Centre 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. Within this, Borzen issued a Decision on the financial settlement for the implementation of programmes for increasing the efficiency of energy use.

The Center for RES/CHP Support collects 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 the Eco Fund while it only submits information regarding large operators and providers to the Eco Fund in accordance with the provisions of the Regulation until large operators and providers have no confirmed programmes. After the programme confirmation, the Centre for Support collects funds in an amount confirmed with the programme for large operators and providers. In accordance with the approved financial dynamics and the programme implementation, big operators and suppliers are enabled to absorb these funds. The data on supplied quantities and collected contribution funds for 2012 are shown in the table below.

2012	Small operators and providers		Large operators and providers			
	Notified quantities (in kWh)	Collected funds (excl. VAT)	Notified quantities (in kWh)	Confirmed quantity progr. (in kWh)	Approved programme (excl. VAT)	Absorbed funds (excl. VAT)
Jan.	19,094,715	9,547 €	617,303,103	214,687,737	107,344 €	- €
Feb.	18,876,863	9,438 €	389,832,378	358,163,956	179,082 €	- €
Mar.	19,167,567	9,584 €	401,242,407	342,443,686	171,222 €	- €
Apr.	18,882,587	9,441 €	363,874,305	437,320,597	218,660 €	- €
May	24,587,185	12,294 €	374,411,566	391,274,347	195,637 €	- €
Jun.	17,844,571	8,922 €	372,402,037	410,950,983	205,475 €	- €
Jul.	18,016,005	9,008 €	381,754,393	452,199,687	226,100 €	5,355 €
Aug.	16,896,930	8,448 €	370,948,255	379,923,457	189,962 €	4,600 €
Sep.	17,654,225	8,827 €	364,147,414	376,880,636	188,440 €	- €
Oct.	19,209,100	9,605 €	370,434,229	386,282,731	193,141 €	1,800 €
Nov.	18,894,687	9,447 €	366,930,928	384,927,279	192,464 €	116,213 €
Dec.	17,735,352	8,868 €	368,762,011	485,097,852	242,549 €	188,557 €
Total	226,859,787	113,429 €	4,742,043,026	4,620,152,948	2,310,076 €	316,525 €

Tabela 13: Supplied quantities and collected funds for programmes for increasing the efficiency of energy use

3.3.2 Provision of secure electricity supply with the use of domestic sources of primary energy

In order to ensure security of electricity supply at the national level, the Government, adopting the annual energy balance, may specify the quantity of primary energy from domestic sources to be used by electricity producers for electricity generation in the year concerned. In a year, the quantity of primary energy from domestic sources may not exceed 15% of total primary energy needed for the production of electricity consumed in the state in the calendar year. The Centre for RES/CHP Support concludes a contract with a selected producer and covers the eligible costs,



which is the difference between the price of generated electricity from domestic primary energy sources and the market price from comparable generation units not using this energy. The funds are accumulated with a special contribution that is collected in the same way as the contribution for the RES+CHP scheme.

With the Decision of the Ministry of Infrastructure and Spatial Planning No. 4301-19/2012-DE/7 of 3 July 2012, Termoelektrarna Trbovlje (TET) was selected to be the producer of electricity and to assume the responsibility for the secure supply of electricity in 2012 using primary energy sources. TET is obliged to use brown coal from the Trbovlje Hrastnik mine and on the basis of the Resolution of the Ministry of the Economy it is entitled to have the eligible, additional costs incurred due to the generation from the domestic source of primary energy covered.

In the middle of the year, an agreement was concluded between Borzen and TET on the basis of which the latter was provided with EUR 7,461,000 for the provision of a secure electricity supply with the use of domestic primary sources of energy in 2012.

3.3.3 Guarantees of Origin Registry

The Guarantees of Origin (GO) are electronic certificates certifying that a certain amount of energy was produced in a certain amount of time in a certain power plant in a way that is determined by the Guarantee of Origin of electricity.

The registry is 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 users' accounts. Data can also be exported and freely processed using appropriate software.

The Energy Act stipulates that the Energy Agency of the RS is responsible for the issue of Guarantees of Origin for the whole of Slovenia. In accordance with the act, Borzen, in its role as the Centre for RES/CHP Support, is also responsible for the maintenance of 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 GO 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.

In 2012, a project of thorough upgrading of the Guarantees of Origin Registry was started and largely completed that will ensure not only full compliance with the Directive but also with the international EECs standard and enable the transfer of certificates via the so-called AIB Hub Register, which will enable Slovene users to sell their certificates also in the EU. 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 had already been established in 2009. The Energy Agency has not issued the guarantees or transferred them to the account of the Centre for Support.

As of 31 December 2012, the Guarantees of Origin Registry included 62 users: the administrator account (Borzen), the account of the issuer of Guarantees of Origin (Energy Agency of the RS), the Centre for RES/CHP Support account and 6 accounts of System Operators, 14 trading accounts and 39 producer accounts. A total of 111 production units were registered with a total nominal power of 1,049,890 kW, of which two were CHP and the rest RES. In seven RES units the source energy was solar. The other units were smaller or larger hydro power plants.

⁸ The AIB HUB is a special registry or interface managed by the Association of Issuing Bodies that enables international transfers among registries.

In 2012, the issued Guarantees of Origin equalled 4,100,639,095 kWh (0.2 percent more than in the same period in 2011) of which GOs for 2,535,810,358 kWh were issued for production in the 2011 calendar year. A total of 1,504,054,514 kWh were transferred between user accounts within the Guarantees of Origin Registry and at the AIB HUB in this period.

Period of transaction	Issues (No.)	Cancellations (No.)	Transfers (No.)	Issues (MWh)	Cancellations (MWh)	Transfers (MWh)
January-December 2011	298	239	106	4,093,212	3,544,460	1,366,279
January-December 2012	359	277	214	4,100,639	2,420,744	1,504,054

Table 14: Activities in the Guarantees of Origin Registry in 2012 compared to 2011

The data presented in Table 14 cover the issues and cancellations of all the existing types of Guarantees of Origin (national GO, EECS RECS, EECS GO) and all the existing forms of transfers (i.e. transfers among accounts in the registry and transactions via the AIB HUB).

3.3.4 Management of the energy of the Balance Group within the Centre for Support

The Balance Group within the Centre for Support, the so-called Eco Group, consists of power plants that sell electricity via the Centre for Support. In 2012, these were those power plants granted the so-called Eco decision of the Centre for Support and exclusively those power plants classified in the new support scheme. At the end of 2011, all the power plants classified in the old scheme of support with the »price« type of support exited the Eco Group. A total of 11 power plants with a rated power of more than 2.7 MW exited.

Compared to 2011, the number of power plants in Eco Group increased by almost 45 percent at the end of 2012. In the same period, nominal power increased by more than 18 percent.

Power plant type	As of 31 Dec. 2009		As of 31 Dec. 2010		As of 31 Dec. 2011		As of 31 Dec. 2012	
	Number	Power (in kW)	Number	Power (in kW)	Number	Power (in kW)	Number	Power (in kW)
Solar	36	1,219	371	27,015	755	65,353	1,126	85,891
Hydro energy	6	125	43	10,985	40	10,458	31	8,616
CHP	8	3,633	19	6,748	21	6,989	32	6,568
Biogas	2	1,970	12	15,544	12	11,416	12	11,416
Wind	3	20	3	20	4	23.5	5	74
Landfill gas	1	469	2	3,171	2	3,171	1	2,702
Biogas from wastewater treatment plant sludge	1	130	1	130	1	130	0	0
Total	57	7,566	451	63,613	835	97,541	1,207	115,266

Table 15: Power plants in the Eco Group 2009 - 2012

Compared to 2011, the number of power plants in 2012 increased by 327 to 1,207 units. In the same period, nominal power increased by more than 18 percent and amounted to a slightly more than 115 MW at the end of the year.

The graph below shows the hourly realisation of generated quantities of electricity of the balance group of the Centre for Support from 1 January 2009 to 31 December 2012 in MWh.

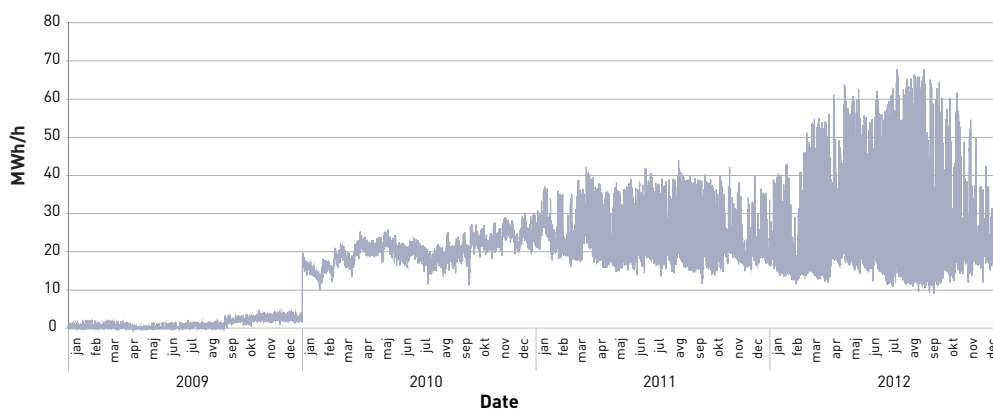


Figure 7: Hourly realisation of the Eco Group in 2009 - 2012 (in MWh/h)

The major increase in power at the end of 2012 compared to 2011 is the result of power plants having joined the group. The latter clarifies even more intensive production in peak hours, which is nicely presented in the diagram above (Figure 7). Compared to 2011, base load production decreased on average due to some power plants from the old scheme no longer being a part of the group, lower production of hydro power plants (as a consequence of low hydrology especially at the beginning of the year) and lower production of some biogas power plants.

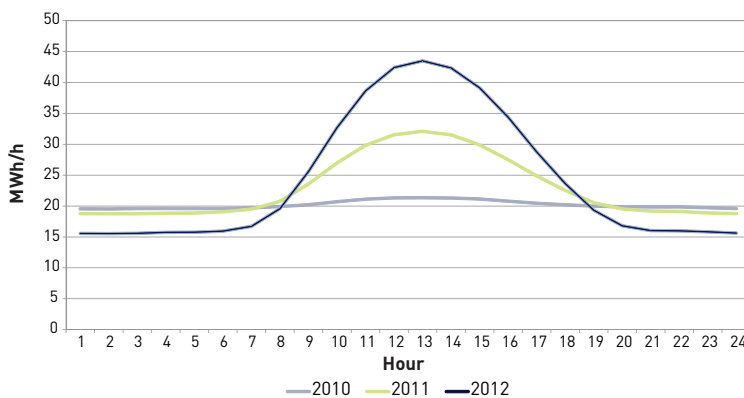


Figure 8: Average daily profile – comparison of 2012 according to 2011 and 2010



In 2012, the realisation of produced and consumed electricity in the Balance Group of the Centre for Support increased by a good 5% compared to 2011. The financial result was almost 13% higher than in 2011. This was the result of the above-mentioned increase in the production of generated and sold energy and, at the same time, a unit of generated energy was, on average, sold at a higher price than in 2011. The final average price achieved in 2011 amounted to 51.28 EUR/MWh and to 54.78 EUR/MWh in 2012. The latter is mainly the consequence of high prices achieved at the annual 2012 auction. The weighted average price of energy achieved at the auction amounted to 58.53 €/MWh but the surpluses of energy sold at the BSP Energy Exchange amounted, on average, to 54.30 €/MWh.

Within risk management the Centre for Support sells energy on the Forward as well as Day-ahead markets as already indicated in the previous paragraph. Forward sale is performed via auctions, whereas sales on the Day-ahead market are conducted at the BSP Energy Exchange. The auction for the energy of 2012 was performed on 12 December 2011. All the lots of standard products offered - peak (euro-peak) and band power - were all sold. At the auction, 12 lots of band power and 5 lots of peak power were available. 11 companies participated of which 3 were successful. One was a foreign company and the other two were domestic. On 14 December 2012, an auction for the 2013 energy was carried out.

Year	2010	2011	2012
Total (MWh)	176,902	201,488	212,697
Sales at auctions (MWh)	86,148	157,680	121,068
Sales at BSP (MWh)	34,962	35,533	82,510
Imbalances (MWh)	55,792	8,112	9,136
Annual recalculation for 2010	0	163	
Total (EUR)	7,005,612	10,643,592	11,650,803
Sales at auctions (MWh)	3,469,180	8,064,982	4,479,950
Sales and purchases at BSP (EUR)	1,726,709	2,253,570	7,086,152
Imbalance settlement (EUR)	1,809,723	6,072	84,701
Recalculation of imbalances and return of surplus for 2010	0	318,968	
Final agreed price (taking into account imbalances) EUR/MWh*)	39.60	52.82	54.78
Price achieved at auctions (EUR/MWh)	40.27	51.15	58.53
Weighted price of the sale at BSP (EUR//MWh)	49.39	63.42	54.30
BSP MAX (EUR /MWh*)	117.02	165.01	224.00
BSP MIN (EUR /MWh*)	4.76	0.00	0.00

*rounded to two decimal places

Table 16: Sale of energy in the Eco Group 2010 - 2012

The majority of realised quantities is generated in the units included in the Support Scheme. In 2010, power plants with Eco decisions produced 1,372 MWh, and 9,705 MWh in 2011, whereas in 2012 production equalled 15,628 MWh.

In 2012, a study was carried out in order to evaluate and upgrade the models of forecasting production in the units of the Eco Group that support a more optimal sale on the Day-ahead market at the Energy Exchange. The study aims at optimising the forecasts and reducing imbalance costs, which is very delicate in the field of volatile and difficult-to-forecast renewable sources.



3.3.5 Provision of information and raising awareness of RES and EEU

In 2012, the Centre for Support started to implement the Act amending the Energy Act that tasks it with the provision of information and education about renewable energy sources (RES) and efficient energy use (EEU).

In addition to a reprint of the manual "Useful Tips for the Construction of Small Power Plants", a lot of effort was made to update the structure and content of Borzen's website where subpages were added with information on RES and EEU and additional content concerning:

- What are renewable energy sources?
- Geographical overview of potentials for the use of RES
- Types of renewable sources
- Support
- Links.

Whereas in the field of efficient energy use the following content was added:

- What is efficient energy use?
- Useful advice
- Provision of energy savings
- Co-financing and borrowing
- Cogeneration of heat and electricity
- Projects
- Links..

Provision information and raising awareness are excellent opportunities to submit information on RES and EEU to a broader scope of people and thus contribute to awareness raising and better knowledge of both topics. In the future, we are planning new projects in this field and will add new content to the existing ones.



3.4 Financial data of the Centre for Support

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 revenues and expenses of the Centre for Support in 2012, namely the realised values compared to the planned ones.

In EUR excluding VAT

Item	Plan 2012	Realisation 2012
A Opening balance	37,819,652	37,819,652
1 Revenues	70,998,996	60,612,019
a RES+CHP contribution	51,114,977	40,986,072
b DES (domestic energy source) contribution	7,461,148	7,413,454
c CS-sales EE	12,422,871	12,212,493
2 Expenses	108,935,858	99,119,496
a RES+CHP support	100,883,858	90,662,640
b DES support	7,461,000	7,461,000
c Operation of the CS	591,000	591,000
d CS-purchase EE		404,856
3 Total (1-2)	-37,936,862	-38,507,477
4 Total (A+3)	-117,210	-687,825

Table 17: Overview of the Centre for RES/CHP Support's Inflows and Outflows in 2012

In 2012, the Centre for RES/CHP Support collected EUR 40,986,072 net of RES/CHP contributions and EUR 7,413,454 net of DES contributions. In addition to the received contributions for RES+CHP and DSE, the revenues of the Centre for Support also cover received funds from imbalance settlement for the Eco Group with a net value of EUR 602,381 and the sale of electricity of the Centre for Support at the annual auction and on the exchange with a net value equalling EUR 11,609,812. The funds received from imbalance settlement for the Eco Group in 2012 also include the funds received from imbalance settlement and surplus distribution from 2011.

The RES/CHP expenses for 2012 amount to EUR 91,067,496 net and include the payments of support, the purchase of electricity according to Eco decisions, the purchase of electricity for imbalance settlement and the purchase of electricity of the Eco Group at the BSP Energy Exchange equalling EUR 404,856.

DES support was paid amounting to EUR 7,461,000 net. In accordance with the tariff of the Market Operator, the contribution for the Centre for Support operation in 2012 amounted to EUR 591,000 net.

After the payment of support for 2012, the Centre for Support discloses a deficit of EUR 687,825. The issue of a deficit for the payment of support for electricity generation in December 2012 was resolved at the beginning of 2013 with an agreement on early payment of a part of receivables for the January contribution for RES+CHP. After we received the approval of the ShareholderPartner to take a short-term loan to ensure the liquidity of the Support Scheme on 1 March 2013, the procedures started to take out a loan and thus enable undisturbed payment of the RES+CHP support in January 2013.



3.4.1 Support Scheme Financing and Contributions

The Support Scheme is financed by all the electricity consumers who are charged two contributions in accordance with the legislation, namely a:

- Contribution for the provision of a secure electricity supply by using domestic sources of primary energy;
- Contribution for ensuring supports for the production of electricity from high-efficiency cogeneration and from renewable energy sources.

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 the Support Scheme for RES and CHP and the contribution for the provision of a 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.

Final customers of electricity have also been obliged to pay a contribution for the implementation of programmes aimed at increasing electricity use efficiency that is calculated based on the energy consumed (kWh) and is collected by suppliers. The contribution is 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 of electricity savings.



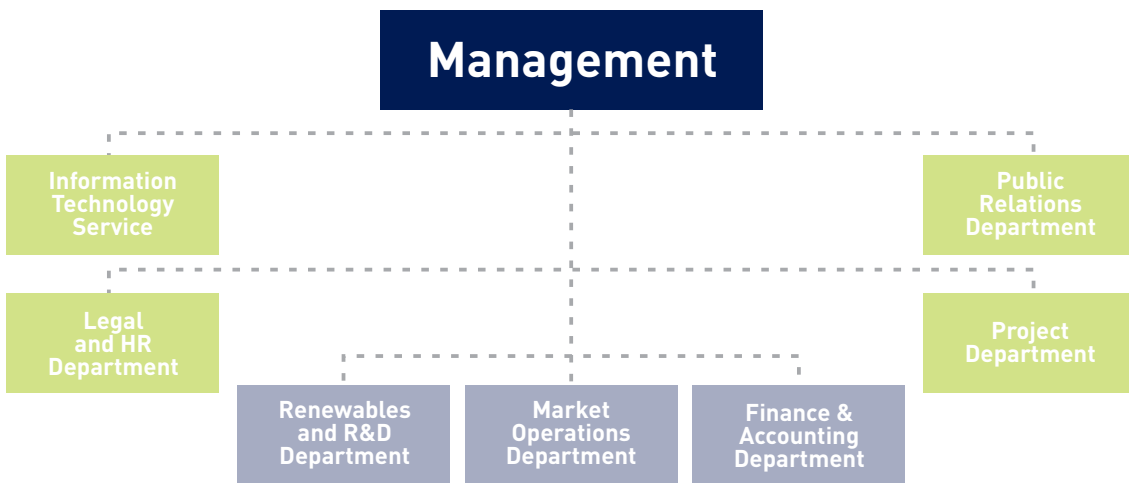
4. sustainable development

Sustainability has been integrated into all the activities and operations of the Company. Today we wish to contribute to a better tomorrow for everybody.



4.1 Employees

We are aware of how important people, the employees, are for the success of the company. Therefore we take care of their personal and professional growth. We strive for the creation of a working environment where requirements and results are combined with satisfaction, motivation, commitment and good relationships.



4.1.2 Human resource indicators

NUMBER OF EMPLOYEES

At the end of 2012, the Company had 30 employees. Compared to the end of 2011, the number of employees increased by one. The average number of employees in 2012 was 29 and did not change compared to the average number of employees in 2011.

The share of fixed-term co-workers accounted for slightly more than 3 percent of all the employees at the end of 2012 and, compared to the previous year, reduced by 4 percentage points, which is the consequence of a changed employment relation from fixed-term employment to an employment relationship of indefinite duration.

AGE STRUCTURE

The average age of the employees was 34 years, which is reflected in a young and ambitious team. The age structure shown in the chart below shows that most of the employees are aged between 30 and 34 years, i.e. 36 percent of all the employees and close behind it with 17 percent is the 29 to 31 age group.



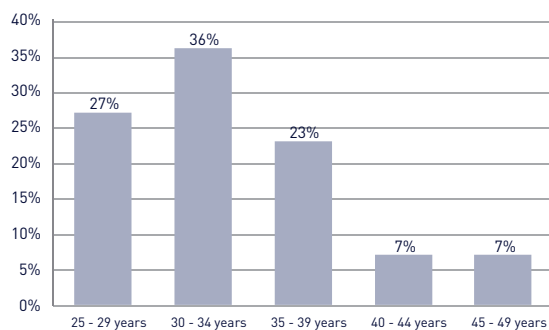


Figure 10: Age structure of employees as a percentage as of 31 December 2012

STRUCTURE BY GENDER

There are 16 women among the employees at Borzen, accounting for 53%, and 14 men, equalling 48% of all employees. This ratio does not significantly change each year.

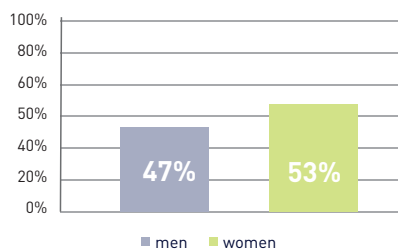


Figure: Structure of the employees by gender as of 31 December 2012

EDUCATIONAL STRUCTURE

The majority of employees have the seventh level of education, namely 70 percent. This is followed by the fifth level with 20 percent and the eighth level with 10 percent.

Level	Professional qualifications	2011	Share in %	2012	Share in %
VIII	Master's degree	3	10	3	10
VII/2	University degree	16	55	16	53
VII/1	Four-year tertiary prof. qualif.	5	17	5	17
VI	Two-year tertiary prof. qualif.	0	0	1	3
V	Secondary education	5	17	5	17
	Total	29	100	30	100

Table 18: Educational structure in shares as of 31 December 2011 and 31 December 2012



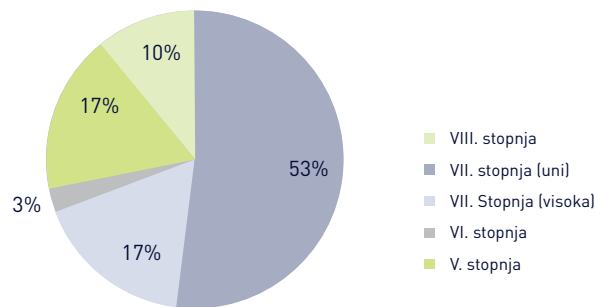


Figure 12: Educational structure of the employees as of 31 December 2012

4.1.3 Development and education and training of the staff

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the tasks. Employment is therefore upgrading careful staff planning and development.

Every year, an annual educational plan is elaborated covering the educational needs of the employees and following the strategic objectives of the Company. The educational plan focuses on individuals covering the necessary content and also taking into account individual wishes that are in line with the goals of the Company. The employees attend various seminars, courses, training sessions and conferences.

Already acquired knowledge and education can be upgraded and improved with in-service training. The employees are very interested in further schooling to acquire a higher level of formal educational. Borzen supports this kind of personal growth with training leave. In 2012, 5 employees were integrated into study programmes to obtain a higher level of education.

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

An important aspect of development and education is professional literature and membership of professional associations where informal knowledge transfer takes place.

4.1.4 Rewards and motivation of the employees

The base of the remuneration system is job classification into tariff groups and salary grades. An individual tariff group is further divided into classes where the employees are classified according to their educational level and the complexity and scope of the work performed.

The head of an organisational unit follows the work of the employee on a monthly basis and rewards him for his performance with the so-called stimulation that represents the variable part of the salary. Special attention is placed on immaterial remuneration such as integration into various projects, working groups and similar which additionally motivate the staff.

4.1.5 Communication with the employees

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



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

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

The representatives of the employees elect a shop steward who is always available and ready to listen to his co-workers and if necessary, this person reacts appropriately.

4.1.6 Care for Employees

HEALTH AND SAFETY AT WORK

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

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

FAMILY FRIENDLY ENTERPRISE

Borzen is aware that nowadays the reconciliation of working and family life is a challenge of ever increasing proportions and thus the Company decided to acquire the »Family Friendly Enterprise« certificate. With the acquisition of the basic Family Friendly Enterprise certificate the existing family friendly measures were formalised and some new measures were also added. In 2012, the Audit Council verified the implementation of the Company's plan and issued a favourable opinion for the period of the previous year. The positive effect of the adopted measures can also be observed in the employees, namely in the high percentage of utilisation of adopted benefits.

SPORTS ACTIVITIES

Borzen promotes health and provides the employees with various sports activities since we are aware that spending free time in a quality and healthy manner can positively impact on the employees. The Company supports the Borzen Sports Society that organises recreational sports activities and cultural events.

VOLUNTARY ADDITIONAL PENSION INSURANCE AND ACCIDENT INSURANCE

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

In addition, all Borzen's employees are covered by accident insurance at work as well as in their leisure time.



4.2 Social Responsibility towards the Community

IN THE FIELD OF RELATIONS WITH STAKEHOLDERS

Borzen is aware of the importance of relations with all our stakeholders. We consciously cultivate relations at all levels and with all publics adjusting our communications to each individual public. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and thus our mission of a public service is being completed.

Our communication in 2012 was mainly targeted at two key groups of stakeholders, namely the existing and potential Balance Scheme members and the existing and potential Support Scheme members. Wishing to provide quality and user friendly services we prepared numerous activities for them aimed at simplifying certain procedures in the support acquisition process and the activities to ease the acquisition of support. In cooperation with SODO we prepared the third edition of the printed, and electronic, version of the manual "Useful Tips for the Construction of Small Power Plants" and everybody can turn to our call centre for professional assistance every working day. New web content and forms were prepared and a new set of content should be exposed that we proudly present in line with the newly acquired tasks in the menus of efficient energy use and renewable energy sources.

Borzen has been striving for an advanced power market that will be the greatest value added to the existing and potential Balance Scheme members. Among the activities in the field of communication in 2012 with these stakeholders that should be exposed are undoubtedly the updated Rules for the operation of the organised electricity market, which were subject to public discussion so that all those interested could contribute their comments and proposals. Similarly, a public hearing took place with regard to the Rules on the operation of the electricity Balancing Market whose enforcement represents added value to the Slovene energy market. In May, Borzen organised the presentation of a new application for recording contracts and the preparation of schedules for the members of balance groups. The participants of the Interactive Professional Workshop obtained an understanding of the functioning of the new application for recording contracts and the preparation of schedules and its functionalities and advantages that they could test in the testing period and give proposals. The application is user friendly and more transparent and provides better control over the report of agreements by balance groups.

Last year, we started a thorough modernisation and upgrade of the existing website whose vision is to be more interactive. The updated website should give the user a more authentic experience through a higher level of computerised administrative procedures as well as through the navigation and content. We set the conceptual barriers that will enable the optimal renewal of the page and prepared a renewed architecture of the page and new design and reformulation of the content.

Last year, Borzen carried out a satisfaction analysis of the stakeholders, namely the users of the services of the Centre for Support and the members of balance groups and sub-groups who are the users of the services of the organised market. We appreciate the opinion of the stakeholders and wish to obtain their insight and suggestions that will be the foundation of our mutual relationship. Thus, we obtained precious information that can be used in our future work since we want our services to be user friendly and close to them. The internet survey of user satisfaction with the services of the Centre for Support reached more than 20 percent responsiveness, which is very good and shows that the stakeholders wanted to share their opinions with us. The results of the survey are encouraging since 92% of the respondents are, in general, satisfied with the service implementation and only 1% of them are not satisfied. The survey focusing on satisfaction with the services of the organised market between Slovene and foreign balance groups and subgroups triggered an exceptional response with its Slovene version since the response rate exceeded 50 percent whereas the response of foreigners with a little less than 20 percent was slightly lower. Such a response level of foreigners is still average compared to such surveys abroad. Joint results of domestic and foreign



respondents show that general satisfaction with the services of the Market Operator is at a high level since 63 percent of the respondents are satisfied and 28 percent are even very satisfied and only 2 percent of them are dissatisfied. Even 43 percent of foreigners are completely satisfied whereas there are only 20 percent of such Slovene respondents.

IN THE FIELD OF TRANSPARENCY

The Company wishes to provide transparent business operations since we believe it is our commitment to all users of our services and also to all citizens of the Republic of Slovenia. Transparency is regarded as an important value, which is also realised with the publication of data and information on our operations on the Company's website. To this end, we publish a list of beneficiaries of support, a list of Balance Scheme members, reports on market operations, big- and small-value public procurement and similar. In January, in accordance with recommendations by the Capital Assets Management Agency of the Republic of Slovenia we also started to publish concluded transactions, donations and sponsorship. Relevant information is regularly submitted to the interested public and we are open to the media.

GOOD CORPORATE PRACTICE

The Borzen Company respects the recommendations of good corporate practice of the Shareholder and the Slovenian Directors' Association. Accordingly, the protection of business secrets has been arranged and the Code of Business Ethics has been supplemented. The Supervisory Board Members pronounced themselves independent and signed a statement in this regard and at the end of the year also implemented a procedure assessing the efficiency of their work and adopted a special report with the action plan.

IN THE FIELD OF SOCIAL RESPONSIBILITY

Socially responsible action is covered in the core activity that we perform as the operator since we ensure reliable and stable functioning of the Slovene electricity market. Our social responsibility is directed to our employees and other stakeholders and since 2012; these activities have also been reported in the Sustainability Report in accordance with the GRI guidelines.

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

Dedicated and targeted sponsorship and donations are one of the ways to connect to the community and thus we contribute to the positive functioning of society as a whole. We support sports activities, working with the youth, culture, education and humanitarianism.

We endeavour to share good practice and transfer knowledge to a wider social environment and young people are provided with mandatory work placement and informal mentorship.



→ → → 4.3 Responsibility towards the natural environment



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

Borzen is trying to follow the principles of sustainable development in the segment of environmental protection that is also a part of our business operations. Borzen manages the national scheme of support to the environmentally friendly production of electricity (from RES and CHP) and thus promotes the use of natural resources that have a positive impact on the environment. Simultaneously, we promote efficient energy use and knowledge transfer in this field.

Sustainability is a part of our daily activities today but sustainable action and environmental protection will even be strengthened tomorrow. In January 2012, the amended Energy Act granted Borzen new powers covering mainly the tasks related to information provision, awareness raising, training and the publication of information on efficient energy use and renewable energy sources.

All our employees are aware of the importance of environmental protection - we separate waste, use recycled materials, save drinking water and electricity. Since we want to make another step, we measured the carbon footprint of our Company and set guidelines to improve it in the future. In this respect, Borzen has been assessed as average among comparable Slovene office companies and slightly above average among international office companies with its carbon footprint equalling 175,269.82 kg CO₂e and the carbon footprint per employee 5,007.71 kg CO₂e. These are the topics that will be placed under even more attention within the so-called green office.

→ → → 4.4 Research and development

4.4.1 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 cooperation between different players on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects the exceptional trust we enjoy in professional circles. In the continuation, some forms of cooperation are mentioned that mark the operations of our Company.

Within the Eurelectric section, established at the Chamber of Commerce and Industry of Slovenia, Borzen is a member of the Eurelectric Union – the European association of electricity producers, transmission and distribution operators, suppliers and trading companies. Our colleagues from Borzen are active in numerous working groups: WG Wholesale Markets & Trading, Markets Committee, WG Legal Affairs in TF Market Design for RES Integration. Borzen is also a member of the Energy Industry Chamber of Slovenia.

Borzen has an active role also in the **EuroPex** Association which connects European electricity exchanges and electricity market operators. Borzen cooperates in working groups of WG Environmental Markets, WG Power Markets, and WG Transparency and Integrity. EuroPEX is an important stakeholder in the preparation of the European regulatory framework of wholesale energy markets.

We are members of **APEX** - the Association of Power Exchanges that connects power exchanges and electricity market operators.

Borzen is present in the **Central Eastern European Electricity Forum** that was established to promote the development of the market in Central and Eastern Europe towards a single market of the European Union.

The representatives of our Company were invited into the **Strategic Council for Energy Policy and Climate Change** within the Chamber of Commerce and Industry of Slovenia where opinions are exchanged and formed on global energy issues.

We co-operate in the National Committee of the International Council on Large Electrical Systems – **CIGRE** (Conseil Internationale des Grands Reseaux Electriques) – CIREL (Slovene Association) especially in CIGRE ŠK C5 – Markets and Regulation.

Borzen is very active in the **Energy Market Data Exchange Section** (IPET) working within the Energy Chamber of Commerce and promotes development in the field of data exchange on the electricity market.

We also participate in the **Feed-in co-operation** group; this group was established by the competent ministries of Germany, Spain and Slovenia in order to ensure development in the field of support mechanisms for RES/CHP in the form of purchasing systems.

We are also members of the **IAEE** (International Association for Energy Economics) which is a non-profit and independent global organisation of companies, governments, academic and other experts dealing with the issues of energy economics and related fields in the international environment.

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

The Network that promotes and raises awareness of the importance of social responsibility is a juncture of Slovene companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.

4.4.2 Relevant projects and activities of the Company

ESTABLISHMENT OF THE BALANCING MARKET

At the beginning of 2012, Borzen, ELES and BSP agreed to join the project of the establishment of the Balancing Market and the Intraday trading project. The goal of the operational implementation of Intra-day trading in one place is to achieve synergy effects when meeting the technical requirements set by ELES as well as with regard to the commitments of Borzen according to the Energy Act, namely trading is more member-friendly and provides better liquidity of both markets.

The Balancing Market established on 16 October is an important step to better transparency, economic efficiency and the development of this segment of the market. It is an organised form of collecting and engaging bids for sale and purchase of balancing energy with the aim of settling imbalances in the electricity system in a transparent and economically efficient manner.

e-BADGE

Together with 13 companies from 5 European countries Borzen plays an important role in a European project 'e-BADGE'. The project is aimed at preparing a proposal for a Pan-European intelligent mechanism for the integration of renewable sources and virtual power plants into the cross-border Balancing Market based on the example of three countries: Slovenia – Italy – Austria. The role of Borzen is mainly to provide professional support by assessing individual architectural alternatives of setting up such a mechanism. The project is a positive contribution to the more efficient management of electricity in the field of transmission as well as distribution, in particular with regard to further optimisation, control and safety on the electricity market.

ELECTRONIC DATA EXCHANGE

Borzen's provision of tasks requires data from various players on the electricity market and is also a source of data on the market. In 2012, Borzen designed an information system that will enable transition to electronic exchange of data for imbalance settlement since due to an increasing volume of information on electricity production as well as consumption it wants to make sure that an automated information system will support rapid, accurate and safe data exchange concerning task implementation of a public service.

ELECTRICITY MARKET COUPLING

Taking into consideration the common goal of the establishment of a single integrated electricity market in Europe, the reliability of the operations of the Slovene and a broader European electricity system and thus safety of supply and certain tasks stipulated in the regulations of the Republic of Slovenia, Borzen, ELES and BSP signed a Letter of Intent in November 2012 concerning further mutual cooperation, data exchange and the preparation of strategies for the integration of electricity markets.

The already performed market coupling on the Slovenian - Italian border with relevant players and the pentilateral contract that already came to life in the previous year and positively impacted the liquidity of the Slovene market was given a green light to be continued in 2013.



4.5 Investments

In accordance with the business plan, the majority of planned investments mainly related to information technology were carried out in 2012. A virtual platform and especially developed software are the basis for the provision of support to business processes in our Company. The first enables dynamic adaptation to business requirements and circumstances in a given moment. For this reason, particular attention is drawn to its development and maintenance. In the past year, the investments in hardware and software mainly aimed at increasing reliability and extending the capacities of the existing virtual environment.

Especially developed software complements the support to business processes mainly in the segment of specific tasks and requirements. In 2012, it was updated and some new functions were added. The electronic data exchange application was introduced that was connected to the application for imbalance settlement preparation. In addition, the investment in the single information system was made as well as the Guarantees of Origin Registry and website being upgraded.

SYSTEMIC HARDWARE AND SOFTWARE

Since we place great importance on the safety of the information system, we changed obsolete network equipment and installed new and more reliable firewalls with higher capacities. In addition to computers, smart phones were also provided with anti-virus protection.

The establishment of data backup and a single information system dictated the update of the data system that was partly renewed and extended its capacities.

SINGLE INFORMATION SYSTEM (Single Source of Truth - SSOT)

With the establishment of a single information system, the Company introduced a safe and reliable system that will enable the unification of the data, single data entry, automatic data consolidation and synchronisation, a single data source and shortened procedure related to data processing and report preparation. In the field of document management, partial paperless operations will be enabled, which will reduce the costs of consumable materials, shorten the time of document verification and signature whereas a single registry will facilitate document management, increase safety of document storage and thus of operations. In the field of partner management it compiles all the data on the partner, its activities, concluded contracts and all communications with the Company, which will add to even better responsiveness and quality of the provision of all our services.

ELECTRONIC DATA EXCHANGE OF THE MARKET OPERATOR FOR THE PURPOSE OF IMBALANCE SETTLEMENT

Borzen designed an information system that will enable the shift to the electronic exchange of data on the realisation of the production and consumption of electricity for the purpose of imbalance settlement. The development of the information system for data exchange was based on models and good practices of data exchange already designed by the organisations ENTSO-E (European Network of Transmission System Operators for Electricity) and eBIX (European Forum for Energy Business Information Exchange). The new application will enable the Balance Scheme members and other market participants to report the data and monitor the results of the imbalance settlement in a simpler, more transparent and automated manner.

UPGRADE OF THE IMBALANCE SETTLEMENT APPLICATION iBIS

The upgrade of the imbalance settlement application iBIS includes the changes in algorithms for the calculation of imbalance settlement that were necessary due to amended Rules for the Operation of the Organised Electricity





Market that entered into force on 1 January 2012, and the changes related to electronic data exchange. The above-mentioned changes and the upgrade go hand in hand with the development to computerisation of the organised electricity market, which is added value to all the market participants.

UPGRADE OF THE GUARANTEES OF ORIGIN REGISTRY TO MEET THE NEEDS OF THE CENTRE FOR SUPPORT

The upgrade of the Guarantees of Origin registry is the result of the changes introduced by Directive 2009/28/ES promoting the use of energy from renewable resources. The investment aimed at higher usability and thus also higher added value and market advantages for Slovene companies (e.g. a 'multi-certificate' system, enabling international transfers, the possibility of issuing certificates also for so-called 'grey' electricity and similar) being the users of the Registry.

NON-IMPLEMENTED INVESTMENTS

In 2012, the planned investments in the software for the Balancing Market were not carried out since during the project implementation we realised that for the Company and the market it would be more reasonable to hire the entire service of the Balancing Market from BSP instead of developing our own software and providing services in the Company.





financial report





1. auditor's report



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INDEPENDENT AUDITOR'S OPINION

To the owner of the company
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Dunajska 156
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 2012, 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 2012, and its financial performance and its cash flows for the year ended in accordance with the Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

The business report is consistent with the audited financial statements.

Ljubljana, April 26th 2013



Benjamin Fekonja, BSc. Econ.
Certified Auditor

2. financial statements

2.1 Balance sheet

in EUR

DESCRIPTION	31. 12. 2012	31. 12. 2011
ASSETS	19,680,184	58,059,206
A. LONG-TERM ASSETS	2,858,055	2,571,387
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	695,451	352,653
II. TANGIBLE FIXED ASSETS	1,650,958	1,672,888
1. Business premises	1,285,843	1,336,006
2. Equipment	365,115	336,882
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568
1. Shares in associated companies	419,568	419,568
IV. DEFERRED TAX ASSETS	92,078	126,278
B. SHORT-TERM ASSETS	16,809,328	55,478,093
I. SHORT-TERM FINANCIAL INVESTMENTS	0	24,800,000
II. SHORT-TERM OPERATING RECEIVABLES	11,312,313	12,450,149
1. Short-term accounts receivable	7,450,364	8,724,270
2. Short-term receivables from others	3,861,949	3,725,879
III. CASH AND CASH EQUIVALENTS	5,497,015	18,227,944
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	12,801	9,726
Off-balance-sheet assets	5,189,667	5,396,386
LIABILITIES	19,680,184	58,059,206
A. EQUITY	4,346,359	4,250,223
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	766,042	711,801
1. Statutory reserves	196,328	142,087
1. Other revenue reserves	569,714	569,714
IV. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	1,616,643	1,574,748
1. Net profit for financial year	1,616,643	1,574,748
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	61,805	48,691
C. SHORT-TERM LIABILITIES	15,272,020	53,760,292
A. SHORT-TERM OPERATING LIABILITIES	15,272,020	53,760,292
1. Short-term liabilities to suppliers	11,614,909	11,477,467
2. Other short-term operating liabilities	3,657,111	42,282,825
Č. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME	0	0
Off-balance-sheet liabilities	5,189,667	5,396,386

Table 19: Balance sheet as of 31st December 2012 and 31st December 2011

2.2 Income statements

in EUR

DESCRIPTION	1.1.-31.12.12	BP 2012	1.1.-31.12.11
1. NET SALES REVENUES	3,446,174	3,324,400	3,423,744
a. Revenues from supplement to network charges	1,628,695	1,667,800	1,639,288
b. Revenues from recorded contracts	1,164,254	1,009,600	1,133,787
c. Revenues from the Centre for RES/CHP Support	591,000	591,000	591,000
č. Revenues from BSP	59,475	56,000	57,335
d. Other revenues	2,750	0	2,334
2. OTHER OPERATING REVENUES	83	0	18,746
TOTAL OPERATING REVENUES	3,446,257	3,324,400	3,442,490
3. COSTS OF GOODS, MATERIALS, AND SERVICES	771,762	794,000	829,847
a. Material costs	61,280	75,000	80,751
b. Costs of services	710,482	719,000	749,096
4. LABOUR COSTS	1,205,987	1,213,000	1,195,210
a. Salary costs	898,913	917,300	894,901
b. Pension insurance costs	120,140	118,700	115,655
c. Costs of other social insurances	66,726	70,000	64,830
d. Other labour costs	120,208	107,000	119,824
5. WRITE DOWNS	316,078	329,700	261,990
a. Depreciation	316,078	329,700	261,699
b. Revalued operating expenses	0	0	291
6. OTHER OPERATING EXPENSES	25,328	12,000	16,836
OPERATING PROFIT OR LOSS	1,127,102	975,700	1,138,607
7. FINANCIAL REVENUES	893,182	770,000	927,151
a. Other finan. revenues with revaluated finan. revenues	893,182	770,000	927,151
8. FINANCIAL EXPENSES	39	0	48
a. Financial expenses for operating liabilities	39	0	48
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	2,020,245	1,745,700	2,065,710
9. OTHER REVENUES	13,167	0	0
10. OTHER EXPENSES	0	0	0
PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES	13,167	0	0
TOTAL REVENUES	4,352,606	4,094,400	4,369,641
TOTAL EXPENSES	2,319,194	2,348,700	2,303,931
TOTAL PROFIT	2,033,412	1,745,700	2,065,710
11. TAX ON PROFIT	328,328	349,140	407,887
12. DEFERRED TAX	34,200	0	194
NET PROFIT OR LOSS FOR ACCOUNTING PERIOD	1,670,884	1,396,560	1,657,629

*BP - Business plan

Table 20: Income Statement for the period between 1 January 2011 and 31 December 2012

2.3 Cash flow statements (version I)

in EUR

DESCRIPTION	2012	2011
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Income statement items	1,141,049	978,342
Operating revenues (excluding revaluation) and financial revenues from operating receivables	3,459,341	3,423,744
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-1,989,964	-2,037,515
Income taxes and other taxes not included in operating expenses	-328,328	-407,887
b. Changes in net current assets in balance sheet items (including accruals and deferrals)	-37,353,513	-2,911,638
Opening less closing operating receivables	1,137,836	-829,465
Opening less closing deferred costs and accrued revenues	-3,075	-1,982
Closing less opening operating liabilities	-38,488,274	-2,078,240
Closing less opening accrued costs and deferred revenues and provisions	0	-1,951
c. Net cash from operating activities	-36,212,464	-1,933,296
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Cash receipts from investing activities	43,293,229	947,656
Cash receipts from received interest related to investing activities	893,146	927,079
Cash receipts from disposal of intangible assets	83	20,577
Cash receipts from disposal of short-term finan.	42,400,000	0
b. Cash disbursements from investing activities	-18,236,946	-25,523,562
Cash disbursements for acquisition of intangible assets	-486,862	-157,522
Cash disbursements for acquisition of tangible fixed assets	-150,084	-566,040
Cash disbursements for acquisition of long-term fin. invest.	0	0
Cash disbursements for acquisition of short-term fin. invest.	-17,600,000	-24,800,000
c. Net cash from investments	25,056,283	-24,575,906
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Outflows from financing activities	-1,574,748	-500,000
Expenses for the payment of dividends and other shares of profit	-1,574,748	-500,000
b. Net cash from investments	-1,574,748	-500,000
D. CLOSING BALANCE OF CASH	5,497,015	18,227,944
Net cash flow for period	-12,730,929	-27,009,202
Opening balance of cash	18,227,944	45,237,146

Table 21: Cash flow statement



2.4 Allocation of net profit for the financial year

in EUR

DESCRIPTION	31. 12. 2012
Net profit from previous financial years	0
Net profit for the financial year	1,670,884
Part of net profit for statutory reserves	54,241
Accumulated profit for financial year	1,616,643

Table 22: Allocation of net profit for financial year 2012

The accumulated profit for the 2012 financial year amounts to EUR 1,616,643 and is comprised of net profit from the financial year less the reserves created pursuant to paragraph 4 Article 64 of the Companies Act.



2.5. Statement of changes in equity

in EUR

	Share capital	Capital reserves General reval. equity capital adjustment	Revenues reserves		Retained net profit	Net profit or loss of the finan. year	Total Capital
			Statutory reserves	Oth. reserves from profit			
Closing balance as of 31 December 2010	1,963,279	395	59,206	438,019	0	631,695	3,092,594
Opening balance as of 1 January 2011	1,963,279	395	59,206	438,019	631,695		3,092,594
Total comprehensive income							
Entry of net profit or loss for financial year						1,657,629	1,657,629
Changes in equity							
Transfer of profit to reserves				131,695	-131,695		0
Payment of profit to owner					-500,000		-500,000
Creating mandatory reserves			82,881			-82,881	0
Closing balance as of 31 December 2011	1,963,279	395	142,087	569,714	0	1,574,748	4,250,223
Opening balance as of 1 January 2012	1,963,279	395	142,087	569,714	1,574,748		4,250,223
Total comprehensive income							
Entry of net profit or loss for financial year						1,670,884	1,670,884
Changes in equity							
Payment of profit to owner					-1,574,748		-1,574,748
Creating mandatory reserves			54,241			-54,241	0
Closing balance as of 31 December 2012	1,963,279	395	196,328	569,714	0	1,616,643	4,346,359

Table 23: Statement of changes in equity for 2011 and 2012



3. notes on 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.



3.1 Notes on balance sheet items

INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

In books of account, intangible fixed assets and long-term deferrals and accruals are disclosed separately as historical cost and value adjustments as cumulative write-down, which is the result of depreciation; in the balance sheet the assets are declared at the net book value, which is the difference between the historical cost and value adjustment.

in EUR

	Software	Software in production	Total
Purchase value			
01. 01. 2012	947,376	0	947,376
Direct increases - purchases		486,862	486,862
Transfer from assets being acquired	473,888	-473,888	0
Disposals	4,559	0	4,559
31. 12. 2012	1,416,705	12,974	1,429,679
Write-down value			
01. 01. 2012	594,723	0	594,723
Yearly depreciation	144,064	0	144,064
Disposals	4,559	0	4,559
31. 12. 2012	734,228	0	734,228
Current value			
01. 01. 2012	352,653	0	352,653
31. 12. 2012	682,477	12,974	695,451

Table 24: Intangible assets and long-term deferred costs and accrued revenues

In 2012, we invested a total of EUR 486,862 in new software. The investments cover new software that includes the application for electronic data exchange of the market operator for the purpose of imbalance settlement (EDE), upgrading the application for performing imbalance settlement - iBIS, upgrading the information system for clearing and financial settlement ISOB, the purchase of Microsoft licensed software, upgrading the website of Borzen, upgrading the Guarantees of Origin Registry and the establishment of a Single Information System (SIS) to provide a safe and reliable system of operations.

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 disclosed separately in ledgers, whereby the value adjustment represents the cumulative write-down as a result of depreciation. In the balance sheet they are recorded 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 related to a tangible fixed asset that are subsequently incurred increase its purchase value if they increase future benefits compared to the previous estimates.

in EUR

	Real estate	Equipment Information system	Office equipment	Tools, instruments, devices and other inv.	Total
Purchase value					
01. 01. 2012	1,367,135	723,350	134,868	101,170	2,326,523
Purchases	0	145,241	2,645	2,198	150,084
Disposals	0	255,981	0	0	255,981
31. 12. 2012	1,367,135	612,610	137,513	103,368	2,220,626
Write-down value					
01. 01. 2012	31,129	543,020	13,898	65,589	653,636
Depreciation	50,163	92,588	15,051	14,212	172,014
Disposals	0	255,981	0	0	255,981
31. 12. 2012	81,292	379,627	28,949	79,801	569,669
Current value					
01. 01. 2012	1,336,006	180,330	120,970	35,581	1,672,887
31. 12. 2012	1,285,843	232,983	108,564	23,567	1,650,957

Table 25: Tangible fixed assets

The investments in tangible fixed assets amounted to EUR 150,084 and include a multifunctional Canon device, servers, data fields, switches and other computer equipment. 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 written-down 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. 2012	31. 12. 2011
Long-term financial investment in stakes	419,568	419,568
Total	419,568	419,568

Table 26: Table of long-term financial investments

Borzen possesses a 50-percent equity stake in BSP Regional power exchange. On the basis of an assessment performed in April 2011, the value of a 50% equity stake on 31 December 2010 was estimated at EUR 419,568. The BSP Company concluded 2011 and 2012 with positive results.

DEFERRED TAX ASSETS

	in EUR	
	31. 12. 2012	31. 12. 2011
Deferred tax assets:		
- from impairment of financial investment	86,591	115,455
- from provisions	4,635	4,869
- from depreciation	852	5,954
Total	92,078	126,278

Table 27: Table of deferred tax assets

Deferred tax assets mainly refer to the deferred tax from the impairment of financial investment in BSP in 2010. The actual impairment of the financial investment is not a 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 provisions for severance pay and long service awards and from depreciation charged at higher levels than those taxable. In 2012, deferred tax assets decreased by EUR 34,200 mainly due to the conversion to a new income tax rate and partly because of the derecognition of these receivables from depreciation.

SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are initially disclosed at the historical cost, which corresponds to the cash or other assets invested.

in EUR

	31. 12. 2012	31. 12. 2011
Short-term deposits with banks	0	24,800,000
Total	0	24,800,000

Table 28: Short-term financial investments

At the end of 2012, Borzen does not disclose short-term financial investments.

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 occurrence. Exchange differences that arise up to the day receivables are settled or up to the balance sheet date are deemed to be financial revenues or financial expenses. The amounts of individual receivables were verified prior to the compilation of the financial statement.

in EUR

	31. 12. 2012	31. 12. 2011
Short-term accounts receivables	7,450,364	8,724,270
a) Short-term domestic accounts receivables	7,285,882	8,390,330
- of which receivables from associated companies	13,378	13,653
b) Short-term foreign accounts receivables	164,482	333,940
Short-term advances and securities provided	510	564
Short-term interest receivables	725	262,128
Short-term receivables from CS	694,783	0
Other short-term receivables	3,165,931	3,463,187
Total	11,312,313	12,450,149

Table 29: Short-term operating receivables

As of 31 December 2012, the largest portion of the short-term domestic accounts receivables is accounted for by receivables from the Centre for RES/CHP Support and from the contribution in accordance with Article 67 of the Energy Act to promote efficient energy use and 17.5% from imbalance settlement and 3.5% 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 LLC.

Almost all accounts receivables (99.9%) were not due yet on the last day of 2012. The receivables already due are not uncontroversial since they were all paid in the first half of January. In our opinion, the risk of non-payment is minimal.

Short-term receivables from the Centre for RES/CHP Support refer to a deficit of funds related to RES and CHP. These are essentially receivables from the contribution for RES and CHP that Borzen needs to receive in order to pay the beneficiaries after already receiving invoices that are not yet due to beneficiaries of the Centre for RES/CHP Support.

Other short-term receivables refer to input VAT from invoices received in January 2013 and refer to December 2012 and the surplus of VAT after it was charged for November and December 2012.



CASH AND CASH EQUIVALENTS

Cash and cash equivalents disclose, in addition to regular funds, also the cash of the Centre for RES/CHP Support and imbalance settlement that are kept separately and in a special account. Call deposits are also kept on special accounts with the following banks: UniCredit banka Slovenija d.d., Sberbank banka d.d., Banka Sparkasse d.d., Factor banka d.d. and Zveza bank, Podružnica Ljubljana.

in EUR

	31. 12. 2012	31. 12. 2011
Cash in banks	2,193,199	273,053
Cash in the business transaction account	114,483	12,121
Cash in special accounts – The Centre for RES/CHP Support	217,396	252,974
Cash in special accounts – efficient energy use	1,848,651	440
Cash in special accounts for imbalance settlement	12,669	7,518
Call deposits – Total	3,303,816	17,954,891
Call deposit	1,677,689	800,865
Call deposit – The Centre for RES/CHP Support	624,280	14,300,291
Call deposit – Imbalance settlement	1,001,847	2,853,735
Total	5,497,015	18,227,944

Table 30: Cash and cash equivalents

SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Costs that were charged in 2012 but that relate to the next financial year and will be met as costs in 2013 are disclosed as deferred costs and accrued revenues.

in EUR

	31. 12. 2012	31. 12. 2011
Short-term deferred cost or expenditures	12,801	9,726
Total	12,801	9,726

Table 31: Short-term deferred costs and accrued revenues

EQUITY

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

in EUR

	31. 12. 2012	31. 12. 2011
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
Revenue reserves	766,042	711,801
Statutory reserves	196,328	142,087
Other revenue reserves	569,714	569,714
Retained earnings from previous years	0	0
Net profit for the financial year	1,616,643	1,574,748
Total	4,346,359	4,250,223

Table 32: Equity

In 2012, the Company generated a net profit of EUR 1,670,884. After creating mandatory reserves pursuant to paragraph 4 Article 64 of the Companies Act in the amount of EUR 54,241, a remaining net profit in the amount of EUR 1,616,643 was disclosed. The Company's distributable profit thus amounts to EUR 1,616,643 and is identical to its net profit in 2012. Based on the decision of the Shareholder, the accumulated profit for the year 2011 amounting to EUR 1,574,748 was intended for the payment of dividends.

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 consumer prices (2.7%) for 2012, the revaluation expenditures would amount to EUR 73,702 and the positive result to EUR 1,543,639 (without taking into account corporate tax).

PROVISIONS

On the basis of an actuarial calculation the Company created provisions for severance pay upon retirement and long-service awards. In 2012, no provisions were used; after recreating provisions at the end of 2012, they totalled EUR 21,086 for severance pay upon retirement and EUR 40,719 for long-service awards. in EUR

	31. 12. 2012	31. 12. 2011
Reservations for long-service awards and severance pay	61,805	48,691
Total	61,805	48,691

Table 33: Provisions

SHORT-TERM LIABILITIES

Short-term liabilities are disclosed separately as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities are loans granted, which Borzen does not disclose. Short-term operating liabilities consist of advances acquired from customers, liabilities to suppliers in Slovenia and abroad, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are disclosed at a fair value.

in EUR

	31. 12. 2012	31. 12. 2011
Short-term liabilities to suppliers	11,614,909	11,477,467
Short-term liabilities to suppliers – regular suppliers	445,884	193,976
Short-term liabilities to suppliers – the Centre for RES/CHP Support	9,994,940	9,326,595
Short-term liabilities to suppliers – Balance Scheme	1,174,085	1,956,896
Short-term liabilities for the Centre for RES/CHP Support	151,600	38,036,863
Short-term liabilities – efficient energy use	2,090,461	32,901
Short-term liabilities – Balance Scheme	1,216,683	3,772,007
Short-term liabilities for advances received	41,144	0
Short-term liabilities to employees	104,070	92,111
Liabilities for net salaries and wage compensations	65,151	49,917
Liabilities for contributions from gross salaries and wage compensations	18,136	18,910
Liabilities for taxes from gross salaries and wage compensations	14,015	16,548
Liabilities for other remunerations from employment	6,768	6,736
Liabilities to state and other institutions	49,777	345,503
Liabilities for charged VAT	34,308	171,020
Liabilities for corporate income tax	0	157,665
Other short-term liabilities to state and other institutions	15,469	16,818
Other short-term liabilities	3,376	3,440
Total	15,272,020	53,760,292

Table 34: Short-term operating liabilities

As of 31 December 2012, liabilities consist of open positions to regular suppliers, open positions to the beneficiaries of the Centre for RES/CHP Support, and open positions for suppliers under the Balance Scheme. Liabilities to regular suppliers are higher due to the purchase of fixed assets at the end of the year. The amount of the beneficiaries of the Centre for RES/CHP Support refers to invoices in December that were paid in January 2013. The Company settles all liabilities toward suppliers in agreed/contractual deadlines.

In 2011, short-term liabilities to the Centre for RES/CHP Support were extremely high and actually represented the surplus of the RES and CHP funds collected whereas at the end of 2012 they were practically zero and even a deficit was disclosed that is presented in the table of short-term receivables. Short-term liabilities to the Centre for RES/CHP Support include the deposits that the purchasers of electricity sold at the auction in December have to submit and amount to EUR 144,641 and the surplus of funds from DES EUR 6,959.

Short-term liabilities to employees are open items to employees, namely December salaries and undisbursed bonuses to the General Manager.



OFF-BALANCE SHEET ITEMS

The Company's off-balance sheet assets amounted to EUR 5,189,667. Of this, EUR 1,425,894 represents Balance Scheme Members' cash in deposit sub-accounts opened in the Balance Scheme Members' names. Funds refer to financial guarantees for the fulfilment of financial liabilities stemming from imbalance settlement. B Financial guarantees must be submitted by the Balance Responsible Party upon signing the Balancing Agreement with the Market Operator, in accordance with the Rules for the operation of the electricity market. The assets are disclosed as off-balance sheet items as they have no direct impact on the volume and composition of the assets or liabilities; they merely represent a guarantee for the fulfilment of Balance Scheme Members' liabilities.

In addition to cash financial guarantees, Balance Scheme Members may also submit financial guarantees in the form of bank guarantees payable upon first call. On 31 December 2012, the value of received bank guarantees of the Balance Scheme Members amounted to EUR 3,763,773.



3.2 Notes on items in the income statement (version I)

NET SALES REVENUES

Sales revenue consists of the selling price of services provided in the accounting period. Revenues are recognised on the basis of selling prices stated in invoices and other documents.

in EUR

	In 2012	Share in %	BP 2012	Share in %	In 2011	Share v %
Net sales revenue						
Revenues from supplement to network charges	1,628,695	47.3	1,667,800	50.2	1,639,288	47.6
Revenues from recorded contracts	1,164,254	33.8	1,009,600	30.4	1,133,787	32.9
Revenues from the Centre for RES/CHP Support	591,000	17.1	591,000	17.8	591,000	17.2
Revenues from BSP	59,475	1.7	56,000	1.7	57,335	1.7
Other revenues	2,750	0.1	0	0.0	2,334	0.1
Total sales revenues	3,446,174	100.0	3,324,400	100.0	3,423,744	99.5
Other operating revenues	83	0.0	0	0.0	18,746	0.5
Total	3,446,257	100.0	3,324,400	100.0	3,442,490	100.0

Table 35: Net sales revenue

The largest proportion of revenues refers to revenues from supplement to network charges. The supplement to network charges in the amount of 0.13 EUR/MWh is stipulated in the Market Operator's Tariff with effect from 1 January 2010 and approved by the Decision of the Government of the Republic of Slovenia No. 36001-11/2010/4 dated 23 September 2010. In accordance with the provisions of the Rules on setting prices for the use of electricity networks and criteria for the justification of costs (Official Journal 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 Journal of the RS, No. 121/05), the Market Operator charges a supplement to the network 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 contracts with the use of cross-border transmission capacities. The commission for recording closed contracts with the use of cross-border transmission capacities is paid by the contracting party who recorded the closed contract with the use of cross-border transmission capacities to the Market Operator in accordance with the invoice issued.

The activities of the Centre for RES/CHP Support are financed from a share of contributions from Article 64.s of the Energy Act intended for the operation of the Centre for RES/CHP Support.

Of total sales revenues, EUR 3,114,000 was charged to domestic buyers and EUR 332,174 to foreign buyers.

OPERATING EXPENSES

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



in EUR

	In 2012	Share in %	BP 2012	Share in %	In 2011	Share in %
Material costs	61,280	2.6	75,000	3.2	80,751	3.5
Costs of services	710,482	30.6	719,000	30.6	749,096	32.5
Labour costs	1,205,987	52.0	1,213,000	51.6	1,195,210	51.9
Depreciation	316,078	13.6	329,700	14.0	261,699	11.4
Revalued operating expenses	0	0.0	0	0.0	291	0.0
Other operating expenses	25,328	1.1	12,000	0.5	16,836	0.7
Total	2,319,155	100.0	2,348,700	100.0	2,303,883	100.0

Table 36: Operating expenses

COSTS OF MATERIALS AND SERVICES

in EUR

Type of cost	In 2012	Share in %	BP 2012	Share in %	In 2011	Share in %
Energy costs	11,078	18.1	27,000	36.0	28,588	35.4
Office supplies and professional literature	36,550	59.6	30,000	40.0	28,351	35.1
Other costs of materials	13,652	22.3	18,000	24.0	23,812	29.5
Total costs of materials	61,280	100.0	75,000	100.0	80,751	100.0
Costs of Balancing Market services	20,129	2.8	0	0.0	0	0.0
Regular maintenance of fixed assets	71,019	10.0	85,000	11.8	83,325	11.1
Rental costs	61,264	8.6	60,000	8.3	105,005	14.0
Costs of missions	40,192	5.7	37,000	5.1	36,720	4.9
Membership fees	30,544	4.3	32,000	4.5	30,008	4.0
Education and training	55,937	7.9	55,000	7.6	52,381	7.0
Advisory services and expert studies	160,903	22.6	180,000	25.0	198,746	26.5
Public Relations	94,806	13.3	97,000	13.5	95,620	12.8
Costs of premises	41,487	5.8	40,000	5.6	43,542	5.8
Other services	111,114	15.6	106,000	14.7	93,324	12.5
Supervisory Board costs	23,087	3.2	27,000	3.8	10,425	1.4
Total costs of services	710,482	100.0	719,000	100.0	749,096	100.0

Table 37: Costs of materials and services

Compared to the previous year, costs of materials are lower due to lower costs of electricity and other costs of materials whereas the costs of office supplies and professional literature increased. Also the costs of services are lower than in the previous year.

Advisory services costs included the costs paid to auditors for auditing services in 2012 totalling EUR 5,216. Auditing costs include the costs of auditing annual reports and public tenders.



LABOUR COSTS

In 2012, total labour costs amounted to EUR 1,205,987. At the end of 2012, the Company had 30 employees. The average number of employees based on working hours was 26.9. Labour costs are calculated in accordance with the Rules on employment relationships and the Government Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base.

WRITE-DOWNS

Depreciation in 2012 amounted to EUR 316,078 and is higher than in the previous year since in the second half of 2011 and in 2012 quite considerable fixed assets were purchased. In the depreciation calculation the straight-line method is applied.

OTHER OPERATING EXPENSES

Other operating expenses, which primarily refer to construction land contributions and provisions for long-service awards and severance pay upon retirement additionally recognised in 2012, amounted to EUR 25,328.

FINANCIAL REVENUES

in EUR

	In 2012	Share in %	BP 2012	Share in %	In 2011	Share in %
Interest revenues	892,923	100.0	770,000	100.0	927,079	100.0
Other financial revenues including financial revenues from revaluation	259	0.0	0	0.0	72	0.0
Total	893,182	100.0	770,000	100.0	927,151	100.0

Table 38: Financial revenues

Interest revenues relate to interest on deposits made with banks and interest on demand cash deposits in accounts.

FINANCIAL EXPENSES

The amount of financial expenses in 2012 was insignificant since it equalled only EUR 39.00 and refers to expenses due to revaluation so as to maintain the value.

NET PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

in EUR

	In 2012	Share in %	BP 2012	Share in %	In 2011	Share in %
Revenues	4,352,606	100.0	4,094,400	100.0	4,369,641	100.0
Net sales revenue	3,446,174	79.2	3,324,400	81.2	3,423,744	78.4
Other operating revenues	83	0.0	0	0.0	18,746	0.4
Financing revenues	893,182	20.5	770,000	18.8	927,151	21.2
Other revenues	13,167	0.3	0	0.0	0	0.0
Expenses	2,319,194	100.0	2,348,700	100.0	2,303,931	100.0
Costs of sale of services including write-downs	2,293,827	98.9	2,336,700	99.5	2,287,048	99.3
Other operating expenses	25,328	1.1	12,000	0.5	16,836	0.7
Financing expenses	39	0.0	0	0.0	47	0.0
Other expenses	0	0.0	0	0.0	0	0.0
Corporate income tax	328,328		349,140		407,887	
Deferred tax	34,200				194	
Net profit or loss for accounting period	1,670,884		1,396,560		1,657,629	
Total comprehensive income for accounting period	1,670,884		1,396,560		1,657,629	

Table 39: Net profit or loss and total comprehensive income for the period

OTHER DISCLOSURES

The Management of the Company is a one-member body, the General Manager, appointed by the Supervisory Board for a five-year period. The General Manager – who since 1 January 2010 has been Karol Peter Peršolja, M.Sc. - has been running the Company and has represented it.

The General Manager is entitled to basic payment (salary) and reasonable payment for the performance of the Company (performance award). In the 2012 financial year, the General Manager received:

in EUR

	Gross	Net
Salary 2012	101,271	50,254
Performance award for 2011	4,755	2,185

Table 40: Remuneration of the General Manager in 2012

In 2012, the Supervisory Board members were entitled to remuneration for the performance of their function based on the applicable decision of the Shareholder, as follows:



in EUR

	Gross	Travel allowance	Net
Korošec Vekoslav	8,820	0	6,836
Tomaž Fatur	6,220	0	4,820
Janko Kramžar	6,740	0	5,224

Table 41: Remuneration of the Supervisory Board members in 2012

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

PERFORMANCE AND FINANCIAL SITUATION INDICATORS

	INDICATOR TYPE	2012	2011
	Financing indicators		
1.	Equity financing rate	0.221	0.073
2.	Long-term financing rate	0.224	0.074
	Investment indicators		
3.	Operating fixed assets rate	0.119	0.035
4.	Long-term assets rate	0.145	0.044
	Horizontal financial structure indicators		
5.	Equity to fixed operating assets ratio	1.852	2.098
6.	Immediate solvency ratio	0.360	0.339
7.	Quick ratio	1.101	0.571
8.	Current ratio	1.101	1.032
	Economic indicators		
9.	Operating efficiency ratio	1.486	1.494
	Profitability indicators		
10.	Return on equity ratio - ROE	0.389	0.451
11.	Return on asset ratio - ROA	0.043	0.028

Table 42: Performance and financial situation indicators

Financing indicators

The equity financing rate (equity / liabilities) or capitalisation level shows the owner's stake in financing sources. It reflects the rate of financial independence and thus the rate of financial security. The indicator considerably increased in 2012 due to decreased liabilities that were lower because of the use of the surplus assets managed by the Centre for RES/CHP Support.

The long-term financing rate (the sum of capital, long-term debt and long-term provisions and long-term accrued costs and deferred revenues / liabilities) amount to 0.224 and is also higher due to the utilisation of short-term liabilities stemming from the assets managed by the Centre for RES/CHP Support.



Investment indicators

The operating fixed assets rate (fixed assets at the net book value / assets) indicates the share of fixed assets at the net book value in total assets. The value of this indicator also significantly increased due to the drop in the assets managed by the Centre for RES/CHP Support.

The long-term assets rate (the sum of fixed assets and long-term deferred costs and accrued revenues, long-term financial investments, investment property and long-term operating receivables / assets) indicates the level of long-term assets in total assets. This indicator is also impacted by the funds managed by the Centre for Support.

Horizontal financial structure indicators

The equity to fixed operating assets ratio (equity / fixed assets at the net book value) shows the ratio between equity and fixed assets and implies financing of fixed operating assets by the owners.

The immediate solvency ratio (liquid assets / short-term liabilities) shows that the Company could settle 36% of all its liabilities with the available funds on a given day. The value of this indicator was similar in 2011.

The quick ratio (the sum of liquid assets and short-term receivables / short-term liabilities) shows the ability to cover short-term liabilities with cash and short-term receivables.

The current ratio (short-term assets / short-term liabilities) shows the ability to settle short-term debts with cash and short-term assets.

Economic indicators

The operating efficiency indicator as the ratio between operating revenues and operating expenses shows the operating efficiency of the company since financial revenues and expenses as well as other revenues and expenses are excluded from the indicator. In 2012, the indicator equals 1.486 meaning that in 2012 the Company generated 149 units of operating revenue per 100 units of operating expenses.

Profitability indicators

The basic profitability indicator return on equity (ROE) shows the net return on equity capital and gives the profit per unit of equity, and from the point of view of the Company's owners it is the most important and one of the most commonly used performance indicators. It tells us how much net profit was generated with average capital invested in the Company. Compared to the previous year, the value of the coefficient is slightly lower mainly due to higher average equity.

The asset profitability indicator (ROA) shows the net profit of average assets. In 2012, the value of the indicator was (4.3%) higher than in the previous year (2.8%) since it was still affected by the receivables of the Centre for Support that the Company manages and are declared in the balance sheet under assets but on the other hand these funds have no impact on profits. During the year, the level of surpluses of the Centre for RES/CHP Support was decreasing, which resulted in a smaller volume of assets in the balance sheet as of 31 December 2012.



LABOUR COST INDICATORS

INDICATOR TYPE	2012	2011
1. Net sales revenue	3,446,174	3,423,744
2. Costs of materials and services:	771,762	829,847
3. Labour costs	1,205,987	1,195,210
4. Added value	2,674,412	2,593,897
5. Average no. of employees	29.04	29.00
6. Added value per employee	92,094	89,445
7. Labour costs share in added value	0.4509	0.4608
8. Revenues per employee	118,670	118,060

Table 43: Table of labour costs indicators

The added value per employee indicator measures the value generated in the period. This means that costs of materials and services are deducted from net sales revenue and the value obtained is then divided by the average number of employees. The added value per employee thus includes depreciation, profit and labour costs. The labour cost share in the added value indicator shows the level of labour costs in the added value. The revenues per employee indicator shows the level of net sales revenue per employee.

3.3 Additional disclosures on the basis of SRS 35

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

In accordance with the Energy Act, the Decree on the method for implementation of a public service obligation relating to the organisation of the electricity market, the Act on the formation of Borzen, and other applicable regulations, Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the activities of the Centre for RES/CHP Support. 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 the successful operation of a particular activity is to include assets as well as liabilities as expenses and revenues directly by activities to the maximum extent possible. For items that cannot be assigned unambiguously to a particular activity, keys are used that 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 charged. Cost centres belong directly to individual activities or are of a general nature and are charged indirectly to individual activities. The Company has established keys for sharing indirect costs that are examined on a yearly basis and amended according to new facts.

A table of general keys specified and adopted for 2012 is presented in the continuation:

ACTIVITY			
	Market Organisation	The Centre for RES/CHP Support	Commercial activity
Key K1	71 %	28 %	1 %
Key K3:		Salary costs allocation	
- FRS	60 %	30 %	10 %
- IT	75 %	18 %	7 %
- Management, other	87 %	13 %	0 %

Table 44: General keys for 2012

“Key K1” takes into account a distribution of balance items of a specified activity as referred to in cost centres which are directly or indirectly charged to an activity according to the workload of an individual post, which is measured by working time in hours needed for an individual activity.

The »K3 Key« gives consideration to the distribution of balance sheet items to activities as arising from cost centres that are directly or indirectly charged to activities based on the workload of individual jobs that is measured by hours expressed as a value based on labour costs that are charged to an individual post.

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

In 2012, the Company as a whole generated a net profit of EUR 1,671,582. The public service obligation regarding the organisation of the electricity market generated a profit of EUR 1,098,605, the public service obligation regarding the Centre for RES/CHP Support generated a profit of EUR 570,163 and the commercial activity generated a profit of EUR 2,814.

INCOME STATEMENT BY ACTIVITIES FOR THE PERIOD BETWEEN 1. 1. 2012 and 31. 12. 2012

in EUR

DESCRIPTION	BORZEN total	Market organisation	Centre for RES/CHP Support	Market activity
1. NET SALES REVENUES	3,446,174	2,795,322	591,364	59,488
a. Revenues from supplement to network charges	1,628,695	1,628,695	0	0
b. Revenues from recorded contracts <small>(cross-border transmission capacities)</small>	1,164,254	1,164,254	0	0
c. Revenues from the Centre for RES/CHP Support	591,000	0	591,000	0
č. Revenues from BSP	59,475	0	0	59,475
d. Other revenues	2,750	2,373	364	13
2. OTHER OPERATING REVENUES	83	59	23	1
TOTAL OPERATING REVENUES	3,446,257	2,795,381	591,387	59,489
3. COSTS OF MATERIALS AND SERVICES	771,762	512,864	252,708	6,190
a. Material costs	61,280	36,470	24,297	513
b. Costs of services	710,482	476,394	228,411	5,677
4. LABOUR COSTS	1,205,987	811,569	356,017	38,401
a. Salary costs	898,913	604,798	265,417	28,698
b. Pension insurance costs	120,140	80,308	35,817	4,015
c. Costs of other social insurances	66,726	44,813	19,770	2,143
č. Other labour costs	120,208	81,650	35,013	3,545
5. WRITE-DOWNS	316,078	216,171	88,555	11,352
a. Depreciation	316,078	216,171	88,555	11,352
b. Operating expenses from revaluation	0	0	0	0
6. OTHER OPERATING EXPENSES	25,328	17,983	7,092	253
TOTAL OPERATING EXPENSES	2,319,155	1,558,587	704,372	56,196
OPERATING PROFIT OR LOSS	1,127,102	1,236,794	-112,985	3,293
7. FINANCIAL REVENUES	893,182	90,293	802,889	0
a. Financial revenues from other investments	893,182	90,293	802,889	0
8. FINANCIAL EXPENSES	39	28	11	0
a. Financial expenses for operating liabilities	39	28	11	0
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	2,020,245	1,327,059	689,893	3,293
9. OTHER REVENUES	13,167	9,349	3,687	131
10. OTHER EXPENSES	0	0	0	0
TOTAL REVENUES	4,352,606	2,895,023	1,397,963	59,620
TOTAL EXPENSES	2,319,194	1,558,615	704,383	56,196
TOTAL PROFIT	2,033,412	1,336,408	693,580	3,424
11. TAX ON PROFIT	328,328	215,785	111,990	553
12. DEFERRED TAX	34,200	22,477	11,665	58
NET PROFIT OR LOSS FOR ACCOUNTING PERIOD	1,670,884	1,098,146	569,925	2,813

Tabula 45: Profit or loss by activities for the period between 1 January 2012 and 31 December 2012

BALANCE SHEET AS OF 31 DECEMBER 2012 WITH ASSETS BEING MANAGED

in EUR

DESCRIPTION	BORZEN total	BORZEN excl. PJS	CS	EEU	BALANCE SCHEME
ASSETS	19,680,184	4,955,145	9,907,887	2,304,241	2,512,911
A. LONG-TERM ASSETS	2,858,055	2,858,055	0	0	0
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	695,451	695,451			
II. TANGIBLE FIXED ASSETS	1,650,958	1,650,958	0	0	0
1. Business premises	1,285,843	1,285,843			
2. Equipment	365,115	365,115			
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568	0	0	0
1. Shares in associated companies	419,568	419,568			
IV. DEFERRED TAX ASSETS	92,078	92,078			
B. SHORT-TERM ASSETS	16,809,328	2,084,289	9,907,887	2,304,241	2,512,911
I. SHORT-TERM FINANCIAL INVESTMENTS	0	0			
II. SHORT-TERM OPERATING RECEIVABLES	11,312,313	292,102	9,065,969	455,832	1,498,410
1. Short-term accounts receivables	7,450,364	265,856	5,424,384	455,832	1,304,292
2. Short-term receivables from others	3,861,949	26,246	3,641,585	0	194,118
III. CASH AND CASH EQUIVALENTS	5,497,015	1,792,187	841,918	1,848,409	1,014,501
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	12,801	12,801			
Off-balance sheet assets	5,189,667	5,189,667			
LIABILITIES	19,680,184	4,955,145	9,907,887	2,304,241	2,512,911
A. EQUITY	4,346,359	4,346,359	0	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0	0
1. Share capital	1,963,279	1,963,279			
II. CAPITAL RESERVES	395	395			
III. REVENUE RESERVES	766,042	766,042	0	0	0
1. Statutory reserves	196,328	196,328			
1. Other revenue reserves	569,714	569,714			
IV. NET PROFIT OR LOSS FOR THE FIN. YEAR	1,616,643	1,616,643	0	0	0
1. Net profit for the financial year	1,616,643	1,616,643			
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	61,805	61,805			
C. SHORT-TERM LIABILITIES	15,272,020	546,981	9,907,887	2,304,241	2,512,911
A. SHORT-TERM OPERATING LIABILITIES	15,272,020	546,981	9,907,887	2,304,241	2,512,911
1. Short-term operating liabilities to suppliers	11,614,909	445,883	9,781,161	213,780	1,174,085
2. Other short-term operating liabilities	3,657,111	101,098	126,726	2,090,461	1,338,826
Č. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME	0	0	0	0	0
Off-balance sheet liabilities	5,189,667	5,189,667	0	0	0

Table 46: Balance sheet as of 31 December 2012 and separate overview of the assets being managed



In the table 46, items are presented that relate to assets and liabilities to assets managed by Borzen and intended exclusively to perform activities within individual PUS. It separately discloses the assets of the Centre for RES/CHP Support, the funds of efficient energy use and the funds of the Balance Scheme. On the one hand, these are cash and cash equivalents in separate special accounts and the receivables and liabilities that are also kept separately and are settled via special settlement accounts.



statement by the management

In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board hereby ensure that the Annual Report of Borzen, organizator trga z električno energijo, d.o.o., was compiled and published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms Borzen's financial statements for the year finishing 31 December 2012 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 2012.

Ljubljana, March 31st 2013

Mr. Karol Peter Peršolja, M. Sc.
General Manager





relevant energy regulations

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

- Energy Act (Official Journal of the RS, No. 27/07 – official consolidated text, 70/08, 22/10, 37/11 – Constitutional Court Decision 10/12 and 94/12);
- Regulation on supports for the electricity generated from renewable energy sources (Official Journal of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 94/10, 43/11, 105/11, 43/12 and 90/12);
- Regulation on supports for the electricity generated in cogeneration with high efficiency (Official Journal of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10 and 81/10);
- Decree on energy savings at end-users (Official Journal of the RS, No. 114/09 and 57/11);
- Regulation on the way of defining and accounting of fees to assure support to security of supply with electricity from domestic primary energy (Official Journal of the RS, No. 8/09);
- Rules on the operation of the electricity market (Official Journal of the RS, No. 98/09 and 97/2011);
- Rules on the operation of the Centre for RES/CHP support (Official Journal of the RS, No. 86/09);
- Rules on the operation of the electricity Balancing Market (Official Journal of the RS, No. 73/2012).



code and recommendations

Below the Code and the recommendations of the Shareholder are indicated that are fully respected by Borzen:

- Corporate Governance Code for Companies with State Capital Investments
- Recommendation No. 1: Meeting fees and remuneration of supervisory board members
- Recommendation No. 2: the pay of Holiday allowance
- Recommendation No. 3: Risk management, internal controls and internal auditing
- Recommendation No. 4: Quarterly reporting on the performance of a company/group
- Recommendation No. 5: Three-year business planning by a company/group
- Recommendation No. 6: Transparency of procedures of making business deals involving company's expenditure (ordering goods and services, donations and sponsorship)
- Recommendation No. 7: Optimisation of labour costs in 2011 and 2012
- Recommendation No. 8: Work of the audit committee, evaluation of efficiency of work of supervisory boards and reporting to supervisory boards
- Recommendation No. 9: Audits
- Recommendation No. 10: Remuneration of external members of the supervisory board committees and other external experts with whom the supervisory board cooperates in its work
- Recommendation No. 11: Company's Code of Ethics
- Recommendation No. 12: General meeting

contact with borzen

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GLOSSARY

- CS – Centre for RES/CHP Support:
- DES – Domestic energy sources
- PUS – Public utility service
- MO – Market operator
- RES – Renewable energy sources
- GO – Guarantees of origin
- RES-E – Guarantees of origin for renewable energy
- RES-H – Guarantees of origin for renewable heat/cold
- CHP – Cogeneration of heat and electricity
- EEU – Efficient energy use

Text: **Borzen, d.o.o.**
Design: **Studio Corner**

