

**ANNUAL
REPORT
2020**

Borzen



THE TWO CONCEPTS THAT DEFINED BORZEN IN 2020 WERE THE GREEN TRANSFORMATION, WHICH SERVES AS BORZEN'S FOCAL POINT AND MARKET CONSOLIDATION AS A BORDERLINE FACTOR IN THE FULFILMENT OF THE COMPANY'S MISSION. THE COVID PANDEMIC POSED AN IMMINENT THREAT THAT BORZEN HAD FULLY MANAGED AND LEARNED A GREAT DEAL FROM IT, BUT WHICH DID NOT PROVIDE A BASIS FOR SUSTAINABLE DEVELOPMENT. BORZEN IS AND WILL BE AN EXEMPLARY FACILITATOR AND CREATOR OF THE ELECTRICITY MARKET AND AN INTERNATIONALLY RESPECTED REPORTER ON RELATIONS ON THE PRODUCT MARKET, WHICH IS AT THE SAME TIME THE ONLY AND NECESSARY CONDITION FOR THE DEVELOPMENT OF SOCIETY AND CIVILISATION.

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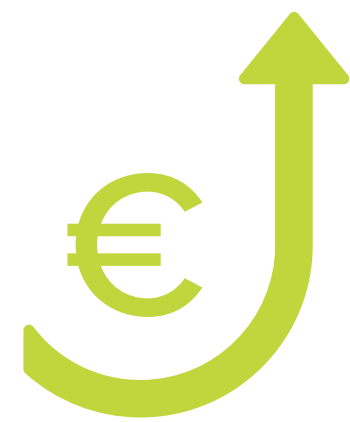
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ABOUT BORZEN

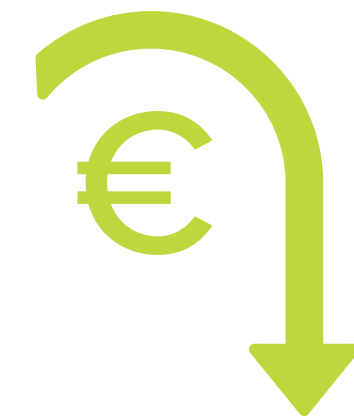


KEY INDICATORS¹



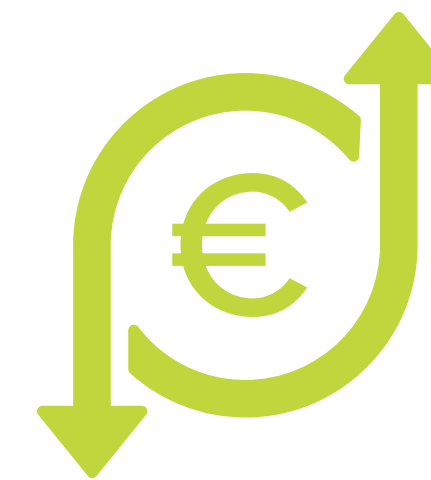
4,03

mio EUR
operating
revenues



3,03

mio EUR
operating
expenses



1,13

mio EUR
net profit



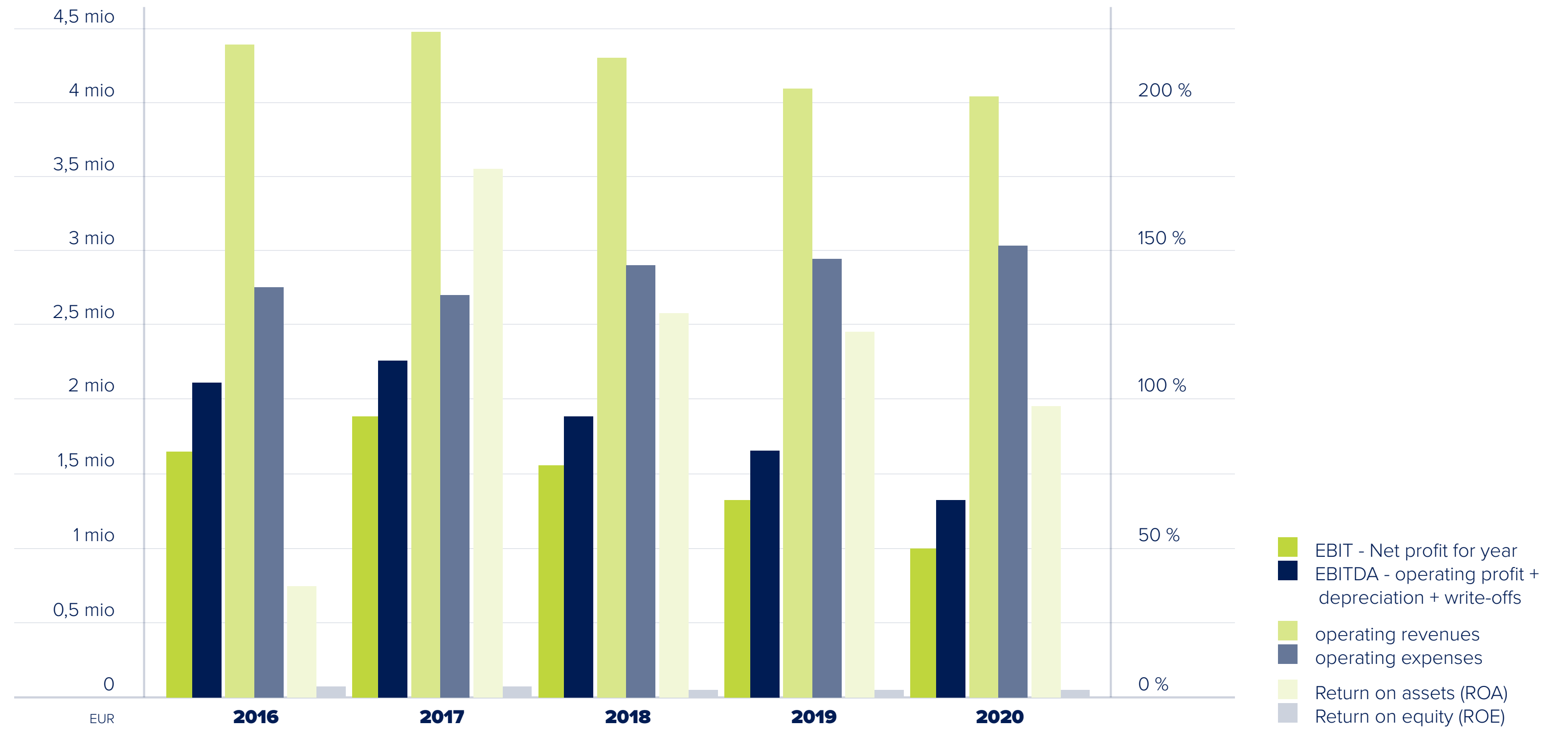
33

employees

EBIT and EBITDA movements (EBIT - operating profit EBITDA - operating profit + depreciation + write-offs)

Operating revenues, operating expenses, movement of net profit for year

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



ELECTRICITY MARKET

Number of members (Balance Scheme)

2019	2020
70	62

Number of recorded contracts and operational forecasts

2019	2020
107,947	100,761

Quantity of electricity (in TWh) from recorded closed contracts and operational forecasts

2019	2020
84.3	82.2

BALANCING MARKET

Number of members

2019	2020
34	31

Number of transactions

2019	2020
4,751	3,155

Quantity of transactions (in GWh)

2019	2020
140.3	67.8

SUPPORT SCHEME

Number of production units

2019	2020
3,858	3,838

Quantity of electricity generated (in GWh) by production units

2019	2020
947.4	962.2

Support payments (mio EUR) for electricity generated for power plants under Scheme contracts

2019	2020
123	124.7

LETTER FROM THE GENERAL MANAGER²



UNPREDICTABLE SUMMER

The year 2020 will surely be remembered for the COVID-19 pandemic, which undoubtedly changed our daily lives. As a public utility operator of the electricity market, Borzen represents a vital link in the electricity supply chain to the end user, thus contributing to a stable, transparent and well-functioning electricity market. I can say with great pride that Borzen has responded perfectly to the situation related to the pandemic – we have ensured the business continuity at all levels of the company, resulting in the smooth performance of the public utility service and operation of the electricity market. In addition, we have prepared a number of adjustments and simplifications of procedures for our business partners and users, particularly on account of even stronger digitalization.

SUSTAINABLE CHANGES IN THE ELECTRICITY MARKET

For the third year in a row, the number of registered closed contracts has decreased. In the period between 2017 and 2020, there was a total of nine percent reduction in the quantities of the reported electricity in the closed contracts, while the number of registered closed contracts on the Slovenian market decreased by almost thirty percent. The reasons are diverse and mostly related to the development of the market, but the reduction in the number of entities operating in the Slovenian electricity market is certainly important, as the latter has decreased by almost twenty percent since 2017. Another important factor is the interconnection on the intra-day market, which has enabled the implicit allocation of physical intra-day cross-border transmission capacities at the Slovenian-Austrian and Slovenian-Croatian borders.

Within the scope of the Support Scheme for production from green energy sources, which

is managed by Borzen and represents about ten percent of installed capacity in our country, just under seven percent of Slovenia's annual consumption was produced and slightly less than EUR 125 million in subsidies were paid. For several years now, there have been only few entries of new power plants into the Support Scheme, which is the result of only twenty-one percent realization of projects selected in the framework of the public call issued by the Energy Agency.

Transparency represents our commitment to the market and it is a key foundation of a well-functioning market, so we are proud that, as the only Slovenian entity granted the status of reporter by the European Energy Agency, we have been offering energy market actors for the sixth year in a row the service of reporting data on energy wholesale transactions to the said agency. We provide market participants and the general public with a range of data and information on the electricity market, thus ensuring market transparency.

We have been also actively involved in informing, raising awareness and training on sustainable energy. I am happy to highlight the following activities: a series of energy management events aimed at the public sector, the installation of energy playground in Koper and the publication of a comic book on sustainable energy.

SUSTAINABILITY

The green transformation and digitalization in the energy sector are key to ensuring the sustainability of our planet. Borzen has been playing an active role in this field for many years and is embarking on this path with even more dedication and involvement. We are actively involved in the transfer of the new Clean Energy for all Europeans package into the Slovenian

legal system, where we are promised additional tasks in the framework of the public utility service, which is a reflection of the excellent work we have done so far.

LOOKING FORWARD WITH OPTIMISM

I am looking forward to the future with optimistic expectancy. We move to action from the words like green transformation, transition to a low-carbon society and sustainable development. This is clearly indicated by the already implemented projects and concrete plans, which are also taking place in our country. I am proud of my colleagues who brought Borzen and the energy market to the point where they are today. In the future, our motivated and professional team wants to establish conditions for efficient infrastructure markets by connecting regulations, individuals and critical infrastructure. A broader, strategic view and cross-sectoral integration and cooperation are needed. The green transformation will be truly green and successful only if we not only strive but also work together for a common goal. It is necessary to empower and raise awareness of individuals and institutions, support them in implementing efficient energy use and invest in renewable energy sources. A change of social paradigm will also be needed – step by step. It is essential to raise awareness of individuals' co-responsibility towards environmental impacts and to take responsibility for changes and behavior and, last but not least, culture.

When I took over the management of Borzen in November last year, I declared a new period for Borzen. A period in which Borzen would become a key regional player in the green transformation. And I intend to keep my promise.

Martin Bratanič, General Manager

BORZEN'S MILESTONES

-
- | | | | | | |
|---|---|---|---|--|--|
| <ul style="list-style-type: none">• The foundation of Borzen and the official opening of the electricity market in Slovenia.• Start of electricity trading on the electronic trading platform. | <ul style="list-style-type: none">• The beginning of training for electricity brokers.• Borzen becomes one of the co-founders of Europex - Association of European Energy Exchanges. | <ul style="list-style-type: none">• Launch of the information portal for wood biomass.• Launch of the project of establishing a regional energy exchange in the Southern Europe. | <ul style="list-style-type: none">• Launch of the electricity market for all customers.• Establishment of the Guarantees of Origin Registry. | <ul style="list-style-type: none">• Borzen and Eurex establish the company BSP Regional Energy Exchange, whereby the activity of the electricity exchange from Borzen is transferred to the newly established company. | <ul style="list-style-type: none">• The start of the activities within the Centre for Support. |
| 2001 | 2002 | 2004 | 2007 | 2008 | 2009 |

- The beginning of the implementation of market mergers on the Slovenian-Italian border.
- The public utility service organized by Borzen is renamed to the public utility service of the electricity market operator.
- Establishment of the brand Sustainable Energy (Trajnostna energija) - the implementation of information and awareness-raising on efficient energy use and renewable energy sources.
- Borzen starts implementing the service of data reporting on energy wholesale transactions for electricity and gas market participants in accordance with the Regulation on Energy Market Integrity and Transparency (REMIT).
- Launch of the web portal of the Centre for Support, which is intended for all beneficiaries of the support scheme for RES and CHP.
- Borzen produces the first Slovenian series of environmental cartoons Lepši svet ("A Better World").
- Numerous awards: the best promotional RES and EE projects, third place in the »Best of the Best« program, award for the best annual report.
- Participation in various international projects and projects related to the establishment of electricity markets in the countries of the East.
- Borzen publishes a number of educational content on sustainable energy (board game, new environmental cartoons Lepši svet ("A Better World"), a competition for the best master's thesis and a competition for sustainable energy for children).

2011

2014

2015

2016

2017

2018

2019

OVERVIEW OF SIGNIFICANT EVENTS

JANUARY

- The best innovations in the field of sustainable energy for 2019 are announced, the winner is the company RIKEMA with an innovative device for cogeneration of heat and electricity from wood biomass.
- A series of Borzen's cartoons Lepši svet 2 ("A Better World 2") together with teaching materials are sent to all Slovenian kindergartens, primary schools and public libraries.

MARCH

- With the declaration of the epidemic, Borzen launches a number of measures to facilitate market operations and support stakeholders for market participants, Centre for Support beneficiaries and other business partners.

MAY

- Consultation on the role of an independent aggregator in the electricity markets.

JUNE

- On 11 June, the company's Supervisory Board starts operating in a new composition: Peter Žmak, President; Tomaž Kokot, Deputy President; Davorin Dimič, member.
- Borzen joins the National Alliance for Green Economic Recovery.

JULY

- Borzen publishes a renewed and even more user-friendly portal Sustainable Energy (*Trajnostna energija*).

AUGUST

- European project PAKT: aggregation trading platform for flexibility management was successfully completed.
- Borzen, in cooperation with the Slovenian Association of Friends of Youth, donated 3,500 school notebooks to socially endangered children.

SEPTEMBER

- On September 24, the mandate of the general manager of Borzen Karlo Peršolja, PhD is terminated. Mr. Peter Žmak becomes the acting general manager (Chairman of the Supervisory Board of Borzen, his function in the Supervisory Board is on hold).
- Conference Sustainable Energy Locally 020: Green Transformation and New Reality Implemented in Hybrid Form - live and digital.
- Borzen obtains a new co-financed project within the EU H2020 mechanism for time management of large amounts of data (Big Data for Next Generation Energy, BD4NRG), which will be implemented on 1 January 2021.

NOVEMBER

- As of November 1, the management of the company is taken over by Mr. Martin Bratanič.
- Conducting a series of webinars on energy management in the public sector.
- Successfully completed second control assessment of ISO/IEC 27001: 2013, an international standard that contains requirements related to the information security management system.
- Completed preparations for the introduction of a 15-minute billing interval.

DECEMBER

- Borzen sets up the first energy themed playground in Koper in partnership with other companies.
- Winners of the Borzen Sustainable Energy 020 competition for children and young people are announced.
- David Copič is elected Vice President of the Energy Market Data Exchange Section.
- Publication of a module for displaying current domestic and foreign tenders in the field of sustainable energy on the Sustainable Energy (*Trajnostna energija*) portal.
- Borzen publishes a collection of comics on the topic of sustainable energy entitled “Figa ME briga” and distributes it to all public libraries and primary schools across the country.

AFTER THE END OF THE BUSINESS YEAR

- On 1 January, the Slovenian electricity market switches to a 15-minute billing interval.
- Launch of the Big Data for Next Generation Energy project under the H2020.
- Borzen, in cooperation with the Slovenian Association of Friends of Youth, presented children with 150 board games, Lepši svet (“A Better World”).
- March 28 marks the 20th anniversary of Borzen's founding.

IDENTITY CARD³

COMPANY'S FULL NAME	Borzen, operater trga z elektriko, d. o. o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenija
PHONE	+386 1 620 76 00
E-MAIL	info@borzen.si
WEBSITE	www.borzen.si
MAIN ACTIVITY	66.110 Financial market management
REGISTRATION NUMBER	1613383000
VAT IDENTIFICATION NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	28. March 2001
SHARE CAPITAL	1.963.279 EUR
GENERAL MANAGER	Martin Bratanič
CHAIRMAN OF THE SUPERVISORY BOARD	Peter Žmak

VISION AND PLANS⁴



COMPANY'S VISION

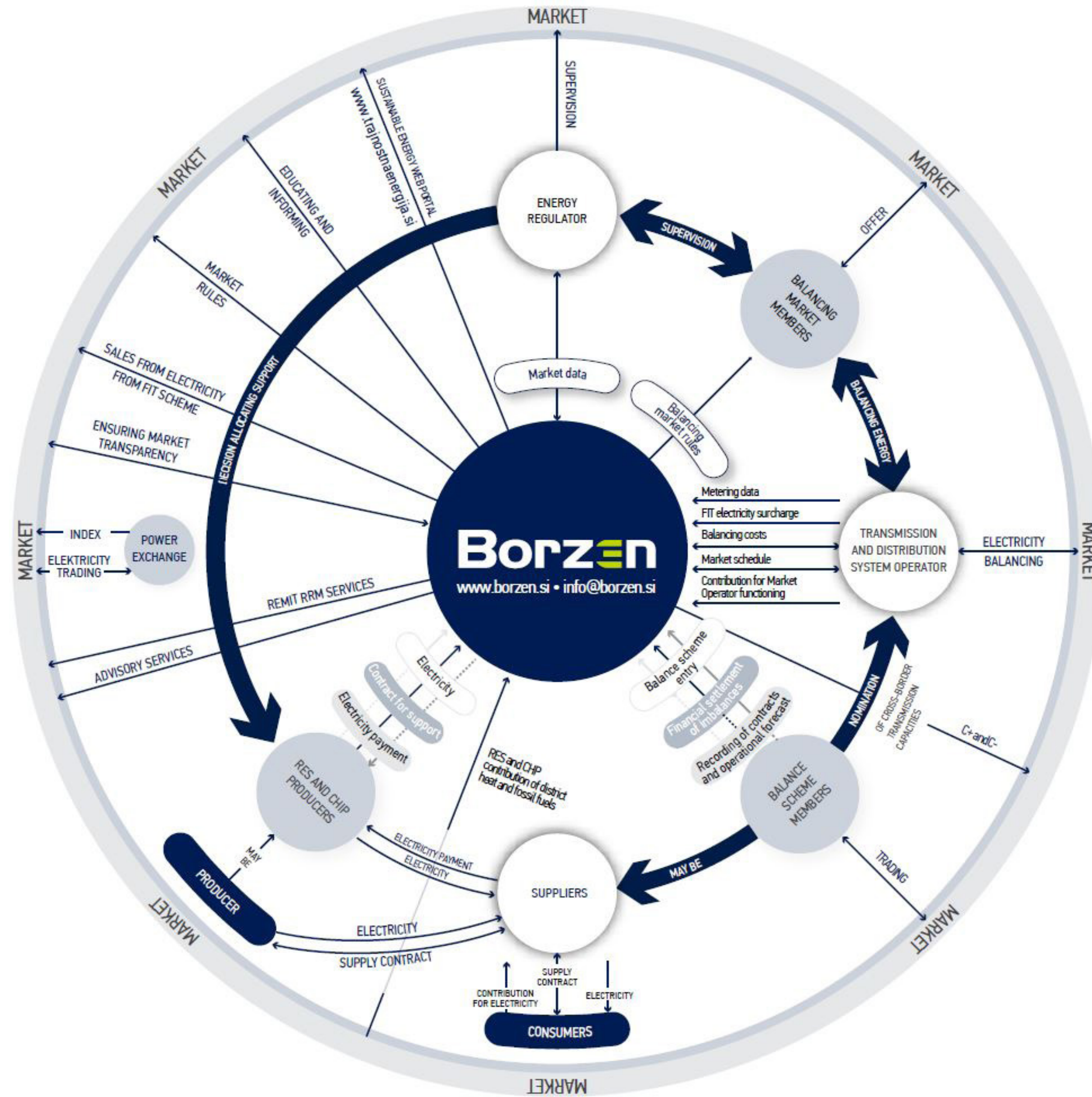
Borzen is a key market operator and co-creator of the Slovenian electricity market.



COMPANY'S MISSION

We ensure the efficient functioning of the electricity market and promote sustainable energy management.

BUSINESS MODEL



ROLE OF MARKET OPERATOR ON THE SLOVENIAN ELECTRICITY MARKET

Borzen, d.o.o. was founded on 28 March 2001 in accordance with the provisions of the Energy Act for the implementation of the public service obligation relating to the organization of the electricity market. Since mid-2007, Borzen has been exclusively owned by the Republic of Slovenia.

The principal activity of Borzen is the **implementation of the public service obligation relating to the organization of the electricity market**. Based on the public authority and in accordance with the fourth paragraph of Article 97 of the Energy Act (EA-1), Borzen is obliged to issue the following regulatory acts:

- Rules on the Operation of the Electricity Market (for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the Operation of the Electricity Balancing Market (which are issued after prior coordination with the system operator and for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the Operation of the Centre for Support (for which, prior to their publication

in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Slovenian Government).

With the above rules, Borzen provides coordinated operation of the electricity market and determines details regarding the national RES and CHP Support Scheme. As **Market Operator**, Borzen provides and enables a coherent operation of the Slovenian electric power system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and financial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's **Centre for Support** is the Support Scheme operator for the generation of energy from renewable energy sources and high-efficiency cogeneration of heat and power. The company also provides the functioning and managing of the Slovenian Guarantees of Origin Registry, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its TRAJNOSTNA ENERGIJA (»SUSTAINABLE ENERGY«) brand, Borzen provides **information, training and**

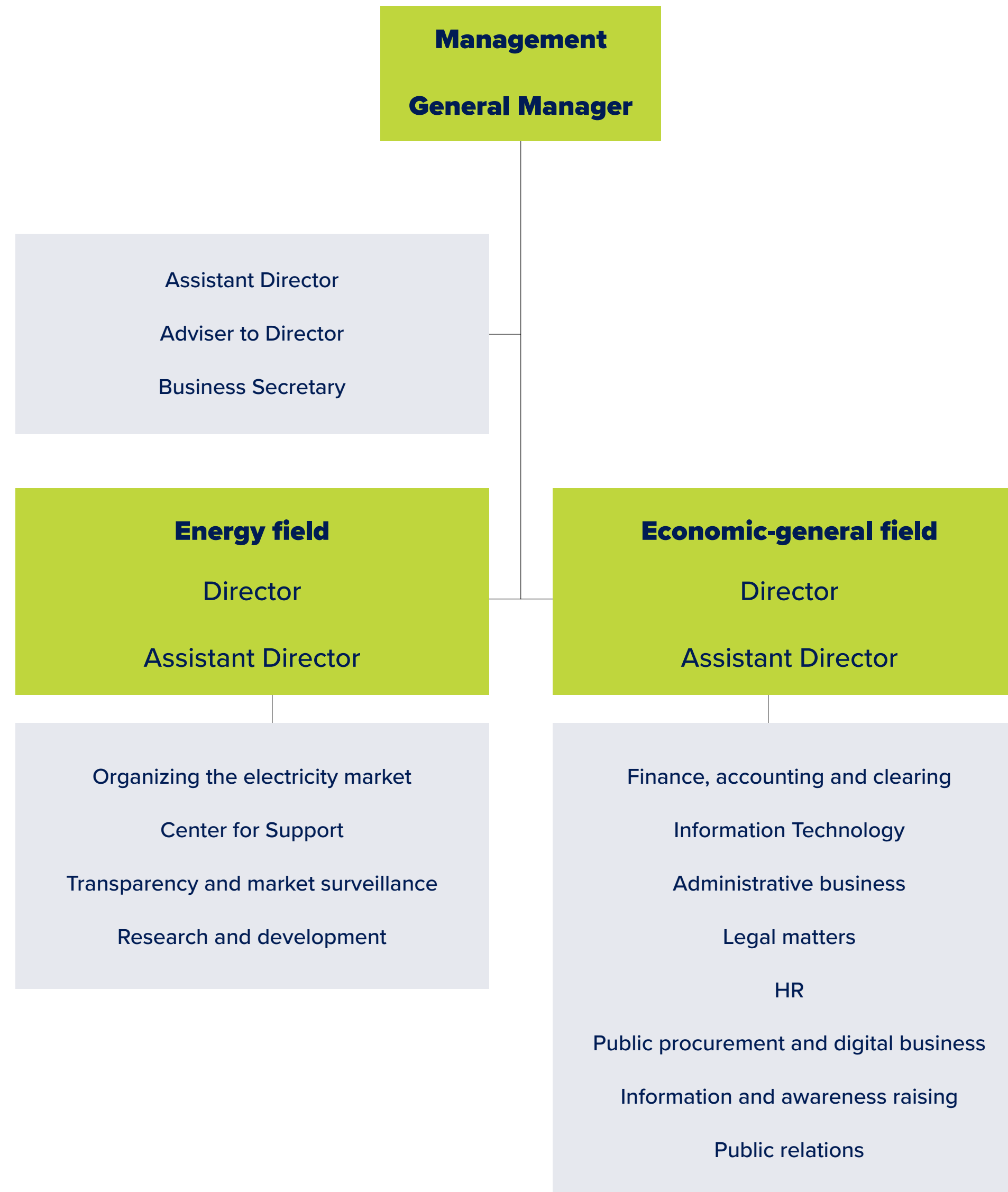
raises awareness on the use of renewable energy sources and energy efficiency. In this way, Borzen implements legal tasks and supports environmental policies through public awareness.

In addition to the implementation of tasks of a public service, Borzen also executes **clearing and information services for BSP Energy Exchange, RRM – REMIT reporting services** and **advisory services in the field of energy**.

ACTIVITIES OF MARKET OPERATOR

MARKET OPERATOR	
Balance Scheme management (entry in the market)	Centre for Support RES/CHP Support Scheme <ul style="list-style-type: none"> • conclusion of contracts and support payments • management of scheme assets • management of scheme energy
Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules	Guarantees of Origin Registry
Imbalance settlement	Providing information on RES and EE
Balancing market	Web portal Trajnostna energija (»Sustainable Energy«)
REMIT – RRM reporting	
Clearing and financial settlement	
Ensuring a regulated and transparent electricity market	
Energy-related advisory services	

ORGANIZATION CHART OF THE COMPANY



BUSINESS STRATEGY AND COMPANY'S PLANS

As part of the implementation of the public service tasks granted to Borzen by the concession contract, the primary goal of the company is to provide high quality services to all our stakeholders, including the development of new services that enable us and our users to optimize business processes. In this way, Borzen ensures and enables coordinated operation of the electricity system in our country.

Key strategic guidelines:

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

Borzen's implementation strategy

OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
Enhancing operational efficiency and performance: <ul style="list-style-type: none"> • Increasing the excellence of business functions; • Improving business performance and operational efficiency; • Increasing the quality of business process and functions. 	Increasing the Quality of services and customer satisfaction: <ul style="list-style-type: none"> • Information support to the implementation and availability of services. • Co-creation of a support scheme with active participation in policy making by providing analyzes and proposals. 	Seizing selected opportunities for growth and development <ul style="list-style-type: none"> • Finding synergies with other tasks and optimizing existing ones, taking advantage of further development of energy markets.
<ul style="list-style-type: none"> • Ensuring high responsiveness, timeliness and proactivity of employees to effectively support to the company. • Introduction of a process approach. • Strengthening »active« communication, which would improve certain work procedures and consequently cooperation between areas of work. • Utilizing information support for the implementation of services to ensure and improve the quality of services to users and increase efficiency. • Maintaining good visibility and reputation of Borzen by consolidating activities that build sustainable operation and strengthen the reputation of Borzen as a socially responsible and environmentally oriented organization. 		

OBJECTIVES AND ACHIEVED OBJECTIVES

In accordance with the role of the market operator entrusted to Borzen by the state, the company's strategic challenges and goals are strongly intertwined with the development of the energy market and the provision of the highest quality services for all market participants. Together with key stakeholders,

the goals, vision and mission are defined in the company's strategic documents, which are approved by the Supervisory Board or the Government of the Republic of Slovenia. Due to the nature of the performance of the public utility service, maximizing profitability cannot be a strategic goal of Borzen. Satisfactory profitability as a strategic goal

means that profitability is subordinated to the goal of ensuring the efficiency of the energy market for other stakeholders, and profitability is important only as a lever for the development of services.

MATERIALITY MATRIX

The materiality matrix is the basic framework or tool used by the company in managing relations with strategic publics or its key stakeholders. We identified the essential themes of sustainable development and assessed them from the point of view of importance for our key stakeholders and from the point of view of importance for Borzen. Based on the essential contents of the GRI standards and on the basis of Borzen's strategy and activities, we divided the essential contents into the following sections:

- Economic aspects;
- Social aspects (employees and social environment);
- Employees;
- Preservation of intellectual capital;
- Environment.

Within these aspects, the key attributes are highlighted:

ECONOMIC ASPECTS

- Stability and business success of the company;
- Reliability of payments.

SOCIAL ASPECTS

- Quality and timely services;
- Upgrading existing cooperation;
- Company reputation;
- Friendly attitude towards customers;
- Involvement of the local community.

EMPLOYEES

- Reliability and trust in the company;
- Care for employees;
- Security and health at work;
- Employee relations;
- Employee satisfaction;
- Education, training and career development of employees;
- Diversity, equal opportunities and non-discrimination.

ASPECTS OF INTELLECTUAL CAPITAL PRESERVATION

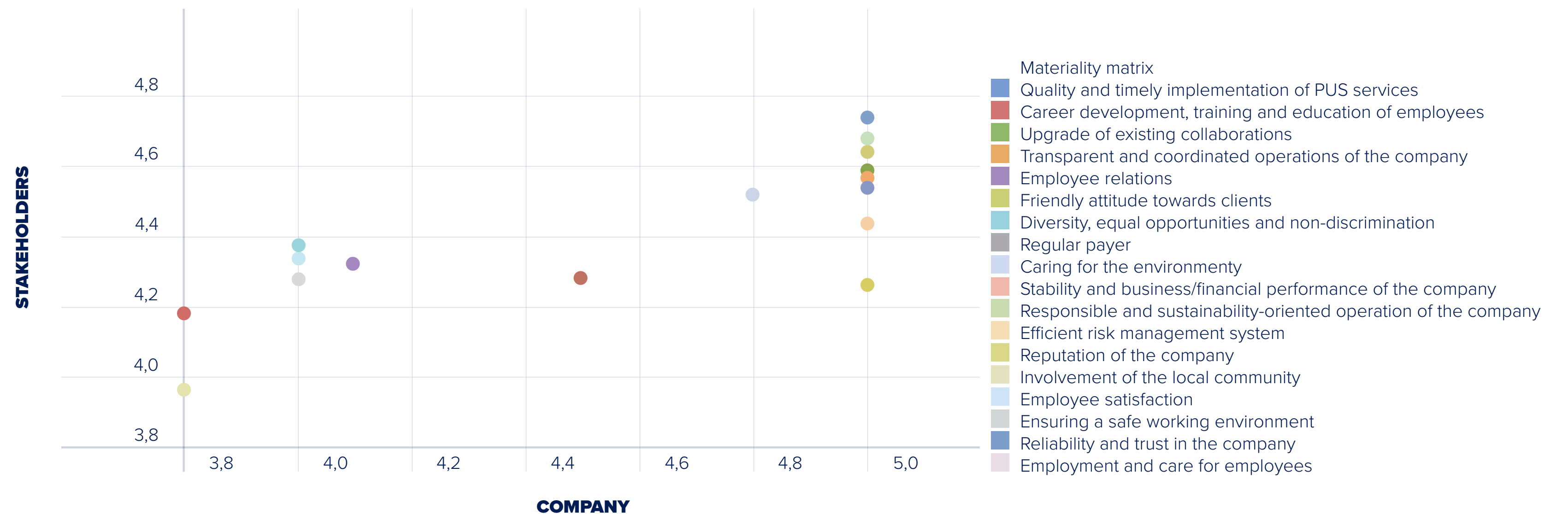
- Transparency and coherence of operations.
- ## ENVIRONMENT
- Concern for the environment.

BINDING ESSENTIALS

- Responsible and sustainable operations of the company;
- Effective risk management system.

Key stakeholder assessments were obtained using a questionnaire, and a materiality matrix with eighteen key attributes was constructed from the responses received. The following is presented in the 2018 materiality matrix.

The selected indicators, with the help of stakeholders, reflect all those elements that leave the strongest sustainable mark in the work of our company. With the selected indicators we want to show the most important impacts of our business on society and the environment.



COMPANY MANAGEMENT SYSTEM⁵

The management of the company is composed of one-member, the general manager of the company, who is responsible for the directors of the divisions, and they are responsible for the heads of departments. Through precisely defined processes, the proper implementation of all the company's activities is ensured, with the heads of departments or administrators of individual processes regularly informing their superiors and management about the course of processes and including them in decisions. Workflows are in place

and supported by information flow, which include both coordination and certification at the appropriate levels, with all important documents certified by management. As a rule, the board of directors meets on a weekly basis and manages the company's operations with resolutions. More detailed reports are prepared for the management and the supervisory board on a quarterly basis, when the fulfillment of strategic goals is monitored and a report on comprehensive risk management in the company is prepared. As a rule, the

management and directors of the divisions are the bearers of the company's strategy and, together with the heads of departments, also the preparers of the company's business plans. The principles for management decision-making are based in particular on business efficiency, development considerations within the energy and wider market, and sustainable development. All employees are aware of the company's goals and are aware that results can only be achieved through joint efforts.

CORPORATE GOVERNANCE STATEMENT⁶

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

1. REFERENCE TO THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE CAPITAL INVESTMENTS

Borzen follows the recommended standards of Code of Corporate Governance of Companies with State Capital Investment, adopted by the Management Board of the Slovenian Sovereign Holding on 28 November 2019. The Code is publicly accessible on the Issuer's website.

2. BORZEN DEROGATES FROM THE FOLLOWING PROVISIONS:

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

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

This involves the following provisions of the Code:

NUMBER IN THE CODE	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
3.2	NO	NO	The provision does not apply to a small limited liability company.
4.2	NO	NO	Borzen has only one shareholder.
4.2.4	NO	NO	The provision applies only to public limited companies.
4.3	NO	NO	The provision does not apply to Borzen, since, in accordance with the provision of Article 511 of the EA-1, the rights and duties which belong to the Republic of Slovenia based on equity investments in these companies are exercised by the Government and, consequently, cannot be implemented.
9.2.4, 9.2.5, 9.2.6, 9.2.7, 9.2.8, 9.2.9 9.2.10 in 9.3	NO	NO	Since Borzen is a small company, in accordance with Provision 9.2.3., it is not required to set up an internal audit service.

Borzen partially complies with the following recommendations:

NUMBER IN THE CODE	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.1.5	YES	PARTIALLY	The Government of the Republic of Slovenia has concluded that it shall decide for itself on certain types of transactions, instead of the Supervisory Board; this is also evident from the company's Articles of Association.
8.3	YES	PARTIALLY	Borzen discloses only the gross receipts of the general manager and members of the Supervisory Board in accordance with the legal requirements. Borzen does not disclose the net receipts (i.e. the result of personal circumstances).

Borzen does not comply with the following recommendations:

NUMBER IN THE CODE	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.4.1	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competence profiles is neither reasonable nor necessary.
6.9.7	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, compliance with the Provisions 6.9.3, 6.9.4 and 6.9.5.
6.10.1	YES	NO	Regarding the amount of attendance fees and remunerations for functions, the Government of the Republic of Slovenia did not comply with the provisions of the Slovenian Sovereign Holding.

Borzen complies with the provisions of the Code.

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

3. CORPORATE GOVERNANCE SYSTEM

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

MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board

for a five-year period. Until and including 24 September 2020, the company was represented by Karol Peter Peršolja, PhD, who was succeeded by the President of the Supervisory Board Peter Žmak, who managed the company as acting general manager in the period from 25 September 2020 to 31 October 2020. The current general manager Martin Bratanič manages the business and represents the company from 1 November 2020 onwards,

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

MANAGEMENT STRUCTURE OF THE COMPANY

Martin Bratanič, General Manager of the company

Year of birth: **1966**

Education: **Bachelor of Transport Technology** / Professional profile: **Energy and Economy**

First appointment to the function: **1 November 2020**

Conclusion of the mandate: **31 October 2025**

Memberships in other supervisory or management bodies that are not related to Borzen: **Chairman of the Supervisory Board INFRA, d.o.o. and Chairman of the Supervisory Board of SODO, d.o.o.**

SUPERVISORY BOARD OF THE COMPANY

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

At the company's Annual General Meeting, the Government of the Republic of Slovenia appointed a Supervisory Board, which took office on 17 April 2019 and, after the constitutive meeting dated 23 April 2019, consisted of:

- Chairman of the Supervisory Board: Mojca Kert;
- Deputy Chairman of the Supervisory Board: Alenka Kolar, PhD;
- Member of the Supervisory Board: Jure Jemec.

On 11 June 2020, the Government of the Republic of Slovenia recalled all three members of the Supervisory Board (effective on 12 June 2020) and appointed new members of the Supervisory Board from 16 April 2024. Since the constitutive meeting of 19 June 2020, the Supervisory Board consists of:

- Chairman of the Supervisory Board: Peter Žmak;
- Deputy Chairman of the Supervisory Board: Tomaž Kokot;
- Member of the Supervisory Board: Davorin Dimič.

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

- Appointing and dismissing the General Manager;
- Reviewing the composition of the annual report and the proposal for the use of distributable profit; preparing a written report for the founder or the sole shareholder on the results of the verification of the annual report; and confirming or stating the observations regarding the annual report;
- Proposing the adoption of resolutions within its field of competence or giving its opinions on proposals for the adoption of resolutions of the general meeting, made by the General Manager;
- Adopting the annual operating plan and approving the company's annual report;
- Issuing a reasoned opinion on the company's strategic plan;
- Concluding employment contracts with the General Manager and confirming the content of other contracts, concluded with the General Manager or the Procuration Holder;
- Giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence;

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

COMPOSITION OF THE SUPERVISORY BOARD OF BORZEN:

Peter Žmak, Chairman of the Supervisory Board

Year of birth: **1972**

Education: **Automation Engineer Technology /Technician** / Professional profile: **computer science and / or information technology**

Beginning of the mandate: **12 June 2020 (representative of capital)**

Conclusion of the mandate: **17 April 2024**

Attendance at the Supervisory Board meetings: **10/14 (suspension of the position of the President during the management of the company as the acting general manager)**

Independence under Article 23 of the Code: **Yes**

Existence of a conflict of interest in the financial year: **No**

Memberships in other supervisory or management bodies that are not related to Borzen: **executive director in the company LIČER SOLUTIONS, d.o.o. and procurator in Elementis, d.o.o.**

Tomaz Kokot, Deputy Chairman of the Supervisory Board

Year of birth: **1988**

Education: **Master of Economics and Business** / Professional profile: **computer science and / or information technology**

Beginning of the mandate: **12 June 2020 (representative of capital)**

Conclusion of the mandate: **17 April 2024**

Attendance at the Supervisory Board meetings: **14/14**

Independence under Article 23 of the Code: **Yes**

Existence of a conflict of interest in the financial year: **No**

Memberships in other supervisory or management bodies that are not related to Borzen: **No**

Davorin Dimič, Member of the Supervisory Board

Year of birth: **1975**

Education: **Bachelor of Economy, Master of Finance and International Business, Master of Energy Management**

/ Professional profile: **Finance and energy**

Beginning of the mandate: **12 June 2020 (representative of capital)**

Conclusion of the mandate: **17 April 2024**

Attendance at the Supervisory Board meetings: **14/14**

Independence under Article 23 of the Code: **Yes**

Existence of a conflict of interest in the financial year: **No**

Memberships in other supervisory or management bodies that are not related to Borzen: **Member of the Supervisory Board ELEKTRO LJUBLJANA, d.d.**

For the purposes of its conduct, the Supervisory Board established an Audit Committee on 22 July 2020, which consists of:

- Chairman of the Audit Committee: Davorin Dimič,
- Deputy Chairman of the Audit Committee: Tomaž Kokot,
- External member of the Audit Committee: Braco Mihelj.

In 2020, members of the Supervisory Board and members of the Audit Committee were entitled to remuneration for their function on the basis of a valid resolution of the shareholder, which is specified in the financial report.

The members of the Supervisory Board were acquainted with the independence criteria and signed a declaration of independence.

SHAREHOLDER⁷

The Republic of Slovenia is the sole shareholder of Borzen, d.o.o. Since the enforcement of the Energy Act (EA-1) in March 2014, the rights of the shareholder are exercised by the Government of the Republic of Slovenia.

The shareholder decides independently on all matters within its competences. In accordance with the company's Articles of Association, the shareholder decides on the following matters:

- Appointment of an auditor;
- Adoption of the annual report;
- Adoption of the company's strategic plan;

- Use of distributable profit and covering accumulated losses;
- Granting discharge to the General Manager;
- Appointment and dismissal of the Supervisory Board members;
- Granting discharge to the Supervisory Board members;
- Taking measures to increase and reduce the share capital;
- Taking on responsibility for the dismemberment and dissolution of business shares;
- Giving consent to the General Manager to take out loans exceeding EUR 1 million;
- Representing the company in court proceedings against the Supervisory Board members;
- Dissolution and reorganization of the company;
- Other matters provided for by law and not transferred to the Supervisory Board.

The shareholder usually meets once a year at the general meeting. In the financial year 2020, four general meetings were held. The first general meeting took place on 7 May 2020, at which the shareholder adopted the Strategic Plan of the company for the period from 2020 to 2024. At the second General Meeting on 11 June 2020, the shareholder recalled the members of the Supervisory Board and appointed new members of the Supervisory Board for the remainder of the term.

At the third General Meeting on July 8, 2020, the shareholder adopted the Annual Report

of Borzen for the business year 2019, decided that the distributable profit of the company Borzen, in the amount of 1,332,642.82 EUR be used so that the profit in the amount of 1,000,000.00 EUR is intended for payment to the partner, the remaining profit in the amount of 332,642.82 EUR is allocated to other profit reserves. At the General Meeting, the shareholder granted a discharge to the General Manager and members of the Supervisory Board for work in 2019 and adopted the text of the Act on Amendments to the Act on the Establishment of Borzen.

At the Fourth General Meeting, on November 5, 2020, the shareholder adopted the Resolution on giving consent to the general manager of the company to conclude the Framework Credit Agreement as a joint and several guarantor to BSP d.o.o. up to the amount of the principal 1,750,000.00 EUR with possible collateral liabilities and the delivery of blank bills of exchange to the bank to secure the liabilities.

4. DECLARATION OF CONFORMITY WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE CAPITAL INVESTMENTS

The Management and the Supervisory Board of Borzen hereby declare that the Company respects the provisions of the Corporate Governance Code for Companies with State Capital Investments in its business operations, except for the provisions that are set forth in Chapter 2 of this Statement.

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

The Management accepts and approves the financial statements of the company Borzen, d.o.o. for the year ending on 31 December 2020 and the notes to the financial statements, which are prepared under the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies were consistently applied in the preparation of the financial statements; that the accounting estimates were prepared on the basis of the precautionary principle and good governance; and that the financial statements represent a true and fair view of the company's assets and the results of the company's business operations in 2020.

5. SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT

The company conducts a system of internal controls and risk management in accordance with the system of comprehensive risk management.

6. SYSTEM OF CORPORATE INTEGRITY

Borzen adheres to the recommendations of the good corporate practice of the Slovenian Sovereign Holding and the Slovenian Directors' Association.

7. ASSOCIATED COMPANIES

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

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

BSP organizes electricity trading for the day before and intraday on the Slovenian stock market. At the same time, it has been actively involved in the processes of establishing a single European electricity market in the field of stock exchange trading since 2011. In accordance with Regulation 2015/1222 (laying down guidelines for capacity allocation and congestion management), BSP also acquired the status of the Appointed Electricity Market Operator (IOTEE) in the last quarter of 2015 issued by a decision of the Energy Agency of the Republic of Slovenia, which requires BSP to carry out a single day-ahead market merger at the borders of the Slovenian electricity system in cooperation with the transmission system operator.

In the day-ahead trading segment, the Slovenian stock market has been integrated into the single European day-ahead stock market since June 2018 at all borders of the Slovenian electricity system. In the intraday trading segment, the Slovenian stock market has been merged with the Italian stock market since 21 June 2016, and since the end of 2019 on the Slovenian-Austrian and Slovenian-Croatian border into a single European intraday stock market.

Based on the knowledge and experience in providing comprehensive services, which include the process of auction trading mode, current trading method as well as financial settlement and settlement of transactions concluded on or off the stock exchange (OTC), BSP is recognized as a connoisseur of stock market establishment and integration processes. BSP concluded the financial year 2020 with a net profit for the accounting period in the amount of EUR 736,000. The positive result was mainly due to additional revenues from intraday trading fees due to the introduction of the XBID project and additional revenues from the control of the operational implementation of the European intraday single market.

SUPERVISORY BOARD AND REPORT OF THE SUPERVISORY BOARD

In 2020, Borzen carried out various projects and activities that support the development of the Slovenian energy market, thus continuing to fulfill its mission of being an electricity market operator.

COMPOSITION OF THE SUPERVISORY BOARD

In 2020, the Supervisory Board consisted of:

- Until 11 June 2020:
 - Chairman of the Supervisory Board
Mojca Kert,
 - Deputy Chairman of the Supervisory Board
Alenka Kolar, PhD
 - Member of the Supervisory Board
Jure Jemec.
- From 12 June 2020 onwards:
 - Chairman of the Supervisory Board
Peter Žmak,
 - Deputy Chairman of the Supervisory Board
Tomaž Kokot,
 - Member of the Supervisory Board
Davorin Dimič.

COOPERATION WITH THE MANAGEMENT OF THE COMPANY

The cooperation of the management and the supervisory board in the new composition was constructive and provided the supervisors with ongoing monitoring of operations and the realization of the set goals of the company. We believe that the set goals have been met in a quality manner and that the cooperation between the Supervisory Board and the company's management has been successful.

OPERATION OF THE SUPERVISORY BOARD

The entire composition of the Supervisory Board of Borzen accepts its role as a supervisory body with great responsibility and awareness of the role of Borzen as a market operator in the Slovenian electricity market. The Supervisory Board therefore expects the management of Borzen and all its employees to act in a manner that reflects conscientious, credible and transparent operations.

In its new composition, the Supervisory Board met in twelve regular sessions, two extraordinary sessions and held one correspondence session. All regular meetings were also attended by the management, with whom the Chairman of the Supervisory Board, within the scope of his responsibilities, also cooperated in the period between regular meetings.

The new Supervisory Board decided to form the Audit Committee, which was established on 22 June and met in 2020 at four regular meetings. The Rules of Procedure of the Audit Committee were also adopted.

The Supervisory Board dealt with matters in accordance with the applicable legislation, the Act of Establishment of Borzen and the Rules of Procedure of the Supervisory Board. The new Supervisory Board carried out a tender for the position of General Manager of Borzen and, after the completion of the tender, appointed the General Manager of Borzen for a term of

five years. In the period from the termination of the function of the previous general manager to the assumption of the mandate of the new general manager of the company, the President of the Supervisory Board performed the function of acting general manager.

The Supervisory Board was acquainted with the quarterly reports of the management and other regular reports. The Supervisory Board constantly monitored the operations of the company BSP Energetska Borza d.o.o., in which the company Borzen has a capital share of 50 percent, and monitored the course of the strategic integration of the company BSP.

During its work in 2020, the Supervisory Board constantly monitored the company's operations in terms of compliance with the Code and the recommendations of the Slovenian State Holding.

Peter Žmak,
Chairman of the Supervisory Board of Borzen

NON - FINANCIAL REPORTING STATEMENT

Borzen's annual report combines and integrates the reporting of financial and non-financial operations within the business report. This is designed as reporting on the refinement of capital inputs to create value for key stakeholders. In this way, we are already partially following the guidelines of comprehensive reporting (Integrated Reporting, www.integratedreporting.org, The International <IR> Framework; 2021), however we will be adapting to these guidelines fully, which ensure

full compatibility of financial capital with non-financial traces in the coming years.

In this way, corporate reporting in this report takes into account the requirements or expectations:

- amendments to the Companies Act – ZGD-1J (Directive 2014/95/EU) on the disclosure of non-financial and diversity information;
- Orientation on business transparency and reporting, as covered in point 8 of the Corporate Governance Code for companies

with state capital investment (SSH, November 2019);

- GRI Sustainable Reporting Guidelines, by moving to GRI standards and continuing to apply EUSD GRI sectoral disclosures to electricity companies.

BUSINESS REPORT



SUMMARY OF RESULTS⁸

PLANNED OBJECTIVES FOR 2020	ACHIEVED OBJECTIVES IN 2020
Cooperation in the Slovenian and international development projects in the energy market	Participation in various working groups in the field of energy market development, among the most important for example cooperation within Europex, the Section for the Exchange of Information on the Energy Market (IPET) and the Slovenian Association for Energy Economics (SAEE).
Smart devices, models and platforms in the active network (project PAKT)	Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator which ended at the end of 2020. Borzen's role was to establish and manage an aggregation trading platform.

PLANNED OBJECTIVES FOR 2020	ACHIEVED OBJECTIVES IN 2020
FARCROSS project – Facilitating Regional Cross-border Electricity Transmission through Innovation	The project is implemented within the framework of the Horizon 2020 program. It started in October 2019 and will last for four years. The basic purpose of the project is to optimize the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, which includes both physical interventions and changes in procedures that would increase possible power flows on the same physical infrastructure (cross-border lines).
NEDO-Fleks project	The NEDO-Fleks project, launched in mid-2019, addresses the problem of flexibility and sustainability of the power system and smart communities. Borzen's task is to study the impact of the participation of the battery accumulator in the automatic regulation of the frequency of the electric power system on the balance settlement and to upgrade the aggregation-trading platform. The objective of the project is to develop a battery storage system, advanced WAMS algorithms (Wide Area Management System (and Control)), new modules for the field energy management system, an information platform and an upgraded market flexibility platform that will enable sustainable development, more reliable electricity supply in emergency situations, efficient use of energy, multifunctional use of equipment and maximum integration of active customers in the electricity markets.
Development of services of the Centre for Support	In order to follow the digitalization trends and greater user-friendliness, we have a web portal for the Centre for Support that enables an easy and quick invoicing procedure, submission of applications, reviewing production data, changing contact details and accessing news related to the Support Scheme. The portal has more than 1,550 registered users.

PLANNED OBJECTIVES FOR 2020	ACHIEVED OBJECTIVES IN 2020
Attention and kindness towards stakeholders	Analyzing stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders; a greater involvement of stakeholders, a more targeted communication, and new content.
Sustainable development	A quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of activities of informing and raising awareness on sustainable energy; maintenance of the Corporate Social Responsibility Certificate and the Family-Friendly Enterprise Certificate; preparation of the Sustainability Report in accordance with the GRI guidelines.
Optimization of business processes and quality of operations	Optimization of certain business processes and the provision of IT support to different business processes.
Switching to a 15-minute billing interval	On 1 January 2021, the Slovenian electricity market switched from an hourly to a 15-minute billing interval. The transition required a lot of preparation throughout 2020 for both Borzen and other players, as it was necessary to adapt applications, back-end data systems and forecasting models, among other things. The biggest challenge was the introduction of a new application for the preparation of the balance sheet and the adaptation of the application for recording closed contracts and operational forecasts, as well as providing the necessary data to the members of the balance scheme to prepare for the transition.

PLANNED OBJECTIVES FOR 2020	ACHIEVED OBJECTIVES IN 2020
Ensuring compliance with information security and digital business standards	We see information security management as an ongoing process that includes planning, implementation, control and action, with which we constantly raise the level of information security. In 2020, Borzen successfully performed an external control audit according to the ISO / IEC 27001: 2013 standard. To ensure the reliability of high availability operation, an investment was made in 2020 in the purchase of more powerful optical modules. Special attention was paid to the field of information and cyber security, both through investments and soft approaches.
Lowering the company's carbon footprint	Through various measures in the company, we try to reduce the carbon footprint we leave on the environment from year to year, focusing mostly on business trips considering Borzen's business model. In 2020, the carbon footprint decreased significantly compared to previous years, largely due to the situation regarding the COVID-19 pandemic.
Promoting employee engagement	In 2020, employee turnover decreased compared to the previous year. In the field of commitment and motivation, we focused on the challenges posed by the extremely increased volume of work from home and, in general, the situations related to the epidemiological situation in the country. We have successfully passed the assessment of the Family Friendly Company certificate.

KEY STRATEGIC PERFORMANCE INDICATORS

	2018	2019	BUSINESS PLAN 2020	2020
Revenue (in EUR)	4,494,848	4,526,725	4,385,000	4,439,727
EBIT – operating profit (in EUR)	1,533,897	1,328,714	969,000	993,207
EBIT margin	35.3 %	31.5 %	31.9 %	32.6 %
EBITDA margin	42.3 %	38.3 %	31.9 %	32.5 %
Return on assets (ROA)	0.9 %	0.7 %	0.4 %	0.5 %
Return on equity (ROE)	25.7 %	23.6 %	17.6 %	19.2 %
Operating efficiency	154.6 %	146.1 %	131.1 %	132.7 %
Revenue per employee (in EUR)	144,814	138,148	127,656	136,527
Added value per employee (in EUR)	114,447	113,669	94,956	103,929
Time needed for the preparation of the monthly imbalance settlement (in working days)	13,8	3,4	3	3
Time needed for the preparation and sending of an agreement on the provision of support and Eco agreements (in working days)	88,8	7,8	8	7
Customer satisfaction	87 %	95 %	nad 80 %	94 %

THE IMPACT OF THE ECONOMIC, LEGISLATIVE AND OTHER CIRCUMSTANCES ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2020

The year 2020 was mostly marked by the global COVID-19 pandemic (hereinafter: the pandemic). Borzen constantly kept adapted to measures and restrictions and adopted a number of its own measures, including setting up a **crisis group** during the first wave, which adopted various recommendations and decisions aimed for the smooth implementation of key tasks and business processes in the company. Recommendations for action and key information on the pandemic were adopted. Most of the work was done from home.

In order to ensure the continuous operation of the company's information systems, a plan was prepared to ensure the stability of operations in various circumstances. The plan operates according to the principles of ISO 27001 standards. The activities performed for business continuity include, among other things, additional testing of business processes from a remote location, if necessary purchase of additional computer equipment, safety warnings for employees to work from home.

Borzen carried out certain simplifications of procedures for members of balance groups, RRM - REMIT clients and participants of the Centre for Support. With the help of these measures, we facilitated the implementation of users and at the same time maintained the safe implementation of business processes. We also kept up to date with intervention laws and measures relating to the field of labor law and the energy field. The latter allowed final customers to extend their inclusion in the list of reduced contributions after 31 March 2020. An overview of the key measures we have

taken regarding the pandemic:

- Establishment of a crisis group;
- Ensuring attendance and working from home;
- Ensuring business continuity;
- Ensuring active and transparent communication;
- Simplifications of procedures for balance scheme members, RRM - REMIT clients and Centre for Support participants;
- Redirection of physically received invoices to electronic receipt;
- Reduction of service costs;
- Recommendations for working in crisis situations.

Due to restrictive measures, both Slovenia and the EU and foreign economies sharply reduced their growth rates during 2020 or even went into recession. The impact on the energy sector was significantly smaller than in other segments of the economy, and the same is true for Borzen. As already mentioned, all of Borzen's tasks were carried out normally, albeit under adapted circumstances. There was a decline in electricity consumption in industry segments, but also a partial increase in the household segment. This did not have a significant impact on Borzen's business. Overall, however, the market continues to concentrate.

The trend of increased investments in renewable energy sources with the aim of achieving the minimum shares set by Directive 2009/28/EC has completely subsided in Slovenia already in 2015. Despite the tenders, the implementation of projects (and their actual entry into the support scheme) is still always very poor. The key problem is the placement of power plants in space, which is regulated outside the support scheme. We anticipate that many projects that have been approved in tenders of the Energy Agency will not be implemented, as the condition is that the power

plant must be connected to the grid within three or a maximum of five years if it is a demanding facility or requires a building permit. According to current data, Slovenia will not reach the final target of 25 percent of RES in gross final use by 2020.

In the course of 2020, the process of transposing the EU legislative package »Clean Energy for All Europeans« into the Slovenian legal order began and Borzen also actively participated. First, the Energy Efficiency Act (ZURE) was drafted, which has already been adopted and entered into force in November 2020. In the last quarter of 2020, two other essential laws were held in public: the Electricity Supply Act (ZOEE) and the Renewable Energy Sources Promotion Act (ZOVE). We made several suggestions and comments on both. We expect that both laws will be adopted during 2021, where (at least publicly published drafts of the acts) are granting new responsibilities for Borzen or expanding existing ones.

The tendency of the environment in both Slovenia and Europe is moving towards greater integration and »deepening« of markets. Borzen follows this trend by participating in European projects and associations (especially in the European association of stock exchanges and energy market operators Europex) and in the direction of greater use and emphasis on renewable sources and efficient energy use. Our efforts continue to focus on activities that ensure the transparency of the electricity market, including the preparation of rules for individual segments of the energy market, the implementation of a reporting service in accordance with the Regulation on wholesale energy market integrity and transparency, the promotion of market data flow and finally, by the prompt and complete publication of data, reports and other information.

PRODUCTION CAPITAL

Production capital mainly consists of the facilities, devices, tools and technologies that we have available to perform our activities. Borzen owns office business premises on Dunajska cesta in Ljubljana, where we also have the entire IT infrastructure with all the necessary software and information and communication technologies. As the entire scope of Borzen's activities is of a service nature, the stated production capital is used to carry out all our activities:

- recording closed contracts and operational forecasts and preparing an indicative operating timetable for the transmission and distribution network,
- implementation of the balance sheet, including financial settlement,
- implementation of the balancing market platform,
- managing the balance scheme,
- implementation of a support scheme for environmentally friendly methods of electricity production,
- keeping a register of guarantees of origin,
- implementation of marketing activities - REMIT reporting and clearing of stock exchange transactions and IT support for the subsidiary BSP d.o.o.,
- Implementation of information and awareness programs.

QUALITY OF PROVIDING IT SERVICES AND SUPPORT IN THE IMPLEMENTATION OF TASKS IN THE ENERGY FIELD

The goal of Borzen is to optimally fulfill the tasks entrusted to us by the concession issued by the Republic of Slovenia. We are achieving our goal by following technological developments and by maintaining a high technological level of process implementation, ensuring the continuous operation of key information systems and by taking care of information and cyber security.

In order to ensure greater reliability of high availability, an investment of just less than 50,000 EUR was made in 2020 in the purchase of more powerful optical modules (WDM), which provide us with several tens of times faster transfer between data centers, which significantly affects the speed of information processes per time unit.

Due to the transition to a 15-minute interval of data acquisition and reporting, we made investments in dedicated software as well as an investment in the amount of 15,000 EUR in expanding the disk capacities of the existing disk array system. In this way, we provided sufficient resources for data storage within the company's key business processes.

In the field of information and cyber security, we made investments in the amount of 27,000 EUR. As part of the protection of end customers, we allocated funds for protection against malicious code and intrusion attempts for a period of four years. We also updated the two-factor authentication solution used by employees for teleworking, which has recently become the predominant form of work due to the general situation. We also implemented a hardware security module in the company's information system, which provided us with an appropriate way to protect PKI keys, which are important for the implementation of security protocols and authentication on key business solutions of the company.

Borzen is on the crossroads of the electricity market, and our stakeholders are all those influenced by our business, and those who

influence us with their business. The key stakeholders are thus closely linked to the company's core business.

Borzen's key stakeholders



SOCIAL CAPITAL⁹

RELATIONSHIP WITH THE MARKET¹⁰

As part of the market operator's activities, Borzen enables its partners to actively operate in the electricity market. As part of the balance sheet scheme management process, it allows partners to enter the market or switch between different balance groups. For all members, we perform the activity of recording closed contracts and operational forecasts on a daily basis, as well as the balance sheet, which is performed on a monthly basis. In addition to the mentioned tasks, Borzen also actively cooperates with all actors in the development of the Slovenian electricity market through various workshops and with comments on various rules and laws.

Center for Support, as the operational contractor of one of the most important environmental instruments - RES and CHP Support schemes, enables the payment of subsidies for those entities whose starting price of production plant technology exceeds

market prices, and at the same time manages contributions that are the source of support. As a manager of so called ECO balance groups we leave our imprint on the entire electricity market, where we influence the transfer of supported electricity to the market and its forecasting. With the role of the operational contractor of the scheme, we are also importantly involved in constructive cooperation in the adoption of legislation, implementation of RES directives and cooperation with other important actors in the field of RES.

With its RRM - REMIT activity, Borzen, as the only provider in Slovenia and Croatia, offers its service to all market participants who need this service to meet their legal reporting obligations. We offer the RRM - REMIT service to members of the balance scheme and members of the BSP. In this way, the RRM - REMIT service complements and upgrades the activity of the market operator. The connection with BSP,

whose members are also obliged to report, is also synergistic. The RRM - REMIT activity itself goes beyond the scope of the electricity market and we have successfully transferred it to the gas market, where we also record a larger number of customers. In the case of RRM - REMIT customers, foreign entities also predominate.

In addition to capital participation, we are also connected with BSP by mutual business cooperation, which brings benefits for both parties. Within the established own IT infrastructure, Borzen offers IT support and clearing of stock exchange transactions for BSP, and on the other hand we cooperate with BSP in the activities of implementing the balancing market, as it offers a trading platform with all the necessary functionalities.

MARKET OPERATOR ACTIVITY

RECORDING OF CLOSED CONTRACTS, OPERATIONAL FORECASTS AND PREPARATION OF THE APPROXIMATE OPERATIONAL TIMETABLE OF THE TRANSMISSION AND DISTRIBUTION NETWORK

The Energy Act requires the market operator to record contracts for membership in the balance scheme, operating forecasts and closed contracts. All contractually agreed obligations in which electricity is bought or sold in Slovenia or with which energy is transferred across the

borders of the regulatory area are recorded. Closed contracts and operating forecasts are recorded on a daily basis all seven days of the week. On a daily basis, the market operator prepares an indicative operating timetable for the transmission and distribution network, which is forwarded to the system operator ELES. In the event of changes in the reported quantities of closed contracts and operational forecasts that may be reported due to intraday trading, an adjustment to the timetable shall also be prepared.

Recorded closed contracts and operating forecasts

In 2020, a total of 100,761 closed contracts and operational forecasts were recorded in the total amount of 82,221 GWh. Compared to the previous year, the number of recorded closed contracts and operating forecasts in the same period was lower by 6.7 percent, and the total amount of energy was lower by 2.5 percent.

MONTHLY QUANTITIES OF ELECTRICITY SOLD OR PURCHASED THROUGH CLOSED CONTRACTS AND OPERATIONAL FORECASTS AND THE NUMBER OF RECORDED CLOSED CONTRACTS AND OPERATIONAL FORECASTS ON THE ELECTRICITY MARKET IN SLOVENIA IN 2020

MONTH	CLOSED CONTRACTS (in MWh)	OPERATING FORECASTS (in MWh)	NUMBER OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS
January	5,319,796.636	2,451,171.552	8,325
February	4,660,478.930	2,190,009.310	8,086
March	4,514,494.858	2,285,575.434	8,716
April	4,097,769.019	2,009,867.258	8,232
May	4,365,604.149	2,170,576.201	8,511
June	4,200,225.128	2,295,848.931	8,030
July	4,478,285.007	2,398,203.250	8,386
August	4,317,422.330	2,313,452.753	8,381
September	4,168,491.820	2,402,087.401	8,254
October	4,543,992.464	2,792,915.638	8,804
November	4,323,235.870	2,487,423.125	8,300
December	4,850,080.490	2,583,887.457	8,736
TOTAL	53,839,876.701	28,381,018.310	100,761

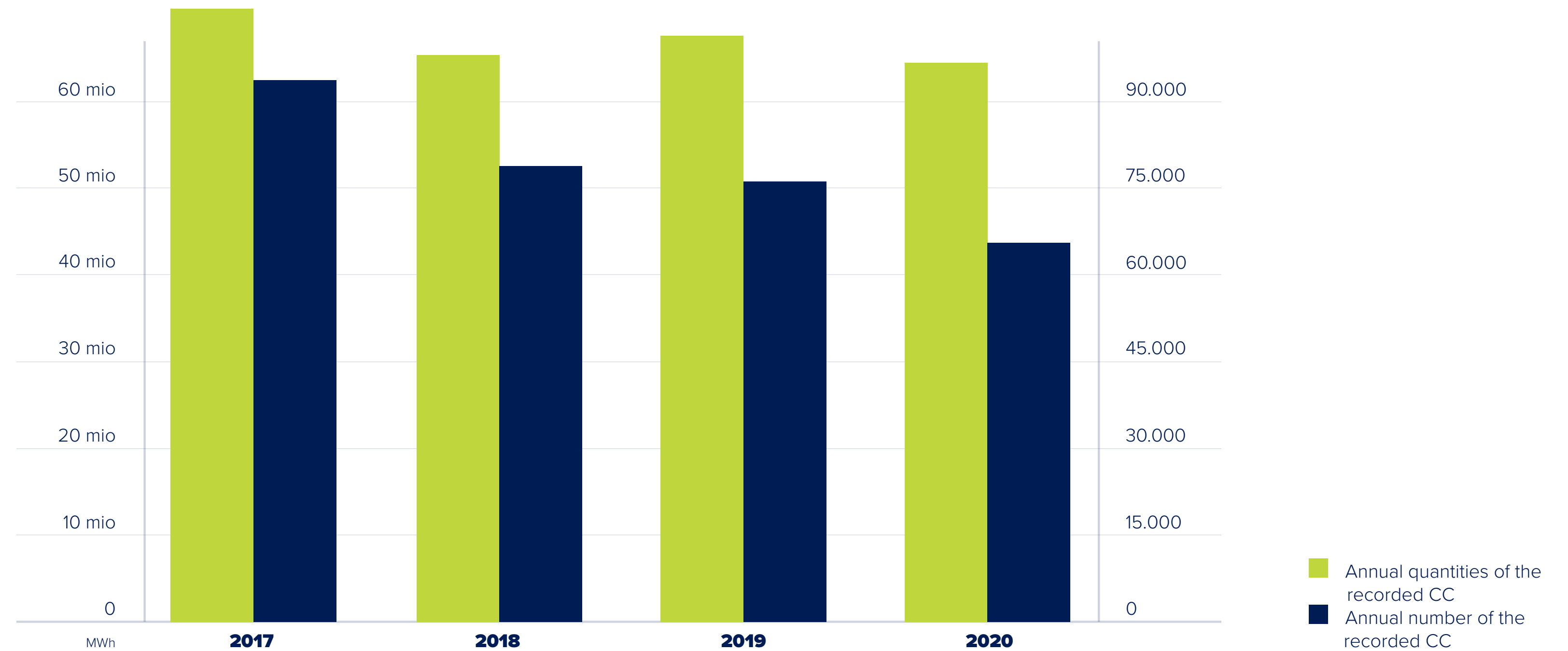
In 2020, we recorded a decline in the value of recorded quantities of closed contracts, which was 4.3 percent lower than in the previous year and amounted to 53,840 GWh. The same applies to the number of registered closed contracts, where we recorded an even greater decline, namely the number decreased by 12.7 percent and amounted to 54,790 contracts. The volumes of recorded closed contracts decreased both at the expense of intra-Slovenia trading or concluded closed contracts between members of the balance scheme, as well as at

the expense of trading outside the regulatory area, where we recorded a 4.5 percent drop. The lower quantity and number of registered closed contracts at the borders of the regulatory area is mainly due to the introduction of single market merger within the day (SIDC), which in November 2019 successfully expanded to Slovenia and 6 other countries. The changed method of allocating intraday cross-border transmission capacity (CBTC) at the Austrian and Croatian borders has reduced the number of registered closed contracts by almost 60

percent at the Austrian border and by 48 percent at the Croatian border.

Compared to 2019, the amount of recorded operating forecasts increased by 1 percent and amounted to 28,381 GWh.

MONTHLY QUANTITIES OF ELECTRICITY SOLD OR PURCHASED THROUGH CLOSED CONTRACTS (“CC”) AND THE NUMBER OF REGISTERED CLOSED CONTRACTS (“CC”) ON THE ELECTRICITY MARKET IN SLOVENIA IN THE PERIOD 2017 TO 2020



As presented in the image above, the quantities of registered closed contracts vary from year to year, and the number of registered closed contracts has been declining for the third year in a row. In the period between 2017 and 2020, there was a total of a 9 percent decrease in the quantities of reported electricity in closed contracts, while the number of registered closed contracts on the market in Slovenia decreased by almost 30 percent. There are several reasons for the decline in the quantity and number of registered closed contracts and they are mainly related to the development of the electricity market. One of the reasons is related

to the decrease in membership in the balance scheme, as the membership in the balance scheme decreased from 76 to 62 members from 2017 to 2020. The second reason is mainly related to the intraday market merger project (SIDC), which enabled the implicit allocation of physical intra-day cross-border transmission capacities at the Slovenian-Austrian and Slovenian-Croatian borders. As a result, the role of market agent (so-called »shipping agent«) in the trading area of the Republic of Slovenia for intraday trading was transferred to the energy exchange BSP. This means that all concluded transactions on the intraday trading platform are

recorded first in the form of a closed contract between the energy exchange and the partner, and then the total amount concluded with partners outside Slovenia is recorded in the form of a closed contract between the energy exchange and external partners at the border of the regulatory area. The latter is recorded in the form of two contracts at each border, namely as net imports or exports at each interval, which is reflected in lower quantities and the number of recorded closed contracts at the borders of the regulatory area with Austria and Croatia. As presented in the image above, the quantities of registered closed contracts vary from year

to year, and the number of registered closed contracts has been declining for the third year in a row. In the period between 2017 and 2020, there was a total of a 9 percent decrease in the quantities of reported electricity in closed contracts, while the number of registered closed contracts on the market in Slovenia decreased by almost 30 percent. There are several reasons for the decline in the quantity and number of registered closed contracts and they are mainly related to the development of the electricity market. One of the reasons is related to the decrease in membership in the balance

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recorded first in the form of a closed contract between the energy exchange and the partner, and then the total amount concluded with partners outside Slovenia is recorded in the form of a closed contract between the energy exchange and external partners at the border of the regulatory area. The latter is recorded in the form of two contracts at each border, namely as net imports or exports at each interval, which is reflected in lower quantities and the number of recorded closed contracts at the borders of the regulatory area with Austria and Croatia.

Data from the last four years are also shown in the table below.

ANNUAL QUANTITIES OF ELECTRICITY SOLD OR PURCHASED THROUGH CLOSED CONTRACTS AND THE NUMBER OF REGISTERED CLOSED CONTRACTS ON THE ELECTRICITY MARKET IN SLOVENIA IN THE PERIOD 2017 TO 2020

YEAR	ANNUAL QUANTITY OF RECORDED CLOSED CONTRACTS [MWH]	CHANGE IN THE QUANTITIES OF CLOSED CONTRACTS IN PERCENTAGE COMPARED TO THE PREVIOUS YEAR	ANNUAL NUMBER OF REGISTERED CLOSED CONTRACTS	CHANGE IN THE NUMBER OF CLOSED CONTRACTS AS A PERCENTAGE COMPARED TO THE PREVIOUS YEAR
2017	59,144,645	7.9 %	77,763	5.2 %
2018	54,488,921	-7.9 %	65,577	-15.7 %
2019	56,239,158	3.2 %	62,781	-4.3 %
2020	53,839,877	-4.3 %	54,790	-12.7 %

In accordance with the Energy Act, members of the balance scheme (excluding public service providers and the BSP exchange) are obliged to pay for the registration of closed contracts, where they act on the supply side (seller in a closed contract). Payments by members of the balance scheme depend on the volume of

recorded closed contracts, excluding closed contracts for electricity imports, and are calculated on the basis of reported quantities in MWh. In 2020, this amount amounted to 22,285 GWh and was 2.3 percent lower than in 2019, when it amounted to 22,820 GWh.

CHANGE IN CONCENTRATION ON THE WHOLESALE MARKET

In the previous chapter, we analyzed the total quantity and number of registered closed contracts in 2020. From the point of view of market operation, not only the total quantities are important, but also their distribution. The Herfindahl – Hirschman concentration index (HHI) and the sum of the shares of the five and ten largest balance groups are presented below. HHI is calculated as the sum of the squares of the shares of balance groups in the market (excluding the energy exchange and independent system balance groups - system operator), and CR5 and CR10 as the sum of the shares of the five and ten largest balance groups, respectively. The value of the index varies on a scale from 0 (theoretical perfect competition) to 10,000 (monopoly). Also in CR5 and CR10, we excluded the energy exchange and the system operator of the transmission network.

From the table below, we can see that the HHI increased significantly each year from 2017 to 2019, from 1,813 in 2017 to 2,359 in 2018, and then further increased significantly in 2019 when stopped at 2,850, indicating an increase in market concentration. In 2020, compared to 2019, it decreased slightly but still remained at a high level of 2834. If we look at the cumulative market share represented by the 5 largest players (CR5), we would find that the share of the five largest balance groups increased from 75.4 percent in 2017 to 92.3 percent in 2020. The largest increase is observed in the years between 2017 and 2019, when this percentage increased to 82.2 percent in 2018 and then to 91.4 percent in in 2019. In 2020, this share increased by just under one percentage point compared to the previous year and amounted to 92.3 percent. A similar situation is in the case of the CR10 index, which represents the sum of the shares of the ten largest balance sheet groups in recorded closed contracts.

This increased from 91.9 percent in 2017 to 98 percent in 2020, which means that the ten largest balance groups in 2020 recorded as much as 98 percent of all closed contracts. On the other hand, it should be noted that in the period 2017 to 2020, the role of the stock exchange strengthened (both in terms of liquidity and traded volumes as well as market mergers), which is very important from the point of view of the market as a whole.

HERFINDAHL–HIRSCHMAN INDEX AND THE SHARE OF THE FIVE (CR5) OR TEN (CR10) LARGEST BALANCE GROUPS IN THE RECORDED CLOSED CONTRACTS IN THE 2017-2020 PERIOD

YEAR	2017	2018	2019	2020
HHI	1,813	2,359	2,850	2,834
CR5	75.4 %	82.2 %	91.4 %	92.3 %
CR10	91.9 %	94.1 %	95.9 %	98.0 %

TRANSMISSION OF ELECTRICITY AT THE BORDERS OF THE SLOVENIAN CONTROL AREA

In 2020, the net electricity exchange at the borders of the Slovenian control area totaled 1,973 GWh, meaning that there was a 14.2 percent surplus of electricity compared to the total electricity consumption. Since slightly less than 3,018 GWh of electricity from the Croatian

share of the Krško Nuclear Power Plant (KNPP) belonged to the Croatian network, Slovenia was a net importer of electricity in 2020. The net imports amounted to 1,044.7 GWh, which represented 7.6 percent of the total electricity consumption in Slovenia. Compared to 2019, when net imports amounted to 2,512 GWh, it decreased by more than 58 percent. In the months from June to October 2020, Slovenia

even had a surplus of electricity in the total amount of 481 GWh, which is mainly due to lower recorded consumption and higher recorded production in this period. The month of October stands out with the surplus of 265 GWh as a result of the record production of hydroelectric power plants.

TOTAL IMPORT AND EXPORT OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN CONTROL AREA IN 2020

MONTH	EXPORT EXCL KNPP (MWh)	EXPORT (MWh)	IMPORT EXCL KNPP (MWh)	IMPORT (MWh)	NET POSITION (MWh)	NET POSITION EXCL. KNPP (MWh)
January	589,982.975	848,838.975	993,724.500	993,724.500	-144,885.525	-403,741.525
February	512,689.875	754,059.875	907,552.475	907,577.475	-153,517.600	-394,862.600
March	468,324.850	726,890.850	807,794.400	807,794.400	-80,903.550	-339,469.550
April	483,819.000	732,187.000	665,876.450	665,989.450	66,197.550	-182,057.450
May	623,761.100	880,456.100	701,562.400	701,562.400	178,893.700	-77,801.300
June	635,124.750	883,132.750	555,693.975	555,693.975	327,438.775	79,430.775
July	727,013.375	981,079.375	631,767.800	631,767.800	349,311.575	95,245.575
August	618,140.450	871,055.450	593,031.775	593,114.775	277,940.675	25,108.675
September	552,859.100	799,491.100	536,418.325	536,508.325	262,982.775	16,440.775
October	770,920.800	1,029,354.800	505,844.025	505,844.025	523,510.775	265,076.775
November	564,157.475	814,055.475	634,136.950	634,136.950	179,918.525	-69,979.475
December	693,683.400	950,010.400	751,779.325	763,818.325	186,192.075	-58,095.925
TOTAL	7,240,477.150	10.270.612,150	8,285,182.400	8,297,532.400	1,973,079.750	-1,044,705.25

The export of electricity excluding electricity obtained from the Croatian part of the KNPP was 2.2 percent higher than in 2019 and amounted to 7,240 GWh, while the total imports excluding electricity intended for the needs of the Croatian part of the KNPP were lower in the same period by 13.7 percent and amounted to 8,285 GWh.

The export at the Austrian border in 2020 was more than 9 percent higher than in 2019 and amounted to 626 GWh, while the import was

lower by 12.5 percent and amounted to 5,231 GWh. At the Croatian border, we recorded 20 percent higher export (taking into account the production of the Croatian part of the Krško NPP) than in 2019, in the amount of 7,956 GWh. Import in the same period was lower by more than 43 percent and amounted to 1,315 GWh. The total production at the KNPP was 8.6 percent higher than in 2019 and amounted to 6,035 GWh. Higher production is due to the overhaul that took place in 2019. At the Italian border, export in 2020 were lower by more

than 36 percent compared to 2019, while the amount of imported electricity in the same period amounted to 1,752 GWh and increased by almost 34 percent over the previous year.

The table below shows the data on the number of recorded closed contracts concerning the electricity import and export in 2020 by individual borders.

RECORDED CLOSED CONTRACTS BY BORDER FOR THE EXPORT AND IMPORT OF ELECTRICITY IN 2020 (in MWh)

BORDER	AUSTRIJA		ITALY		CROATIA		
	EXPORT	IMPORT	EXPORT	MONTH	EXPORT	IMPORT	EXPORET
January	603,646.1	10,873.1	331,112.0	42,166.0	58,966.4	795,799.9	258,856.0
February	639,952.1	8,887.2	197,524.0	77,976.0	70,01.4	667,196.7	241,370.0
March	540,893.8	27,588.0	59,681.0	246,164.0	207,219.6	453,138.9	258,566.0
April	400,821.6	42,261.3	226,849.0	39,930.0	38,318.9	649,995.7	248,368.0
May	433,678.1	54,851.3	222,073.0	37,238.0	45,811.3	788,366.8	256,695.0
June	288,436.2	93,689.7	210,546.0	48,857.0	56,711.8	740,586.1	248,008.0
July	477,646.4	42,880.7	85,708.0	151,453.0	68,413.4	786,745.7	254,066.0
August	410,722.1	49,099.2	90,226.0	134,037.0	92,166.7	687,919.3	252,915.0
September	269,180.0	132,966.6	52,770.1	218,125.8	214,558.2	448,398.7	246,632.0
October	334,621.6	45,817.3	22,884.8	346,891.3	148,337.6	636,646.2	258,434.0
November	394,805.3	29,708.9	127,174.0	159,675.9	112,157.7	624,670.7	249,898.0
December	436,339.4	87,274.2	124,964.0	186,023.8	202,514.9	676,712.4	256,327.0
TOTAL*	5,230,742.6	625,897.3	1,751,511.9	1,688,537.8	1,315,277.9	7,956,177.1	3,030,135.0

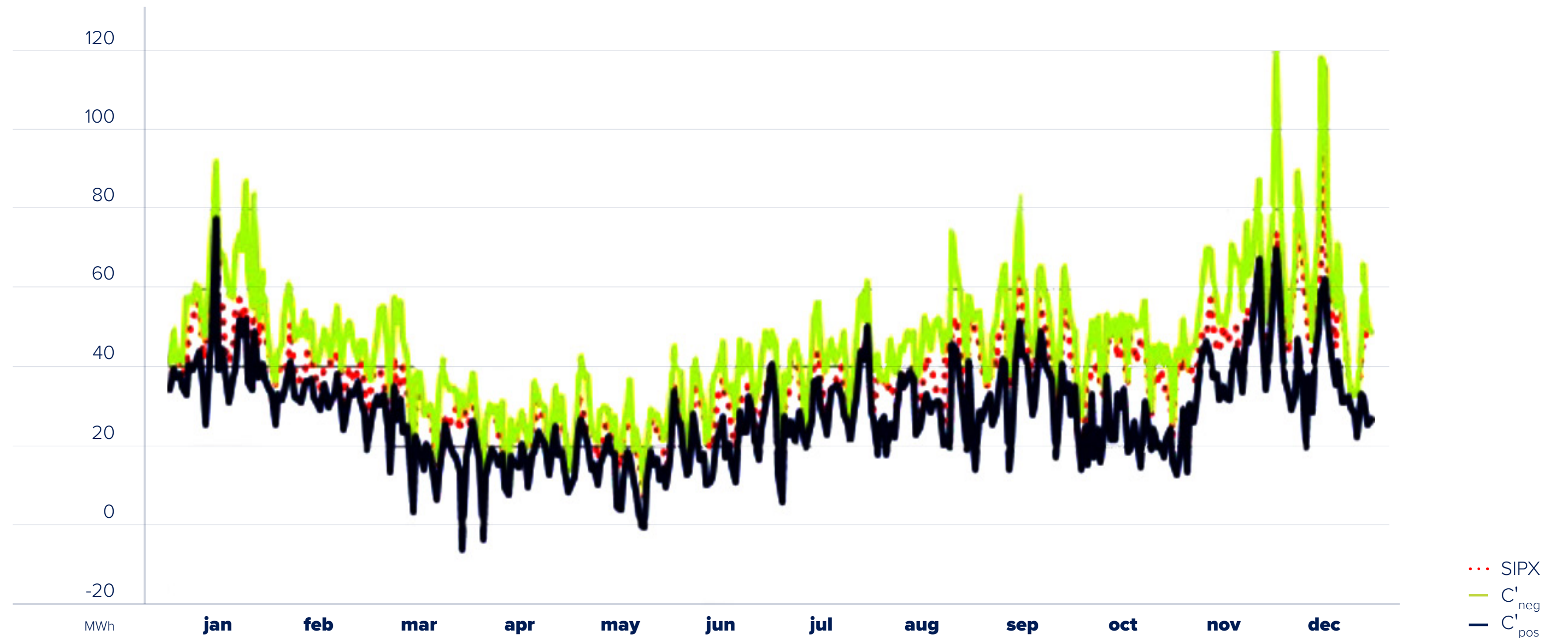
* Rounding can lead to deviations in totals.

IMBALANCE SETTLEMENT

The report covers the accounting period for 2020, which includes completed balance sheets from January to December. In both

months, both the first and the second balance sheet were performed. The results are summarized in the text and figures below.

AVERAGE DAILY VALUES OF DERIVED PRICES OF C'_{NEG} AND C'_{POS} DEVIATIONS AND SIPX INDEX IN 2020



The diagram above, which shows price movements in 2020 for the positive and negative deviations of C'_{neg} and C'_{poz} and the SIPX index, shows the impact that the epidemic had on market conditions and electricity price movements. It was especially pronounced in the spring months. At the same time, the prices for deviations also reflect the cost peaks in the balancing of the electricity system, as the basic price for deviations is calculated as a weighted average of the three elements of balancing.

Significant price jumps and a higher price gap for positive and negative deviations, which were the result of high balancing costs, were observed mainly in January and the last two months of the year.

The average value of the derived (corrected) price for negative C'_{neg} deviations in 2020 was 45.38 EUR / MWh, and for positive C'_{poz} deviations 28.15 EUR / MWh. The highest price value of C'_{neg} in this period was 271.04 EUR /

MWh, and C'_{poz} 170.53 EUR / MWh. The lowest price of C'_{neg} in the mentioned period was -23.48 EUR / MWh, and the lowest price of C'_{poz} was -122.17 EUR / MWh. The highest price of C'_{neg} appeared on December 2 in the 19-hour block, and C'_{poz} on December 17 in the 12-hour block. The lowest price of C'_{neg} was recorded on March 24 in the 6-hour block, and the price of C'_{poz} on April 5 in the 17-hour block.

THE AVERAGE, HIGHEST AND LOWEST VALUES OF C'_{NEG} (C'₊), C'_{POS} (C'₋) AND SIPX IN 2019 and 2020

	2019 (EUR/MWh)			2020 (EUR/MWh)		
	C' ₊	C' ₋	SIPX	C' _{neg}	C' _{poz}	SIPX
Average values	63.76	32.51	48.74	45.38	28.15	37.55
Highest values	279.61	200.02	200.02	271.04	170.53	172.07
Lowest values	-10.79	-175.45	-20.23	-23.48	-122.17	-23.48

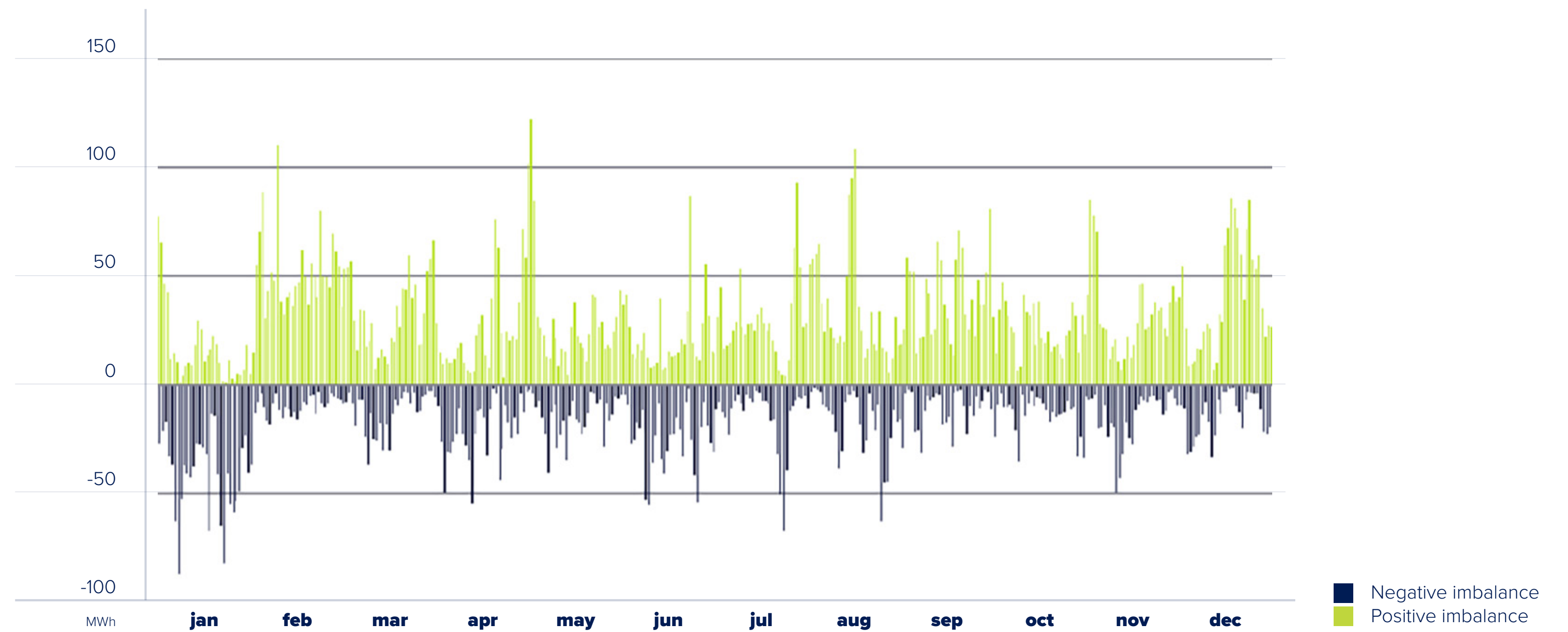
To calculate the prices for positive and negative imbalances, we use the costs and quantities that have been incurred for the balancing of the electric power system in Slovenia. The balancing of the electric power system is the result of the imbalances of electricity market participants from their forecasts.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

below shows the total positive and negative imbalances of all balance groups in Slovenia in 2020.

The imbalances in the positive direction reflect the electricity deficit in the electric power system, while the imbalances in the negative

direction reflect the electricity surplus in the Slovenian electric power system.

AVERAGE DAILY IMBALANCES IN THE SLOVENIAN ELECTRICITY SYSTEM IN 2020

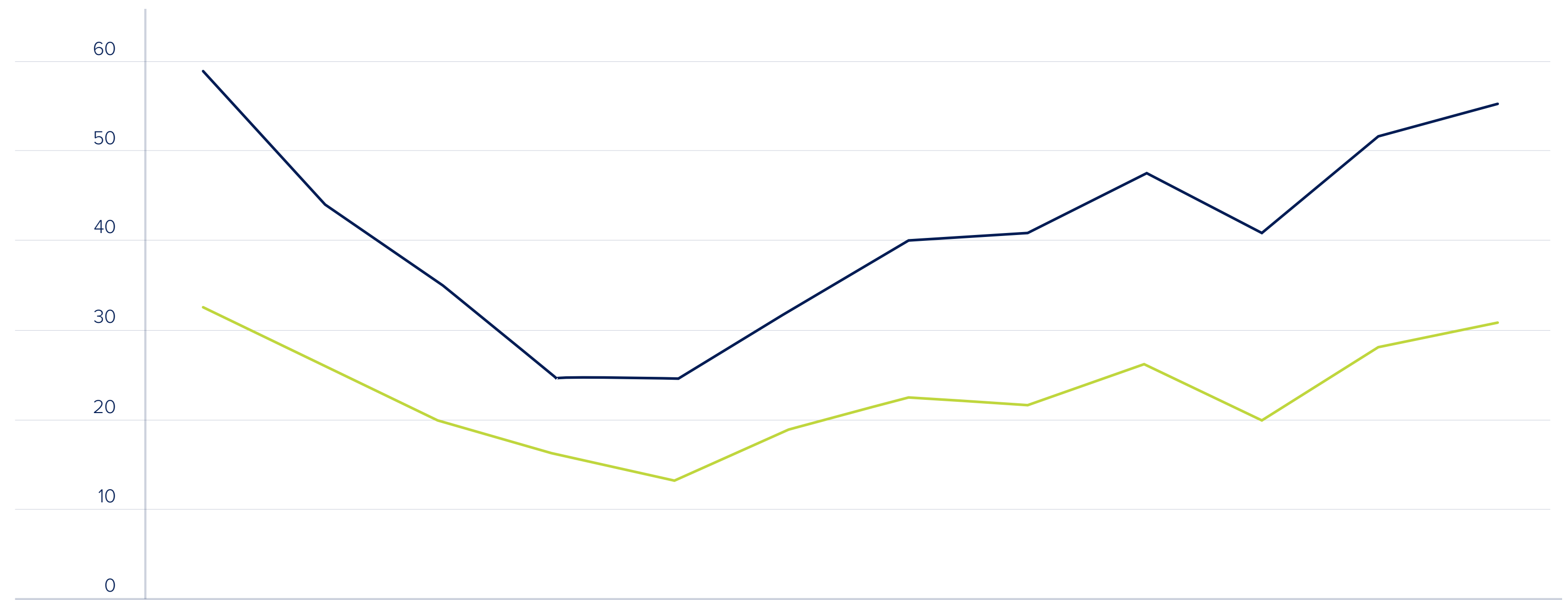


The balancing energy for balancing positive and negative imbalances in the Slovenian electricity system is provided by the transmission system operator ELES. In 2020, the amount of energy used to compensate for negative deviations was 178 GWh, and for compensating for positive deviations 262 GWh. The figure below shows the average hourly prices of power system balancing, calculated from all costs and

quantities of balancing. S + represents the prices of arranging a short position (energy purchase), and S- represents the prices of arranging a long position (energy sales). The quantities take into account all types of regulation: RVF (frequency maintenance reserve), aRPF (automatic frequency recovery reserve, called »secondary control« before the change of terminology), rRPF (manual frequency

recovery reserve, formerly »tertiary regulation«), RR (replacement reserves, which also include the balancing market) and energy from the IGCC (»International Grid Control Cooperation«) mechanism or other balancing, in accordance with Article 87 of the Rules for the Operation of the Electricity Market (OJ RS, Nos. 74/18 and 62/19).

AVERAGE MONTHLY VALUES OF REGULATORY COSTS (S+ AND S-) IN 2020



	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec
S+ —	59.11	44.36	35.25	24.6	24.67	32.54	39.78	41.22	47.86	41.1	52.14	55.42
S- —	32.33	26.34	19.95	16.02	13.42	18.72	22.14	21.93	26.35	19.97	28.19	31.08

The movement of average hourly equalization prices by months coincides with the movement of prices for positive and negative deviations. The table below shows the average hourly balancing prices by months in 2020 and

a comparison with 2019. It is clear that the average balancing prices in 2020, with the exception of the last two months, were significantly lower than in 2019. In 2020 the relative gap between average hourly prices

for positive and negative offset decreased significantly compared to 2019.

AVERAGE MONTHLY VALUES OF REGULATORY COSTS (S+ AND S-) IN 2019 AND 2020

MONTH	2019		2020	
	S+	S-	S+	S-
January	108.16	40.56	59.11	32.33
February	71.85	11.97	44.36	26.34
March	67.42	15.76	35.25	19.95
April	69.82	26.59	24.6	16.02
May	53.03	30.28	24.67	13.42
June	53.95	30.86	32.54	18.72
July	62.56	36.26	39.78	22.14
August	71.53	34.63	41.22	21.93
September	63.11	35.28	47.86	26.35
October	70.39	39.84	41.1	19.97
November	57.02	33.86	52.14	28.19
December	61.92	30.22	55.42	31.08

The table below shows the amounts of IGCC + and IGCC-. In February 2019, ELES joined the multilateral IGCC mechanism, replacing the previous INC mechanism. The table shows the values for the entire period from the

introduction of cross-border cooperation in netting deviations, from May 2013 onwards. The first column presents the values in which there was an energy deficit in the Slovenian power system and the IGCC/INC+ function was

activated, and the second column represents the values in the intervals in which there was a surplus of energy in the Slovenian power system and the IGCC/INC- function was activated. -.

IGCC/INC VOLUMES FROM 2013 TO 2020

YEAR	IGCC/INC+ (MWh)	IGCC/INC- (MWh)
2013 (May-December)	25,491	47,458
2014	41,457	69,909
2015	28,091	71,007
2016	33,997	114,247
2017	37,247	98,399
2018	51,289	98,104
2019	40,616	98,426
2020	70,760	101,918

The following table presents a more detailed overview of monthly data on total positive and negative deviations of balance groups in 2019 and 2020.

POSITIVE AND NEGATIVE IMBALANCES OF THE BALANCE GROUPS in 2019 and 2020

MONTH	2019		2020	
	POSITIVE IMBALANCES OF BALANCE GROUPS (MWh)	NEGATIVE IMBALANCES OF BALANCE GROUPS (MWh)	POSITIVE IMBALANCES OF BALANCE GROUPS (MWh)	NEGATIVE IMBALANCES OF BALANCE GROUPS (MWh)
January	30,235	12,590	14,079	20,046
February	7,319	34,816	10,703	21,858
March	9,352	24,305	13,224	25,029
April	15,238	17,731	7,446	31,757
May	10,795	23,293	8,732	28,417
June	16,837	16,842	12,407	18,786
July	11,619	21,299	18,260	14,718
August	12,425	26,666	22,216	12,539
September	8,227	28,705	13,371	13,973
October	10,136	19,058	19,994	13,761
November	10,375	23,293	20,953	16,063
December	10,424	30,115	16,029	28,474
TOTAL	152,983	278,711	177,416	245,421

The following table presents the quantities of positive and negative imbalances of all balance groups on the electricity market from 2013 onwards.

Total positive and negative imbalances of the balance groups from 2013 to 2020

YEAR	TOTAL POSITIVE IMBALANCES OF THE BALANCE GROUPS (MWh)	TOTAL NEGATIVE IMBALANCES OF THE BALANCE GROUPS (MWh)
2013	301,776	397,808
2014	307,168	367,965
2015	300,051	388,574
2016	239,765	371,020
2017	263,038	326,166
2018	224,905	306,999
2019	225,191	305,042
2020	262,243	300,190

Based on the data in the table above, we can see that the sum of positive deviations in 2020 remained at a comparable level compared to the previous two years, while the sum of all negative deviations of balance groups

increased by almost 40 GWh. The latter is very likely due to the specific situation caused by the epidemic, especially in the consumption segment.

ANNUAL RECALCULATION

Since the imbalance settlement applies the so-called analytical procedure to determine the realization of delivery points without the execution of quarter-hour measurements, their consumption is estimated based on the remaining consumption of the area. Thus, the differences generated among quantities acquired on the basis of the analytical procedure and the actual realized quantities are recalculated within the annual recalculation, which is performed after the completion of all imbalance settlements.

In 2020, the annual settlement for 2019 was made. The redistribution of differences between balance groups was made on the basis of calculated differences and the average annual price, which is equal to the annual average of the basic values of C'_+ and C'_- deviations and for 2019 amounted to 48.13 EUR / MWh. In the annual settlement for 2019, slightly less than 134

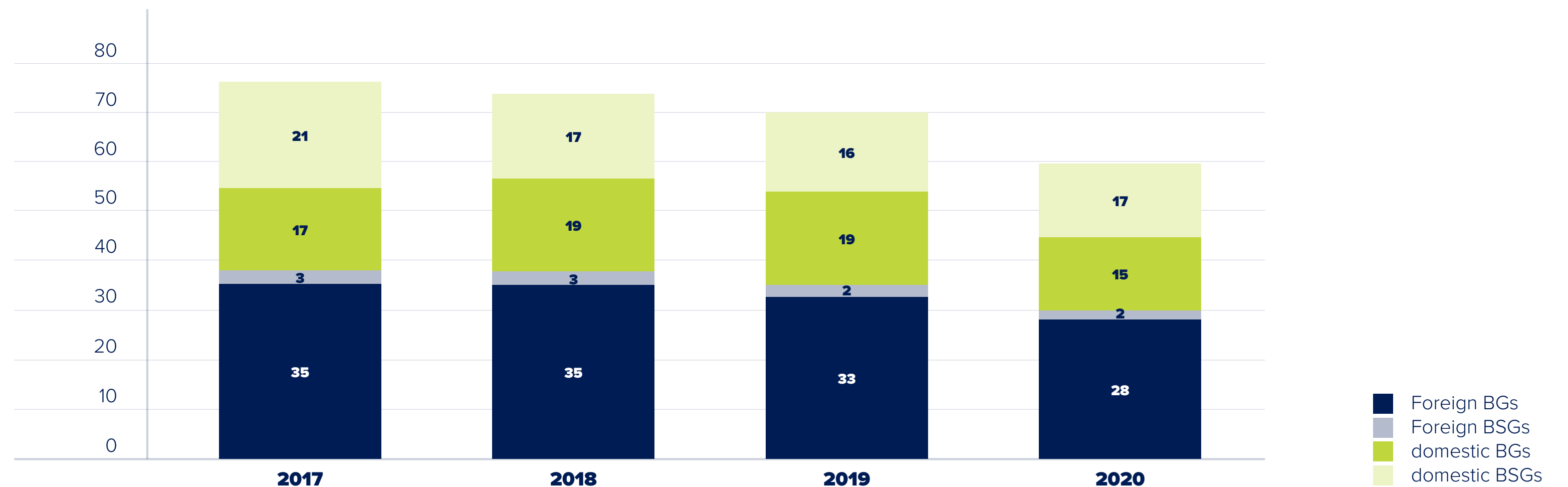
GWh of electricity was reallocated, which totaled EUR 6.4 million (net).

BALANCE SCHEME

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

In 2020, the decline in membership in the balance scheme continued, with the number of balance scheme members decreasing by eight compared to 2019. Ten companies withdrew from the scheme, three from Slovenia and seven from abroad, while in the same period two companies entered the balance scheme, both from abroad. During the same period, one transition was made, where the balance group made the transition to another balance group and thus gained the status of responsible subgroup, and four companies extended the balancing agreement and thus maintained membership in the balance scheme as responsible subgroup. In total, as at 31 December 2020, there were 43 balance groups (15 Slovenian and 28 foreign companies) and 19 balance subgroups (17 Slovenian and 2 foreign companies) registered in the Republic of Slovenia.

NUMBER OF FOREIGN AND DOMESTIC BALANCE GROUPS (BGS) AND BALANCE SUBGROUPS (BSGS) FROM 2017 TO 2020



The table below presents the changes in the Balance Scheme in 2020 in a chronological order.

CHRONOLOGICAL TIMELINE OF THE MEMBERSHIP MOVEMENT IN THE BALANCE SCHEME IN 2020

DATE	NAME OF THE BALANCE SCHEME MEMBER	STATUS
31 Dec.	MCT Slovakia s.r.o.	Exit
24. Dec.	AYEN ENERGIJA d.o.o.	Exit
19 Nov.	Ekologické Zdroje Energie s.r.o.	Exit
16 Oct.	Axpo Bulgaria EAD	Entry
13 Oct.	DXT Commodities SA	Exit
11 Sep.	GEOPLIN d.o.o. Ljubljana	Exit
15 Jul.	RESPECT ENERGY S.A.	Entry
6 Jun.	G O ENERGY GAS & OIL SA	Exit
14 Mar.	Energieallianz Austria GmbH	Exit
25 Feb.	ENGIE ENERGY MANAGEMENT SCRL	Exit
1 Jan.	E.ON Ljubljana d.o.o.	Transition from an independent BG to a HSE BG
1 Jan.	MERCATOR, d.d.	Extension of the balancing agreement
1 Jan.	ZDS JESENICE, d.o.o.	Extension of the balancing agreement
1 Jan.	SIJ ACRONI d.o.o.	Extension of the balancing agreement
1 Jan.	E.ON Energija d.o.o.	Extension of the balancing agreement
1 Jan.	PPD energija d.o.o.	Exit
1 Jan.	NIS Petrol SRL	Exit

FINANCIAL SETTLEMENT OF IMBALANCES

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

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

The table below presents the value-based data, resulting from the financial settlement of imbalances for 2020, compared to the data from 2019.

VALUE OVERVIEW OF THE IMBALANCE SETTLEMENT FOR 2019 AND 2020

in EUR excl. VAT

YEAR	2019			2020		
	IMBALANCE SETTLEMENT	BALANCING COSTS	MONTH	IMBALANCE SETTLEMENT	BALANCING COSTS	MONTH
January	3,864,853	-3,650,269	214,584	338,816	-287,426	51,390
February	348,768	-280,226	68,542	74,368	84,019	158,388
March	618,052	-578,324	39,728	268,558	-195,584	72,974
April	1,298,809	-1,211,820	86,989	-175,672	234,065	58,393
May	119,014	-56,961	62,053	3,648	57,659	61,306
June	717,211	-677,719	39,492	239,041	-175,113	63,928
July	222,358	-171,476	50,882	574,055	-522,491	51,563
August	599,720	-507,447	92,273	875,801	-792,254	83,547
September	-131,835	192,625	60,790	465,857	-431,231	34,626
October	141,397	-81,991	59,406	778,315	-729,781	48,534
November	161,257	-115,756	45,501	974,153	-914,219	59,934
December	-106,484	145,530	39,046	952,805	-589,949	362,856
TOTAL	7,853,120	-6,993,834	859,286	5,369,745	-4,262,305	1,107,439
Default interests:			547			72
SURPLUS OF THE BALANCE SHEET OF PREVIOUS YEARS			797,525			461,460
TOTAL SURPLUS			1,657,358			1,568,971

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

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

The surplus of revenues over expenses arising from the imbalance settlement is intended for the management of the risks of default or late payments and are kept in a separate account for the management of the imbalance settlement surpluses. In 2020, the amount of the balance sheet surplus totaled 1.11 million

EUR. In 2020, the participants in the balance sheet were paid a part of the balance sheet surplus in the total amount of 1.20 million EUR. The total balance sheet surplus thus amounted to 1.57 million EUR at the end of 2020, which includes the unpaid part of the surplus of previous years and the total surplus in 2020 with default interest.

BALANCING MARKET

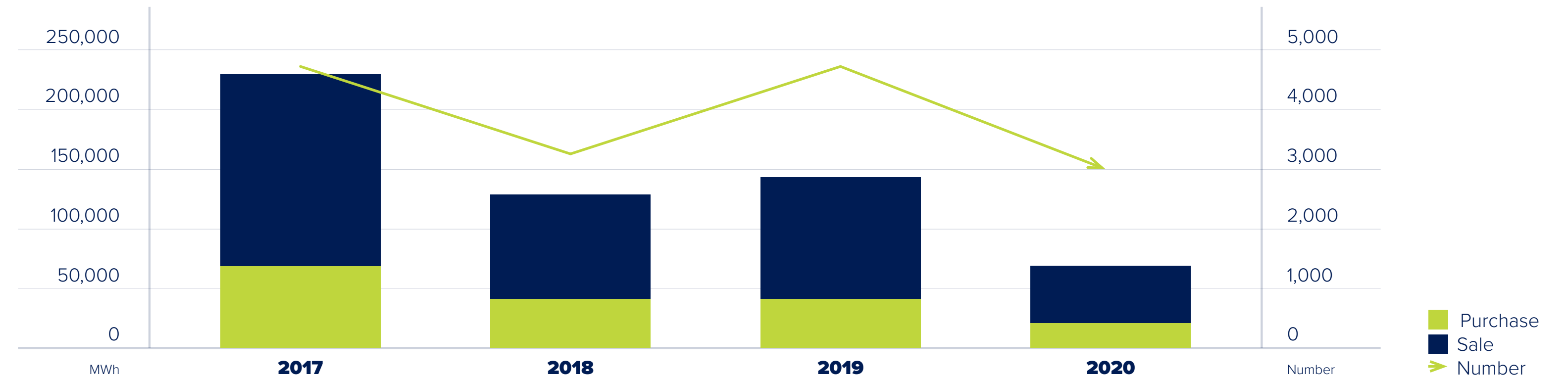
The balancing electricity market is an organized form of collecting and soliciting offers for the sale and purchase of balancing energy in order to compensate for deviations of the electricity system in a transparent and economically efficient way. In 2020, 3,155 transactions in the total amount of 67.8 GWh were concluded on the Slovenian balancing electricity market, which has been operating since October 2012. Of this, 21.2 GWh represented the purchase of electricity and 46.7 GWh the sale of electricity by the transmission system operator. The largest number of transactions was concluded with hourly products in the total amount of 60.7 GWh, as well as the largest number of transactions, namely 2,531 concluded with hourly products. In the same period, another 623 transactions with 15-minute products and 1 transaction with a block product were concluded.

The highest price for the purchase of balancing energy in 2020 was 225 EUR/MWh, and the lowest price for the sale of balancing energy was -10 EUR/MWh. In addition to the system operator, three other members of the balancing market were involved in the transactions. At the end of 2020, the membership in the balancing market had 31 members.

The balancing market has been recording constant growth since its establishment until 2017. In 2018, we recorded a decline at the annual level for the first time, which is also shown in the figure below. In 2019, we again recorded growth, since the volume of concluded transactions increased by more than 9 percent and the number of transactions increased by as much as 47 percent compared to 2018. In 2020, the volume of concluded transactions decreased by almost 52 percent compared to the previous year and the number

of concluded transactions by more than 33 percent. The drop was expected, and the reason is the introduction of a single intraday merger (SIDC), which successfully expanded to Slovenia and six other countries on 19 November 2019. Intraday trading volumes have increased significantly, as a result, the system operator also has a wider range of options with which to balance the system. Despite the fact that trading on the balancing market takes place from 1 hour to just before delivery (intraday trading is possible only an hour or more before delivery), the volume of transactions on the balancing market decreased significantly due to greater liquidity and more favorable prices in the intraday trading segment.

VOLUME AND NUMBER OF CONCLUDED TRANSACTIONS ON THE ELECTRICITY BALANCING MARKET BY YEAR

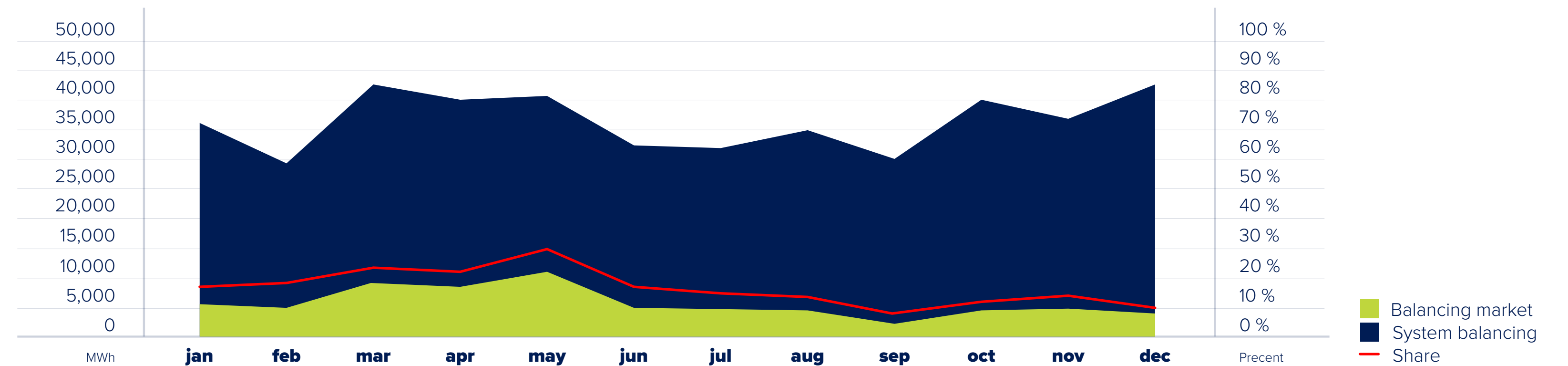


In 2020, the electricity balancing market accounted for 15.4 percent of the total balancing of the system, which represents a 15.4 percentage point lower level than in 2019, when the share of the balancing market in the total

balancing of the system was 30.8 percent. The largest share of the balancing market reached 26.5 percent on a monthly basis in May, and the smallest share in September, namely 7.1 percent. The share of the balancing market in leveling up

(ELES purchase) in 2020 represented slightly less than 12 percent, and the share in leveling down (ELES sales) slightly less than 18 percent.

BALANCING MARKET SHARE IN THE TOTAL SYSTEM BALANCING OF THE SLOVENIAN ELECTRICITY SYSTEM



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

which lasts from one hour before delivery to just before delivery, 66 GWh transactions were concluded in 2020, which represents 98 percent of the total volume of concluded transactions. There is a trend of increased

business in this phase, from 52 percent in 2016 to 98 percent in 2020, which means that the system operator buys or sells electricity immediately before delivery and thus more effectively balances the electricity system.

PERCENTAGE OF RECORDED TRANSACTIONS ACCORDING TO THE TRADING PHASE

YEAR	'BALANCING MARKET' PHASE	'INTRADAY TRADING' PHASE
2016	52 %	48 %
2017	56 %	44 %
2018	63 %	37 %
2019	72 %	28 %
2020	98 %	2 %

ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

Data exchange and imbalance settlement

The exchange of information is essential for the proper execution of the Market Operator's activities and the operation of the entire electric power system. The electronic data exchange constitutes an important step towards a more reliable and faster submission of data to the Market Operator. Therefore, Borzen strives to further develop and strengthen this area, also by participating in associations, such as the Energy Market Data Exchange Section (iPET).

Since 2015, Borzen has been using the electronic data exchange or recording data from all five distribution networks for the purposes of the imbalance settlement. With the introduction of the IBIS ++ information solution, important steps have been taken towards more reliable, faster and more comprehensive data exchange. We have moved to more advanced standards that support data exchanges at the 15-minute level, and the first operator of closed distribution systems has joined the exchange via online services, which will most likely be joined by others in the future. At the same time, members of the balance scheme will also be able to import the results of the balance calculation in XML format into their own systems via the new portal of the market operator.

Other activities related to ensuring the transparency of the electricity market

Transmission of data under European Regulation 543/2013 – “Transparency”

Since the end of 2014, Borzen has had an established automated data transmission via online services, since the company is obliged to send the data on the quantity of bids on the balancing market and the data on the volumes and prices of transactions concluded on the balancing market to the System Operator

every hour in accordance with the European Regulation No. 543/2013 (the so-called Transparency Regulation). In addition to the data on the balancing market, Borzen also submits the prices of imbalances to the System Operator on a monthly basis. The submitted data are published on the European platform “ENTSO-E Transparency Platform” in order to increase the transparency of the European energy market. In 2020, all adjustments required for the transition to a 15-minute billing interval and a 15-minute reporting frequency were successfully implemented.

Electronic access to the balance scheme records

On a proposal from the Slovenian Energy Agency, Borzen established electronic access to the Balance Scheme records via web services. The access provides the Energy Agency with the automated control of the data on the Balance Scheme members, which are submitted upon their registration in accordance with the REMIT Regulation. In 2020, the exchange process operated smoothly, enabling the verification of the data submitted by market participants as part of their registration with the Energy Agency. In the future, we want to integrate the data on the supplier's status into this access, as we are already publishing it on our corporate website.

Transmission of balancing market data to the Energy agency

In 2018, Borzen established a system for transmitting balancing market data to the regulator for the needs of the Energy Agency. The system operates according to the principles, standards and records of the REMIT Regulation and enables the regulator to establish a complete market record (offers, transactions), as other data are already received by the Energy Agency from ACER. In 2020, the data were provided to the Energy Agency on a daily basis.

Publication of additional data on the functioning of the market on the corporate website

Borzen regularly publishes various data on the functioning of the market in accordance with legislation. The published data facilitate the operation of the market, especially for new entities, and represent an additional activity of Borzen in the direction of collecting, analyzing and publishing data in order to ensure the transparency of the operation of the electricity market. Borzen also publishes a list of suppliers, i.e. members of the balance scheme with physical transfer points, either at the point of consumption or production. After the abolition of licenses with EA-1, an official public list of suppliers on the market is no longer available.

The company also regularly publishes more detailed data related to the imbalance settlement (e.g. balancing costs, balancing volumes, imbalances of balance groups in the Slovenian regulatory area), including the history from 2007 onwards. Borzen also publishes a pride index of concluded transactions on the balancing market and enables market members and other interested parties to access the forecasts of the total amount of electricity production and consumption in Slovenia for the day-ahead period.

Preparations for the opening of the market operator portal are underway, where all the above-mentioned data will be available in the public part. The data will be constantly updated and will be available to visitors of the portal in a simple and fast way through intuitive search engines and filters. In addition, it will be easy to download in various formats.

In the future, Borzen wants to further expand the scope of published data (also in accordance with the market participants' wishes), thus contributing to greater transparency in the electricity market.

CENTRE FOR SUPPORT

SUPPORT SYSTEM

In accordance with the Energy Act, the Centre for Support is the operational provider of the Support Scheme for environmentally friendly ways of generating activity. The support schemes are an instrument of State aid (subsidies) approved by the European Union, which enables, with higher purchase prices, the realization of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP), which are necessary for achieving the national objectives concerning the share of use of renewable energy sources in the final energy consumption. The Energy Act (EA-1) provides for a call for the integration of power plants that do not comply

with the provisions of Article 535 (energization before 22 September 2014). So far, seven public calls have been made, while the eighth public call is currently in the final implementation phase, as the application deadline expired on 10 February 2021.

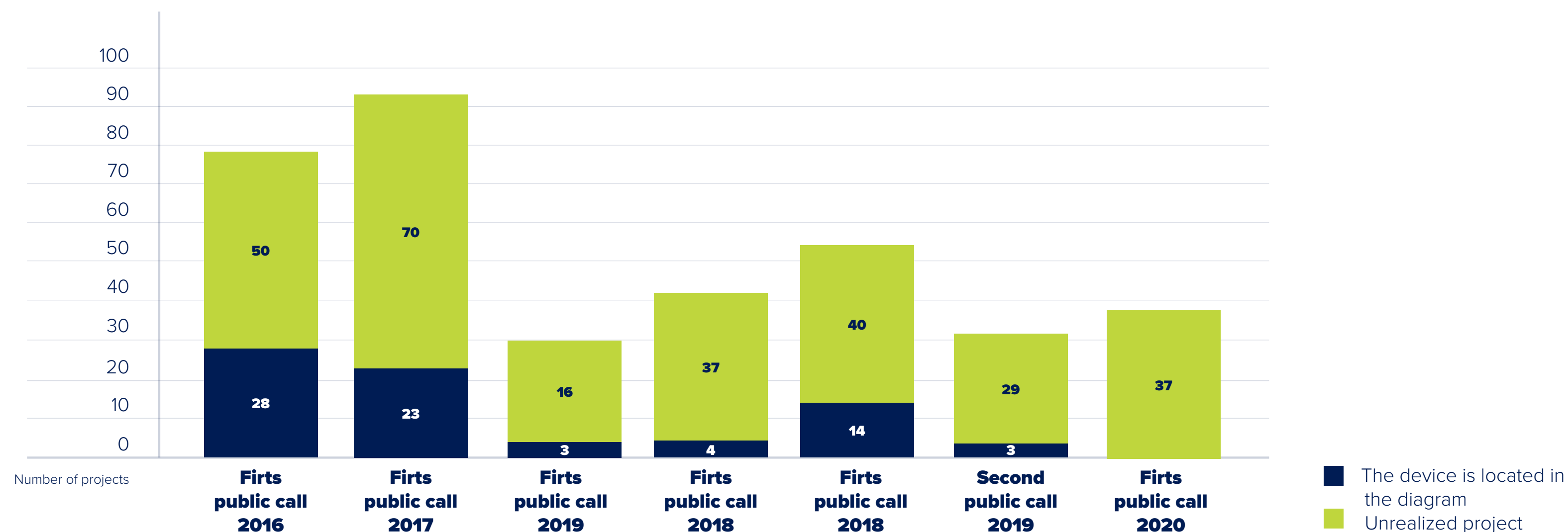
Implementation of approaches of devices selected on public calls to the support scheme

In the seven completed public tenders of the Energy Agency, 354 projects were selected - the realization of entries in the support scheme by the number of production facilities at the end of 2020 was at 21 percent - which means that about one in five projects selected in the public

call also entered the support scheme, which is a low share.

It should be noted that 62 wind projects were also selected through public calls - at the moment none of them has been realized by entering the support scheme; most of these have a deadline for connection in 2023. The last major wind projects were selected in public calls in the first call in 2018, as after this period one of the conditions for submitting an application was also a building permit, if required.

SELECTED PROJECTS IN THE PUBLIC CALLS OF THE ENERGY AGENCY AND IMPLEMENTATION (NUMBER)



KEY RESULTS OF THE SUPPORT SCHEME FOR THE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND COGENERATION OF HEAT AND ELECTRICITY

Power plants in the support system

At the end of 2020, there were 3,839 power plants in the support scheme with a total nominal capacity of 408.9 MW, which represents approximately 10.7 percent of the installed capacity in the Republic of Slovenia.¹¹

The share of units that independently sell electricity on the market under the support scheme (and therefore receive support in the form of operating support) is at a similar level as in previous years - about 70 percent. The remaining 30 percent of the units receive support as a guaranteed purchase, which means that they receive payment for support and electricity from the Centre for Support under a single contract.

POWER PLANTS IN THE SUPPORT SYSTEM (AS AT 31 DECEMBER 2020)

TYPE OF POWER PLANT	POWER IN KW	NUMBER
Biogas power plants	14,242	21
Hydro power plants	21,009.56	90
Other	930	1
Solar power plants	258,326	3,297
Fossil-fueled CHP	87,858.61	386
Wood biomass power plants	23,320.1	40
Wind power plants	3,227.5	4
TOTAL	408,914	3,839

¹¹ Installed power at the threshold - Source: Statistical Office of the Republic of Slovenia

Support payments

Electricity production in the support scheme in 2020 reached about the average level of the last 5 years, while payments vary due to changes in the reference market price, new entries and departures from the support system.

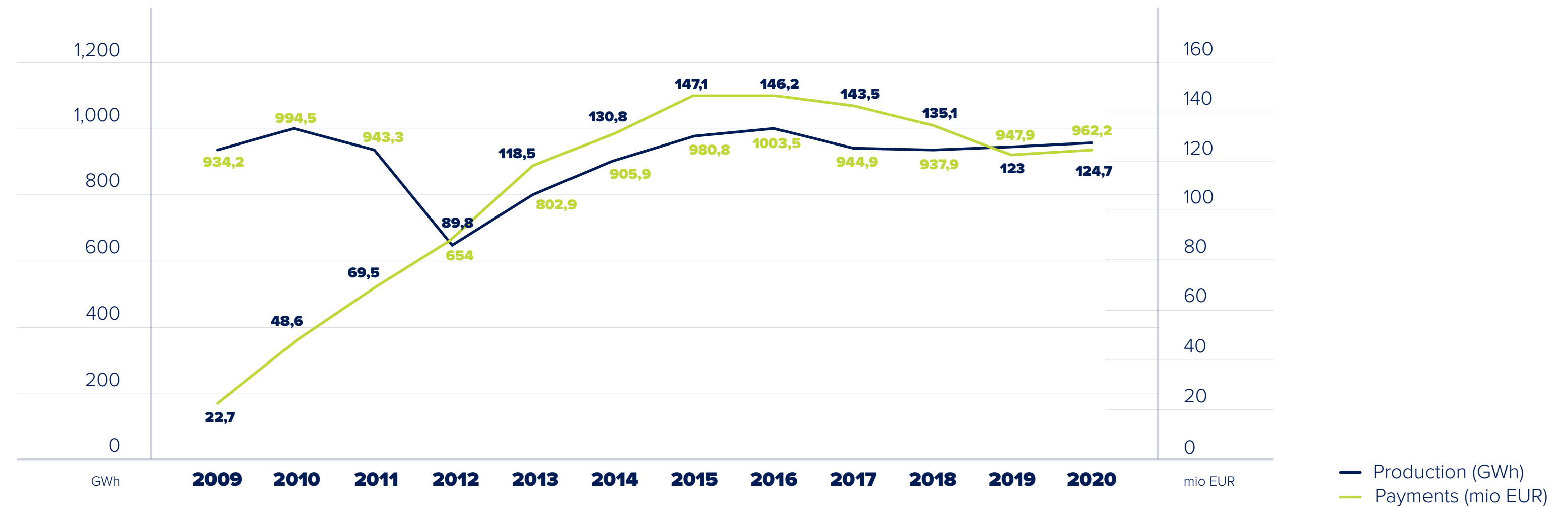
A comparison of payments and electricity produced in the support scheme shows that electricity production in 2020 was 1.5 percent higher than in 2019, while payments were 1.4 percent higher.

Quantitatively, production, which receives one of the forms of support, represents just fewer than 7 percent of Slovenia's annual consumption.¹² In recent years, this share has declined slightly due to growth in consumption and stagnation of production in the scheme.

SUPPORT PAYMENTS FROM 2009 TO 2020

YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Quantity of electricity (in GWh)	934.2	995.5	943.3	654	802.9	905.9	980.8	1003.5	944.9	937.9	947.5	962.2
Support payments (in million EUR, excl. VAT)	22.7	48.6	69.5	89.8	118.5	130.8	147.1	146.2	143.5	135.1	123.0	124.7

PRODUCTION (GWh) AND SUPPORT PAYMENTS (EUR EXCL. VAT) IN 2009 - 2020



¹² Final total power consumption - Source: Statistical Office of the Republic of Slovenia

Fossil-fueled CHP units (36 percent) and solar power plants (28 percent) stand out based on the share of produced electricity. The latter

also received a half (52 percent) of all support payments in 2020.

SUPPORT PAYMENTS IN 2020

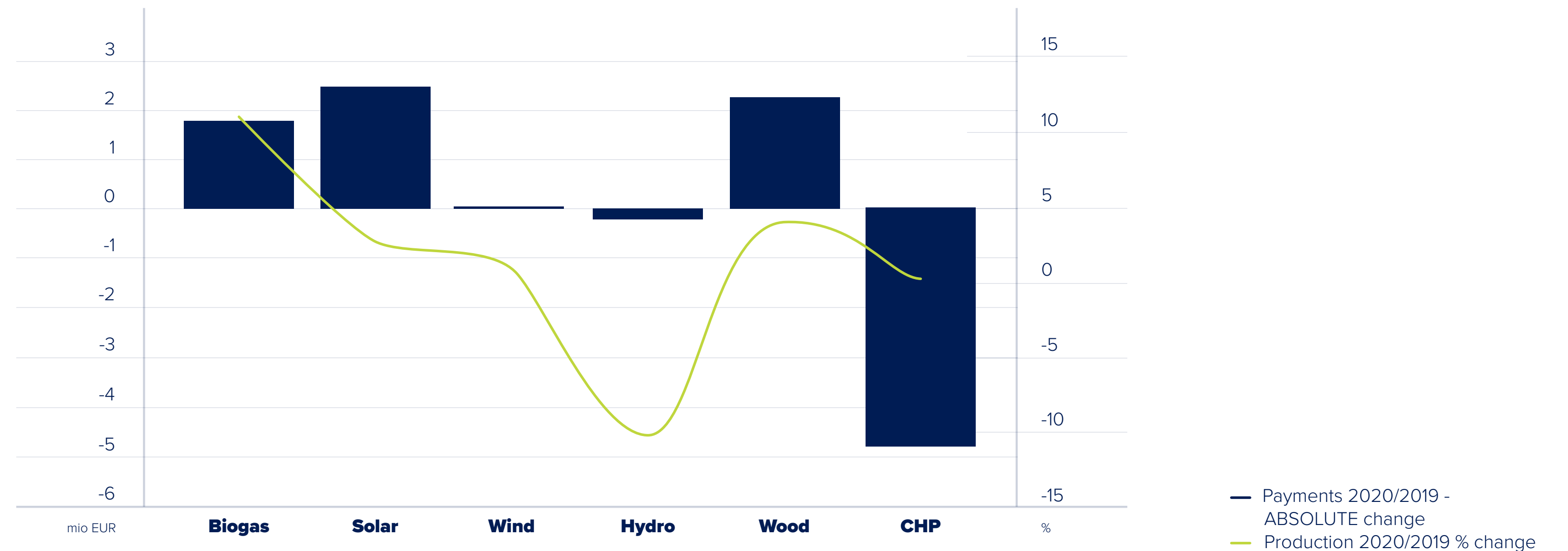
TYPE OF POWER PLANT	PRODUCED ELECTRICITY (GWh)	SUPPORT PAYMENT (IN MILLION EUR, EXCL. VAT)	SHARE OF ENERGY (%)	SHARE OF SUPPORT (%)
Biogas power plants	94.3	11.4	9.80 %	9.14 %
Other	5.7	1.4	0.59 %	1.14 %
Wood biomass power plants	139.1	20.6	14.46 %	16.49 %
Hydro power plants	99.5	4.4	10.35 %	3.57 %
Solar power plants	269.3	64.3	27.99 %	51.58 %
Fossil-fueled CHP	348.1	22.3	36.17 %	17.85 %
Wind power plants	6.2	0.3	0.64 %	0.23 %
TOTAL	962.2	124.7		

The comparison of production and payments in 2020 and 2019 is clearly shown in the graph below, which shows the absolute difference in payments between the years and at the same time the relative change in production in 2020 compared to 2019. The figure shows that production by type in 2020 is not deviated significantly from 2019. The exceptions are biogas plants (+11 percent higher production

compared to 2019) and hydropower plants (-9.9 percent lower production compared to 2019). Hydropower plants are affected by the weather, while biogas plants are likely to be attributable to the (partial) regulation of technical and financial problems from the past. On the side of payments, a larger deviation is visible only in CHP units on fossil fuels, where in 2020 there were as much as EUR 4.7 million less payments

compared to last year. The reasons are the price of natural gas, new entrances with lower support heights, and the termination of support for some plants that had higher support levels.

COMPARISON OF SUPPORT PAYMENTS AND PRODUCTION BETWEEN 2020 AND 2019



FINANCIAL DATA OF THE CENTRE FOR SUPPORT

The contributions are transferred into a special account of the Centre for Support and are used

for the provision of support, the operation of the Centre for Support and other purposes stipulated by law. The table below presents the revenues and expenses of the Centre for

Support for 2020, namely the realized values in 2019 compared to the realized values in 2020 (as at 28 February 2020).

OVERVIEW OF THE REVENUES AND EXPENSES OF THE CENTRE FOR SUPPORT 2019 IN 2020

in EUR excl. VAT

	ITEM	REALIZATION 2019	REALIZATION 2020
A	Opening balance	137,637,785	202,436,610
1	Revenues	188,396,704	163,304,249
a	RES+CHP contribution	180,976,372	155,937,672
b	DES contribution	0	0
c	CS – EE sales	7,331,679	7,304,900
d	Default interests	88,653	61,678
2	Expenses	123,597,879	125,259,369
a	RES+CHP support	123,006,879	124,668,369
b	DES support	0	0
c	Operation of the CS	591,000	591,000
d	CS – EE purchase	0	0
3	TOTAL (1-2)	64,798,825	38,044,879
4	TOTAL (A+3)	202,436,610	240,481,489

In 2020, the Centre for Support collected EUR 155.94 million in net contributions from RES and CHP. The contribution of RES and CHP also includes funds from the contribution for district heating final customers and buyers of fossil fuels, in the amount of EUR 32.89 million. The contribution of RES and CHP is 13.8 percent lower in 2020 compared to the realization in 2019. The reason is the lower revenues of the contribution for providing support for the production of electricity from renewable energy sources and in high-efficiency cogeneration. Due to the mitigation of social and economic consequences of the spread of COVID-19 virus, the Government of the Republic of Slovenia issued a decree on temporary non-payment of contributions to provide support for electricity production in high-efficiency cogeneration from renewable energy sources (RES + CHP contribution) and 'household electricity consumption' for the period from 1 March to 31 May 2020.

The revenues of the Centre for Support show separately the funds received from the sale of electricity of the Eco balance group, which was

sold indirectly in 2020 in such a way that Centre for Support transferred the Eco balance group to the balance group of another member of the balance scheme. The revenues of the support center also include accrued default interest in the realization in 2020. In 2020, we received a large number of notifications from the Energy Agency about the identified violations of the beneficiaries. In this respect, default interest in the amount of EUR 61,678 is due, which the beneficiaries were obliged to return to the Centre for Support together with the unjustifiably received support.

In 2020, the Centre for Support paid out EUR 124.67 million in RES and CHP support, which is 1.4 percent more than in the previous year. The contribution for the operation of the Centre for Support in 2020 amounted to EUR 591,000 net and has remained unchanged since 2009.

At the end of 2020, the Centre for Support shows a surplus of funds in the amount of EUR 240.48 million.

Financing of the Support Scheme and contributions

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

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

From June 2014 onwards, the suppliers of fossil fuels and district heating that charge the contribution to final customers are also subject to the billing and payment of contributions. For the purpose of reporting and charging the contribution, Borzen launched a web portal (<http://prispevek.borzen.si>), which allows the preparation of the registration application and easy reporting on the amount of accrued contributions accounted to final customers.

ENERGY MANAGEMENT OF THE BALANCE GROUP WITHIN THE CENTRE FOR SUPPORT

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. The Eco Group would also include power plants that have a concluded Eco contract or a contract on the sale of electricity through the Centre for Support.

Compared to the situation at the end of 2019, the number of power plants in the Eco Group

increased by 5 units in 2020, namely to 1,110 units. The total rated capacity of units included in the Eco Group decreased by one percent and equaled 74.3 MW at the end of the year.

The dynamics of changes in the composition of the Eco Group were mainly caused by changes in the type of support, exits from the Support Scheme due to the age of power plants, withdrawal of the support due to the expiry of the declaration and change of ownership. Upon the occurrence of the latter, the Energy Agency first withdraws the support from the previous owner with a decision and then issues a new

decision to the new owner. In the intermediate period (from the withdrawal of the support to the receipt of a new decision), such a power plant is usually not entitled to support and is, consequently, not included in the Eco Group. The Energy Agency acts in the same way in the case of the expiry of the declaration, if the beneficiary does not extend it on time. In this case, as well, the beneficiary is deprived of support until the declaration and subsequent decision on granting support have been adequately regulated.

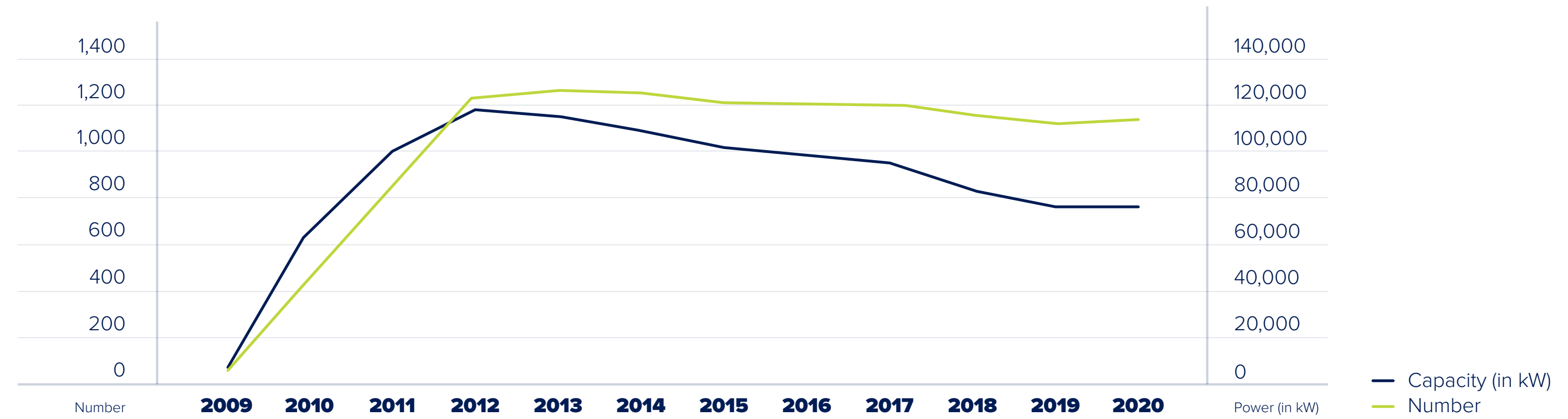
NUMBER OF POWER PLANTS IN THE ECO GROUP FROM 2016 TO 2020

TYPE OF POWER PLANT	AS AT 31 DECEMBER 2016	AS AT 31 DECEMBER 2017	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2020
Solar	1,094	1,086	1,048	1,029	1,036
Hydro energy	21	16	16	16	19
CHP	58	57	54	52	49
Biogas	7	7	6	6	4
Wind	5	5	4	1	1
Landfill gas	0	0	0	0	0
Gas from waste water sludge	1	1	1	1	1
TOTAL	1,186	1,172	1,129	1,105	1,110

THE SUM OF THE RATED POWER OF THE UNITS IN THE ECO GROUP (in KWh) FROM 2016 TO 2020

TYPE OF POWER PLANT	AS AT 31 DECEMBER 2016	AS AT 31 DECEMBER 2017	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2020
Solar	78,312	75,682	66,468	60,467	61,063
Hydro energy	5,289	4,555	4,555	4,280	4,992
CHP	6,420	6,370	4,795	4,770	4,446
Biogas	6,199	6,199	5,385	4,915	3,276
Wind	73	73	24	15	15
Landfill gas	0	0	0	0	0
Gas from waste water sludge	518	518	518	518	518
TOTAL	96,812	93,398	81,744	74,965	74,310

OVERVIEW OF THE MOVEMENT OF THE TOTAL NUMBER AND CAPACITY OF PRODUCTION UNITS INCLUDED IN THE ECO GROUP

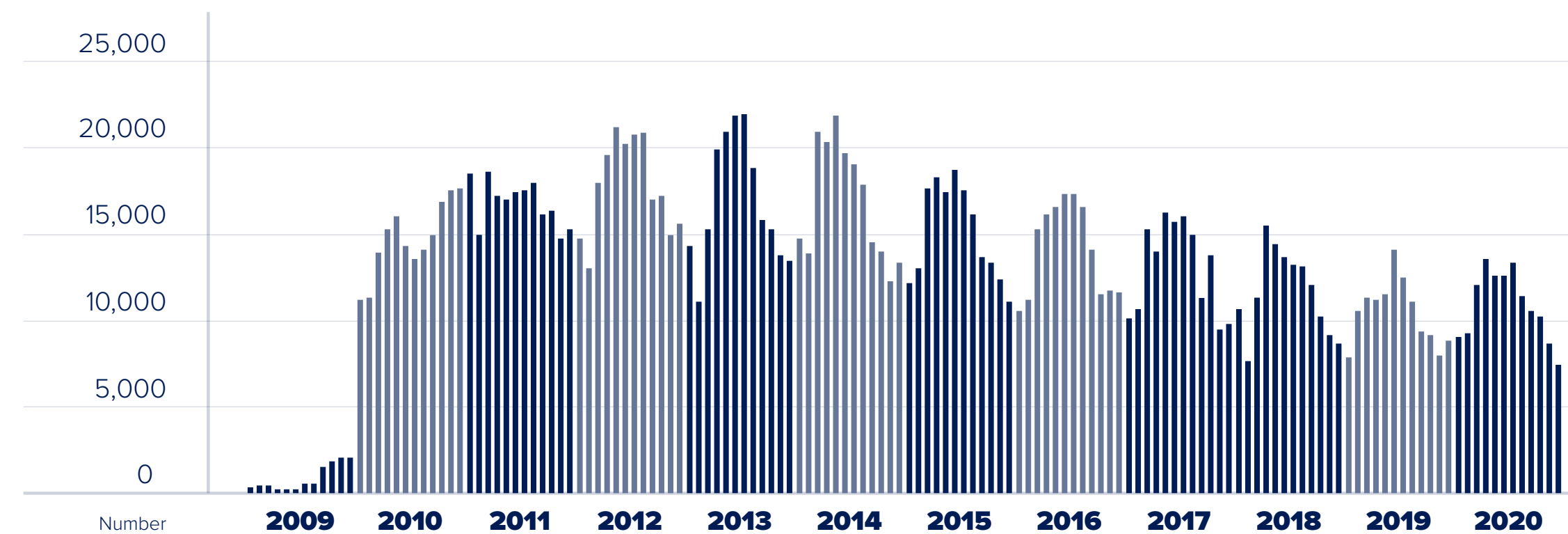


As demonstrated in the diagram above, the number and connected power of production facilities included in the Eco Group remained at a very similar level as at the end of 2019. The composition and share of individual technologies did not change compared to

previous years. The diagram below, which shows the sum of the monthly electricity production of the Eco Group of the Centre for Support from 2009 to 2020, shows a markedly higher production in the calendar months with more favorable conditions for the operation

of solar power plants. The latter is, of course, entirely to be expected, as solar power plants still account for more than 90 percent of all power plants in the Eco Group in number and more than 80 percent in nominal power.

MONTHLY REALIZATION OF THE ECO GROUP FROM 2009 TO 2020 (in MWh)

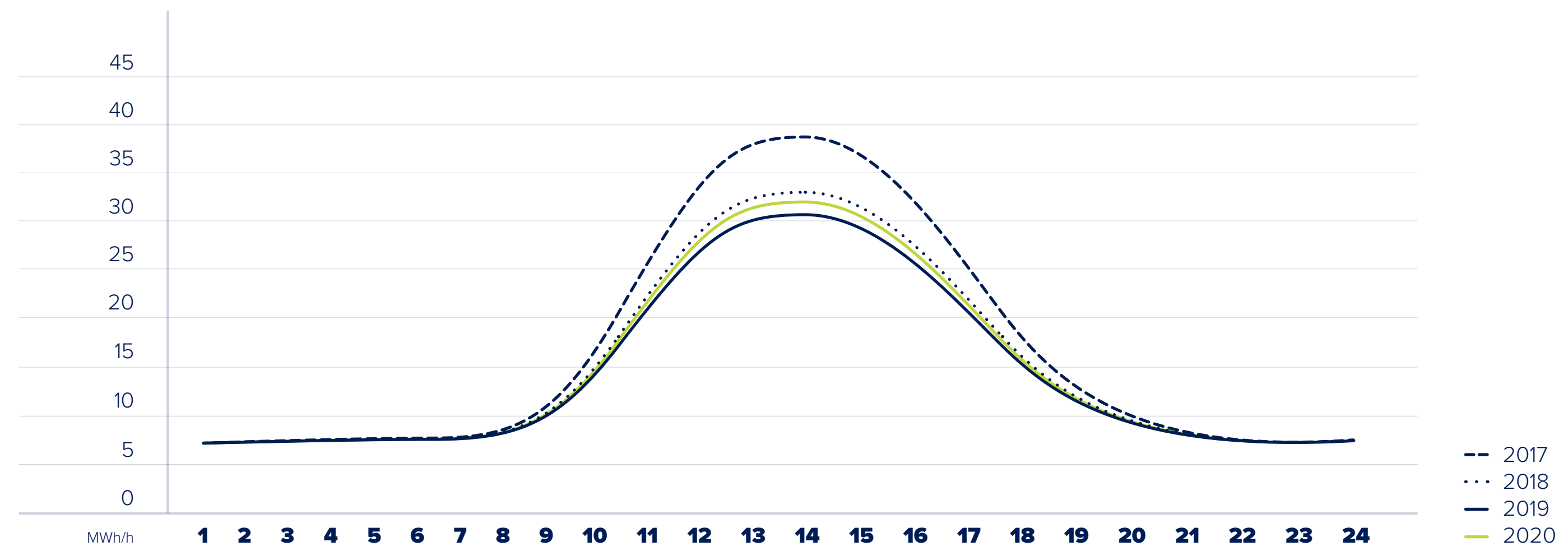


The diagram below shows the gradual stabilization of total production from the Eco Group. In 2020, the conditions for production from solar installations were slightly more favorable compared to 2019, while the hydrological conditions affecting production

in small hydropower plants were comparable to the previous year. Average temperatures were, on average, slightly lower than in the previous year, which did not significantly affect the volume of CHP production. As the diagram below, which shows the average hourly

production in previous years, shows that in 2020 the total production was slightly higher than in 2019, especially during the daytime hours when solar power plants are operating.

AVERAGE DAILY PRODUCTION PROFILE (COMPARISON OF 2020 WITH RESPECT TO 2017-2019)



For the purpose of ensuring the highest possible degree of transparency in the implementation of the RRM – REMIT service, it was decided that the sale of electricity from the Eco Group in the following years was to be carried out in an indirect way. In accordance with the Rules on the Operation of the Centre

for RES/CHP Support, this means the sale or transfer of the entire Eco Group to a balance group of a member of the Balance Scheme that offers the best conditions for the purchase of electricity. At the auction held in November 2019, a single purchase price of 55.87 EUR per MWh was achieved for electricity produced in

2020. The price included the balancing costs between the forecast and realized production.

In October 2020, an auction was held for electricity produced in 2021, at which the purchase price was 43.86 EUR/MWh.

SALE OF ELECTRICITY FROM THE ECO GROUP FROM 2016 TO 2020

YEAR	2016	2017	2018	2019	2020
Total (in MWh)	169,427	157,284	139,543	125,112	130,742
Sales at auctions/transfer of the Eco Group (in MWh)	169,427	157,295	139,543	125,112	130,742
Imbalances (in MWh) ^{****}	8,464	8,582	-3,216	6,018	-5,529
RECALCULATION OF IMBALANCES*	1	-11	0	n.p.	n.p.
TOTAL (IN EUR MILLION)**	7.0	6.0	6.6	7.4	7.3
Final achieved price (incl. imbalances. EUR/MWh ^{***})	41.13	38.25	47.33	58.88	55.87
Achieved price at the auction (EUR/MWh ^{***})	104.96	199.00	141.25	200.02	172.07
BSP MAX (EUR/MWh ^{***})	0.01	-42.93	-76.01	-20.23	-23.48
BSP MIN (EUR/MWh ^{***})					

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

** Rounded to one decimal place.

*** Rounded to two decimal places.

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

GUARANTEES OF ORIGIN REGISTRY

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

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

The Energy Act stipulates that the issuing of Guarantees of Origin for the whole of Slovenia is the responsibility of the Energy Agency. In accordance with the law, Borzen is, in its role as the Centre for Support, responsible for maintaining a joint application support

for the registries that are necessary for the implementation of the support system for the production of electricity from renewable energy sources and high-efficiency cogeneration, which also include the GoO Registry.

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

As at 31 December 2020, the GoO Registry included **1,439** users and consisted of the administrator account (Borzen), the account of the issuer of Guarantees of Origin (Energy Agency), the account of the Centre for Support, 6 accounts of the System Operators, 16 trading accounts and 1.414 producer accounts. A total of **2,075** production units with the total rated power of **1,420,148 kW** were registered in the registry.

2,087 production units with a total nominal power of **1,430,736 kW** were registered - which is approximately 40 percent of the installed capacity of production facilities in Slovenia.¹³

In 2020, 5,131,659 MWh of guarantees of origin were issued, which is 8 percent more than in 2019, while as many as 30 percent fewer guarantees of origin were revoked compared to 2019.

In 2020, the international transactions were also carried out. The imports via AIB-HUB¹⁴ into the Slovenian registry amounted to 750,575 MWh (+11 percent with regard to 2019), while the Slovenian export of certificates via AIB-HUB decreased by 30 percent compared to 2019 and equaled 4,422,370 MWh.

¹³ Installed power at the threshold - Source: Statistical Office of the Republic of Slovenia

¹⁴ AIB-HUB is a special register/interface managed by the Association of Issuing Bodies (AIB), which enables international transfers between registries.

ACTIVITIES OF THE GOO REGISTRY IN 2020 (in KWh)

ENERGY SOURCE	ISSUED	CANCELLED	IMPORTED	EXPORTED	TRANSFERRED
Renewable	191,000	/	/	/	/
Renewable/solid/wood	93,873,000	93,862,000	/	746,000	49,217,000
Renewable/gaseous	36,224,000	7,495,000	/	21,925,000	36,224,000
Renewable/gaseous/landfill gas	520,000	520,000	/	/	520,000
Renewable/gaseous/landfill gas/gas from treatment plants	25,476,000	25,476,000	/	/	25,476,000
Renewable/thermal/solar	74,607,000	59,766,000	9,000	27,160,000	73,752,000
Renewable/mechanical source or other/wind	2,172,000	3,296,000	3,296,000	4,091,000	2,172,000
Renewable/mechanical source or other/hydro and marine	4,733,117,000	1,036,552,000	747,270,000	4,368,385,000	5,450,014,000
Fossil/liquid/ oil derivative/ liquid petroleum gas	148,000	148,000	/	/	148,000
Fossil/gaseous/natural gas	165,331,000	160,687,000	/	/	86,504,000
TOTAL	5,131,659,000	1,387,802,000	750,575,000	4,422,307,000	5,724,027,000

RRM – REMIT REPORTING SERVICES

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

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

In accordance with the Energy Act and the Decree on the Method for the Implementation of Public Service Obligation Relating to the Organization of the Electricity Market adopted by the Government of the Republic of Slovenia, Borzen started performing the RRM service after

registering with the national Energy Agency and the approval of the RRM (“Registered Reporting Mechanism”) status by ACER. The RRM status, which can only be obtained by legal entities that meet ACER’s strict requirements, enables Borzen the implementation of reporting services to third parties.

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

Following the ACER guidelines, the main focus in 2020 was placed on ensuring adequate data quality. Borzen also continued to actively inform its users and assisted them in fulfilling regulatory obligations. At the end of 2020, more than 50 clients (most of them were foreign clients) entrusted Borzen with the implementation of the RRM reporting services. The trend in the number of clients has been fairly stable in the last years, but as there is a tendency to consolidate the operations of some companies (transition from several RRM to one RRM, additional implementation of reporting for related companies), some inactive

customers are expected to leave in the long run (customers who do not perform reporting). As can be seen from the reduction in the volume of contracts and the dynamics of the Balance Scheme, the market as a whole is not actually expanding.

In 2020, ACER held several consultations and workshops in relation to the introduction of additional or special payments for ACER. Namely, the European Commission, in accordance with the basis in the so-called The ACER Regulation introduced special RRM payments for ACER at the end of 2020. During 2020, Borzen actively participated in the special ACER-RRM consultations, as well as in the Market Integrity and Transparency Task Force (MIT TF) of the Europex working group, and tried to influence the most non-discriminatory and transparent design of REMIT reporting fees. During the year, we also informed our customers about the activities related to the introduction of ACER REMIT fees, and towards the end of the year we adopted a new price list that reflects the new ACER fees, while remaining as competitive as possible for our customers.

UNREGULATED MARKET ACTIVITIES

The key stakeholders in the RRM - REMIT service are the participants in the electricity market, for whom Borzen provides its reporting service, thus enabling them to meet their obligations in accordance with the provisions of the Wholesale Market Integrity and Transparency Regulation. Borzen, as the only entity in Slovenia that has been granted the status of RRM by ACER, performs reporting for third parties, especially for clients in Slovenia and Croatia, which is an added value for clients also in the light of communication. In addition to reporting, we provide all our clients with information on innovations in the field of such reporting and their obligations, and we are always available to them as consultants in the process, both in technical and substantive aspects.

As part of its marketing activities, Borzen also provides IT support and clearing of stock exchange transactions for BSP. The scope of services includes:

- as part of the clearing of concluded transactions on the electricity exchange, we perform the following tasks:

- calculation of financial liabilities and receivables,
- determining the net balance of financial receivables and liabilities after offsetting mutual receivables and liabilities,
- financial settlement of concluded transactions, managed with financial coverage,
- performing counterparty tasks in the market merger process,
- administration of members of the stock exchange;

- as part of the provision of IT services:

- rental and use of ITK equipment in high availability mode,
- renting space in ITK cabinets for equipment owned by BSP or third parties in relation to BSP,
- rental of desktop computers, software and their maintenance,
- providing customer support,
- provision and maintenance of e-mail services,
- provision and maintenance of network data storage and backup services,
- management of certain third-party software solutions.

RELATION TO STAKEHOLDERS¹⁵

IMPLEMENTATION OF INFORMATION, AWARENESS AND TRAINING PROGRAMS ON ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES - "TRAJNOSTNA ENERGIJA" (SUSTAINABLE ENERGY)

As part of the brand "TRAJNOSTNA ENERGIJA" (SUSTAINABLE ENERGY), Borzen informs, raises awareness and trains various target groups:

- the owner;
- the wider and narrower public sector;
- Eco Fund (and EnSVET);
- local energy agencies;
- energy suppliers;
- professional institutions and associations;
- SID Bank and other fin. institutions;
- media;
- non-governmental institutions;

- educational institutions;
- ESCO companies;
- economy and
- the general public

on energy efficiency and renewable energy sources. Each of them manages energy in some way and consequently influences the environment and future generations through their actions. Through a variety of activities, Borzen empowers individuals and institutions, giving them the knowledge to make the right decisions regarding energy.

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

use of energy and renewable energy sources. The activities are carried out under our brand "**TRAJNOSTNA ENERGIJA**" (SUSTAINABLE ENERGY), through which we reach a wide range of different audiences.



In 2020, we carried out a series of activities in the field of information provision, raising awareness and training on the efficient use of energy and renewable energy sources, which we efficiently combined and communicated to the public through the web portal TRAJNOSTNA ENERGIJA (www.trajnostnaenergija.si). The portal represents a meeting point for accessing the information on the efficient use of energy and renewable energy sources, which is collected in a simple and transparent manner. The quality and professional information, on the one hand, contributes to a more efficient use of energy and, on the other hand, offers various information on renewable energy sources and their use.

We pursued the set goals and strategy, using various activities and projects to raise the level of awareness and knowledge in the field of sustainable energy, and contribute to a higher use of renewable energy sources and efficient use of energy. In doing so, we relied on the results of previous projects and on their reprints; we carried out a few continuous activities and started implementing certain new projects. The key activities are listed below:

Conference 'Sustainable Energy Locally' 020

In mid-September, we held the fifth professional meeting of local energy managers SUSTAINABLE ENERGY LOCALLY 020 entitled "Green transformation and a new reality".

This time the conference took place both online and live in the hall.

The participants concluded that citizens need to be actively involved in new local opportunities for green recovery in order to accelerate energy self-sufficiency, electricity mobility and the integration of new renewable energy sources in order to achieve carbon-free goals. There were

over 150 participants for the sixth time organized the leading conference Sustainable Energy Locally, organized by Borzen, the Slovenian electricity market operator. The conference was organized both digitally and live for the first time. Numerous novelties of the legislation and financing opportunities for municipal projects in the field of efficient use, which will soon enter into force, were announced, pointed out Erik Potočar, M.Sc. from the Ministry of Infrastructure. What is the new role of customers and energy communities, as well as Borzen's support in such projects, addressed Borut Rajer, M.Sc. The conference concluded with the World Café »The Role of Citizens - Local Challenges of Green Energy and the New Reality«, the conclusions of which will be communicated to the public and the competent authorities.

As a pre-conference activity, Borzen and Government Communication Office of the Republic of Slovenia in cooperation organized a special meeting of representatives of state bodies and selected key representatives of local energy (members of the Ministries of Infrastructure, Environment and Spatial Planning, Finance, Public Administration, Ministry of Economic Development and Technology, Ministry of Labor, Family, Social Affairs and Equal Opportunities, Government Office for Development and European Cohesion Policy, ECO FUND, EU Commission Representation, LEA, etc.)

Web portal and social media

The web portal www.trajnostnaenergija.si underwent a graphic, content and structural renovation in 2020 - all with the purpose of a better user experience. The aim of the renovation was to make the portal more transparent and the data and information contained more logically connected and organized, so that users could more easily and

quickly access the desired information.

Throughout the year 2020, the portal was also regularly updated with current content and news. New contents have been prepared, which will contribute to greater information in the field of RES and efficient use of energy. In order to present current domestic and foreign tenders in the field of RES and efficient energy use, we developed a module and placed it on the portal. The module provides a comprehensive overview of published tenders in the field of sustainable energy in Slovenia and abroad. In addition to controlling the entered data, it also enables a certain administration on the portal itself.

We also actively maintain our online presence through Facebook and LinkedIn, as well as the YouTube channel, as all three platforms represent a great way to build the TE brand and connect with users and achieve online visibility. We helped ourselves with digital advertising, which helped to increase the visibility and traffic of our portals and channels on social networks.

The number of visits to our portals and websites was quite massive. We record close to 110 thousand visits to the web portal TE, the cartoon Lepši svet was viewed by more than 615 thousand people in 2020 alone (which are available in both Slovenian and English on the YouTube online platform). The number of users was also high in the FB Sustainable Energy user campaign, where we recorded more than 21,000.

Prize competition for preschool children, primary school children and high school students

The prize competition entitles "SUSTAINABLE ENERGY 020", in which the total prize fund equaled EUR 10,000, took place in autumn

2020 and was intended for preschool children, primary school children and high school students.

The participants took part in the competition by creating a mascot (or character), which had to give a sustainable message or mission, with which it encouraged people to more efficiently manage energy sources and behave responsibly with the environment.

This year's competition received almost 80 applications, and 950 children and young people took part in the competition, slightly less than in previous years, mainly due to the impact of the COVID-19 epidemic.

All participants are winners, and special congratulations to the best:

- Kindergartens (1st prize: Jelka Kindergarten Ljubljana);
- Primary schools 1 triad (1st prize: Gornja Radgona Primary School);
- Primary schools 2 triads (1st prize: Puconci Primary School);
- Primary schools 3 triads (1st prize: Draga Bajca Vipava Primary School);
- Secondary schools (1st prize: High School Ljutomer).

Atlas of sustainable energy

Web application - Atlas of Sustainable Energy, which enables the display of renewable energy sources (electricity production sources and potentials) and energy efficiency measures (implemented measures of households and legal entities) was updated in 2020 - new devices were added to the RES support system and CHP, add all paid ECO FUND grants related to the period 2019, and refresh it with STORY MAP. »Story map« is actually a special application that connects several graphic, visual and content elements, and connects them in a special way

with current cartography within ATLASA TE. In our case, under the topic RES SOURCES in the Republic of Slovenia, we combined the content goals of RES, the support scheme as a key instrument for achieving the goals of RES, and current content from our other projects such as REUS and ECO IMPRESSIONS.

It is worth mentioning that more than 30,000 entries of used measures from grants were deferred to ATLAS TE from the ECO FUND alone, which sum up to the total value of 99.8 million EUR in payments for 2018 and 2019.

Best master's thesis on RES and EE 2019

In 2020, for the second year in a row, we organized a competition for the best master's thesis on the topic of sustainable energy. In this way, we wanted to encourage young people to be actively involved in solving current challenges of sustainable energy. The award for the best master's thesis for 2020 will be presented in 2021.

Comic book on the topic of sustainable energy

With the knowledge from the collection of comics on the topic of sustainable energy »#Figa ME Briga: Comics for multiple use«, which was received free of charge by all public and primary libraries in the country, young people will be able to co-create a sustainable future. In order to promote more environmentally friendly management and the use of green energy sources, Borzen and selected Slovenian comics have prepared a collection of comics called »#Figa ME Briga: Comics for multiple use«. The narrative title hints that Borzen and all the creators of the book care. He cares about what is good for our planet and future generations, and he encourages readers to think about it as well. The book reminds us of the impact of our actions on the environment and all living things in a fun and instructive way. At the same time,

it is also a tool that empowers the reader with information to make better decisions for a better world.

The collection of comics, which will certainly be a welcome source of knowledge and entertainment for young readers, is already on the bookshelves of libraries, and is also available for download to all interested parties on the website www.trajnostnaenergija.si.

Demonstration renovations

The socially responsible demonstration project of the self-sufficient 'Viška hiška', the building in which the Slovenian Philanthropy headquarters are located, which was carried out in 2018 (energy renovation, solar power plant, energy storage), was also monitored in 2019 and 2020 and has yielded good results. The energy storage operated successfully - the energy taken from the grid in 2020 amounted to 12,194 kWh, the energy delivered to the grid totaled 3,483 kWh, and the charged energy equaled 8,711 kWh.

Green public procurement

In 2020, an in-depth study was conducted on the topic of Green Public Procurement, which comprehensively analyzes the snapshot of the current state of green public procurement procedures for 8 subjects related to energy, analyzes the attitudes and needs / wishes of stakeholders regarding green public procurement procedures. as well as provides concrete guidelines / recommendations on what would make sense in the light of green public procurement to do, correct, prepare, modify and what would be the most appropriate transfer of knowledge, support for taxpayers for green public procurement in the future.

The implementation of the survey was of key importance, as well as in-depth interviews

with green public procurement contracting authorities, on the basis of which it was established that the contracting authorities:

- lack concrete and applicable environmental requirements,
- still use the criterion of the lowest price as the only criterion,
- are not sufficiently aware of the purpose and objective of green public procurement,
- consider that the requirements and objectives of the ZeJN Regulation are unclear and
- see Green public procurement as a meaningless procedure that complicates and prolongs public procurement procedures.

Based on the findings of the state of green public procurement, the study provided important guidelines or recommendations for improving green public procurement, including a proposal to raise awareness of responsible persons in contracting authorities conducting public procurement procedures, strengthening the role of investment documentation in public procurement planning, preparation of sample tender documentation for various subjects of green and sustainable public procurement, raising awareness and educating the general and professional public about the importance and objectives of green public procurement, creating examples of environmental criteria and concrete and useful examples of environmental requirements for individual subjects of procurement, etc.

The study, prepared by the Institute for Public-Private Partnership, Trak Institute, was presented to the general public (including representatives of Ministry of Infrastructure and Ministry of the Environment and Spatial Planning). Based on the findings from the study, future projects have already been outlined in 2020 in cooperation with Ministry of Infrastructure.

Research on energy efficiency in Slovenia

We participated in the implementation of the Slovenian Energy Efficiency Survey for the Public and Service Sector, which was intended to obtain useful information in the field of energy use and to promote efficient energy use and renewable energy sources in the public and service sector.

The purpose of the comprehensive research on efficient use was to discover and monitor:

- the situation in the public and service sector (inventory of energy and resource consumers),
- the behavioral habits, consumers' attitudes towards energy use and willingness to act more efficiently, attitudes towards the environment and climate change,
- the perception of relevant market participants (energy suppliers, producers of various energy consumers and traders, other companies and organizations)
- the willingness to invest and introduce energy efficiency measures.

This independent research was conducted in public institutions and companies with the aim of obtaining information in the field of energy use, their habits and readiness to introduce measures to increase energy efficiency. The results of the survey were presented to the public in early 2021 at an online event.

Energy playground in Maribor

Towards the end of 2020, we set up a new energy-colored children's playground along the Semedelska promenade in Koper, which acquaints children and citizens with the concept of renewable energy and at the same time encourages more sustainable energy use. The socially responsible project was created on the initiative of Borzen, Elektro Primorska d.d. and E3, d.o.o. and the municipality of Koper.

The project partners share an awareness of the importance of a responsible attitude towards the environment, and we all want to inform, raise awareness and encourage the efficient use of energy and the use of renewable energy sources in the most environmentally acceptable way. This is the second project of its kind, which, in addition to playgrounds, also includes an information board with key information on sustainable energy.

At the end of 2020, three more playgrounds with an information board in Tezno joined the energy-colored playground, which was set up on Trg svobode in Maribor in 2019.

A series of events for young people

We participated in the project »We will be engineers«, where as a development partner we encouraged young people on the path of sustainable energy through the profession of engineers:

- presentation of career opportunities in the field of technical and natural science professions,
- promotion of upgrading engineering skills with business (engineer +)

with an emphasis on the sustainable orientation of these professions. As part of the cooperation, we were present at the events in person and with Sustainable Energy materials.

In addition, at the Days of Sustainable Development, we participated with CDI Univerzum in Ljubljana in September in the implementation of workshops for children:

- Educational game "Lepši svet" (A Better World) - Tournament for children: Children competed to see who came first to the finish line, to a better world. On their way, they made decisions related to energy and learned about waste, efficient management of electricity, renewable energy sources, etc. With the help

of educational board games on the topic of sustainable energy, they gained additional knowledge.

- Learning English and learning about the topics of sustainable energy - cartoons “Lepši svet” (A Better World). The children watched the cartoon in Slovene and English. At the same time, they learned new English words and learned about energy efficiency and renewable energy sources.

Analysis of Possibilities for greater use of wind energy in Slovenia

The project Analysis of Possibilities for Greater Use of Wind Energy in Slovenia included activities aimed at making an analysis on the topic of development possibilities and economic justification of wind energy use from the point of view of micro production and self-sufficiency of households in the microgeneration range. The analysis was performed at 4 selected locations, which were selected based on average annual wind speeds, average number, and distribution of wind days throughout the year. The analysis was performed on the basis of the selected technology, total investment costs, expert assessment of operating costs, life expectancy of devices and expert assessment of projected market prices of electricity. 7 different wind power plants were considered in the analysis, and 73 different scenarios were analyzed. In all the scenarios considered, under the given conditions, wind power plants very rarely operated in the range of rated power. Wind potential was assessed as insufficient for exploitation in the context of micro production. Based on the results of the analysis, the average value of the simple payback period of the investment was 166.43 years, with an average net current value of -18,927.15 EUR and an average internal rate of return of -8.38 percent.

For the investment in of in the wind power plant to be efficient there should be either an increase the purchase price of electricity or adequate operational support for the installation should be provided. Wind power technology is at a high stage of development, so it is very unlikely that the efficiency of electricity production from small wind power plants at low wind speeds could be drastically improved in the next 10 years. At the same time, the legislation and administrative procedures for installation are less well defined and do not currently take into account the technical specifics of electricity production from wind power plants.

Energy management in the public sector

The fact that efficient energy management is of key importance for the decarbonisation of society, and that the public sector must also play its part, was discussed at a series of webinars organized by the Sustainable Energy (“Trajnostna energija”) brand. Over 300 participants learned more about energy management in various segments in the past year. In five consecutive webinars, they learned about guidelines for energy management in the public sector, and focused on identifying and eliminating weaknesses in buildings and energy supply systems, learning about the potential for improving energy efficiency and the use of renewable energy sources, green public procurement, financing and legislative frameworks. Borzen cooperated with the Consortium of Local Energy Agencies and the Ministry of Infrastructure in conducting the seminars. Participants' satisfaction with the event was 91 percent.

Media campaign for the economy

In 2020, we addressed the Slovenian entrepreneurs with a specific and targeted communication campaign and made them aware of the importance of RES and EE and

encouraged them to be more engaged in this area. In particular, we intended to increase their awareness of the potential and opportunities they have as legal entities in these areas (tenders, subsidies, etc.) and at the same time the direct benefits for their business that this area offers (financial aspect, social responsibility, etc.). Due to the corona virus epidemic, some events to present the financial incentives of the Eco Fund for the Economy were canceled, but the digital communication campaign via social networks proved to be successful, with a record over 2.5 million of advertisement displays.

In addition to the abovementioned activities, we also actively cooperated with local energy agencies and prepared a consultation on the topic of sustainable energy at the beginning of 2020. It was attended by representatives of all Slovenian local energy agencies, a position on further cooperation based on joint synergies was formed as a conclusion of the conference.

The field of information, awareness and training is an excellent opportunity to provide information on renewable energy sources and energy efficiency to the widest possible audience and to do our best to increase awareness and knowledge of both topics, thus empowering different target audiences. In the future, we intend to carry out new projects in this area and enrich the existing ones in terms of content.

Dedicated and targeted sponsorships and donations are one of the ways to connect with the community and our contribution to the positive functioning of society as a whole. In 2020, we also conducted a tender for the allocation of sponsorship and donor funds. With donations, we supported the local environment, especially in the humanitarian, health and sports fields in the total amount of 4,600 EUR.

MEDIA

Transparent and up-to-date communication is one of the priorities of our company. We regularly respond to journalistic questions, arrange interviews or articles, and take care of informing journalists about key events in society. We monitor media responses on a daily basis and respond to them if necessary.

Borzen is a long-time member of the Newspaper Council of the Slovenian Electricity Magazine Naš stik, which plays an important role in informing the professional energy public and energy literacy of the general public. In 2020, Borzen co-created the content of magazines and the web portal with its own contributions, as well as with the guidelines of other content.

We have concluded an agreement with the TV house Pro plus on the broadcast of the cartoons “Lepši svet” (A Better World) on their channels, especially on the OTO channel, and in this way achieve their additional ratings.

STAKEHOLDERS IN THE INTERNATIONAL ENVIRONMENT¹⁶

- In the field of social responsibility,
- Participation in professional associations and working groups.
- In the field of transparency and ensuring the transparency of the operation of the electricity market.
- Cooperation and development.

At Borzen, we are actively co-creating trends in both Slovenian and European energy. We are aware of the importance of cooperation between different actors on the energy podium. Our experts hold responsible positions in various associations and working groups, which demonstrates the exceptional trust that has been shown to us in professional circles. In the following text we are mentioning some of the most important features for our company. Thus, we should first mention the participation in the Europex association, which connects European energy exchanges and electricity market operators, where Borut Rajer, M.Sc, Director of Operations, is a member of the Management Board. Two other important organizations through which we exchange knowledge are APEX and cooperation within the section established at the Chamber of Commerce of Slovenia, through which Borzen is a member of Eurelectric (European Association of Producers, Transmission, Distribution and Trading and Supply of Electricity).

Borzen and his representatives also actively contributed to ENTSO-E in the WG Ancillary Services working group, where as

an observer member of the Project Team Imbalance Settlement Harmonization, Borzen contributed suggestions and opinions in drafting the proposal of all system operators for harmonization of balance sheets in the EU. The Decree on setting guidelines for electricity balancing (2017/2195, Electricity Balancing Guideline) dictates further harmonization of the electricity market in the EU, which will have a significant impact on changes in the field of balance accounting in Slovenia as well.

Borzen is also very active in the Section for Data Exchange on the Energy Market (IPET), which operates within the Energy Chamber of Slovenia and promotes development in the field of data exchange on the electricity market. Borzen's great involvement within the section is also indicated by the fact that our employees have been involved in the management of the section since the establishment, with a meeting of the presidential (Andraž Šavli) or vice-presidential position (David Copič).

Borzen's employees also participate in the CIGRE (Conseil Internationale des Grands Reseaux Electriques) - CIRED (Slovenian Association of Electric Power Engineers), especially in the Market and Regulation group.

We are a member of the Section for Quality and Excellence in Electric Power Industry and a founding member of the Slovenian Association for Energy Economics (SAEE), which is the 30th national branch of the IAEE (International

Association for Energy Economics») and operates as a section within the Energy Chamber of Slovenia.

Borzen is also a member in the international organization responsible for the development of the areas of information systems auditing, information technology management, control and assurance, and cyber security, the Information Systems Audit and Control Association (ISACA).

Moreover, Borzen is a corporate member of the Association of Supervisors of Slovenia, which is a professional, non-profit and non-governmental organization that connects members of supervisory boards, boards of directors and other stakeholders in corporate governance.

Lastly, Borzen is a member of the Network of Socially Responsible Companies, which promotes and raises awareness of the importance of social responsibility and represents a meeting point for Slovenian companies and organizations, where knowledge, information, ideas and good practices in the field of social responsibility are exchanged. In 2020 we promoted various activities that Borzen carried out within the year in the field of social responsibility and its operations in a broader context through the organization and in this way increased their impact.

OTHER STAKEHOLDER GROUPS FROM THE STAKEHOLDER FOLDER

Our suppliers and external contractors are also important stakeholders. Borzen connects with them in the implementation of individual activities. When choosing suppliers, we adhere to the principles of public procurement, while carefully checking their references and guidelines in the field of green public procurement. In such business relationships, we often develop or upgrade certain products and services, where we learn and develop together.

We also consistently adhere to the Partner's Recommendations and legal obligations in the field of public procurement, where, among other things, we ensure that all required information is regularly published on the national public procurement portal. Stakeholders have access to a so called help desk through which they can obtain information or make complaints.

We pay special attention to the field of personal data protection, in accordance with the General Regulation on Personal Data Protection (GDPR), for which we have also appointed a personal data protection officer.

MEASURING STAKEHOLDER SATISFACTION

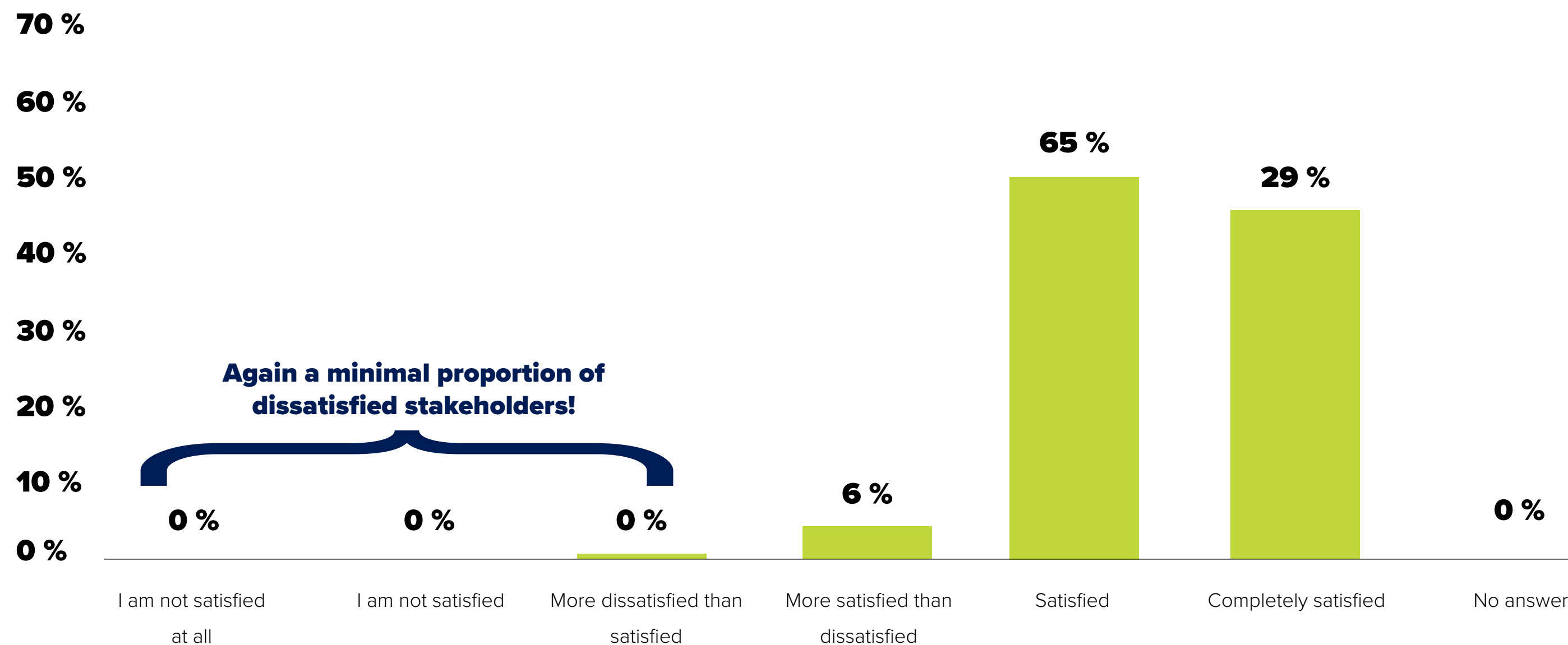
We regularly check the general satisfaction of our stakeholders with satisfaction analyzes. Periodically every two years we perform a satisfaction analysis of the stakeholders of the Centre for Support and the stakeholders of

the market operator. The results of the latter from 2020 show that the implementation of the market operator's activities is at an extremely high level, as 94 percent of respondents are satisfied or completely satisfied, which

is more than in the previous survey in 2018, when 87 percent responded with that answer. Demonstrated trust and confirmation that our work is of a high quality and professionalism sparked new ideas in us.

SATISFACTION OF OUR STAKEHOLDERS – market operator stakeholders (2020)

N = 48



In addition, we annually check the satisfaction of stakeholders with the RRM – REMIT service, where data show that users of the RRM – REMIT reporting service are satisfied with the service

(72 percent) or more satisfied than dissatisfied (28 percent). When carrying out a variety of activities, we perform occasional satisfaction analyzes - for example, the satisfaction of

participants at our traditional conference Sustainable Energy locally, at our webinars etc. In the future, we will continue to perform satisfaction analyzes.

HUMAN RESOURCES¹⁷

KEY HR INDICATORS AS AT 31 DECEMBER 2020

NUMBER OF EMPLOYEES	33
FLUCTUATION	13.56
AVERAGE AGE	41 let
WOMEN EMPLOYEES	42 %
EDUCATION	61 % university education

Employees and human resources development

The employees are the engine of Borzen's operation. That is why we take care of their personal and professional development. We

strive to create a stimulating work environment in which the work requirements and business goals of the company are combined with commitment, motivation, belonging and good interpersonal relationships. Borzen employs

competent, highly professional employees, for whom social responsibility, ethical business operations and a focus on development and progress are the basic guidelines at work.

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOR¹⁸

We respect the traditions, cultures and religions of individual participants in all business relationships. In no case shall discrimination on the basis of race, color, sex, sexual orientation, marital status, pregnancy, parenthood, religion, political opinion, nationality, ethical affiliation, disability, social origin or status, trade union membership or other personal circumstances be permitted. The values followed by the company's employees are trust, responsibility, professionalism, creativity and innovation. These values are written on the company's website and in the company's business premises, they are also reflected in our internal documents, such as in the Rules on

the Protection of the Dignity of the Employee, which defines standards and norms of behavior. The rules regulate the manner of recognizing, preventing and eliminating the consequences of sexual and other harassment and harassment in the workplace.

Protection against sexual and other harassment at the workplace is determined and implemented in accordance with the provisions of the law governing employment, the law governing the implementation of the principle of equal treatment, the law governing equal opportunities for men and women and the law, which regulates safety and health at

work. Among the employees, we selected a commissioner who accepts reports in the context of alleged sexual and other harassment and bullying. The commissioner is educated and trained in the field of protection of dignity and provides employees with information in this field, as well as keeps records of applications. There were no reports of discrimination in 2020, so no special measures needed to be implemented.

HR INDICATORS¹⁹

NUMBER OF EMPLOYEES

At the end of 2020, Borzen employed 33 employees. Compared to the end of 2019, the number of employees increased. The average number of employees in 2020 equaled 29.49 employees and was 1.49 employees more than the average number of employees in 2019.

Two employees exercised their right to work part-time in accordance with the regulations on parental care. Other employees had a full-time employment relationship.

At the end of 2020, the share of fixed-term employees amounted to 3 percent of all employees and halved compared to the previous year, due to a reduction in the number of substitutes for maternity or parental leave.

When searching for and selecting staff in our company, we examine the knowledge, skills, qualifications and experience that an individual has, and we consider this as the only guideline in employment. We provide equal treatment to all job candidates, regardless of their gender, age, race or any other personal circumstance, and we respect all legal norms.

EMPLOYEE FLUCTUATION

In 2020, the fluctuation rate was 13.56 and is 7.87 percentage points lower than in 2019. We are aware of the importance of retaining quality employees, so we constantly make sure that employees are satisfied, committed and motivated and that they develop both professionally and personally.

The following table shows an overview and comparison of the number of arrivals and departures of employees in the company in 2019 and 2020 by gender and age.

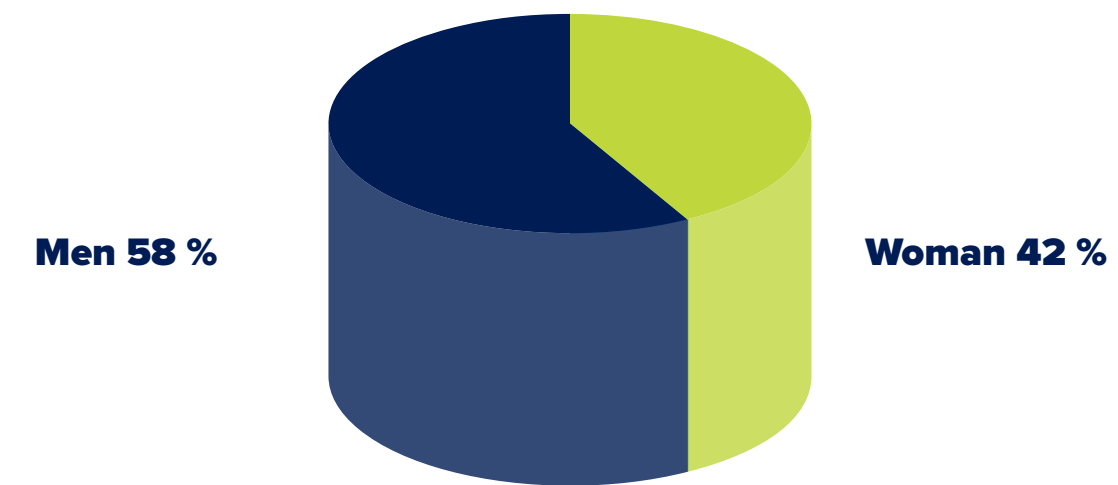
BREAKDOWN BY GENDER AND AGE OF EMPLOYEES WHO LEFT THE COMPANY AND NEW EMPLOYEES FOR 2019 AND 2020

	LEFT BORZEN		JOINED BORZEN	
	2019	2020	2019	2020
Number	6	6	6	6
Gender	2 woman / 4 men	1 woman / 3 men	1 woman / 5 men	3 woman / 4 men
Age	43, 39 / 38, 36, 38, 39	46 / 33, 57, 48	49 / 36, 28, 33, 30, 26	47, 37, 51 / 33, 54, 54, 48

STRUCTURE BY GENDER

Among the employees at Borzen, there are 19 males and 14 females. The gender ratio has not changed compared to 2019.

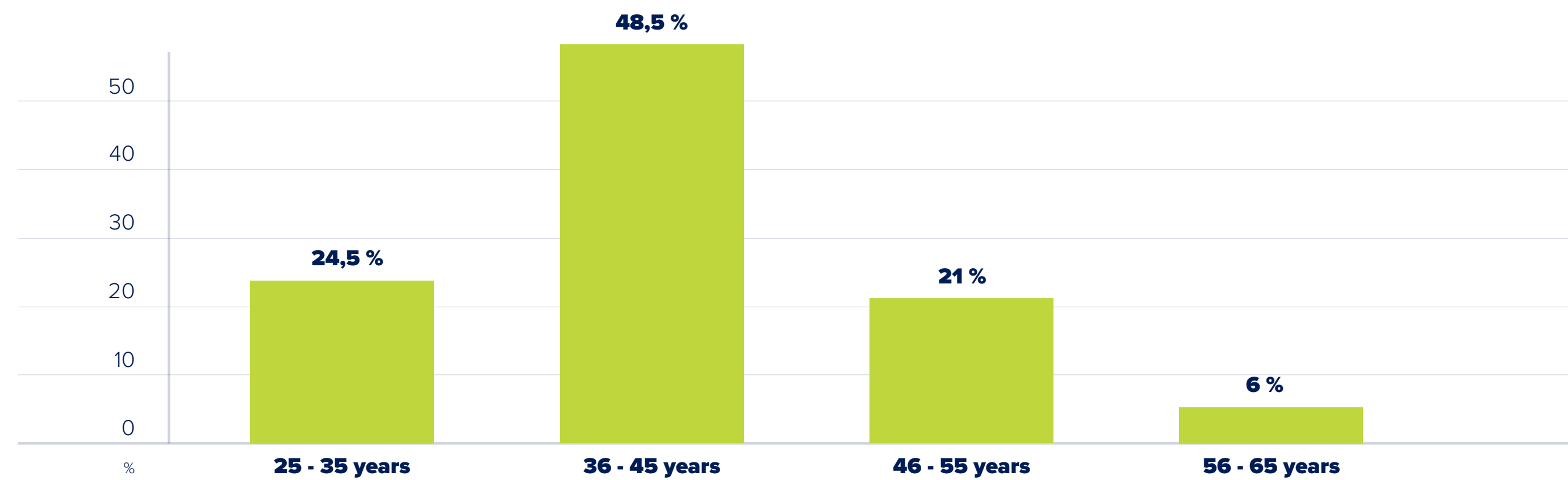
GENDER STRUCTURE OF THE EMPLOYEES AS AT 31 DECEMBER 2020



STRUCTURE BY AGE

The average age of the company's employees is 41 years.

AGE STRUCTURE OF THE EMPLOYEES AS AT 31 DECEMBER 2020



COMPOSITION OF MANAGEMENT BODIES

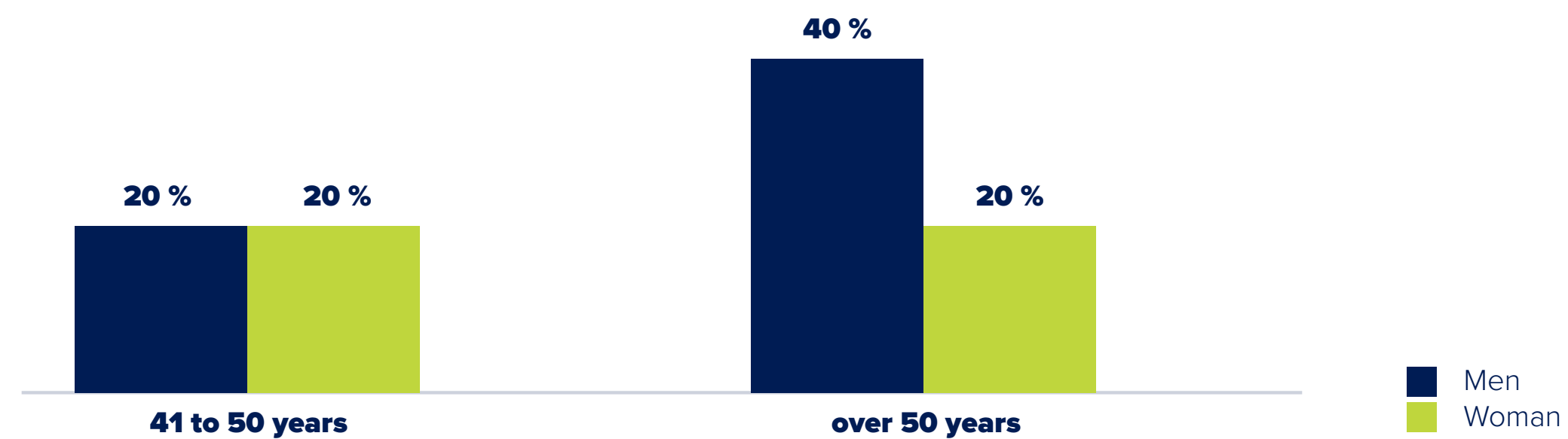
The company comprises of two key pillars: the energy sector and the economic-general sector. Each division is headed by a sector director who reports to the company general manager. The assistant director and advisor to the general manager also cooperate with the general manager. Gender structure of the

employees occupying managerial positions is in a 3: 2 ratio in favor of males.

The age structure of employees occupying managerial positions by gender is shown in the chart below and shows that managers are divided into two age groups.

The company has a fairly diverse breakdown of employees by gender and age, indicating equality and openness to all demographic groups. We want to maintain the trend of equal opportunities in the future as well.

AGE STRUCTURE OF EMPLOYEES HOLDING MANAGERIAL POSITIONS IN THE COMPANY BY GENDER FOR THE YEAR 2020



EDUCATIONAL STRUCTURE

Compared to the previous year, the educational structure has improved as a result of improving the education of employees and employing new workers.

EDUCATIONAL STRUCTURE IN SHARES AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2020

LEVEL	TITLE OF PROFESSIONAL EDUCATION	2019	SHARE IN %	2020	SHARE IN %
VIII/2	Doctorate	1	3	1	3
VIII/1	Master's degree	3	10	4	12
VII	University education	18	58	20	61
VI/2	Four-year tertiary professional education	6	19	7	21
VI/1	Two-year tertiary professional education	2	7	1	3
V	Secondary education	1	3	0	0
TOTAL		31	100	33	100

EMPLOYEE DEVELOPMENT²⁰

EMPLOYEE TRAINING

Every year, we carefully prepare an annual training plan, which includes the needs for employee training that follow the strategic goals of the company. The content of the education plan is designed for each individual in terms of content and value, taking into account individual wishes that are in line with the goals of the company. All employees participated in various seminars, courses, trainings and conferences during the year, both internally and externally. There were no differences in participation in the implementation of education according to gender and position in the company, as education and training are

aligned with the needs and competencies of the workplace, goals and professional and personal development of the individual, which is evident from employee training hours.

In 2020, 91 percent of employees were involved in education and training processes. 463 hours of training were conducted. The total number of hours also includes internal training hours, where employees present their new acquired knowledge and experience internally. On average, each employee received 15 hours of training. Compared to 2019, the number of hours of training per employee decreased sharply, as a result of the pandemic, which

significantly paralyzed the planned educational activities and contributed to rapid adjustments. Many trainings have moved online. Employees can upgrade and improve their acquired knowledge and education through part-time education. Our employees also took care of knowledge transfer as lecturers and participants in professional meetings and conferences. An important aspect of development and education is also the professional literature and membership in professional associations, where the informal flow of knowledge also takes place.

KEY DATA ON EMPLOYEE TRAINING FOR 2019 AND 2020

	2019	2020
Number of participants in trainings	29*	30*
Share of employees who attended trainings	94 %**	91 %**
Number of hours of education	1.246	463
Average number of training hours of per employee	43	15

* Three employees were on sick leave / parental leave in 2019 and 2020.

** Percentage tied to the number of all employees.

EMPLOYEE MOTIVATION

By developing employee competencies, goal-oriented management, targeted two-way communication and other tools, we take

care of the appropriate level of employee motivation and loyalty. We also pay special attention to intangible forms of rewards, such as involvement in various projects, working groups

and such, which has an additional proactive effect on employee engagement.

HEALTH AND SAFETY AT WORK²¹

We adopt innovations in the field of safety and health at work and fire protection in all work processes and projects. A risk assessment has been prepared for all workplaces with

prescribed measures to ensure adequate employee safety. We periodically assess the risks and keep them at an acceptable level with appropriate safety measures, while at the

same time enabling employees to work with advanced and human-friendly technology and materials.

SICK LEAVES IN 2020

YEAR 2020	SICK LEAVE UP TO 30 DAYS / HOURS	SICK LEAVE OVER 30 DAYS / HOURS	SICK LEAVE OVER 90 DAYS / HOURS	FAMILY MEMBER CARE / HOURS	ACCOMPANIMENT OF A FAMILY MEMBER / HOURS
All employees	1,214	504	1,144	80	4
Per person	36.79	15.27	36.66	2.42	0.12

* One person was on sick leave (sickness over 90 days) for a whole year

We organize regular periodic medical examinations of employees, which enables monitoring of health and the ability to perform work. If we exclude the fact that one employee is on long-term sick leave, the company measures a negligibly low level of sick leave.

The reason for this is solving health and other problems of employees and preventive care for the health of employees. As a result, in 2020 working from home at the time quarantine was introduced due to COVID-19 also helped to reduce the illness and care of a family member.

As can be seen from the table above we adopted this way of working throughout the year.

SPORTS ACTIVITIES

As part of health promotion at Borzen, we provide employees with various activities, as we are aware that quality and healthy leisure time has a positive effect on employees. The company supports the operation of the Borzen Sports Association, which takes care of recreational sports activities and cultural activities. Given that during the quarantine due to the pandemic sports activities were severely limited, we tried to motivate employees and encourage them to take care of their mental and physical health by exercising in the fresh air.

HEALTH PROMOTION

As part of the health promotion at Borzen, we aim to raise awareness among our employees on the importance of health and encourage them to take an integrated approach towards improving and maintaining their health. We inform our employees about disease-prevention activities, while enabling them to take an active role in ensuring a healthy working environment for themselves. We implement and promote various activities, both at the workplace and outside the office.

FAMILY-FRIENDLY ENTERPRISE

We are aware that coordinating professional and family life represents a challenge of ever-increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of balancing professional and private life, which we have achieved within the scope of the Family-Friendly Enterprise Certificate. In 2020, we successfully passed the external audit of the full certificate, which proves that we are implementing the measures consistently and well.

SOCIAL SECURITY FOR YOUNG FAMILIES

A full family life is an important element of employee satisfaction, so we encourage the use of all forms of parental leave. After returning from parental leave, employees continue their career path in our company, and we try to make the transition and reintegration into the work environment as easy as possible.

In this regard, within the framework of the Family-Friendly Enterprise certificate, we adopted a measure of reintegration of an employee after a long absence, which also

includes parental leave. The measure enables employees to have an adjusted schedule and a gradual assumption of work obligations, thus facilitating their return to work after a long absence. Returning is thus less stressful and employees and their families are more satisfied.

Parental leave can be used by both parents. In 2020, 2 employees were on maternity leave, as well as the year before. Parental leave was used by one employee in 2020, and three employees the year before.

Within the framework of work requirements and conditions, we coordinate the needs and wishes of employees and take care of the balance between private and professional life. In accordance with the company's internal rules and the Parenthood and Family Benefits Act, we provide employees with shorter working hours, flexible working hours and the use of unpaid leave.

USE OF MATERNITY, PATERNITY AND PARENTAL LEAVE IN 2019 AND 2020

	2019	2020
Maternity leave and parental leave (women)	2	2
Paternity leave (men)	3	1

SOCIAL SECURITY IN MATURE YEARS

We provide all employees with a stimulating inclusion in voluntary supplementary pension insurance for an indefinite period of time, either with the option of participating in the payment of the premium, or with the option without participation. In this way, we primarily want to increase the social security of employees at the time of their retirement.

In 2019 and 2020, all employees at Borzen were included in voluntary additional pension insurance. The amount of written premium charged to Borzen amounted to 49,316.71 EUR in 2020, and 46,619.29 EUR in the previous year. The total amount to pay the premium totals to 5.84 percent of the employee's monthly salary. In determining the percentage of the company's participation, the age of the

employee and the employee's participation in the payment of the premium are considered.

We also offer all employees accident insurance for accidents both during regular work and in their free time.

DATA ON SUPPLEMENTARY PENSION INSURANCE IN 2019 AND 2020

	2019	2020
Number of participants in supplementary pension insurance (in %)	100	100
Amount of insurance premium (in EUR)	46,619.29	49,316.71

COMMUNICATION WITH EMPLOYEES AND WORKPLACE CLIMATE

COMMUNICATION WITH EMPLOYEES

Regular annual interviews with employees are a tool for determining an individual's work performance in the past and identifying his or her competencies in the future. The content of the annual interviews is an in-depth discussion about current tasks, work performed and results, goals and tasks for the future, as well as about the personal development and career path of the employee.

Employees are kept informed about events at Borzen via the internet, e-mail and various

formal and informal meetings. They also have the opportunity to actively participate in creating the company's goals, they are allowed to express their opinions freely, and the company also has an open door policy.

Within the framework of internal communication, we also focus on the topics of interlevel communication, which is reflected, among other things, in the regular implementation of teambuilding programs.

WORKPLACE CLIMATE

Periodically we perform an analysis of the organizational climate and commitment of employees to the company. The last analysis was performed for 2020, and the data show that the organizational climate and commitment in the company reaches the level of 4.72 (maximum value 6). The overall assessment of the organizational climate is 79 percent, with the highest ranking criterion being the attitude towards quality.

ENVIRONMENTAL RESPONSIBILITY²²

Borzen seeks to follow the principles of sustainable development also in the segment of environmental protection, which is directly integrated into the company's operation. Namely, Borzen manages the national Support Scheme for environmentally friendly ways of electricity generation (RES and CHP), thereby promoting the use of natural resources, which has a positive impact on the environment since approximately 1,000 GWh of energy is produced annually in an environmentally friendly way. At the same time, Borzen also promotes the efficient use of energy and sees to the transfer of knowledge in this field.

Today, sustainability is a part of our everyday life but the topics of sustainable action and environmental protection will be even stronger tomorrow. With the new Energy Act, Borzen was entrusted with competencies, which mainly include tasks related to informing, raising awareness, training and publishing information on efficient energy use and renewable energy sources. In this regard, we are proud of our activity and our brand "Trajnostna energija" (Sustainable Energy), which has been operating since the end of 2014 to expand and promote knowledge in the field of sustainable energy. At the company's premises, we are actively

involved in raising the awareness of all employees about nature protection, separating waste, using recycled materials, and saving drinking water and electricity. However, as we want to go one step further in this area, we have set guidelines for its future improvement based on the measured carbon footprint.

ENVIRONMENTAL INDICATORS²³

The results of the carbon footprint measured a few years place Borzen in the average of comparable Slovenian office companies and slightly above the average of comparable international office companies. Therefore, we also wanted to start discussing the issue and in this way raise awareness first of all employees, as well as our other stakeholders.

Due to the office nature of Borzen's activities, we decided to regularly monitor and measure the carbon footprint in the segment where we, as a company, have the greatest influence.

We decided to monitor the carbon footprint of the business trips made by car. We have taken some measures aimed at lower emissions in this category as well which is described in more detail below.

The number of kilometers traveled in 2020 - compared to 2019, when 18,916 kilometers were performed for business trips - decreased sharply, to 6,354 km. The consequence of such a decline can be attributed mainly to the pandemic, which significantly paralyzed the planned business trips. With the introduction

of online meetings and trainings, the amount of emissions has also decreased significantly, as can be seen in the table below. Due to the pandemic, we also realized fewer flights, which are not taken into account in the joint business trips calculation.

CARBON FOOTPRINT AND MILEAGE BY CAR FOR BUSINESS TRIPS IN 2019 AND 2020

	2019	2020
Total km traveled	18,916	6,354
GHG emissions (in kg CO ₂ e)	4,416.12	1,483.40

We encourage a proactive approach to the carbon footprint reduction project. We want to involve as many interested employees as possible in the design and implementation of the strategy and activities, which increases the efficiency of the project.

We are aware that raising awareness and informing employees through various communication channels is the basis on which the ultimate success and achievement of set goals depends. At the action level, we have taken some measures, but above all we believe that it is most appropriate for our company

to monitor the reduction of emissions at the expense of business trips, as other indicators are more difficult and less directly affected (for example, transport to work) or in some cases the changes are more difficult to monitor (for example, electricity and heat, water).

MEASURES TO REDUCE THE CARBON FOOTPRINT AT THE EXPENSE OF BUSINESS TRIPS

MEASURE	REDUCING THE CARBON FOOTPRINT	REDUCING COSTS	RAISING EMPLOYEE AWARENESS
Reducing the need for business trips due to the organization of meetings at the headquarters of Borzen	++	++	+
Promoting teleconferencing	++	+++	++
Aggregation and general route optimization	+	+	++
Mandatory use of a company car for business trips	++	+++	

* Potential was assessed with + (low potential), ++ (medium potential) or +++ (high potential).

INTELLECTUAL CAPITAL

The key elements of the company's intellectual capital are the procedures, rules, processes and records of individual activities within business processes, which ensure the proper functioning of workflows regardless of the potential turnover of employees.

The core procedures of the market operator in recording contracts and operating forecasts should be highlighted, since that leads to the preparation of an indicative timetable for the electricity system and balance accounting procedures that redistribute the costs of balancing (and thus maintaining) the electricity system. In the key applications, procedures and instructions are described, as well as contingency plans and protocols for dealing with crisis situations.

Some mechanisms for providing information on ethical and other lawful conduct and content relating to organizational integrity derive from legal bases, such as the Energy Act. Pursuant to the Access to Public Information Act, the company has a publicly published Catalog of Public Information on its website, the contact of the official responsible for providing public information and other information.

The application for recording closed contracts and operational forecasts is an information solution that includes a desktop administrative interface and a web user interface. The user interface enables the reporting of closed contracts and operational forecasts by the responsible balance groups, as well as an overview of deviations and uncoordinated closed contracts with other partners. The administrative interface allows Borzen to have

a comprehensive overview of the entered data and to manage the balance scheme and users. It is used on a daily basis, as one of the tasks of the market operator is also the production and transmission of the electricity network timetable for the next day, to the transmission network operator.

IBIS ++ is a complete information solution for balance sheet management. The core desktop application IBIS ++ is intended for integrated management of all input data received by the market operator from electricity operators and members of the balance scheme, calculation of balance settlement and annual settlement of balance settlements and all related documents, reports and data for balance scheme members and the Energy Agency. A module for electronic data exchange via online services with all participants was also integrated into the solution. An integral part of the IBIS ++ solution is also **the web portal of the market operator (Portal OT)** which is divided into public and private section. The public section of the portal will show all important data on the electricity market in Slovenia, while the private section will be intended for members of the Slovenian balance scheme. Registered users will have access to data and reports related to the balance sheet process of an individual member, and simultaneously the market operator portal will also allow direct editing of some other procedures (submitting comments on the balance sheet, notifying of outages, reporting changes to contact persons, setting various reminders, etc.).

Delfi is a web application used to perform high-quality short-term and long-term forecasts of

production from diffuse sources (RES / CHP). It is designed as a powerful and robust application that enables the rapid implementation of complex predictive models for various types of production technologies. The application allows certain forecast models to be adjusted and improved by changing the parameters or coefficients of the models, so that the quality of the forecasts themselves can be constantly improved. In addition, the application is built in such a way that new predictive models can be easily installed, at the level of a group of production units (depending on the technology) or even at the level of an individual production unit. It is also distinguished by a powerful analytical module that enables monitoring of the quality of forecasting models, simulation of the use of different forecasting models for different past periods, etc. The logic of input data validation is also built-in, which prevents the poor quality of input data (especially quarterly measurements for the previous day) from affecting the results of predictive models. The application thus enables fast, efficient and controlled implementation of the process of daily forecasting of production from dispersed sources.

We can also mention other applications (e.g. **RRM – REMIT, Register of Certificates of Origin**) and the **Information Protection and Maintenance Policy of the ISO 27001** standard, development and upgrade of information systems through internal experience and knowledge in the field of operational operation and knowledge of regulations and legislation in the field of energy, implementation of personnel policy and regular analyzes of satisfaction among service users.

RISK AND OPPORTUNITY MANAGEMENT²⁴

Borzen is a company that performs the activity of a public utility service, which means that we are primarily tied to our regulatory environment, which has a strong impact on all categories of perceived risks.

Pursuant to the Rules on comprehensive risk management (hereinafter: the Rules), the company reports on exposure to key risks and measures for their management, on significant changes in exposure to individual risks and other important information in the field of risk management.

DETERMINATION OF CONSEQUENCES OR DAMAGES (IMPACT)

The consequences of the risks include the possible outcomes of the event. The consequences can be positive or negative and we evaluate them according to the achievement of the set goals.

VALUE	SCALE OF IMPACT	MEASURE; REVENUE, EXPENSES, PAYMENTS, SENSITIVITY ...
4	SEVERE	The financial impact is greater than 50 percent of the company's revenue/expenditure; the company's core mission and activities are at risk; the threat of judicial proceedings; the loss of confidence; the cessation of activities and competences, etc.
3	SIGNIFICANT	The financial impact is between 25 and 50 percent of the company's revenue/expenditure; the need for adjustments and changes; the change of organization; great influence on stakeholders' satisfaction; long-term loss of reputation, etc.
2	MODERATE	The financial impact is between 10 and 25 percent of the company's revenue/expenditure; the need to reorganize activities, moderate influence on stakeholders' satisfaction, short-term loss of reputation, etc.
1	MINOR	The financial impact is lower than 10 percent of the company's revenue/expenditure; minor influence on stakeholders' satisfaction, etc.

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

- Significance of the impact on the operation (materiality principle) – quantitative:
 - Significance of costs in the profit (participation in % of costs or expenses).
 - Significance of revenue (percentage of service, etc. in all revenues).
 - Significance of assets (size of investment,

- value of the assets in the balance sheet).
 - Significance in terms of the number of employees involved in the processes (also related to costs).
- Sensitivity of the area – qualitative:
 - Significant changes (e.g. new investments, organizational changes).
 - Importance in terms of stakeholders' satisfaction.

- Impact on service quality.
- Personnel and their knowledge.
- Integrity of IT support.
- Protection of personal data.
- Control area.
- Reputation of the company.

DETERMINING THE PROBABILITY

how likely and how often is an event to occur.

CRITERIA FOR ASSESSING THE PROBABILITY OF OCCURRENCE OF A NEGATIVE EVENT OR LOSS OF OPPORTUNITY

VALUE	RATING	CRITERION
4	VERY LIKELY	Probability above 75 percent
3	LIKELY	Probability between 50 and 75 percent
2	POSSIBLE	Probability between 25 and 50 percent
1	UNLIKELY	Probability less than 25 percent, small possibility of realization

RISK LEVEL (SEVERITY OF THE RISK)

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

Risk = impact x probability

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

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

RISK MATRIX

		PROBABILITY			
		Almost certainly 4	Almost certainly 4	Almost certainly 4	Almost certainly 4
IMPACT	Severe 4				
	Significant 3	12	9	6	3
	Moderate 2	8	6	4	2
	Minor 1	4	3	2	1

STRATEGIC/BUSINESS RISKS

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

One of the strategic risks is the investment risk related to the investment in the BSP Energy Exchange, in which Borzen holds a 50-percent stake. This is primarily related to the management of the investment, which represents an issue addressed by both stakeholders and their mutual coordination regarding the management and further development of the company. The risk is related to the non-implementation of the business plan, so we actively monitor the company's operations by obtaining important information from the company's management.

Other business risks include the risk of investments and procurement procedures, which the company manages through constant improvement of the quality of preparation, implementation, activation and monitoring.

OPERATIONAL RISKS

Operational risks are related to the damage caused by inadequately implemented internal processes, improper employee behavior, information technology failures and low-quality services provided by external providers. The recognition and management of operation risks

are crucial for the successful operation of the company since efficient internal processes, professionally qualified, experienced and motivated employees ensure the prevention of operational risks and the correct and efficient adjustment of operations under all economic conditions.

Due to the correct assessment of the required funds of the support scheme, during 2020 we carried out the usual monitoring of payments according to the plan and other relevant indicators (e.g. weather indices). There is also a **system of quick forecasts**, where we make an estimate of payments that fall due at the end of the month in the first days of the month based on the realization of a certain number of units. The situation is akin to the past since 2017 - the scheme currently records a very large surplus of funds. We provide the competent ministry with information on payments on a monthly basis (EPOS portal). In December, we sent the **Operation Plan of the support scheme** to Ministry of Infrastructure and the Energy Agency, as every year so far.

Assumptions: given the current financial situation of the scheme, no special problems are expected, however, we will continue with the established procedures. An additional risk is the possibility that part of the scheme's surpluses could be transferred - for example, to the interstate purchase of RES shares, as follows from the proposed law (Renewable Energy Promotion Act - ZOVE).

Among the risks in the information system are important risks of possible disruptions in the operation of application and system software, hardware and communication and network connections in the system, and we also pay

special attention to the risks associated with information security. We reduce our risks mainly through redundant independent optical connections between locations, synchronous replication and data backup in accordance with the business continuity plan.

The volume of collection and exchange of business and personal data has increased significantly. Technology allows private companies and public authorities to use data to achieve their goals to an unprecedented extent. Individuals are increasingly making personal information available both publicly and globally. Technology has changed both the economy and social life and should continue to facilitate the free movement of personal data in the EU and its transfer to third countries and international organizations, while ensuring a high level of protection of business and personal data. Borzen monitors a wide range of information security risks and ensures compliance with the General Data Protection Regulation or shorter: GDPR (Regulation (EU) 2016/679), the Personal Data Protection Act (Official Gazette of the Republic of Slovenia, No. 94/07) and the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18) by **certifying ISO/IEC 27001: 2013 for information security management**. By approving the Internal Rules of Borzen, the Archives of the Republic of Slovenia established that Borzen manages documentary and archival material in accordance with the Protection of Documentary and Archival Materials and Archives Act (Official Gazette of the Republic of Slovenia, Nos. 30/06 and 51/14).

In the field of informatics, all measures are implemented smoothly. Even during the changed regime of work in the epidemic, the

activities are carried out with the adopted internal protocols. Special emphasis is also placed on the implementation of measures such as strict adherence to testing protocols and access to protected environments. As this is a risk that is always present due to the human factor, careful and regular implementation of all prescribed measures is required. In the past, we performed a regular cyclical review of the IT security system. The review was carried out by an external independent contractor. An overview from the external network, an overview of the internal network and a more detailed review of two business applications were performed.

The risk of failure of public communications increases during times of increased traffic via the Internet. However, we are of the opinion that the level of risk does not change from the company's point of view, as we have taken certain new measures related to the skills of using services such as **Mobile Hotspot**, which allows employees to connect and work ad-hoc regardless of their geolocation. Also, each employee has a monthly lease of data, which ensures satisfactory data transfer for the purpose of conducting business processes.

In the past, we have detected some unsuccessful attempts to attack the company's web portals. We checked the IP addresses from which the attacks came and disabled them at the firewalls. Threats remain at the same level in the future, so the planned measures are being implemented, such as anti-virus protection, antispam protection, next-generation firewalls and **security checks of purpose-built code**.

In the past we have also detected some attempts of phishing attacks. The attacks were unsuccessful and were mostly reported by

users through the security event reporting system. As the possibility of attempting such attacks is high in the future, all the planned technical measures and raising awareness of users about the correct use of postal and Internet services are being implemented.

The Legal Service actively participates in the review of laws and by-laws and checks current jurisdictions and reports on relevant regulations/jurisdictions/legal news on a monthly basis.

Risks in the field of human resources are particularly important for Borzen due to the implementation of various activities of the market operator and the specifics of the assigned tasks. Borzen employees are distinguished by flexibility and quality teamwork, while the company pays special attention to social dialogue, additional professional training of staff and motivating employees through a system of incentive rewards.

With the onset of the pandemic, in accordance with the Business Continuity Plan, we took **measures to limit the spread of the disease** and deployed most employees to work from home. In the future, we will continue to actively monitor the situation and implement activities within the framework of personnel policy.

During the last quarter, a greater presence of the appearance of the company Borzen or its activities in the media, but we did not detect any publications that would be negatively focused on Borzen. Namely, in order to prevent this risk, we take care of transparent, up-to-date and targeted communication with the media. We regularly respond to journalistic questions and at the same time actively inform the media about current events in the company,

in addition to publishing all key information on the corporate website and associated web portals of the company. We will continue in this direction in the future.

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

FINANCIAL/MARKET RISKS

The task of the market operator is to monitor the situation on the financial markets and to strive for short-term and long-term solvency and to conduct business in accordance with the Rules on deadlines and obligations regarding the execution of payments. By managing financial risks, we pursue the goals of stable operations, management of financial expenses within the planned framework and long-term solvency.

The risk of default is the risk that a counterparty will default on its financial obligations in accordance with the terms of the contract. Managing these risks is important to ensure better liquidity and consistency of cash flows between inflows and outflows. Due to the greater diversification of debtors, the risk of non-fulfillment of financial obligations is to a greater extent present in the settlement of liabilities arising from the RES + CHP contribution. On the financial settlement side of the balance sheet, the risk of non-fulfillment of financial obligations is managed by calculating the financial cover required from the participants in the financial settlement on the basis of the calculation of their exposure.

The liquidity risk defines the ability to provide sufficient funds for a prompt settlement of due liabilities. Borzen ensures the highest possible financial liquidity by always having sufficient

liquid assets for settling due liabilities within the deadline and separately managing the assets under management. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and carefully planning the inflows and outflows on a monthly/weekly basis. The company has also established a system for managing and optimizing short-term cash surpluses, taking into account the investment diversification. At the same time, we take care of the diversification of financial investments, the harmonization of the maturity of receivables and liabilities and their consistent recovery. In 2020, the company did not face any difficulties in providing sufficient funds for the timely and timely settlement of overdue liabilities of the company.

The company did not have any loans in the past year, but is facing surplus funds from the support scheme, which must be invested into the financial market. Given the current state of the financial markets, banks are lowering the limits for funds on accounts for which a deposit negative interest rate is not yet charged, however it will be in the future, which requires additional optimization in the placement of surplus cash of the company in order to avoid paying the cost of merely its storage. In accordance with the adopted internal rules on the management of the Centre for Support assets, the company started looking for alternative options for investing cash funds, pursuing an investment with a guaranteed return and a guaranteed principal.

LEGISLATIVE RISKS (COMPLIANCE WITH THE REGULATIONS)

A legislative risk is a risk related to the amendments and inconsistencies in the regulations on which the company has no influence.

Amendments to the Energy Act are in progress as well as new laws are being prepared, covering separate contents. Borzen participated in the amendments to the Energy Efficiency Act (ZURE), which was adopted at the end of 2020, and is also actively involved in coordinating the Regulation on the issuance of certificates of origin of electricity and declarations for generating plants, as well as commenting and amendments to the Electricity Supply Act (ZOEE) and the Renewable Energy Sources Promotion Act (ZOVE).

In addition to the above, Borzen also commented on the Regulation amending the Regulation on support for electricity produced from renewable energy sources and in high-efficiency cogeneration.

The main open risk is related to the second phase of harmonization according to the network code **GLEB (Electricity Balancing)** and especially to the transposition of the **CEP package** into Slovenian legislation. Regarding the balancing market, there is also a risk or ambiguity regarding the process of strategic integration of BSP as well as the preparation of

common EU platforms for system operators. We monitor all processes and actively participate in them to our best ability. In mid-July 2020, ACER announced a decision on the harmonization of the balance sheet, which limits the possible models in some detail. Alternatives were also analyzed within the **NEDO-Fleks project**. Assumptions: changes to the regulations currently under preparation are also a key risk. As part of the comments in the public hearing, we made comments on both laws (ZOEE, ZOVE) in the direction of maintaining a single public utility service as well as changes in the balancing market, which would enable further implementation without interfering with the competence of the transmission system operator.

Borzen actively monitors current regulatory changes that could pose a risk to Borzen's operations, but on the other hand it also actively monitors and studies the possibility of new activities, while being aware of the need to provide an appropriate systemic source of funding.

OPPORTUNITY MANAGEMENT

Despite the aggravating circumstances of the COVID-19 pandemic, the year 2020 was also very intense from the point of view of activities aimed at developing and seizing opportunities. A major **consulting project in Moldova** has been completed, and Borzen has also taken the initiative regarding the substantive preparation for market development and preparations for the transposition of the provisions of the **CEP (Clean Energy for All Europeans)** legislative package into Slovenian law. The key activities were mainly the work on the new balance sheet model, which was also related to the **NEDO-Flex** project mentioned below, and the integration of the concept of an independent aggregator into the electricity market. With regard to the latter, Borzen has already regulated the basic provisions with the Rules for the Operation of the Electricity Market (OJ 74/18), which entered into force on 1 January 2019. During 2019, additional instructions (published on 15 July 2019) also laid down the first formal model. In the continuation of 2019 and during 2020, we continued with talks with key stakeholders, as it was clear after the final adoption of the CEP that changes will be needed at both the legal and executive level. Coordination was extended to the Energy Agency, ELES, SODO and all five electricity distribution companies. Representatives of Ministry of Infrastructure also took part in the discussions. The end result was a joint public consultation. An online workshop was also organized, which took place on 19 October 2020. During the preparation of the consultation document, we also tried to obtain direct opinions from both domestic and foreign stakeholders. In December 2020, a draft of a new model or concepts of regulation was prepared, which was sent to Ministry of

Infrastructure and other key stakeholders and published on the website.

In 2020, three development projects were active (PAKT, NEDO-Flex and FARCROSS), the fourth (BD4NRG) was launched on 1 January 2021.

As part of the **PAKT project**, an innovative pilot demonstration infrastructure was established, with innovative products that need to be tested in a real environment before entering the market and ensuring their full functionality. It is a research project within the development of the market operator's activities, which was completed at the end of 2020. Borzen's role was to establish and manage an aggregation trading platform.

The **NEDO-Fleks** project, which began in mid-2019, addresses the problem of flexibility and sustainability of the power system and smart communities. Borzen's task is to study the impact of the participation of the battery accumulator in the automatic regulation of the frequency of the electric power system on the balance settlement and to upgrade the aggregation-trading platform. In this context, the project is also important for Borzen from the point of view of the development of a new balance settlement model, as well as the future operation of the electricity system, where electricity storage will play an increasing role. The aim of the project is to develop a battery storage system, advanced WAMS algorithms (Wide Area Management System (and Control)), new modules for the field energy management system, a notification platform and an upgraded market flexibility platform that will enable sustainable development, more reliable power

supply in emergency situations, efficient use of energy, multifunctional use of equipment and maximum integration of prosumers into electricity markets.

The **FARCROSS project** is being implemented within Horizon 2020. It started in October 2019 and lasts four years. The basic purpose of the project is to optimize the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, which includes both physical interventions and changes in procedures that would increase possible power flows on the same physical infrastructure (cross-border lines). It is important for Borzen, as it addresses an important element of the functioning of the EU internal market - the optimization of the use of cross-border infrastructure.

The **BD4NRG project** is also being implemented within Horizon 2020. As the formal start is on 1 January 2021, only preparatory activities took place during 2020. The project addresses various aspects of large data volumes, which may include aggregators, which is one of the key elements of the forthcoming change in the market model (also) due to the »Clean Energy for All Europeans« package. In terms of content, it is related to the completed PAKT or NEDO-Flex project.

As far as investments in 2020 are concerned, from the substantive point of view, the most important necessary adjustments were the transition to a 15-minute interval as a complete overhaul of the balance settlement application with the web portal.

COMPLIANCE WITH GRI SUSTAINABLE REPORTING GUIDELINES²⁵

Borzen's report has been prepared in accordance with the principles of sustainable reporting and in accordance with the GRI Standards (Global Reporting Initiative Standards). The scope and basis of the report and the selection of indicators derive from the activity we perform (electricity market operator), and the key contents were determined and prepared by the competent within the company and the relevant stakeholder group. The general manager, senior management and relevant employees participate in the preparation of consolidated financial statements.

The report comprises reporting in accordance with the GRI Standards guidelines at the »basic level« and presents key information on the management, economic, environmental and social relationship and their long-term impact on

the company's operations. All six GRI standards were used to prepare the report and determine the content: GRI 101 (Reporting Basis), GRI 102 (General Standard Disclosures), GRI 103 (Management Approach), GRI 200 (Economic Area), GRI 300 (Environment) and GRI 400 (Company).

To provide a high quality of the report, we followed the principles of balance, comparability, accuracy, clarity and reliability of data. The report provides relevant information and contributes to greater transparency of sustainable operations. The most important contents and disclosures that we report on are:

- stakeholder portfolio and relationship and cooperation with individual stakeholders,
- a transparent presentation of the competitive environment, achievements, risks and opportunities,

- cooperation with the wider social environment and environmental protection.

The report presents an overview of operations in the period from 1 January to 31 December for the previous year. Questions regarding the annual report and its compliance with the GRI Sustainable Reporting Guidelines can be sent to us at the following e-mail address: info@borzen.si.

The further development of the company's reporting will follow the frameworks of comprehensive thinking and comprehensive reporting.

TABLE OF CONTENTS ACCORDING TO GRI STANDARDS²⁶

GENERAL DISCLOSURE STANDARD

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
GRI 101: Base				
GRI 102: General Disclosures				
Presentation of the organization				
102-1	Name of organization	Basic information	8	
102-2	Primary brands, products and services	Vision, mission and business model	16, 17	
		Social capital; Relationship with the market	43	
102-3	Headquarters	Basic information	16	
102-5	Ownership and legal form	Vision, mission and business model	17	
		Corporate governance	24	
102-7	Organization size (number of employees, number of activities, sales revenue, liabilities / capital, number of products or services)	Highlights in 2020	8	
		Human capital	94	
102-8	Employees by type of employment, type of contract, region and gender	Human capital	94	
102-11	Explanation if and how the organization applies the precautionary principle	Risk and Opportunity Management	109	
102-12	External charters, principles and other economic, environmental and social initiatives to which the organization is a signatory and supporter	Management statement	25	
102-13	Membership in organizations	Stakeholders in the international environment	91	

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
STRATEGY AND ANALYSIS				
102-14	Statement of the highest decision-maker in the organization on the importance of sustainable development for the organization and on the strategy for addressing sustainable development	General Manager's statement	11	
102-15	Key impacts, risks and opportunities	Risk and opportunity management	109	
ETHICS AND INTEGRITY				
102-16	Description of values, principles, standards and principles of conduct, such as codes of conduct and codes of ethics	Vision, mission and business model Management statement	17 25	
102-17	Mechanisms for advising and giving complaints or praise on ethical issues	Human capital; Respect for ethical principles and norms of behavior / Other stakeholder groups from the stakeholder portfolio	95	
MANAGEMENT				
102-18	Management structure of the organization, including commissions of the highest governing body	Corporate governance	24	
102-22	Composition of the highest governing body and commissions	Corporate governance	24	

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
STAKEHOLDER INVOLVEMENT				
102-40	List of stakeholder groups with whom the organization cooperates	Social capital	42	
102-42	Identification and selection of stakeholders	Social capital	42	
102-43	Stakeholder engagement approaches, including the frequency of stakeholder participation	Social capital	42	
102-44	Key topics and issues raised in the stakeholder engagement process and how the organization responded to them, including through its reporting	Social capital	42	

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
REPORT DATA				
102-45	List of entities included in the consolidated financial statements	Management statement	25, 35	
102-46	The process of determining the content of the report and setting the boundary	Summary of results Compliance with GRI Sustainable Reporting Guidelines	32 115	
102-47	List of essential topics	Vision, mission and business model	17	
102-49	Significant changes compared to previous reporting and volume reporting periods	Compliance with GRI Sustainable Reporting Guidelines	115	
102-50	Reporting period	Compliance with GRI Sustainable Reporting Guidelines	115	
102-51	Date of last preliminary report	Corporate governance; Shareholder	30	At the third General Meeting on July 8, 2020, the shareholder adopted the Annual Report of Borzen, d.o.o. for the business year 2019.
102-52	Reporting cycle	Compliance with GRI Sustainable Reporting Guidelines	115	
102-53	Contact details for questions regarding the report	Compliance with GRI Sustainable Reporting Guidelines Contacts with Borzen	173	
102-54	Reference in accordance with GRI standards	Compliance with GRI Sustainable Reporting Guidelines	115	
102-55	Index according to GRI guidelines	Table of contents according to GRI standards	116	

GENERAL STANDARD DISCLOSURES

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
ECONOMIC IMPACTS				
GRI 201: Economic performance				
103-1, 103-2, 103-3	Management approach			
201-1	Directly generated and distributed economic value	Highlights of 2020 Notes to the financial statements	8 134	
201-3	Liabilities from the pension plan	Human resources	94	
ENVIRONMENTAL IMPACT				
GRI 302: Energy				
103-1, 103-2, 103-3	Management approach			
302-1	Energy consumption in the organization	Responsibility to the natural environment	106	We report on fuel consumption, other indicators are not relevant for the company.
302-3	Energy efficiency	Responsibility to the natural environment	106	We report on fuel consumption, other indicators are not relevant for the company.
302-4	Reducing energy consumption	Responsibility to the natural environment	106	Splošno predstavljene aktivnosti na področju porabe energije.

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
305: Emissions				
103-1, 103-2, 103-3	Management approach			
305-1	Direct greenhouse gas emissions	Responsibility to the natural environment	105	
305-5	Reducing greenhouse gas emissions	Responsibility to the natural environment	105	
SOCIAL IMPACTS				
GRI 401: Employment				
103-1, 103-2, 103-3	Management approach			
401-1	Number and rate of new employees and employee turnover	Human resources	94	
401-3	Parental leave	Human resources	94	
GRI 403: Security and health at work				
103-1, 103-2, 103-3	Management approach			
403-1	Explanation on occupational safety and health management system	Human resources; Security and health at work	101	
403-5	Training of employees on safety and health at work	Human resources; Security and health at work	101	According to legal provisions, all employees attend training on safety and health at work.
403-6	Promotion of health at work	Human resources; Security and health at work	101	

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
GRI 404: Training and education				
103-1, 103-2, 103-3	Management approach			
404-1	Average number of hours of training per employee	Human resources; Employee development	100	
GRI 405: Diversity and equal opportunities				
103-1, 103-2, 103-3	Management approach			
405-1	Diversity in management bodies and employees	Corporate governance Human resources; HR indicators	24 96	
405-2	Ratio of basic income of women compared to men by type of employment, by key locations	Human resources; HR indicators	77, 79	We implement the principle of equal pay for all workers.
GRI 406: Prevention of discrimination				
103-1, 103-2, 103-3	Management approach			
406-1	Discrimination cases and implemented collective measures			
GRI 413: Local community				
103-1, 103-2, 103-3	Management approach			
413-1	Projects involving local community involvement, community impact assessments and local community development programs	Social capital; Stakeholder relations	85	

FINANCIAL REPORT



AUDITOR'S REPORT

RE-member

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the BORZEN, operater trga z elektriko, d.o.o. («the Company»), which comprise the statement of balance sheet as at December 31 2020, the income statement, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BORZEN, operater trga z elektriko, d.o.o. as at December 31 2020, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the both the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

Management is responsible for the other information. Other information comprises the information included in the Annual Report other than financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovene 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.

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

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

RE-member

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Re-member d.o.o.
Frankopanska ulica 21, Ljubljana

RE - member
revizija d.o.o. ¹

Janez Smolič
Certified auditor

For signature please refer to the original Slovenian version

Ljubljana, 6 May 2021

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

FINANCIAL STATEMENTS

Balance sheet as at 31 DECEMBER 2020 in 31 DECEMBER 2019

in EUR

DESCRIPTION	31. 12. 2020	31. 12. 2019
ASSETS	263,888,472	227,719,712
A LONG-TERM ASSETS	139,512,241	31,108,082
I INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	436,057	501,028
II TANGIBLE FIXED ASSETS 1. Business premises 2. Equipment	1,528,345 1,125,124 403,221	1,559,602 1,187,453 372,149
III LONG-TERM FINANCIAL INVESTMENTS 1. Shares in associated companies 2. Other long-term financial investments	137,419,568 1,919,568 135,500,000	28,919,568 1,919,568 27,000,000
IV DEFERRED TAX	128,271	127,884
B SHORT-TERM ASSETS	124,327,480	196,560,881
I SHORT-TERM FINANCIAL INVESTMENTS	67,000,000	105,000,000
II SHORT-TERM OPERATING RECEIVABLES 1. Short-term trade receivables 2. Short-term receivables due from others	23,127,264 20,920,266 2,206,998	25,339,925 23,179,920 2,160,005
III CASH AND CASH EQUIVALENTS	34,200,216	66,220,956
C SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	48,751	50,749
Off-balance sheet assets	6,412,776	4,873,945

LIABILITIES		263,888,472	227,719,712
A EQUITY		5,968,926	5,822,325
I CALLED-UP CAPITAL 1. Share capital		1,963,279 1,963,279	1,963,279 1,963,279
II CAPITAL RESERVES		395	395
III PROFIT RESERVES 1. Statutory reserves 2. Other profit reserves		2,870,421 196,328 2,674,093	2,537,778 196,328 2,341,450
IV RESERVES ESTABLISHED AT FAIR VALUE VALUATION		3,506	-11,770
V NET PROFIT CARRIED FOWARD NET PROFIT OR LOSS FROM THE PREVIOUS		0	0
VI PERIOD		1,131,325	1,332,643
B PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES		195,675	191,598
C LONG-TERM LIABILITIES		0	21,905
I LONG-TERM OPERATING LIABILITIES		0	21,905
Č SHORT-TERM LIABILITIES		257,723,871	221,683,884
I SHORT-TERM OPERATING LIABILITIES 1. Short-term liabilities to suppliers 2. Other short-term operating liabilities		257,723,871 13,322,679 244,401,192	221,683,884 15,293,223 206,390,661
D SHORT-TERM ACCURED EXPENSES AND DEFERRED REVENUES		0	0
Off-balance sheet liabilities		6,412,776	4,873,945

INCOME STATEMENT

in EUR

DESCRIPTION	1. 1. - 31. 12. 2020	BUSINESS PLAN 2020	1. 1. - 31. 12. 2019
1. NET SALES REVENUES	4,026,183	4,085,000	4,199,693
a. Revenues arising from the MO's operation	1,627,289	1,750,000	1,731,478
b. Revenues arising from the recorded closed contracts	1,114,241	1,040,000	1,140,980
c. Revenues arising from the Centre for Support	591,000	591,000	591,000
č. Revenues arising from BSP	109,161	110,000	118,262
d. Revenues arising from information provision and raising awareness	349,978	350,000	330,235
e. Revenues arising from RRM – REMIT	156,567	144,000	154,866
f. Other revenues	77,947	100,000	132,872
2. OTHER OPERATING REVENUES	1,484	0	13,912
TOTAL OPERATING REVENUES	4,027,667	4,085,000	4,213,605
3. MATERIAL AND SERVICE COSTS	944,883	1,046,400	998,519
a. Material costs	53,489	57,000	55,139
b. Service costs	891,394	989,400	943,380
4. LABOUR COSTS	1,750,434	1,718,000	1,591,949
a. Costs of wages and salaries	1,215,864	1,233,400	1,153,757
b. Costs of pension insurance	171,048	167,000	155,641
c. Costs of other social insurances	99,875	91,900	89,402
d. Other labor costs	263,647	225,700	193,149
5. WRITE-DOWNS	321,227	334,600	279,124
a. Depreciation	315,388	334,600	279,124
b. Operating expenses from revaluation of operating current assets	5,839	0	0
6. OTHER OPERATING EXPENSES	17,917	17,000	15,299

	OPERATING PROFIT OR LOSS	993,206	969,000	1,328,714
7.	FINANCIAL REVENUES	381,661	300,000	312,336
8.	FINANCIAL EXPENSES	7,716	10,000	10,649
	NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,367,151	1,259,000	1,630,401
9.	OTHER REVENUES	30,398	0	784
10.	OTHER EXPENSES	5,050	10,000	7,600
	NET PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES	25,348	-10,000	-6,816
	TOTAL REVENUES	4,439,726	4,385,000	4,526,725
	TOTAL EXPENSES	3,047,227	3,136,000	2,903,140
	TOTAL PROFIT	1,392,499	1,249,000	1,623,585
11.	TAX ON PROFIT	260,159	237,310	289,654
12.	DEFERRED TAX	-1,705	0	-86
	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	1,134,045	1,011,690	1,334,017

CASH FLOW STATEMENT

CASH FLOW STATEMENT BASED ON THE INDIRECT METHOD (VERSION II)

in EUR

DESCRIPTION	2020	2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	1,096,703	1,299,510
Operating revenues (except for revaluation) and financial revenues from operating receivables	4,055,242	4,200,477
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-2,700,085	-2,611,399
Tax on profit and other taxes not included in operating expenses	-258,454	-289,568
b. Outflows from operating activities	38,247,042	53,981,284
Opening less closing operating receivables	2,212,661	-1,024,675
Opening less closing deferred costs and accrued revenues	18,144	-40,645
Opening less closing deferred tax assets	-387	-310
Closing less opening operating liabilities	36,018,082	55,046,984
Closing less opening accrued expenses and deferred revenues and provisions	-1,458	-70
c. Positive or negative cash flow from operating activities (a + b)	39,343,745	55,280,794
B. CASH FLOW FROM INVESTMENTS		
a. Inflows from investments	101,403,409	30,313,853
Inflows from interests arising from investment activities	381,516	312,333
Revenues from disposal of tangible fixed assets	21,893	1,520
Revenues from disposal of short-term financial investments	101,000,000	30,000,000
b. Outflows from investments	-171,761,553	-67,397,584
Outflows from acquisition of intangible assets	-100,558	-253,420
Outflows from acquisition of tangible fixed assets	-160,995	-144,164
Outflows from acquisition of short-term financial investments	-171,500,000	-67,000,000

c. Positive or negative cash flow from investments (a + b)	-70,358,144	-37,083,731
C. CASH FLOW FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	0	0
Inflows from an increase in short-term financial liabilities	0	0
b. Outflows from financing activities	-1,006,342	-1,000,000
Outflows from interests pertaining to financing activities	-6,342	0
Outflows from repayment of financial liabilities	0	0
Outflows from dividends paid and other profit-sharing	-1,000,000	-1,000,000
c. Positive or negative cash flow from financing activities (a + b)	-1,006,342	-1,000,000
D. FINAL CASH BALANCE	34,200,216	66,220,956
Cash profit for the period	-32,020,741	17,197,063
Initial cash balance	66,220,956	49,023,893

**ALLOCATION OF
NET PROFIT FOR
THE FINANCIAL
YEAR AND
DETERMINATION
OF DISTRIBUTABLE
PROFIT**

ALLOCATION OF NET PROFIT FOR THE FINANCIAL YEAR 2020

	in EUR
DESCRIPTION	31. 12. 2020
Net profit from the preceding financial years	0
Net profit for the financial year	1,134,045
Portion of net profit from the financial year for the elimination of actuarial losses	-2,720
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR	1,131,325

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2020

in EUR

DISCRIPTION	1. 1. - 31. 12. 2020	1. 1. - 31. 12. 2019
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	1,134,045	1,334,017
Actuarial gains and losses on defined benefit plans	12,556	-3,501
TOTAL COMPREHENSIVE YIELD TURN. PERIODS	1,146,601	1,330,516

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR 2019

in EUR

	SHARE CAPITAL	CAPITAL RESERVES	PROFIT RESERVES		FAIR VALUE RESERVES	RETAINED PROFITS	NET PROFIT FOR THE YEAR	TOTAL EQUITY
			STATU- -TORY RESERVES	OTHER PROFIT RESERVES				
Closing balance 31. 12. 2018	1,963,279	395	196,328	1,975,750	-9,643	0	1,365,701	5,491,810
Changes in equity – transaction with owners								
• Dividend payment						-1,000,000		-1,000,000
Total comprehensive income								
• Change in fair value reserves					-3,501			-3,501
• Entry of net profit							1,334,017	1,334,017
Changes in equity								
• Allocation of the remaining part of net profit of the comparative period						1,365,701	-1,365,701	0
• Reserve transfer by decision of the general meeting				365,701		-365,701		0
• Other changes					1,374		1,374	0
Closing balance 31. 12. 2019	1,963,279	395	196,328	2,341,450	-11,770	0	1,332,643	5,822,325

STATEMENT OF CHANGES IN EQUITY FOR 2020

in EUR

	SHARE CAPITAL	CAPITAL RESERVES	PROFIT RESERVES		FAIR VALUE RESERVES	RETAINED PROFITS	NET PROFIT FOR THE YEAR	TOTAL EQUITY
			STATU- -TORY RESERVES	OTHER PROFIT RESERVES				
Closing balance 31. 12. 2019	1,963,279	395	196,328	2,341,451	-11,770	0	1,332,643	5,822,326
Changes in equity – transactions with owners								
• Dividend payment						-1,000,000		-1,000,000
Total comprehensive income								
• Change in fair value reserves					12,556			12,556
• Entry of net profit							1,134,045	1,134,045
Changes in equity								
• Allocation of the remaining part of net profit of the comparative period						1,332,643	-1,332,643	0
• Reserve transfer by decision of the general meeting				332,643		-332,643		0
• Other changes					2,720		-2,720	0
Closing balance 31. 12. 2018	1,963,279	395	196,328	2,674,093	3,506	0	1,131,325	5,968,926

ACCOUNTING POLICIES

BASES FOR THE STRUCTURE OF FINANCIAL STATEMENTS

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

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

INTANGIBLE ASSETS

In the accounts, the intangible assets, long-term deferred expenses, and accrued revenues are disclosed separately as acquisition costs and valuation adjustments as a cumulative

write-down, which is the result of depreciation. In the balance sheet, the assets are declared at the net book value, which represents the difference between the acquisition cost and valuation adjustment.

TANGIBLE FIXED ASSETS

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

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

LONG-TERM FINANCIAL INVESTMENTS

At origination, the long-term financial investments are disclosed at the acquisition

cost that corresponds to the invested cash assets or other assets.

SHORT-TERM FINANCIAL INVESTMENTS

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

SHORT-TERM OPERATING RECEIVABLES

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

CASH ASSETS

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

ACCRUALS FOR FINANCIAL ASSETS AND LIABILITIES

The accruals may be active or passive. They include deferred revenues or deferred expenses/costs, accrued expenses and accrued revenues as a special type of claims or debts.

EQUITY

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

PROVISIONS

Provisions are formed for current liabilities arising from binding past events and are expected to be settled in a period not determined with certainty and the amounts for which they can be settled can be estimated reliably. This includes provisions for jubilee awards and retirement benefits. Provisions can be treated as debts in a broader sense.

LONG - TERM LIABILITIES

Long-term liabilities are all those liabilities that fall due over a period of more than one year and are disclosed separately as long-term financial liabilities and long-term operating

liabilities. Long-term financial liabilities refer to received loans. Long-term operating liabilities are liabilities to suppliers at home and abroad.

SHORT-TERM LIABILITIES

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

THE INCOME STATEMENT is compiled according to Version I.

REVENUES

The revenues are divided into operating revenues, financial revenues and other revenues. The operating and financial revenues are regarded as regular revenues. The operating revenues are revenues from sales and other operating revenues related to business impact. The revenues from sales consist of the market values of the supplied services in the accounting period. The revenues are recognized based on the sale prices

indicated on the invoices or other documents. The financial revenues are revenues arising from investments, financial investments and receivables. Other revenues consist of extraordinary items and other income that increase the profit.

EXPENSES

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

**NOTES TO THE
FINANCIAL
STATEMENTS²⁷**

INTANGIBLE ASSETS

in EUR

	SOFTWARE	SOFTWARE IN PRODUCTION	TOTAL
Purchase price			
01. 01. 2020	2,039,426	0	2,039,426
Direct increases – purchases	0	100,559	100,559
Transfer from the investments in progress	100,559	-100,559	0
Disposals	0	0	0
31. 12. 2020	2,139,985	0	2,139,985
Write-down value			
01. 01. 2020	1,567,906	0	1,567,906
Yearly depreciation	149,384	0	149,384
Disposals	0	0	0
31. 12. 2020	1,717,290	0	1,717,290
Current value			
01. 01. 2020	471,520	0	471,520
31. 12. 2020	422,695	0	422,695

Investments in software in 2020 mainly represent upgrades and adjustments of existing business applications to perform the tasks of the market operator, such as adjustments to the balance clearing application, adjustments to the timetable application and related adjustments to reporting applications. A number of system software licenses were also purchased to

maintain information security and relate to the virtual environment software update. The depreciation rate at which the software is depreciated is 20 to 50 percent and reflects the expected useful life.

Long-term accrued costs and deferred revenue represent the assets of the mandatory reserve fund and the voluntary fund, which are collected in a special account by the manager of business premises and amount to EUR 13,362 at the end of 2020.

TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS

in EUR

	REAL ESTATE	INFORMATION SYSTEM EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
Purchase price					
01. 01. 2020	1,639,905	672,308	192,301	176,419	2,680,933
Purchases	0	117,693	1,344	41,958	160,995
Disposals	0	11,111	0	42,293	53,404
31. 12. 2020	1,639,905	778,890	193,645	176,084	2,788,524
Write-down value					
01. 01. 2020	452,452	439,694	128,136	101,049	1,121,331
Depreciation	62,329	75,581	10,459	17,634	166,003
Disposals	0	11,111	0	16,044	27,155
31. 12. 2020	514,781	504,164	138,595	102,639	1,260,179
Current value					
01. 01. 2020	1,187,453	232,614	64,165	75,370	1,559,602
31. 12. 2020	1,125,124	274,726	55,050	73,445	1,528,345

Investments in the information system include the purchase of new hardware: network switches and new desktop workstations for employees, some new monitors and laptops and replacing old, worn-out equipment. Investments in other equipment are mostly related to the purchase of a new passenger car.

Disposals relate to the sale of old computer equipment that has been replaced and to the sale of a car.

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

- Computer equipment 20.00 to 33.33 %;
- Office furniture 11.00 to 12.00 %;
- Other equipment 10.00 to 50.00 %.

LONG-TERM FINANCIAL INVESTMENTS

Statement of changes in equity for 2020

in EUR

	31. 12. 2020	31. 12. 2019
Long-term financial investments in shares	1,919,568	1,919,568
Other long-term financial investments	135,500,000	27,000,000
TOTAL	137,419,568	28,919,568

Borzen holds a 50-percent equity stake in BSP Energy Exchange. On the basis of the valuation performed in April 2011, the value of the 50-percent equity stake as at 31 December 2010 was estimated at 419,568 EUR. In June 2018, the investment was increased by 1.5 million EUR, the amount of Borzen's share in the

recapitalization of BSP. In recent years, BSP has been operating profitably.

Other long-term financial investments include the long-term investment of liquid cash of the Centre for Support for the purpose of generating revenue. 20 million EUR is invested

as a long-term deposit with the BKS Bank and EUR 7 million with the company Agencija za pospeševanje likvidnosti d.o.o. (Agency for Liquidity Promotion).

DEFERRED TAX ASSETS

DEFERRED TAX ASSETS

in EUR

	31. 12. 2020	31. 12. 2019
Deferred tax assets arising from:		
• impairment of the financial investment	109,682	109,682
• provisions	18,589	18,202
TOTAL	128,271	127,884

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

become a recognized tax expense in the year of the actual disposal of investment, which is why the company has disclosed this information in its financial statements. In addition, the company also discloses the information on the

deferred tax provision for severance pay and long-service bonuses, which slightly increased in 2020 due to the increase in the provisions.

SHORT-TERM FINANCIAL INVESTMENTS

SHORT-TERM FINANCIAL INVESTMENTS

in EUR

	31. 12. 2020	31. 12. 2019
Short-term financial investments	67,000,000	105,000,000
TOTAL	67,000,000	105,000,000

The financial investment represents time deposits with the following banks: BKS Bank, Sberbank d.d., with Addiko Bank d.d., with Banka Sparkasse d.d. and at Unicredit Bank d.d., which were tied up for up to twelve

months. In addition to deposits with banks, 5 million are also tied to the Liquidity Promotion Agency d.o.o. All deposits represent the resources of the support center, i.e. free funds or surplus funds of the Centre for Support.

SHORT-TERM OPERATING RECEIVABLES

SHORT-TERM OPERATING RECEIVABLES

in EUR

	31. 12. 2020	31. 12. 2019
Short-term trade receivables	20,920,266	23,179,920
a) Short-term domestic trade receivables	19,733,429	22,487,727
- receivables from the associated companies	12,515	27,466
b) Short-term foreign trade receivables	1,186,837	692,193
Short-term advances and securities	26,590	34,626
Short-term receivables for interests	2,180,408	2,125,379
TOTAL	23,127,264	25,339,925

As at 31 December 2020, the share of the short-term receivables amounted to 20,920,266 EUR and consisted of:

- 88 percent of the receivables from the Centre for Support;
- 9 percent of the receivables from the imbalance settlement;
- 3 percent of the regular receivables (mainly from the services of recording bilateral contracts and closed contracts).

Short-term trade receivables by maturity:

- 20,714,223 EUR trade receivables are not yet matured (99.0 %);
- 188,410 EUR have already fallen due (0.9 %), of which EUR 165,097 with a delay of up to 30 days, EUR 13,739 with a delay of up to 60 days and EUR 9,574 with a delay of up to 90 days;
- 17,633 EUR of the short-term receivables are the subject of enforcement proceedings (0.1 %).

Other short-term receivables relate to input VAT on invoices received in January 2020, and relate mainly to the month of December 2020.

CASH ASSETS

CASH ASSETS

in EUR

	31. 12. 2020	31. 12. 2019
CASH AND CASH EQUIVALENTS IN BANKS	4,200,216	4,035,528
Cash assets in the commercial account	1,165,828	717,135
Cash assets in special accounts – Centre for Support	905,998	1,801,737
Cash assets in special accounts – Balance Scheme	2,128,390	1,516,656
DEPOSITS HELD AT CALL – TOTAL	30,000,000	62,185,428
Deposit held at call	1,000,000	1,399,001
Deposit held at call – Centre for Support	29,000,000	60,786,427
Deposit held at call – Balance Scheme	0	0
TOTAL	34,200,216	66,220,956

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

SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

SHORT-TERM DEFERRED COSTS OR EXPENSES

in EUR

	31. 12. 2020	31. 12. 2019
Short-term deferred costs or expenses	48,751	50,749
TOTAL	48,751	50,749

Accrued revenues and deferred expenses include costs charged to us in 2020, which relate to the financial year 2021 and will be charged to the costs of that year.

EQUITY

EQUITY

in EUR

	31. 12. 2020	31. 12. 2019
Called-up capital	1,963,279	1,963,279
Share capital – equity investment	1,963,279	1,963,279
Capital reserves – general revaluation adjustment	395	395
Profit reserves	2,870,421	2,537,778
Statutory reserves	196,328	196,328
Other profit reserves	2,674,093	2,341,450
Fair value reserves	3,506	-11,770
Profit from the previous years	0	0
Net profit for the financial year	1,131,325	1,332,643
TOTAL	5,968,926	5,822,325

The total equity of the company at the end of 2020 amounts to 5.97 million EUR. Last year's profit was partially paid to the shareholder (1 million EUR), while other profit reserves were

increased. Net profit for 2020, which is shown in the income statement in the amount of 1,134,045 EUR, is reduced by 2,720 EUR, which represents the elimination of actuarial gains or

losses for employees who left during the year and provisions for retirement benefits for them were eliminated.

PROVISIONS

Provisions

in EUR

	31. 12. 2020	31. 12. 2019
Provisions for long-service bonuses	56,706	50,478
Provisions for severance pays	138,969	141,120
TOTAL	195,675	191,598

Based on the actuarial calculation, the company formed provisions for severance pay upon retirement and for long-service bonuses. The actuarial assumptions used are: 32

employees, interest rate 0.55 %, wage growth 1.5 %, fluctuation up to 35 years 4.5 %, up to 45 years 3 % and over 45 years 0.5 %. The use of provisions in 2020 amounted to 1,458

EUR (payment of the long-service bonus), and after the re-formation at the end of 2020, the provisions amount to a total of 195,675 EUR.

MOVEMENT OF PROVISIONS

	in EUR		
	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT	PROVISIONS FOR LONG-SERVICE BONUSES	TOTAL
BALANCE AS AT 31 DEC 2019	141,120	50,478	191,598
Interest expenses	988	348	1,336
Past service costs	0	0	0
Current service costs	10,735	3,919	14,654
Benefit payments	0	-1,458	-1,458
Actuarial gains/losses (IPI)	/	3,419	3,419
Actuarial gains/losses through IFP	-13,873	/	-13,873
BALANCE AS AT 31 DEC 2020	138,969	56,706	195,675

SENSITIVITY ANALYSIS

PARAMETERS	in EUR	
	PROVISIONS FOR SEVERANCE PAYS	PROVISIONS FOR LONG-SERVICE BONUSES
Reduction of disc. interest rate by 0.5 %	13,317	2,994
Increase of disc. interest rate by 0.5 %	-11,925	-2,762
Increase in wage growth by 0.5 % per year	13,584	0
Reduction in wage growth by 0.5 % per year	-12,295	0

LONG-TERM LIABILITIES

Long-term liabilities

in EUR

	31. 12. 2020	31. 12. 2019
Long-term liabilities to suppliers	0	21,905
TOTAL	0	21,905

At the end of 2020, Borzen has no recorded long-term liabilities.

SHORT-TERM LIABILITIES

Short-term liabilities

in EUR

	31. 12. 2020	31. 12. 2019
SHORT-TERM LIABILITIES TO SUPPLIERS	13,322,679	15,293,223
• Short-term liabilities to suppliers – regular suppliers - liabilities to related parties	405,119 8,662	582,817 16,104
• Short-term liabilities to suppliers – Centre for Support	10,115,852	12,966,294
• Short-term liabilities to suppliers – Balance Scheme	2,801,708	1,744,112
SHORT-TERM LIABILITIES FROM THE CENTRE FOR SUPPORT	240,481,489	202,436,610
LIABILITIES FOR THE DEPOSITS FROM THE CENTRE FOR SUPPORT	750,000	750,000
SHORT-TERM LIABILITIES FROM THE BALANCE SCHEME	1,568,971	1,657,358
SHORT-TERM LIABILITIES FOR RECEIVED ADVANCES	36,368	15,050
SHORT-TERM LIABILITIES TO EMPLOYEES	219,542	224,872
• Liabilities for net salaries and wage compensations	90,260	92,320
• Liabilities for contributions from gross salaries and wage compensations	70,774	64,615
• Liabilities for taxes from gross salaries and wage compensations	29,248	20,589
• Liabilities for other remunerations from employment	29,260	47,348
LIABILITIES TO STATE AND OTHER INSTITUTIONS	1,338,984	1,284,783
• Liabilities for charged VAT	1,297,314	1,282,727
• Liabilities for corporate income tax	40,380	371
• Other short-term liabilities to state and other institutions	1,290	1,685
OTHER SHORT-TERM OPERATING LIABILITIES	5,838	21,988
TOTAL	257,723,871	221,683,884

The liabilities as at 31 December 2020 consist of open commitments to regular suppliers, open commitments to the beneficiaries of the Centre for Support and open commitments to the Balance Scheme suppliers. In the case of beneficiaries Centre for Support, the amount relates mainly to December invoices due in early January. The lower value of liabilities to suppliers of the Centre for Support stems from the repayment of liabilities in the last days of December, due to excess funds and the avoidance of compensation for exceeding

the value on the accounts that should be paid to banks. The company otherwise settles its liabilities to suppliers within the agreed contractual deadlines.

Short-term liabilities from the Centre for Support represent a source of funds raised from RES and CHP, which increased again in 2020. This resource finances cash and short-term and long-term financial investments of the Centre for Support.

Short-term liabilities from the balance sheet scheme represent a surplus of assets from this title.

Short-term liabilities to employees represent open items to employees from December salaries and Christmas bonuses.

OFF-BALANCE SHEET ASSETS

The company shows the balance of off-balance sheet assets in the amount of 6.41 million EUR. Of this, 1.74 million EUR represents the cash of the members of the balance scheme on deposit sub-accounts opened in the name of the members of the balance scheme. Assets represent insurance for the fulfillment of financial obligations arising from the balance sheet. Financial coverage must be provided by the responsible balance group upon signing the balance contract with the market operator in accordance with the applicable Rules for the

Operation of the Electricity Market. Assets are shown in the off-balance sheet because they do not have a direct impact on the size and composition of assets and liabilities, as they only represent a guarantee for the fulfillment of the obligations of the members of the balance scheme.

In addition to cash deposits, the Balance Scheme members may also submit financial guarantees in the form of bank guarantees payable on first demand. As at 31 December

2020, the value of the bank guarantees submitted by the Balance Scheme members equaled 2.92 million EUR.

Borzen also has a contingent liability pursuant to the guarantee statement in the amount of EUR 1.75 million. Borzen is a joint guarantor (the other guarantor being ELES) to the company BSP under the Framework Credit Agreement in the amount of EUR 3.50 million, up to 50 percent of the liabilities under this agreement.

NOTES TO THE INCOME STATEMENTS

Operating revenues

in EUR

	YEAR 2020	SHARE IN %	BUSINESS PLAN 2020	SHARE IN %	YEAR 2020	SHARE IN %
Revenues arising from the MO's operation	1,627,289	40.4	1,750,000	42.84	1,731,478	41.1
Revenues arising from recorded closed contracts	1,114,241	27.7	1,040,000	25.46	1,140,980	27.1
Revenues arising from the Centre for Support	591,000	14.7	591,000	14.47	591,000	14.0
Revenues arising from BSP	109,161	2.7	110,000	2.69	118,262	2.8
Revenues arising from information provision and raising awareness	349,978	8.7	350,000	8.57	330,235	7.8
Revenues arising from RRM – REMIT	156,567	3.9	144,000	3.53	154,866	3.7
Other revenues	77,947	1.9	100,000	2.40	132,872	3.2
TOTAL SALES REVENUES	4,026,183	100.0	4,085,000	100	4,199,693	99.7
Other operating revenues	1,484	0.0	0	0.0	13,912	0.3
TOTAL	4,027,667	100.0	4,085,000	100	4,213,605	100.0

The largest share of revenues refers to the revenues of the Market Operator's operation. In June 2015, the amount of the revenue was defined in the Decree on the Concession and the Method for the Implementation of Performing Public Service Obligation Relating to the Activity of the Market Operator, which newly regulates the method of the public service financing and replaces the supplement to network charge with a contribution to the operation of the concessionaire (Market Operator) in the amount of EUR 0.00013 EUR per kWh.

The second largest share of the revenues is represented by the revenues from the recording of closed contracts. The amount of the fee paid by the Balance Scheme members for the recording of closed contracts equals EUR 0.00005 per kWh for each individual recording of a closed contract, in which the Balance Scheme member acts as a seller. The activities of the Centre for Support are financed from a share of contributions for promoting the production of electricity from renewable sources and high-efficiency cogeneration of heat and power. Other operating revenues also include

revenues from advisory services rendered in the establishment of an electricity market in Georgia and Moldova in the total amount of 55,000 EUR.

Of the total sales revenues, 3,723,774 EUR were charged to domestic buyers, while 3,723,774 EUR were charged to foreign buyers.

OPERATING EXPENSES

in EUR

	YEAR 2020	SHARE IN %	BUSINESS PLAN 2020	SHARE IN %	YEAR 2020	SHARE IN %
Material costs	53,489	1.8	57,000	1.8	55,139	1.9
Service costs	891,394	29.4	989,400	31.8	943,380	32.7
Labor costs	1,750,434	57.7	1,718,000	55.1	1,591,949	55.2
Depreciation	315,388	10.4	334,600	10.7	279,124	9.7
Operating expenses from revaluation of operating current assets	5,839	0.2	0	0.0	0	0.0
Other operating expenses	17,917	0.6	17,000	0.5	15,299	0.5
TOTAL	3,034,461	100	3,116,000	100	2,884,891	100

MATERIAL AND SERVICE COSTS

TYPE OF COST	in EUR					
	YEAR 2020	SHARE IN %	BUSINESS PLAN 2020	SHARE %	YEAR 2019	SHARE %
Energy costs	15,185	28.4	22,000	38.6	20,810	37.7
Office supplies	6,703	12.5	7,000	12.3	7,010	12.7
Professional literature	18,834	35.2	18,000	31.6	18,964	34.4
Other material costs	12,767	23.9	10,000	17.5	8,355	15.2
TOTAL MATERIAL COSTS	53,489	100	57,000	100	55,139	100
Banking services	8,950	1.0	11,000	1.1	8,882	0.9
Membership fees	38,358	4.3	34,000	3.4	34,320	3.6
Other services	58,263	6.5	41,000	4.1	48,213	5.1
Education and training	12,657	1.4	33,000	3.3	33,041	3.5
Rental costs	70,419	7.9	85,000	8.6	74,133	7.9
Business premises costs	39,699	4.5	43,000	4.3	42,191	4.5
Public relations	139,893	15.7	169,000	17.1	175,834	18.6
Postal services	30,433	3.4	32,000	3.2	31,167	3.3
SLA costs	87,748	9.8	86,400	8.7	88,000	9.3
Insurance costs	18,626	2.1	20,000	2.0	16,686	1.8
Mission and duty travel costs	4,010	0.4	35,000	3.5	35,237	3.7
Supervisory Board costs	18,488	2.1	15,000	1.5	13,679	1.4
Advisory services and professional studies costs	234,818	26.3	270,000	27.3	235,290	24.9
Student work	3,148	0.4	0	0.0	0	0.0
Regular maintenance of fixed assets	125,884	14.1	115,000	11.6	106,707	11.3
TYPE OF COST	891,394	100	989,400	100	943,380	100

The total amounts of material and service costs are lower than in the previous year and also lower than planned. The non-realization of some material and service costs (energy, education and business costs) was largely influenced by the COVID-19 epidemic. The costs of other services are higher, but they also include costs from the implementation of activities in the field of information and awareness on renewable energy sources and efficient energy use, which the company receives reimbursed by the Eco Fund. The costs of advisory services also include the costs of the audit of annual accounts totaling EUR 5,700 per year.

LABOR COSTS WRITE-OFFS

In 2020, the total labor costs equaled 1,750,434 EUR. At the end of 2020, the company had 33 employees, while the average number of employees based on the working hours equaled 29.49. The labor costs are calculated in accordance with the Rules on Labor Relations and the clauses of the Collective Agreement

for Slovenian Electricity Industry, which the company has been applying since 1 May 2018. Labor costs slightly exceed the planned values, especially other labor costs, due to accrued liabilities to the former general manager, which were determined by the agreement upon his recall or termination of employment.

In 2020, the depreciation equaled 315,388 EUR. The Company uses a flat-rate depreciation charge. Revaluation operating expenses in the amount of 5,839 relate to the sale of fixed assets at a value lower than the book value.

OTHER OPERATING EXPENSES

Other operating expenses amounted to 17,917 EUR and refer to the construction land contribution, court fees and the contribution that the company pays to the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia due to non-compliance with the legislation on the employment of the disabled.

FINANCIAL REVENUES

in EUR

TYPE OF COST	YEAR 2020	SHARE IN %	BUSINESS PLAN 2020	SHARE %	YEAR 2019	SHARE %
Interest revenues	381,517	100.0	300,000	100.0	312,236	100.0
Other financial revenues including financial revenues from revaluation	144	0,0	0	0,0	100	0,0
TOTAL	381,661	100.0	300,000	100.0	312,336	100.0

The interest revenues relate to the interests on deposits made with banks, interests from long-term financial investments and interests on demand from cash deposits in accounts. The interests are higher than the amount from the previous year, mainly due to the higher

surplus of the Centre for Support and the consequently higher amount of liquid cash, but they are lower than planned due to low interest rates.

FINANCIAL EXPENSES

in EUR

TYPE OF COST	YEAR 2020	SHARE IN %	BUSINESS PLAN 2020	SHARE %	YEAR 2019	SHARE %
Interest expenses	7,678	99.5	10,000	100.0	10,610	99.6
Other financial expenses including revaluation expenses	38	0.5	0	0,0	39	0.4
TOTAL	7,716	100	10,000	100.0	10,649	100.0

Financial expenses for interests in the amount of 7,678 EUR refer to bank fees charged by banks for exceeding funds on the accounts, interests from provisions (based on the actuarial calculation) and default interests, while other financial expenses refer to the negative exchange rate differences.

OTHER REVENUES AND EXPENSES

Other revenues in 2020 amounted to 30,398 EUR and relate to a contractual penalty charged to a supplier for breach of contractual deadlines in the provision of services.

Other expenses in the amount of 5,050 EUR mainly relate to donations, for which we allocated 4,600 EUR in 2020. We donated funds to various humanitarian, cultural and sports associations and institutions.

OTHER DISCLOSURES

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a five-year period. General Manager Karol Peter Peršolja, PhD managed the business and represented the company from 1 January 2010 until his recall on 24 September 2020. Pending

the appointment of a new general manager, the position was temporarily taken over by the Chairman of the Supervisory Board Peter Žmak. As of November 1, Martin Bratanič was appointed the new general manager.

The General Manager is entitled to a basic payment (salary) and a performance-based remuneration (performance-related bonus).

GENERAL MANAGER'S REMUNERATION IN 2020

in EUR

	GENERAL MANAGER'S GROSS RECEIPTS
KAROL PETER PERŠOLJA, PHD	
Salary for 2020	72,284
Performance-based bonus for 2019 and 2017 and 2018 (second part)	54,608
Holiday pay	1,932
Bonuses	4,819
Compensation for unused leave and notice period	36,300
Severance pay	49,183
PETER ŽMAK	
Salary for 2020	7,266
Bonuses	5
MARTIN BRATANIČ	
Salary for 2020	16,394
Holiday pay	322
Bonuses	680

The Supervisory Board consists of three members appointed by the Government of the Republic of Slovenia. In June 2020, new members of the Supervisory Board were appointed and an audit committee was established. In 2020, the members of the

Supervisory Board and the Audit Committee were entitled to a basic payment for performing the function and payment of meeting fees on the basis of a valid resolution of the shareholder, as follows:

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS IN 2020

	in EUR
	GROSS RECEIPTS OF THE SUPERVISORY BOARD
Mojca Kert	1,373
Alenka Kolar, PhD	1,357
Jure Jemec	1,076
Peter Žmak	2,621
Tomaž Kokot	4,931
Davorin Dimič	4,840
Braco Mihelj, external member of the audit commission	737

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

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

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

In accordance with the Energy Act, the Decree on the Concession and on the Method for Implementation of Public Service Obligation Relating to the Organization of the Market Operator, the Articles of Association of Borzen and other applicable regulations, Borzen performs the commercial public service relating to the organization of the electricity market, which also includes the implementation of the activities of the Centre for Support. In addition, the company also performs a commercial activity (i.e. the provision of the REMIT – RRM services and services for the BSP Energy Exchange) and activities related to information provision and raising awareness on the efficient use of energy and renewable energy sources (EE and RES).

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

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

to each activity. The keys for the division of joint revenues and expenses are set in the company's Rules on Separate Accounts for Revenues, Expenses, Assets and Liabilities by Individual Activities.

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

The table of general keys specified and adopted for 2019 is presented below.

TABLE OF GENERAL KEYS FOR 2020

in EUR

	ACTIVITY		
	MARKET OPERATOR	CENTRE FOR SUPPORT	COMMERCIAL ACTIVITIES
General expenses key	55 %	40 %	5 %
Wage costs key	52 %	40 %	8 %
Fixed assets key	64 %	30 %	6 %

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

The **wage costs key** considers the distribution of balance sheet items to activities as arising from cost centers that are indirectly charged to activities based on the workload of individual posts, which is measured by hours expressed as a value based on the labor costs that are charged to an individual post.

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

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

In 2020, the company, as a whole, reports a net profit in the amount of 1.13 mio EUR. The

activity of the public service obligation relating to the Market Operator discloses a profit of 1.00 mio EUR, the activity of the Centre for Support records a profit in the amount of EUR 15,000, while the commercial activity reports a profit of 42,000 EUR. The activity of information provision and awareness rising is managed on the principle of reimbursement by the Slovenian Eco Fund.

INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1 JANUARY 2020 AND 31 DECEMBER 2020

in EUR

	BORZEN TOTAL	MARKET ORGANI- ZATION	CENTRE FOR SUPPORT	INFORMATION PROVISION AND AWARENESS RAISING	COMMERCIAL ACTIVITY
1. NET SALES REVENUES	4,026,183	2,748,661	591,640	364,830	321,052
a. Revenues arising from the MO's operation	1,627,289	1,627,289	0	0	0
b. Revenues arising from the recorded closed contracts	1,114,241	1,114,241	0	0	0
c. Revenues arising from the Centre for Support	591,000	0	591,000	0	0
č. Revenues arising from BSP	109,161	0	0	0	109,161
d. Revenues arising from information provision and raising awareness	349,978	0	0	349,978	0
e. Revenues arising from RRM – REMIT	156,567	0	0	0	156,567
f. Other revenues	77,947	7,131	640	14,852	55,324
2. OTHER OPERATING REVENUES	1,484	808	610	0	66
TOTAL OPERATING REVENUES	4,027,667	2,749,469	592,250	364,830	321,118
3. MATERIAL AND SERVICE COSTS	944,883	442,252	200,201	234,022	68,408
a. Material costs	53,489	31,953	17,660	1,741	2,135
b. Service costs	891,394	410,299	182,541	232,281	66,273
4. LABOUR COSTS	1,750,434	901,037	625,437	124,388	99,572
a. Costs of wages and salaries	1,215,864	625,959	439,442	83,461	67,002
b. Costs of pension insurance	171,048	87,545	50,090	23,678	9,735
c. Costs of other social insurances	99,875	51,394	25,525	17,249	5,707
č. Other labor costs	263,647	136,139	110,380	0	17,128
5. WRITE-DOWNS	321,227	200,644	80,192	6,420	33,971
a. Depreciation	315,388	197,433	77,856	6,420	33,679
b. Operating expenses from revaluation of operating current assets	5,839	3,211	2,336	0	292
6. OTHER OPERATING EXPENSES	17,917	8,316	8,845	0	756
TOTAL OPERATING EXPENSES	3,034,461	1,552,249	914,675	364,830	202,707
OPERATING PROFIT OR LOSS	993,206	1,197,220	-322,425	0	118,411
7. FINANCIAL REVENUES	381,661	2,274	379,358	0	29
8. FINANCIAL EXPENSES	7,716	4,642	2,923	0	151
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,367,151	1,194,852	54,010	0	118,289
9. OTHER REVENUES	30,398	30,398	0	0	0
10. OTHER EXPENSES	5,050	2,777	2,020	0	253
TOTAL REVENUES	4,439,726	2,782,141	971,608	364,830	321,147
TOTAL EXPENSES	3,047,227	1,559,668	919,618	364,830	203,111
TOTAL PROFIT	1,392,499	1,222,473	51,990	0	118,036
11. TAX ON PROFIT	260,159	228,393	9,713	0	22,053
12. DEFERRED TAX	-1,705	-1,496	-64	0	-145
NET PROFIT OR LOSS FOR THE PERIOD	1,134,045	995,576	42,341	0	96,128

BALANCE SHEET AS AT 31 DECEMBER 2020 SHOWING THE ASSETS UNDER MANAGEMENT

in EUR

DESCRIPTION	BORZEN TOTAL	BORZEN EXCL. PUBLIC UTILITY SERVICE	CENTRE FOR SUPPORT	BALANCE SCHEME
ASSETS	263,888,472	6,892,166	252,401,132	4,595,174
A. LONG-TERM ASSETS	139,512,241	4,012,241	135,500,000	0
I. INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED	436,057	436,057	0	0
REVENUES TANGIBLE FIXED ASSETS	1,528,345	1,528,345	0	0
II. 1. Business premises	1,125,124	1,125,124	0	0
2. Equipment	403,221	403,221	0	0
LONG-TERM FINANCIAL INVESTMENTS	137,419,568	1,919,568	135,500,000	0
III. 1. Shares in associated companies	1,919,568	1,919,568	0	0
2. Other long-term financial investments	135,500,000	0	135,500,000	0
IV. DEFERRED TAX	128,271	128,271	0	0
B. SHORT-TERM ASSETS	124,327,480	2,831,174	116,901,132	4,595,174
I. SHORT-TERM FINANCIAL INVESTMENTS	67,000,000	0	67,000,000	0
SHORT-TERM OPERATING RECEIVABLES	23,127,264	665,225	19,995,255	2,466,784
II. 1. Short-term trade receivables	20,920,266	533,546	18,425,642	1,961,078
2. Short-term receivables due from others	2,206,998	131,679	1,569,613	505,706
III. CASH AND CASH EQUIVALENTS	34,200,216	2,165,949	29,905,877	2,128,390
C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	48,751	48,751	0	0
OFF-BALANCE SHEET ASSETS	6,412,776	6,412,776	0	0
LIABILITIES	263,888,472	6,892,166	252,401,132	4,595,174

A. EQUITY	5,968,926	5,968,926	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0
1. Share capital	1,963,279	1,963,279	0	0
II. CAPITAL RESERVES	395	395	0	0
PROFIT RESERVES	2,870,421	2,870,421	0	0
III. 1. Statutory reserves	196,328	196,328	0	0
2. Other profit reserves	2,674,093	2,674,093	0	0
IV. REVALUATION SURPLUS	3,506	3,506	0	0
V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD	1,131,325	1,131,325	0	0
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	195,675	195,675	0	0
C. LONG-TERM LIABILITIES	0	0	0	0
I. LONG-TERM OPERATING LIABILITIES	0	0	0	0
Č. SHORT-TERM LIABILITIES	257,723,871	727,565	252,401,132	4,595,174
SHORT-TERM OPERATING LIABILITIES	257,723,871	727,565	252,401,132	4,595,174
I. 1. Short-term liabilities to suppliers	13,322,679	405,119	10,115,852	2,801,708
2. Other short-term operating liabilities	244,401,192	322,446	242,285,280	1,793,466
D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	0	0	0	0
Off-balance sheet liabilities	6,412,776	6,412,776	0	0

In the above table, the items that relate to assets and to the liabilities to assets managed by Borzen are disclosed separately and intended exclusively for performing the activities within an individual public utility service the resources of the Centre for Support and the assets of the Balance Scheme are shown

separately. These are, on the one hand, the cash assets held in separate special accounts and the receivables and liabilities that are also kept separately and are settled via special settlement accounts.

EVENTS AFTER THE BALANCE SHEET DATE

No particular business events occurred at the end of the financial year that would affect the company's financial position in 2020.

MANAGEMENT STATEMENT

Management and Supervisory board in accordance with Article 60a. Of the Companies Act ensure that the annual report of Borzen compliant with and will be published in accordance with the Companies Act and Slovenian accounting standards.

The management accepts and approves the financial statements of Borzen for the year ended 31 December 2020 and notes to the financial statements, which are prepared on the assumption of the company's continued operations and in accordance with applicable legislation and Slovenian Accounting Standards.

Management confirms that the relevant accounting policies have been consistently applied in the preparation of the financial statements, that the accounting estimates have been made on the basis of diligent management and that the financial statements present a true and fair view of the company's assets and results of operations for 2020.

Ljubljana, 19 April 2021

RELEVANT ENERGY REGULATIONS

Some relevant energy regulations that govern the operations of a provider of commercial public services of the organized electricity market are listed below:

- Energy Act (Official Gazette of the RS, No. 60/19, 65/20, 158/20 - ZURE, 175/20);
- Energy Efficiency Act (Official Gazette of the RS, No. 158/20);
- Decree on the Method of Provision of an Electricity Market Operator Service of General Economic Interest (Official Gazette of the RS, No. 39/15);
- Decree on Support for the Electricity Generated from Renewable Energy Sources and in Cogeneration with High Efficiency (Official Gazette of RS, No. 74/16, 74/20);
- Decree on the Method of Determining and Calculating the Contribution for Ensuring Support for the Generation of Electricity from High-Efficiency Cogeneration and Renewable Energy Sources (Official Gazette of the RS, No. 46/15 and 76/17);
- Rules on the Operation of the Electricity Market (Official Gazette of the RS, No. 74/18 and 62/19);
- Rules on the Operation of the Centre for RES/ CHP Support (Official Gazette of the RS, No. 88/16);
- Rules on the Operation of the Electricity Balancing Market (Official Gazette of the RS, No. 97/14 and 28/17);

CODES AND RECOMMENDATIONS

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

- Recommendations of the Slovenian Sovereign Holding;
- Corporate Governance Code for Companies with State Capital Investments;
- Corporate Governance Code for Public Limited-Liability Companies.

CONTACT DATA²⁸

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GLOSSARY²⁹

ACER	Agency for the Cooperation of Energy Regulators
CEP	Clean Energy for Europeans Package
CHP	Cogeneration of heat and power
CP	Centre for Support
DMS	Distribution Management System
DR	Demand Response
DSM	Demand Side Management
EA	Energy Act
EE	Energy efficiency
EECS	European Energy Certificate System
EMS	Energy Management System
ENTSO-E	European Network of Transmission System Operators
GoO	Guarantee of Origin
INC	Imbalance Netting Cooperation

MO	Market operator
RES	Renewable energy sources
RECS	Renewable Energy Certificate System
RRM	Registered Reporting Mechanism
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
SIDC	Single Intraday Coupling
SIPX	Slovenian Price Index
TSO	Transmission system operator

