



ANNUAL
REPORT
2021

BORZEN



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ABOUT BORZEN

1

HIGHLIGHTS OF THE YEAR



HIGHLIGHTS OF THE YEAR

KEY INDICATORS¹



€ 4,16

million
operating
revenues



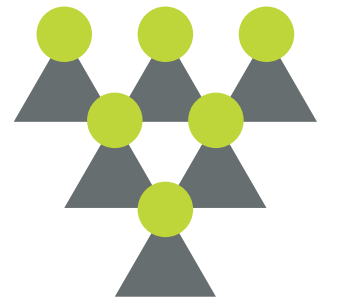
€ 3,93

million
operating
expenses



€ 433

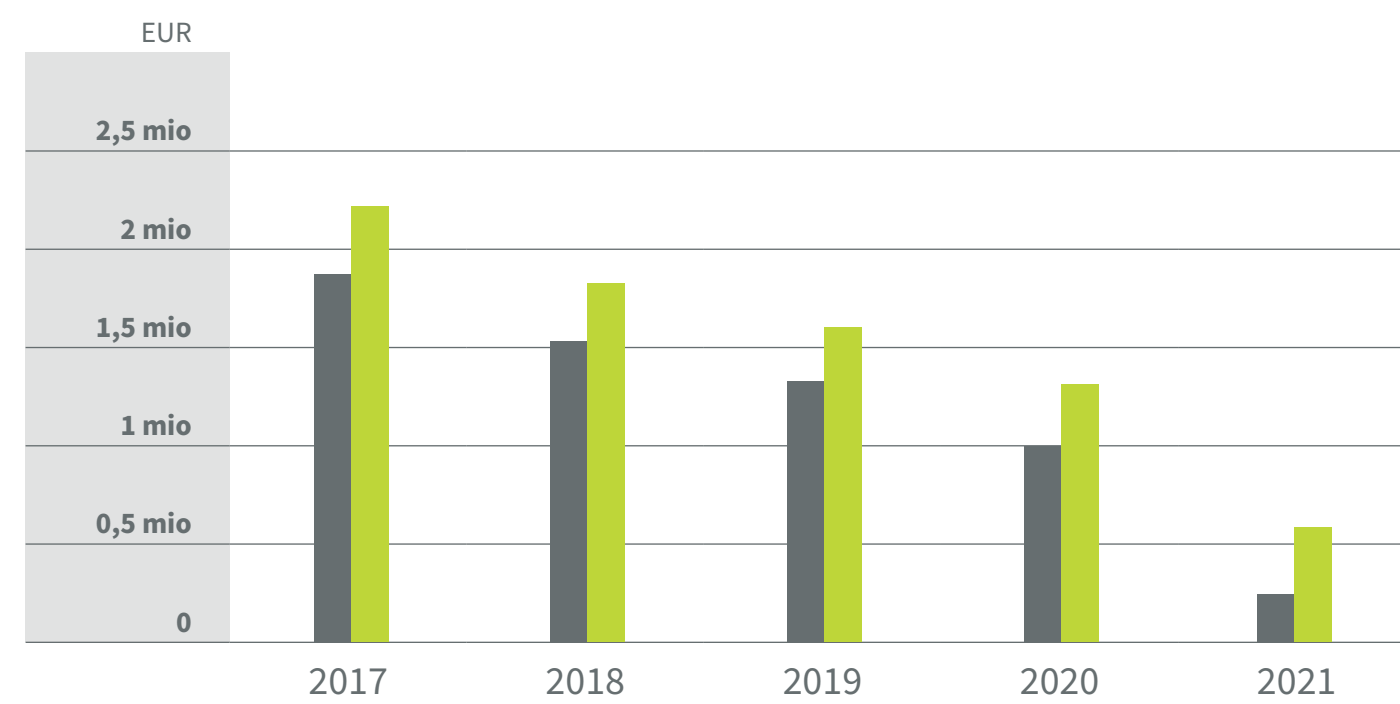
thousand
net
profit



40

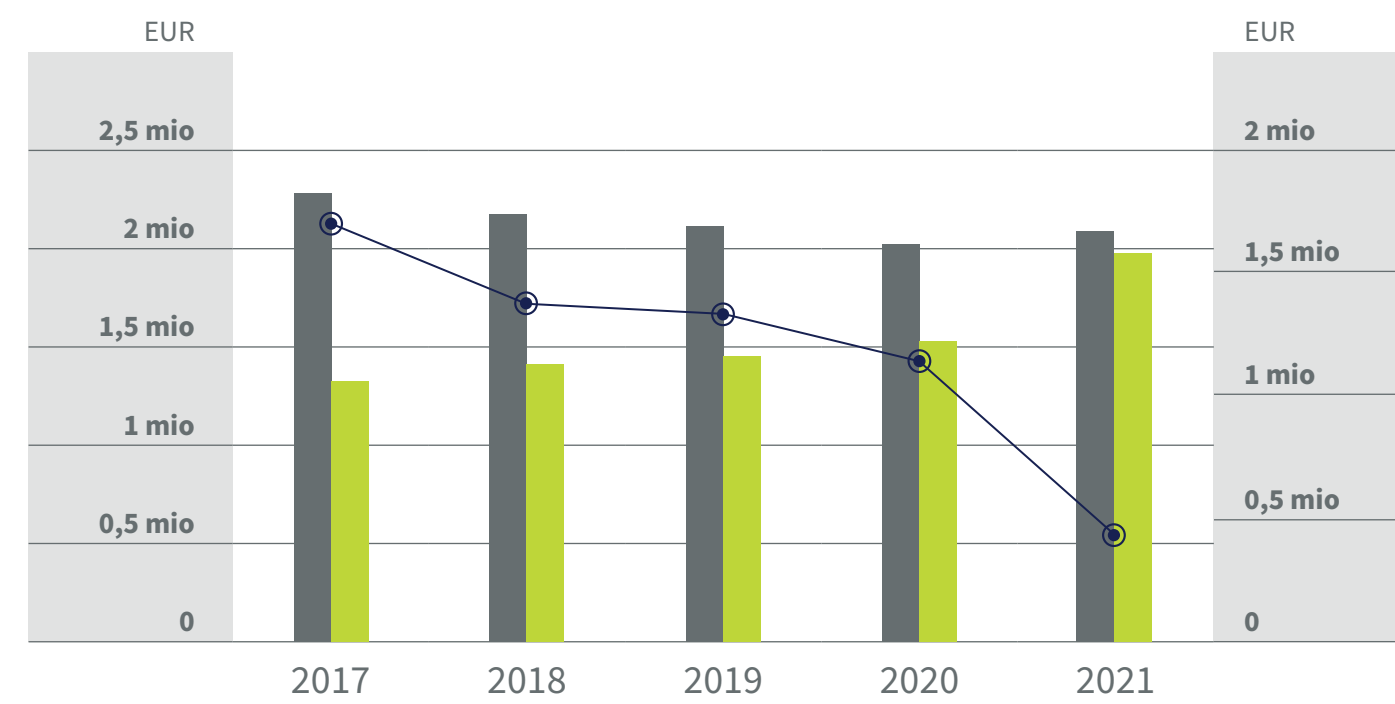
employees

EBIT AND EBITDA MOVEMENTS



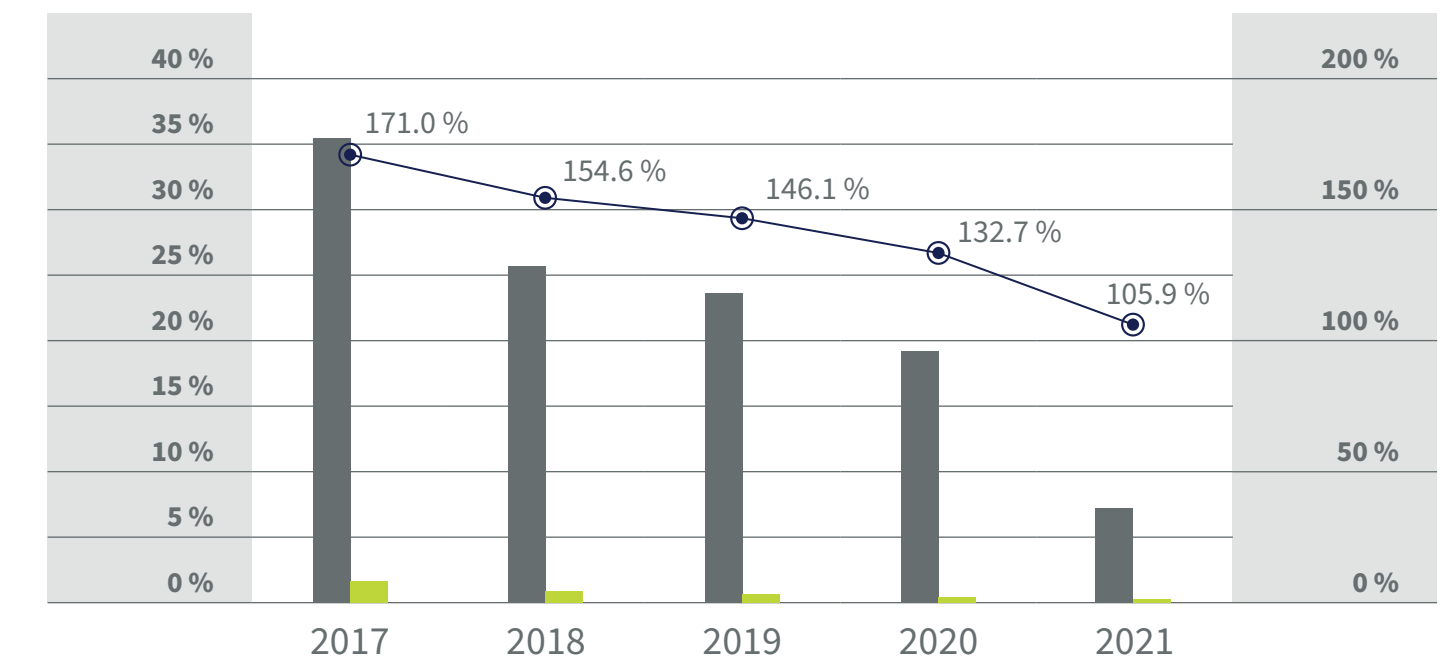
- ▶ EBIT - operating profit
- ▶ EBITDA - operating profit + depreciation + write-offs

REVENUES AND EXPENSES FROM OPERATION AND MOVEMENT OF NET PROFIT



- ▶ Operating revenues
- ▶ Operating expenses
- Net profit for year

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



- ▶ ROE
- ▶ ROA
- Operating efficiency

ELECTRICITY MARKET

Number of members (Balance Scheme)	2020	62
	2021	62
Number of recorded contracts and operational forecasts	2020	100,761
	2021	105,920
Quantity of electricity (in TWh) from recorded closed contracts and operational forecasts	2020	82.2
	2021	82.8

BALANCING MARKET

Number of members	2020	31
	2021	32
Number of transactions	2020	3,155
	2021	1,955
Quantity of transactions (in GWh)	2020	67.8
	2021	43.1

SUPPORT SCHEME

Number of production units	2020	3,838
	2021	3,811
Quantity of electricity generated (in GWh) by production units	2020	962.2
	2021	973.2
Support payments (mio EUR) for electricity generated for power plants under Scheme contracts	2020	124.7 million
	2021	128.1 million

2021

13 EVENTS,
CLOSE TO 700
PARTICIPANTS

NEARLY 700
THOUSAND VIEWS
OF VIDEO CONTENT

98 % USER
SATISFACTION

PARTICIPATION
IN 3 EUROPEAN
DEVELOPMENT
PROJECTS

EUR 2.14 MILLION
OF TANGIBLE
ASSETS

EUR 680
THOUSAND PAID
INTO SOCIAL
SECURITY FUNDS

EUR 382 THOUSAND
OF INTANGIBLE
ASSETS (SOFTWARE)

2020

7 EVENTS, CLOSE
TO 500 PARTICIPANT

ALMOST 1.4 MILLION
VIEWS OF VIDEO
CONTENT

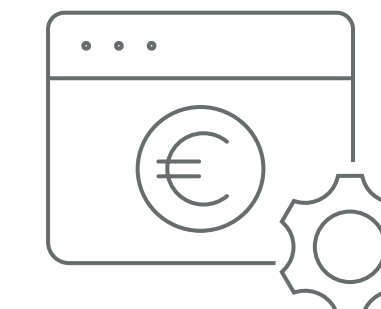
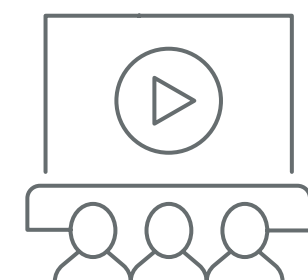
94 % USER
SATISFACTION

PARTICIPATION
IN 3 EUROPEAN
DEVELOPMENT
PROJECTS

EUR 1.53 MILLION
OF TANGIBLE
ASSETS

EUR 544 THOUSAND
PAID INTO SOCIAL
SECURITY FUNDS

EUR 423 THOUSAND
OF INTANGIBLE
ASSETS (SOFTWARE)



LETTER FROM THE GENERAL MANAGER²

The year 2021 was somewhat nostalgic for Borzen. On the one hand, we marked 20 years of our company's operation and the operation of the electricity market in Slovenia, and, on the other hand, we ventured fairly into a green future.

As I look back with pride on Borzen's journey, I see the indelible mark that the company's activities, which have always been based on professionalism, neutrality, development and cooperation, have left on the electricity market. The role of Borzen is strongly related to the liberalisation of the market and to the establishment of market mechanisms in our energy area. The energy sector has changed radically in the last twenty years and are in an era of democratisation, which is key to achieving the objectives of a carbon-free society and goes hand in hand with digitalisation.



2021 IN REVIEW

Our services represent an important link in the chain of providing electricity to customers, and in 2021, we achieved a net profit of EUR 433 thousand.

Although the restrictive measures related to the COVID-19 pandemic caused a sharp drop in growth rates or even a recession in both Slovenian and foreign economies in 2020, the impact on the energy sector was significantly smaller than on other segments of the economy, and the same applies for Borzen. In 2021, the trend completely reversed, and this especially applies to the energy markets, experienced unprecedented price increases in the second half of the year, conditioned by several factors, among which the gas market played a key role.

The trend environment both in Slovenia and in Europe is moving in the direction of greater integration and deepening of markets, which we at Borzen are following by participating in European projects and associations and in the direction of greater use and emphasis on renewable resources and efficient use of energy. In general, however, market concentration continues.

As of January 1, the Slovenian electricity market switched to a 15-minute billing interval, which required a lot of adjustments on the part of market participants as well as on the part of Borzen, including the development of a completely new online portal. A comparison of 2021 with the data of the last few years, when the hourly billing interval was still in effect, shows that the sum of positive and negative imbalances of the balance groups in 2021 increased by a good 14 percent. On the market, the number of members of the balance scheme did not change significantly compared to the previous year, with 32 members at the end of the year.

We are promoters of renewable energy sources and efficient energy use. At the end of 2021, there were nearly 4,000 power plants with a rated power in the support scheme for the production of more environmentally friendly electricity, which is managed by Borzen, which represents approximately 11.3 percent of the installed capacity in our country. At the same time, EUR 128.1 million in subsidies were paid out, and slightly more than 973 GWh of electricity was produced, which represented approximately 7.5 percent of Slovenia's annual consumption. With the operation of our Centre for Support, we accelerate investments in this area and ensure transparency in relation to certificates of origin. Despite the tenders carried out by the Energy Agency, the realisation of new power plants based on renewable energy sources and their entry into the support scheme is currently quite low. The key problem is certainly the placement of power plants in the area, which is regulated outside the support scheme. Slovenia did not reach the final goal of 25 percent of RES in gross final energy consumption by 2020, the shortfall was compensated by the so-called "statistical transfer", contractually agreed between the Republic of Slovenia and the Czech Republic, the funds were transferred from the support scheme.

We are a company that has been, both in the past and today, a knowledge transfer company - once mainly in professional circles, today also among the general public through our "Trajnostna energija" (Sustainable Energy). In 2021 alone, we recorded

close to 700 participants at our events and close to three quarters of a million viewers of our informative video content.

Our efforts continued to be focused on implementing activities that ensure the transparency of the electricity market, including through the preparation of rules for individual energy market segments the implementation of a reporting service in accordance with the Regulation on the integrity and transparency of the wholesale energy market, the promotion of the flow of data exchange on the market, and last but not least, the timely and complete publication of data, reports and other information.

MY PREDICTIONS FOR THE YEAR 2022

Borzen will remain a key connector facilitator and co-creator of the Slovenian electricity market, co-creating the conditions for a digital green transformation. We will establish the so-called single contact point for renewable energy sources, within which we will provide assistance to investors in the administrative field of renewable energy investments. There will be an expansion of the system of certificates of origin, the introduction of investment subsidies for power plants in the new self-sufficiency system, the expansion of the system of subsidies for renewable energy sources, we will carry out tenders to promote more environmentally friendly road freight transport, we will continue and strengthen the field of training, education and information in the field of sustainable energy.

In the area of the market operator, changes are foreseen in particular in relation to the flexibility market, the calculation of the imbalance settlement, the publication of internal information for market monitoring and changes in the functioning of the balancing market. We remain active in the field of energy market development and our involvement in various development projects, including the projects at the European level.

TOGETHER WE ARE STRONGER

We believe in the importance of energy literacy, because each and every one of us manages energy or, nowadays, increasingly produces it. Knowledge is key, as only empowered individuals can make the right decisions regarding energy. New technologies are bringing advances both in the field of efficient energy use and renewable energy sources - all of which can be properly integrated into our electricity system as well as our lives through constructive cooperation. I would like to see a systemic and comprehensive approach, the integration of stakeholders and a greater focus on the circular economy.

I would like to thank all the employees who have shaped, and continue to shape the objectives of Borzen and the Slovenian energy market, as well as to our business partners and the general public.

Let's respect and learn from the past and build a green energy future together, with cooperation and new knowledge.

Martin Bratanič

BORZEN'S MILESTONES



HIGHLIGHTS OF THE YEAR

IMPORTANT EVENTS IN 2021



JANUARY

▶ AS OF JANUARY 1, THE SLOVENIAN ELECTRICITY MARKET SWITCHES TO A 15-MINUTE BILLING INTERVAL - RELATED ADJUSTMENTS TO THE PROCESSES OF RECORDING, IMBALANCE SETTLEMENT, DATA TRANSFER TO THE ENTSO-E TRANSPARENCY PLATFORM.

▶ IMPLEMENTATION OF THE NEW BILLING METHOD FOR THE REMIT SERVICE IN ACCORDANCE WITH THE DECISION OF THE COMMISSION (EU).

FEBRUARY

▶ START OF COOPERATION IN THE BD4NRG PROJECT WITHIN THE FRAMEWORK OF THE EU RESEARCH AND INNOVATION PROGRAM HORIZON 2020.

MARCH

▶ BORZEN CELEBRATES 20 YEARS OF OPERATION.

▶ CONDUCTING OF A WEBINAR ON ENERGY MANAGEMENT IN THE PUBLIC SECTOR ON ENERGY ACCOUNTING DATA REPORTING.

APRIL

▶ FULL USE OF THE NEW MARKET OPERATOR'S WEB PORTAL, WHICH PROVIDES THE INTERESTED GENERAL PUBLIC WITH AN OVERVIEW OF COMPREHENSIVE DATA OF THE SLOVENIAN ELECTRICITY MARKET, AND AT THE SAME TIME OFFERS ALL MARKET MEMBERS AN EVEN BETTER USER EXPERIENCE OF THE MARKET OPERATOR'S INFORMATION SYSTEM, AS WELL AS INCREASED SECURITY IN THE EXCHANGE OF INFORMATION.

JULY

▶ ADOPTION OF THE ACT ON THE PROMOTION OF THE USE OF RENEWABLE ENERGY SOURCES (ZSROVE), WHICH UPGRADES BORZEN'S EXISTING ECONOMIC PUBLIC SERVICE TASKS, IN PARTICULAR IN THE FIELD OF SUPPORT, INCLUDING A NEW SELF-SUFFICIENCY MODEL AND ASSIGNS BORZEN THE ROLE OF A SINGLE POINT OF CONTACT, WHILE INTRODUCING A SEPARATE PUBLIC SERVICE OF THE CENTRE FOR SUPPORT.

SEPTEMBER

▶ SUCCESSFUL ORGANISATION OF THE SERIES OF EVENTS WITHIN THE SUSTAINABLE ENERGY DAYS 021.

▶ CELEBRATION OF THE 20TH ANNIVERSARY OF THE ELECTRICITY MARKET AND BORZEN.

▶ ANNOUNCEMENT OF THE WINNING MASTER'S THESIS ON THE TOPIC OF SUSTAINABLE ENERGY.

OCTOBER

▶ ADOPTION OF THE ELECTRICITY SUPPLY ACT (ZOEE), WHICH CONFIRMS BORZEN'S TASKS AS A MARKET OPERATOR AND GRANTS ADDITIONAL SUBSTANTIVE POWERS (E.G. REGULATING THE CONCEPT OF AN INDEPENDENT AGGREGATOR ON THE MARKET AS WELL AS DEFINING THE ROLE OF NEW ENTITIES).

▶ BORUT RAJER, DIRECTOR OF OPERATIONS AT BORZEN, WAS RE-ELECTED TO THE EUROPEX BOARD OF DIRECTORS.

NOVEMBER

▶ IMPLEMENTATION OF A SERIES OF WEBINARS ON THE TOPIC OF ENERGY MANAGEMENT IN THE PUBLIC SECTOR.

DECEMBER

▶ EXTENSION OF THE SLOVENIAN REGISTRY OF CERTIFICATES OF ORIGIN SO THAT IT SUPPORTS WORK WITH CERTIFICATES OF ORIGIN FOR ALL SOURCES OF ELECTRICITY GENERATION, NOT ONLY RES AND HIGH-EFFICIENCY CHP (BOTH NATIONAL AND EECS CERTIFICATES).

▶ PREPARATION OF A DRAFT OF THE NEW IMBALANCE SETTLEMENT CALCULATION MODEL.

▶ BORZEN RELEASES THIRD SEASON OF THE ENVIRONMENTAL CARTOONS A BETTER WORLD ("LEPŠI SVET").

AFTER THE END OF THE BUSINESS YEAR 2021

▶ PUBLIC DISCUSSION OF THE RULES ON AMENDMENTS AND ADDITIONS TO THE RULES FOR THE OPERATION OF THE ELECTRICITY MARKET.

▶ PUBLIC PUBLICATION OF THE PROPOSAL FOR THE NEW IMBALANCE SETTLEMENT CALCULATION MODEL.

▶ TEMPORARY REDUCTION OF THE PART OF THE CONTRIBUTION FOR THE PROVISION OF SUPPORT FOR THE PRODUCTION OF ELECTRICITY IN HIGH-EFFICIENCY COGENERATION AND FROM RENEWABLE ENERGY SOURCES FOR THE PERIOD FROM FEBRUARY TO APRIL 2022 IN THE ESTIMATED AMOUNT OF EUR 18.7 MILLION.

2

COMPANY'S PRESENTATION



COMPANY'S
PRESENTATION

IDENTITY CARD³



GENERAL INFORMATION on 31st December 2021

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	01 620 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

REPUBLIC OF SLOVENIA

100 %

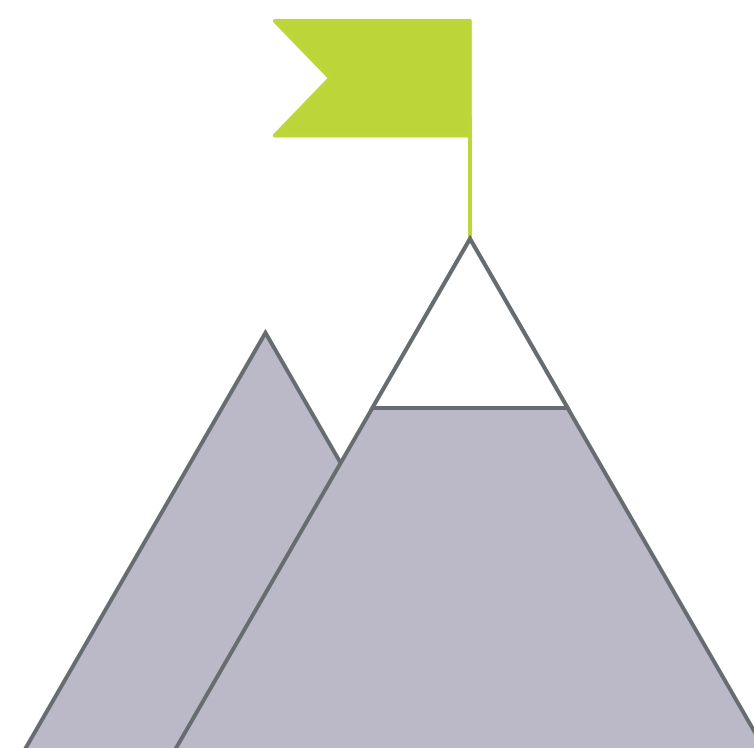
Borzen

**Subsidiary:
BSP ENERGY EXCHANGE**

50 %

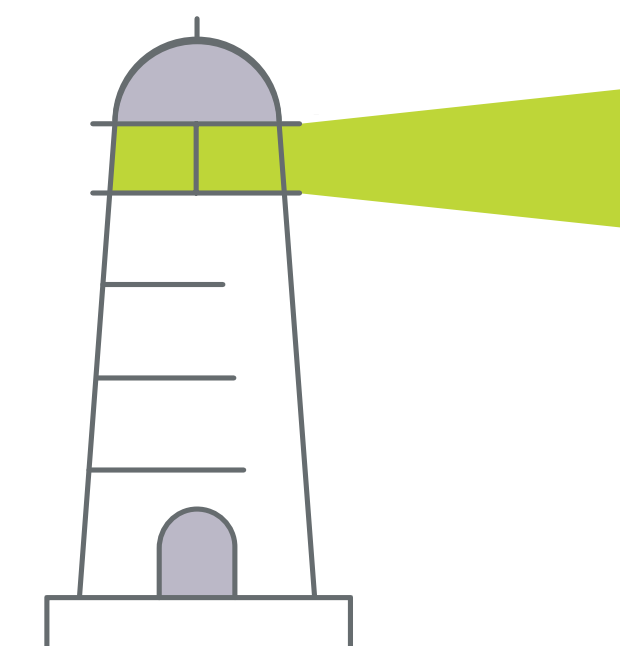
COMPANY'S
PRESENTATION

VISION AND PLANS⁴



MISSION

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

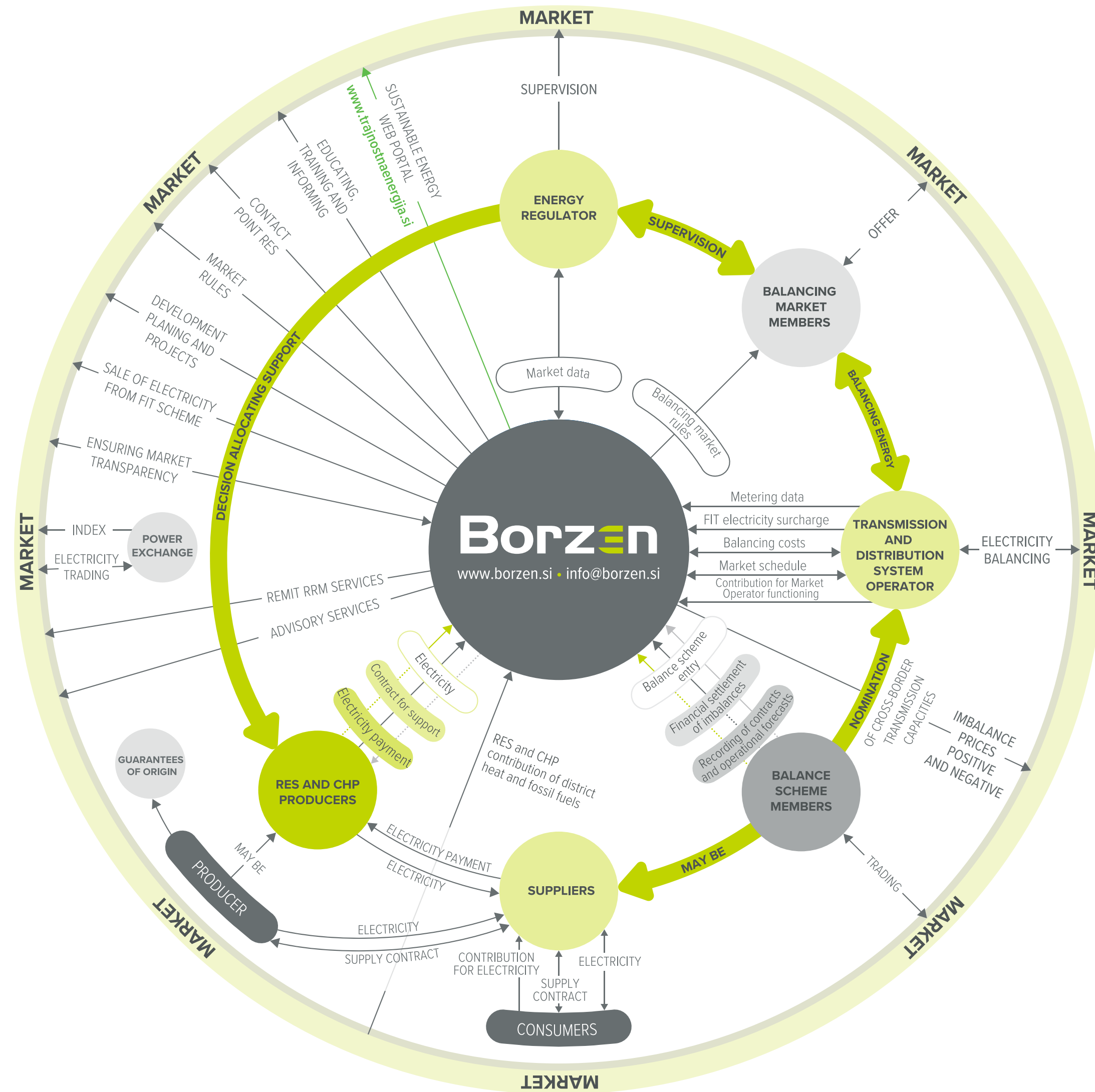


VISION

Borzen's vision is to become a key regional player in the green transformation.

COMPANY'S
PRESENTATION

BUSINESS MODEL⁵



COMPANY'S PRESENTATION

BUSINESS MODEL



Borzen, d.o.o. was founded on 28 March 2001 in accordance with the provisions of the Energy Act for the implementation of the public service obligation relating to the organisation of the electricity market. 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 organisation 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 (until these are adopted, the currently valid Rules for the implementation of the balancing market with electricity shall be applied).

In addition to the above, Borzen performs the mandatory state economic public service activity of the Centre for Support. On the basis of the eighth paragraph of Article 18 of the Act on the Promotion of the Use of Renewable Energy Sources (Official Gazette of the RS, no. 121/21 and 189/21), Borzen issues the following regulation:

- ▶ 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. Borzen is also in the phase of establishing the so-called point of contact, which will ensure the simplification, acceleration and greater coordination of administrative procedures related to investing in renewable energy sources.

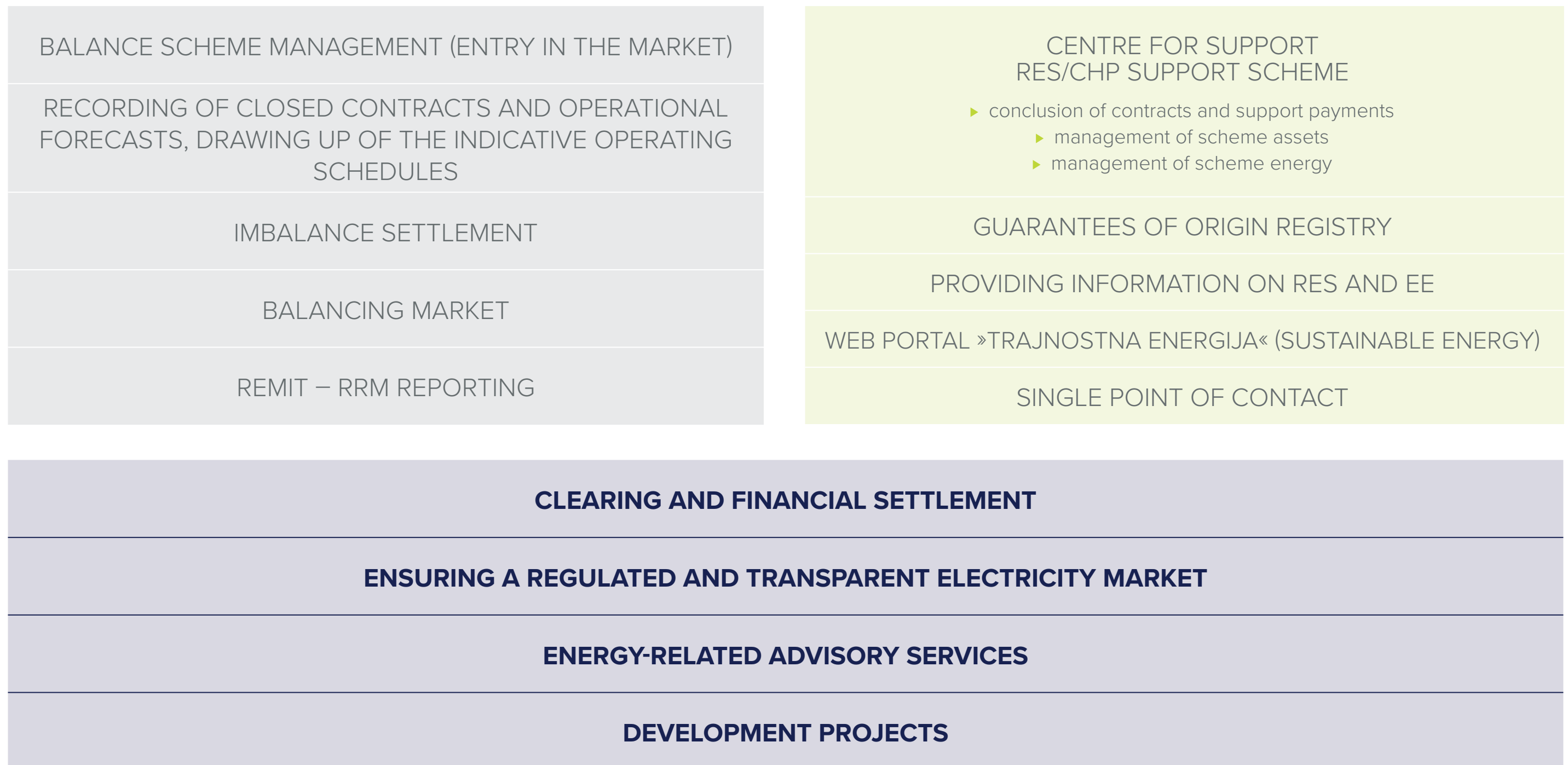
In addition to the implementation of tasks of a public service, Borzen also executes **clearing and information services for BSP Energy Exchange, RRM – REMIT reporting services and advisory services in the field of energy.**

COMPANY'S
PRESENTATION

BUSINESS MODEL



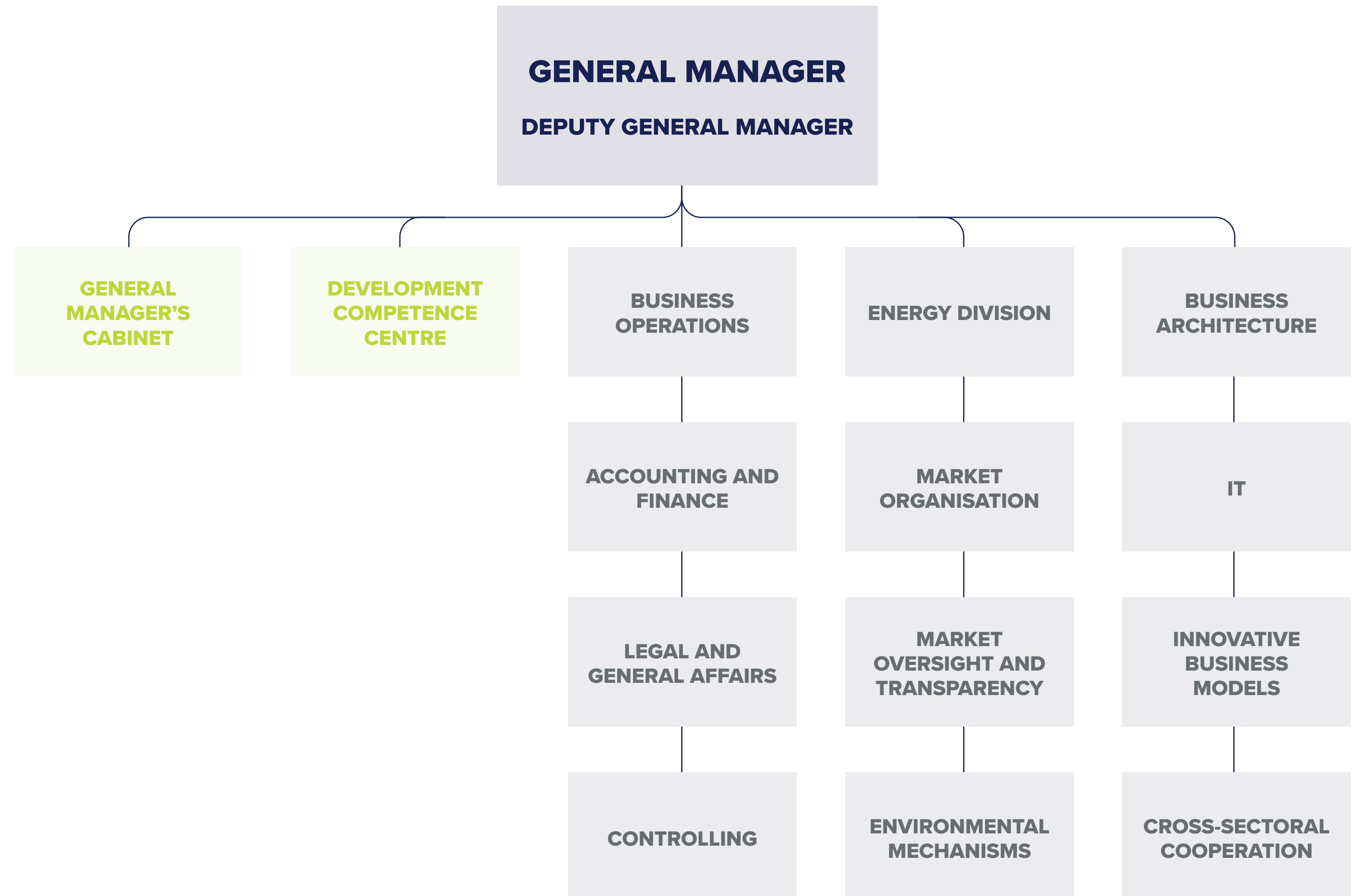
MARKET OPERATOR



COMPANY'S
PRESENTATION

ORGANISATION CHART OF THE COMPANY

Organisation chart on 31 December 2021



COMPANY'S PRESENTATION

BUSINESS STRATEGY

AND COMPANY'S PLANS



As part of the implementation of the tasks of the public utility, which were granted to Borzen through the concession contract, the company's primary goal is to ensure the coordinated operation of the electricity system in our country, organize a transparent and competitive electricity market, and promote investments in renewable energy sources and encourage efficient use of energy. By providing high-quality services on the electricity market, including the development of new services, we fulfil the tasks of public economic services and pursue and co-create the development of the energy market, especially in light of the goals set by the EU in Slovenia in the field of climate change.

One of the key documents, the realisation of which will also be supported by Borzen through the implementation of economic public services, in this area is the comprehensive national energy and climate plans of the Republic of Slovenia (NECP) until 2030 (with a view to 2040) adopted in 2020, which, among other things, define the following goals:

- ▶ Reduction of total greenhouse gas emissions by 36 %.
- ▶ At least 35 % improvement in energy efficiency.
- ▶ At least 27 % of renewable energy sources in the final energy consumption.

Borzen is explicitly mentioned in some instruments, more precisely:

- ▶ Development incentives for the decarbonisation of gas supply.
- ▶ Support scheme for promoting the production of electricity from renewable energy sources and in high-efficiency cogeneration of heat and electricity (CHP).
- ▶ Financial incentives for energy efficiency and the use of RES in residential buildings.
- ▶ Ensuring conditions for efficient market development.

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.

COMPANY'S
PRESENTATION

BUSINESS STRATEGY AND COMPANY'S PLANS



OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
ENHANCING OPERATIONAL EFFICIENCY AND PERFORMANCE	INCREASING THE QUALITY OF SERVICES AND CUSTOMER SATISFACTION	SEIZING SELECTED OPPORTUNITIES FOR GROWTH AND DEVELOPMENT
<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. 	<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. 	<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. 		

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 participant as well as supporting the environmental protection policies in EU and Slovenia. 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. Borzen's set goals and how they are achieved is described in more detail below.

With the adoption of new legislation in 2021, within the scope of ZSROVE, there have been major changes for the future operation of public service CS.

The key changes are the introduction of a contact point (assistance to investors in the administrative area of investments in renewable energy sources), the expansion of the system of certificates of origin, the introduction of investment subsidies for power plants (and combinations with battery storage systems) in the new self-supply system, the expansion of the system of subsidies for RES as well as the expansion of some existing tasks. In the field of public service MO, the new ZOEE envisages, in particular, changes in connection with the flexibility market, the calculation of the imbalance settlement, the publication of internal information for monitoring the market, and changes in the functioning of the balancing market.

COMPANY'S PRESENTATION

MATERIALITY MATRIX⁶

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

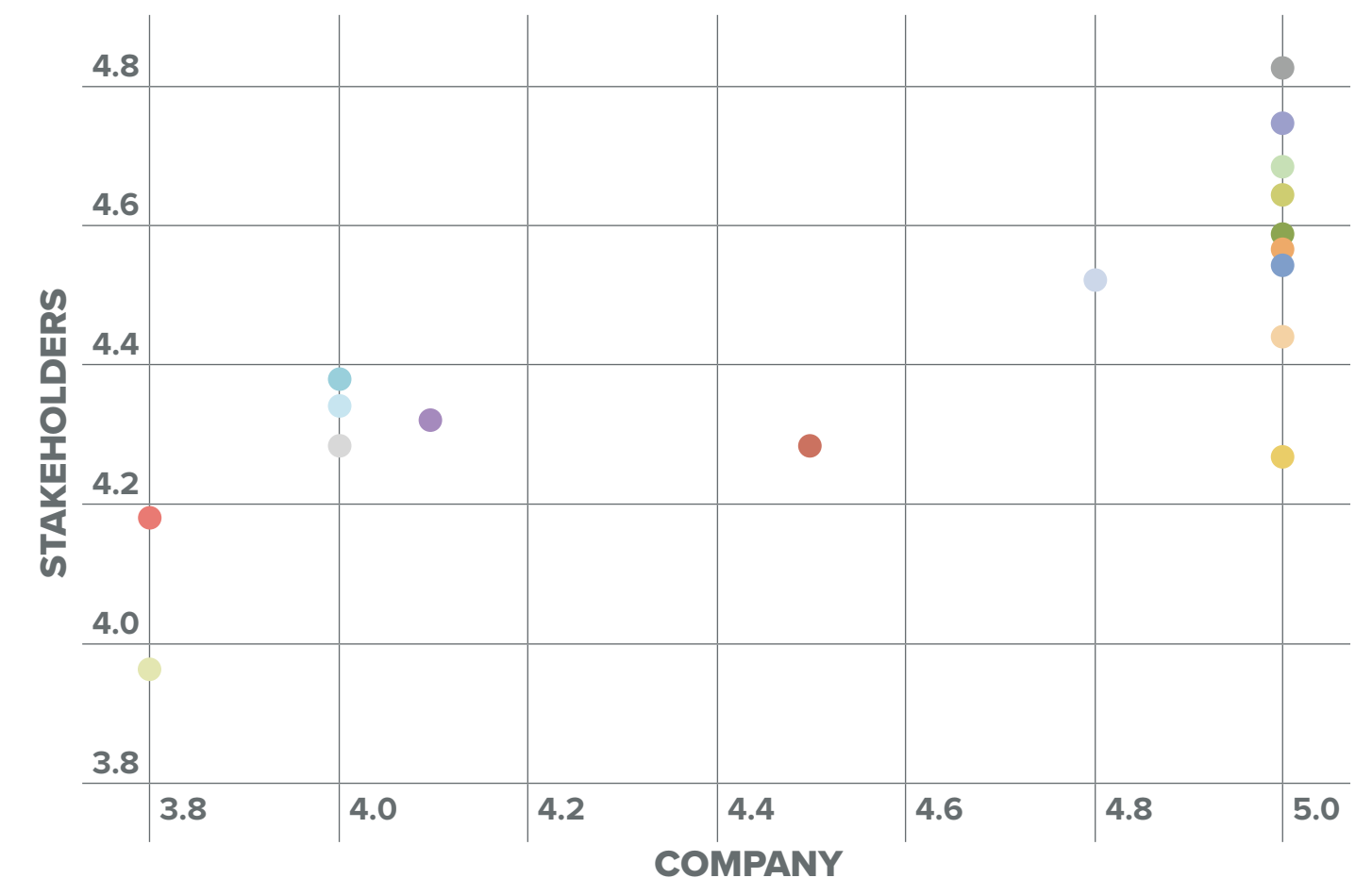
- ▶ Concern for the environment.

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.

MATERIALITY MATRIX



Materiality matrix

- Quality and timely implementation of PUS services
- Career development, training and education of employees
- Upgrade of existing collaborations
- Transparent and coordinated operations of the company
- Employee relations
- Friendly attitude towards clients
- Diversity, equal opportunities and non-discrimination
- Regular payer
- Caring for the environment
- Stability and business/financial performance of the company
- Responsible and sustainability-oriented operation of the company
- Efficient risk management system
- Reputation of the company
- Involvement of the local community
- Employee satisfaction
- Ensuring a safe working environment
- Reliability and trust in the company
- Employment and care for employees

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.

3

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE⁷

COMPANY MANAGEMENT SYSTEM



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. Workflows are established and supported by information, which include both coordination and approval at the appropriate levels, with all important documents being approved 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 fulfilment 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

CORPORATE GOVERNANCE STATEMENT⁸



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 17 March 2021. The Code is publicly accessible on the Issuer's website.

This involves the following provisions of the Code:

CODE NUMBER	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.

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.

Borzen partially complies with the following recommendations:

CODE NUMBER	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:

CODE NUMBER	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.5.1	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	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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT



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. 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 January 2020**

Conclusion of the mandate: **31 December 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT



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.

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;
- ▶ 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 Procurement Holder;
- ▶ Giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence;
- ▶ Giving consent to the General Manager for disposing of the shares or 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 BORZEN⁹:

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: **17/17**

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.**

TOMAŽ 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: **13/17**

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: **temporary director (general director) of POŠTA SLOVENIJE, d.o.o. on the basis of paragraph 2 of Article 273 of the ZGD-1, together with one member of the management, the chairman of the supervisory board of the company INTEREUROPA d.d. and member of the supervisory board of the company ŠPORTNA LOTERIJA AND IGRE NA SREČO, d.d.**

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: **17/17**

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.**

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT



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 2021, 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.

SHAREHOLDER¹⁰

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:

- ▶ Adoption of the act of establishment of the company and its amendments;
- ▶ 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;
- ▶ Giving consent of the General Manager to issue the company's guarantee to a legal entity in which the company has a controlling stake or dominant influence;
- ▶ Representing the company in court proceedings against the Supervisory Board members;
- ▶ Dissolution and reorganisation of the company;
- ▶ Other matters provided for by law and not transferred to the Supervisory Board.

The shareholder usually meets once a year at the general meeting. In the financial year 2021, two general meetings were held. The first general meeting took place on 22 July 2021, at which the shareholder adopted the Annual Report of the company for the year 2020 and decided that the imbalance settlement profit of the company in the amount of EUR 1,131,325.00, is used in such a way that the profit in the amount of EUR 250,000.00 is earmarked for payment to the shareholder, and the remaining profit in the amount of EUR 881,325.00 is allocated to other profit reserves. At the general meeting, the shareholder granted discharge to the director and members of the supervisory board for work in 2020 and accepted the text of the Act on amendments and additions to the Act on the establishment of the company Borzen, d.o.o.

At the second General Meeting on 2 December 2021, the shareholder adopted a Decision to give consent to the director of the company to conclude the framework credit agreement as a joint guarantor to the company BSP d.o.o. up to the principal amount of EUR 1,750,000.00 with any collateral obligations and to deliver blank bills to the bank to secure the obligations and to audit the company's financial statements for the financial years 2021, 2022 and 2023, the company appointed BDO Revizija, d.o.o.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT



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 2021 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 2021.

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.

The company Borzen monitors a wide range of risks in the field of information security and, with **certification according to the ISO/IEC 27001:2013 standard for information security management, ensures compliance with the General Data Protection Regulation** (Regulation (EU) 2016/679, "General Data Protection Regulation" or for short: GDPR), with the Personal Data Protection Act (Official Gazette of the RS, No. 94/07) and with the Information Security Act (Official Gazette of the RS, No. 30/18).

By confirming the Internal Rules of Borzen, the Archives of the Republic of Slovenia concluded that Borzen manages documentary and archival material in accordance with the Act on the Protection of Documentary and Archival Material and Archives (Official Gazette of the Republic of Slovenia, no. 30/06 and 51/14). The internal rules of the company define internal controls for business processes.

6. SYSTEM OF CORPORATE INTEGRITY OF THE COMPANY

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

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. Since February 2015, the Slovenian stock market has been part of the single European day-ahead stock market (SDAC) and, since November 2019, co-manager of the single European intraday stock market (SIDC). On the basis of Regulation 2015/1222 (on setting guidelines for capacity allocation and congestion management), in the last quarter of 2015, the company BSP obtained the status of Designated Operator of the Electricity Market (IOTEE) in the Republic of Slovenia in the last quarter of 2015 by decision of the Energy Agency of the Republic of Slovenia. that, in cooperation with the system operator of the transmission network, implements a single day-ahead market coupling at the borders of the

Slovenian electricity system. In December 2019, the limited status of BSP was extended for a period of four years.

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. In 2021, the volume of trading on the Slovenian stock market amounted to 9.75 TWh, and the value of the financial settlement of transactions concluded on the stock exchange was EUR 1.354 billion. BSP concluded the financial year 2021 with a net profit for the accounting period in the amount of EUR 719,000. The positive result was mainly due to additional revenues from intraday trading fees 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 2021, 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.

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 realisation 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.

The Supervisory Board held 15 regular meetings and held two correspondence meetings. Management was also present at all regular meetings, with whom the chairman of the supervisory board cooperated within the scope of his powers also during the time between regular meetings.

The Audit Committee of the Supervisory Board also continued its regular activities, which held eleven regular meetings in 2021 and acted in accordance with the adopted rules of procedure on the work of the audit committee.

The Supervisory Board dealt with matters in accordance with the applicable legislation, the Act on the establishment of the company Borzen, d.o.o. and the Rules of Procedure on the work of the Supervisory Board.

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 2021, 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

CORPORATE GOVERNANCE

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;
- ▶ Value Reporting foundation (<https://www.valuereportingfoundation.org/>) in Integrated reporting framework (<https://www.valuereportingfoundation.org/wp-content/uploads/2021/07/InternationalIntegratedReportingFramework.pdf>).



BUSINESS REPORT

4

SUMMARY OF RESULTS



SUMMARY OF RESULTS¹¹



ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2021

- ▶ To achieve satisfactory profitability.
- ▶ Ensure efficient operation through operational excellence.
- ▶ Consolidation of existing activities and taking on tasks with synergistic effects with the services provided by Borzen within the framework of the economic public service.

PLANNED OBJECTIVES FOR 2021	ACHIEVED OBJECTIVES IN 2021
<p>Cooperation in the Slovenian and international development projects in the energy market</p>	<p>Project BD4NRG – Big Data for Next Generation Energy: The project is implemented within the framework of the Horizon 2020 program. It started in January 2021, with a duration of three years. The basic purpose of the project is to review various aspects of the problem of large data ("big data") in the energy context, also through several pilot cases. For Borzen, the project is additionally important because it (also) addresses the problem of aggregators, which is one of the key elements of the upcoming change in the market model (also) due to the "Clean energy for all Europeans" package.</p> <p>The FARCROSS project – Facilitating Regional Cross-border Electricity Transmission through Innovation: The project is implemented within the Horizon 2020 program. It started in October 2019 and will last for four years. The fundamental purpose of the project is to optimize the use of physical (cross-border) electricity infrastructure with the goal of developing a solution, which includes both physical interventions and procedural changes that would increase possible power flows on the same physical infrastructure (cross-border water).</p> <p>NEDO-Flex project: The project, which started in mid-2019, addresses the problem of flexibility and sustainability of the electricity system and smart communities. Borzen's task is to study the impact of the participation of the battery storage in the automatic regulation of the frequency of the power system on the balance calculation and to upgrade aggregation-trading platform. The aim of the project is to develop a control system of the battery storage of electricity, advanced algorithms of the WAMS (Wide Area Management System (and Control)), new modules to the regional energy management system, an information platform and an upgraded platform for market flexibility, which will enable sustainable development, more reliable supply of electricity in emergency situations, efficient use of energy, multifunctional use of equipment and maximum inclusion of customers in the electricity markets.</p>
<p>Development of services of the Centre for Support</p>	<p>In order to follow the digitalisation 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 1,650 registered users, and on average more than 2,000 invoices are issued through the portal on a monthly basis.</p>
<p>Development of energy efficient services</p>	<p>The European Green Deal is a commitment of all EU members, within the framework of which it is also necessary to achieve an increase in the share of RES in final energy consumption and a reduction in energy consumption in all material flows, which is also a national goal in the NECP. The development activities in 2021 thus took place in the direction of identifying the centre's needs for support and identifying green, digital and fair transition trends, which are not yet binding for Borzen, but will be in the future. Thus, there were activities for the development of competences and the design of projects with various stakeholders to promote RES investments.</p>

SUMMARY OF RESULTS



PLANNED OBJECTIVES FOR 2021	ACHIEVED OBJECTIVES IN 2021
Development of a single point of contact for RES investments	Within the ZSROVE, the Centre for Support is entrusted with the task of establishing a contact point that will accelerate the transition to sustainable energy production and will be in charge of simplifying, speeding up and greater coordination of administrative procedures related to investing in RES.
Stakeholder satisfaction	Analysing 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.
Optimisation of business processes and quality of operations	Optimisation 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 imbalance settlement 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.
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. In 2021, the carbon footprint increased compared to the previous year, as business trips increased in the months when the epidemiological picture was more favourable. Still, the carbon footprint in 2021 was much lower compared to the years before the 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 also focused to the integration of a large part of new employees in our company.
Achieving planned profitability	In 2021, the company achieved higher profitability indicators than planned due to a higher realized profit, which is the result of the optimisation of business expenses, especially the costs of materials and services. Return on equity (ROE) is up 3 percentage points, while return on assets (ROA) is up 0.05 percentage points. The higher profit does not affect ROA to a large extent, because the company's assets also include the assets of the support Centre and the imbalance settlement, which the company manages.

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THE IMPACT OF THE ECONOMIC, LEGISLATIVE AND OTHER CIRCUMSTANCES ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2021



THE IMPACT OF THE ECONOMIC, LEGISLATIVE AND OTHER CIRCUMSTANCES ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2021

The year 2021 was, similarly to the year 2020, marked by the global COVID-19 pandemic. Borzen constantly kept adapting to measures and restrictions and adopted a number of its own measures 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.

As a result of the restrictive measures, both the Slovenian and the EU and foreign economies sharply reduced their growth rates in 2020 or even went into recession. The impact on the energy sector was significantly smaller than on other segments of the economy, and the same applies to the Stock Exchange. In 2021, the trend completely reversed, and this especially applies to energy markets, where in the second half of the year there was an extreme increase in prices, conditioned by several factors, among which, according to ACER's analysis, the gas market was key. As already mentioned, all of Borzen's tasks were carried out smoothly, albeit in partially adapted circumstances.

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. Slovenia did not reach the final goal of 25 percent of RES in gross final use by 2020, the shortfall was replaced by the so-called "statistical transfer", contractually agreed between the Republic of Slovenia and the Czech Republic.

The environment in Slovenia as well as in Europe tends to move in the direction of greater integration and "deepening" of markets. Borzen follows this trend by participating in European projects and associations (mainly in the European Association of Exchanges and Energy Market Operators EuroPEX) and in the direction of greater use and emphasis on renewable resources and efficient use of energy. In general, however, market concentration continues.

In the course of 2021, the process of transferring the legislative EU package "Clean energy for all Europeans" into the Slovenian legal system continued, in which we also actively participated on Borzen. Among other things, the Electricity Supply Act (ZOEE) and the Act on the Promotion of the Use of Renewable Energy Sources (ZSROVE) were adopted and implemented. We made several suggestions and comments for both. Within the framework of the aforementioned laws, Borzen was entrusted with additional tasks.

Our efforts continue to be focused on the implementation of activities that ensure the transparency of the electricity market, including by preparing rules for individual segments of the energy market, providing a reporting service in accordance with the Regulation on the integrity and transparency of the wholesale energy market, promoting the flow of data exchange on the market and not finally, with the timely and complete publication of data, reports and other information. In addition, we are active in the area of promoting investments and the use of renewable energy sources and the efficient use of energy. Climate issues, trends and commitments, such as the European Green Deal and the Just Transition Mechanism, are aimed at creating a carbon-free society. The European Green Deal recognized the energy sector as one of the key generators of the new green investment cycle. In order to achieve the goals, the energy sector will have to provide the conditions for access to long-term, sustainable energy, and it also depends on other sectors (energy consumption in all material flows). Understanding this dynamic is the basis for thinking about the so-called A green and fair transition, where the key measures from the point of view of energy use are the efficient use of energy and an increase in the share of production from renewable sources.

6

PRODUCTION CAPITAL

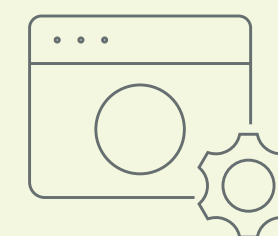


PRODUCTION CAPITAL



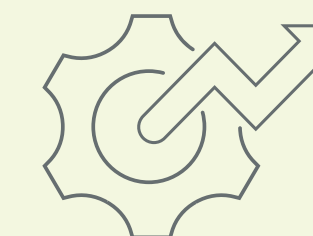
EUR 2.14 MILLION

The value of tangible assets



EUR 382 THOUSANDS

Value of intangible assets (software)



EUR 348 THOUSANDS

Depreciation

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 156 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 imbalance settlement, 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.

In 2021, due to the increase in the number of employees, as a reflection of the additional tasks entrusted by the legislator, we purchased additional business premises at Dunajska cesta 156 in Ljubljana.

INFORMATION INFRASTRUCTURE

Ensuring the continuous operation of our company is one of the important elements of the stable operation of the electric power system. By following technological development 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, we perform the tasks of the commercial public service.

In order to ensure greater security of access to business premises, we updated access control, which includes the purchase of new card readers and new controllers for logging access.

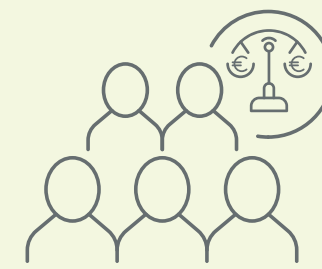
For the new business premises, we established a new communication cabinet and associated equipment, which includes a network switch, an alarm system and a video surveillance system. For uninterrupted operations even in cases of power outages, a UPS system for continuous operation was also purchased for the new business premises.

7

SOCIAL CAPITAL



SOCIAL CAPITAL¹²



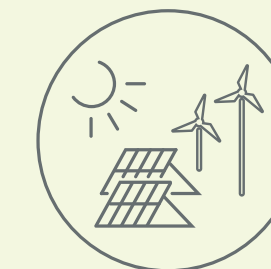
62

Number of members in the balance scheme



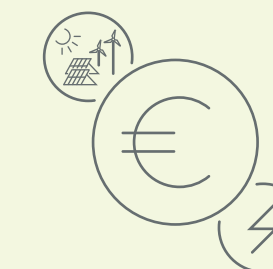
105,920

The number of recorded closed contracts and operating forecasts



3,811

Number of devices in the support scheme



EUR 128.1 MILLION

Payments for electricity produced by power plants in the support scheme



82.8 TWh

Electricity quantities from registered closed contracts and operating forecasts



973.2 GWh

The amount of electricity produced by devices included in the support scheme

SOCIAL
CAPITAL

STAKEHOLDER MAP



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.



SOCIAL CAPITAL

RELATIONSHIP WITH THE MARKET¹³



As part of the market operator's activities, Borzen enables its partners to actively operate in the electricity market. As part of the imbalance settlement 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 imbalance settlement, 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.

Centre for Support, as the operational contractor of one of the most important environmental instruments - RES / 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 the 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.

In 2021, with the adoption of the Act on the Promotion of the Use of Renewable Energy Sources, the Centre for Support gained an even greater role as an operational contractor. One of the key tasks is the establishment of a contact point that will enable investors to speed up the procedures for obtaining a use permit. With this role, Borzen took an even more active approach to the implementation of legislation and directives and expanded cooperation with various actors who, together with Borzen, will contribute to the goal of NECP and the European Green Deal.

Development activities in the direction of meeting the goals of the European Green Deal through the implementation of a green, digital and fair transition require the involvement of new stakeholders. As a key generator of the new green investment cycle, the energy sector also depends on energy management in all material flows, which also includes other sectors with which Borzen has begun to connect.

REMIT strives to increase transparency in wholesale energy markets and promote their integrity by establishing a supervisory system to prevent abuses and introduce a ban on market abuses. This promotes open and fair competition and protects energy consumers by ensuring that prices reflect the fair and competitive interplay of supply and demand and that no profit can be made from market abuse. The added value of REMIT is evident in the environment of high prices and stressful market situations, such as we have witnessed in the last year. These open up opportunities and increase the chances of increasing profits in case of abuse. Borzen is also an important building block of REMIT. With its RRM - REMIT activity, Borzen, as the only one in Slovenia and Croatia, offers its service to all market participants who need this service to fulfil their legal reporting obligations. We offer the RRM - REMIT service both to members of the balance scheme and to BSP members. 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 framework of the electricity market and we have successfully transferred it to the area of the gas market.

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.

SOCIAL
CAPITAL

RELATIONSHIP
WITH THE MARKET

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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. Those in charge of balancing groups must daily forecast the production and consumption of their balancing group for the day in advance, as well as the purchase or sale of electricity through closed contracts. They must strive to ensure that the entire operating forecast of the balance group in each billing interval is the same as the market plan of the balance group, i.e. that the forecasted consumption is covered by the purchase and the forecasted production is covered by the sale of electricity. In case of changes in the reported quantities of closed

contracts and operating forecasts, which can be reported due to trading during the day ("intra-day" trading), a correction to the timetable is also prepared. 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. The accuracy of forecasting is important above all from the point of view of the reliability of the electric power system, and it is encouraged by the appropriate methodology of balance accounting, which encourages those responsible for the balance groups to forecast as accurately as possible. In the balance calculation process, a comparison is made between the market plan and their actual realisation, which results in the payment of imbalances from the market plan and realisation.

RECORDED CLOSED CONTRACTS AND OPERATING FORECASTS

In 2021, a total of 105.920 closed contracts and operational forecasts were recorded in the total amount of 82.797 GWh. Compared to the previous year, the number of recorded closed contracts and operating forecasts in the same period was higher by 5.1 percent, and the total amount of energy was higher by 0.7 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 2021

MONTH	CLOSED CONTRACTS (in MWh)	OPERATING FORECASTS (in MWh)	NUMBER OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS
January	4,904,704.246	2,609,346.196	8,379
February	4,562,278.399	2,332,748.053	7,915
March	4,491,056.447	2,417,020.609	8,988
April	4,913,801.798	1,763,020.503	8,682
May	4,295,094.275	2,366,358.531	8,803
June	3,786,479.412	2,264,473.037	8,556
July	4,529,468.484	2,197,752.285	9,186
August	4,084,882.773	2,313,658.333	9,075
September	4,549,036.929	2,063,527.451	8,936
October	4,873,446.015	2,255,361.198	9,404
November	4,654,534.807	2,379,441.384	8,977
December	5,743,279.842	2,446,328.703	9,019
TOTAL	55,388,063.425	27,409,036.281	105,920

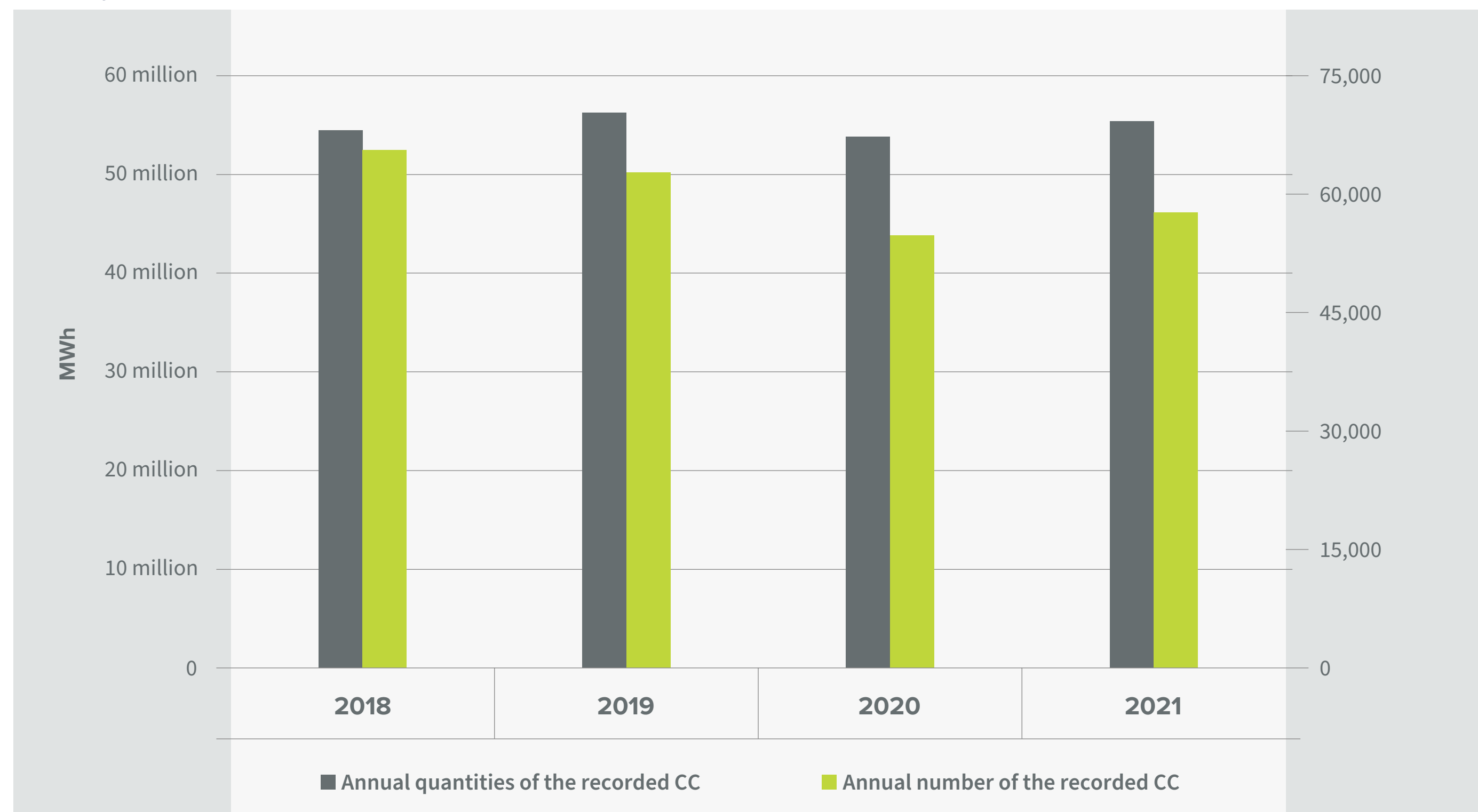
In 2021, we are recording an increase in the value of recorded quantities of closed contracts, which is 3 percent higher compared to the previous year and amounts to 55,388 GWh. The same applies to the number of registered closed contracts, where we recorded an even greater increase, namely the number increased by 5.2 percent and amounted to 57,654 contracts. The quantities of recorded closed contracts increased due to trading within Slovenia or closed contracts concluded between members of the balance scheme, while the amount of closed contracts at the borders of the regulatory area remained at a similar level compared to 2020. The amount of recorded operating forecasts increased compared to decreased by 3.4 percent in 2020 and amounted to 27,409 GWh. The forecasted production fell by just under 9 percent, while the forecasted consumption increased by just under 3 percent.

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Yearly 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 2018 to 2021



As presented in the image above, the quantities of registered closed contracts vary from year to year, and in the number of recorded closed contracts, after three consecutive years of decline, in 2021 we are recording an increase of 5.2 percent. In the period between 2018 and 2021, there was a total increase of 1.7 % in the amount of registered electricity in closed contracts, while the number of registered closed contracts on the market in Slovenia decreased by 12 %. 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 74 to 62 members from 2018 to 2021. 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 (the 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.

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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

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
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 %
2021	55,388,063	2.9 %	57,654	5.2 %

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 2021, this amount amounted to 21,254 GWh and was 4.6 percent lower than in 2020, when it amounted to 22,285 GWh.

CHANGE IN CONCENTRATION ON THE WHOLESALE MARKET

In the previous chapter, we analysed the total quantity and number of registered closed contracts in 2021. 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 2018 to 2020, from 2,359 in 2018 to 3,155 in 2020, and then decreased 2021 to a similar level as in 2019.

The values of the HHI index have been very high in recent years and indicate high market concentration. If we were to look at the cumulative share represented by the five largest players in the market (CR5), we would find that the share of the five largest imbalance settlement groups increased from 82.2 percent in 2018 to 95 percent in 2021. The largest increase in recent years is noticeable in 2019, when this percentage increased to 91.4, in 2020 it further increased to 92.3. A similar situation exists in the case of the CR10 index, which represents the sum of the shares of the ten largest imbalance settlement groups in recorded closed contracts. This increased from 94.1 percent in 2018 to more than 99 percent in 2021, which means that in 2021 the ten largest imbalance settlement groups recorded more than 99 percent of all amounts of closed contracts.

Herfindahl–Hirschman index and the share of the five (CR5) or ten (CR10) largest balance groups in the recorded closed contracts

YEAR	2018	2019	2020	2021
HHI	2,359	2,850	3,155 ¹⁴	2,842
CR5	82.2 %	91.4 %	92.3 %	95.0 %
CR10	94.1 %	95.9 %	98.0 %	99.1 %

¹⁴ This figure differs from the figure given in the 2020 annual report (there is a figure of 2,834) due to the subsequent correction of the calculation, which was carried out only after the date of submission of the 2020 annual report.

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TRANSMISSION OF ELECTRICITY AT THE BORDERS OF THE SLOVENIAN CONTROL AREA

In 2021, the net electricity exchange at the borders of the Slovenian control area totalled 245 GWh, meaning that there was a 1.7 percent surplus of electricity compared to the total electricity consumption. Since slightly less than 2,707 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 2021. The net imports amounted to 2,462 GWh, which represented 17.4 percent of the total electricity consumption in Slovenia. Compared to 2020, when net imports amounted to 1,045 GWh, it increased by more than 136 percent. This is mainly the result of lower recorded production and higher recorded consumption compared to 2020.

Total import and export of electricity on the borders of the Slovenian control area in 2021

MONTH	EXPORT EXCL. KNPP (in MWh)	EXPORT (in MWh)	IMPORT EXCL. KNPP (in MWh)	IMPORT (in MWh)	NET POSITION (in MWh)	NET POSITION EXCL. KNPP in MWh)
January	599,066.900	857,227.900	758,897.000	758,903.000	98,324.900	-159,830.100
February	579,998.800	813,337.800	685,361.125	685,361.125	127,976.675	-105,362.325
March	502,566.475	759,793.475	689,912.650	690,000.650	69,792.825	-187,346.175
April	512,307.525	512,497.525	914,618.300	914,633.300	-402,135.775	-402,310.775
May	552,541.675	761,442.675	561,566.925	561,590.925	199,851.750	-9,025.250
June	433,173.050	679,135.050	529,313.500	529,313.500	149,821.550	-96,140.450
July	552,694.125	803,309.125	789,863.975	789,975.975	13,333.150	-237,169.850
August	532,704.025	783,135.025	553,996.575	554,068.575	229,066.450	-21,292.550
September	526,739.475	769,774.475	833,079.850	833,191.850	-63,417.375	-306,340.375
October	598,865.250	852,354.250	919,532.175	919,685.175	-67,330.925	-320,666.925
November	586,528.350	835,131.350	837,180.675	837,180.675	-2,049.325	-250,652.325
December	714,382.525	971,810.525	1,080,499.200	1,080,499.200	-108,688.675	-366,116.675
TOTAL	6,691,568.175	9,398,949.175	9,153,821.950	9,154,403.950	244,545.225	-2,462,253.775

The export of electricity excluding electricity obtained from the Croatian part of the KNPP was 7,6 percent lower than in 2020 and amounted to 6,692 GWh, while the total imports excluding electricity intended for the needs of the Croatian part of the KNPP were higher in the same period by 10.5 percent and amounted to 9,154 GWh.

The export at the Austrian border was more than 60 percent higher than in 2020 and amounted to 1.003 GWh, while the import was lower by 19 percent and amounted to 4,234 GWh. At the Croatian border, we recorded 44 percent lower export (taking into account the production of the Croatian part of the Krško NPP) than in 2020, in the amount of 4,470 GWh. Import in the same period was higher by about 231 percent and amounted to 4,349 GWh. The total production at the KNPP was 10 percent lower than in 2020 and amounted to 5,413 GWh. Lower production is due to a regular overhaul that took place in April 2021. At the Italian border, export in 2021 were higher by more than 132 percent compared to 2020, while the amount of imported electricity in the same period amounted to 571 GWh and decreased by almost 67 percent over the previous year.

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The table below shows the data on the number of recorded closed contracts concerning the electricity import and export in 2021 by individual borders.

Recorded closed contracts by border for the export and import of electricity in 2021 [in MWh]

BORDER	AUSTRIA		ITALY		CROATIA		
	IMPORT	EXPORT	IMPORT	EXPORT	IMPORT	EXPORT	EXPORT KNPP
January	177,739.300	201,876.900	28,348.200	336,606.600	552,815.500	318,744.400	258,161.000
February	217,205.525	105,155.600	11,465.300	413,104.700	456,690.300	295,077.500	233,339.000
March	265,781.550	59,378.175	39,442.200	351,531.100	384,776.900	348,884.200	257,227.000
April	419,550.000	67,069.925	57,623.300	334,168.600	437,460.000	111,259.000	190.000
May	261,525.225	86,007.075	26,669.000	331,613.800	273,396.700	343,821.800	208,901.000
June	302,700.900	47,090.750	52,740.700	235,117.300	173,871.900	396,927.000	245,962.000
July	558,023.075	27,456.025	49,319.500	305,173.600	182,633.400	470,679.500	250,615.000
August	420,061.775	16,583.725	51,952.500	125,877.500	82,054.300	640,673.800	250,431.000
September	379,524.050	82,291.475	28,439.300	352,608.800	425,228.500	334,874.200	243,035.000
October	512,474.175	28,284.750	76,975.400	401,301.700	330,235.600	422,767.800	253,489.000
November	460,950.575	82,614.250	94,163.800	328,892.600	282,066.300	423,624.500	248,603.000
December	258,839.500	199,180.225	53,667.600	409,785.700	767,992.100	362,844.600	257,428.000
TOTAL*	4,234,375.650	1,002,988.875	570,806.800	3,925,782.000	4,349,221.500	4,470,178.300	2,707,381.000

*There may be imbalances in the totals due to rounding.

Other activities related to the process of recording closed contracts and operating forecasts

As of January 1, 2021, the Slovenian electricity market switched to a 15-minute billing interval. As part of the process of recording closed contracts and operating forecasts, Borzen adequately communicated the transition and adjusted the application and related protocols. Previously, we allowed users to test in a customized application, so there were no problems with the actual transition.

In 2021, we regularly performed simulations through the VRbck application, which is a backup application that enables the acceptance of closed contracts and operating forecasts and the preparation of output files that we send daily to the system operator (ELES). It is intended for use in the event of unforeseen events that would prevent the reporting of closed contracts and operating forecasts by members of the imbalance settlement scheme. In connection with this, a simulation of technical problems in the process of recording closed contracts and operating forecasts was successfully carried out, which also included members of the imbalance settlement.

In connection with the use of digital certificates, we unified the ordering of digital orders for all three applications (Portal MO, REMIT application and application for recording closed contracts and operating forecasts) used by our users. Registration is now possible in all applications with digital certificates issued by Borzen or with digital certificates issued by qualified issuers.

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IMBALANCE SETTLEMENT

With the transition to a 15-minute billing interval, which came into effect in 2021, it was expected that the quantitative range of imbalances of balance groups would increase. At a longer time interval, some imbalances "cancel out", and at the 15-minute level, which actually comes close to the operation of the power system in real time, it was expected that the quantitative differences between the forecast and the realisation would increase. The latter is a signal and an additional incentive for market participants to continue to strive for more and more accurate forecasting of operations.

When comparing the data for 2021 with data from previous years, when the hourly billing interval was still in effect (data from 2018 to 2020 is taken into account), we can see that the sum of positive and negative imbalances of balance groups increased in 2021 by a good 14 percent.

For the first time since the entry into force of the currently valid Rules for the Operation of the Electricity Market at the end of 2018, it happened that it was not necessary to carry out a second balance calculation in a given month. No comments were made on the first imbalance settlement for November 2021 - they are usually given due to discrepancies in data on the distribution networks - and thus the first imbalance settlement became final.

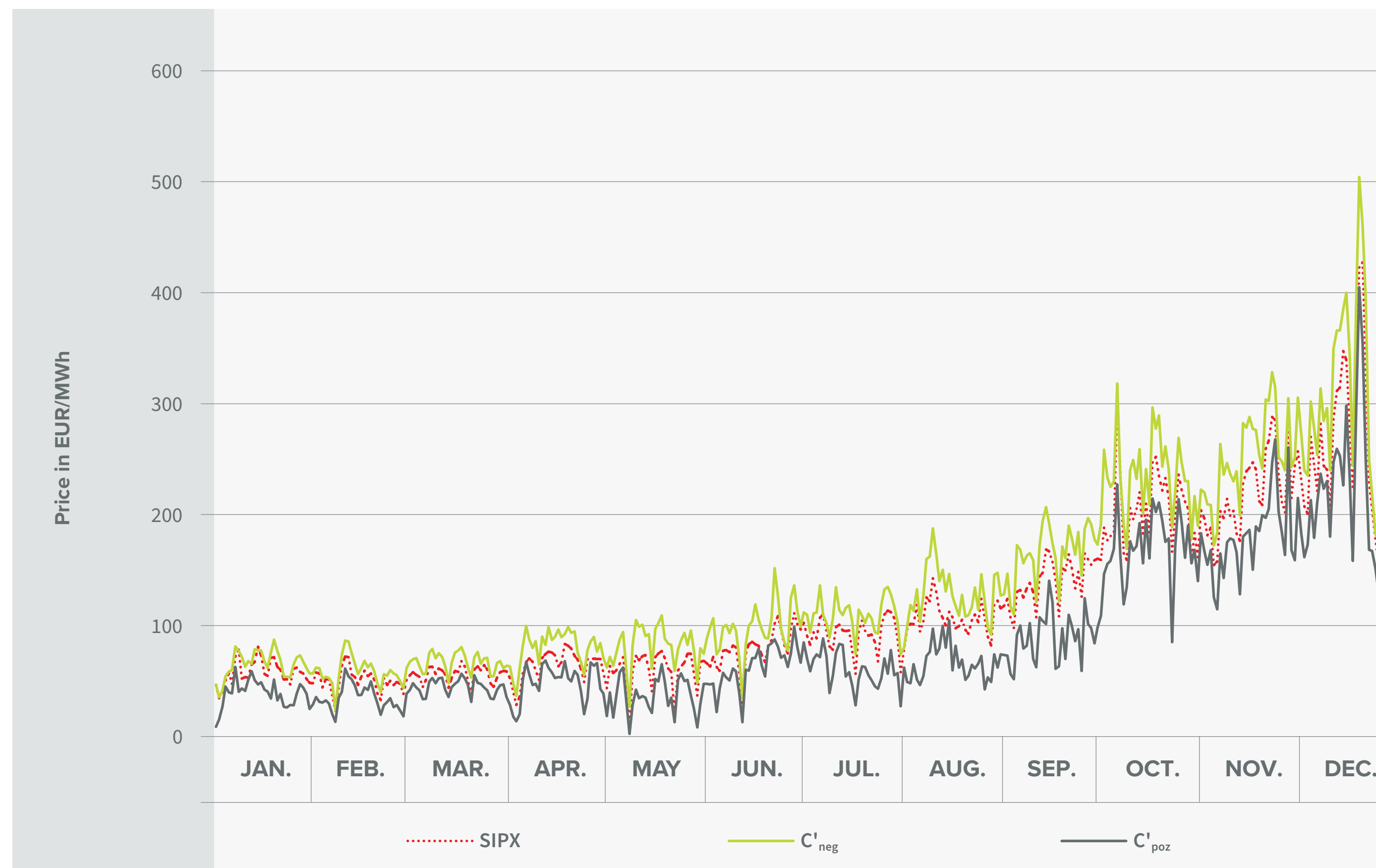
In 2021, the highest total monthly **positive** imbalances (energy surplus) of balance groups were recorded in January and amounted to **30,116** MWh. The highest total monthly **negative** imbalances (energy shortfall) of the balance groups were in the month of April, namely **30,872** MWh. The average monthly imbalances (positive and negative together) of the balance groups amounted to **40,233** MWh in 2021, which is on average 14 percent more than the monthly average in 2020.

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Average daily values of derived prices of C'neg and C'poz imbalances and the SIPX index in 2021



The diagram above shows price movements in 2021 for the positive and negative imbalances of C'neg and C'poz and the SIPX index. During this period, the average price values for negative imbalances (short position) C'poz ranged from **58.25** EUR/MWh in February to **288.42** EUR/MWh in December. Prices for positive imbalances (long position) C'poz ranged from **34.62** EUR/MWh in February to **207.75** EUR/MWh in December. As expected, the largest difference between C'poz and C'poz was recorded

in December (80.67 EUR/MWh), and the smallest in March (22.34 EUR). The average difference between C'poz and C'poz in 2021 was 48.86 EUR/MWh, while the average difference in 2020 was 17.20 EUR/MWh. It should be noted that the average SIPX monthly index in 2021 amounted to 114.60 EUR/MWh, and in 2020 it was 37.50 EUR/MWh. This extraordinary leap is, of course, the result of the i. e. energy crisis, which in the second half of 2021 covered Europe and consequently Slovenia.

The average value of the derived (corrected) price for negative imbalances C'neg in 2021 was 135.49 EUR/MWh, and for positive deviations imbalances C'pos 86.47 EUR/MWh. The highest value of the C'neg price in this period was 724.86 EUR/MWh, and 533.19 EUR/MWh of C'poz. The lowest price of C'neg in the mentioned period was -41.72 EUR/MWh, while the lowest price of C'poz was -70.94 EUR/MWh.

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The average, highest and lowest values of C'_{neg} , C'_{poz} and SIPX

	2020 (EUR/MWh)			2021 (EUR/MWh)		
	C'_{neg}	C'_{poz}	SIPX	C'_{neg}	C'_{poz}	SIPX
Average values	45,38	28,15	37,55	135,49	86,47	115,04
Highest values	271,04	170,53	172,07	724,86	533,19	533,19
Lowest values	-23,48	-122,17	-23,48	-41,72	-70,94	-66,18

SOCIAL CAPITAL

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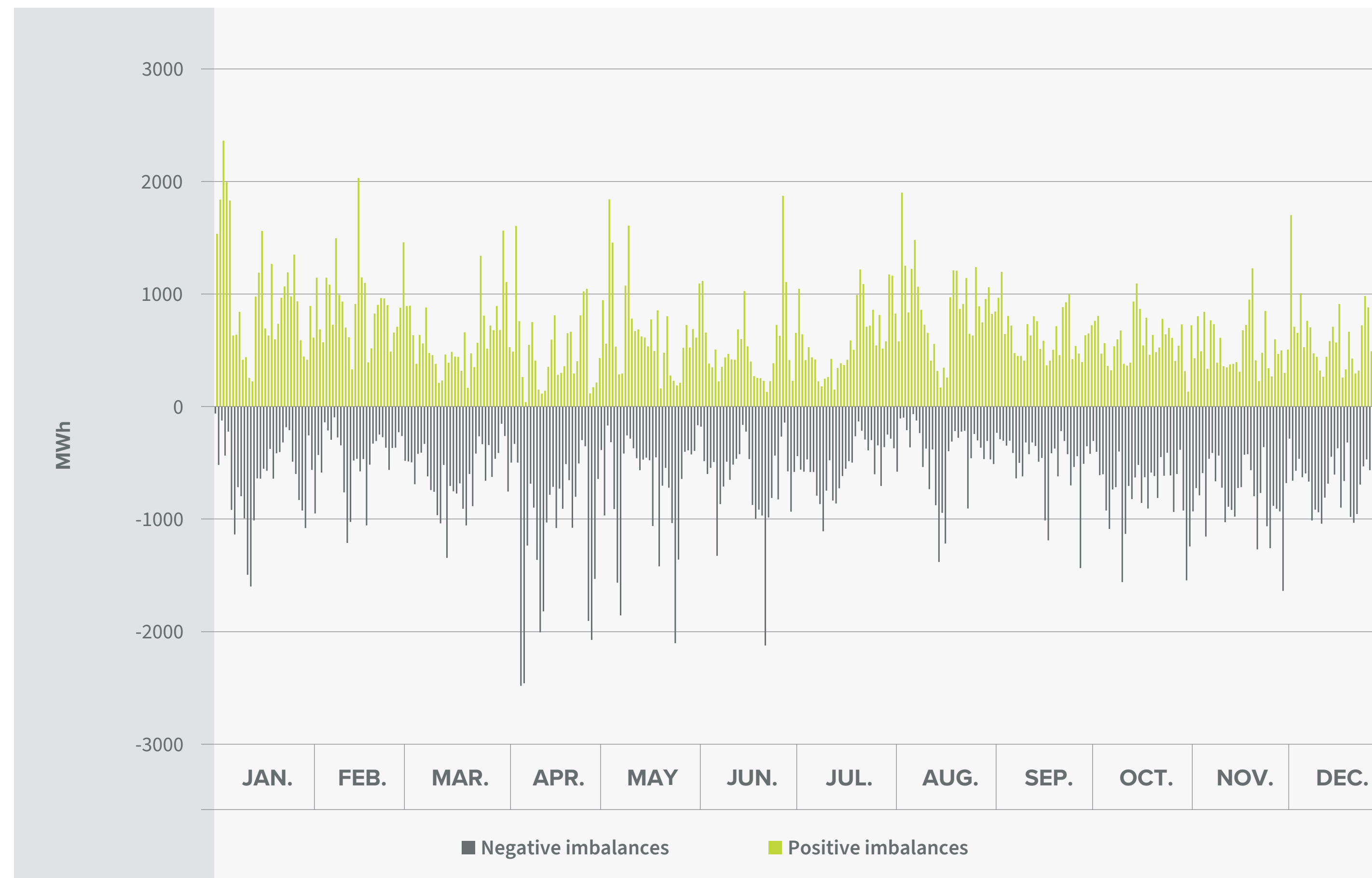
MARKET OPERATOR ACTIVITY



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 2021.

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

Average daily imbalances in the Slovenian electricity system in 2021



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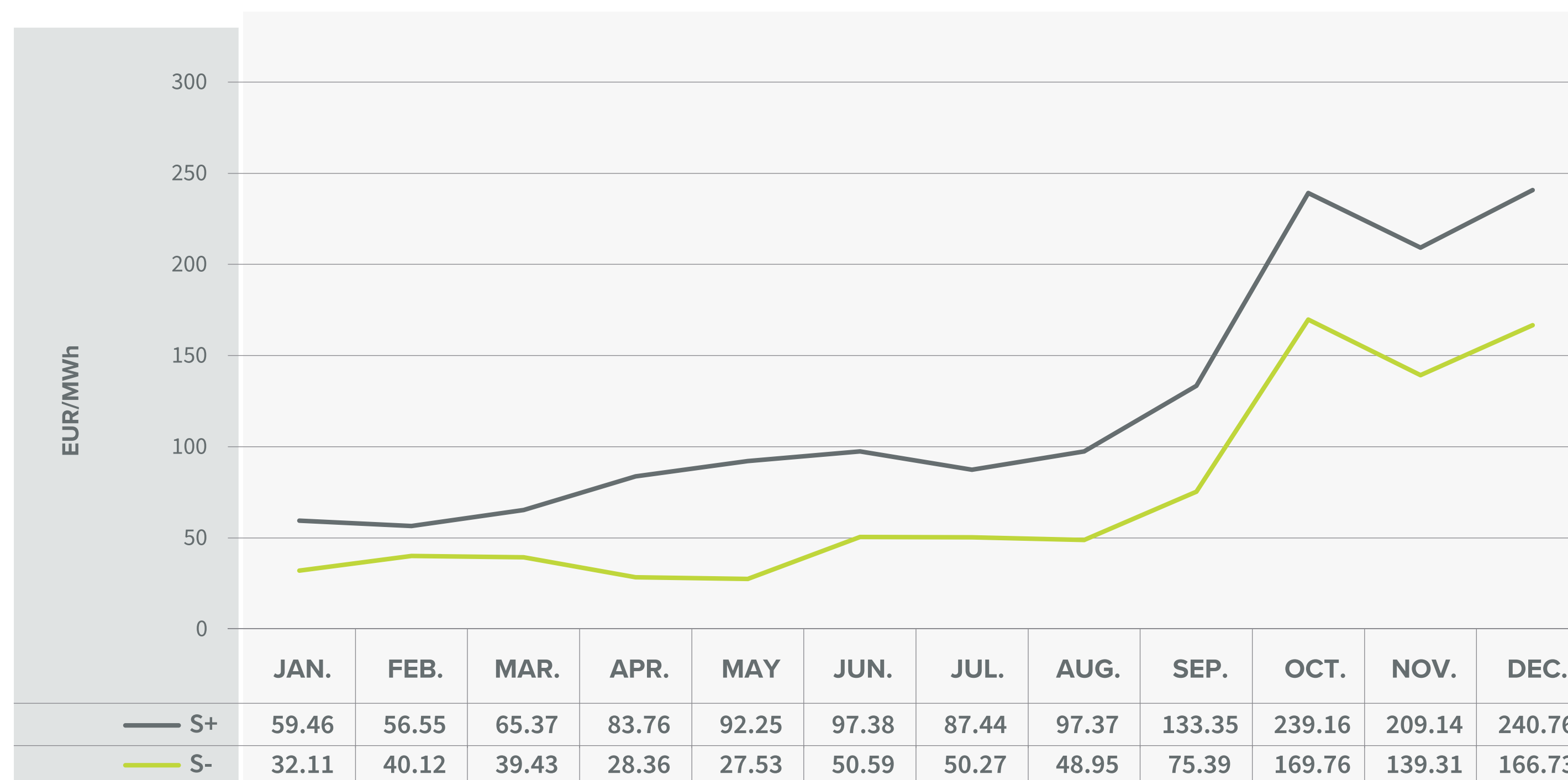
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The balancing energy for equalizing positive and negative imbalances in the electricity system of Slovenia is provided by the transmission system operator ELES. In 2021, the amount of energy used to offset negative imbalances was 243 GWh, and for compensating for positive imbalances 257 GWh. The figure below shows the average hourly prices of power system equalisation, calculated from all costs and equalisation quantities. S+ represents the prices of arranging a short position (energy purchase), and S- represents the prices of arranging a long position (energy sales). All types of regulation are taken into account in the

quantities: RVF (frequency maintenance reserve), aRPF (automatic frequency recovery reserve, before the change in terminology called "secondary regulation"), rRPF (manual frequency recovery reserve, formerly "tertiary regulation"), RR (compensation reserves, which also include the balancing market), FSkar (imbalances at the limits) 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.

Average monthly values of regulatory costs (S+ and S-) in 2021



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The movement of average balancing prices by month coincides with the movement of prices for positive and negative imbalances. The table below shows the average balancing prices by month in 2021 and the comparison with 2020. It is clear that the average balancing prices in 2021 were significantly higher than in 2020. In

2021, the relative spread between the average prices for increased the positive and negative balance very significantly compared to 2020, which is of course understandable given the drastic rise in price levels.

Average monthly values of regulatory costs (S+ and S-)

MONTH	2020		2021	
	S+ (EUR/MWh)	S- (EUR/MWh)	S+ (EUR/MWh)	S- (EUR/MWh)
January	59.11	32.33	59.46	32.11
February	44.36	26.34	56.55	40.12
March	35.25	19.95	65.37	39.43
April	24.60	16.02	83.76	28.36
May	24.67	13.42	92.25	27.53
June	32.54	18.72	97.38	50.59
July	39.78	22.14	87.44	50.27
August	41.22	21.93	97.37	48.95
September	47.86	26.35	133.35	75.39
October	41.10	19.97	239.16	169.76
November	52.14	28.19	209.14	139.31
December	55.42	31.08	240.76	166.73

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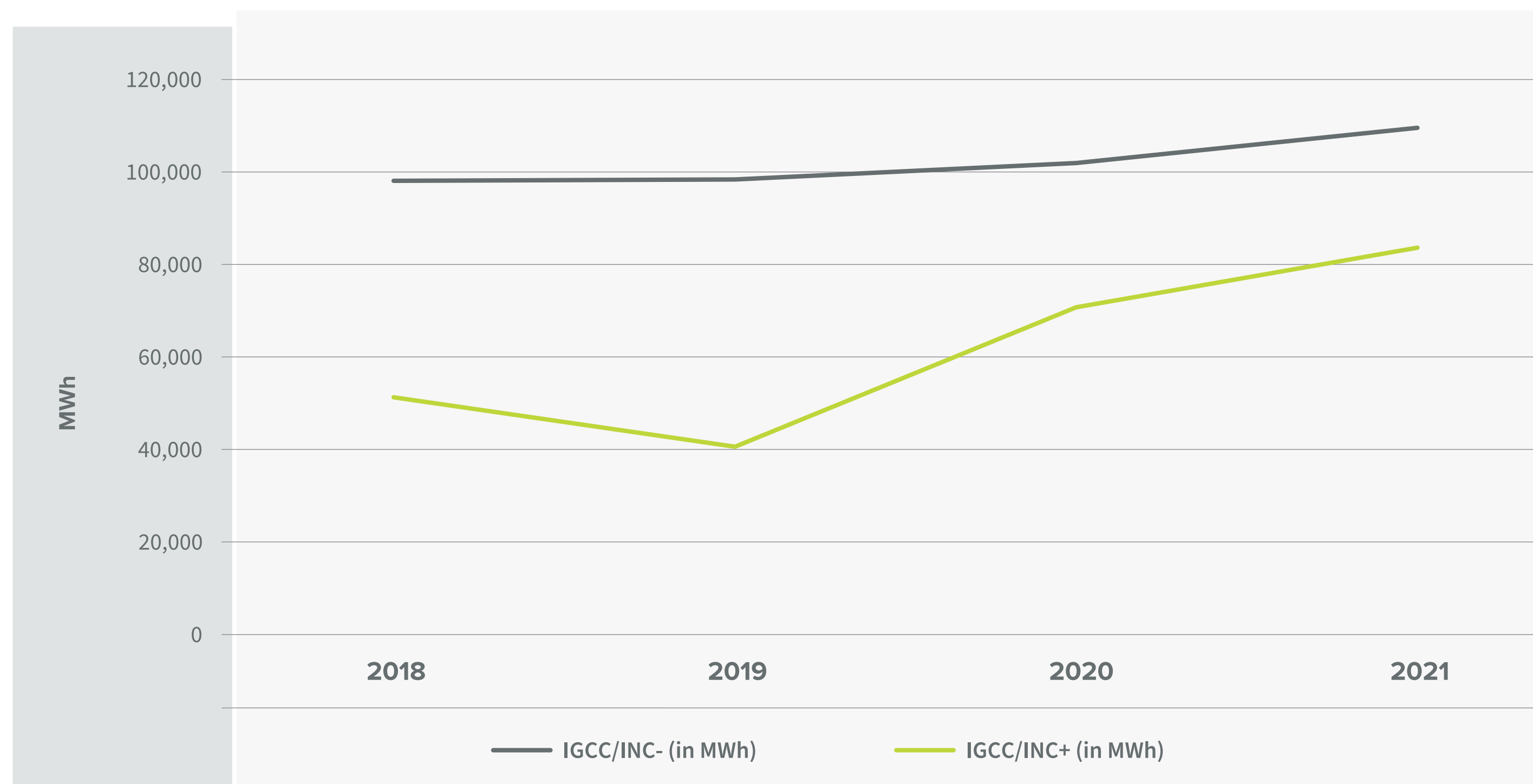
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The table below shows the amounts of IGCC+ and IGCC-. In February 2019, ELES joined the multilateral IGCC (International Grid Control Cooperation) mechanism, which replaced the previous INC (Imbalance Netting Cooperation) mechanism. The figure below shows the values of cross-border cooperation in the netting of imbalances for the period from 2018 onwards. The green graph shows the

quantities from the intervals in which there was a shortage of energy in the Slovenian power system and the IGCC/INC+ function was activated, while the second, dark blue graph represents the sum of the quantities from the intervals in which there was a surplus of energy in the Slovenian power system and the IGCC/INC- function activated.

IGCC/INC volumes from 2018 to 2021



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The following table presents a more detailed overview of the monthly data on the total positive and negative deviations/imbances of balance groups in 2020 and 2021.

Positive and negative imbalances of Slovenian imbalance settlement groups

MONTH	2020		2021	
	Negative imbalances of balance groups (MWh)	Positive imbalances of balance groups (MWh)	Negative imbalances of balance groups (MWh)	Positive imbalances of balance groups (MWh)
January	14,079	20,046	19,707	30,116
February	10,703	21,858	13,182	25,279
March	13,224	25,029	19,343	18,599
April	7,446	31,757	30,872	15,444
May	8,732	28,417	21,736	21,160
June	12,407	18,786	20,032	15,974
July	18,260	14,718	16,286	18,803
August	22,216	12,539	13,888	26,761
September	13,371	13,973	14,948	19,230
October	19,994	13,761	23,267	18,144
November	20,953	16,063	24,094	16,104
December	16,029	28,474	19,441	20,383
TOTAL	177,416	245,421	236,797	245,997

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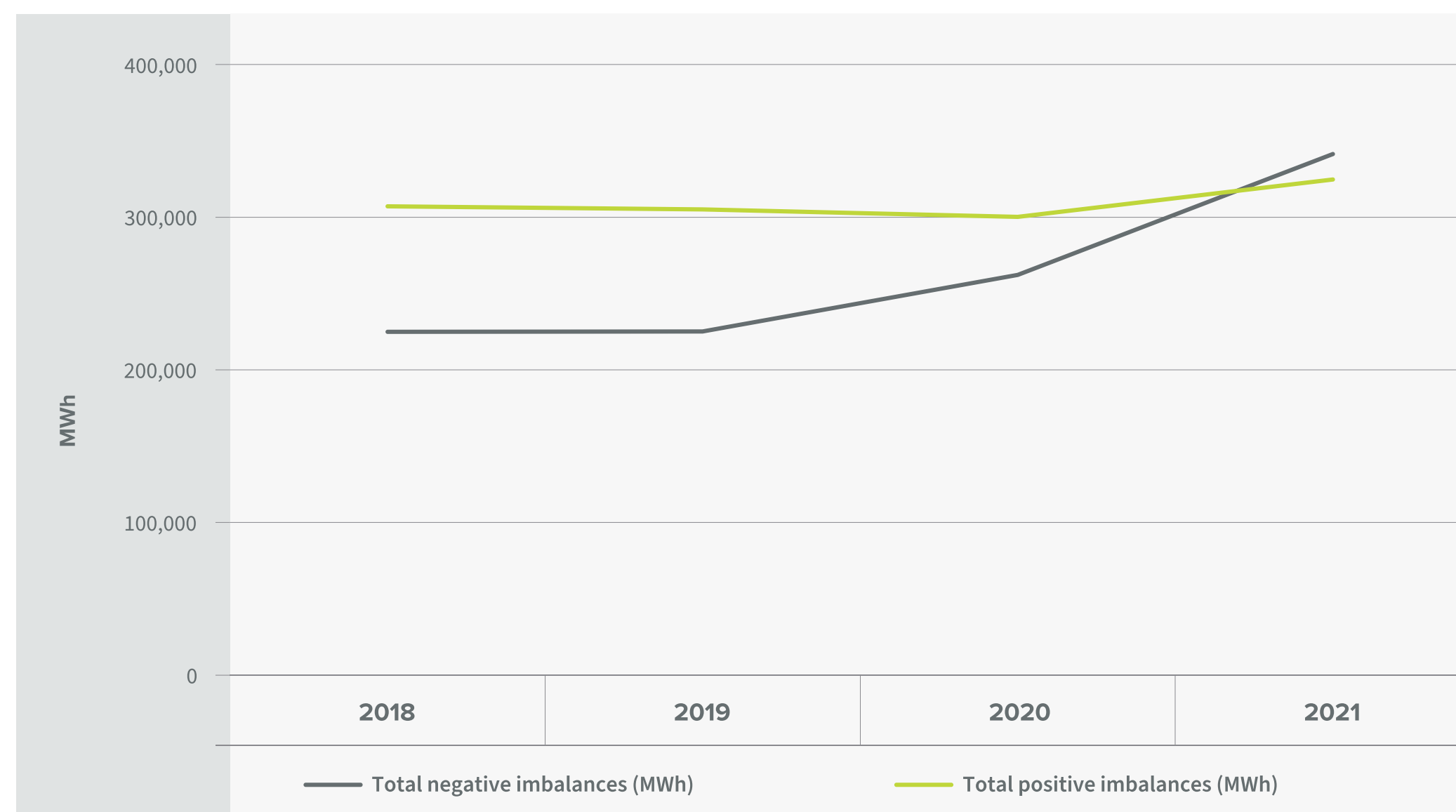
The table below shows the annual amounts of positive and negative imbalances of all balance groups, which also include imbalances at the borders of the Slovenian regulatory area from 2018 onwards.

Total positive and negative imbalances of the balance groups

YEAR	Total negative imbalances (MWh)	Total positive imbalances (MWh)
2018	224,905	306,999
2019	225,191	305,042
2020	262,243	300,190
2021	341,339	324,665

Based on the data from the table above, we can see that the sums of both positive and negative imbalances increased significantly in 2021. Positive imbalances increased by more than 24 GW, while negative imbalances increased by almost 80 GWh. The latter is the result of the previously mentioned transition to a shorter billing interval, and certainly also the uncertainty brought to it by the energy crisis at the same time as the economic recovery and the ongoing health situation related to Covid-19.

Total positive and negative imbalances



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ANNUAL RECALCULATION

Since the imbalance settlement applies the so-called analytical procedure to determine the realisation of delivery points without the execution of quarter-hour measurements, their consumption during the year is estimated in the imbalance settlement based on the remaining consumption of the distribution area. The differences generated between the quantities obtained on the basis of the analytical procedure and the quantities actually realized quantities are calculated as part of the annual calculation, which is carried out after the completion of all imbalance settlements.

In April 2021, the annual settlement for 2020 was completed. The redistribution of the differences between the balance groups was carried out on the basis of the

BILANČNA SHEMA

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. The task of the market operator is to thoroughly check new and monitor existing members of the balancing scheme. For this purpose, we have established a systematic monitoring of the members of the balance scheme, which we carry out periodically. Members' monitoring measures refer to checking financial statements, checking registers and other measures that are important from the point of view of ensuring the safety of trading by participants in the electricity market and the market as a whole. Part of the process of managing the imbalance settlement is the real-time adjustment of financial coverage, which is intertwined with the activity of balance calculation and recording of closed contracts and operating forecasts. Namely, the market operator daily monitors

identified quantitative differences (between the accounting / final quantities) and the average annual price, which is equal to the annual average of C'neg and C' pos. The latter amounted to EUR 36.77/MWh in 2020. In the annual budget for 2020, slightly more than 126 GWh of electricity was reallocated, which amounted to EUR 4.65 million (net). After the annual imbalance settlement was completed, an error was found in the data provided by one of the electricity distribution companies. The latter had a direct impact on the amount of billing for two members of the scheme. The procedure was initiated under Article 113 of the Rules for the Operation of the Electricity Market. In June, the Agency issued a decision, on the basis of which Borzen appropriately corrected the annual imbalance settlement for the members concerned.

the quantitative values of imbalances that appear when closed contracts and operational forecasts are reported, based on which he calculates the exposure of the financial settlement participant and thereby adjusts the value of the variable financial coverage for each balance group.

In 2021, the number of members of the balance scheme remained unchanged compared to 2020. Two companies joined the balance scheme in the year, one from Slovenia and the other from abroad. In the same period, one company withdrew from the balancing scheme, while the market operator terminated the balancing agreement with another company and thus lost the status of the responsible balancing group.

In the same period, two transitions were carried out, where the balance subgroups entered the second balance group and thereby maintained the status of the responsible balance subgroup in the second balance group. The three companies extended the balancing agreement and thus maintained their membership in the balancing scheme as responsible balancing subgroups.

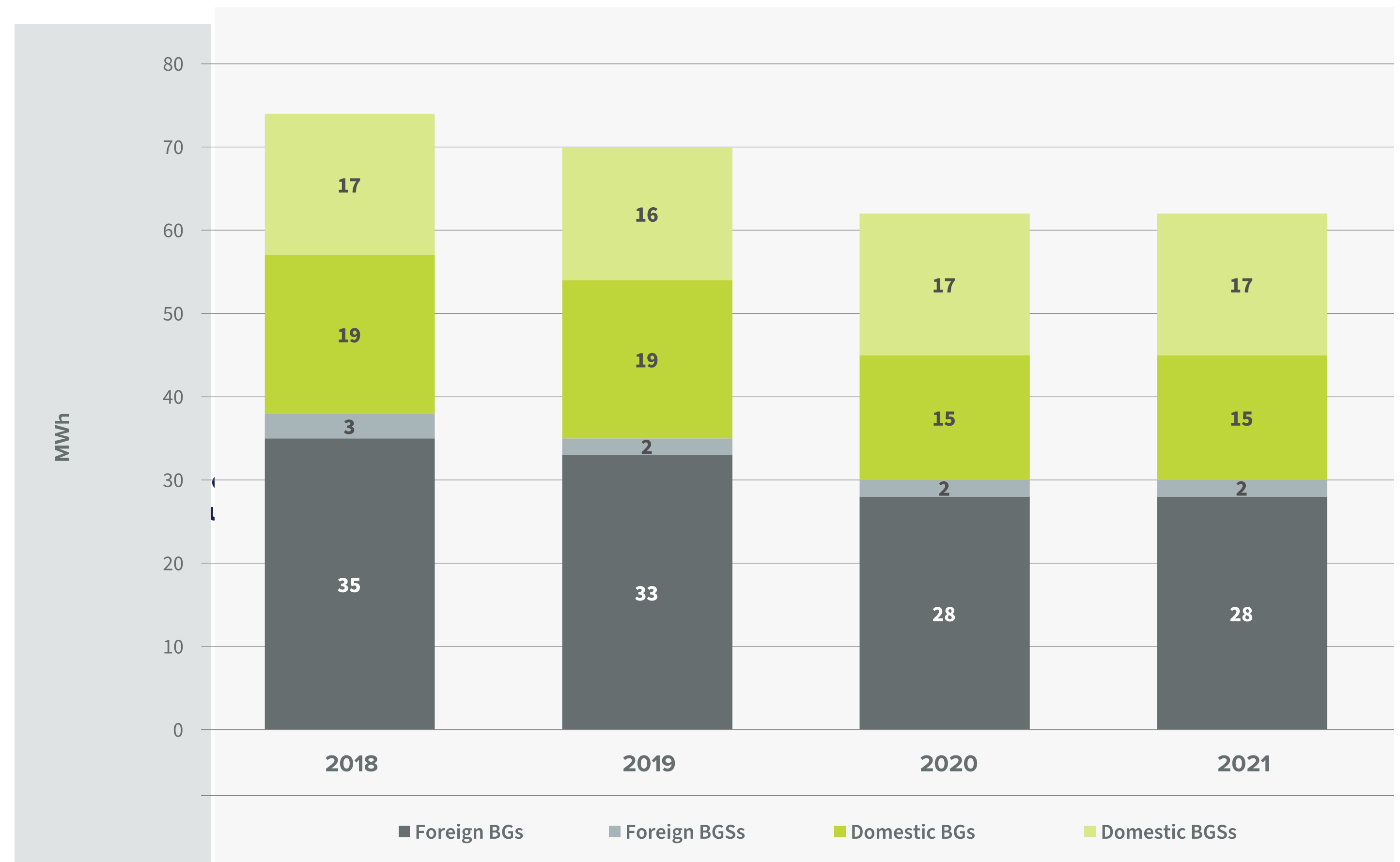
In total, as at 31 December 2021, there were 43 balance groups (15 Slovenian and 28 foreign companies) and 19 balance subgroups (17 Slovenian and 2 foreign companies) registered in the Republic of Slovenia.

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Number of foreign and domestic balance groups (BGs) and balance subgroups (BSGs) from 2018 to 2021



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The table below presents the changes in the Balance Scheme in 2021 in a chronological order.

Chronological timeline of the membership movement in the balance scheme in 2021

DATE	NAME OF THE BALANCE SCHEME MEMBER	STATUS
16 Dec.	INVOLTA d.o.o.	Exit
16 Nov.	ENOS d.d.	Entry
1 Sep.	Second Foundation a.s.	Entry
30 Mar.	RESPECT ENERGY S.A.	Exit
1 Jan.	E 3, d.o.o.	Transition from BG HSE d.o.o. to BG Petrol d.d.
1 Jan.	Borzen, d.o.o. – CP (Eco Group)	Transition from BG d.d. to BS GEN-I, d.o.o.
1 Jan.	E.ON Energija d.o.o.	Extension of the balancing agreement
1 Jan.	E.ON Ljubljana d.o.o.	Extension of the balancing agreement
1 Jan.	ADRIAPLIN d.o.o.	Extension of the balancing agreement

With the establishment of the new market operator portal in 2021, we took a step forward in terms of security and transparency and became even friendlier to our balance scheme members. The portal enables users to:

- ▶ access to data and reports related to the imbalance settlement process,
- ▶ providing comments on the imbalance settlement,
- ▶ notification of production or consumption outages,
- ▶ ordering and cancellation of digital certificates and users,
- ▶ setting various reminders,
- ▶ review of documents, financial data, etc.

The portal also has a publicly accessible section where comprehensive data on the Slovenian electricity market is available, which includes deviation prices, quantities and balancing costs, the remaining demand diagram, loss ratios in distribution areas, data on the balancing market, an overview of members of the balancing scheme, etc. Additionally, they have the option of setting reminders for the expiration of compensation contracts and the expiration of digital certificates. For all potential and existing members of the balance scheme, we have renewed the application for obtaining the status of responsible balance group and balance subgroup, which can now be filled out via an online form.

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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. The subject of the financial settlement are the imbalance settlements of each balance group in a certain period of time.

The table below presents the value data resulting from the financial settlement of the imbalance settlement for 2021, compared to the data for 2020.

Value overview of the imbalance settlement for (in EUR excl. VAT)

YEAR	2020			2021		
	Imbalance settlement	Balancing costs	Surplus	Imbalance settlement	Balancing costs	Surplus
January	338,816	-287,426	51,390	651,582	-510,175	141,407
February	74,368	84,019	158,387	315,032	-230,810	84,222
March	268,558	-195,584	72,974	846,471	-731,656	114,815
April	-175,672	234,065	58,393	2,649,239	-2,334,864	314,375
May	3,648	57,659	61,307	1,683,641	-1,561,784	121,857
June	239,041	-175,113	63,928	1,476,727	-1,317,209	159,518
July	574,055	-522,491	51,564	1,047,803	-900,659	147,144
August	875,800	-792,254	83,546	983,622	-742,790	240,832
September	465,857	-431,231	34,626	1,696,405	-1,447,222	249,183
October	778,315	-729,781	48,534	3,509,002	-3,143,071	365,931
November	974,153	-914,219	59,934	4,509,137	-4,122,766	386,371
December	952,805	-589,949	362,856	3,719,461	-2,876,542	842,919
TOTAL	5,369,744	-4,262,305	1,107,439	23,088,122	-19,919,548	3,168,574
Default interests:			72			118
Surplus of the imbalance settlement of previous years:			461,460			1,050,799
Total surplus:			1,568,971			4,219,491

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 2021, the amount of the imbalance settlement surplus totalled 3.17 million EUR. In 2021, the participants in the imbalance settlement were paid a part of the imbalance settlement surplus in the total amount of 0.52 million EUR. The total imbalance settlement surplus thus amounted to 4.22 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.

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BALANCING MARKET

The balancing electricity market is an organised form of collecting and soliciting offers for the sale and purchase of balancing energy in order to compensate for imbalances of the electricity system in a transparent and economically efficient way. In 2021, 1.955 transactions in the total amount of 43.1 GWh were concluded on the Slovenian balancing electricity market. Of this, 20,9 GWh represented the purchase of electricity and 22.2 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 38.9 GWh, as well as the largest number of transactions, namely 1.497 concluded with hourly products. In the same period, another 476 transactions with 15-minute products were concluded in total amount of 4,2 GWh.

The highest price for the purchase of balancing energy in 2021 was 600 EUR/MWh, and the lowest price for the sale of balancing energy was - 20 EUR/MWh. In addition to the system operator, six other members of the balancing market were involved in the transactions. At the end of 2021, the membership in the balancing market had 32 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. 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. In the last year, the amount of concluded deals decreased by an additional 37 percent, and the number of concluded deals by 38 percent. 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 favourable prices in the intraday trading segment.

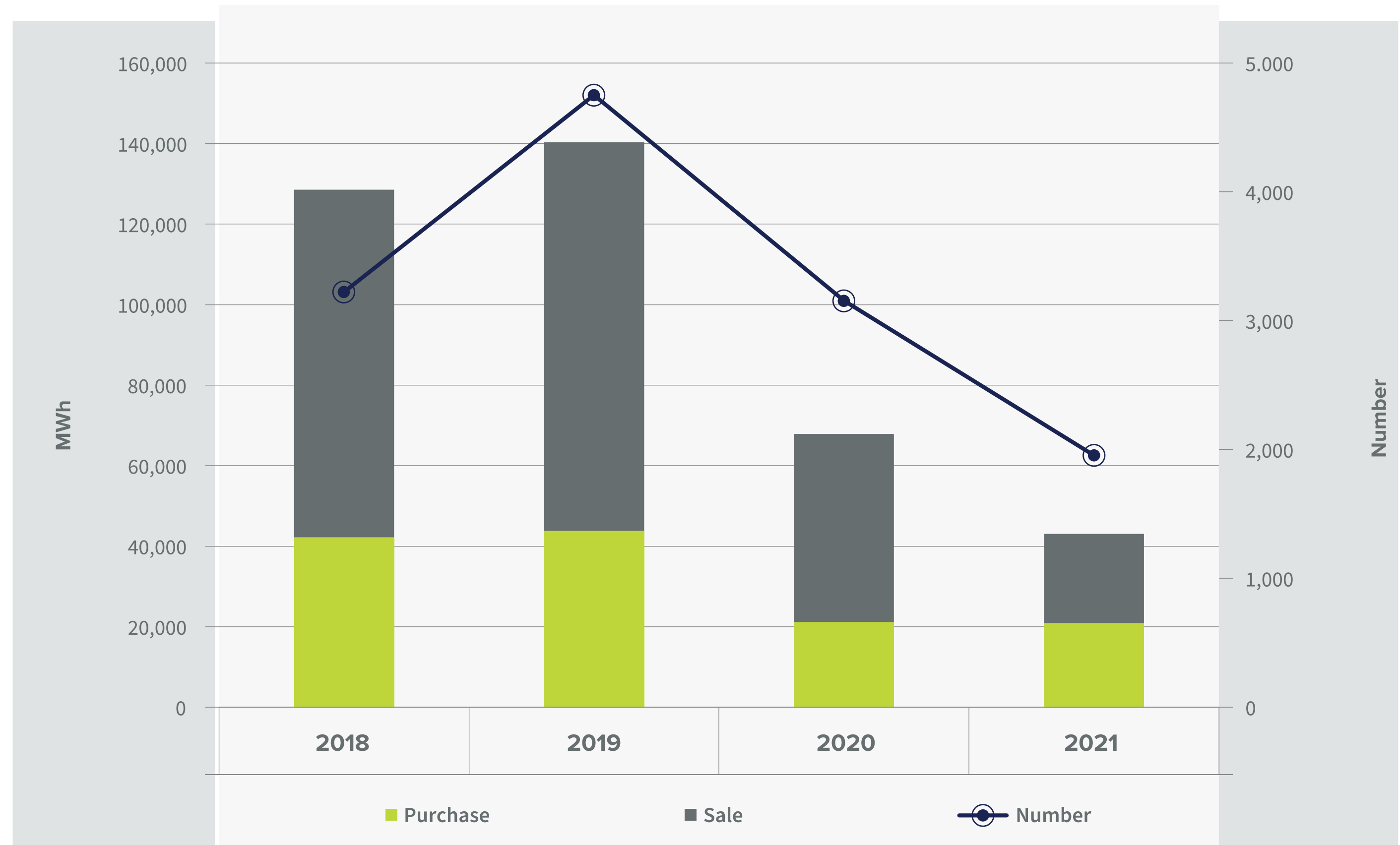
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Volume and number of concluded transactions on the electricity balancing market by year



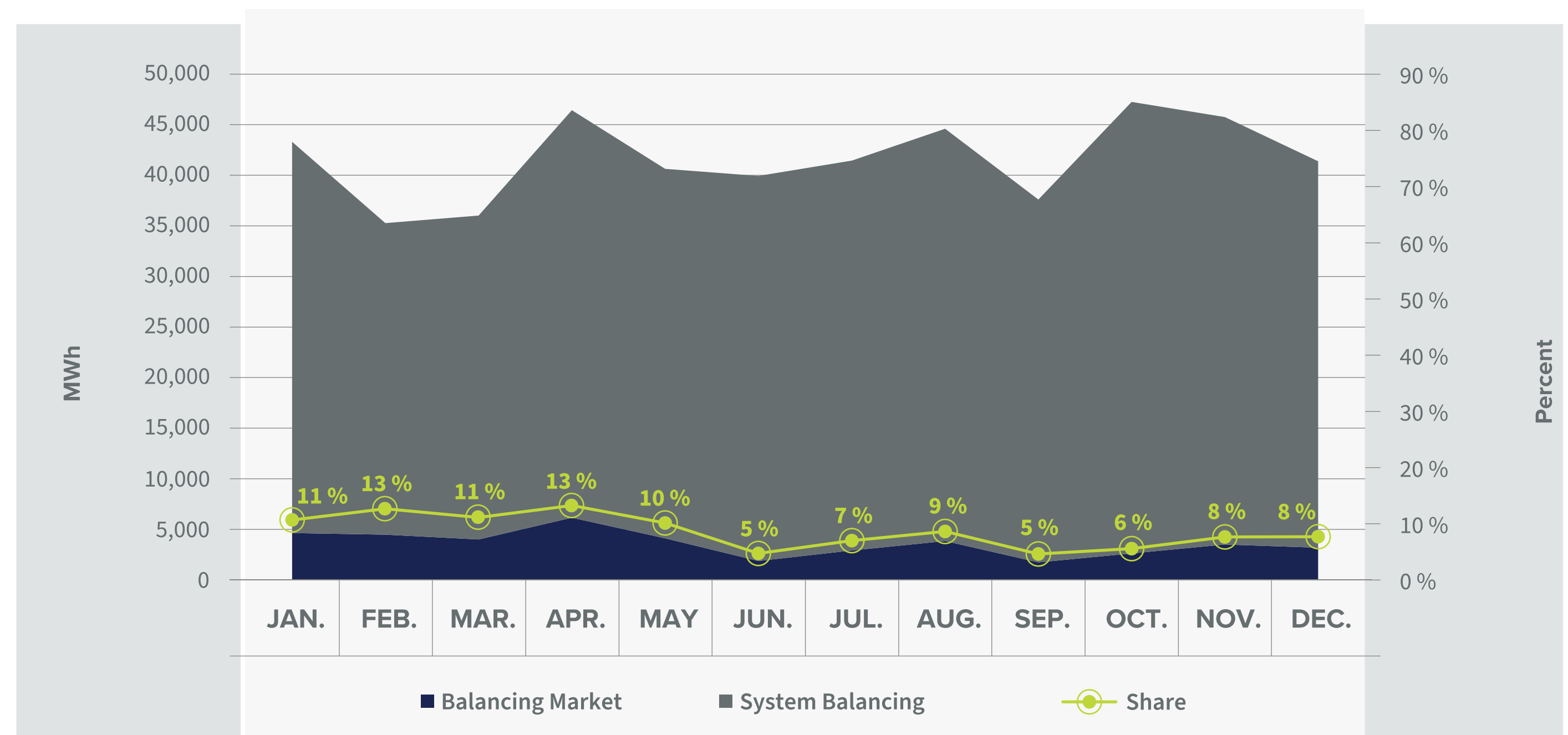
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In 2021, the electricity balancing market accounted for 8.6 percent of the total balancing of the system, which represents a 6.8 percentage lower level than in 2020, when the share of the balancing market in the total balancing of the system was 15.4 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 levelling up (purchase) in 2021 represented slightly less than 8.6 percent, and the share in levelling down (sales) was the same.

Balancing market share in the total system balancing of the Slovenian electricity system



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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, 42 GWh transactions were concluded in 2021, which represents 99 percent of the total volume of concluded transactions. There is a trend of increased business in this phase, from 63 percent in 2018 to 99 percent in 2021, 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	»Intra-day trading« phase
2018	63 %	37 %
2019	72 %	28 %
2020	98 %	2 %
2021	99 %	1 %

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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, as 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 and starting from January 1, 2021 every 15 minutes 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. In the course of 2021, the system operator highlighted that when reporting transactions on the balancing market, certain data on transactions held by the system operator should also be taken into account, but Borzen does not have direct access to that data. It was therefore agreed with the system operator that in the first quarter of 2022, the set of reporting on offers and transactions on the balancing market will be taken over by the system operator.

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 2021, 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 2021, the data were provided to the Energy Agency on a daily basis.

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Publication of additional data on the functioning of the market

With the opening of the new portal of the market operator (Portal MO), which was completed on June 15, 2021, Borzen moved all data on market operation from the corporate website to Portal MO. It publishes several sets of data on the portal for market participants, with the aim of improving or ensuring the transparency of the operation of the electricity market. The set of data, which is also determined by the Rules on the operation of the electricity market and is in practice wider than the requirements, is as follows:

- ▶ Data on the rest of the diagram (related to the distribution of unmetered customers in the imbalance settlement and relevant for new market entrants; from January 2019, the list also contains the applied loss coefficients by distribution area).
- ▶ List of suppliers (market members to whom physical take-over and delivery points belong; the only information regarding supplier status since the Energy Act abolished licenses).
- ▶ Calculated values of basic prices C_{neg} , C_{poz} , derived prices C'_{neg} and C'_{poz} and SIPX index.
- ▶ More detailed data for the imbalance settlement (total quantities and costs of equalisation of the automatic reserve for frequency restoration, separately according to the direction of equalisation; total quantities and costs of equalisation of the manual reserve for frequency restoration, separately according to the direction of equalisation; total quantities and costs of equalisation of the reserve for replacement separately according to the direction of equalisation; total quantities and costs from the participation of system operators in the coordinated equalisation of imbalances of regulatory areas; total imbalances of balance groups; possible limitation of prices according to the fifth paragraph of Article 87 of the Rules on the Operation of the Electricity Market).
- ▶ Price index of transactions concluded on the balancing market (collective index and data separated by product).
- ▶ Aggregated application of forecasts of the total amount of electricity production and consumption in the territory of the Republic of Slovenia for a day in advance (receipt by e-mail after completion of the recording process).
- ▶ Value review of the imbalance settlement, where the total value of the imbalance settlement and the total costs of balancing the system operator are displayed by month.

All datasets available are updated on a monthly basis. Due to the specifics of FSkar equalisation (changes regarding primary regulation, ramps and unintended imbalances), which came into effect in June 2021, we are publishing additional data separately in XLS format.

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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 realisation 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 (energisation before 22 September 2014). So far, nine public calls have been made, while the tenth public call is currently in the final implementation phase, as the application deadline expired on 15 February 2022.

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

In the nine completed public tenders of the Energy Agency, 472 projects were selected - the realisation of entries in the support scheme by the number of production facilities at the end of 2021 was at 24 percent - which means that about one in five projects selected in the public call also entered the support scheme, which is a low share (theoretical realisation because all devices of all completed public calls are included in the calculation, even if the planned connection of the device is mislaid until 2025). The realisation of production devices - i.e. the realized connection of devices in relation to the planned connection up to and including 2021 amounts to 32 percent, which means that every third device is connected

in the planned period according to the decision of the Energy Agency on the selection.

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.

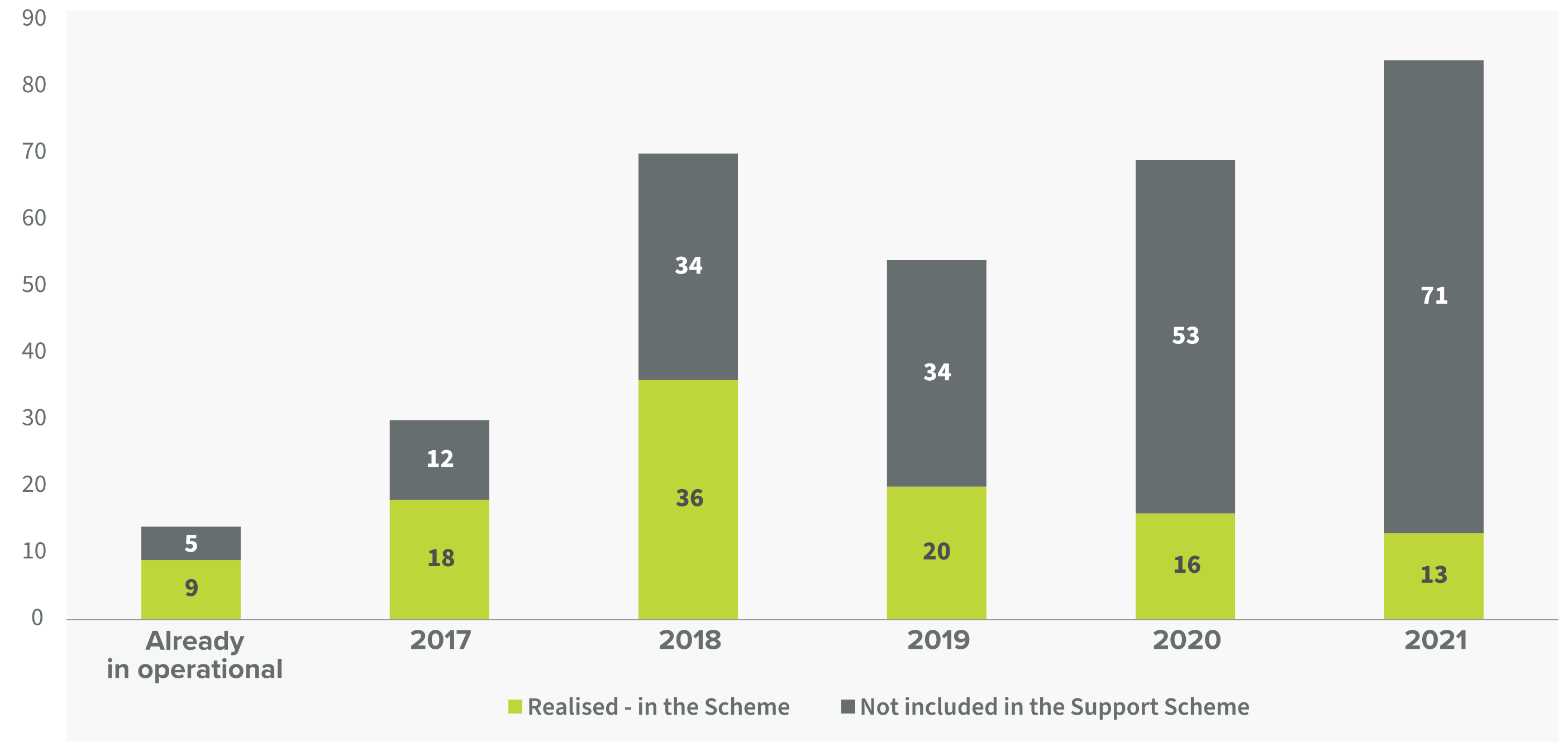
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Selected projects according to the number selected in the public calls of the Energy Agency and entered into the support scheme (review according to the expected year of connection)



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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 3,811 power plants in the support scheme with a total nominal capacity of 415 MW, which represents approximately 11,3 percent of the installed capacity in the Republic of Slovenia¹⁵.

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 support Centre under a single contract.

Power plants in the support system¹⁶

TYPE OF POWER PLANT	POWER IN kW	NUMBER
Solar power plants	264,136	3,286
Hydro power plants	21,387	92
Wood biomass power plants	22,862	39
Biogas power plants	16,258	24
Fossil-fuelled CHP	86,476	366
Wind power plants	3,213	3
Individual	930	1
TOTAL	415,260	3,811

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CENTRE FOR SUPPORT



SUPPORT PAYMENTS

Electricity production in the support scheme in 2021 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 2021 was 1.1 percent higher than in 2020, while payments were 2.7 percent higher.

Quantitatively, production, which receives one of the forms of support, represents about 7 percent of Slovenia's annual consumption¹⁷.

Support payments from 2018 to 2021¹⁸

YEAR	2018	2019	2020	2021
Quantity of electricity (in GWh)	937.9	947.5	962.2	973.2
Support payments (in million EUR, excl. VAT)	135.1	123	124.7	128.1

¹⁷ According to the data of the Energy Agency (there is no data for 2021 yet), the total consumption of electricity in 2020 was 12,897 GWh.

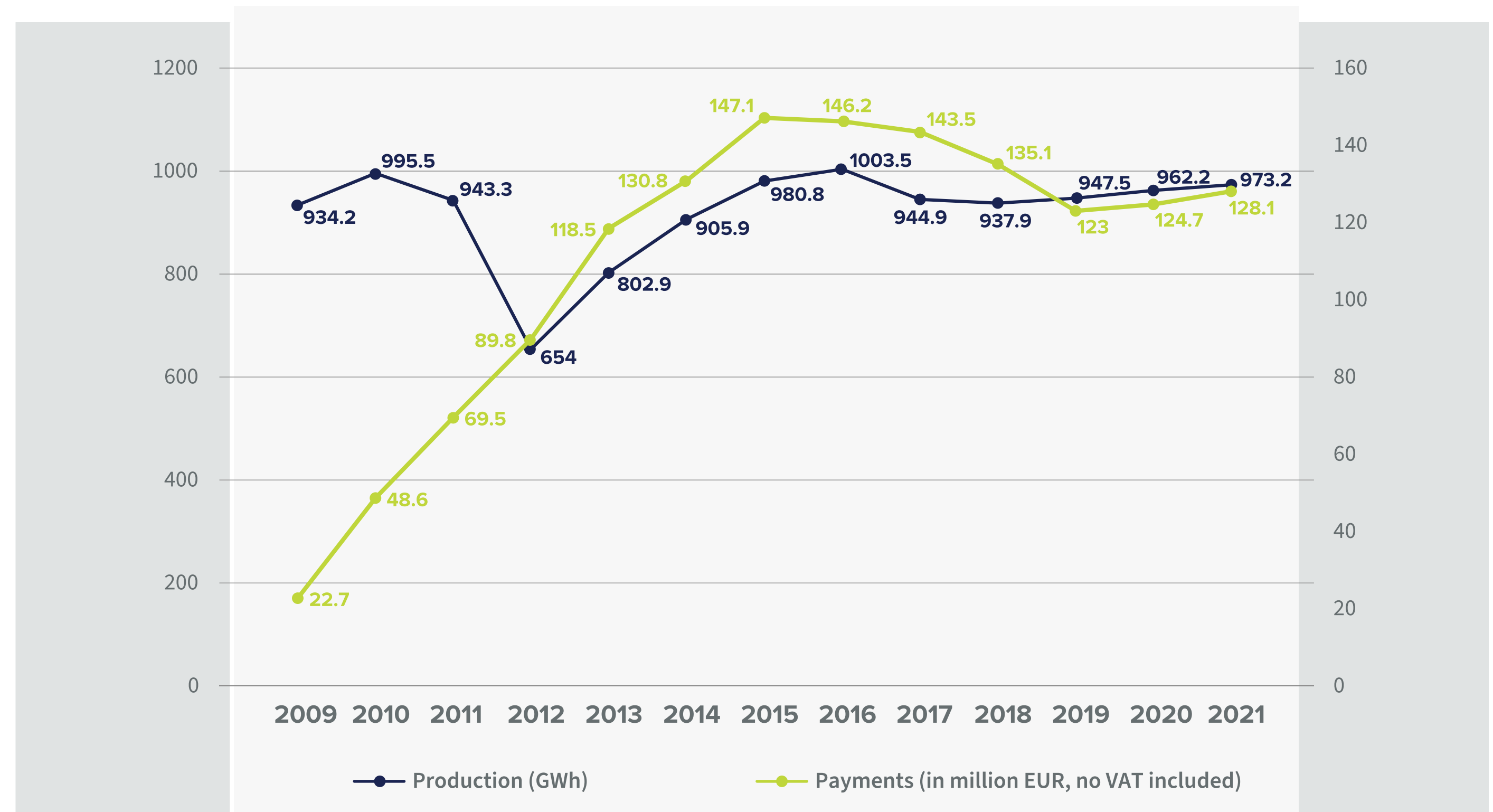
¹⁸ The data for 2021 are as of 3 July 2021.

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Production (GWh) and support payments (EUR excl. VAT) from 2009 to 2021



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Fossil-fuelled 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 (51 percent) of all support payments in 2021.

Support payments in 2021¹⁹

TYPE OF POWER PLANT	PRODUCED ELECTRICITY (GWh)	SUPPORT PAYMENT (IN MILLION EUR, EXCL. VAT)	SHARE OF ENERGY (%)	SHARE OF SUPPORT (%)
Biogas power plants	87.9	11.7	9.0 %	9.1 %
Wood biomass power plants	147.2	20.8	15.2 %	16.3 %
Hydro power plants	102.2	5.4	10.5 %	4.2 %
Individual treatment	5.5	1.9	0.6 %	1.5 %
Solar power plants	268.9	65.4	27.6 %	51.1 %
Fossil-fuelled CHP	355.5	22.5	36.5 %	17.6 %
Wind power plants	5.5	0.3	0.6 %	0.2 %
TOTAL	973.2	128.1		

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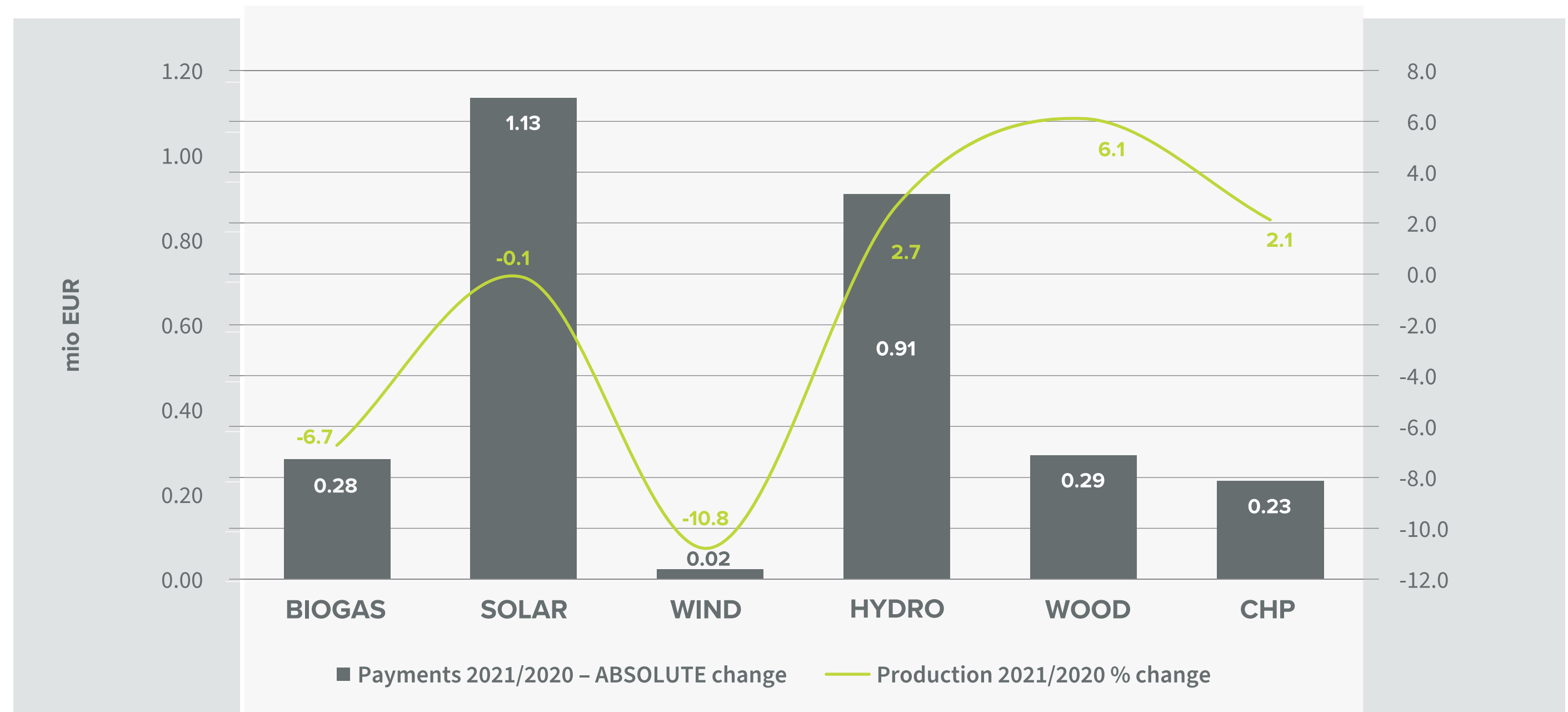
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The comparison of production and payments in 2021 and 2020 is clearly shown in the graph below, which shows the absolute difference in payments between the years and at the same time the relative change in production in 2021 compared to 2020.

The figure shows that production at the two most represented sources in the support scheme in 2021 has not deviated significantly from 2020. Slightly larger deviations in production can be observed for less represented sources: biogas plants (7 percent lower production compared to 2020) and wood biomass power plants (6 percent increase in production compared to 2020). We conclude that the main factor for the deviations in production is the weather in the case of hydroelectric power plants, while in the case of biogas power plants we cannot define a specific factor, as it is this type that is not linked to weather influences. On the payout side, there is an increase in payouts for all types of devices, which is primarily a result of the lower reference market price for 2021 compared to the previous year – all of which is reflected in increased amounts of operational support and increased scheme payouts.

Comparison of support payments and production between 2021 and 2020



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FINANCIAL DATA OF THE CENTRE FOR SUPPORT

The payments of contributions for the provision of support are collected in 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 specified by law.

The table below shows the income and expenses of the Centre for Support, i.e. the realized values in 2021 compared to the realized values in 2020 (as of 28 February 2022).

Overview of the revenues and expenses of the Centre for Support

	ITEM	REALISATION 2020 (EUR)	REALISATION 2021 (EUR)
A	OPENING BALANCE	202,436,610	240,481,489
1	REVENUES	163,304,249	185,159,655
a	RES+CHP contribution	155,937,672	179,600,254
b	DES contribution	0	0
c	CS – EE sales	7,304,900	5,526,034
d	Default interests	61,678	33,367
2	EXPENSES	125,259,369	133,528,127
a	RES+CHP support	124,668,369	128,054,627
b	DES support	0	0
c	Operation of the CS	591,000	591,000
d	Other payments	0	4,882,500
3	TOTAL (1-2)	38,044,879	51,631,528
4	TOTAL (A+3)	240,481,489	292,113,017

In 2021, the support Centre collected EUR 179.60 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 35.76 million. The contribution of RES and CHP is 15.2 percent higher in 2021 compared to the realisation in 2020.

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 in 2020, when 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.

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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 the Centre for Support transferred the Eco balance group to the balance group of another member of the balance scheme. The revenues of the Centre for Support also include accrued default interest in the realisation 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 33.367 is due, which the beneficiaries were obliged to return to the support centerCentre together with the unjustifiably received support.

In 2020, the Centre for Support paid out EUR 128.10 million in RES and CHP support, which is 2.7 percent more than in the previous year. The contribution for the operation of the support centerCentre in 2021 amounted to EUR 591,000 net and has remained unchanged since 2009.

At the end of 2021, the Centre for Support shows a surplus of funds in the amount of EUR 292.11 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. Power plants that have concluded Eco contracts until the adoption of ZSROVE are also included in the Eco group, and, included are also power plants for which the so-called PE-CP contract, i.e. contract for the sale of electricity through the Centre for Support because there was no interest in this type of contract, with the new law adopted in 2021, this option was withdrawn. Compared to the situation at the end of 2020, the number of power plants in the Eco Group decreased by 12 units in 2021, namely to 1,098 units. The total rated capacity of units included in the Eco Group decreased by two percent and equalled 72.9 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

TYPE OF POWER PLANT	AS AT 31/12/2018	AS AT 31/12/2019	AS AT 31/12/2020	AS AT 31/12/2021
Solar	1,048	1,029	1,036	1,039
Hydro energy	16	16	19	12
CHP	54	52	49	42
Biogas	6	6	4	4
Wind	4	1	1	0
Landfill gas	0	0	0	0
Gas from waste water sludge	1	1	1	1
TOTAL	1,129	1,105	1,110	1,098

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The sum of the rated power of the units in the Eco Group²⁰ (KW)

TYPE OF POWER PLANT	2018	2019	2020	2021
Solar	66,468	60,467	61,063	61,634
Hydro energy	4,555	4,280	4,992	4,264
CHP	4,795	4,770	4,446	3,215
Biogas	5,385	4,915	3,276	3,262
Wind	24	15	15	0
Landfill gas	0	0	0	0
Gas from waste water sludge	518	518	518	518
TOTAL	81,744	74,965	74,310	72,893

Overview of the movement of the total number and capacity of production units included in the Eco Group



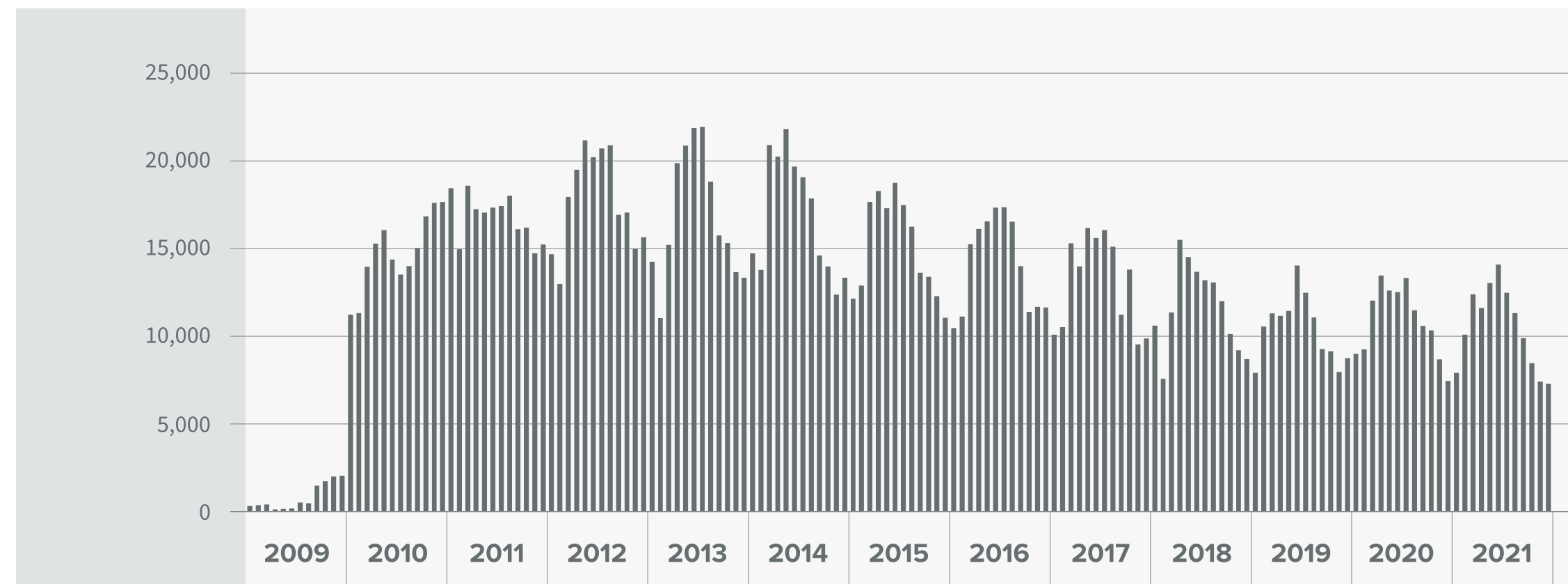
As demonstrated in the diagram above, the number and connected power of production facilities included in the Eco Group remained at a very similar level as at the end of 2020. The composition and share of individual technologies did not change compared to previous years. The diagram below, which shows the sum of the monthly electricity production of the Eco Group of the Support Centre from 2009 to 2021, shows a markedly higher production in the calendar months with more favourable 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.

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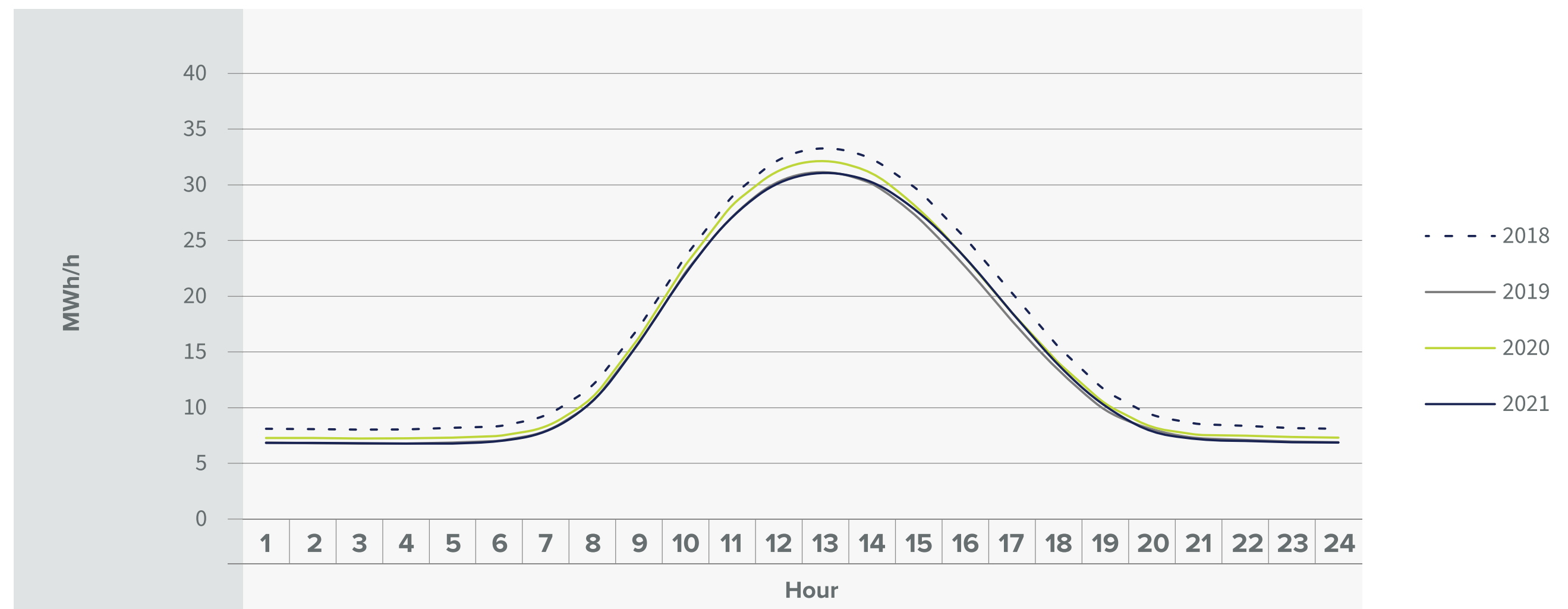
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Monthly realisation of the Eco Group from 2009 to 2021 (in MWh)



The diagram below shows the gradual stabilisation of total production from the Eco Group. In 2021, the conditions for production from solar installations comparable to 2020, while the hydrological conditions affecting production in small hydropower plants were comparable to 2020. Average temperatures were, on average, slightly lower than in the previous year, which did not significantly affect the volume of CHP production. The diagram below, which shows the average hourly production in previous years, demonstrates that in 2021 the total production was slightly lower than in 2020.

Average daily profile



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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. The company that gets the business is responsible for reporting closed contracts and operating forecasts, and operationally implements and bears the costs of equalizing the differences between forecasted and realized production, including the quantitative and financial aspects of the balance sheet imbalance settlement.

At the auction held in October 2020, a single purchase price of 43.86 EUR per MWh was achieved for electricity produced in 2021. Despite the fact that it was high for the market conditions at the time, it was lower than the reference market price set by the Energy Agency, which for 2021 was EUR 48.04/MWh.

Sale of electricity from the Eco Group

YEAR	2018	2019	2020	2021
Total (in MWh)	139,543	125,081	130,718²¹	125,993
Sales at auctions/transfer of the Eco Group (in MWh)	139,543	125,112	130,742	125,993
Sales at BSP Energy Exchange (in MWh) ^{****}	-3,216	6,018	-5,529	3,282
Imbalances (in MWh) [*]	0	-31	-24	n.p.
Total (in EUR million)^{**}	6.6	7.4	7.3	5.5
Final achieved price (incl. imbalances, EUR/MWh^{***})	47.33	58.88	55.87	43.86
BSP MAX (EUR /MWh ^{***})	141.25	200.02	172.07	533.19
BSP MIN (EUR /MWh ^{***})	-76.01	20.23	-23.48	-66.18

^{*}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.

^{****}The balance group to which the Eco Group is transferred on the basis of auctions is responsible for imbalances.

In October 2021, an auction was held for electricity produced in 2022 by the ECO group, at which the purchase price was 125.11 EUR/MWh as a result of the market situation at the time.

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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 2021, the GoO Registry included 1.441 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 1.417 producer accounts.

A total of 2.239 production units with the total rated power of 3.077.376 kW were registered in the registry which is approximately 84 percent of the installed capacity of production facilities in Slovenia²².

Activities of the GoO Registry in 2021 (kWh)

ENERGY SOURCE	ISSUED	CANCELLED	IMPORTED	EXPORTED	TRANSFERRED
Renewable	48,000	23,000	-	-	48,000
Renewable/solid/wood	109,024,000	98,708,000	-	-	66,333,000
Renewable/solid/wood/forestry by-products and waste	-	2,435,000	2,435,000	-	-
Renewable/solid/biomass from agriculture	-	6,200,000	6,200,000	-	-
Renewable/Gas	30,546,000	-	-	17,002,000	30,546,000
Renewable/gaseous/landfill gas	7,458,000	7,458,000	-	-	7,458,000
Renewable/gaseous/landfill gas/sewage gas	1,556,000	1,556,000	-	-	1,556,000
Renewable/gaseous/gas from agriculture/energy plants	39,937,000	13,770,000	-	-	39,937,000
Renewable/thermal/solar	157,063,000	204,598,000	696,738,000	6,006,000	155,567,000
Renewable/mechanical source or other	751,000	293,000	-	-	751,000
Renewable/mechanical source or other/wind	4,930,000	129,698,000	129,577,000	1,136,000	4,930,000
Renewable/Mechanical Source or Other/Hydro and Marine	4,715,376,000	899,017,000	714,720,000	4,133,717,000	5,355,103,000
Fossil/gaseous	186,000	168,000	-	-	-
Fossil/gaseous/natural gas	176,415,000	102,366,000	-	-	101,991,000
Nuclear/solid/radioactive fuel/UOX	710,441,000	-	-	-	1,420,882,000
TOTAL	5,953,731,000	1,466,290,000	1,549,670,000	4,157,861,000	7,185,102,000

In 2021, 5.953.731 MWh of guarantees of origin were issued, which is 16 percent more than in 2020. Data that demonstrates the fact that certificates of origin are becoming more and more popular are the 100 percent increase in the import of certificates from abroad and the increasing presence of production capacities of devices in the Republic of Slovenia in the register of certificates of origin.

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UNREGULATED
MARKET ACTIVITIES

As part of unregulated activity, Borzen provides the RRM - REMIT service, which we will write more about below. In addition, it also provides IT support and clearing of stock market transactions for BSP.

The range of services includes:

- ▶ As part of the clearing of stock exchange transactions the scope of our services includes:
 - ▶ 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;

- ▶ and 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.

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 Organisation of the Electricity Market adopted by the Government of the Republic of Slovenia, Borzen started performing the RRM service after registering with the national Energy Agency and the approval of the RRM ("Registered Reporting Mechanism") status by ACER. The RRM status, which can only be obtained by legal entities that meet ACER's strict requirements, enables Borzen the implementation of reporting services to third parties.

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

Taking into account the ACER guidelines, the main focus in 2021 was on ensuring adequate data quality. During this time, Borzen also actively informed its users and offered them assistance in fulfilling their regulatory obligations. At the end of the year, more than 50 clients, most of them from abroad, trusted Borzen to provide the RRM - REMIT reporting service. The number of customers can be attributed, among other things, to the fact that Borzen has proven itself as a reliable partner over the years. In 2021, the necessary adjustments were made following the introduction of ACER fees, including changes to the application. The decline in the number of customers took place within the framework of predictions (cancellations of customers who did not actually benefit from the service at all or withdrew from the market altogether). Otherwise, the trend in the number of customers has been fairly stable in recent years. There is a tendency to consolidate the operations of some companies (transition from several RRM's to one, implementation of reporting also for related companies), therefore the departure of some clients who are inactive (do not report) is expected. In fact, as can be seen from the decrease in the number of contracts and the dynamics of the imbalance settlement, the market as a whole is not expanding.

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UNREGULATED
MARKET ACTIVITIES



DEVELOPMENT OF ENERGY EFFICIENT SERVICES

Borzen's core activities - the implementation of a public service, the activity of an electricity market operator and the implementation of a support scheme for production from renewable energy sources and CHP, are at their core intertwined precisely with sustainable development and especially with the development of energy-efficient services, which is also consistent with the guidelines of the European Union.

The member states committed themselves to the Green Deal and the goals that the member states must achieve by 2030 (i.e. 40 % share of energy from RES, 36-39 % reduction in final and primary energy consumption and an increase in energy efficiency by at least 32.5 %). The Green Deal recognized the energy sector as one of the key generators of the new green investment cycle. The energy sector also depends on the management of energy in all material flows, which also includes other sectors (extraction of mineral raw materials, production and processing activities, waste collection and processing sectors and also consumers at all levels). Understanding this dynamic is thinking about the Green and Just Transition and the development ambition of the EU, which will require innovative approaches in the combination of social (connecting different sectors, decentralisation etc.) and technological innovations (KET and disruptive technologies such as AI, IoT, Big Data etc.).

A major challenge is primarily the ability of the existing system (e.g. the state and its subsystems) to recognize these challenges and respond to them competitively. Due to its systemic role as an operator of the electricity market and a centerCentre for supporting the production of energy from green sources, Borzen recognizes this potential and is aware of the lack of: knowledge, competences, integration, system solutions and financial resources in this area.

Development activities support Borzen's activities in the direction of the EU's development strategy, which is already partially reflected in the new legal obligations and will be even more so in the future. For this reason, it is necessary to develop services that will be a competitive advantage in the future due to Borzen's readiness.

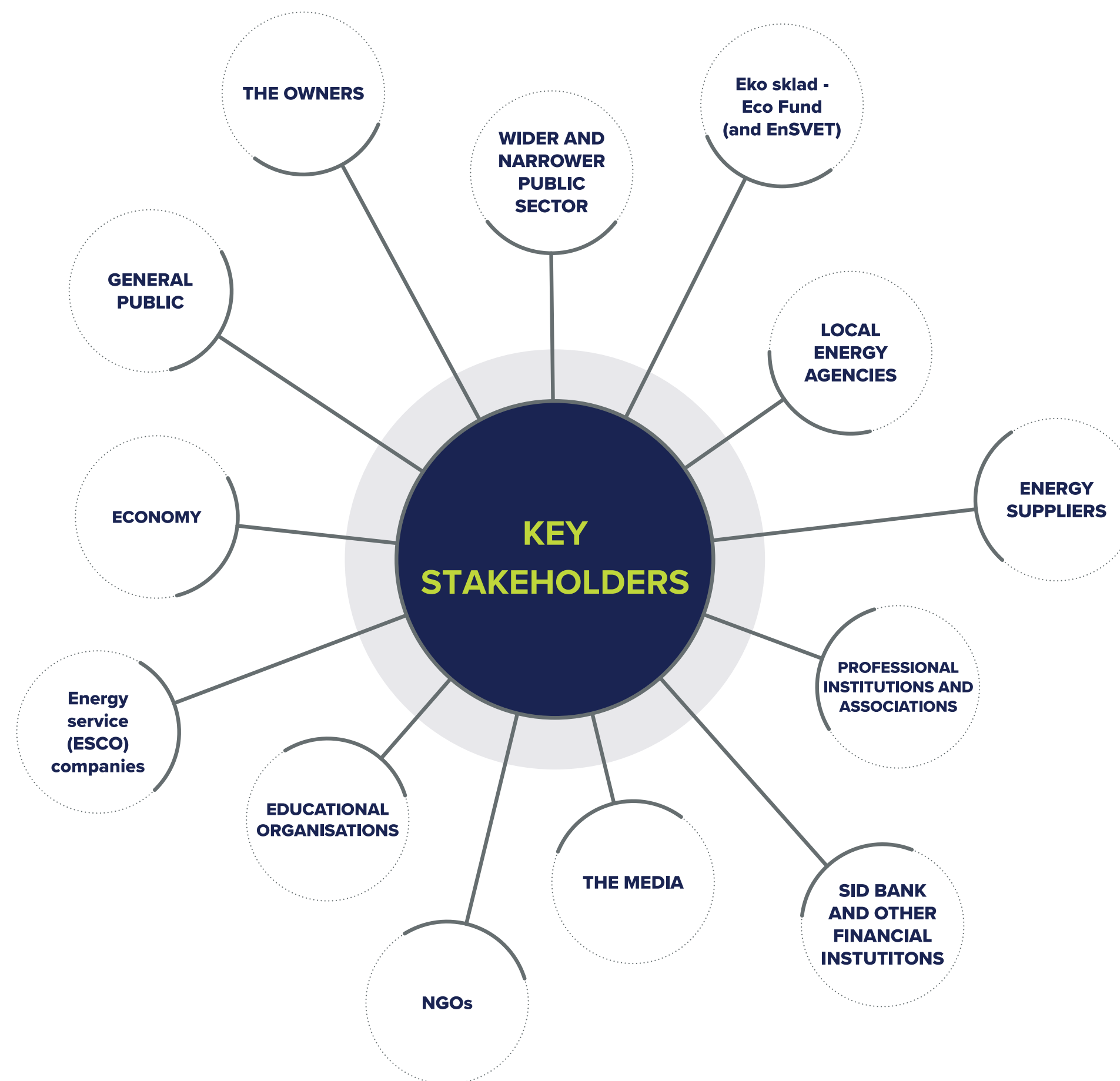
As part of development activities, based on needs, trends and capabilities, we continued with development international projects in 2021, which are presented in more detail in the chapter Stakeholders in an international environment.

SOCIAL
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RELATION TO STAKEHOLDERS²³

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:



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.

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

TRAJNOSTNA ENERGIJA 

In 2021, 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:

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

► SUSTAINABLE ENERGY DAYS 021

The previously, the well-received and now well-established Sustainable Energy Locally conference - an event intended for municipal energy managers, local energy agencies and other relevant audiences, - was upgraded to Sustainable Energy Days in 2021:

- Conference Sustainable Energy Locally 021: New opportunities of for green local energy, held in a hybrid format.
- Online events: one on green public procurement and the other on of energy cost sharig in multi-apartment buildings.

Awarding of the award for the best Master's thesis in the field of sustainable energy 2020.

► WEBSITE AND SOCIAL NETWORKS

The website www.trajnostnaenergija.si was refreshed and updated in 2021, including: food self-sufficiency and packaging-free products, energy management in the public sector, energy poverty, and clarification of labels for recycling and sustainable products, waste collection, and electricity throughout history. In order to display current domestic and foreign tenders in the field of RES and EE, we have regularly updated the module, which enables a comprehensive overview of the published tenders in the field of sustainable energy in Slovenia and abroad.

We also actively maintain an online presence through Facebook, LinkedIn and YouTube, as all three platforms represent an excellent way to build the TE brand and connect with users and achieve virality online. This was mainly achieved through digital advertising, which helped to increase the visibility and traffic of our portals and social media channels.

The number of visits to our portals and websites was quite impressive. We record over 100,000 visits to the TE web portal and over 500,000 people have watched the video content published on our YouTube channel. The number of users was also high in the Trajnostna energija FB user campaign, where we recorded more than 34,000 users.

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IMPLEMENTATION OF
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RENEWABLE ENERGY SOURCES
- "TRAJNOSTNA ENERGIJA"
(SUSTAINABLE ENERGY)

▶ CARTOONS A BETTER WORLD 3

We prepared the third season of the Slovenian environmental cartoons Lepši svet ("A Better World"), following the first and second season (both also available in English), together have had close to 2 million views.

The cartoons raise awareness about efficient use of energy and RES and encourage efficient use of energy. They address children between the ages of four and ten. The main characters, Tina and Rok, together with their dog Edi and the all-knowing tablet Nik, go on exciting and interesting adventures in the new season, where they learn more about the following topics:

- ▶ Why do we celebrate Earth Day?
- ▶ What is district heating?
- ▶ How does the water circulate?
- ▶ Where does the waste packaging go?
- ▶ What causes lightning?

In addition to cartoons, we have also prepared accompanying educational material with explaining key concepts, expanding on topics, adding creative ideas etc. All cartoons were recorded on memory media and distributed free of charge to all Slovenian kindergartens, primary schools and libraries.

▶ ATLAS OF SUSTAINABLE ENERGY

In 2021, we updated the online application - Atlas of sustainable energy, which enables the display of renewable energy sources (electricity production sources and renewable energy potentials) and efficient energy use measures (implemented measures of households and legal entities) on the map of Slovenia, with updated data and added a section, linked to additional geothermal maps in RS. The Atlas is intended for the general public to use for their own purposes, and is particularly useful for potential investors. The RES work on the Atlas shows aggregated data of production and payments, which are linked to geographical attributes in the Atlas and at the same time enable the possibility of multi-layered analysis.

▶ COMPETITION FOR THE BEST MASTER'S THESIS ON THE TOPIC OF RES OR EFFICIENT USE OF ENERGY

For the third year in a row, we have announced a competition for the best Master's thesis on sustainable energy. This is our way of encouraging young people to actively get involved in tackling the current challenges of sustainable energy. The competition runs until the end of June 2022.

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

► GREEN TRANSITION

We focused on examining and developing a set of the most relevant and appropriate activities that would provide maximum support to both individuals and institutions for the implementation of green projects necessary to reduce dependence on fossil fuels, which will contribute to the binding goals of the National Energy and Climate Plan and even more ambitious Green Deal targets to which EU Member States have committed, such as achieving a 40 percent share of energy from renewable sources in final energy consumption and a 36 to 39 percent reduction in final and primary energy consumption by 2030.

If we are to meet the NECP and EU targets, we need to offer the right support to various stakeholders in order to accelerate investments in both RES and EE. Thus, we concentrated in particular on the area of knowledge sharing and acquiring relevant competences through training for different individuals or institutions. We have developed concepts and expert trainings that will help accelerate investments in RES and efficient use of energy.

► DEMONSTRATION PROJECTS

The socially responsible demonstration project of the self-sufficient Viška house, home to the Slovenian Philanthropy, which was realized in 2018 (e-charging station, solar power plant, energy storage) was being monitored and reading measurement data from 2019 to 2021. The energy store worked successfully - but the realisation in 2021 was the actual state of production and savings, which clearly showed that the theoretical calculation is much more optimistic than the actual realisation. The production of electricity from the solar power plant in 2021 amounted to 8,590 kWh, and the saving of thermal energy due to the energy rehabilitation of the building envelope equalled 3,877 kWh.

► GREEN PUBLIC PROCUREMENT

Efficient and green public procurement, especially for energy-related goods and services, can save enormous energy and money. As we want to empower and encourage the efficiency of those involved in the procurement processes, we set up different public procurement subjects, i.e.: electronic office equipment, televisions, refrigerators, freezers and their combinations, washing machines, dishwashers, tumble dryers, vacuum cleaners and air conditioners, water heaters, space heaters and their combinations and hot water storage tanks and electric lamps and lamps and indoor lighting, "extracts" have been prepared, which include updated criteria and examples of good practice. The items have been modified or upgraded in accordance with EU guidelines.

SOCIAL CAPITAL

RELATION TO STAKEHOLDERS

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

► CERTIFICATION OF INSTALLERS OF RES DEVICES

In accordance with the new legislation, we started preparing the materials that will be the basis for a national certification system for installers of small boilers and stoves, solar photovoltaic and solar thermal systems, shallow geothermal systems and heat pumps in the following areas:

- general part (efficient use of energy, renewable energy sources, legal regulations, technical regulations and standards),
 - for installers of wood biomass boilers,
 - for installers of heat pumps,
 - for installers of shallow geothermal systems,
 - for installers of solar collectors,
 - for installers of solar energy production devices.

► TRAINING OF EXPERTS TO CARRY OUT ENERGY AUDITS

In accordance with the Energy Efficiency Act, Borzen has become a provider of training for energy auditing experts, with the aim of providing quality energy audits to all end customers for all end-users. The trainings are scheduled for 2022, and the following activities were carried out in 2021:

- an expert consultation on the implementation of energy audits in Slovenia,
- formulation of proposals for the improvements and additions to the Regulation on the methodology for the preparation and content of energy audits,
- analysis of energy audit providers in Slovenia (legal form of provider, number of providers, locations of providers etc.),
- analysis of the legislation in the area of the situation, which facilities (public, industrial etc.) are obliged to carry out an energy audit and for how long,
- analysis of the energy audits carried out in 2018, 2019 and 2020, separately for public sector facilities (narrow and broad) and industry.

SOCIAL
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▶ A SERIES OF EVENTS FOR YOUNG PEOPLE

We participated in "the We will be engineers" project, where as a development partner we encouraged young people to take up the path of sustainable energy through the engineering profession:

- ▶ showcasing career opportunities in technical and scientific professions,
- ▶ promoting the upgrading of engineering skills with business skills (Engineer+),

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

In addition, we participated in the Sustainable Development Days with CDI, University Univerzum in Ljubljana in September in holding , running workshops for children:

- ▶ Learning English and getting to know the topics of learning about sustainable energy - cartoons A Better World: the children watched the Slovenian environmental cartoons A Better World in Slovenian and English. At the same time, they learned new English words and learned about the efficient use of energy and renewable energy sources.

▶ A SURVEY OF ENERGY COST DIVISORS

The Heat Cost Allocators Research project included activities in multi-apartment buildings, where a survey was carried out in cooperation with an external contractor, focusing on the analysis of the current situation (including information from the field) and related to EU recommendations.

The use of individual heating cost allocators to measure individual heat consumption in buildings heated by district heating or shared central heating is useful where end-users have possibility to regulate their own individual consumption.

Already under Directive 2006/32/EC, EU Member States were obliged to ensure that end-users are offered competitively priced individual allocators that accurately reflect their actual energy consumption and provide information on the actual time of use. However, the EE Directive or the

amended EE Directive requires that a heat or a hot water meter be installed on the heat exchanger or at the point of transmission for every building that is supplied with heating and cooling or hot water supply from a district heating network or from a central source that supplies multiple buildings.

From the research covered areas ranging from a review of the legal basis, expert documents and other information related to the implementation of the Regulation on the method of dividing and calculating costs for heat in multi-unit residential and other buildings with several individual parts to conducting interviews and surveys with stakeholders in specific areas related to the sharing and calculation of heat costs, in the light of the changes and experiences brought about by the 2016 amendments and additions to the current Regulation.

SOCIAL
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► ENERGY MANAGEMENT IN THE PUBLIC SECTOR

The fact that effective energy management is crucial for the decarbonisation of society, and that the public sector must also play its part, was discussed at a series of webinars that we organised under the Sustainable Energy brand. Over the past year, more than 200 participants learned more about energy management in different public sectors. In five webinars, they learned about energy management guidelines in the public sector, with a focus on energy management in public sector buildings. From energy consumption and related costs in the health sector, to the opportunities and challenges of energy management in the school sector, what investment measures are needed for the energy efficiency of energy management in the wider public sector and what are the specific energy management measures by groups of buildings for building managers. Borzen cooperated with the Consortium of Local Energy Agencies and the Ministry of Infrastructure in conducting the webinars. Participant satisfaction with the event was 97 percent.

► PROMOTIONAL CAMPAIGN

We also maintain an active online presence through Facebook, LinkedIn and Youtube, as all channels represent an excellent way to build the "Trajnostna energija" (Sustainable Energy) brand and connect with users and achieve virality online. In this context, we use various social media advertising channels, where we can target a specific audience, which greatly increases the success of the post and the reach of the most relevant users, who can also engage with their own content (by commenting, sharing, etc.). The number of actions that users carried out on the FB page and its posts during the 6-month advertising period amounted to almost 35,000, the total number of all ad impressions during the advertising period was almost 2.3 million.

In 2021, we carried out two online prize draws:

- the Sustainable Energy prize draw was held in June, with 440 individuals answering the prize question, and the winners received practical prizes (A Better World board game, A Better World cartoons etc.);
- A Facebook raffle in which participants answered a question about sustainable energy, raised interest in the "Trajnostna energija" (Sustainable Energy) Facebook page, and the winners also received practical prizes (as above).

► GUIDE FOR INVESTORS IN RES POWER PLANTS

In 2021, based on past experience, we prepared a new guide for investors in small-scale RES power plants, which will facilitate their overview of the necessary procedures for the realisation of such investments, which was also primarily, but not exclusively, related to electricity and at the same time being set a bit broader (not so much targeted only at power plants that would enter the support scheme). The guide covers all basic elements: spatial, construction, electricity, as well as the way in which they are placed on the market (e.g. purely market-based projects, self-supply and support scheme). This way, investors can get all the basic information they need to make a construction decision in one place. As in the the past, we have agreed to further involve a key player in this project the Slovenian distribution system operator SODO.

SOCIAL CAPITAL

RELATION TO STAKEHOLDERS

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



In addition to the aforementioned activities, in cooperation with the Chamber of Commerce and Industry and the Eco Fund, we prepared a short event on the topic of financial incentives for the implementation of environmental investments in the economy. We took a more active approach to the development of programs for the competences of experts, development planning for the design of further activities such as cooperation projects and the exchange of good practices. All of this with the aim of being adequately professionally prepared for the legally binding duties of Borzen and to contribute as much as possible to access to long-term, sustainable energy at all levels of society.

In terms of content, throughout the year we highlighted relevant topics related to sustainable energy and events and activities that took place under the Sustainable Energy brand. The field of information, awareness raising and training is an excellent opportunity to convey information about renewable energy sources and efficient energy use to the widest possible audience and to contribute to greater awareness and knowledge of both topics to the best of our ability, thereby empowering different target audiences. In the future, we intend to carry out new projects in this area and enrich existing ones.

Targeted sponsorships and donations are one of the ways of connecting with the community and our contribution to the positive functioning of society as a whole. With donations, we supported the local environment, especially in the humanitarian, health and sports fields, in the total amount of EUR 3,500 EUR.

SOCIAL
CAPITAL

RELATION
TO STAKEHOLDERS

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 2021, 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. Cartoons are also broadcast on RTV SLO, and we are also in agreements with other media houses in our country.

SOCIAL CAPITAL

RELATION TO STAKEHOLDERS

STAKEHOLDERS IN THE INTERNATIONAL ENVIRONMENT²⁴

- ▶ 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 Mag. Borut Rajer, Director of Operations, is a member of the Management Board. Two other important organisations 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 its 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 Harmonisation, Borzen contributed suggestions and opinions in drafting the proposal of all system operators for harmonisation of imbalance settlement in the EU. The Decree on setting guidelines for electricity balancing (2017/2195, Electricity Balancing Guideline) dictates further harmonisation 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 or vice-presidential position.

Our 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.

Borzen is also 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.

Additionally, Borzen holds a membership in the international organisation 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 organisation 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 organisations, where knowledge, information, ideas and good practices in the field of social responsibility are exchanged. In 2021 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 organisation and in this way increased their impact.

SOCIAL CAPITAL

RELATION TO STAKEHOLDERS

OTHER STAKEHOLDER GROUPS FROM THE STAKEHOLDER FOLDER²⁵



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.

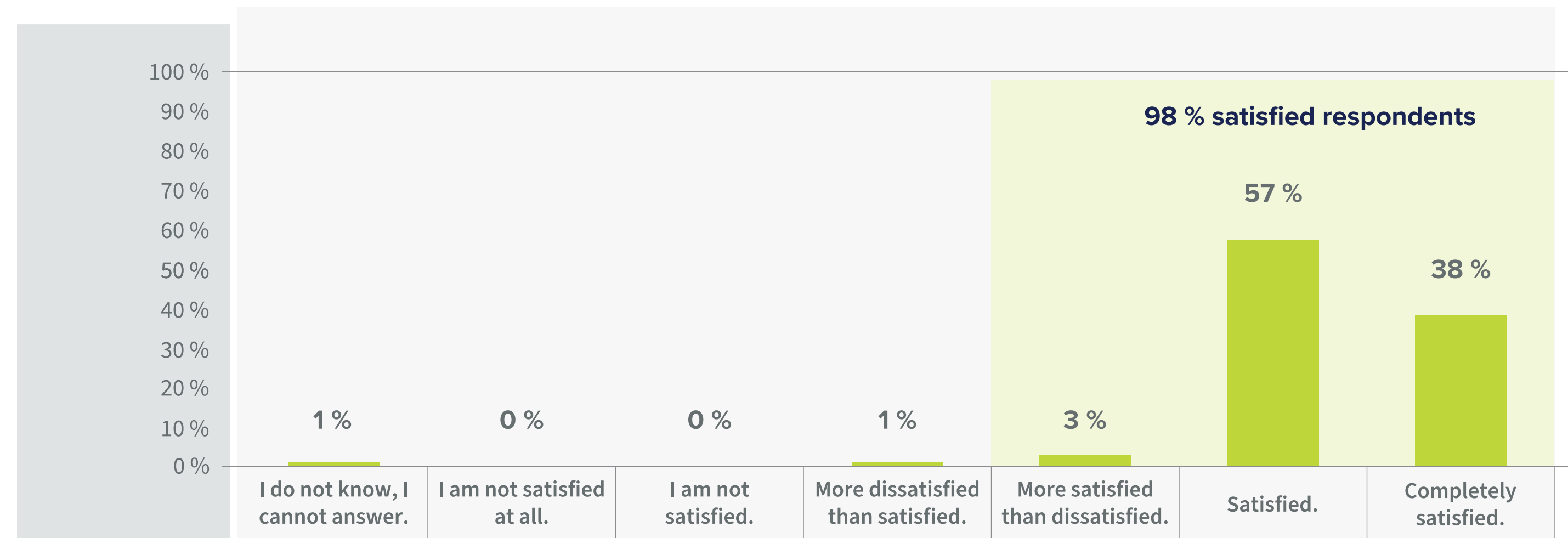
SOCIAL CAPITAL

RELATION TO STAKEHOLDERS

MEASURING STAKEHOLDER SATISFACTION

We regularly check the general satisfaction of our stakeholders with satisfaction analyses. 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 2021 show that the implementation of the market operator's activities is at an extremely high level, as 98 percent of respondents are satisfied (57 %) ,completely satisfied (38 %) or more satisfied than unsatisfied (3 %), and only 1 % of the respondents are unsatisfied.

General satisfaction of stakeholders



When carrying out various activities, we carry out occasional satisfaction analyses - for example, the satisfaction of participants at our traditional conference Sustainable Energy Locally, at our webinars and the like. The average satisfaction rating at events in 2021 was 88 %. In the future, we will continue with satisfaction analyses and obtaining other relevant feedback.

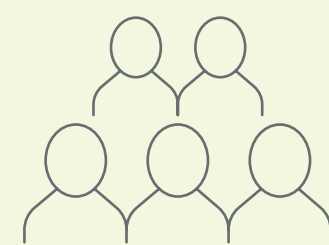
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HUMAN RESOURCES



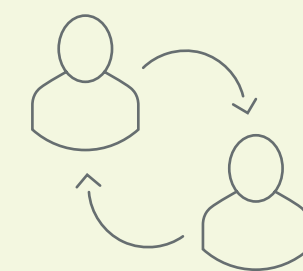
HUMAN RESOURCES²⁶

INDICATORS OF HUMAN RESOURCES



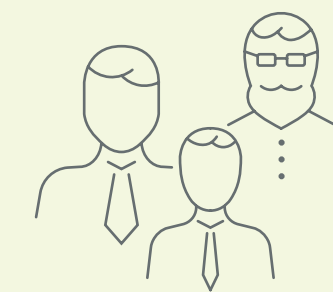
40

employees



5.7

fluctuation rate



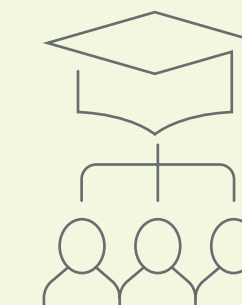
40 years

average age



50 %

women



65 %

have university education

HUMAN
RESOURCES

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.

HUMAN RESOURCES

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR²⁷



We respect the traditions, cultures and religions of individual participants in all business relationships. In no case shall discrimination on the basis of race, colour, 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 behaviour. 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 2021.

HUMAN RESOURCES

HR INDICATORS²⁸

NUMBER OF EMPLOYEES

At the end of 2021, Borzen employed 40 employees. Compared to the end of 2020, the number of employees increased, which coincides with the increase in the scope of tasks entrusted to Borzen by the legislator. The average number of employees in 2021 equalled 34.93 employees and was 5.44 employees more than the average number of employees in 2020.

One employee exercised the 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 2021, the share of fixed-term employees amounted to 2.5 % of all employees and reduced 0.5 % compared to the previous year, due to a reduction

in the number of substitutes for maternity or parental leave. Only one employee is being trained to work as part of an internship based on contract for a definite time period.

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 2021, the fluctuation rate was 5.7 and is 7.86 percentage points lower than in 2020. 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 2020 and 2021 by gender and age.

Breakdown by gender and age of employees who left the company and new employees

	LEFT BORZEN		JOINED BORZEN	
	2020	2021	2020	2021
Number	4	2	7	9
Gender	1 woman / 3 men	2 women	3 women / 4 men	8 women / 1 man
Age	46 / 33, 57, 48	50, 42	47, 37, 51 / 33, 54, 54, 48	25, 27, 39, 39, 41, 41, 42, 50 / 55

HUMAN RESOURCES

HR INDICATORS



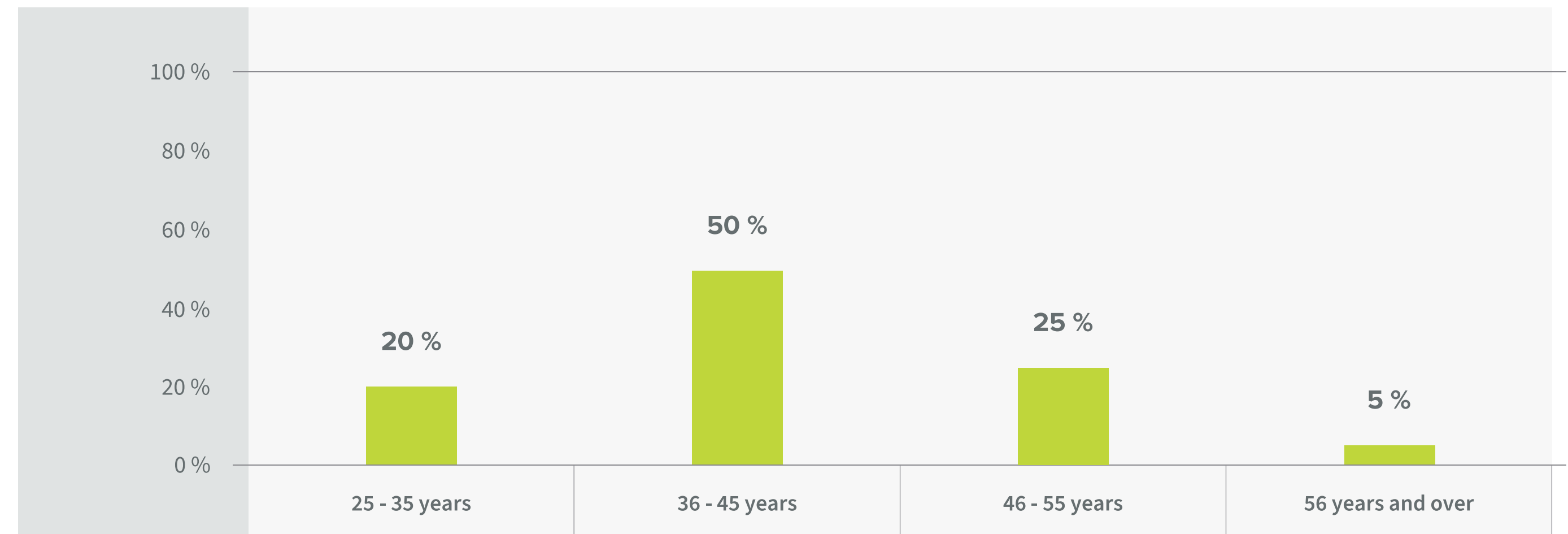
STRUCTURE BY GENDER

Among the employees at Borzen, there are 20 males and 20 females. The gender ratio changed in favour of the female gender in 2020 and is now balanced.

STRUCTURE BY AGE

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

Age structure of the employees²⁸



HUMAN RESOURCES

HR INDICATORS

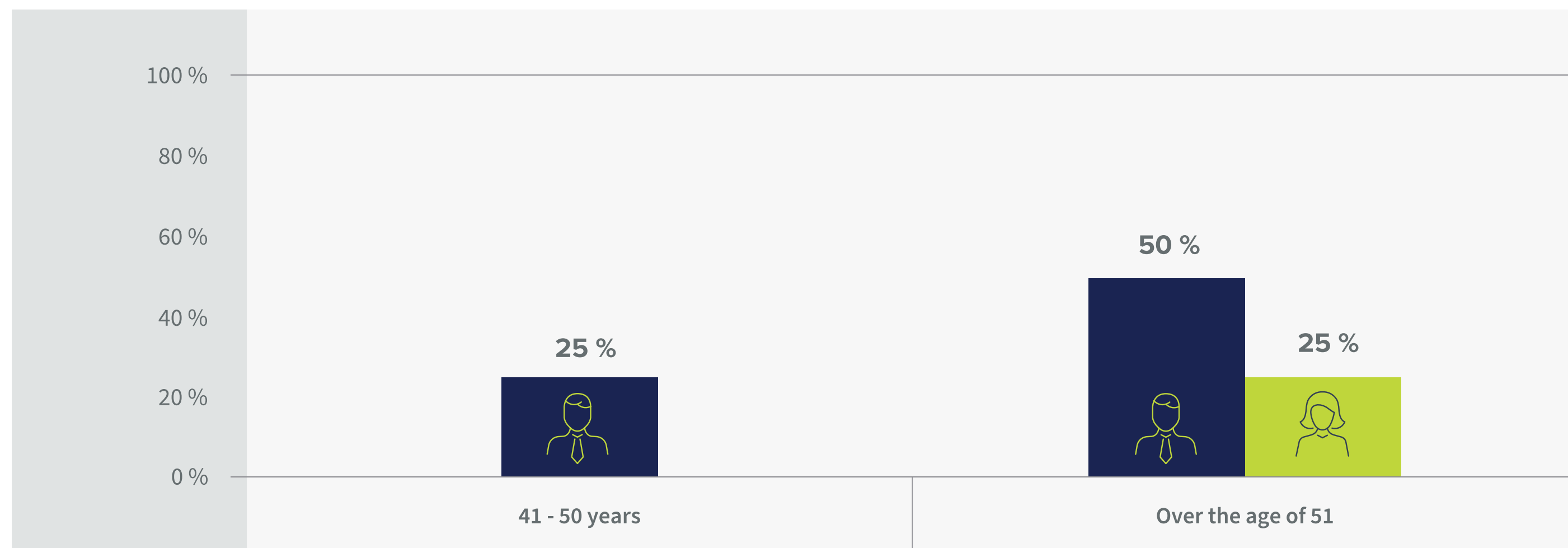
COMPOSITION OF MANAGEMENT BODIES

The company comprises of three key pillars: the energy sector, the business sector and the business architecture sector. Each area is headed by an area director who reports to the company general manager. The general manager of the company is responsible to the general manager's advisors and other employees in his office and the development and competence centre.

By gender, the ratio of employees occupying managerial positions is 3:1, in favour of men.

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.

Age structure of employees holding managerial positions in the company by gender²⁹



HUMAN RESOURCES

HR INDICATORS

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.

Educational structure³¹

LEVEL	TITLE OF PROFESSIONAL EDUCATION	2020	SHARE IN %	2021	SHARE IN %
VIII/2	PhD	1	3	1	2.5
VIII/1	Master's degree	4	12	3	7.5
VII	University education	20	61	26	65
VI/2	Higher education	7	21	9	22.5
VI/1	High education	1	3	1	2.5
V	Secondary education	0	0	0	0
TOTAL		33	100	40	100

Compared to the previous year, the educational structure has increased as a result of new employments.

EMPLOYEE DEVELOPMENT³²



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 2021, 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 2021, 97 percent of employees were involved in education and training processes. 916 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 23 hours of training. The number of training hours per employee increased in 2021, which is a result of the easier implementation of training compared to 2020 (situation related to the COVID-19 pandemic). In 2021, many training courses were also conducted online.

Key data on employee training

	2020	2021
Number of participants in trainings	30*	40*
Share of employees who attended trainings	91 %**	97 %**
Number of hours of education	463	916
Average number of training hours of per employee	15	23

*Three employees were on sick leave / parental leave in 2020 and 1 in 2021

** Percentage tied to the number of all employees.

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.

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.

HUMAN RESOURCES

HEALTH AND SAFETY AT WORK³³



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 2021

YEAR 2021	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	978	368	1512	197	16
Per person	24.45	24.10	37.8	4.93	0.4

* One person is on sick leave.

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 with a trend of decreasing. The reason for this is solving health and other problems of employees and preventive care for the health of employees. As a result, in 2021 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.

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. 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.

HUMAN RESOURCES

HEALTH AND SAFETY AT WORK

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 2021, 1 employee was on maternity leave, and two employees the year before. Paternity leave was used by three employees in 2021, and one employee the year before.

Use of maternity, paternity and parental leave

	2020	2021
Maternity leave and parental leave (women)	2	1
Paternity leave (men)	1	3

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.

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.

Data on supplementary pension insurance in 2020 and 2021

	2020	2021
Number of participants in supplementary pension insurance (in%)	100 %	100 %
Amount of insurance premium (in EUR)	49,316.71	64,059.04

In 2020 and 2021, all employees at Borzen were included in voluntary additional pension insurance. The amount of written premium charged to Borzen amounted to 64,059.04 EUR in 2021, and 49,316.71 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.

HUMAN RESOURCES

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 intranet, 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

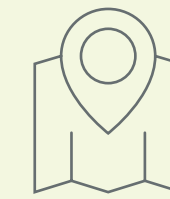
Periodically we perform an analysis of the organisational climate and commitment of employees to the company. The last analysis was performed for 2020, and the data show that the organisational climate and commitment in the company reaches the level of 4.72 (maximum value 6). The overall assessment of the organisational climate is 79 percent (from 100 percent being the maximum), with the highest ranking criterion being the attitude towards quality at 85 per cent followed by followed by the internal relations criterion with 83 percent. In 2021, we did not conduct an analysis of the organisational climate and commitment of employees in the company, but we plan to do so in the coming year.

9

**ENVIRONMENTAL
RESPONSIBILITY**

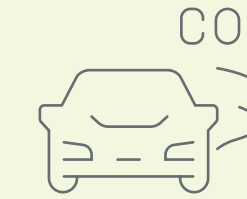


ENVIRONMENTAL RESPONSIBILITY³⁴



8,980 km

total km travelled



2,096.44 kg CO₂e

GHG emissions



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 RESPONSIBILITY³⁴

ENVIRONMENTAL INDICATORS³⁵

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.

In 2021, compared to 2020, when almost 6,400 kilometres were travelled for business purposes, the number of kilometres travelled increased to almost 9,000 kilometres. The result of the increase can be attributed primarily to the fact that significantly fewer business trips were made in 2020 due to various restrictive measures related to the COVID-19 pandemic. Due to the increase in kilometres travelled and the resulting increase in the amount of emissions compared to 2020, there were still fewer kilometres travelled in 2021 than in the years before the pandemic. Many meetings, meetings and trainings were still held remotely, which had a positive effect on the amount of emissions.

Carbon footprint and mileage by car for business trips

	2020	2021
Total km travelled	6,354	8,980
GHG emissions (in kg CO2e)	1,483.40	2,096.44

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 organisation of meetings at the headquarters of Borzen	++	++	+
Promoting teleconferencing	++	+++	++
Aggregation and general route optimisation	+	+	++
Mandatory use of a company car for business trips	++	+++	

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

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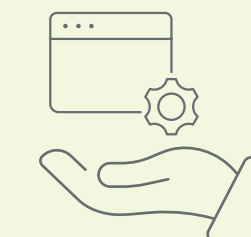
**INTELECTUAL
CAPITAL**



INTELECTUAL CAPITAL



EUR 382 thousand
software value



EUR 107 thousand
amount of investments in
intangible assets in 2021

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 organisational integrity derive from legal bases, such as the Energy Act. Pursuant to the Access to Public Information Act, the company has a publicly published **Catalogue 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 imbalances 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 imbalance settlement 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 MO)** 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 imbalance settlement process of an individual member, and simultaneously the market operator portal will also allow direct editing of some other procedures (submitting comments on the imbalance settlement, 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. **REMIT-RRM, 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 analyses of satisfaction among service users.

11

**RISK AND OPPORTUNITY
MANAGEMENT**



RISK MANAGEMENT

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 organisation; great influence on stakeholders' satisfaction; long-term loss of reputation, etc.
2	MODERATE	The financial impact is between 10 and 25 percent of the company's revenue/expenditure; the need to 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:

1 Significance of the impact on the operation (materiality principle) - quantitative:

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

2 Sensitivity of the area - qualitative:

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

RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT

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 realisation

RISK LEVEL (SEVERITY OF THE RISK)

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

$$\text{Risk level} = \text{possible risk} \times \text{probability}$$

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

Risk matrix

		PROBABILITY			
		Almost certainly 4	Most likely 3	Possibly 2	Low probability 1
IMPACT	Severe 4	16	12	8	4
	Significant 3	12	9	6	3
	Moderate 2	8	6	4	2
	Minor 1	4	3	2	1

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.

In the following, we present the key perceived risks within the framework of systematized groups of risks to which we estimate that we will be exposed to them in the next period as well.

RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT

STRATEGIC/BUSINESS RISKS

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

One of the strategic risks is the investment risk related to the investment in the 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.

OPERATIONAL RISKS

Operational risks are related to the damage caused by inadequately implemented internal processes, improper employee behaviour, 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.

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 organisations, while ensuring a high level of protection of business and personal data.

In the field of informatics, all measures are implemented smoothly. Even during the changed regime of work in the pandemic, the activities are carried out with the

In 2021, we adopted a new Rulebook on the management of the funds of the Centre for Support, based on which investments are sought that are not just bank deposits, are safe and ensure the preservation of the real value of the funds of the Centre for Support. We have also signed a contract with a financial consultant, with the help of which we will look for investments that are not just bank deposits, are safe and guarantee at least the preservation of the value of the investment. In accordance with the new rules, an investment committee was also established, whose tasks include, among other things, the confirmation of the investment strategy of CP pillars prepared by the consultant and other tasks determined by the Rules on the Management of Funds of the Centre for Support.

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.

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, the implementation of a new antivirus program was carried out, which enables the detection of zero-day attacks. Security patches were regularly installed on the server systems. In March, we recorded an attempt to attack the Exchange server (mail server), but the attackers did not succeed in breaking into the system. We updated the server itself with the security patches released by Microsoft immediately after the announcement of the Microsoft news.

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.

RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT

The personnel function or human resources management represents an important element of risk management. Its goal is a sufficient number, adequate structure, and motivation of employees, appropriately professionally qualified and satisfied employees. We reduce personnel risks by maintaining good communication with employees, improving working conditions, properly organizing work, efficiently and carefully carrying out activities related to training, education and development of employees, preparation and organisation of trainings, selection and training of contractors, evaluation of trainings carried out and contractors, professional assistance in conducting annual interviews, analysis of results, etc., as well as rewarding employees appropriately and respect labour legislation.

Overseeing the HR function is primarily the task of the management with the professional support of the HR specialist. In the last months of the year, in the HR function, we were exposed to an increased risk of less optimal performance of the HR function, because the employee who was introduced to this function was absent, so we appropriately distributed her tasks among the other employees.

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.

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-fulfilment 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 imbalance settlement, the risk of non-fulfilment 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

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

During the reporting period, we provided up-to-date and correct answers to the media and in this way maintained appropriate relations. Through various publications, especially on the company's website, we provided the media and the general public with up-to-date information regarding the company's operations. Through the daily monitoring of media announcements, we did not detect any negative announcements about the company or its operations. We intend to continue in this direction in the future as well.

The company limits other operational risks with clearly defined procedures, unequivocally defined roles, responsibilities and powers of employees and adopted rules.

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 harmonisation of the maturity of receivables and liabilities and their consistent recovery. In 2021, 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 optimisation in the placement of surplus cash of the company in order to avoid paying the cost of merely its storage. In the third quarter of 2021, in accordance with the new Rules on the management of funds of the Centre for Support, an investment consultant and an investment committee were appointed. The consultant prepared an investment strategy for the individual pillars of the CS and the categorisation of all investments and other tasks specified in the Rulebook on the Management of Funds of the Centre for Support. The investment strategy pursues investments with a guaranteed return and guaranteed capital.

RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT



LEGISLATIVE RISK

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

Borzen actively monitors current regulatory changes that could pose a risk to the operation of the Stock Exchange, and on the other hand, it also actively monitors/ examines the opportunity for new activities, while being aware that it is necessary to provide an adequate systemic source of funding.

Borzen, in conjunction with SODO, d.o.o., Ministry for Infrastructure and the Energy Agency, prepared a proposal for amendments to the Rules of the Ministry of Energy as a response to the issue related to the increase in electricity prices and the speculative behaviour of some participants in the electricity market and the proposal of the new MO rules.

Borzen also responded to the public hearings of the Regulation on the rules for the preparation of forecasts of the situation of production facilities based on renewable energy sources and with the cogeneration of heat and electricity with high efficiency on the electricity market, and the Regulation on the method of determining and calculating contributions to ensure support for electricity production in high-efficiency cogeneration and from renewable energy sources. The first affects the determination of the reference price of electricity. The second resolved the inconsistency with Article 54 of the ZSROVE. By the end of 2021, Borzen also made the necessary adjustments to the POL portal.

Borzen also actively cooperated with the Energy Agency and MZI in the drafting of the Regulation on subsidies for electricity produced from renewable energy

sources and in the co-production of heat and electricity with high efficiency, where it was particularly important to define in more detail the method of determining the environmental levy. The self-care Regulation is also current, which will affect the composition of the CS Rules.

The new RES Act (ZSROVE) foresees a separate public service Centre for Support, which, however, is assigned to Borzen by the act itself (until a possible new procedure for awarding the concession). Overall, the law brings a lot of new tasks to Borzen (contact point, expansion of support, expansion of certificates of origin). ZOEE was also adopted and is in force.

In 2021, we carried out activities related to the change in the imbalance settlement calculation model, as well as a series of activities related to the tightened market situation. The draft of the new model of the balance calculation has been completed internally and has already been forwarded to the opinion of ELES and the Energy Agency. The first informal responses have been obtained, further activities will follow in the first quarter of 2022. In relation to the market situation, several activities were carried out in connection with monitoring the situation and detecting potential problems (additional internal reviews, reports, requests for information forwarded to the members of the balance scheme, execution of the imbalance settlement in one day instead of three, recalculation of coverages, intensive informal and formal communication with system actors, etc.).

RISK AND OPPORTUNITY MANAGEMENT

OPPORTUNITY MANAGEMENT



In 2021, Borzen continued the initiative regarding substantive preparation for market development and preparations for transferring the provisions of the CEP ("Clean Energy for All Europeans") legislative package into the Slovenian legal order. The key activities were primarily work on a new balance settlement model, which was also linked to the NEDO-Flex project mentioned below, and the integration of the concept of an independent aggregator into the electricity market. In the case of the latter, Borzen already regulated the basic provisions with the Rules for the Operation of the Electricity Market (UL 74/18), which entered into force on January 1, 2019. In the course of 2021, a new balance settlement model was prepared, also reviewed together with the system operator ELES d.o.o. and the Energy Agency, submitted for public consultation at the end of February 2022.

In 2021, three development projects were active (BD4NRG, NEDO-Fleks and FARCROSS).

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 optimisation of the use of cross-border infrastructure.

The BD4NRG project is also being implemented within Horizon 2020. The project addresses various aspects of big 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 2021 are concerned, the most important from a substantive point of view were the necessary adjustments for the issuance of certificates of origin for all sources of production, both for national certificates and certificates according to the EECS standard, where international transfer is possible via the AIB HUB register. Adjustments were also made to timetable applications, market operator portal, RRM - REMIT reporting application and other applications.

12

**COMPLIANCE WITH
GRI SUSTAINABLE REPORTING**



COMPLIANCE WITH GRI SUSTAINABLE REPORTING

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.

COMPLIANCE WITH
GRI SUSTAINABLE REPORTING

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STANDARDS³⁸

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COMPLIANCE WITH
GRI SUSTAINABLE REPORTING

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102-47	List of essential topics	Materiality matrix	24	
102-49	Significant changes compared to previous reporting and volume reporting periods	Compliance with GRI Sustainable Reporting Guidelines	124	
102-50	Reporting period	Compliance with GRI Sustainable Reporting Guidelines	124	
102-51	Date of last preliminary report	Corporate governance; Shareholder	31	At the first General Meeting on July 22, 2021, the shareholder adopted the Annual Report of Borzen, d.o.o. for the business year 2020.
102-52	Reporting cycle	Compliance with GRI Sustainable Reporting Guidelines	124	
102-53	Contact details for questions regarding the report	Compliance with GRI Sustainable Reporting Guidelines Contacts with Borzen	124 165	
102-54	Reference in accordance with GRI standards	Compliance with GRI Sustainable Reporting Guidelines	124	
102-55	Index according to GRI guidelines	Table of contents according to GRI standards	125	

SKLADNOSTI S SMERNICAMI
TRAJNOSTNEGA POROČANJA

VSEBINSKO KAZALO PO STANDARDIH GRI



SPECIFIC 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 2021 Notes to the financial statements	8 145	
201-3	Liabilities from the pension plan	Human resources	100	
ENVIRONMENTAL IMPACT				
GRI 302: Energy				
103-1, 103-2, 103-3	Management approach			
302-1	Energy consumption in the organisation	Responsibility to the natural environment	113	We report on fuel consumption, other indicators are not relevant for the company.
302-3	Energy efficiency	Responsibility to the natural environment	113	We report on fuel consumption, other indicators are not relevant for the company.

SKLADNOSTI S SMERNICAMI
TRAJNOSTNEGA POROČANJA

VSEBINSKO KAZALO PO STANDARDIH GRI

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
302-4	Reducing energy consumption	Responsibility to the natural environment	113	Generally presented activities in the field of energy consumption.
305: Emissions				
103-1, 103-2, 103-3	Management approach			
305-1	Direct greenhouse gas emissions	Responsibility to the natural environment	112	
305-5	Reducing greenhouse gas emissions	Responsibility to the natural environment	112	
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	100	
401-3	Parental leave	Human resources	100	
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	100, 108	
403-5	Training of employees on safety and health at work	Human resources; Security and health at work	100, 108	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	100, 108	

SKLADNOSTI S SMERNICAMI
TRAJNOSTNEGA POROČANJA

VSEBINSKO KAZALO PO STANDARDIH GRI



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, 107	
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	26 100, 103	
405-2	Ratio of basic income of women compared to men by type of employment, by key locations	Human resources; HR indicators	100, 103	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	Human resources	100	
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	86	



ACCOUNTING REPORT

STATEMENT OF MANAGEMENT

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 2021 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 2021.

Ljubljana, 13 May 2022

Martin Bratanič, General Manager

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**AUDITOR'S
REPORT**



AUDITOR'S REPORT



Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT To the shareholder of BORZEN, d.o.o. (Translation from the original in Slovene language)

Opinion

We have audited the financial statements of BORZEN, d.o.o. (the Company), which comprise the balance sheet as at December 31, 2021 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the company BORZEN, d.o.o. as at December 31, 2021, and its financial performance and 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other matter

Comparable data for the year, ended as at December 31, 2020, were audited by another auditor, who issued an unqualified opinion as at May 6, 2021.

Other information

Management is responsible for the other information. The other information comprises the information included in annual report of BORZEN, d.o.o. except accounting report from the statement of the management to point 16 and our 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 the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures we report on the following:

- Other information is consistent with audited financial statements in all respect
- Other information is prepared in line with regulatory requirements and
- Based on our knowledge and understanding of the company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management and Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovenian accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Okrožno sodišče v Ljubljani, vl.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Supervisory Board is responsible for monitoring over financial statements preparation and consideration of annual report.

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

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

Ljubljana, May 20, 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's report)

Maruša Hauptman,
Certified auditor

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FINANCIAL
STATEMENTS



IMBALANCE SETTLEMENT

IMBALANCE SETTLEMENT

Imbalance settlement as at 31 December 2021 and 31 December 2020

in EUR

DESCRIPTION	31. 12. 2021	31. 12. 2020
ASSETS	330,442,235	263,888,472
A. LONG-TERM ASSETS	175,598,983	139,512,241
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUE	403,561	436,057
II. TANGIBLE ASSETS	2,141,567	1,528,345
1. Property, plant	1,692,096	1,125,124
2. Other equipment	449,471	403,221
III. LONG-TERM FINANCIAL INVESTMENTS	172,919,568	137,419,568
1. Long-term investments in shares and interests of group companies	1,919,568	1,919,568
2. Other long term financial investments	171,000,000	135,500,000
IV. DEFERRED TAX ASSETS	134,287	128,271
B. SHORT-TERM ASSETS	154,786,894	124,327,480
I. SHORT-TERM FINANCIAL INVESTMENTS	100,861,133	67,000,000
II. SHORT-TERM OPERATING RECEIVABLES	33,820,271	23,127,264
1. Short-term trade receivables to customers	29,594,703	20,920,266
2. Short-term trade receivables to others	4,225,568	2,206,998
III. CASH AND CASH EQUIVALENTS	20,105,490	34,200,216
C. SHORT TERM DEFERRED COSTS AND ACCRUED REVENUES	56,358	48,751
Off-balance assets	7,385,426	6,412,776
EQUITY AND LIABILITIES	330,442,235	263,888,472
A. EQUITY	6,128,730	5,968,926
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL SURPLUS	395	395
III. REVENUE RESERVES	3,751,746	2,870,421
1. Legal reserves	196,328	196,328
2. Other reserves	3,555,418	2,674,093
IV. REVALUATION RESERVES	-20,351	3,506
V. RETAINED PROFITS	439	0
VI. NET PROFIT (NET LOSS) FOR THE YEAR	433,222	1,131,325
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	259,000	195,675
C. SHORT-TERM LIABILITIES	324,050,424	257,723,871
I. SHORT-TERM OPERATING LIABILITIES	324,050,424	257,723,871
1. Short-term trade payables to suppliers	25,941,979	13,322,679
2. Other short term trade payables	298,108,445	244,401,192
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	4,081	0
Off-balance liabilities	7,385,426	6,412,776

FINANCIAL STATEMENTS

INCOME STATEMENT

INCOME STATEMENT

Income statement for the period from 1 January 2020 to 31 December 2021

in EUR

DESCRIPTION	1. 1. - 31. 12. 2021	1. 1. - 31. 12. 2020
1. NET SALES REVENUES	4,123,513	4,026,183
2. OTHER OPERATING REVENUES (including operating revenue from revaluation)	40,584	1,484
TOTAL OPERATING REVENUES	4,164,097	4,027,667
3. COGS AND COST OF MATERIALS AND COST OF SERVICES	1,295,001	944,883
a. COGS and cost of materials	70,051	53,489
b. Cost of services	1,224,950	891,394
4. LABOUR COSTS	2,271,117	1,750,434
a. Costs of wages and salaries	1,640,667	1,215,864
b. Costs of pension insurance	217,347	171,048
c. Costs of other social insurances	126,751	99,875
d. Other labour costs	286,352	263,647
5. WRITE-DOWNS	347,706	321,227
a. Depreciation	346,146	315,388
b. Operating expenses from revaluation of operating current assets	1,560	5,839
6. OTHER OPERATING EXPENSES	18,442	17,917
7. FINANCIAL REVENUES FROM LOANS	347,415	381,516
a. Financial revenues from loans to group companies	2,873	0
b. Financial revenues from loans to others	344,542	381,516
8. FINANCIAL REVENUES FROM RECEIVABLES	509	145
9. FINANCIAL REVENUES FROM OPERATING LIABILITIES	43,184	7,716
10. OTHER REVENUES	0	30,398
11. OTHER EXPENSES	3,510	5,050
12. TAX ON PROFIT	103,397	260,159
13. DEFERRED TAX	-3,558	-1,705
19. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	433,222	1,134,045

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

CASH FLOW STATEMENT

Cash flow statement based on the indirect method (Version II)

in EUR

DESCRIPTION	2021	2020
A. CASH FLOW FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	510,871	1,096,703
Operating revenues (except for revaluation) and financial revenues from operating receivables	4,160,192	4,055,242
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-3,549,482	-2.700.085
Tax on profit and other taxes not included in operating expenses	-99,839	-258,454
b. Outflows from operating activities	55,615,239	38,247,042
Opening less closing operating receivables	-10,693,007	2,212,661
Opening less closing deferred costs and accrued revenues	-16,401	18,144
Opening less closing deferred tax assets	-6,016	-387
Closing less opening operating liabilities	66,326,582	36,018,082
Closing less opening accrued expenses and deferred revenues and provisions	4,081	-1,458
c. Positive or negative cash flow from operating activities (a + b)	56,126,110	39,343,745
B. CASH FLOW FROM INVESTMENTS		
a. Inflows from investments	33,004,126	101,403,409
Inflows from interests arising from investment activities	347,415	381,516
Revenues from disposal of tangible fixed assets	17,844	21,893
Revenues from disposal of short-term financial investments	32,638,867	101,000,000
b. Outflows from investments	-102,933,091	-171,761,553
Outflows from acquisition of intangible assets	-107,128	-100,558
Outflows from acquisition of tangible fixed assets	-825,963	-160,995
Outflows from acquisition of short-term financial investments	-102,000,000	-171,500,000
c. Positive or negative cash flow from investments (a + b)	-69,928,965	-70,358,144
C. CASH FLOW FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	0	0
b. Outflows from financing activities	-291,871	-1,006,342
Outflows from interests pertaining to financing activities	-41,871	-6,342
Outflows from repayment of financial liabilities	0	0
Outflows from dividends paid and other profit-sharing	-250,000	-1,000,000
c. Positive or negative cash flow from financing activities (a + b)	-291,871	-1,006,342
D. FINAL CASH BALANCE	20,105,490	34,200,216
Cash profit for the period	-14,094,726	-32,020,741
Initial cash balance	34,200,216	66,220,956

FINANCIAL STATEMENTS

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



Allocation of net profit for the financial year and determination of distributable profit

in EUR

DESCRIPTION	31. 12. 2021
Net profit from the preceding financial years	0
Net profit for the financial year	433,222
Portion of net profit from the financial year for the elimination of actuarial losses	439
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR	433,661

FINANCIAL STATEMENTS

STATEMENT OF OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income

in EUR

DESCRIPTION	1. 1. - 31. 12. 2021	1. 1. - 31. 12. 2020
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	433,222	1,134,045
Actuarial gains and losses on defined benefit plans	-23,419	12,556
TOTAL COMPREHENSIVE YIELD TURN. PERIODS	409,803	1,146,601

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity

in EUR

	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
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 reserves arising from valuation at fair value					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. 2020	1,963,279	395	196,328	2,674,093	3,506	0	1,131,325	5,968,926

Statement of changes in equity

in EUR

	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
Closing balance 31. 12. 2020	1,963,279	395	196,328	2,674,093	3,506	0	1,131,325	5,968,926
Changes in equity – transactions with owners								
Dividend payment						-250,000		-250,000
Total comprehensive income								
Change in reserves arising from valuation at fair value					-23,419			-23,419
Entry of net profit							433,222	433,222
Changes in equity								
Allocation of the remaining part of net profit of the comparative period						1,131,325	-1,131,325	0
Reserve transfer by decision of the general meeting				881,325		-881,325		0
Other changes					-438	439		0
Closing balance 31. 12. 2021	1,963,279	395	196,328	3,555,418	-20,351	439	433,222	6,128,730

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**ACCOUNTING
POLICIES**



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 imbalance settlement, 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 imbalance settlement, 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 imbalance settlement 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. Adjustments to the receivables for which it is estimated that they will not be paid in full are formed for each claim separately. Adjustments to the value of receivables reduce their book value and increase revaluation financial expenses to the extent that they relate to the company's regular receivables. Adjustments to the value of receivables of the Centre for Support reduce the assets of the Centre for Support, and adjustments to the value of receivables of the imbalance settlement are also covered from the surplus of the imbalance settlement in accordance with the rules on the operation of the MO.

CASH ASSETS

The cash assets comprise the demand deposits and short-term deposits held at calls with banks. The company separately presents the funds of the Centre for Support and the funds of the imbalance settlement, which are kept in special separate accounts opened specifically for this purpose.

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.

ACCOUNTING POLICIES



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

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

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NOTES
TO THE FINANCIAL
STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS³⁹

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

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

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

Intangible assets

in EUR

	SOFTWARE	SOFTWARE IN PRODUCTION	TOTAL
Purchase price			
1. 1. 2021	2,139,985	0	2,139,985
Direct increases – purchases	0	107,128	107,128
Transfer from the investments in progress	107,128	-107,128	0
Disposals	0	0	0
31. 12. 2021	2,247,113	0	2,247,113
Write-down value			
1. 1. 2021	1,717,290	0	1,717,290
Yearly depreciation	148,418	0	148,418
Disposals	0	0	0
31. 12. 2021	1,865,708	0	1,865,708
Current value			
1. 1. 2021	422,695	0	422,295
31. 12. 2021	381,405	0	381,405

Investments in software in 2021 mainly represent upgrades and adaptations of existing business applications, such as adaptation of the clearing application and adaptations of applications for performing market operator tasks, such as the application for balance settlement, adaptations of the register of certificates of origin and adaptations of reporting applications (Transparency and RRM - REMIT and REP-AGEN). Some system software licenses were also purchased, which are intended for the maintenance of information security and relate to the updating of the software of the virtual environment.

The depreciation rate at which the software is depreciated is 20 to 50% and reflects the expected life of use.

Long-term accrued costs represent the funds 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 22,156 at the end of 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

TANGIBLE FIXED ASSETS

Tangible fixed assets

in EUR

	REAL ESTATE	INFORMATION SYSTEM EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
Purchase price					
1. 1. 2021	1,639,905	778,889	193,646	176,083	2,788,523
Purchases	637,343	38,944	41,922	107,754	825,963
Disposals	0	56,433	3,532	41,775	101,740
31. 12. 2021	2,277,248	761,400	232,036	242,062	3,512,746
Write-down value					
1. 1. 2021	514,781	504,163	138,595	102,640	1,260,179
Depreciation	70,371	93,980	10,117	23,260	197,728
Disposals	0	56,433	3,532	26,763	86,728
31. 12. 2021	585,152	541,710	145,180	99,137	1,371,179
Current value					
1. 1. 2021	1,125,124	274,726	55,051	73,443	1,528,344
31. 12. 2021	1,692,096	219,690	86,856	142,925	2,141,567

Investments in real estate refer to the purchase and conversion of additional business premises, which were purchased due to business expansion and new employment. Investments in the information system include the purchase of new hardware: network switches and new desktop workstations and laptops for new employees, and some equipment was also replaced due to old wear and tear. Investments in other equipment mostly refer to the purchase of two passenger vehicles.

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

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

Computer equipment	20,00 do 33,33 %
Office furniture	11,00 do 12,00 %
Other equipment	10,00 do 50,00 %

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

LONG-TERM FINANCIAL INVESTMENTS

DEFERRED TAX ASSETS

SHORT-TERM FINANCIAL INVESTMENTS

LONG-TERM FINANCIAL INVESTMENTS

Statement of changes in equity for 2021

	in EUR	
	31. 12. 2021	31. 12. 2020
Long-term financial investments in shares	1,919,568	1,919,568
Other long-term financial investments	171,000,000	135,500,000
TOTAL	172,919,568	137,419,568

The company Borzen owns 50 percent of the ownership share in the company BSP Energetska borza, d.o.o., Ljubljana. The company BSP d.o.o. has been operating profitably in recent years. In 2021, the profit was EUR 714,782. The company has EUR 6,001,274 in share capital, and the total capital amounted to EUR 9,315,214 on 31 December 2021.

Other long-term financial investments refer to the long-term investment of the

CenterCentre for Support's free cash resources with the aim of generating income. EUR 105 million is deposited as a long-term deposit with BKS Bank, EUR 17 million with Banka Sparkasse d.d., EUR 28 million with Sberbank banka d.d., EUR 14 million with Addiko Bank d.d., EUR 5 million with Gorenjska banka d.d. and EUR 2 million from the Liquidity Promotion Agency d.o.o.

DEFERRED TAX ASSETS

	in EUR			
	31. 12. 2021	INCREASE	DECREASE	31. 12. 2020
Deferred tax assets arising from:				
Impairment of the financial investment	109,682	0	0	109,682
Provisions	24,605	6,274	258	18,589
TOTAL	134,287			128,271

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 2021 due to the increase in the reservations.

SHORT-TERM FINANCIAL INVESTMENTS

	in EUR	
	31. 12. 2021	31. 12. 2020
Short-term financial investments	100,861,133	67,000,000
of which financial investments to related parties	19,000,000	
TOTAL	100,861,133	67,000,000

Financial investments represent fixed deposits at banks: BKS Bank, Sberbank d.d., at Addiko Bank d.d. and at Banka Sparkasse d.d., which were bound for up to twelve months. In addition to deposits with banks, Borzen also has assets deposited with the jointly controlled company BSP, d.o.o., EUR 2.36 million of

assets, which are with the Agency for the Promotion of Liquidity d.o.o. but it is in the recovery phase. All deposits represent funds of the support centerCentre, i.e. free funds or excess funds of the Centre for Support. The amount of short-term financial investments represents the maximum possible exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

SHORT-TERM OPERATING RECEIVABLES

SHORT-TERM OPERATING RECEIVABLES

	in EUR	
	31. 12. 2021	31. 12. 2020
Short-term trade receivables	29,594,703	20,920,266
a) Short-term domestic trade receivables	26,954,283	19,733,429
- receivables from the associated companies	15,303	12,515
b) Short-term foreign trade receivables	2,640,420	1,186,837
Short-term advances and securities	87,711	91,479
Short-term receivables for interests	42,483	26,590
Other short-term receivables	4,095,374	2,088,929
TOTAL	33,820,271	23,127,264

As at 31 December 2021, the share of the short-term receivables amounted to 29,594,703 EUR and consisted of:

- ▶ 71 percent of the receivables from the Centre for Support;
- ▶ 27 percent of the receivables from the imbalance settlement;
- ▶ 2 percent of the regular receivables mainly from the services for recording membership contracts and closed contracts.

Receivables are higher compared to the end of 2020, mainly due to imbalance settlement claims due to higher electricity prices. Receivables from the imbalance settlement are secured (members must provide coverage in the form of a deposit or bank guarantee), other claims are unsecured.

Short-term trade receivables by maturity:

- ▶ 29,523,913 EUR trade receivables are not yet matured (99.8 %);
- ▶ 63,567 EUR are overdue (0.2 %), from which 56,180 EUR are under 30 days overdue, 7,205 EUR are under 60 days overdue and 182 EUR are over 90 days overdue;
- ▶ 7,223 EUR of the short-term receivables are the subject of enforcement proceedings.

Other short-term receivables refer to input VAT from invoices received in January 2021, but mostly refer to the month of December 2021. Other short-term receivables include an overpayment of corporate income tax in the amount of EUR 135,082.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

CASH ASSETS

SHORT-TERM DEFERRED EXPENSES AND ACCURED REVENUES

CASH ASSETS

	in EUR	
	31. 12. 2021	31. 12. 2020
Cash and cash equivalents in banks	9,005,510	4,200,216
Cash assets in the commercial account	1,462,469	1,165,828
Cash assets in special accounts – Centre for Support	1,317,317	905,998
Cash assets in special accounts – Balance Scheme	6,225,724	2,128,390
Deposits held at call – total	11,099,980	30,000,000
Deposit held at call	99,980	1,000,000
Deposit held at call – Centre for Support	11,000,000	29,000,000
Deposit held at call – Balance Scheme	0	0
TOTAL	20,105,490	34,200,216

In the case of cash assets, in addition to regular assets, the funds of the support Centre and the balance settlement funds, which are kept on special accounts, are shown separately. The company manages the funds of the Centre for Support on the basis of ZSROVE, while the imbalance settlement funds are connected to the organisation of the electricity market. In 2021, Borzen carried out these two activities within the framework of one concession contract, but in the future

these two activities should be carried out within the framework of two different concession contracts. The company has these assets under management and therefore keeps them separately in special accounts.

Similarly, call deposits at BKS Bank and Gorenjski banka for deposits of the Centre for Support and at Sberbank banka d.d. are also managed separately for deposits from regular business.

SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

	in EUR	
	31. 12. 2021	31. 12. 2020
Short-term deferred costs or expenses	56,358	48,751
TOTAL	56,358	48,751

Accrued revenues and deferred expenses include costs charged to us in 2021, which relate to the financial year 2022 and will be charged to the costs of that year.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

EQUITY

EQUITY

	in EUR	
	31. 12. 2021	31. 12. 2020
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	3,751,746	2,870,421
Statutory reserves	196,328	196,328
Other profit reserves	3,555,418	2,674,093
Fair value reserves	-20,351	3,506
Profit from the previous years	439	0
Net profit for the financial year	433,222	1,131,325
TOTAL	6,128,730	5,968,926

The total equity of the company at the end of 2021 amounts to EUR 6.13 million. The profit of the previous year was partially paid to the partner (EUR 250,000), and other profit reserves were increased for the difference. The net profit in 2021, which is also shown in the income statement, amounts to EUR 433,222. The profit from previous years in the amount of EUR 439 represents the cancellation of actuarial profits or losses for employees who left during the year and the provisions for severance pay upon retirement were cancelled.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

RESERVATIONS

PROVISIONS

	in EUR	
	31. 12. 2021	31. 12. 2020
Reservations for long-service bonuses	76,082	56,706
Reservations for severance pays	182,918	138,969
TOTAL	259,000	195,675

Based on an actuarial calculation, the company created provisions for severance pay upon retirement and for long-service bonuses. The actuarial assumptions used are: 39 employees, interest rate 0.90%, wage growth 2.0%, turnover up to 35 years 4.5%, up to 45 years 3% and over 45 years 0.5%. The use of provisions in 2021 amounted to EUR 2,719 (long-service bonuses), and after the reorganisation at the end of 2021, the provisions amount to a total of EUR 259,000.

Movement of provisions

	in EUR		
	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT	PROVISIONS FOR LONG- SERVICE BONUSES	TOTAL
Balance as at 31. 12. 2020	138,969	56,706	195,675
Interest expenses	764	305	1,069
Past service costs	0	0	0
Current service costs	17,308	5,178	22,486
Benefit payments	0	-2,719	-2,719
Actuarial gains/losses (IPI)	/	16,612	16,612
Actuarial gains/losses through IFP	25,877	/	25,877
Balance as at 31. 12. 2021	182,918	76,082	259,000

Sensitivity analysis

	in EUR	
PARAMETERS	PROVISIONS FOR SEVERANCE PAYS	PROVISIONS FOR LONG-SERVICE BONUSES
Reduction of disc. interest rate by 0.5 %	16,854	3,913
Increase of disc. interest rate by 0.5 %	-15,102	-3,634
Increase in wage growth by 0.5 % per year	17,076	0
Reduction in wage growth by 0.5 % per year	-15,471	0

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

SHORT-TERM LIABILITIES

Short-term liabilities

	in EUR	
	31. 12. 2021	31. 12. 2020
Short-term liabilities to suppliers	25,941,979	13,322,679
- Short-term liabilities to suppliers – regular suppliers	248,240	405,119
- liabilities to related parties	8,662	8,662
- Short-term liabilities to suppliers – Centre for Support	13,111,350	10,115,852
- Short-term liabilities to suppliers – Balance Scheme	12,582,389	2,801,708
Short-term liabilities from the Centre for Support	292,113,017	240,481,489
Liabilities for the deposits from the Centre for Support	0	750,000
Short-term liabilities from the Balance Scheme	4,219,491	1,568,971
Short-term liabilities for received advances	95,554	36,368
Short-term liabilities to employees	289,049	219,542
- Liabilities for net salaries and wage compensations	119,736	90,260
- Liabilities for contributions from gross salaries and wage compensations	89,241	70,774
- Liabilities for taxes from gross salaries and wage compensations	34,560	29,248
- Liabilities for other remunerations from employment	45,512	29,260
Liabilities to state and other institutions	1,382,593	1,338,984
- Liabilities for charged VAT	1,380,574	1,297,314
- Liabilities for corporate income tax	0	40,380
- Other short-term liabilities to state and other institutions	2,019	1,290
Other short-term operating liabilities	8,741	5,838
TOTAL	324,050,424	257,723,871

The liabilities as at 31 December 2021 consist of open commitments to regular suppliers, open commitments to the beneficiaries of the Centre for Support and open commitments to suppliers from the imbalance settlement. In the case of beneficiaries of the Centre for Support, the amount relates mainly to invoices due in early January. The company otherwise settles its liabilities to suppliers within the agreed contractual deadlines. There is a significant increase in liabilities to suppliers of the imbalance settlement, which is a result of the rise in electricity prices in the second half of 2021.

Short-term liabilities from the Centre for Support represent a source of funds raised from RES and CHP, which increased again in 2021. This resource finances cash and short-term and long-term financial investments of the Centre for Support.

Short-term liabilities from the imbalance settlement represent a surplus of funds from this title, which is higher due to the rise in electricity prices.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE IMBALANCE SETTLEMENT ITEMS

OFF-IMBALANCE SETTLEMENT ASSETS

OFF-IMBALANCE SETTLEMENT CONTINGENT LIABILITIES

OFF-BALANCE SHEET ITEMS

The company shows the balance of off-imbalance settlement assets in the amount of 7.39 million EUR. Of this, 5.00 million EUR represent the funds of the members of the balance scheme in deposit sub-accounts opened in the name of the members of the balance scheme. Assets represent insurance for the fulfilment of financial obligations from the imbalance settlement. The financial coverage must be provided by the responsible balancing group upon signing the balancing contract with the market operator in accordance with the applicable Rules for the Operation of the Electricity Market. Assets are shown off-imbalance settlement because they do not have a direct impact on the size and composition of assets and liabilities to sources of funds, as they only represent a guarantee for the fulfilment of the obligations of the members of the imbalance settlement scheme.

In addition to cash deposits, members of the imbalance settlement scheme can also provide financial coverage in the form of a bank guarantee upon first request. The value of the received bank guarantees of the members of the balance scheme amounted to EUR 2.39 million as of 31 December 2021.

OFF-BALANCE SHEET CONTINGENT LIABILITIES

Borzen also has a contingent liability based on a guarantee statement in the amount of EUR 1.75 million. The stock exchange is a joint guarantor (the other guarantor is ELES) to BSP under the framework credit agreement in the amount of EUR 3.50 million up to the amount of 50 % of the obligations under this agreement.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENTS

OPERATING REVENUES

OPERATING EXPENSES

OPERATING REVENUES

	in EUR			
	YEAR 2021	SHARE IN %	YEAR 2020	SHARE IN %
Revenues arising from the MO's operation	1,682,289	40.4	1,627,289	40.40
Revenues arising from recorded closed contracts	1,062,689	25.5	1,114,241	27.66
Revenues arising from the Centre for Support	591,000	14.2	591,000	14.67
Revenues arising from BSP	163,536	3.9	109,161	2.71
Revenues arising from information provision and raising awareness	419,997	10.1	349,978	8.69
Revenues arising from RRM – REMIT	189,778	4.6	156,567	3.89
Other revenues	14,224	0.3	77,947	1.94
TOTAL SALES REVENUES	4,123,513	99.0	4,026,183	100
Other operating revenues	40,584	1.0	1,484	0
TOTAL	4,164,097	100	4,027,667	100

The largest share of revenues refers to revenues from the operation of MO. The amount of this revenue was determined in June 2015 in the Regulation on the granting of a concession and the method of performing the commercial public service of the market operator with electricity, which regulates the method of financing the commercial public service and the addition to the network fee of compensation with a contribution for the operation of the concessionaire (market operator) in the amount of 0.00013 EUR/kWh.

The second largest share is represented by revenues from recording closed contracts. The amount of payment for members of the balancing scheme for recording closed contracts is set at the amount of 0.00005 EUR/kWh for each recording of a closed contract in which a member of the balancing group acts as a seller

The activity of the Centre for Support is financed from the share of contributions to promote the production of electricity from renewable sources and cogeneration with high efficiency.

As for other business income, in 2021 income from salary refunds was also recorded in the amount of EUR 36,193.

Of the sales revenue, EUR 3,897,766 was charged to domestic buyers, and EUR 225,747 to foreign buyers.

OPERATING EXPENSES

	in EUR			
	YEAR 2021	SHARE IN %	YEAR 2020	SHARE IN %
Material costs	70,051	1.8	53,489	1.8
Service costs	1,224,950	31.2	891,394	29.4
Labour costs	2,271,117	57.8	1,750,434	57.7
Depreciation	346,146	8.8	315,388	10.4
Operating expenses from revaluation of operating current assets	1,560	0	5,839	0.2
Other operating expenses	18,442	0.5	17,917	0.6
TOTAL	3,932,266	100	3,034,461	100

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENTS

MATERIAL AND SERVICE COSTS

Material and service costs

TYPE OF COSTS	in EUR			
	YEAR 2021	SHARE IN %	YEAR 2020	SHARE IN %
Energy costs	22,801	32.5	15,185	28.4
Office supplies	10,339	14.8	6,703	12.5
Professional literature	18,400	26.3	18,834	35.2
Other material costs	18,511	26.4	12,767	23.9
Total material costs	70,051	100	53,489	100
Banking services	9,724	0.8	8,950	1.0
Membership fees	35,202	2.9	38,358	4.3
Other services	71,993	5.9	58,263	6.5
Education and training	18,644	1.5	12,657	1.4
Rental costs	90,446	7.4	70,419	7.9
Business premises costs	49,472	4.0	39,699	4.5
Public relations	169,651	13.8	139,893	15.7
Postal services	22,004	1.8	30,433	3.4
SLA costs	86,800	7.1	87,748	9.8
Insurance costs	20,460	1.7	18,626	2.1
Mission and duty travel costs	14,488	1.2	4,010	0.4
Supervisory Board costs	23,528	1.9	18,488	2.1
Advisory services and professional studies costs	420,210	34.3	234,818	26.3
Student work	28,938	2.4	3,148	0.4
Regular maintenance of fixed assets	163,390	13.3	125,884	14.1
Type of cost	1,224,950	100	891,394	100

The costs of materials and services in the total amount are higher compared to the previous year. The non-realisation of some costs of materials and services (costs of energy, education and work trips) was also affected by the COVID-19 pandemic in 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENTS

LABOUR COSTS

WRITE-OFFS

Material and service cost table by functional type

in EUR

COSTS BY FUNCTIONAL GROUPS	YEAR 2021		
	Sale cost	Cost of general activities	Total
Material costs	15,080	54,971	70,051
Service costs	633,877	591,073	1,224,950
Labour costs	718,756	1,552,361	2,271,117
Depreciation	116,824	229,322	346,146
Operating expenses from revaluation	0	1,560	1,560
Other operating expenses	710	17,732	18,442
TOTAL	1,485,247	2,447,019	3,932,266

in EUR

COSTS BY FUNCTIONAL GROUPS	YEAR 2020		
	Sale cost	Cost of general activities	Total
Material costs	10,792	42,697	53,489
Service costs	424,246	467,148	891,394
Labour costs	505,774	1,244,660	1,750,434
Depreciation	107,263	208,125	315,388
Operating expenses from revaluation	0	5,839	5,839
Other operating expenses	2,798	15,119	17,917
TOTAL	1,050,873	1,983,588	3,034,461

LABOUR COSTS

The total labour costs in 2021 amounted to EUR 2,271,117. The company had 40 employees at the end of 2021. The average number of employees based on working hours was 34.93. Labour costs are calculated in accordance with the Regulations on labour relations and the provisions of the Collective Agreement for Slovenian Electricity Industry, which has been used in the company since May 1, 2018. Labour costs exceed the planned values, mainly due to new jobs, which were necessary due to the increase in the scope of tasks that the company was given on the basis of the law.

WRITE-OFFS

Depreciation in 2021 amounted to EUR 346,146. The company uses flat-rate depreciation charge. Revaluation operating expenses in the amount of EUR 1,560 refer to the sale of fixed assets at a value lower than the book value.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENTS

OTHER OPERATING EXPENSES

FINANCIAL REVENUES

FINANCIAL EXPENSES

OTHER REVENUES AND OTHER EXPENSES

OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 18,442 and refer to the contribution for building land, the contribution we pay to the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia due to non-fulfilment of the disabled quota and court fees.

FINANCIAL REVENUES

	in EUR			
	YEAR 2021	SHARE IN %	YEAR 2020	SHARE IN %
Interest revenues	347,415	99.9	381,517	100
Other financial revenues including financial revenues from revaluation	509	0.1	144	0
TOTAL	347,924	100	381,661	100

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 lower than the amount from the previous year, mainly due to the low interest rates that applied on the market and slightly higher than the planned amount.

FINANCIAL EXPENSES

	in EUR			
	YEAR 2021	SHARE IN %	YEAR 2020	SHARE IN %
Interest expenses	43,178	100	7,678	99.5
Other financial expenses including revaluation expenses	6	0	38	0.5
TOTAL	43,184	100	7,716	100

Financial expenses for interest in the amount of 43,178 EUR mostly refer to bank fees that banks charge for exceeding the funds in the accounts, while a smaller part refers to interest from reservations (based on actuarial calculation), and other financial expenses refer to negative exchange differences.

OTHER REVENUES AND EXPENSES

In 2021, the company had no other revenues.

Other expenses in the amount of 3,510 relate to donations. We allocated the donation funds for cultural and sports purposes.

NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES AND EVENTS

AFTER THE IMBALANCE SETTLEMENT DATE

OTHER DISCLOSURES

The management of the company is a one-member body - the General Manager, appointed by the supervisory board for a period of five years. As of November 1, 2020, Martin Bratanič is the appointed General Manager. The General Manager is entitled to a basic payment (salary) and a payment for business performance (award for business performance).

General Manager's remuneration in 2021		in EUR
GENERAL MANAGER'S GROSS RECEIPTS		
Martin Bratanič		
Salary for 2021		98,951
Performance-based bonus for 2020 – part 1 50%		1,394
Performance-based bonus for 2021 – part 1 50%		5,937
Payment for annual leave		1,916
Bonuses		8,021

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 2021, 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 and Audit Committee members in 2021							in EUR
	SB role	SB attendance fee	AC role	AC attendance fee	Travel expenses	Bonuses	Total gross receipts
Peter Žmak	2,400	2,490	0	0	0	14	4,904
Tomaž Kokot	1,760	2,040	400	1,200	575	14	5,989
Davorin Dimič	1,600	2,490	550	1,320	2,564	14	8,539
Braco Mihelj	0	0	400	1,320	102	0	1,822
TOTAL	5,760	7,020	1,350	3,840	3,241	43	21,254

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.

POST BALANCE SHEET EVENTS

After the end of the financial year, there were no business events that would affect the financial position in 2021.

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ACCOUNTING STATEMENTS

BY ACTIVITIES



ACCOUNTING STATEMENTS BY ACTIVITIES



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

In accordance with the Energy Act, the Decree on the Concession and on the Method for Implementation of Public Service Obligation Relating to the Organisation of the Market Operator, the Articles of Association of Borzen and other applicable regulations, Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the activities of the Centre for Support. In addition, the company also performs a commercial activity (i.e. the provision of the REMIT – RRM services and services for 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 organisation of the electricity market and the activities of the Centre for Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for Support. For the purpose of keeping the market organisation and the Centre for Support accounts separate, they are regarded as two separate

business entities where the funds used by both activities are divided according to predetermined keys.

The starting point for demonstrating 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 centres to which revenues are allocated and direct and indirect costs are charged. Cost centres belong directly to individual activities or are of a general nature and are charged indirectly to 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 2021 is presented below.

ACCOUNTING STATEMENTS BY ACTIVITIES

Table of general keys for 2021

	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 centres 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 imbalance settlement items to activities as arising from cost centres 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 labour costs that are charged to an individual post.

The **fixed assets key** takes into account a distribution of imbalance settlement items of the information system of a specified activity as referred to in cost centres 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.

The company as a whole reports a net profit of EUR 433,222 in 2021, of which:

- ▶ public service obligation relating to the Market Operator discloses a profit EUR 722,060;
- ▶ the activity of the Centre for Support records a profit in the amount of EUR 249,140, within which the activities related to information and awareness are conducted according to the principle of cost reimbursement by the Eco Fund;
- ▶ the commercial activity reports of loss in the amount of EUR 39,698. The commercial activity is a set of four activities, namely:
 - ▶ the activity of the organisational unit Development-Competence Centre, where no revenues were generated in 2021,
 - ▶ implementation of REMIT, with EUR 189,778 revenue generated in 2021,
 - ▶ clearing services for BSP d.o.o., with EUR 163,536 EUR revenue generated in 2021.

The negative business result is the result of a larger number of studies and analyses in the total value of 48,661 EUR, which are shown as the cost of marketing activity (RKC), since the content was not related to the implementation of concession activities. On the other hand, lower revenues were realized than planned, as revenues of EUR 150,000 EUR were planned, but revenues of EUR 14,224 were realized.

ACCOUNTING STATEMENTS BY ACTIVITIES

INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1. 1. 2021 AND 31. 12. 2021

Income statement by activity for the period between 1 January 2021 and 31 December 2021

in EUR

ELEMENTS	BORZEN total	Market organisation	Centre for Support	Information provision and awareness raising	Commercial activity
1. NET SALES REVENUES	4,123,513	2,758,061	591,908	419,997	353,547
a. Revenues arising from the MO's operation	1,682,289	1,682,289	0	0	0
b. Revenues arising from the recorded closed contracts	1,062,689	1,062,689	0	0	0
c. Revenues arising from the Centre for Support	591,000	0	591,000	0	0
d. Revenues arising from BSP	163,536	0	0	0	163,536
e. Revenues arising from information provision and raising awareness	419,997	0	0	419,997	0
f. Revenues arising from RRM – REMIT	189,778	0	0	0	189,778
g. Other revenues	14,224	13,083	908	0	233
2. OTHER OPERATING REVENUES	40,584	22,598	14,607	0	3,379
TOTAL OPERATING REVENUES	4,164,097	2,780,659	606,515	419,997	356,926
3. MATERIAL AND SERVICE COSTS	1,295,001	528,712	326,057	277,670	162,562
a. Material costs	70,051	43,117	21,702	2,483	2,749
b. Service costs	1,224,950	485,595	304,355	275,187	159,813
4. LABOUR COSTS	2,271,117	1,168,843	765,438	134,120	202,716
a. Costs of wages and salaries	1,640,667	842,930	560,131	89,991	147,615
b. Costs of pension insurance	217,347	111,412	60,946	25,530	19,459
c. Costs of other social insurances	126,751	65,231	31,633	18,599	11,288
d. Other labour costs	286,352	149,270	112,728	0	24,354
5. WRITE-DOWNS	347,706	226,431	83,000	8,207	30,068
a. Depreciation	346,146	225,573	82,376	8,207	29,990
b. Operating expenses from revaluation of operating current assets	1,560	858	624	0	78
6. OTHER OPERATING EXPENSES	18,442	9,852	7,703	0	887
TOTAL OPERATING EXPENSES	3,932,266	1,933,838	1,182,198	419,997	396,233
OPERATING PROFIT OR LOSS	231,831	846,821	-575,683	0	-39,307
7. FINANCIAL REVENUES	347,924	114	347,802	0	8
8. FINANCIAL EXPENSES	43,184	23,106	19,855	0	223
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	536,571	823,829	-247,736	0	-39,522
9. OTHER REVENUES	0	0	0	0	0
10. OTHER EXPENSES	3,510	1,930	1,404	0	176
TOTAL REVENUES	4,512,021	2,780,773	954,317	419,997	356,934
TOTAL EXPENSES	3,978,960	1,958,874	1,203,457	419,997	396,632
TOTAL PROFIT	533,061	821,899	-249,140	0	-39,698
11. TAX ON PROFIT	103,397	103,397	0	0	0
12. DEFERRED TAX	-3,558	-3,558	0	0	0
NET PROFIT OR LOSS FOR THE PERIOD	433,222	722,060	-249,140	0	-39,698

ACCOUNTING STATEMENTS BY ACTIVITIES

IMBALANCE SETTLEMENT AS AT 31 DECEMBER 2021 SHOWING THE ASSETS UNDER MANAGEMENT

Imbalance settlement as at 31 December 2021 with a separate overview of the assets under management

in EUR

DESCRIPTION	BORZEN total	BORZEN excl. public utility service	Centre for Support	Balance Scheme
ASSETS	330,442,235	7,077,603	306,837,197	16,527,435
A. LONG-TERM ASSETS	175,598,983	4,598,983	171,000,000	0
I. INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	403,561	403,561	0	0
TANGIBLE FIXED ASSETS	2,141,567	2,141,567	0	0
II. 1. Business premises	1,692,096	1,692,096	0	0
2. Equipment	449,471	449,471	0	0
LONG-TERM FINANCIAL INVESTMENTS	172,919,568	1,919,568	171,000,000	0
III. 1. Shares in associated companies	1,919,568	1,919,568	0	0
2. Other long-term financial investments	171,000,000	0	171,000,000	0
IV. DEFERRED TAX	134,287	134,287	0	0
B. SHORT-TERM ASSETS	154,786,894	2,422,262	135,837,197	16,527,435
I. SHORT-TERM FINANCIAL INVESTMENTS	100,861,133	0	100,861,133	0
SHORT-TERM OPERATING RECEIVABLES	33,820,271	859,669	22,658,889	10,301,713
II. 1. Short-term trade receivables	29,594,703	578,151	20,967,651	8,048,901
2. Short-term receivables due from others	4,225,568	281,518	1,691,238	2,252,812
III. CASH AND CASH EQUIVALENTS	20,105,490	1,562,593	12,317,175	6,225,722
C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	56,358	56,358	0	0
Off-imbalance settlement assets	7,385,426	7,385,426	0	0
LIABILITIES	330,442,235	7,077,603	306,837,197	16,527,435
A. EQUITY	6,128,730	6,128,730	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	3,751,746	3,751,746	0	0
III. 1. Statutory reserves	196,328	196,328	0	0
2. Other profit reserves	3,555,418	3,555,418	0	0
IV. REVALUATION SURPLUS	-20,351	-20,351	0	0
V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD	433,661	433,661	0	0
B. RESERVATIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	259,000	259,000	0	0
C. LONG-TERM LIABILITIES	324,050,424	685,792	306,837,197	16,527,435
SHORT-TERM OPERATING LIABILITIES	324,050,424	685,792	306,837,197	16,527,435
I. 1. Short-term liabilities to suppliers	25,941,979	248,239	13,111,351	12,582,389
2. Other short-term operating liabilities	298,108,445	437,553	293,725,846	3,945,046
D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	4,081	4,081	0	0
Off-imbalance settlement liabilities	7,385,426	7,385,426	0	0

In the table, we show separately the items that refer to assets and liabilities to the sources of these assets, which are managed by the company Borzen and are intended exclusively for the performance of activities within the framework of an individual economic public service (GJS). Funds of the support center Centre and funds of the balance scheme (BS) are shown separately. These are, on the one hand, funds that are in separate special accounts, and claims and liabilities that are also managed separately and are settled through special settlement accounts.

RELEVANT ENERGY REGULATIONS

CODES AND RECOMENDATIONS

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

- ▶ Energy Act (Official Gazette of the RS, No. 60/19, 65/20, 158/20 - ZURE, 175/20 - ZIUOPDVE, 121/21 - ZSROVE, 172/21 - ZOEE, 204/21 - ZOP);
- ▶ Act on the Promotion of the Use of Renewable Energy Sources (Official Gazette, no. 121/21, 189/21);
- ▶ Electricity Supply Act (Official Gazette, no. 172/21);
- ▶ 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);
- ▶ Decree on energy savings requirements (Official Gazette RS, no. 96/14, 158/20 – ZURE);
- ▶ 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 RS, no. 184/21);
- ▶ 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);
- ▶ Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system.

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 DATA⁴⁰

Borzen

Borzen, operater trga z elektriko, d. o. o.
Dunajska cesta 156, 1000 Ljubljana, Slovenia

☎ 01 620 76 00

✉ info@borzen.si

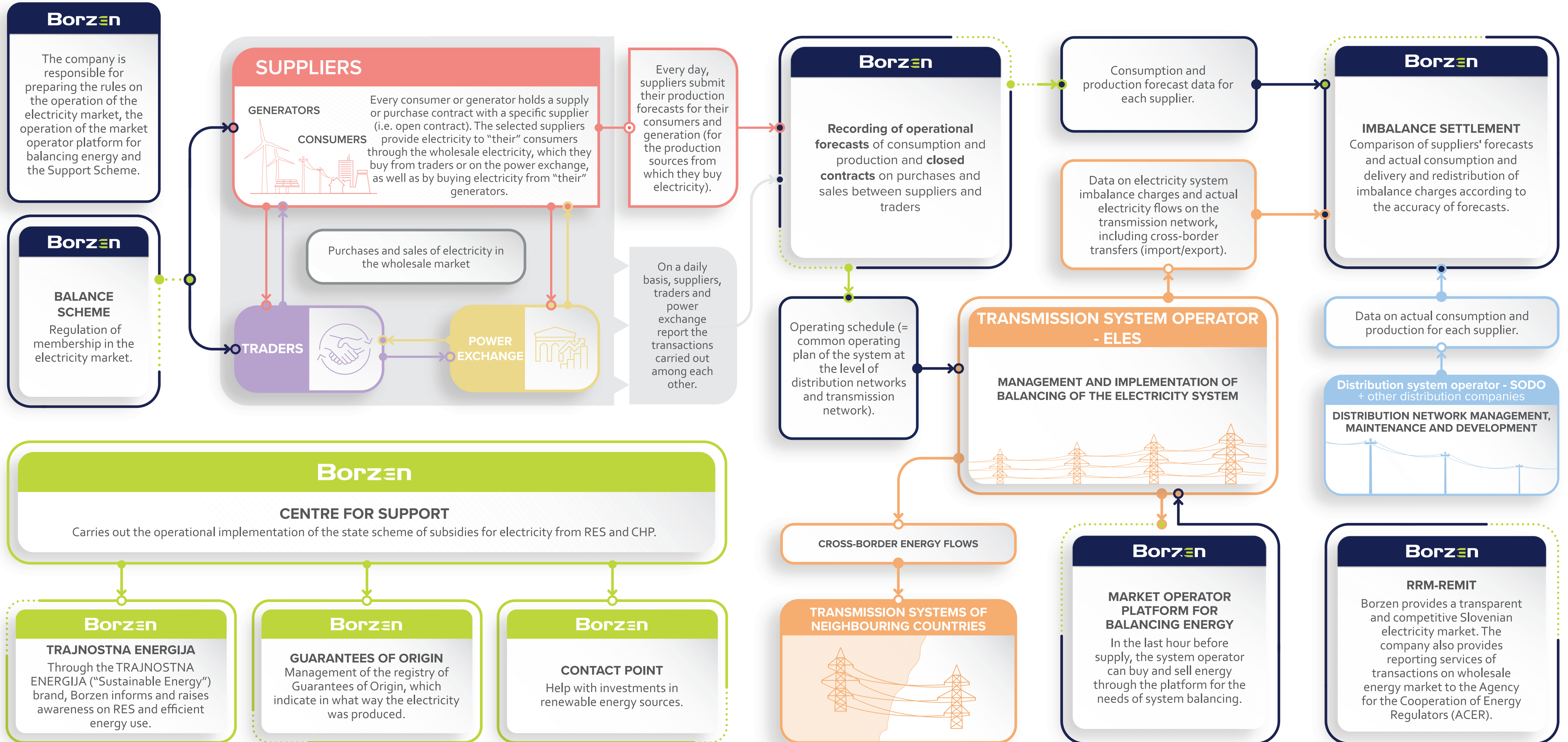
MANAGEMENT	Martin Bratanič, General Manager
DIRECTOR OF BUSINESS OPERATIONS	Metka Cerar, PhD ✉ metka.cerar@borzen.si
DIRECTOR ENTERPRISE ARCHITECTURE	Damjan Stanek, MSc ✉ damjan.stanek@borzen.si
DIRECTOR OF OPERATIONS	Borut Rajer, MSc ✉ borut.rajer@borzen.si
HEAD OF THE CABINET	Damjana Mes Plestenjak ✉ damjana.mes@borzen.si
HEAD OF DEVELOPMENT AND COMPETENCE CENTRE AT BORZEN	Urška Ošljak ✉ urska.osljak@borzen.si
PUBLIC RELATIONS	Eva Činkole Kristan ✉ eva.cinkole@borzen.si
HR	Janez Zemljak ✉ kadri@borzen.si
CENTRE FOR SUPPORT	✉ cp@borzen.si ✉ cp.frs@borzen.si ☎ 01 620 76 55
MARKET OPERATOR	✉ evidentiranje@borzen.si ✉ bilancni.obracun@borzen.si ☎ 01 620 76 35
RRM - REMIT	✉ remit@borzen.si ☎ 01 620 76 38

GLOSSARY⁴¹



ACER	Agency for the Cooperation of Energy Regulators
CEP	Clean Energy for Europeans Package
CHP	Cogeneration of heat and power
CS	Centre for Support
EA	Energy Act
EE	Energy efficiency
EECS	European Energy Certificate System
ENTSO-E	European Network of Transmission System Operators
GoO	Guarantee of Origin
GRI	Global reporting initiative
INC	Imbalance Netting Cooperation
MO	Market operator
NECP	National energy and climate plans
RES	Renewable energy sources
RRM	Registered Reporting Mechanism
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
SIDC	Single Intraday Coupling
SIPX	Slovenian Price Index
ZOEE	Electricity Supply Act
ZSROVE	Act on the Promotion of the Use of Renewable Energy Sources
ZURE	Act on Energy Efficiency

The role of Borzen in the electricity market





BORZEN