

ANNUAL REPORT

20

15

Borzen



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BORZEN ENCOURAGES VOLUNTEERING AND SUSTAINABLE PROJECTS

In autumn, the employees of Borzen joined forces in a corporate volunteering campaign and undertook to afforest a patch of the forest that was severely damaged by the effects of glaze ice, which hit Slovenia in 2014.

Together with the local scouts, Borzen successfully planted 600 seedlings of beech in the vicinity of Postojna, more specifically, on Mačkovec.



GENERAL MANAGER'S ADDRESS

Through its operation of Slovenia's power market operator, together with the execution of the services and tasks of general economic interest entrusted to it, Borzen has always placed the interests of its key stakeholders at the fore. We consider our stakeholders' involvement to be an integral pillar in the Company's strategy, which itself is based on sustainable development. In 2015, considerable attention was paid to our stakeholders and the development of the energy market in the direction of greater transparency, systemic regulation, efficiency and competitiveness of the Slovenian electricity market.

From year to year, there has been an increasing number of players on the Slovenian electricity market: in 2015, there were 84 members operating in the Balance Scheme, which is the highest number up to now; moreover, the number of foreign companies active on the Slovenian market has been steadily increasing. Overall, a total of 112,491 contracts involving a total of 78,935,614 MWh of power were concluded.

A significant shift may also be observed in the balancing market, which was set up in October 2012. The number of

transactions in 2015 was 228 percent up on the previous year, while the quantity of power traded was 138 percent higher. In 2015, the Slovenian balancing market accounted for over 30 percent of the total balancing system, which represents a 100 percent increase over the previous year.

On the bases set forth by the Energy Act, extended through the statutory provisions of the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market, which was adopted by the Government of the Republic of Slovenia, Borzen instigated reporting in accordance with the Regulation on energy market integrity and transparency (REMIT) late last year. Hence, Borzen has marketed a service with various synergic effects, which, hand in hand with knowledge and experience ensure transparency in the electricity market.

In its role as the Centre for RES/CHP Support, which administrates the electricity feed-in support scheme for renewable energy sources and high-efficiency cogeneration, Borzen recorded 3,920 generation units receiving support at the end of 2015, with a total nominal

capacity of 433 MW. There were 141 new entrants, with a combined installed capacity of 16,383 kW. The total electricity production within the support system increased by 8 percent compared to the same period in 2014, while the trend of increased feed-in support payments continued in 2015: the support payments were 12 percent higher and amounted to EUR 147.1 million.

In 2015, Borzen sought to expand its communication with the general public in the field of spreading information and awareness on renewable energy sources and energy efficiency. For this purpose, with its well-established brand *Trajnostna energija* ("Sustainable Energy"), Borzen carried out a number of activities aimed at informing the public about the importance of sustainable energy.

In conclusion, the past year was filled with a wide array of activities, which we, together with our employees, carried out with a great deal of motivation.

Sincerely yours,

Karlo Peršolja, PhD
General Manager at Borzen



SUPERVISORY BOARD REPORT

The economic and political circumstances of 2015 brought some changes in the operations of Borzen, mainly in legislative terms. This year, the Company carried out a variety of projects and activities to support the development of the Slovenian energy market, thereby fulfilling its mission by way of which the Company accomplishes its mission as the power market operator.

SUPERVISORY BOARD COMPOSITION

Prior to 29 July 2015, the Borzen Supervisory Board comprised of Chairman Gorazd Ažman, Deputy Chairman Dejan Paravan, PhD, and a Member Janez Černe. On 29 July 2015, the Government of the Republic of Slovenia recalled Dejan Paravan, PhD as a member of the Supervisory Board and, on 30 July 2015, appointed Nejc Brezovar, PhD as the replacement member who shall serve until 17 April 2019. The current Supervisory Board consists of Chairman Gorazd Ažman, Deputy Chairman Janez Černe, and a Member Nejc Brezovar, PhD.

COOPERATION WITH THE MANAGEMENT BOARD

Constructive cooperation between the Management and the Supervisory

Board throughout the year enabled the supervisors to monitor the operations and the attainment of the Company's set objectives. The Supervisory Board assessed that the set objectives were achieved and that the cooperation between the Management and the Supervisory Board was successful.

SUPERVISORY BOARD FUNCTION

The Supervisory Board has accepted its role as a supervisory body with considerable responsibility. The role of Borzen as the market operator on the Slovenian electricity market is responsible; therefore the management of Borzen and all the employees are expected to act in a responsible and transparent manner.

In 2015, the Supervisory Board regularly monitored and supervised the work of the Company's Management. The nine regular sessions held during the year were also attended by the Management, with whom the Chairman of the Supervisory Board also cooperated in the period between regular sessions. With regard to the size of the Company and the composition and structure of the Supervisory Board, the latter assessed that no committee was necessary to be appointed for its functioning.

The Supervisory Board addressed all issues in accordance with the applicable legislation, including the Act of the Establishment of Borzen and the Rules of Procedure of the Supervisory Board. The Supervisory Board was acquainted with the quarterly reports of the Management and closely monitored the problem of financing the Centre for RES/CHP Support. The Supervisory Board also paid very close attention to the operations of the BSP Regional Energy Exchange in which Borzen holds a 50-percent equity stake. The Supervisory Board adopted the Company's business plan for the 2016-2018 period, and also monitored the compliance with the provisions of the Corporate Governance Code and the recommendations of the Slovenian Sovereign Holding.

Gorazd Ažman,
Chairman of Borzen's
Supervisory Board

HIGHLIGHTS OF THE COMPANY'S OPERATIONS

Borzen concluded the 2015 financial year with a net profit of EUR 281,500 or EUR 1.04 million, without taking into account the impairment of receivables from ELES, d.o.o. resulting from the recording of contracts with the use of cross-border transmission capacities (the impairment was carried out on the

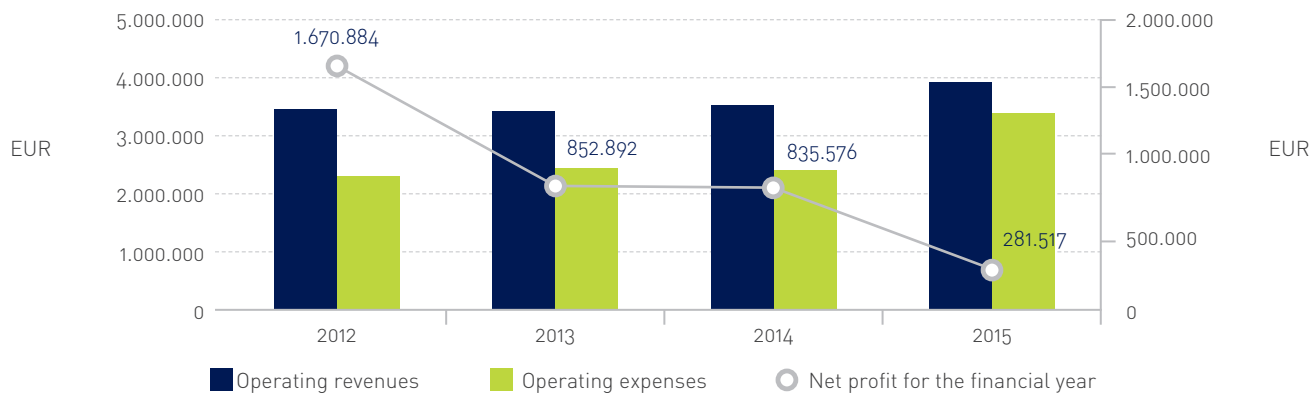
basis of the ruling of the Ljubljana District Court which is not yet binding). In this period, Borzen generated EUR 3.92 million of total revenues. Meanwhile, total expenses amounted to EUR 3.43 million.

As at 31 December 2015, the balance sheet total equalled EUR 44.95 million and compared to the previous year it increased due to the increase in assets of the Centre for RES/CHP Support.

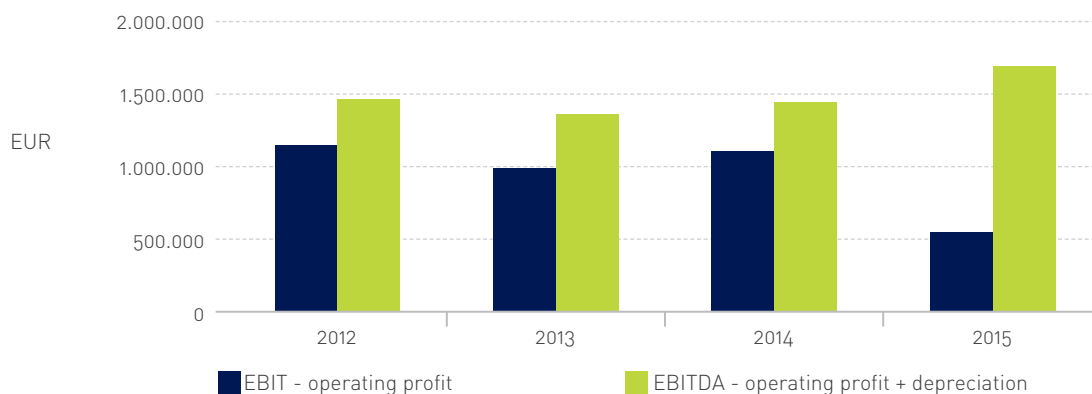
As at 31 December 2015, the Company's equity capital totalled EUR 4.74 million.

INDICATORS	2012	2013	2014	Business Plan 2015	2015	2015*
FROM BALANCE SHEET as at 31 December						
Assets in EUR	19,680,184	27,733,832	35,429,681	34,754,417	44,949,382	45,710,206
Equity in EUR	4,346,359	5,199,251	5,291,811	6,162,326	4,738,582	5,499,406
FROM INCOME STATEMENT						
Operating revenues in EUR	3,446,257	3,409,121	3,499,818	3,739,900	3,914,975	3,914,975
Operating expenses in EUR	2,309,955	2,429,008	2,402,439	2,642,800	3,375,905	2,615,081
Total revenues in EUR	4,352,606	3,495,009	3,538,879	3,769,900	3,923,744	3,923,744
Total expenses in EUR	2,319,194	2,488,626	2,538,957	2,732,800	3,431,420	2,670,596
Net profit for year in EUR	1,670,884	852,892	835,576	860,793	281,517	1,042,341
EBIT - operating profit in EUR	1,136,302	980,113	1,097,379	1,097,100	539,070	1,299,894
EBITDA - operating profit + depreciation in EUR	1,452,380	1,349,059	1,435,781	1,464,100	1,671,988	1,671,988
Investments in EUR	636,946	241,387	208,851	347,900	173,837	173,837
PERFORMANCE INDICATORS						
Return on equity (ROE)	38.9 %	17.9 %	15.9 %	15.0 %	5.6 %	19.3 %
Return on assets (ROA)	4.3 %	3.6 %	2.7 %	2.4 %	0.7 %	2.6 %
Operating efficiency	149.2 %	140.4 %	145.7 %	141.5 %	116.0 %	149.7 %
Added value per employee in EUR	92,411	86,930	92,932	90,826	102,635	102,635
NUMBER OF EMPLOYEES as at 31 December						
	30	31	29	31	30	30

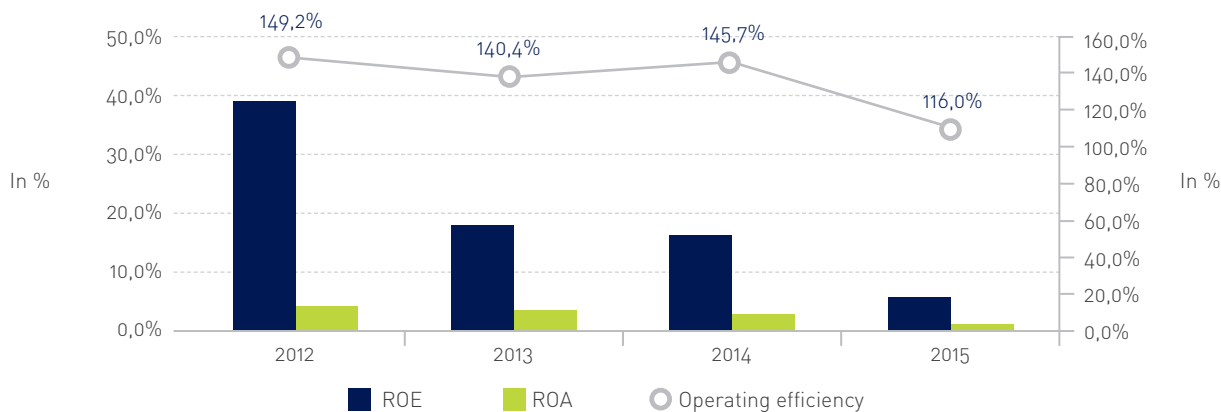
*without taking account the impairment of receivables from ELES, d.o.o. resulting from the recording of contracts with the use of cross-border transmission capacities (the impairment was carried out on the basis of the ruling of the Ljubljana District Court which is not yet binding).



Revenues and expenses from operation and movement of net profit



Movements of EBIT and EBITDA

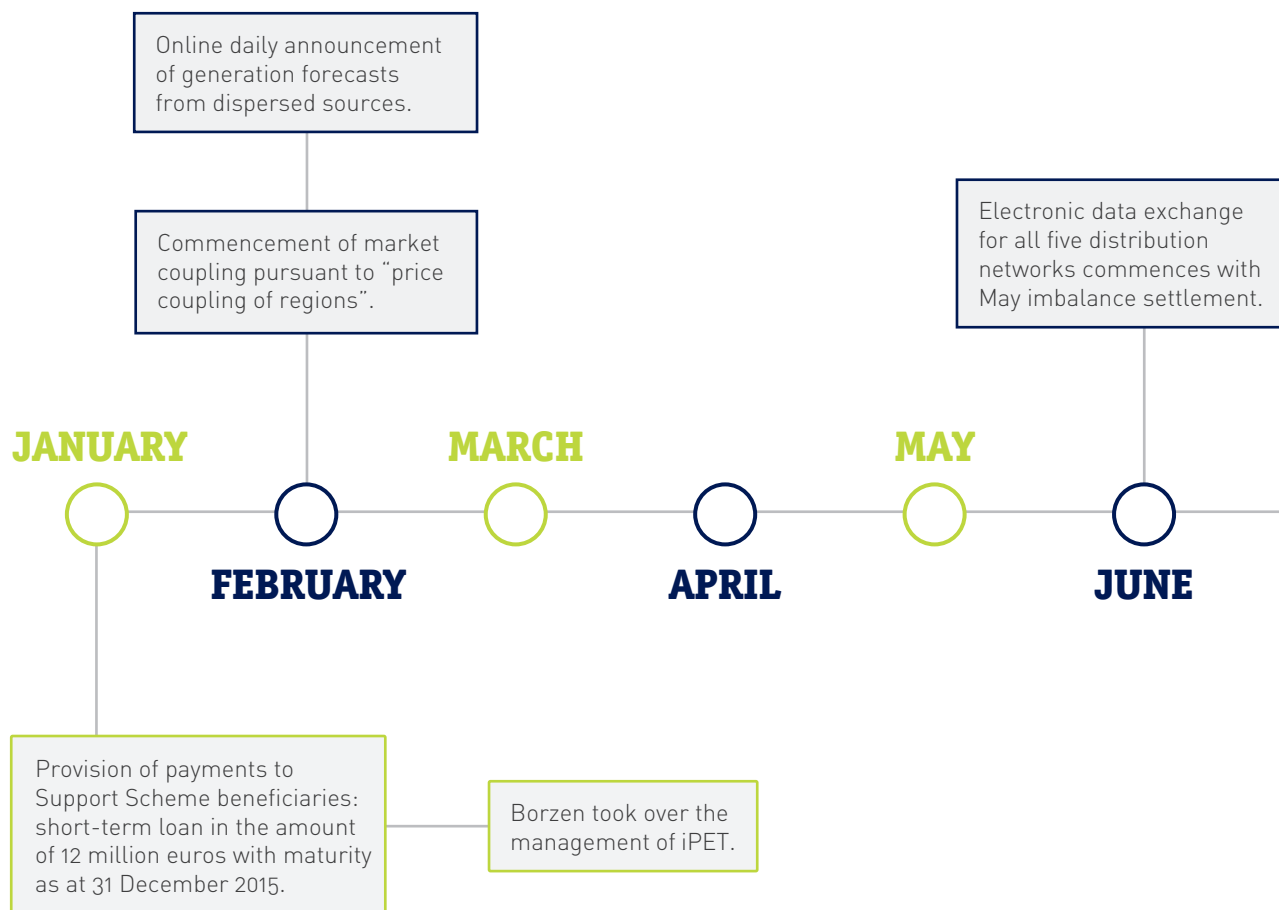


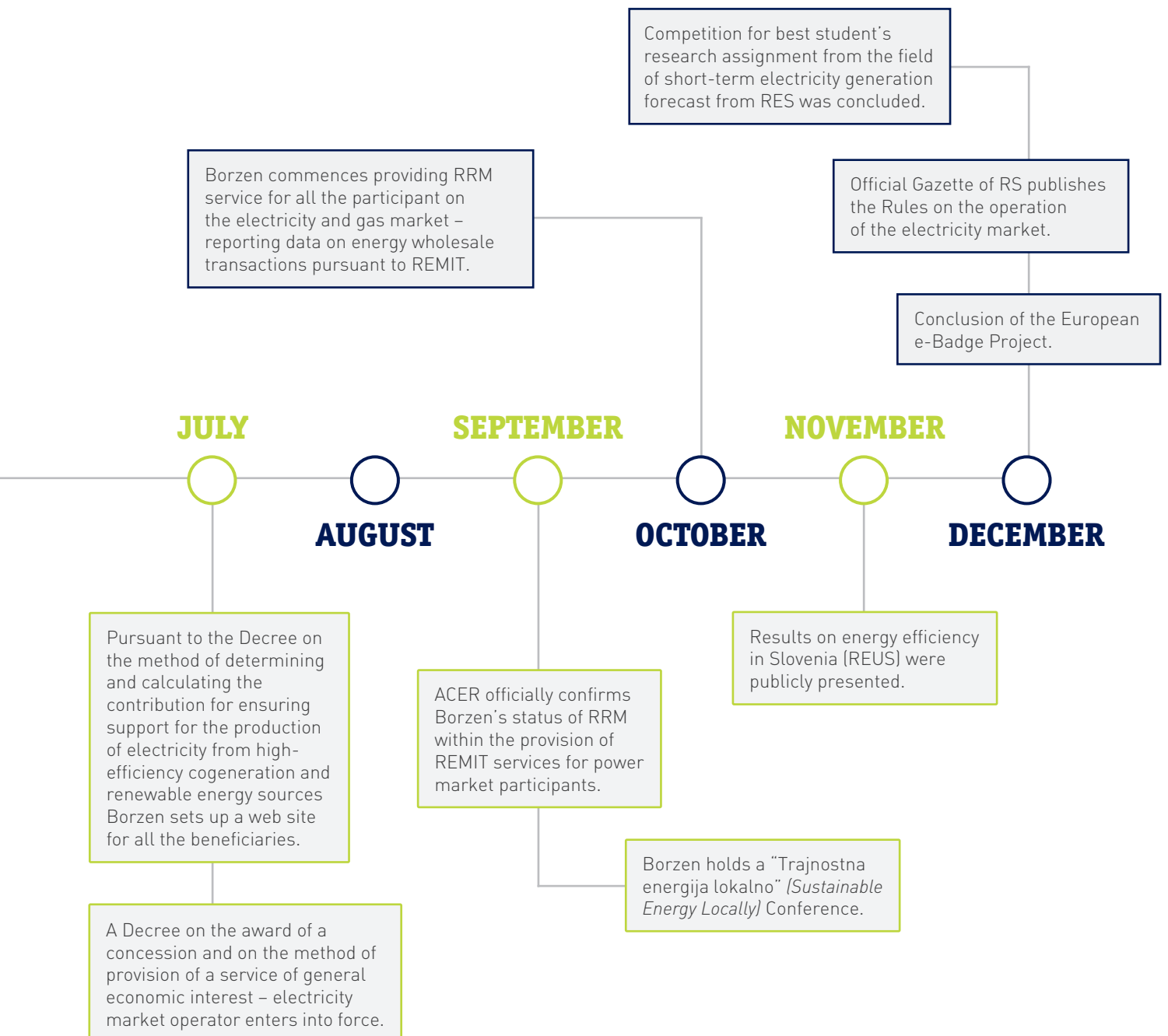
Return on assets (ROA), return on equity (ROE) and operating efficiency

ELECTRICITY MARKET	BALANCING MARKET	SUPPORT SCHEME
Number of members (Balance Scheme) 77 / 84	Number of members 40 / 38	Number of generation units in the scheme 3,767 / 3,920
Number of recorded closed contracts and operational forecasts 112,012 / 112,491	Number of transactions 954 / 3,133	Quantity (GWh) of generated electricity, units included in the scheme 905.9 / 980.8
Quantity (MWh) of electricity from recorded closed contracts and operational forecasts 82,480,280 / 78,935,614	Quantity of transactions 78,976 MWh / 188,059 MWh	Payments (EUR) for electricity generated by power plants in the scheme pursuant to the contracts 130.8 million / 147.1 million

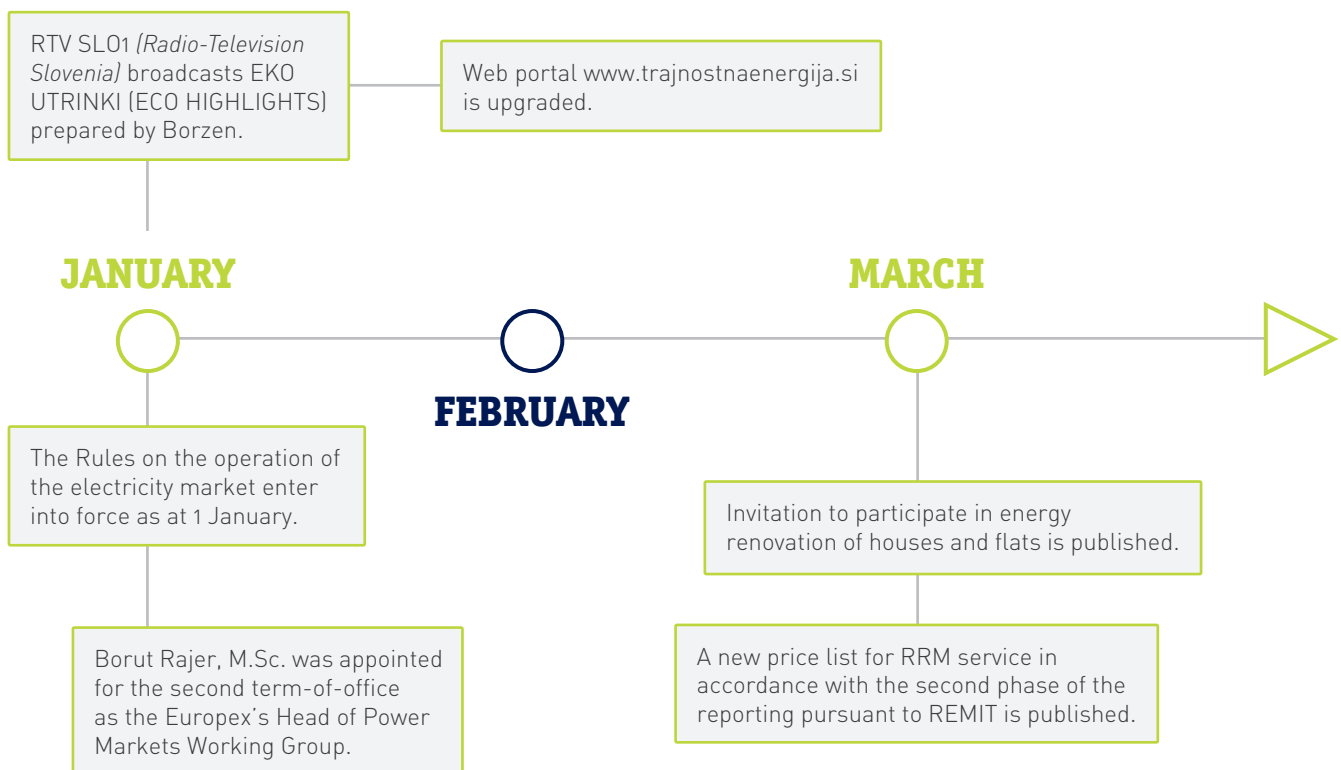
■ 2014 ■ 2015

SIGNIFICANT EVENTS IN 2015





SIGNIFICANT EVENTS AFTER THE END OF THE 2015 FINANCIAL YEAR



**BORZEN
LEAVES A POSITIVE
SUSTAINABLE
FOOTPRINT**

Beech trees, which the employees of Borzen planted on Mačkovec, reach between 300 and 400 years of age and can grow up to 40 metres in height with a diameter of breast height of over 1 metre.



BUSINESS REPORT

1. BUSINESS REPORT

1.1 Company Presentation

ABOUT THE COMPANY

Founded in 2001, the principal activity of Borzen is the implementation of **the public service obligation relating to the organisation of the electricity market, namely market operation** and the provision of support schemes for renewable energy providers and the efficient use of energy.

• MARKET OPERATION

As Power Market Operator, we provide and facilitate coordinated operation of the Slovenian electricity system. We execute activities of balance scheme management, recording of closed contracts, the elaboration of indicative operating schedules, imbalance settlements and financial settlement of transactions, connected with aforementioned activities. In addition, we carry out the tasks associated with the establishment and operation of the Balancing market where the system operator purchases energy for the balancing of imbalances.

• CENTRE FOR RES/CHP SUPPORT

The 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. Under its *Trajnostna energija* brand ("Sustainable Energy"), Borzen informs and raises awareness in relation to the use of renewable sources and energy efficiency.

Borzen promotes the development of the Slovenian electricity market, its efficiency and market mechanisms in compliance with EU guidelines. The Company considerably impacts the pro-

cesses of the integration of the Slovenian market into the single European market by systematically regulating the Slovenian energy sector and bringing our national legislation in line with

the European legislation. The domestic and international energy environment is co-created by our committed work and active participation in the Slovene and European trends in energy.

POWER MARKET OPERATOR	
Balance Scheme management (market access)	Centre for RES/CHP Support
Recording of closed contracts and operational forecasts, elaboration of the indicative operational schedules	RES/CHP support scheme: - conclusions of contracts on support and support payment - scheme assets management - scheme energy management
Imbalance settlement	Guarantees of origin registry
Balancing market	Informing and educating about RES and efficient energy use
REMIT RRM	Web portal <i>Trajnostna energija</i> ("Sustainable Energy")
Clearing and financial settlement	
Ensuring organised and transparent electricity market	

Figure 1: Power Market Operator activities

In addition to the implementation of tasks of a public service of the organised electricity market, the company also executes clearing services and information services for BSP Regional Energy Exchange.



COMPANY PROFILE

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

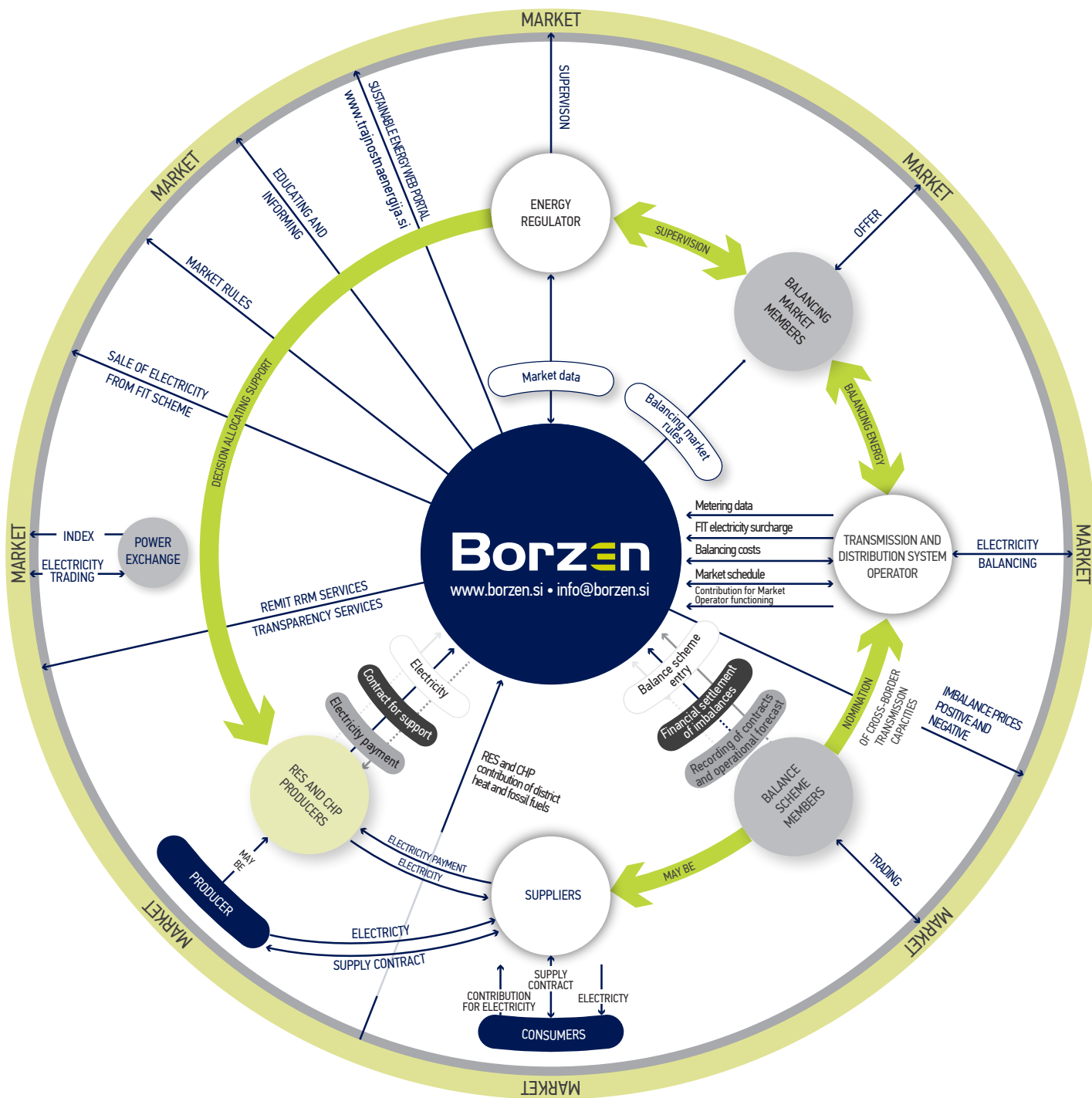


Figure 2: Role of the Power Market Operator on the Slovenian electricity market

1.2 Company's business strategy and plans

MISSION AND VISION

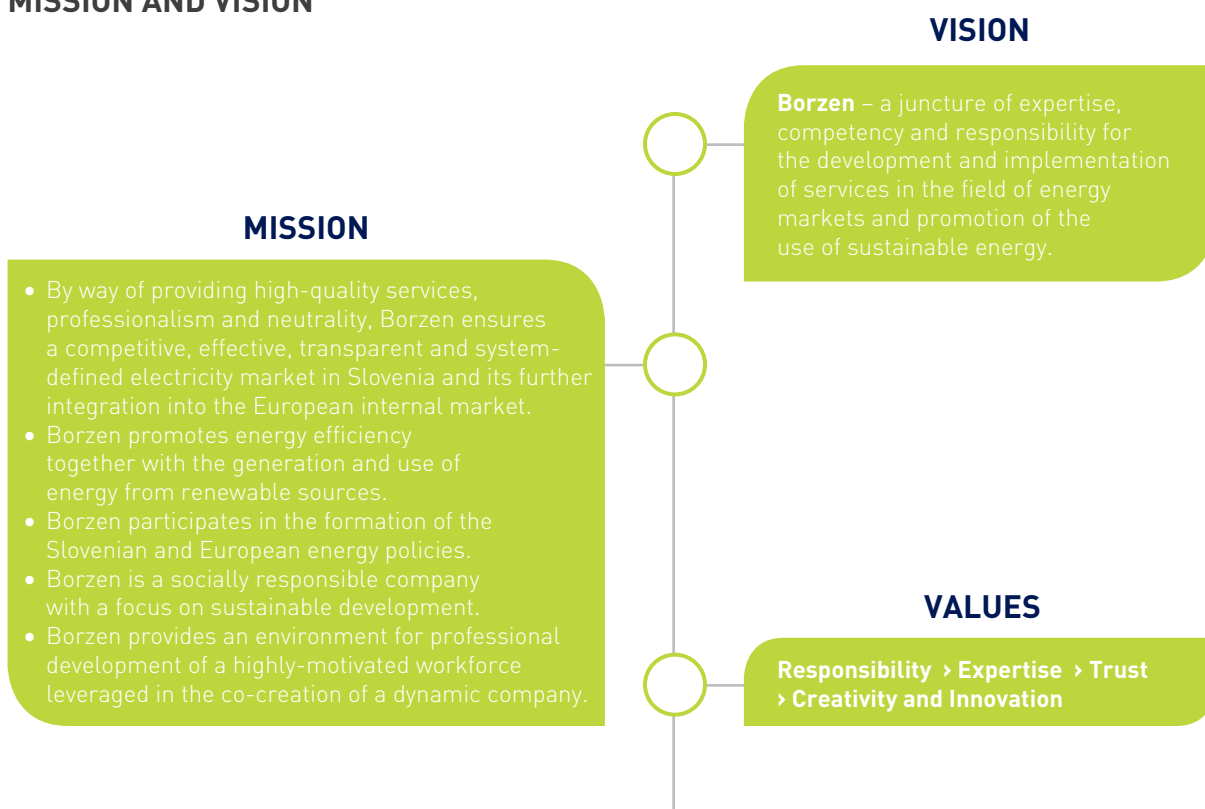


Figure 3: 'Strategy Tree'

OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
Enhancing operational efficiency and performance	Care for high-quality service and customer satisfaction	Use of selected opportunities for growth and development
<ul style="list-style-type: none"> • strengthening the excellence of business functions • increasing operational efficiency • increasing the quality of processes and business functions 	<ul style="list-style-type: none"> • effective and quality implementation of activities and data management • co-shaping the support scheme with an active participation in the formation of policies by way of providing analyses and suggestions 	<ul style="list-style-type: none"> • finding synergies with other tasks and optimisation of the existing ones, by way of using further development of activities in the field of energy markets
<ul style="list-style-type: none"> • ensuring high responsiveness, timeliness and pro-activeness of the employees to provide an effective support to the company • introducing the process approach • strengthening the 'active' communication by way of which certain working procedures would improve and, consequently also the cooperation between divisions • using the information technology support in the provision of services for the implementation and improvement in the quality of services provided to users and for an increase in efficiency • maintaining good visibility and reputation of Borzen by way of consolidating activities, which build a sustainable operation and enhance the reputation of Borzen as a responsible and environmentally-oriented organisation 		

Figure 4: Implementation Strategy

KEY STRATEGIC GUIDELINES

- Positioning Borzen as the hub of the Slovenian energy market;
- Striving for system-defined, transparent, efficient and competitive Slovenian electricity market and achieving its further integration into the European internal market;
- Promoting and providing support mechanisms for renewable energy source utilisation to contribute to the increased use of renewable sources and environmental protection and to indirectly contribute to the achievement of Slovenian commitments in the international framework;
- Optimal management of the Eco Balance Group of the Centre for RES/CHP Support;
- Maintaining the equity stake in BSP Regional Power Exchange and the co-creation of conditions for its further development;
- Effective management of regulatory risks by monitoring legislative and legal processes and the co-creation of the legal framework for successful performance of its role as the Market Operator;
- Facilitating ongoing trading in relation to the balancing energy supplied to the Slovenian transmission system;
- Ensuring optimal liquidity and solvency of the Company;
- Endeavours to improve the educational structure of employees and encouraging the employees to acquire new knowledge and to take part in life-long learning;
- Operating in the spirit of sustainable development and living, which exerts a positive impact on the employees and a wider social environment;
- Responsible conduct in the preservation and additional strengthening of trust in successful and stable operations of the company.

IMPACT OF ECONOMIC AND LEGISLATIVE CONDITIONS ON THE OPERATION AND THE DEVELOPMENT STRATEGY IMPLEMENTATION IN 2015

In comparison with the preceding year, the economic situation somewhat improved during 2015¹, and electricity consumption in Slovenia was two and a half percent higher than in 2014; this rise in consumption followed a year-on decline of two per cent in 2014.

Last year, the trend of increasing investments in renewable energy resources in Slovenia with the aim of achieving the minimum percentages set out in Directive 2009/28/ES fully moderated. During 2015, the generation units that had been connected by September 2014, entered the support scheme pursuant to the EA-1 upon expiration of the transitional period.

Further integration of the European power market as one of the most important tasks of the EU also marked the previous year. Slovenia participated in activities aimed at the integration of the internal European market, and in 2015, the daily market coupling on the Slovenian-Italian border formally joined the Western European market (IBWT). Thus, the goal of a single European internal energy market has been substantially attained – the buyers and sellers on the Slovenian energy exchange are also indirectly competing with their offers on more distant markets. The efficiency of the allocation of cross-border transmission capacities has therefore improved.

In June 2015, the Slovenian government issued the Decree on the concession and on the method for the implementation of public service obligation relating to the activity of the power market oper-

ator (Official Gazette of RS, No. 39/15), which regulates the method of financing of a public service obligation. As the mandated public authority in Slovenia, Borzen issued the statutory Rules for the operation of the electricity market (Official Gazette of RS, No. 105/15). Henceforth, only the revised Rules for the operation of the Centre for RES/CHP Support are still awaiting adoption, and completion of their preparation cannot be implemented until both the provisions of the EA-1 and the operational rules have been settled.

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

¹According to the data of the Ministry of Infrastructure as of 24 March 2016:
http://www.mzi.gov.si/si/medijsko_sredisce/novica/article/771/8261/210e742e99d584e2243c3f3a59926b02/



ACHIEVED STRATEGIC AND ANNUAL PLAN IN 2015

In the past year, the Company successfully followed its strategy and goals.

Planned objectives for 2015

Achieved objectives in 2015

Achievement of the target ROA 2.4 %	Achieved ROA 0.7 %
Achievement of the target ROE 15.0 %	Achieved ROE 5.6 %
Achieving profit in the amount of EUR 860,793	Achieved profit in the amount of EUR 281,517 EUR
Assets intended for investments: EUR 347,900	Actually allocated assets for investments: EUR 173,837
Cooperation in the Slovenian and international development projects on the energy market	Participation in various working groups in the field of the development of the energy market, among the most important ones: participation in the e-BADGE European project and the project of the data exchange on the energy market (iPET)
Developing services of the Centre for RES/CHP Support	Publishing the short-term generation forecasts of wind, solar and small hydroelectric power plants on the website; preparing the web portal, which will be available to users in 2016 to facilitate the exchange of information with the Centre for RES/CHP Support
Attention and kindness towards stakeholders	Performing the analysis on the stakeholders' satisfaction and various activities, especially in the field communicating to stakeholders; greater involvement of stakeholders as well as more targeted communication and new contents
Sustainable development	Quality implementation of the basic activities of the electricity market organisation and the Centre for RES/CHP Support; implementation of activities of the <i>Trajnostna energija</i> brand and web portal; preparation of a sustainability report in accordance with the GRI guidelines; corporate volunteering
Optimization of business processes and the quality operations	Optimisation of certain business processes and the provision of IT support to some business processes

PERFORMANCE INDICATORS

Integrated quality of operations is achieved through the knowledge and professionalism of the employees and in the pursuit of the values, vision and mission of Borzen. In times of economic changes, the Company operates with an increased level of accountability and sound decision-making so that it can

maintain the existing confidence in the Company's performance to the greatest extent possible. The key indicators for comparing the Company's performance are monitored through the balanced system of indicators as a strategic management system.

Shown below are selected strategic performance indicators.

STRATEGIC INDICATORS	2014	Business plan 2015	2015
Revenues (in EUR)	3,538,879	3,769,900	3,923,744
Operating profit (in EUR)	1,097,379	1,097,100	539,070
Net profit (in EUR)	835,576	860,793	281,517
EBIT margin	31.4 %	29.3 %	13.8 %
Return on assets (ROA)	2.7 %	2.4 %	0.7 %
Return on equity (ROE)	15.9 %	15.0 %	5.6 %
Revenues per employee (in EUR)	117,619	120,642	131,804
Added value per employee (in EUR)	92,932	90,826	102,635
Average number of employees	29.7	31.0	29.7
Time needed for the preparation of monthly imbalance settlement	14	17	14
Time needed for preparing and sending a contract on the provision of support	11	11	10

Table 1: Strategic performance indicators

The indicator for the preparation of imbalance settlement shows the number of days required to carry out the imbalance settlement.

The indicator for preparing and sending a contract on the provision of support shows the number of days required for the preparation of a contract on the provision of support and Eco contract.

Other indicators of operations and activities are presented in the continuation.



OTHER PERFORMANCE INDICATORS	2014	Business plan 2015	2015
Operating fixed assets rate	5.9 %	6.0 %	4.2 %
Long-term assets rate	7.1 %	7.2 %	5.1 %
Pre-tax profit (in EUR)	999,922	1,037,100	492,324
Operating efficiency	145.7 %	141.5 %	116.0 %
Labour costs rate in added value	47.8 %	47.6 %	44.6 %
Material and services cost management (in EUR)	732,485	924,300	866,316
Equity financing rate	14.9 %	17.7 %	10.5 %
Long-term financing rate	15.2 %	17.9 %	10.7 %
Equity to operating fixed assets	2.533	2.951	2.506
Immediate solvency ratio	0.306	0.144	0.417
Quick ratio	1.091	1.125	1.034
Current ratio	1.091	1.125	1.059
INDICATORS OF THE MARKET OPERATOR ACTIVITY	2014	Business plan 2015	2015
Total consumption Slovenia (MWh)	13,537,132	14,614,512	15,167,162
Recorded quantities from closed contracts (MWh)	53,870,328	51,374,885	52,143,848
Number of the Balance Scheme members	77	86	84
Operating costs of the Market Operator (in EUR)	2,402,439	2,611,202	3,375,905
Movement of the market volume	1.04	0.88	0.86
Number of the Balance Scheme members per employee	2.7	2.9	2.8
INDICATORS OF THE CENTRE FOR RES/CHP SUPPORT ACTIVITY	2014	Business plan 2015	2015
Number of participants in the Scheme	3,500	3,900	3,920
Support payments (in EUR)	121	137	147
Financing of the Centre for RES/CHP Support (in EUR)	591,000	591,000	591,000
Number of participants per employee	120.7	130	130.7
Support payments per employee (in million EUR)	4.2	4.6	4.9
Share of financing of the Centre for RES/CHP Support in total payments	0.49 %	0.43 %	0.40 %

Table 2: Performance indicators

INDICATORS OF THE MARKET OPERATOR ACTIVITY

Indicator of the movement of the volume of market is defined as a ratio between recorded quantities of trading on the power market (volume of the recorded closed contracts) and total electricity consumption in the country whose movement is monitored and compared against previous years.

Number of the Balance Scheme members per employee includes balance groups and subgroups and is calculated on the basis of the total number of the employees of Borzen.

The indicators show that the volume of the Slovenian electricity market slightly decreased in 2015. More specifically, the recorded quantities of closed contracts decreased, while the consumption increased slightly. Since 2011, the total number of the Balance Scheme members has been gradually increasing and it has grown from 64 to 84 in said period.

It should be highlighted that the trends to which the indicators are subject to mainly depend on market developments and the Market Operator cannot actively influence the quantities of recorded contracts, total consumption in the country and the number of Balance Scheme members.

INDICATORS OF THE CENTRE FOR RES/CHP ACTIVITY

The **number of participants per employee** shows a ratio between the number of the Support Scheme participants (support contracts; Eco contracts are

not included) and the total number of the employees of Borzen.

The **support payments per employee** indicator is calculated as a ratio between the value of paid supports by individual year (excluding VAT) and the total number of the employees of Borzen.

The **share of financing of the Centre for RES/CHP Support in total payments** shows a share (in %) in total support payments intended for the operation of the Centre for RES/CHP Support (both values excluding VAT).

The indicators of the activities of the Centre for RES/CHP Support reflect a continued growth of the Scheme. Thus, the number of the Scheme participants per employee has grown by slightly less than 10 since 2014, while the growth in preceding years was much more pronounced. A share of funds for its operation fell from 2.6 percent in 2009 to 0.4 percent in 2015. Further reduction below 0.4 percent is expected. This is a very low share also when compared to comparable foreign companies, indicating the under-financing of activity.

To a large extent, indicators depend on the decisions which from the point of view of the company are exogenous – depended on the national policy towards the Support Scheme.

EXPECTED CIRCUMSTANCES AND KEY OBJECTIVES OF THE COMPANY IN 2016

In 2016, Borzen will be affected by the circumstances on the Slovenian as well as on the international energy market that are the consequence of the legis-

lative frameworks and the general economic situation. It is estimated that on one hand, they will be similar to those in 2015, and on the other, in the anticipation of the statutory regulations arising from the new EA-1, certain changes are expected in the functioning of the Support Scheme.

Some key objectives being a part of continuous implementation of our long-term strategy that the Company will be striving for in 2016 are summarised hereunder:

- achievement of the planned ROA,
- achievement of the planned ROE,
- achievement of the planned EBITDA margin,
- cooperation in the Slovenian and international development projects on the energy market,
- developing/upgrading the services of the Market Operator and the Centre for RES/CHP Support,
- developing/upgrading the services of the *Trajnostna energija* ("Sustainable Energy") brand,
- being attentive and kind to the stakeholders,
- sustainable development,
- optimization of business processes and the quality of operations.

1.3 Management of the Company

MANAGEMENT DECLARATION

Pursuant to Article 70 of the Companies Act and item 3.4.1. of the Corporate Governance Code of Companies with State Capital Investments, the Management and the Supervisory Board are issuing a Management Declaration, which provides mutatis mutandis the content required by Article 70 of the Companies Act for public limited companies.

1. Reference to the Code

Borzen follows the recommended standards of the Code of Companies with State Capital Investments, adopted by the Management of the Slovenian Sovereign Holding on 17 December 2014, to which the Supervisory Board of SDH gave its consent on 19 December 2014, the mentioned Code is publicly available on the web page of the issuer of the Code.

In its operations in the 2015 financial year, Borzen adhered to all the provisions of the Code. In the new business year 2016, the Company will strive to take into account the provisions of the Code with any possible amendments and recommendations in order to provide and further shape a transparent and comprehensible management system in Slovenia and be thus involved in raising the level of trust in the management system.

With the enforcement of the Energy Act 1 (EA-1), the Government of the Republic of Slovenia started to execute the rights as the only shareholder of Borzen.

2. System of Management of the Company

Borzen has a two-tier management system. Managing bodies of the Company are as follows: Management, Supervisory Board and the Shareholder.

MANAGEMENT OF THE COMPANY

The Management of the Company is a one-member body: General Manager, appointed by the Supervisory Board for a five-year period. Karol Peter Peršolja, PhD has been managing and representing the Company since 1 January 2010. On 1 January 2015, the General Manager Karol Peter Peršolja, PhD, began his new five-year term of office.

The General Manager of the Company was also appointed a member of the supervisory boards in other unrelated companies or institutions, namely as the Chairman of the Supervisory Board of SODO d.o.o. and as Deputy Chairman of the Supervisory Board of BSP d.o.o.

The General Manager is entitled to basic payment (salary) and reasonable payment for the business performance (bonus for business performance). The benefits are defined in more detail in the Financial Report of the Company.

SUPERVISORY BOARD OF THE COMPANY

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

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

- Chairman of the Supervisory Board: Gorazd Ažman,
- Deputy Chairman of the Supervisory Board: Dejan Paravan, PhD,

- Member of the Supervisory Board: Janez Černe.

On 29 July 2015, the Government of the Republic of Slovenia recalled Dejan Paravan, PhD as the member of the Supervisory Board of Borzen, effective on 30 July 2015, and appointed Nejc Brezovar, PhD as a member of the Supervisory Board of Borzen from 31 July 2015 to 17 April 2019. The Supervisory Board is thus composed of:

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

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

- to appoint and recall the General Manager,
- to examine the annual report and draft a proposal for the use of distributable profit, to draft a written report on the examination of the annual report for the founder or the only shareholder, to approve the annual report or indicate its observations related to it,
- to propose to the founder or the only shareholder to adopt decisions falling within its competence or to give an opinion on proposals of the General Manager, to adopt decisions of the founder or the only shareholder,
- to adopt the annual plan of operations and annual report of the Company,
- to deliver a reasoned opinion to the strategic plan of the Company,

- to conclude contracts of employment with the General Manager and confirm the content of other contracts, concluded by the Company with the General Manager or the procurator holder,
- to issue consents to the General Manager to appoint a member of the Supervisory Board or the managing authority of the legal entity, in which the Company has a controlling stake or dominant influence,
- to issue consents to the General Manager to hold the shares or a stake of the legal entity, in which the Company has a controlling stake or dominant influence,
- to pose a requirement to the General Manager to provide any information necessary to perform control in the Company or its subsidiaries.

The Supervisory Board meets at least once every quarter in accordance with the Companies Act, the Act of the establishment of Borzen and the Rules of procedure of the Supervisory Board. In the 2015 financial year, the Supervisory Board held nine regular meetings. The Supervisory Board did not establish any special committee for the purposes of its operation.

The Supervisory Board members occupy positions in other companies that are not associated with Borzen:

- Gorazd Ažman, Chairman of the Supervisory Board: General Manager at Mentem, poslovno svetovanje, d.o.o., Chairman of the Supervisory Board of Trgovina i opskrba energentima d.o.o. and Chairman of the Supervisory Board of Geoplin d.o.o. Beograd
- Janez Černe, Deputy Chairman of the Supervisory Board: General

Manager at Energovat inženiring d.o.o., General Manager at KOENERGO soproizvodnja toplote in električne energije d.o.o. and General Manager at KOENERGO A soproizvodnja toplote in električne energije d.o.o.

- Dr. Nejc Brezovar, Member of the Supervisory Board: /

In 2015, the members of the Supervisory Board were entitled to remuneration for the performance of their function based on the applicable decision of the Shareholder, which are defined in detail in the Financial Report.

Members of the Supervisory Board self-assessed their work for 2015.

Members of the Supervisory Board took note of the independence criteria and signed a commitment to act independently.

SHAREHOLDER

The Republic of Slovenia is the sole Shareholder of Borzen. Since the entry into force of the Energy Act 1 (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 Act of the establishment of Borzen, the Shareholder decides on the following matters:

- appointment of an auditor,
- adoption of the annual report when the Supervisory Board fails to approve the annual report or when the General Manager and the Supervisory Board leave the decision on the adoption of the annual report to be taken by the

- founder or the only Shareholder,
- adoption of the strategic plan of the Company's development,
- use of distributable profit and covering of accumulated loss,
- granting discharge to the Management,
- appointing and recalling the Supervisory Board members,
- granting discharge to the members of the Supervisory Board,
- taking measures to increase and decrease share capital,
- responsibility for division and termination of business stakes,
- giving consent to the General Manager to hire loans of the value exceeding EUR 1 million,
- representing the Company in procedures against the members of the Supervisory Board,
- termination of the Company and change of status,
- other matters stipulated by law and not transferred to the Supervisory Board.

Usually, the Shareholder attends the General Meeting once per year. Two General Meetings were held in the 2015 business year, the first one in July 2015, when the shareholder recalled Dejan Paravan, PhD from the position of the Member of the Supervisory Board and appointed Nejc Brezovar, PhD to the position.

The second General Meeting was held on 8 October 2015 when the Shareholder was briefed on the Borzen's annual report for 2014, decided on the payment of the distributable profit in the amount of EUR 835,575.82, granted discharge to the General Manager and members of the Management Board for their work in 2014, decided on appointment of an auditor for 2015-2017 and decided on

the decrease of basic payment for the work of the members of the Supervisory Board.

3. Declaration of compliance with the provisions of Corporate Governance Code for Companies with State Capital Investments

The Management and the Supervisory Board of Borzen hereby declare that the Company in its business operations respects the provisions of the Corporate Governance Code of Companies with State Capital Investments, with the exception of provision 6.8.1.

In accordance with Article 60 of the Companies Act, the management and the Supervisory Board hereby ensure that the annual report of Borzen was compiled and will be published in ac-

cordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms the financial statements of Borzen for the year finishing on 31 December 2015, and Notes on financial statements compiled on the assumption of the Company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

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

the company's assets and results of its business operations for 2015.

4. Internal control system and risk management of the Company

We are conducting an internal control system and risk management within the Company, in accordance with the system of integrated risk management, as described in more detail in a special Chapter of the Annual report.

5. Related companies

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

Borzen manages BSP Regional Energy Exchange together with ELES, d.o.o., each having a 50-percent stake.



Figure 5: Equity participation in BSP Regional Energy Exchange

BSP Regional Power Exchange provides day-ahead and intra-day trading on the Slovenian electricity market. At the same time, the Company participates actively in the process of establishing a single European electricity market with trading on the electricity exchange. In day-ahead trading on the electri-

city market, the Company is connected through a mechanism of coupling with the neighbouring Italian market into a single European electricity market, and in intra-day trading the first step was taken with the establishment of the local intra-day trading in 2012. The services of the exchange include the trading pro-

cess, as well as clearing and financial settlement of transactions.

In 2015, the results of BSP exceeded all expectations, as the Company generated profits in the amount of EUR 704,566 (after tax).



1.4 Risk management

CIRCUMSTANCES WHICH AFFECTED RISKS AND RISK MANAGEMENT

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

INTEGRATED RISK MANAGEMENT

The system of integrated risk management is supported by the register of risks where all key risks which can have an impact on the attainment of set business goals of the Company have been identified and represents the strategic risk management in our Company.

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

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

KEY DETECTED RISKS

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

- Strategic/business risks,
- Operational risks,
- Financial/market risks,
- Risks of non-compliance with the regulations – legislative risks

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

STRATEGIC/BUSINESS RISKS

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

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

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

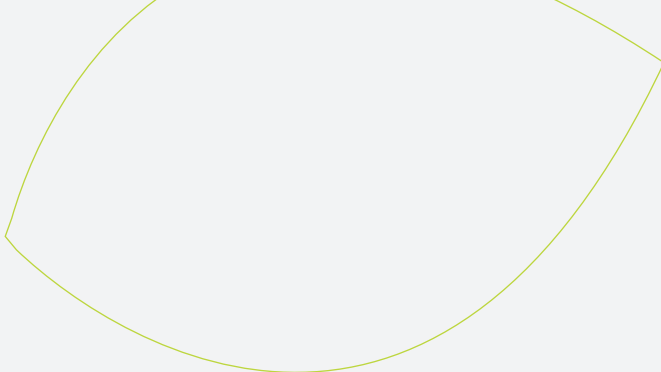
No considerable deviations were identified while monitoring strategic/business risks in 2015.

OPERATIONAL RISKS

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

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

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



year demand that the employees constantly upgrade their existing knowledge and obtain new knowledge, flexibility and quality team work. The biggest risk for the company is the possibility to lose the key employees; this is why special attention is given to social dialogue, additional professional training, motivation of employees and providing stimulating working conditions and working environment.

According to the level of risks, the risk related to the projection of the funds necessary for the Support Scheme was the most outstanding. One of the tasks entrusted to the Centre for RES/CHP Support is the preparation, in cooperation with the Energy Agency, of the annual estimate of funds required for the provision of support. At operational level, the payment is made by the Centre for RES/CHP Support, therefore the risk of an incorrect estimate is borne by the Centre for RES/CHP Support only. An incorrect estimate of the resources can also result in the liquidity problems.

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

No significant deviations were identified while monitoring the operational risks in 2014.

FINANCIAL/MARKET RISKS

By managing financial risks we pursue the objectives of stable operations, management of financial expenses within the planned framework and long-term solvency.

The risk of non-fulfilment of financial obligations means that there is a risk that the counterparty would not fulfil its financial liabilities in accordance with contractual terms. Management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. This risk of non-fulfilment of financial liabilities is present mainly in the financial settlement of the imbalance settlement. To this end, Borzen included this type of risk management to the Rules for operation of the organised electricity market. Future Balance Scheme members are verified upon their application for membership by careful examination of their credit ratings and by monitoring their operations in the continuation. Prior to joining the Balance Scheme members are obliged to submit adequate financial guarantees in the form of a cash deposit or a bank guarantee payable upon first call. The process of managing the risks of non-fulfilment of financial liabilities includes the calculation of requisite variable financial guarantees in case of imbalances. The variable financial guarantees are increased on the basis of forecasted imbalances (on a daily basis) or every time an invoice for positive imbalances is issued if the imbalances are higher than submitted guarantees. In case of Financial Settlement Participants' non-fulfilment of financial liabilities, Borzen can use their financial guarantees and, as a last resort, exclude a Balance Scheme Member from the Balance Scheme. Balance Scheme Members fulfilled their liabilities in time, therefore it was not necessary to cash in the financial guarantees in this respect.

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

In the financial settlement of support for the production of electricity from renewable sources and high-efficiency cogeneration of heat and power the Company is exposed to a risk of insufficient financial funds for the provision of support. A short-term loan of EUR 12 million was taken out by the Company due to a delayed provision of the sufficient financial resources under the EA-1, which enabled timely payments of support to the beneficiaries of the Support Scheme and reduced the risk level. By the middle of the year, the enforcement of the EA-1 has increased the risk of non-fulfilment of financial obligations in the field of financing the Company since the Act envisages new contributions to finance the Company's operations; on the other hand, these contributions have only been supported in the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market that entered into force on July 1.



Beside the aforementioned risks, we also monitor foreign-exchange and interest risks which were fairly modest and did not need any special management. Clearing and financial settlement in different segments of business operation within foreign-exchange business operation are done in Euro. Interest risk is associated with unexpected increased financing costs due to a change in interest rates on the market. Since the Company took out a short-term loan and the interest rate is tied to monthly EURIBOR, it is estimated that the company is not exposed to a significant risk.

No considerable deviations were recorded when monitoring financial/market risks in 2014.

LEGISLATIVE RISKS/ COMPLIANCE WITH THE RULES

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

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

A considerable level of attention is paid to the risk which is related to a potential loss of public utility services owing to

the enforcement of the Network Codes on Electricity Balancing (NC EB). In the light of the above, the risk is managed by actively participating in making comments regarding the aforementioned Code. We are mainly active through the Europex Association where we make proposals aiming at maintaining the existing activity. The proposals seek to prevent the interventions into the existing national arrangements; however, the activity will have to adjust to the new regulatory framework. To that end, particular attention will continue to be devoted to this risk in the future.

With the enforcement of the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market (Official Gazette, No. 39/15) the level of risk has decreased, mostly because it defines the duration of the concession (20 years), financing and the obligation to harmonise the Concession Contract. The essential change lies in the abolishment of the financial resources, tied to the cross-border (export) contracts. They are now "replaced" by payments of the Balance Scheme members for the recording of closed contracts. By regulating the legal bases, the risks in this segment are mostly demonstrated in the form of uncertain quantities. This applies in particular to the payments of the Balance Scheme members, but much less to the final customers. The final off-take is namely fairly stable and predictable, but there can be some major changes in the quantity in the recording contracts segment due to various reasons. An additional risk can be found in the late adoption of the Rules on the operation of the Centre for RES/

CHP Support, which is a result of a delayed implementation of the new regulatory provisions.

In 2015, Borzen was engaged in legal proceedings before the courts of which the dispute with ELES d.o.o. regarding the obligation to pay for recording closed contracts with the use of cross-border transmission capacities impacted Company's operations. At the end of the financial year, we received a ruling of the Ljubljana District Court, in which the court rejected the request for the payment. The latter was also taken into account in the Financial Report. The ruling is not yet binding.

With regard to legislative risks in 2015, a major deviation has been identified between the level of risk and the acceptable level of risk. The reason for this deviation is mainly in the increased legislative activity at the national and the EU level. Therefore, the perceived higher risk levels in the legislative field were given special attention, thus we expect the risk levels to adequately decrease as a result of the measures implemented so far.

**BORZEN
UNDERSTANDS
THE VALUE OF THE
SOCIAL ENVIRONMENT**

Forest plays an important social role since it creates a favourable living environment. It enables a person to establish a relationship towards beauty (aesthetics) and, at the same time, has a beneficial effect on person's mental state and creates the image of a beautiful landscape.



2. ACTIVITIES OF THE POWER MARKET OPERATOR IN SLOVENIA

2.1 Recording of closed contracts, operational forecasts and preparation of an indicative operating schedule for the transmission and distribution network

The Energy Act requires the Market Operator to record the Balance Scheme membership contracts, operational forecasts and closed contracts. All contractual obligations involving the purchase or sale of electricity in Slovenia or the transmission of energy across the regulated area are required to be

recorded. Closed contracts and operational forecasts are recorded on a daily level seven days in a week. Every day, the market operator draws up an indicative operating schedule of the transmission and distribution network that is submitted to the Transmission System Operator, ELES. In the event of a change

in concluded closed contracts and operational forecasts that can be reported in accordance with the Rules for the Operation of the Organised Electricity Market due to »intra-day« trading also the corrected final schedule is prepared.

RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS

A total of 112,491 closed contracts and operational forecasts were recorded in 2015, in total quantity of 78,935,614 MWh.

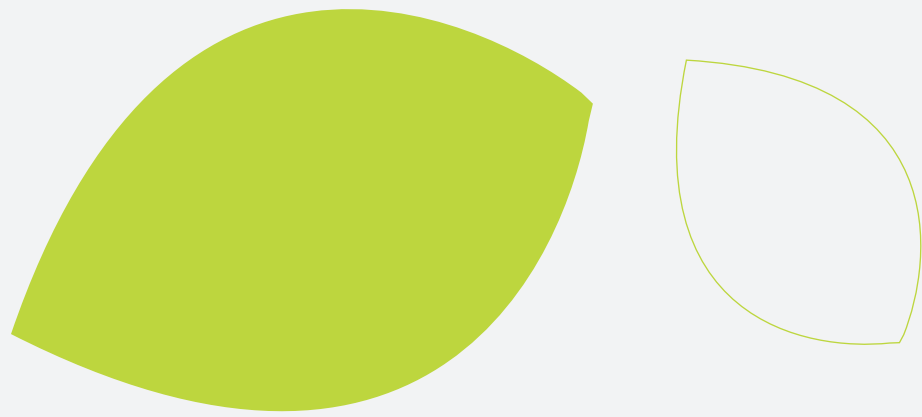
Compared to the previous year, the number of closed contracts and operational forecasts recorded in the same

period was 0.4 percent higher, while the total quantity was 4.3 percent lower.

“

A total of 112,491 closed contracts and operational forecasts were recorded in 2015, marking a 0.4 percent increase over 2014.

”



Month	Closed contracts (in MWh)	Operational forecasts (in MWh)	Number of closed contracts and operational forecasts
January	4,477,335	2,389,554	9,065
February	4,415,751	2,123,459	8,501
March	4,683,959	2,281,710	9,131
April	4,185,226	1,818,234	9,173
May	4,312,325	1,938,125	9,479
June	4,215,095	2,283,156	9,454
July	4,223,285	2,412,505	9,384
August	4,025,404	2,213,672	9,679
September	3,887,219	2,293,052	9,471
October	4,535,335	2,456,244	10,045
November	4,528,378	2,276,812	9,512
December	4,654,536	2,305,243	9,597
TOTAL	52,143,848	26,791,766	112,491

Table 3: Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts and operational forecasts on the Slovenian power market in 2015

Table 3 shows the volumes of electricity sold or purchased through closed contracts and operational forecasts. The volume of electricity sold and pur-

chased through closed contracts was 3.2 percent lower than in 2014, while the volume recorded through operational forecasts was 6.4 percent lower, mainly

due to lower production. This indicates a decrease in trading activity among participants.

As evident from the comparison of the number of recorded closed contracts and electricity volumes sold and pur-

chased under recorded closed contracts, the total annual volume has decreased slightly in the last three years,

although the number of reported closed contracts increased by over 12 percent between 2011 and 2015.



Figure 5: Monthly volumes of electricity sold and purchased under closed contracts (CCs) and the number of recorded CCs in the Slovenian power market between 2011 and 2015

The table below presents data on the growth rate over the last five years.

Year	Annual volume of recorded CCs [MWh]	Increased number of CCs in compared to the previous year	Annual number of recorded CCs	Increased number of CCs in % compared to the previous year
2011	45,288,986	27.96 %	61,541	20.27 %
2012	54,065,973	19.38 %	65,904	7.09 %
2013	52,591,033	-2.73 %	71,733	8.84 %
2014	53,870,328	2.43 %	77,675	8.28 %
2015	52,143,848	-3.20 %	76,273	-1.80 %

Table 4: Annual volumes of electricity sold or purchased through closed contracts (CCs) and the number of recorded CCs in the Slovenian power market from 2011 to 2015

From 2011 to 2015, the reported volumes of electricity from closed contracts and operational forecasts increased by 15.3 percent and the total number of recorded closed contracts and operational

forecasts in the Slovenian market increased by 23.9 percent. The highest growth in volumes and the number of contracts was recorded in 2011. The high increase in trading among market

participants in 2011 can partly be attributed to the Slovenian-Italian market coupling.

TRANSMISSION OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN REGULATION AREA

The net exchange of electricity on the borders of the Slovenian regulation area accounted for 111,555 MWh in 2015,

meaning that there was a less than 1 percent deficit of electricity compared to the total electricity consumption in Slovenia. Since 2,679,544 MWh of electricity from the Croatian part of the Krško Nuclear Power Plant (KNPP) went to the

Croatian grid, Slovenia was a net electricity importer in 2015. Net imports totalled 2,791,099 MWh, representing 18.4 percent of the total electricity consumption in Slovenia.

Month	Export (MWh)	Export from KNPP (MWh)	Import (MWh)	Net position with KNPP	Net position excl. KNPP (MWh)
January	777,792	1,036,645	1,047,647	-11,002	-269,855
February	754,555	988,359	1,078,968	-90,609	-324,413
March	778,664	1,037,228	1,052,542	-15,314	-273,878
April	622,756	706,307	984,612	-278,305	-361,856
May	651,102	761,080	982,165	-221,085	-331,063
June	732,093	977,972	851,195	126,777	-119,102
July	690,318	915,189	799,959	115,230	-109,641
August	611,992	863,447	788,337	75,110	-176,345
September	544,283	791,735	667,169	124,566	-122,886
October	807,006	1,064,903	906,464	158,439	-99,458
November	695,338	945,297	964,469	-19,172	-269,131
December	651,179	908,460	984,650	-76,190	-333,471
TOTAL	8,317,078	10,996,622	11,108,177	-111,555	-2,791,099

Table 5: Total import and export of electricity on the borders of the Slovenian regulation area in 2015 in MWh

Compared to 2014, the export of electricity excluding the Croatian energy from the Krško NPP decreased by 10.4 percent and equalled 8,317,078 MWh, while the import in was 15.4 percent higher in the same period, totalling 11,108,177 MWh.

In 2015, the export on the Austrian border was 24.7 percent lower and amounted to 1,008,424 MWh, while the import, on the other hand, totalled 6,379,571 MWh, increasing by 14.7 percent.

Taking into account the electricity from the Croatian part of the Krško NPP, the



Slovenia was once again a net electricity importer in 2015. Import totalled as much as 18.4 percent of the total electricity consumption in Slovenia.



export on the Croatian border was 15.7 percent lower than in 2014, totalling 5,925,010 MWh, while the import was 29.3 percent higher in the same period, totalling 4,555,188 MWh. At 5,359,073 MWh, the total electricity generated at the Krško NPP dropped by 11.5 percent compared to 2014.

In 2015, the export on the Italian border

was 3 percent higher than in 2014 and the import, however, was relatively low, totalling 173,418 MWh in the same period.

Table 6 below presents the data on the number of closed contracts concerning electricity export and import in 2015 by each individual border.

Border	AUSTRIA		ITALY		CROATIA		
	Export	Import	Export	Import	Export from KNPP	Import	Export KNPP
January	72,721	556,910	426,153	23,588	537,771	467,149	258,853
February	112,405	519,498	432,776	6,965	443,178	552,505	233,804
March	131,488	444,148	432,721	2,362	473,019	606,032	258,564
April	112,003	489,057	354,004	1,536	240,300	494,019	83,551
May	121,930	620,814	266,153	1,155	372,997	360,196	109,978
June	104,537	566,444	279,251	4,445	594,184	280,306	245,879
July	42,652	506,604	310,368	7,148	562,169	286,207	224,871
August	57,020	581,677	162,206	39,102	644,221	167,558	251,455
September	32,001	449,876	220,834	39,242	538,900	178,051	247,452
October	129,361	546,346	358,889	26,532	576,653	333,586	257,897
November	64,432	537,490	395,981	14,797	484,884	412,182	249,959
December	27,874	560,707	423,852	6,546	456,734	417,397	257,281
TOTAL	1,008,424	6,379,571	4,063,188	173,418	5,925,010	4,555,188	2,679,544

Table 6: Closed contracts for the import and export of electricity recorded in 2015 in MWh by borders



2.2 Imbalance settlement

The report covers the 2015 billing period and it includes concluded imbalance settlement from January to the end of December. The results are summarised in the text and pictures below.

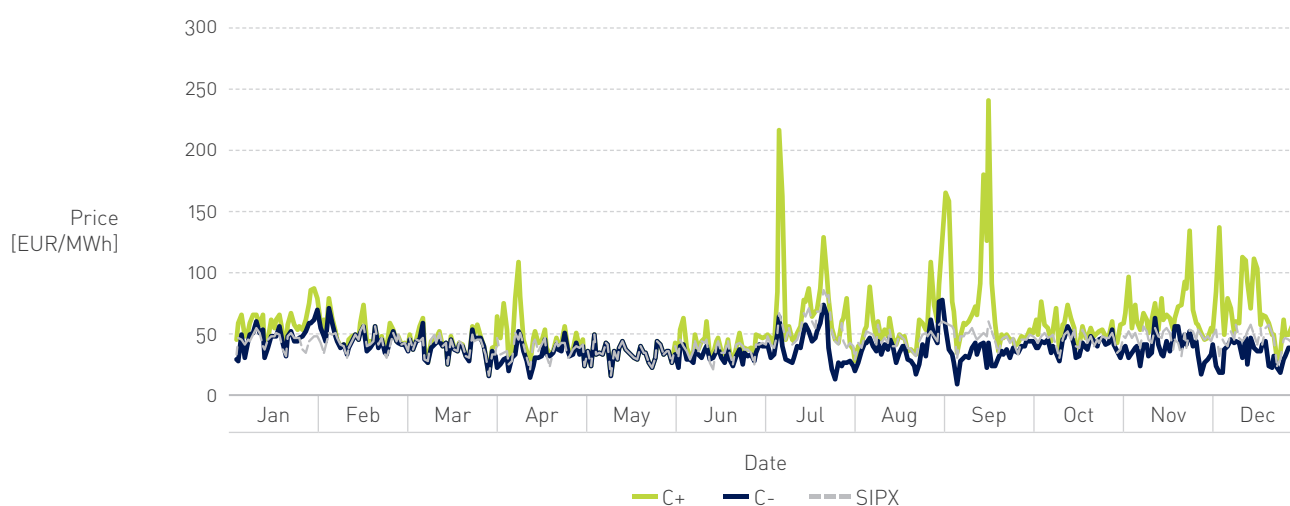


Figure 6: C+ and C- imbalance prices and the SIPX index in 2015

From January to December, the price movement of imbalances was marked by slightly higher values in the second half of 2015, especially in July and September. After a while, the C+ and C- prices began to deviate from each other and the SIPX index, which can be attributed to the lower impact of the Imbalance Netting Cooperation (INC) between the Slovenian and Austrian transmission systems. The INC has been in operation since May 2013. The imbalances between the Slovenian and Austrian electricity systems are continuously compared and netted against each other. In 2014, the INC had a highly positive impact on the total imbalance costs due to the exceptionally low prices of the balancing energy. In 2015, the effects of energy from the INC slightly changed and the prices were no longer as favourable for Slovenian balance groups as in 2014.

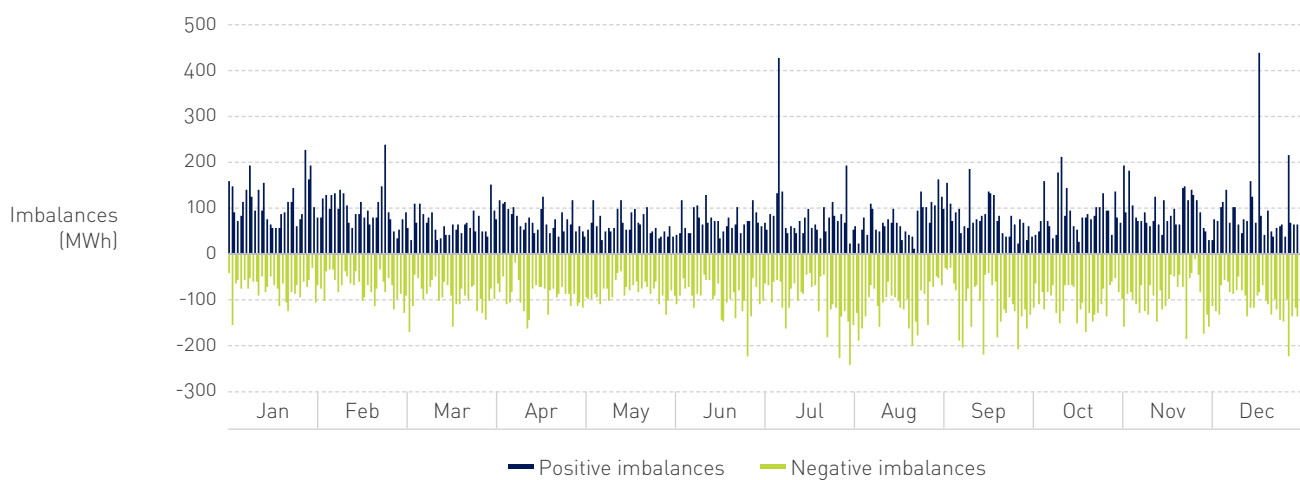
From January to the end of December, the average value of the derived price for positive imbalances C+ was 54.88 EUR/MWh and the price for negative imbalances C- was 35.35 EUR/MWh. Within this period the highest price value for C+ was 1,112.26 EUR/MWh and the highest price value for C- was 249.33 EUR/MWh, while the lowest price value recorded for both prices was -76.79 EUR/MWh. The highest price value for C- was recorded in the 24th hourly block on 7 July, while the highest price value for C- was recorded in the 13th hourly block on 21 November. The lowest price values were recorded in the 2nd hourly block on 11 January.

According to the Rules for the operation of the organised electricity market, the SIPX index must be applied to the calculation of the basic prices for the C+ and C- imbalances and consequently also

for the calculation of the C+ and C- derived imbalance prices. Figure 6 shows the movements of the index relative to the imbalance prices in 2015.

The prices for positive and negative imbalances are defined on the basis of the costs arising from the settlement of imbalances of the electricity system and are the result of the deviations of the market participants from their forecasts. Figure 7 shows the total positive and negative imbalances of all Balance Group in Slovenia in 2015.

Positive imbalances reflect a deficit of electricity in the power system, while negative imbalances reflect a surplus of electricity in the Slovenian electricity system.



Slika 7: Imbalances in the Slovenian electricity system in 2015 [MWh]

The balancing energy for the settlement of positive and negative imbalances in the Slovenian electricity system is provided by the Transmission System Operator, ELES. In 2015, a total of 257,996.20 MWh was used for the settlement of positive imbalances, while 346,660.03 MWh was used for negative imbalances. Figure 8 shows the average monthly en-

ergy regulation costs for the settlement of imbalances in the electricity system. The costs include the secondary and tertiary regulation costs, the energy from the balancing market and the energy from the INC.

Table 7 below presents the INC+ and INC- volumes for the last three years.

The first column shows the values in which an energy shortfall occurred in the Slovenian electricity system and the INC function was activated, whereas the second column displays the values in which an energy surplus occurred in the Slovenian electricity system and the INC function was activated.

Year	INC+ [MWh]	INC- [MWh]
2013 (May - December)	25,491	47,458
2014	41,457	69,909
2015	28,091	71,007

Table 7: INC quantities in MWh from 2013-2015

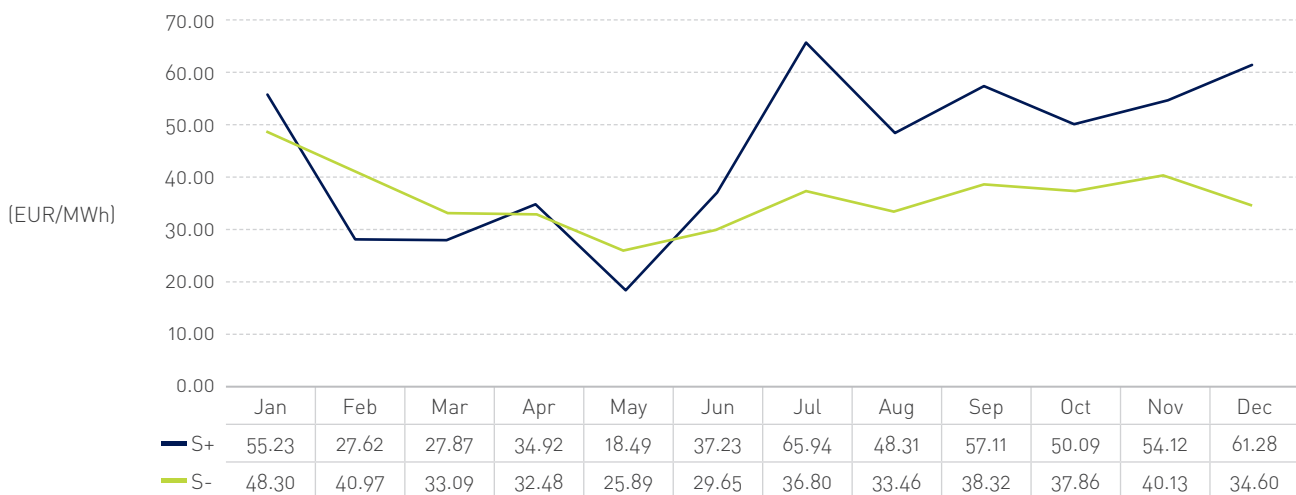


Figure 8: Average monthly values of regulation costs (S+ and S-) in 2015

Table 8 presents the quantities of positive and negative imbalances for all balance groups in the electricity market from 2010 onwards.

Year	Total positive BG imbalances [MWh]	Total negative BG imbalances [MWh]
2010	326,710	-424,619
2011	326,247	-398,217
2012	314,933	-437,407
2013	301,776	-397,808
2014	307,168	-367,965
2015	300,051	-388,574

Table 8: Total positive and negative imbalances of balance groups (BGs) between 2010 and 2015

ANNUAL RECALCULATION

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

among quantities acquired on the basis of the analytical procedure and the actual realised quantities are recalculated within the annual recalculation.

In 2015, the annual recalculation was made for 2014. The redistribution of differences between balance groups is

made on the basis of the calculated differences and the average annual prices that equals the C+ and C-, amounting to 41.17 EUR/MWh. Within the 2014 annual recalculation, 7,713 MWh of electricity was redistributed, totalling EUR 317,583.

2.3 Balance Scheme

Organised electricity market is hierarchically arranged into a Balance Scheme. Any legal or natural person that wishes to operate on electricity market actively must become a member of the Balance Scheme. Membership and structure of the Balance Scheme are defined with the balancing agreements, concluded with the Power Market Operator, and with compensation agreements concluded with Balance Scheme members. Power market operator, which represents the peak of the Balance Scheme, provides balancing energy delivery to the balance groups through balancing agreements. Transmission system operator physically implements the balancing of the electric power

system Power Market Operator is responsible for keeping, updating, and publishing the record of balance scheme membership contracts on its website.

A total of 12 new members, 6 domestic and 6 foreign, joined the Market Operator's Balance Scheme in 2015, while 5 members, 2 domestic and 3 foreign, withdrew from the Balance Scheme. In 2015, two transitions occurred as a result of the termination of the balancing agreement with the conclusion of a new compensation agreement. Compared to the previous year, the number of the Balance Scheme members increased by 7. New entries to the Balance Scheme in 2015 include: NEXUS ENERGÍA SA,

LOGO ENERGIJA d.o.o., Duferco Energia S.p.A., Hera Trading s.r.l, ENERGIJA DIREKT d.o.o., COMSAR d.o.o., RWE Ljubljana d.o.o., MCT Slovakia s.r.o., ZDS JESENICE, d.o.o., CRODUX ENERGIJA, d.o.o., RWE ENERGIJA d.o.o. and NIS Petrol SRL. The following companies withdrew from the Balance Scheme: DANS ENERGY OOD, Proenergy d.o.o., Eltec Petrol d.o.o., Compagnie Nationale du Rhone and Elektro Gorenjska Prodaja d.o.o. As at 31 December 2015, there were in total 60 registered balance groups, 21 domestic and 39 foreign companies. The Balance Scheme thus comprised of 84 members at the end of the year, marking the highest number of members yet.

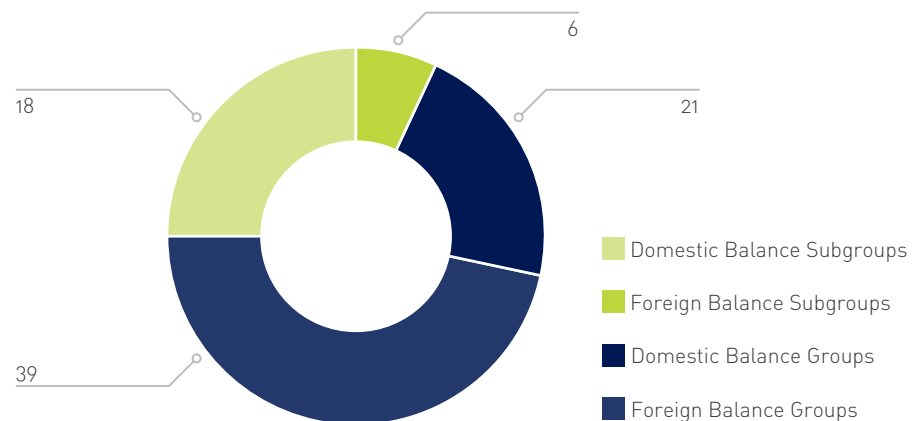


Figure 9: Number of Balance Groups and Balance Subgroups as at 31 December 2015



No.	Balance Groups	Balance Subgroups (1st level)	Balance Subgroups (2nd level)	Balance Subgroups (3rd level)
1	A2A Trading S.r.l.			
2	ALPIQ ENERGY SE			
3	Axpo Trading AG			
4	AYEN ENERGIJA d.o.o.			
5	B.E.K. GROUP s.r.o.			
6	Borzen, d.o.o. – Center za podpore (Eko skupina)			
7	BSP d.o.o.			
8	COMSAR d.o.o.			
9	CRODUX ENERGIJA, d.o.o.			
10	Danske Commodities A/S			
11	DufEnergy Trading SA			
12	Duferco Energia S.p.A.			
13	e&t Energiehandelsgesellschaft m.b.H			
14	Edelweiss Energia S.p.A.			
15	EDF Trading Limited			
16	Edison Trading S.p.A.			
17	Ekologické Zdroje Energie s.r.o.			
18	Electrade S.p.A			
19	ELEKTRIČNI FINANČNI TIM d.o.o.	Energy Financing Team (Switzerland) AG		
20	ELEKTRO PRODAJA E.U. d.o.o.	ENERGIJA DIREKT d.o.o.		
21	ELES, d.o.o., Ljubljana			
22	ENEL TRADE S.p.A.			
23	ENERGENTI PLUS d.o.o.	LOGO ENERGIJA d.o.o.		
24	ENERGETIKA LJUBLJANA, d.o.o.			
25	Energi Danmark A/S			

No.	Balance Groups	Balance Subgroups (1st level)	Balance Subgroups (2nd level)	Balance Subgroups (3rd level)
26	Energieallianz Austria GmbH			
27	ENERGIJA NATURALIS INT d.o.o.			
28	EPS TRGOVANJE, d.o.o.			
29	Europe Energy S.p.A.			
30	Ezpada s.r.o.			
31	Gala S.p.A.			
32	Gazprom Marketing & Trading Limited			
		ELEKTRO ENERGIJA d.o.o.	SODO d.o.o. (d.o. Elektro Ljubljana)	
33	GEN-I, D.O.O.	GEN energija d.o.o.		
		GORENJSKE ELEKTRARNE, d.o.o.		
34	GEOPLIN d.o.o. Ljubljana			
35	Green Network Trading UK Plc			
36	Gunvor International B.V.			
37	HEP d.d.	HEP Energija d.o.o.		
38	HERA TRADING S.R.L.			
39	HOLDING SLOVENSKE ELEKTRARNE d.o.o.	E 3, d.o.o.		
		ECE d.o.o.	SODO d. o. o. (d.o. Elektro Celje)	
			SODO d. o. o. (d.o. Elektro Gorenjska)	
		ENERGIJA PLUS d.o.o.	SODO d. o. o. (d.o. Elektro Maribor)	
		SODO d. o. o. (d. o. Elektro Primorska)		
		Petrol Energetika, d.o.o.	ACRONI, d.o.o.	ZDS JESENICE, d.o.o.
		TALUM d.d. Kidričevo		

No.	Balance Groups	Balance Subgroups (1st level)	Balance Subgroups (2nd level)	Balance Subgroups (3rd level)
40	ILLUMIA TREND S.R.L.			
41	Interenergo d.o.o.			
42	JAS Budapest Zrt.	JAS Energy Trading s.r.o.		
43	MCT Slovakia s.r.o.			
44	Morgan Stanley Capital Group Energy Europe Limited, trgovanje z energijo			
45	MVM Partner Energiakereskedelmi Zrt.			
46	NEAS ENERGY A/S			
47	NEXUS ENERGIA SA			
48	NIS PETROL SRL			
49	PETROL d.d., Ljubljana			
50	REPOWER Trading Češka republika s.r.o.	Rezia Energia Italia S.p.A.		
51	RWE Ljubljana d.o.o.	RWE ENERGIJA d.o.o.		
52	RWE Supply & Trading GmbH			
53	SODO d.o.o.			
54	Statkraft Markets GmbH			
55	TEI Deutschland GmbH			
56	UNITRADING ENERGIA S.R.L.			
57	Vattenfall Energy Trading GmbH			
58	VERBUND Trading GmbH			
59	Virtuse Energija d.o.o.	Virtuse Energy sp. z o.o. Virtuse Wealth Management, a. s.		
60	Vitol Gas & Power B.V.			

Table 9: List of Balance Groups and Subgroups as at 31 December 2015



As shown in the chart below, the number of members on the Slovenian electricity market has been steadily growing in recent years. There has also been a trend of the increasing number of foreign companies on the Slovenian electricity market, which increased from 30 entities in 2010 to 45 entities in 2015.

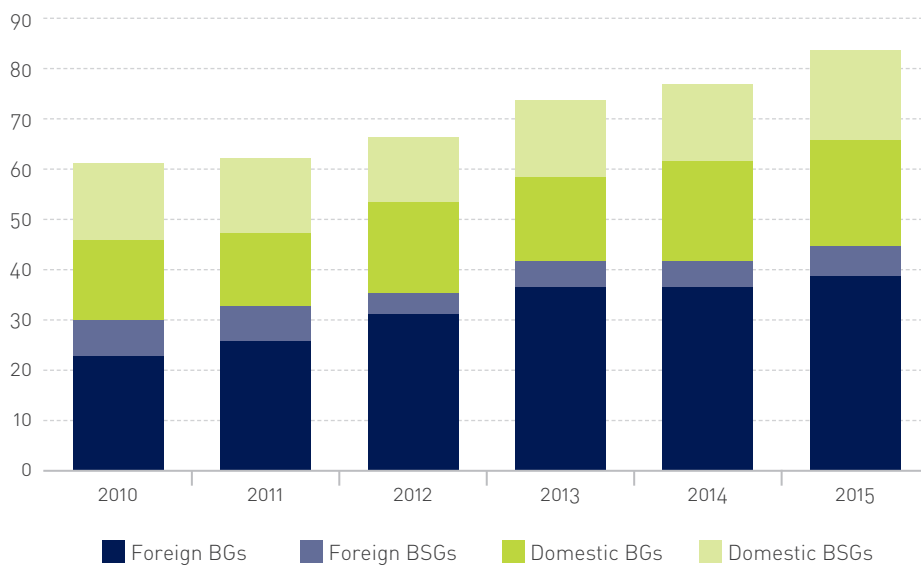


Figure 10: Number of foreign and domestic Balance Groups (BGs) and Balance Subgroups (BSGs) from 2010 to 2015

2.4 Financial settlement of imbalances

As the Clearing Agent, Borzen is responsible for providing the financial settlement of the liabilities of financial settlement participants arising from

imbalance settlements. All final imbalance settlements of an individual Balance Group in a specific time period are the subject of the financial settlement.

The following table presents the values of financial settlement of imbalances for 2015.

Month	Imbalance settlement	Costs of Balancing	Surplus
January	1,584,996	-1,563,801	21,195
February	474,014	-466,665	7,349
March	-382,386	387,929	5,543
April	56,698	-43,627	13,071
May	-272,904	375,167	102,263
June	-204,683	226,893	22,210
July	1,111,480	-961,641	149,839
August	100,017	-26,295	73,722
September	517,806	-493,670	24,136
October	366,074	-347,701	18,373
November	635,866	-627,356	8,510
December	736,716	-617,737	118,979
TOTAL	4,723,694	-4,158,504	565,190
Default interest			51
TOTAL SURPLUS 2015			565,241

Table 10: Values of financial settlement of imbalances in 2015

In EUR excluding VAT

The imbalance settlement item represents the netted value of final imbalance settlements of balance groups by individual months. The balancing costs or revenues occur by purchasing or selling electricity for the purposes of balancing imbalances of the Slovenian electricity system. The financial settlement of balancing costs is conducted between the Transmission System Operator and the Market Operator. In the table above, the negative values represent outflow, while the positive value represent inflow for the Company.

The surplus of revenues over expenditures arising from the imbalance settlement are intended for risk management in case of the non-fulfilment of financial liabilities or late payments and are administrated on a separate account for booking the imbalance settlement surpluses. The total imbalance settlement surpluses for 2015 amounted to EUR 565,190. In accordance with the instructions from the Energy Agency, EUR 1,216,681 of the imbalance settlement surplus for 2015 and EUR 2,696,596 of the imbalance settlement surplus for

2014 were reallocated to the participants of the imbalance settlement in 2015. In accordance with the Rules, a part of the surplus for the imbalance settlement for 2015, i.e. EUR 763,826 has still not been allocated. At the end of the financial year, the total imbalance settlement surplus, which included the default interest from late payments in the amount of EUR 51,21, totalled EUR 1,329,067.



2.5 Balancing market

On the balancing market, which has been in operation since 2012, a total of 3,133 transactions were concluded in 2015, producing a total volume of 188,059 MWh. 63,690 MWh of electricity represented the purchase of balancing energy and 124,369 MWh represented the sale of balancing energy by the Transmission System Operator (ELES). The highest volume of transactions was concluded concerning block products of total quantity of 98,316 MWh, and most transaction, 1,751 in total, were concluded concerning hourly products. In comparison with the previous year, the volume of transactions increased by more than 138 percent, while the total number of transactions increased by more than



In 2015, the number of transactions made on the balancing market increased by as much as 228 percent compared to the previous year.



228 percent. As shown in the chart below, the System Operator mainly participated as a seller of balancing energy in 2015, with the exception of the first two months, when it mostly acted as a buyer of balancing energy. The highest volume of balancing energy (25,745 MWh) was sold in August, while the highest value of balancing energy (16,477 MWh) was purchased in January. The all-time highest volume and number of transac-

tions since the launch of the balancing market were recorded in August, with 406 transactions and 28,280 MWh in total. The highest purchase price amounted to EUR 180/MWh, while the lowest purchase price was EUR -40/MWh. In addition to the System Operator, 7 members were involved in transactions concluded on the balancing market. As at 31 December 2015, there were 38 members on the balancing market.

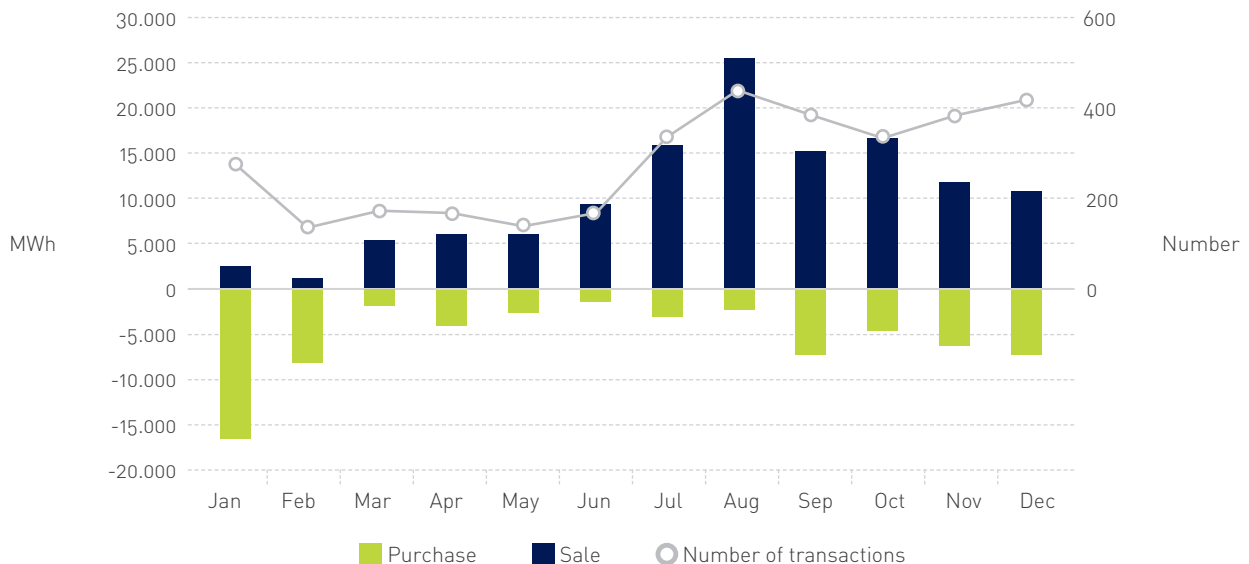


Figure 11: Volume and number of concluded transactions on the electricity balancing market in 2015



The electricity balancing market made up 31.1 percent of the total balancing energy used in 2015, marking a 100-percent increase over last year, whereas only 15.1 percent of the total balancing

energy used came from the balancing market. The highest monthly share of balancing energy from the balancing market, 40.9 percent, was recorded in January. The share of energy from the

balancing market for upward balancing (purchase) in 2015 was 24.7 percent, while the share for downward balancing (sale) was 35.9 percent.

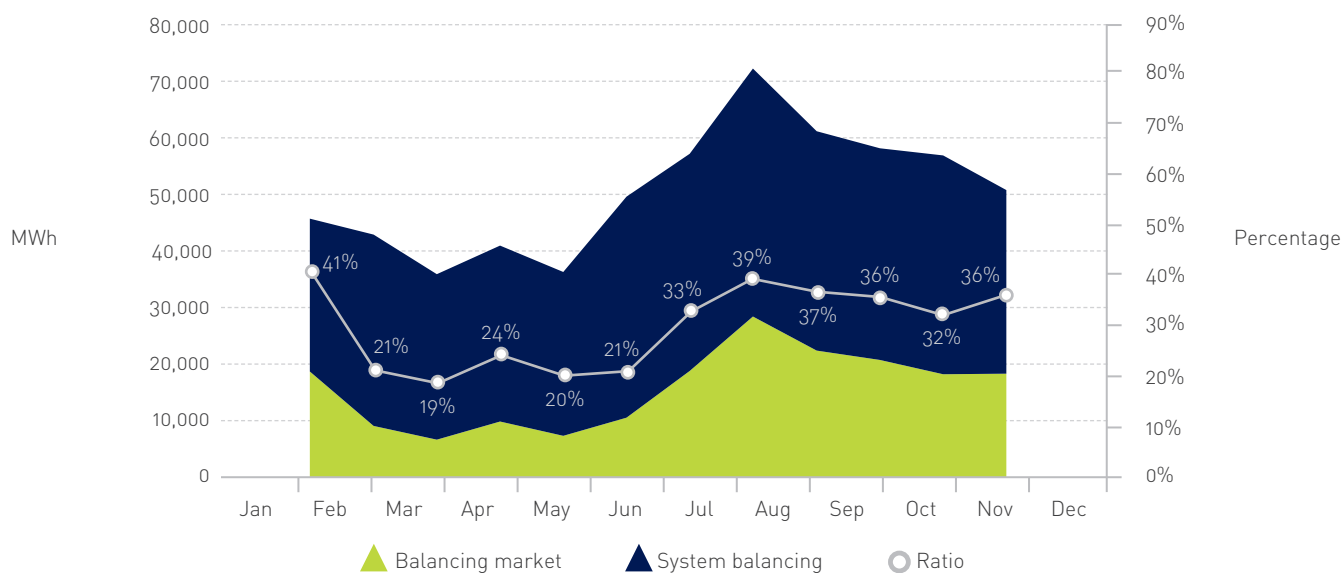


Figure 12: Balancing market share in the total balancing energy



2.6 Ensuring the transparency of the power market

2.6.1 RRM service

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

In accordance with the Energy Act and the Decree on the method for the implementation of public service obligation relating to the organisation of the electricity market adopted by the Government of the Republic of Slovenia, Borzen started performing the RRM service after registering with the national Energy Agency and the approval of the RRM ("Registered Reporting Mechanism") status by ACER. The RRM status, which can only be obtained by legal entities that meet ACER's strict requirements, enables Borzen the implementation of reporting services to third parties. As a part of the RRM 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 ACER. Within the RRM service, Borzen also prepares and provides information on transactions and trading orders

made on the BSP energy exchange to other RRM. In 2016, Borzen plans to implement the second phase of reporting services which will include the reporting of non-standard contracts.

Borzen thus provides a service that generates various synergy effects that go hand in hand with our knowledge and 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 regulated, transparent, efficient and competitive Slovenian electricity market and its further integration into the European internal market.

2.6.2 Development of the electronic data exchange system for the purposes of imbalance settlement

Effective data exchange is essential for the proper execution of the Market Operator's activities and the operation of the entire electric power system. Electronic data exchange constitutes an important step towards the more reliable and faster submission of data to the Market Operator. Therefore, Borzen aims to further develop and improve this area, also by participating in associations, such as the Energy Market Information Exchange.

With the imbalance settlement for May 2015, we established a production use of the electronic data interchange for all five distribution networks. In the future, we plan to extend the system to the Balance Scheme members, which

will enable them to import the results of the imbalance settlement into their own systems in XML format.

2.6.3 Other activities in relation to ensuring the transparency of the electricity market

ESTABLISHMENT OF A DATA SUBMISSION SYSTEM IN ACCORDANCE WITH THE EU TRANSPARENCY REGULATION 543/2013

Borzen established automated transmission of data via web services in 2014. In accordance with the European Regulation 543/2013, Borzen is obliged to send the data on the quantity of bids on the balancing market and the data on quantities and prices of transactions concluded on the balancing market to the System Operator every hour. In addition to the data on the balancing market, Borzen also submits the prices of imbalances to ELES on a monthly basis. The submitted data are published on the European platform "ENTSO-E Transparency Platform" in order to ensure greater transparency of the European energy market.

ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

Upon a proposal from the Energy Agency, Borzen established electronic access to records of the Balance Scheme using web services. This access provides the Agency with the automated control of the data on the balance scheme members which are submitted



when market participants register in line with the REMIT regulation. The system operated smoothly in 2015, enabling the verification of the information submitted by market participants as part of their registration with the Agency.

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

In 2015, Borzen started to publish residual diagram data on its website. For each accounting interval, the residual diagram of a particular distribution area is calculated in the following way: the

number of the total energy received by a particular transmission area (from the transmission network, the distribution network of the adjacent areas or the production delivery points) is subtracted by the value of estimated losses for the area and the realised consumption of all non-measured consumers, where the registration interval is shorter than or equal to the accounting interval. The data primarily makes it easier for new participants to operate on the market and represents an additional activity of the Company in the direction of collecting, analysing and publishing the data in

order to ensure the transparency of the electricity market. In addition to this, Borzen also publishes a list of suppliers, i.e. the Balance Scheme members with physical delivery points either on the consumption or on the production side. After the cessation of licences under the new Energy Act, there is no longer a clear list of the suppliers on the market. In the future, we wish to expand the scope of the published data and in this way strive to contribute to a greater transparency on the electricity market.



3. CENTRE FOR RES/CHP SUPPORT

3.1 Support system

In accordance with the Energy Act, the Centre for RES/CHP Support administers the electricity feed-in support scheme for RES (renewable energy source) and CHP (high-efficiency co-generation) power plants. The support schemes are an instrument of state aid (subsidies) approved by the European Union that enables, with a higher purchase price of electricity, the implementation of investments in renewable energy sources and highly efficient co-

the agreement was concluded in compliance with the Article 535 of the Energy Act (EA-1), regulating the access to the electricity power network (i.e. the connection of the facility to the electricity power network) until 22 September 2014. For the integration of the power plants that do not comply with the provisions of the Article 535, the EA-1 foresees the invitation for the submission of bids, published by the Energy Agency in compliance with the Article 373.

ter into the support system. If the facility is older than stated, yet a renovation or reconstruction of the facility was performed during this period, the application for the decision on the award of the support can be filed at the Energy Agency, which judges, whether the reconstruction was made in a way, which meets the criteria of the relevant regulations, and the facility in the form of the "renewed facility" can be integrated into the support system again. The amend-



Compared to 2014, there were no considerable changes regarding the shares of production and payments. However, the total quantity of the produced electricity in 2015 still failed to reach the 2010 level (lower production of electricity from RES and CHP was mainly the consequence of outage in the generation units of the old Support Scheme that was closed at the end of 2011 – the old Support Scheme consisted of numerous hydro power plants which operated in the Scheme with low average support).



generation of heat and electricity necessary to achieve national goals concerning the share of use of renewable sources in total energy consumption.

The described procedures of the integration and of the entitlement to support apply to the power plants, for which

BENEFICIARIES OF SUPPORT

The integration into the system of support receiving (i.e., the new feed-in support scheme) is enabled to the RES and CHP units, divided to the micro group, small group (–1MW of power), and other. The production facilities, not older than 10 years (RES) or 15 years (CHP) can en-

ment of the Energy Act (EA-1) set forth the modification that the further entry into the scheme shall be subjected to the invitation to submit bids, published by the Energy Agency. The transition period of the old method of entry was in force till September 2014.



TYPES OF SUPPORT

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

Guaranteed purchase of electricity:

Guaranteed purchase means that the Centre receives the electricity from the production unit and pays the price defined in the decision. The production unit is included in a special Balance Group or Subgroup established by the Centre for RES/CHP Support ("Eco Group"). The Centre settles the differ-



At the end of 2015, the support scheme comprised of 3.920 power plants with a total power of 433 MW, presenting approximately 15 percent of installed capacities in the Republic of Slovenia.



ences between forecasted and realised production (i.e. coverage of "imbalances") for production units that receive this type of support.

Operating support (or "financial support for the current operation"):

Operating premium means that the Centre does not receive nor pays for the electricity but on the basis of produced net quantities only pays the operational support aimed to compensate the production unit for the difference between

production costs and the market price which the unit acquires on the open market. The production units receiving this type of support have to arrange the settlement of differences between the announced and realised production and the balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an open contract for the sale of electricity.



3.2 Support scheme for RES and CHP electricity production

3.2.1 Power plants in the support system

At the end of 2015, the Support Scheme contained 3,920 power plants with a total power of 433 MW, representing approximately 11 percent of installed capacities² in the Republic of Slovenia.

Compared to 2014, the share of power plants in the Support Scheme that sell electricity independently (and thus receive the operation support) slightly increased. Namely, at the end of 2014,

there were 68 percent of units that received the operating support, while at the end of 2015, the percentage was a little less than 69 percent.

²According to the data provided by the Energy Agency (Report on the Energy Sector in Slovenia in 2014), the installed capacity at the power plant threshold amounted to 3,834 MW.



Source according to the new system	Power in kW	Number
Biogas from biomass - up to 50 kW	7	1
Biogas from biomass - above 50 kW and up to 1 MW	17,441	20
Biogas from biomass - above 1 MW and up to 10 MW	8,552	2
Biogas from waste - up to 1 MW	2,194	3
Power plant using gas from waste water treatment plants - up to 50 kW	18	1
Power plant using gas from waste water treatment plants - above 50 kW and up to 1 MW	968	2
Hydro power plants - up to 50 kW	879	36
Hydro power plants - above 50 kW and up to 1MW	18,037	65
Hydro power plants - above 1 MW and up to 10MW	8,445	5
Power plants using wood biomass - above 50 kW and up to 1 MW	6,443.4	24
Power plants using wood biomass - above 1 MW and up to 10 MW	6,150	1
Co-incineration of wood biomass ↑ 5% - above 1MW and up to 10 MW	8,900	1
Landfill gas - up to 1 MW	933	2
Landfill gas above - 1 MW and up to 10MW	4,371	2
Solar power plants (on buildings) - up to 50 kW	87,629	2738
Solar power plants (on buildings) - above 50 kW and up to 1 MW	145,790	525
Solar power plants (others) - up to 50 kW	833	38
Solar power plants (others) - above 50 kW and up to 1 MW	22,590	38
CHP using fossil fuels up to 4000 hours - up to 50 kW	10,458	305
CHP using fossil fuels up to 4000 hours - above 50 kW and up to 1 MW	23,120	46
CHP using fossil fuels up to 4000 hours - above 1 MW and up to 5 MW	19,243	8
CHP using fossil fuels up to 4000 hours - above 5 MW and up to 25 MW	17,338	2
CHP using fossil fuels above 4000 hours - up to 50kW	401	14
CHP using fossil fuels above 4000 hours - above 50 kW and up to 1MW	10,100	13
CHP using fossil fuels above 4000 hours - above 1 MW and up to 5 MW	6,208	2
CHP using wood biomass above 4000 hours - up to 50 kW	4,727	10
CHP using wood biomass up to 4000 hours - above 50 kW and up to 1 MW	722	2
CHP using wood biomass up to 4000 hours - up to 50 kW	92	3
Wind power plants - up to 50 kW	173	7
Wind power plants - above 50 kW and up to 1 MW	910	1
Wind power plants - above 1 MW and up to 10 MW	2,300	1
Individual treatment	1,035	2
TOTAL	432,752	3,920

Table 11: Power plants in the new support system – as at 31 December 2015

3.2.2. Eco agreement

Based on the provisions of the Energy Act, electricity producers of new RES production units with a nominal capacity of 1 MW and electricity producers of new micro and small CHP production units which do not have any balancing affiliation and have not concluded an open contract can submit an application to obtain the so-called Eco Agreement, which allows them to sell the produced electricity to the Centre for RES/CHP Support at the reference market price.

Eco Agreement is concluded on the basis of the submitted application and can remain in force up to 12 months.

In 2015, only one Eco Agreement was concluded, while in 2014, sixteen Eco Agreements and one Eco Decision (a predecessor of the Eco Agreement) were issued. This is the result of the decreasing number of investments made in RES last year due to the termination of the existing RES/CHP Support Scheme, investment anticipation for the

successor of the current RES/CHP Support Scheme and growing interest in the independent sale with the option to choose the operational support.

Termination of the existing support scheme RES/CHP, investments waiting for the successor of the current support scheme for the RES and CHP, and also for the reason of the greater interest for the individual sale with the option of the selection of the operating support.

Type of power plant	Number	Power in kW
Hydro power plants	1	49.8
TOTAL	1	49.8

Table 12: Issues of Eco Agreements in 2015

3.2.3 Payments of the support

A trend in the increase of the support payments continued also in 2015. From the comparison of payments and produced electricity in the Support Scheme it follows that the power generation in 2015 was 8 percent higher than in 2014 and the payments increased by 12 percent. However, the total quantity of the

produced electricity produced in 2015 still failed to reach the recorded level from 2010 (lower electricity production from RES and CHP was mainly the consequence of the outage in the generation units of the old Support Scheme that was closed at the end of 2011 – the old Support Scheme involved many hydro

power plants that operated in the Scheme with a low average support).

In view of the quantity, the production that receives one of the two types of support accounts for approximately 8 percent of the Slovenian annual consumption³.

Year	2015	2014	2013	2012	2011	2010
Quantity of electricity (in GWh)	980.8	905.9	802.9	654	943.3	995.5
Support payments according to contracts (in million EUR, excluding VAT)	147.1	130.8	118.5	89.8	69.5	48.6
Average support (in EUR/MWh)	149.97	144.42	147.61	137.28	73.69	48.81

Table 13: Payments of the support from 2010 to 2015⁴

³According to the data provided by SURS, Statistical Office of the Republic of Slovenia [Final electric energy consumption in Slovenia, Total energy consumption, 2014], the total final consumption in 2014 amounted to 12,560 GWh.

⁴Data for 2015 as at 14 March 2016.

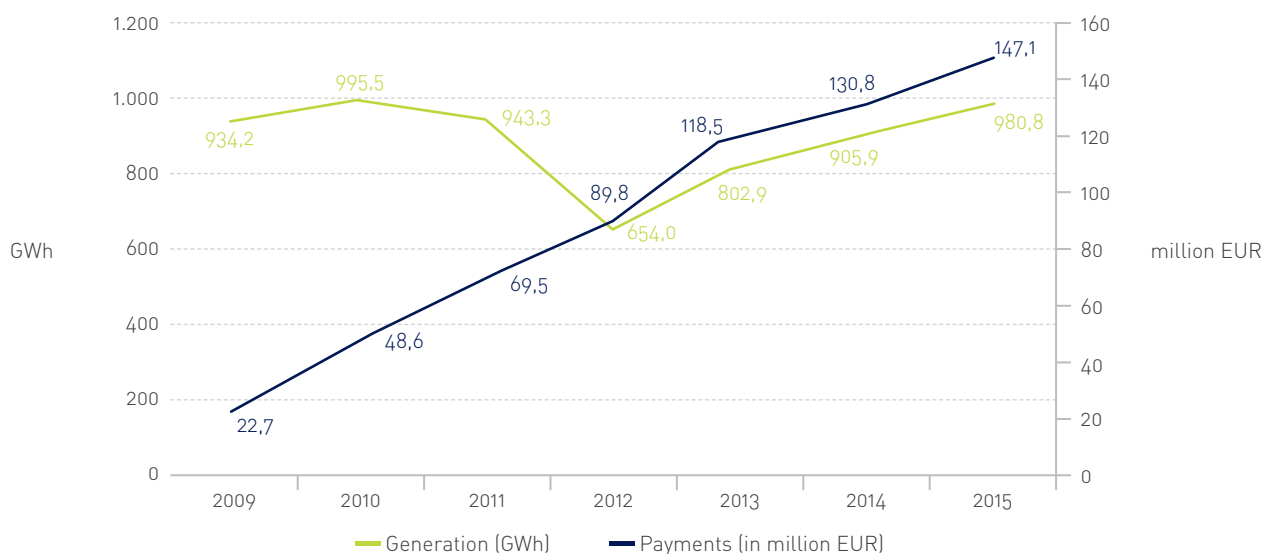


Figure 12: Production and payments by year

Based on the share of the generated electricity, fossil fuelled CHP units (34 percent) and solar power plants (27 percent) stand out in 2015. According to the share of paid support, solar power received almost a half (46 percent) of all the payments in 2015. The average

support calculated in EUR/MWh equals to 256.02 EUR/MWh for solar power plants, while the average support for hydro power plants is significantly lower, amounting to 60 EUR/MWh. It is also interesting that the average support for solar power plants in 2014 amounted to

255 EUR/MWh, whereas in 2013, the average support totalled 315.02 EUR/MWh. The average support for solar power plants has thus stabilised at around 255 EUR/MWh, yet it is still much higher than the other types of power plants.



A trend in the increase of the support payments continued also in 2015, when 12 percent more supports were paid than in the previous year. The average support increased to 149.97 EUR/MWh (in 2014: 144.42 EUR/MWh). One of the reasons of the increase of the average support in 2015 has to be sought in the year 2014, which was the above-average hydrological year. The quantity of the production that receives one type of support represents a little less than 8 percent of the Slovenian consumption.



Type of unit	Support (EUR)	Produced electricity (kWh)	Share of support	Share of energy
Biogas power plants (BP, OP codes)	17,932,957	127,440,272	12.2 %	13.0 %
Biomass power plants (SL, LB codes)	17,362,521	119,991,489	11.8 %	12.2 %
Geothermal power plants	0	0	0.0 %	0.0 %
Hydro power plants (HE codes)	7,256,019	119,814,469	4.9 %	12.2 %
Solar power plants (SE codes)	68,101,165	265,994,581	46.3 %	27.1 %
CHP using fossil fuels (SF code)	35,010,647	337,998,615	23.8 %	34.5 %
Wind power plants (VE code)	349,026	5,482,287	0.2 %	0.6 %
Other	1,082,613	4,091,508	0.7 %	0.4 %
TOTAL	147,094,948	980,813,221		

Table 14: Support in 2015⁵

Compared to 2014, no substantial changes in terms of proportions of production and payments were recorded. A trend in the production increase of the CHP units is also noted (the production

share increased due to a relatively high number of entries during last year in relation to other units). Other highlights worth mentioning are also the production decrease of hydro power plants

(2015 was hydrologically less active than 2014) and the stabilised production of biogas units.

⁵Data for 2015 as at 14 March 2016.

Type of unit	Share of support 2015	Share of support 2014	Difference in share in % (%t)	Energy share in 2015	Energy share in 2014	Difference in energy in % (%t)
Biogas power plants (source 10, 12, 13; codes BP, OP)	12.19 %	12.11 %	0.08 %	12.99 %	13.84 %	-0.85 %
Biogas power plants (source 3, 4, SL, LB)	11.80 %	10.68 %	1.12 %	12.23 %	11.02 %	1.22 %
Geothermal power plants	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Hydro power plants (source 1, 2; code HE)	4.93 %	7.24 %	-2.31 %	12.22 %	17.41 %	-5.20 %
Solar power plants (source 8, 9; code SE)	46.30 %	47.81 %	-1.51 %	27.12 %	26.97 %	0.15 %
CHP using fossil fuels (source 14, 15; code SF)	23.80 %	21.17 %	2.63 %	34.46 %	29.86 %	4.60 %
Wind farms (code VE)	0.24 %	0.20 %	0.04 %	0.56 %	0.46 %	0.10 %
Other	0.74 %	0.79 %	-0.05 %	0.42 %	0.43 %	-0.01 %
TOTAL	100 %	100 %		100 %	100 %	

Table 15: Comparison of payments by type of units between 2015 and 2014



As a part of a comprehensive control of the scheme payments by the Centre for Support, which is regularly carried out, in 2014 we further introduced systematic monitoring of weather indices with respect to prior periods and the long-term average. The following parameters are monitored: temperature, solar radiation, rainfall and hydrology. The data are obtained from the database of the Slovenian Environment Agency. In 2015, we additionally introduced several forecast scenarios, also based on the realisation

of particular unit types. In addition to the monthly examination of trends in disbursements by using sample checks D-1 (a day-back measurements) and regular financial reviews and recalculations, this is an additional piece in the mosaic of a more systematic monitoring of payments of the Centre for Support.

The actual comparison of production and payments in 2015 and 2014 is best evident in the graph below, which clearly shows the absolute difference in

payments and a relative change in production in 2015 compared to 2014. The graph shows that the production of all unit types increased compared to the year 2014 (CHP production increased by 25 percent and the sum of payments was EUR 7.3 million higher than in 2014). The only exception was hydroelectric power (in 2015, the production decreased by almost 25 percent in comparison to 2014).

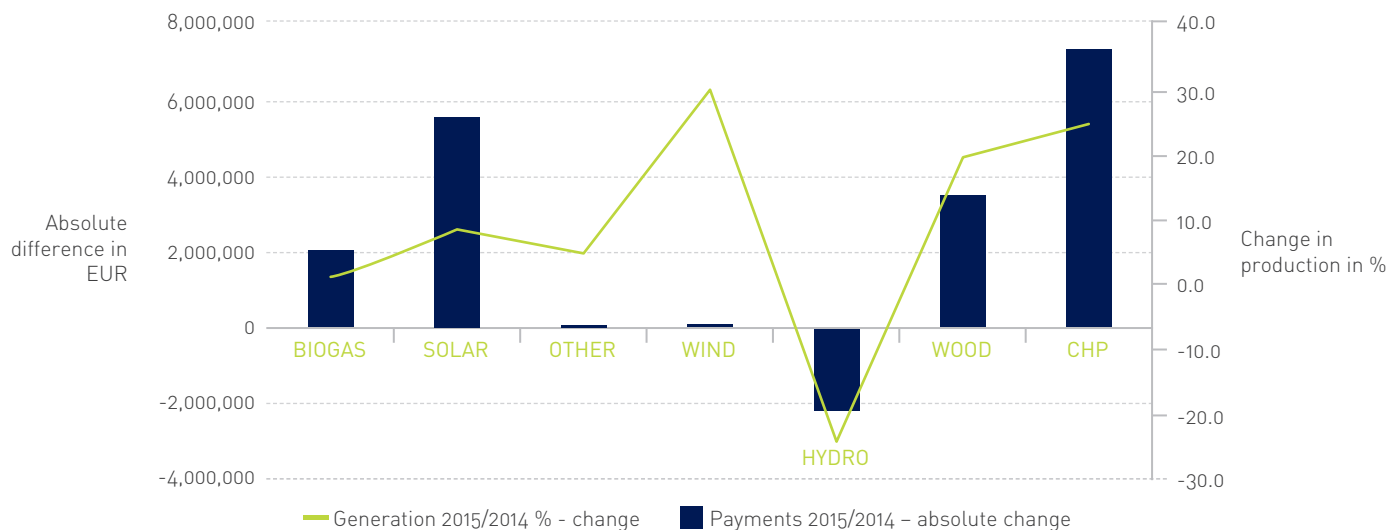


Figure 13: Comparison of payments and production between 2015 and 2014

3.3 Financial data of the Centre for RES/CHP Support

The contributions are paid into a special account of the Centre for RES/CHP Support and are used for the provision of supports, the operation of the Centre

for RES/CHP Support and other purposes defined stipulated by the law.

The table below shows the revenues

and expenses of the Centre for Support in 2015, namely the realised values in 2014 compared to the realised values in 2015 (as at 17 March 2016).

Item	2014	2015
A Opening balance	2,630,704	-2,837,821
1 Revenues	126,393,018	161,971,171
a RES+CHP contribution	117,626,630	154,085,683
b DES (domestic energy source) contribution	10,366	-86
c CS – EE sales	8,756,022	7,875.486
d Default interests		10,088
2 Expenses	131,861,543	147,818,498
a RES+CHP support	130,986,971	147,094,942
b DES (domestic energy source) support	0	0
c Operation of the CS	591,000	591,000
d CS – EE purchase	283,572	132,556
3 Total (1-2)	-5,468,525	14,152,673
4 Total (A+3)	-2,837,821	11,314,852

Table 16: Overview of revenue and expenditure of the Centre for RES/CHP Support in 2014 and 2015

The table shows that in 2015 the Centre for RES/CHP Support collected EUR 154 million net of RES/CHP contributions and EUR -86 net of contributions for the provision of secure energy supply with the use of domestic primary energy sources (DES contributions). As of 2014, the DES activity is no longer performed, thus the sum derives from the budgets which the Distribution System Operator (SODO) carries out for the preceding periods. The contribution for RES and CHP also contains the assets from the contribution for final consumers of district heat and buyers of fossil fuel, namely in

the amount of EUR 34 million net. The revenues of the Centre for Support also disclose received funds from the direct sale of electricity from the Eco Balance Group at auction and at the BSP Regional Energy Exchange and the funds received from imbalance settlement in the total net value of EUR 7.8 million. The revenues of the Centre for Support for 2015 also include the accrued default interests.

The payments of the RES and CHP support amounted to EUR 147.1 million net in 2015. The expenses include the purchase

of electricity from the Eco Group at the BSP Regional Energy Exchange, the costs of imbalance settlement and the payments made under the Eco Agreements (former Eco Decisions) in the total sum of EUR 132,556. In 2015, the contribution for the operation of the Centre for RES/CHP Support amounted to EUR 591,000 net and has remained unchanged since the year 2009.

Due to the gap between the funds collected and the support payments, Borzen took out a short-term loan in the amount of EUR 12 million at the be-



ginning of 2015 in order to bridge the liquidity problems based on the consent of the Partner and the implementation of a public tender procedure to ensure the liquidity of the Support Scheme. The loan was repaid in full at the end of 2015.

In June 2015, a new Decree on the method of determining and calculating the

contribution for providing support for electricity generated from RES and CHP (Official Gazette of the RS, No. 46/15) was adopted, on the basis of which the Energy Agency prepared the Act on the contribution for providing support for electricity generated from RES and CHP and in which it defined a new amount of contribution. The Act was adopted

the Slovenian Government on 30 July 2015 and the new amounts of contribution have been in force since 1 August 2015. The increase of the collected RES and CHP contributions covered the loss from 2014 and the Centre recorded the surplus of EUR 11.3 million at the end of 2015.

3.3.1 Support Scheme financing and contributions

The Support Scheme is financed by all electricity consumers who are charged a contribution for ensuring supports for electricity generated from RES and CHP in accordance with the legislation.

Contributions are charged monthly per unit of accounting power as a special item on the bill for the use of the network. These are separate contributions

and are not part of the price for the use of the network.

From June 2014 onwards, the suppliers of fossil fuels and district heat who charge contribution to final customers are also subject to billing and payment of contributions. For the purpose of reporting and contribution payment, Borzen launched a web portal

[\[http://prispevek.borzen.si\]](http://prispevek.borzen.si), which allows the preparation of the registration application and easy reporting on the amount of accrued contribution accounted to final customers.

3.4 Management the energy of the Balance Group within the Centre for RES/CHP Support

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity via the Centre for Support. The Eco Group include power plants that chose guaranteed purchase as the support type or power plants that have a valid Eco Agreement.

Compared to 2014, the number of power plants in the Eco Group in 2015 decreased by 23 to 1,192 units. In the same period, nominal power decreased by 7 percent and was below 100 MW at the end of the year.

Considering the state by the end of 2014 the number of the power plants in the Eco Group in the year 2015 decreased for 23 units, namely, to 1,192 units. Within the same period the total rated power decreased for seven percent and was below 100 MW by the end of the year.

“ In 2015 (for the first time since 2011), the production units in the Eco Group reduced to nominal net power below 100 MW. The trend of changes in support type continued, while other units ceased to receive the support due to their old age.

Due to the closing of the Scheme, based on the EA-1 from 2014, only eight new facilities, four CHP units, three solar plants, and one small hydro power plant entered the Eco Group in 2015. The dynamics of entries and exits was in most cases influenced by the changes of support, exits from the support system due to the age of facilities and changes of the unit ownership. When the latter occurred, the Energy Agency with with-

drew the support from the old owner with a Decision and sometime later issued a new Decision to the new owner. In the period between the two Decisions such power plant was not entitled to support and consequently was not a member of the Eco Group.

Type of power plant	Balance as at 31 Dec 2009		Balance as at 31 Dec 2010		Balance as at 31 Dec 2011		Balance as at 31.12.2012		Balance as at 31.12.2013		Balance as at 31.12.2014		Balance as at 31.12.2015	
	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)	Number	Sum of power (in kW)
Solar	36	1,219	371	27,015	755	65,353	1,126	85,891	1,141	85,531	1,111	81,403	1,092	78,222
Hydro energy	6	125	43	10,985	40	10,458	31	8,616	30	8,586	27	6,309	25	6,104
CHP	8	3,633	19	6,748	21	6,989	32	6,568	42	6,244	60	7,043	60	6,682
Biogas	2	1,970	12	15,544	12	11,416	12	11,416	10	9,182	10	9,182	9	8,197
Wind	3	20	3	20	4	24	5	74	5	73	5	73	5	73
Landfill gas	1	469	2	3,171	2	3,171	1	2,702	1	2,702	1	2,702	0	0
Biogas from wastewater treatment plants sludge	1	130	1	130	1	130	0	0	1	518	1	518	1	518
TOTAL	57	7,566	451	63,613	835	97,541	1,207	115,266	1,230	112,836	1,215	107,231	1,192	99,797

Table 17: Power plants in the Eco Group from 2009 to 2015



The graph below shows hourly generated electricity from power plants included in the Eco Group from 1 January 2009 to 31 December 2015.

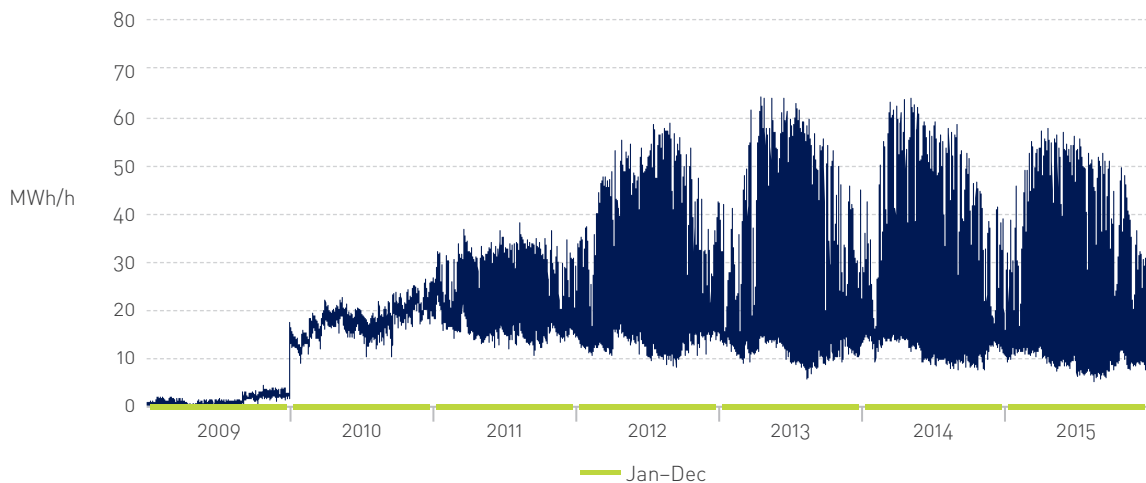


Figure 14: Hourly realisation of the Eco Group from 2009 to 2015

As already mentioned, the number and the total rated power of units, comprised in the Eco Group, decreased in 2015. The latter has not significantly affected the structure and the shares of the representativeness of individual technologies in the Eco Group compared to the preceding year. This is clearly displayed in the diagram above, as the generation during the peak hours remains very significant. This is ex-

pected, since the share of solar power plants in the Eco Group achieves more than 78 percent of the total rated power of all the comprised units. The above figure also clearly shows that the generation of units from the Eco Group has still been decreasing. Several factors are to be attributed for this in 2015. In the first place, this occurred due to the slightly worse hydrological conditions compared to 2014 and a notably vola-

tile operation of the majority of larger biogas units. The lower production was also the result of the reduction of units in the Eco Group, in particular the exit of a large landfill gas unit with the power of 2.7 MW, which operated with stability and contributed a significant share in the bandwidth production of the whole Eco Group.

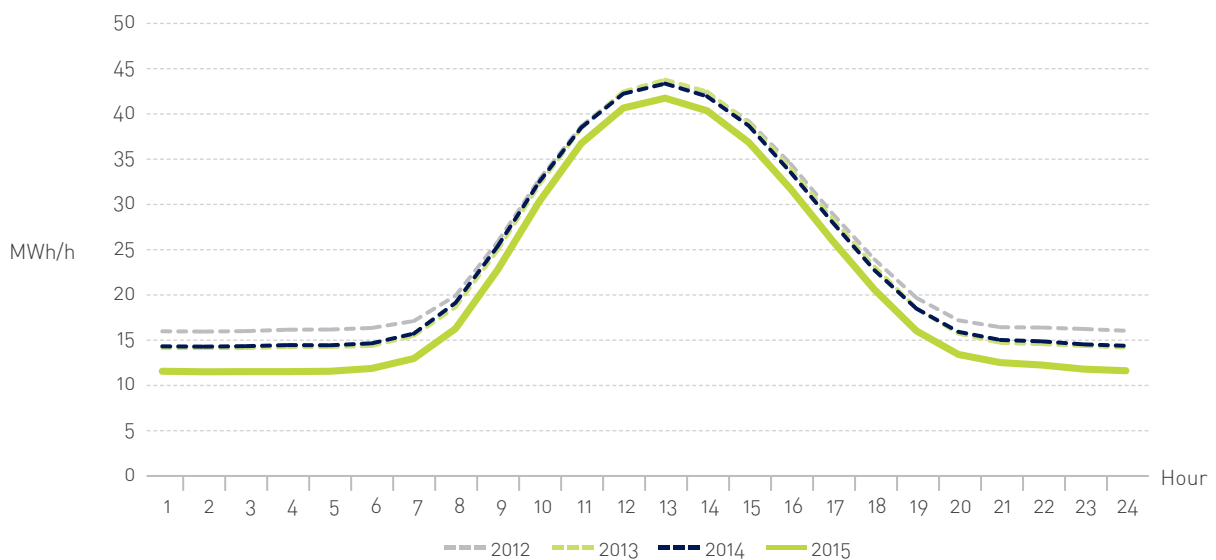


Figure 15: Average daily profile – comparison of 2015 in relation to 2012 - 2015

In 2015, the realisation of produced electricity in the Balance Group of the Centre for RES/CHP Support decreased by 10 percent compared to 2014 and the financial income decreased by the additional 2 percentage points. This was the result of the continuation of the bearish trend in electricity prices on the market in 2015, which, however was not so significant as in previous years. Electricity was on average sold at a price which was approximately 0.90 EUR/MWh lower than in 2014. The average electricity price in 2014 amounted to 42.42 EUR/MWh. In 2015, it amounted to 41.80 EUR/MWh.

Due to risk mitigation, the Centre for Support sells part of the electricity as a long-term arrangement and the rest is sold on the day-ahead market. Long-term sale is carried out via auctions, whereas sales on the day-ahead market are conducted at the BSP Energy Ex-

change. The auction for the electricity produced in 2015 was carried out on 11 December 2014. All six lots of standard products offered (base load) were sold and two of the nine participating companies were successful.

Unlike the previous years, the price achieved on the energy exchange in 2015 was almost identical to the price achieved in the forward sale, i.e. through the above mentioned auction. In the years from 2012 to 2014, the price achieved at the annual auctions were higher with regard to the average price achieved on the day-ahead market. In 2015, the weighted average price achieved at the auction totalled 43.50 EUR/MWh and the energy surplus achieved the average price of 43.33 EUR/MWh at the BSP Energy Exchange.

In 2015, Borzen started implementing an overall service of reporting the data

on wholesale energy transaction in accordance with the REMIT regulation. In order to ensure the highest degree of transparency in the performance of these tasks, it was decided that the sale of electricity from the Eco Group was to be carried out in an indirect way in the coming years. In accordance with the Rules of the Centre for Support, the latter means the sale or transfer of the whole Eco Group to the Balance Scheme of the Balance Scheme member who would offer the best conditions for the purchase of the produced electricity. In November, the auction for the year 2016 for the transfer of the Eco Group was carried out, which was attended by four bidders. The achieved price amounted to 41.13 EUR/MWh and it included the balancing costs between the forecast and realised production.

Year	2010	2011	2012	2013	2014	2015
TOTAL (MWH)	176,902	201,482	212,840	201,955	202,499	181,085
Auctions (MWh)	86,148	157,680	121,068	61,320	52,560	52,560
BSP (MWh)	34,962	35,533	82,493	142,521	151,656	122,107
Imbalances (MWh)	55,792	8,106	9,135	-1,902	-1,815	6,418
Settlement of imbalances	0	163	144	16	98	N.A.
TOTAL (IN EUR)	7,316,267	10,481,162	11,696,825	9,223,643	8,589,620	7,570,205
Auctions (in EUR)	3,469,180	8,064,982	7,086,152	3,128,809	2,329,459	2,286,448
BSP (in euros)	1,726,573	2,253,515	4,478,469	6,256,903	6,217,367	5,290,952
Settlement of imbalances (incl. settlement in EUR)*	2,120,514	1,501	93,483	-179,657	-87,178	-7,194
Refund of imbalance settlement surpluses*	0	161,165	38,721	17,588	129,972	N.A.
Final agreed price (taking into account imbalances , EUR/MWh**)	41.36	52.02	54.96	45.67	42.42	41.80
Price achieved at auctions (EUR/MWh**)	40.27	51.15	58.53	51.02	44.32	43.50
Weighted price of sale at BSP (EUR/MWh**)	49.38	63.42	54.29	43.90	41.00	43.33
BSP max. (EUR/MWh**)	117.02	165.01	224.00	123.14	145.03	143.02
BSP min. (EUR/MWh**)	4.76	0.00	0.00	0.00	0.10	0.00

Table 18: Sale of energy in the Eco Group from 2010 to 2015

*values are reflected in the balance year in which they arise (and not when they were financially realized)
**rounded to two decimal places

3.5 Other activities of the Centre of RES/CHP Support

3.5.1 Guarantees of origin registry

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

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

The Energy Act stipulates that the Energy Agency of the RS is responsible

for the issue of Guarantees of Origin for the whole of Slovenia. In accordance with the act, Borzen in its role as the Centre for RES/CHP Support is also responsible for the maintenance of a joint application support for registries that are required for the implementation of the support system for the production of electricity from RES and CHP, which includes the Guarantees of Origin Registry.

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

As at 31 December 2015, the Guarantees of Origin Registry included 138 users: the administrator account (Borzen), the account of the issuer of Guarantees of Origin (Energy Agency), the account of the Centre for RES/CHP Support and 6 accounts of System Operators, 14 trading accounts and 848 producer accounts. A total of 1,193 production units were registered with the total rated power of 1,153,644 kW.

In 2015, the issued Guarantees of Origin, equalled 4,069,766 MWh, which is almost 14 percent less than in 2014. A total of 2,336,914 MWh were transferred between user accounts, which is a little more than in the same period in 2014.

Vir energije	Issued (kWh)	Cancelled (kWh)	Imported (kWh)	Exported (kWh)	Transmitted (kWh)
Renewable	62,620,000	51,172,000	/	13,000	61,322,000
Renewable /solid/wood/ forestry by-products and waste	12,000	12,000	/	/	12,000
Renewable /liquid	3,879,000	3,725,000	/	/	3,879,000
Renewable /gas	6,044,000	4,194,000	/	/	6,044,000
Renewable /heat/solar	3,966,000	3,384,000	/	/	234,000
Renewable /mechanical source and others/hydro and marine	3,993,233,000	1,365,143,000	12,514,000	4,626,972,000	2,265,411,000
Fossil/liquid/petroleum product /LPG	12,000	5,000	/	/	12,000
TOTAL	4,069,766,000	1,427,635,000	12,514,000	4,626,985,000	2,336,914,000

Table 19: Activities in the Guarantees of Origin Registry in 2015



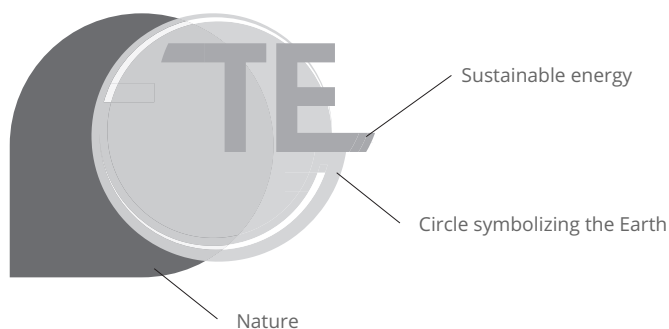
The data presented in Table 20 cover the issues and cancellations of all the existing types of Guarantees of Origin (national GO, EECS RECS, EECS GO) and all the existing forms of transfers (i.e. transfers among accounts in the Registry and transactions via AIB HUB⁶).

3.5.2 Information and publicity on the renewable sources and energy efficiency – **TRAJNOSTNA ENERGIJA** (“Sustainable Energy”)

In accordance with the tasks based on the EA-1, Borzen performs the activities in the field of information provision and raising awareness about the renewable energy sources and efficient energy

use. Borzen performs the said activities under its own brand called *Trajnostna energija* (“Sustainable Energy”), with which we want to get in touch with the wider public. *Trajnostna energija* com-

bines and adequately communicates the renewable energy sources and energy efficiency.



Slika 16: Logo of *Trajnostna energija* (“Sustainable Energy”)

In 2015, Borzen implemented a series of projects, which were rationally united through our communication intersection point: our web portal www.trajnostnaenergija.si. The web portal represents an information centre, a point of contact to access the information on efficient energy use and renewable energy sources. On the portal, we present quality and professional information that enables users to use energy in a more efficient way on the one hand and upgrade their knowledge of renewable energy sources and their use on the other in an easy and trans-

“ **Sustainable energy is the energy which we need to meet our needs today without influencing the needs of the generations to come. The sources of sustainable energy include all types of renewable energy sources and usually also the technologies which improve energy efficiency.** ”

parent way and in one place. With the portal, we wish to bring together various players, information and ideas in the field of sustainable energy and co-create socially responsible society.

The responses to the portal have been extremely positive and the visits to the website have exceeded expectations. We intend to maintain this by editing and constantly upgrading the portal.

⁶ AIB HUB is a special registry managed by the “Association of Issuing Bodies” that enables international transfers among registries.

THE KEY INFORMATION AND PUBLICITY ACTIVITIES REGARDING RES AND EE IN 2015:

<p>Conference SUSTAINABLE ENERGY - LOCALLY</p>	<p>A highly successful conference with over 150 participants was carried out in mid-September.</p> <p>Numerous participants at the conference were unanimous in the view that the successful local energy concepts in practice are crucial for achieving the 20-20-20 objectives at the national and European levels. The conference was organised by Borzen, as an advanced juncture of sustainable energy and one of the activities in the field of informing and raising awareness. The conference was concluded with a round table, entitled "The ambitions of local communities toward a sustainable energy future", where the participants pointed out that for successful sustainable energy projects the municipalities needed a comprehensive professional approach and vision, as well as a successful project management after the completion of the investment and a more intensive cooperation between municipalities.</p>
<p>Content upgrade of the portal www.trajnostnaenergija.si</p>	<p>We prepared the contents for the upgrade of the web portal, which will together with technical innovations contribute to a better information provision in the field of RES and EE. We added some new contents and updated certain content sets, for example energy contracting, key measures for energy efficiency, cost-efficiency, etc., all of which offer interesting information.</p>
<p>TV broadcasts EKO UTRINKI ("Eco Glimpses")</p>	<p>In cooperation with RTV Slovenia, Borzen prepared a series of short programmes on sustainable energy. The shows were included in the RTV Slovenia programme scheme and were broadcast from January to February 2016. "Eco Glimpses" are also published on our web portal www.trajnostnaenergija.si. The shows cover the field of energy efficiency and renewable energy sources and are aimed to address both the households and the entities in the economy and public administration.</p>
<p>Premiere student competition 2015 for the best research paper in the field of a short-term forecast of the RES production</p>	<p>The competition was entered by 84 students from over 15 different faculties.</p> <p>Young people were given a voice in the issues of the future and at the same time, they achieved a greater awareness on the importance of renewable energy sources amongst the younger population. With this competition, we merged the scientific-research potential of the students with the current dilemmas regarding renewable energy sources and energy efficiency, which is focused on the challenges of the short-term forecasting of the production of the diffuse sources of energy. The closing event with the award ceremony and the round table were attended by a number of students and their mentors.</p>
<p>Pan-Slovenian research on the REUS energy efficiency</p>	<p>The execution of a nation-wide survey on the REUS energy efficiency in cooperation with Informa Echo: The survey was a systematic research on different aspects of energy management in private households in Slovenia. The survey covered both general energy management, energy use in buildings and transportation, as well as the comparisons with the year 2012. As a co-financier of the project, Borzen published the results on its website and at the event, which was organised in the end of November and took place at the Energy Chamber of Slovenia.</p>
<p>ENGIS</p>	<p>We provided an update of the publicly available information on the recipients of the national financial incentives for the implementation of the RES and EE measurements within of the framework of the web portal www.engis.si.</p>
<p>A technical monograph entitled "Renewable energy sources in Slovenia: Cross-section of time and space"</p>	<p>Preparation of a technical monograph on the topic of renewable energy sources, with 20 expert participating in its creation. The monograph will be published in 2016.</p>

Being aware of the significant changes of the paradigm of the electricity system we focused our attention on the problem of forecasting dispersed energy resources, which is a major cause of these changes, as the dispersed energy sources of smaller power have been gaining increasing importance because their owners are mostly small companies or individuals and not large energy companies. And the production (similarly to consumption) must be predicted. These topics were

covered in the publication titled "Forecasting production from dispersed energy sources" which has been presented to the public. In February 2015, Borzen started publishing forecasts for the production of solar, small hydro and wind power plants on its website and web portal www.trajnostnaenergija.si. The forecasts are updated on a daily basis for the current and the next day for each type of power plant separately. This represents important and useful information, not

only for the players on the electricity market but also for the general public.

The provision of information and raising awareness are excellent opportunities to submit the information on renewable energy sources and efficient energy use to a broader scope of people and thus contribute to raising awareness and better knowledge of both topics. In the future, we intend to implement new projects and add content to the existing ones.



4. ECONOMIC ACTIVITY

In the course of economic activities in 2015, Borzen provided clearing and IT services for the BSP Regional Energy Exchange and consultancy services in the field of clearing.

In the context of the clearing of transactions on the energy exchange, Borzen mainly carries out the following services:

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

5. SUSTAINABLE DEVELOPMENT

We are aware that we are leaving a sustainable footprint for the future. We are building it with small actions – today we are creating tomorrow’s yesterday. We

understand the sustainable development as a commitment towards sustainable operations of our Company as well as the efforts of each of our em-

ployees to contribute to a better world through their work and in the service of society. Too ambitious? Maybe. Feasible? By all means.

5.1 Employees

We are aware of how important people, the employees, are for the success of the company. Therefore, we take care of

their personal and professional growth. We strive for the creation of a working environment where requirements and

results are combined with satisfaction, motivation, commitment and good relationships.

5.1.1 Organisational chart of the Company



Figure 17: Internal organisational scheme of Borzen



5.1.2 Human Resources indicators

NUMBER OF EMPLOYEES

At the end of 2015, the Company employed 30 employees. Compared to the end of 2014, the number of employees increased by one employee. The average number of employees in 2015 was

30 and, compared to the previous year, increased by 1 percentage point.

At the end of 2015, the share of fixed-term employees accounted for a slightly

more than 3 percent of all the employees and has not changed in comparison with the previous year.

AGE STRUCTURE

The average age of employees was 37 years, which reflects a young and ambitious team. The age structure displayed

in the chart below shows that most of the employees were aged between 26 and 35 years (i.e. 53 percent of all the

employees). Close behind it is the 36 to 45 age group, with 37 percent of all the employees.

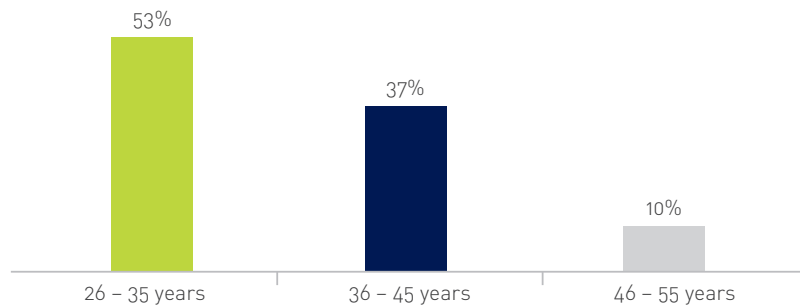


Figure 18: Age structure of the employees as at 31 December 2015

STRUCTURE BY GENDER

Among the employees at Borzen, there were 17 men accounting for 57 percent and 13 women equalling 43 percent

of all the employees. In comparison to 2014, the gender ratio has slightly changed, namely the share of women

dropped by 9 percent and the share of men increased by 9 percent.

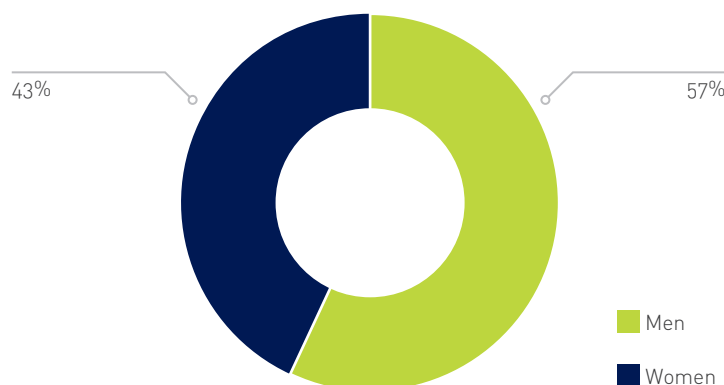


Figure 19: Gender structure of the employees as at 31 December 2015

EDUCATIONAL STRUCTURE

Level	Title	2014	Share in %	2015	Share in %
VIII/2	Doctor's degree			1	3
VIII/1	Master's degree	2	7	3	10
VII	University education	18	62	18	60
VI/2	Four-year tertiary professional education	6	21	5	17
VI/1	Two-year tertiary professional education	1	3	1	3
V	Secondary education	2	7	2	7
TOTAL		29	100	30	100

Table 20: Educational structure as at 31 December 2014 and 31 December 2015

The majority of employees has the seventh level of education (i.e. university education), namely 60 percent, which is followed by the four-year tertiary professional education with 17 percent and eighth level of education (10 percent).

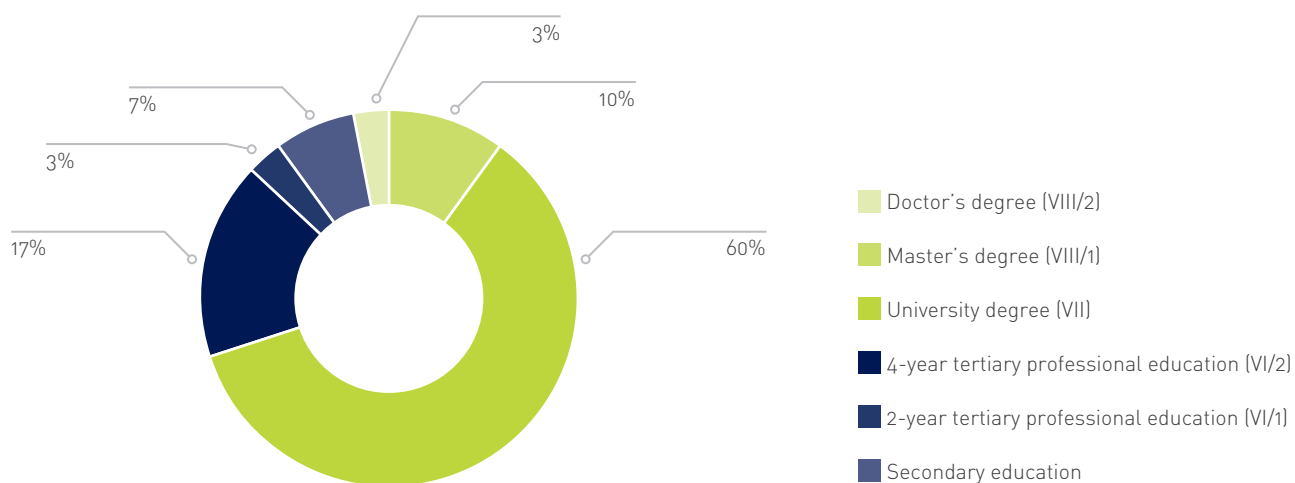


Figure 20: Educational structure of the employees as at 31st of December 2015



5.1.3 Development of employees

EDUCATION OF EMPLOYEES

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

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

Already acquired knowledge and education can be upgraded and improved with in-service training. The employees are very interested in further schooling to acquire higher formal educational level. Borzen supports this kind of personal growth with training leave. In 2015, there were two employees integrated into study programmes to obtain a higher educational level.

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

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

EMPLOYEE MOTIVATION

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

ORGANISATIONAL CLIMATE

We recognise the importance of a positive organisational climate within the Company. Thus, in 2015, we once again carried out an analysis of the organisational climate and work ethics of the employees in the Company. Compared to 2013, the organisational climate and work ethics increased from 3.84 to 4.33 (the highest value being 6). The overall assessment of the organisational climate equalled 72 percent (out of a 100 percent), where the highest ranking criterion was in the field of innovation and initiative with 81 percent and was followed by qualifications and education with 71 percent. Based on the obtained results, we prepared the action plan of the activities in this area.

5.1.4 Communication with the employees

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

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


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

5.1.5 Taking care of the employees

HEALTH AND SAFETY AT WORK

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

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



In the context of health promotion in the workplace, the employees raise awareness of preventive actions to prevent disease, and at the same time have the opportunity to actively take care of healthy working environment. The Company recognizes the importance of the awareness of its employees and will continue with proactive activities in this area.

FAMILY-FRIENDLY COMPANY

Borzen is aware that coordinating professional and family life represents a challenge of ever increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of a reconciliation of professional and private life, which we

achieved within the scope of the »Family-friendly Enterprise« certificate.

In this way, we intend to provide the employees with the opportunity to easily reconcile work and private life as we believe that such efforts bring long-term mutual satisfaction of the Company and its employees. Therefore, we will continue with similar activities in the future.

SPORTS ACTIVITIES

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

ational sports activities and cultural events.

VOLUNTARY ADDITIONAL PENSION INSURANCE AND ACCIDENT INSURANCE

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

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

5.2 Social responsibility towards community

IN THE FIELD OF RELATIONS WITH STAKEHOLDERS

At Borzen, we are aware that our stakeholders are the core of our operations. The electricity market certainly would not be as it is without them. We recognise and acknowledge various stakeholders and the public and adapt our communication to each of these groups separately. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and thus our mission of a public service is being completed.

Our communication in 2015 was mainly targeted at the following three key groups of stakeholders: the existing and potential Balance Scheme members and the general public which was targeted in the framework of our *Trajnostna energija* brand. Wishing to get close to our stakeholders and their needs we began constructing a web portal for the members of our Centre for Support which will enable a faster interaction between stakeholders and will provide beneficiaries an insight into their production data and invoice issuing. In 2015, we completed the beta version of the portal by implementing user testing and preparing a transfer plan into production. The Centre for Support portal will be launched in 2016. Borzen has been striving for advanced power market that will be the greatest value added to the existing and potential Balance Scheme members. The activities which are worth mentioning in the field of communication in 2015 are the public hearing with regard to the Rules for the operation of the electricity market, which means that all interested parties presented their observations and suggestions.

Borzen wishes to take into account the proposals of market participants to improve the functioning of the power market as far as possible. To this end, several meetings were organised to which suppliers and distribution companies, SODO and ELES, were invited. At these meetings, the proposals to improve the methodologies for the preparation of accounting data, the preparation of a single template for raising objections concerning the imbalance settlement and the proposals to amend the Rules for the Operation of the Electricity Market were discussed. Several decisions with the consent of the participants present at these meetings were made and taken into account in the preparation of proposals to amend and supplement the rules for the functioning of the market.

In the field of information provision and raising awareness of renewable energy sources and energy efficiency we prepared and updated a publication, entitled Forecasting dispersed energy sources. The communication with our key stakeholders that we intend to upgrade and strengthen in the future was established through different communication channels and tools, i.e. a conference, TV broadcasts, a monography, web portal *Trajnostna energija* and others mentioned in the previous chapters. All the activities were also supported by communication, which brought excellent media coverage as well as positive responses from the public.

In the last quarter of 2015, we performed an analysis on the satisfaction of the Centre for Support stakeholders with the aim to further improve our co-

operation with the stakeholders on the basis of the obtained information. The results were quite encouraging, as the satisfaction with the Centre for Support reached an extremely high level: 94 percent of the respondents were satisfied or completely satisfied. Compared to 2014, all the average ratings of satisfaction increased, while there was also a significant growth in satisfaction with the contracting processes, as well as the information provision and customer service. In the future, we will continue with the analysis of stakeholders' satisfaction.

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

IN THE FIELD OF TRANSPARENCY

The Company wishes to provide transparent business operations since we believe it is our commitment to all users of our services and also to all citizens of the Republic of Slovenia. Transparency is regarded as an important value, which is also realized with the publication of data and information on our operations on the Company's website. To this end, we have also published a list of beneficiaries of support, a list of Balance Scheme members, reports on market operations, reports on the functioning of the Support Scheme, big- and small-value public procurement and various public sector information and

similar. Relevant information is regularly submitted to the interested public and we are open to media.

At Borzen, we respect and appreciate the principle of transparency which is an important guide in the preparation of the Company's annual report. In the spirit of sustainable development and sustainable communication, we have been preparing a sustainability report in accordance with the Global Reporting Initiative guidelines from 2012 onwards. This year, we have chosen to prepare the sustainability report in accordance with the revised GRI4 guidelines.

GOOD CORPORATE PRACTICE

Borzen respects the recommendations of good corporate practice of the Partner and the Slovenian Directors' Association. Due to the fact that the composition of the Supervisory Board changed in the third quarter of 2015, the Supervisory Board performed a procedure of self-assessment after the closure of the financial year. On the basis of this self-assessment the procedure assessing the efficiency of their work will also be carried out with a view to improving its operation and a special report with an action plan will be adopted.

IN THE FIELD OF SOCIAL RESPONSIBILITY

Socially responsible action is contained in the core activity that we perform as the Market Operator since we ensure reliable and stable functioning of the Slovenian electricity market, and as the Support Scheme Operator for RES and CHP we promote and raise awareness on the use of green energy sources and energy efficiency. Our social responsibility is directed towards our employees and other stakeholders and these activities have also been reported in our sustainability report in accordance with the GRI guidelines.

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

of the participation as well as of good practices of socially responsible acting.

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

We endeavour to share good practice and transfer knowledge to a wider social environment.

In 2015, we conducted yet another corporate volunteer campaign. We are extremely glad that we were able to contribute to the well-being of our forests, environment and especially the future generations. The employees of Borzen planted 600 seedlings of beech in the Postojna forests, which have been severely damaged by glaze ice. Excited about the results of a good joint labour we are already looking forward towards the coming year.



5.3 Responsibility towards natural environment

Environmental protection is one of the basic rights, duties and responsibilities of all our employees and is considered an integral part of our corporate policy.

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

we promote efficient energy use and the knowledge transfer in this field.

Sustainability is a part of our daily activities today but sustainable action and environment protection will be even strengthened tomorrow. The amended Energy Act granted Borzen new powers covering mainly the tasks related to information provision, awareness raising, training and the publication of information on efficient energy use and renewable energy sources. In this respect, we are proud of the new web portal www.trajnostaenergija.si which acts as an in-

formation hub in the field of sustainable energy. The portal is an important channel for the dissemination and promotion of knowledge in this field.

All our employees are aware of the importance of environmental protection, we separate waste, use recycled materials, save drinking water and electricity. Since we want to take a further step, we have measured our Company's carbon footprint and set out guidelines to improve it in the future



5.4 Cooperation and development

5.4.1 Cooperation within professional associations and working groups

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

Among the more important ones, let us mention the cooperation in the Europex Association which connects European electricity exchanges and electricity market operators and in which Borzen presides over the Environmental Markets Working Group. Borzen is also a member of APEX and it actively participates within the Slovenian Chamber of Commerce, through which Borzen is a member of Eurelectric.

Borzen is also very active in the Energy Market Data Exchange Section (IPET) which operates within the Energy Chamber of Commerce and promotes the development in the field of data exchange on the electricity market. Borzen employees also co-operate in the Slovenian Committee of Electric Power CIGRÉ-CIRED, especially in the Study Committee (SC) 4: Distributed Energy Resources – Management and Exploitation of Electric power.

Borzen is a member of a Section for quality and excellence in electro-energetic sector as well as a founding member of the Slovenian Association of Energy Economics (SAEE), which is the 30th national branch of IAEE (International

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

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

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

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

5.4.2 Relevant projects and activities of the Company

EUROPEAN CROSS-BORDER BALANCING MARKET PROJECT

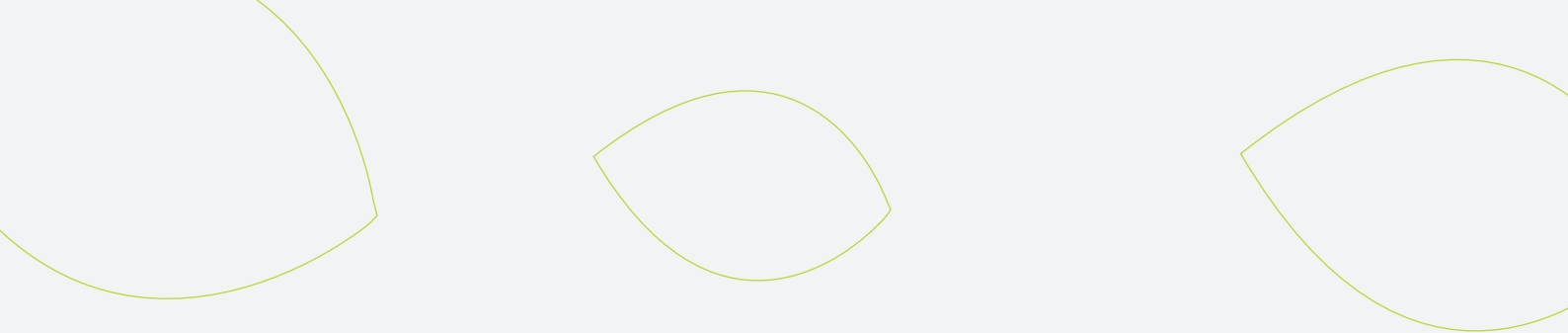
In 2015, the project e-BADGE – the European eBADGE project of the cross-border ("intra-day") balancing market was in full swing, in which Borzen was one of the five participating groups from five countries. The main subject of the project in 2015 was the last phase of making and testing the market simulator

as well as preparing the instructions for a publically accessible simulator. The consortium is run by Telekom Slovenija and in addition to Borzen, there are other energy companies involved, namely ELES, APG from Austria and RSE (the GSE Group) from Italy. The project, which is a positive contribution to more efficient management of electricity in the field of transmission as well as distribution, in particular with regard to further optimisation, control and safety on the electricity market started on 1 October 2012 and lasted more than three years until the end of 2015.

In 2015, we participated mainly by providing data of the balancing market, which were used in the preparation of a simulator, which was also tested. We also participated in the preparation of instructions. In parallel, we provided the explanations regarding the balancing market operation as well as the data interpretation. We were also active as the internal reviewers of the project documents.

DEVELOPMENT OF SERVICES IN THE FIELD OF EFFICIENT ENERGY USE

We want to promote energy efficiency in accordance with the sustainability strategy of our Company. We designed a service which promotes investment in energy efficiency measures in Slovenia. The service is built on the one-stop-shop concept as it offers and implements a variety of services including elements of consulting, planning, design, financial engineering, implementation and operation of the improvement of energy performance of building envelopes. In doing so Borzen will play a key role in



bringing together various stakeholders involved in this process. Thus, in 2015, we concluded one pilot project. Other pilot projects will be finished in 2016.

PREPARATION AND PUBLIC CONSIDERATION OF NEW RULES FOR MARKET OPERATION

The new Energy Act stipulates that its entry into force resulted in the expiration of the Rules for the operation of the organised electricity market (Official Gazette of the RS No. 98/09 and 97/11). For this reason and with the aim of updating the regulations issued by the Market Operator, Borzen issued new Rules for the operation of the organised electricity market. The draft was published in a public hearing in May 2014 and again in May 2015, where we collected the comments made by the interested members of the public. At the end of 2015, we obtained the necessary consent of the Energy Agency and the Rules were published in the Official Gazette, No. 105/15 at the end of December. The Rules entered into force on 1 January 2016.

ELECTRICITY MARKET COUPLING

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

On 24 February 2015, the market coupling of the Slovenian-Italian border expanded to the coupling under the principles of the PCR project (i.e Price Coupling of Regions). The Slovenian day-ahead market is thus indirectly included in the optimisation ranging from the Iberian Peninsula to Scandinavia, which means optimisation of a wider area. One of the consequences was a delayed deadline for the gate closure on the Slovenian energy exchange to 12:00. As a result, Borzen also adjusted its schedules for reporting recorded contracts in the event of a delay in coupling and when coupling was not possible.

ADOPTION OF DECREE ON THE CONCESSION AND ON THE METHOD FOR THE IMPLEMENTATION OF PERFORMING PUBLIC SERVICE OBLIGATION RELATING TO THE ACTIVITY OF THE POWER MARKET OPERATOR

On 4 June 2015, the Government of the Republic of Slovenia issued a Decree on the concession and the method for the implementation of performing public service obligation relating to the activity of the Power Market Operator (Official Gazette of the RS No. 39/15). The Decree regulates the concession and the method for the implementation of performing public service obligation relating to the activity of the Power Market Operator. Regarding the implementation of performing public service obligation and its essential components, there are no significant changes compared to the previous Decree, except the concession period, which is now adapted to the nature of the Power Market Operator's work, as well as specifically regulated provisions concerning the financing of

the public service. The concession period is extended from 5 to 20 years. The period is determined on the basis of the support contracts which are concluded for a period of 15 years.

In order to facilitate the implementation of clearing and settlement, Borzen issued detailed Instructions for invoicing and financial settlement of the Market Operator fee and for closed contract registration fee.

ADOPTION OF DECREE ON THE METHOD FOR DETERMINING AND CALCULATING THE REFERENCE COSTS FOR PROVIDING SUPPORT FOR HIGH-EFFICIENCY COGENERATION

An important regulatory provision which affects the operation of Borzen is also the adoption of the Decree on the method for determining the reference costs for high-efficiency cogeneration (Official Gazette of the RS No. 46/15). In accordance with the Decree, one of Borzen's tasks is also the establishment of a list of final electricity consumers who are entitled to the reduced contribution. Based on this provision, in July Borzen issued detailed Instructions and launched a website through which the beneficiaries can electronically fill in an application for the reduced contribution. The application is filled in electronically, so that the information is automatically entered into the system and (upon confirmation) also published on the public list of beneficiaries of support.

5.5 Investments

In accordance with the business plan, the majority of planned investments carried out in 2015 mainly related to information technology. In regard to hardware and software, we replaced some hardware for management and

maintenance of the information system, as well as the increased management of risks.

In 2015, we invested in new software for the implementation of the REMIT RRM

activity. Investments also include the development and upgrading of the existing solutions, such as HR information system and single information system, which establishes a secure and reliable system operation.

The background features a large, stylized graphic composed of thick, curved lines. The top portion is a light green arch, while the bottom portion consists of several blue and green curved segments that resemble a stylized 'W' or a series of connected curves.

FINANCIAL REPORT

1. AUDITOR'S REPORT

***RE*alinea**

Poročilo neodvisnega revizorja

Družbenikom družbe Borzen, organizator trga z električno energijo, d.o.o., Dunajska cesta 156, Ljubljana

Revidirali smo priložene računovodske izkaze gospodarske družbe Borzen, d.o.o., ki vključujejo bilanco stanja na dan 31. decembra 2015, izkaz poslovnega izida in drugega vseobsegajočega donosa, izkaz gibanja kapitala in izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije. Pregledali smo tudi poslovno poročilo.

Odgovornost posloводства za računovodske izkaze

Posloводство je odgovorno za pripravo in pošteno predstavitev teh računovodskih izkazov v skladu s Slovenskimi računovodskimi standardi in za tako notranje kontroliranje, kot je v skladu z odločitvijo posloводства potrebno, da omogoči pripravo računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Revizorjeva odgovornost

Naša odgovornost je izraziti mnenje o teh računovodskih izkazih na podlagi naše revizije. Revizijo smo opravili v skladu z Mednarodnimi standardi revidiranja. Ti standardi zahtevajo od nas izpolnjevanje etičnih zahtev ter načrtovanje in izvedbo revizije za pridobitev sprejemljivega zagotovila, da računovodski izkazi ne vsebujejo pomembno napačne navedbe.

Revizija vključuje izvajanje postopkov za pridobitev revizijskih dokazov o zneskih in razkritjih v računovodskih izkazih. Izbrani postopki so odvisni od revizorjeve presoje in vključujejo tudi ocenjevanje tveganj pomembno napačne navedbe v računovodskih izkazih zaradi prevare ali napake. Pri ocenjevanju teh tveganj prouči revizor notranje kontroliranje, povezano s pripravljanim in poštenim predstavljanjem računovodskih izkazov družbe, da bi določil okoliščinam ustrezne revizijske postopke, ne pa, da bi izrazil mnenje o uspešnosti notranjega kontroliranja družbe. Revizija vključuje tudi ovrednotenje ustreznosti uporabljenih računovodskih usmeritev in utemeljenosti računovodskih ocen posloводства kot tudi ovrednotenje celotne predstavitve računovodskih izkazov.

Verjamemo, da so pridobljeni revizijski dokazi zadostni in ustrezni kot osnova za naše revizijsko mnenje.

Mnenje

Po našem mnenju računovodski izkazi v vseh pomembnih pogledih pošteno predstavljajo finančni položaj družbe Borzen, d.o.o. na dan 31. decembra 2015 ter njen poslovni izid in denarne tokove za tedaj končano leto v skladu s Slovenskimi računovodskimi standardi.

Odstavek o drugi zadevi

Poslovno poročilo je skladno z revidiranimi računovodskimi izkazi.

Grosuplje, 8. april 2016

***RE*alinea**
d.o.o. Grosuplje

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

Janez Smolič
pooblaščen revizor



BORZEN ACTS LOCALLY

With a donation for the purchase of an aggregator, Borzen responded to the local community's needs when Slovenia was affected by glaze ice. With our voluntary corporate campaign and the afforestation project, we went a step further in the direction of cooperation with the local community. As an interesting fact: the beech, planted by the employees of Borzen, is one of the most common deciduous trees in Slovenia.

2. FINANCIAL STATEMENTS

2.1 Balance sheet

DESCRIPTION	31 Dec 2015	31 Dec 2014
ASSETS	44,949,382	35,429,681
A. LONG-TERM ASSETS	2,415,501	2,613,046
I. INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	522,283	602,176
II. TANGIBLE FIXED ASSETS	1,368,382	1,486,758
1. Business premises	1,135,353	1,185,516
2. Equipment	233,029	301,242
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568
1. Shares in associated companies	419,568	419,568
IV. DEFERRED TAX ASSETS	105,268	104,544
B. SHORT-TERM ASSETS	42,504,978	32,792,370
I. SHORT-TERM FINANCIAL INVESTMENTS	1,000,000	0
II. SHORT-TERM OPERATING RECEIVABLES	24,754,195	23,609,246
1. Short-term accounts receivables	22,018,899	17,755,307
2. Short-term operating receivables due by others	2,735,296	5,853,939
III. CASH AND CASH EQUIVALENTS	16,750,783	9,183,124
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	28,903	24,265
Off-balance-sheet assets	4,778,116	4,587,026

in EUR

DESCRIPTION	31 Dec 2015	31 Dec 2014
LIABILITIES	44,949,382	35,429,681
A. EQUITY	4,738,582	5,291,811
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL RESERVES	395	395
III. REVENUE RESERVES	766,042	766,042
1. Statutory reserves	196,328	196,328
1. Other revenue reserves	569,714	569,714
IV. REVALUATION ADJUSTMENT SURPLUS	-1,186	-2,016
V. RETAINED EARNINGS	1,728,535	1,728,535
VI. NET PROFIT (OR LOSS) FOR THE FINANCIAL YEAR	281,517	835,576
B. PROVISIONS AND LONG-TERMS ACCRUED COSTS AND DEFERRED REVENUES	83,073	77,398
C. SHORT-TERM LIABILITIES	40,127,727	30,058,072
A. SHORT-TERM OPERATING LIABILITIES	40,127,727	30,058,072
1. Short-term accounts payable	24,601,922	20,935,480
2. Other short-term operating liabilities	15,525,805	9,122,592
Č. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	0	2,400
OFF-BALANCE LIABILITIES	4,778,116	4,587,026

Table 21: Balance sheet as at 31 December 2015 and 31 December 2014

in EUR

2.2 Income statement

DESCRIPTION	1 Jan – 31 Dec 2015	Business Plan 2015	1 Jan – 31 Dec 2014
1. NET SALES REVENUES	3,914,575	3,739,900	3,489,768
a. Revenues arising from the Market Operator's operation	1,663,653	1,620,100	1,616,213
b. Revenues arising from the recorded closed contracts	1,333,626	1,200,000	1,205,072
c. Revenues arising from the Centre for RES/CHP Support	591,000	591,000	591,000
d. Revenues arising from BSP	85,600	70,000	76,740
e. Revenues arising from communication and raising awareness	199,999	173,800	0
f. Revenues arising from RRM - REMIT	26,600	0	0
g. Other revenues	14,097	85,000	743
2. OTHER OPERATING REVENUES	400	0	10,050
TOTAL OPERATING REVENUES	3,914,975	3,739,900	3,499,818
3. COSTS OF MATERIAL AND SERVICES	866,316	924,300	732,485
a. Costs of material	51,712	61,100	55,041
b. Costs of services	814,604	863,200	677,444
4. LABOUR COSTS	1,358,108	1,341,500	1,316,827
a. Costs of wages and salaries	1,019,793	1,015,300	976,111
b. Costs of pension insurance	133,169	134,500	128,065
c. Costs of contributions and other taxes on wages and salaries	75,840	75,600	72,647
d. Other labour costs	129,306	116,100	140,004
5. WRITE-DOWNS	1,132,918	367,000	338,402
a. Depreciation	372,094	367,000	338,402
b. Revaluated operating expenses associated with current assets	760,824	0	0
6. OTHER OPERATING EXPENSES	18,563	10,000	14,725
OPERATING PROFIT (OR LOSS)	539,070	1,097,100	1,097,379
7. FINANCIAL REVENUES	8,768	30,000	37,723
8. FINANCIAL EXPENSES	45,415	80,000	123,168
NET PROFIT FROM ORDINARY ACTIVITIES	502,423	1,047,100	1,011,934
9. OTHER REVENUES	1	0	1,338
10. OTHER EXPENSES	10,100	10,000	13,350
NET PROFIT FROM EXTRAORDINARY ACTIVITIES	-10,099	-10,000	-12,012
TOTAL REVENUES	3,923,744	3,769,900	3,538,879
TOTAL EXPENSES	3,431,420	2,732,800	2,538,957
TOTAL PROFIT	492,324	1,037,100	999,922
11. CORPORATE INCOME TAX	211,531	176,307	165,060
12. DEFERRED TAX	724	0	714
NET PROFIT (OR LOSS) FOR THE FINANCIAL YEAR	281,517	860,793	835,576

Table 22: Income statement for the period between 1 January 2014 and 31 December 2015

in EUR

2.3 Cash flow statement

DESCRIPTION	2015	2014
A. CASH FLOW FROM OPERATING ACTIVITIES		
a. ITEMS OF OPERATING ACTIVITIES	1,455,085	1,270,916
Operating revenues (except for revaluation) and financial revenues from operating receivables	3,914,802	3,502,450
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-2,248,186	-2,066,474
Corporate Income Tax and other taxes not included in operating expenses	-211,531	-165,060
b. Changes in net current assets (including accruals, deferrals and provisions) as in items of balance sheet	8,156,856	-558,780
Opening less closing operating receivables	-1,905,773	-8,146,159
Opening less closing deferred costs and accrued revenues	-4,638	-1,178
Closing less opening operating liabilities	10,069,667	7,587,190
Closing less opening accrued costs and deferred revenues and provisions	-2,400	1,367
c. Net cash flow from operating activities	9,611,941	712,136
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
a. Inflows from investment activities	8,912	36,540
Inflows from interests arising from investment activities	8,512	36,337
Revenues from disposal of tangible fixed assets	400	203
Revenues from disposal of short-term financial investments	0	0
b. Outflows pertaining to investment activities	-1,173,837	-208,851
Outflows from acquisition of intangible assets	-121,747	-87,619
Outflows from acquisition of tangible fixed assets	-52,090	-121,232
Outflows from acquisition of short-term financial investments	-1,000,000	0
c. Net cash from investment activities	-1,164,925	-172,311
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Inflows from financing	28,950,000	62,300,000
Inflows from an increase in short-term financial liabilities	28,950,000	62,300,000
b. Outflows pertaining to financing activities	-29,829,357	-63,162,323
Outflows from interests pertaining to financing activities	-43,781	-121,323
Outflows from repayment of short-term financial liabilities	-28,950,000	-62,300,000
OUTFLOWS FROM DIVIDENDS PAID AND OTHER PROFIT-SHARING	-835,576	-741,000
C. NET CASH USED IN FINANCING ACTIVITIES	-879,357	-862,323
D. Closing balance of cash and cash equivalents	16,750,783	9,183,124
Net cash flow	7,567,659	-322,498
Opening balance of cash and cash equivalents	9,183,124	9,505,622

Table 23: Cash flow statement using the indirect method (version II)

in EUR

2.4 Distribution of net profit for the financial year

DESCRIPTION	31 Dec 2015
Net profit from the preceding financial years	1,728,535
Net profit for the financial year	281,517
Portion of net profit from the financial year for legal reserves	0
Accumulated profit for the financial year	2,010,052

Table 24: Distribution of net profit for financial year 2015

in EUR

In 2015, the accumulated net profit amounted to EUR 2,010,052 and is comprised of the net profit from the 2012, 2013 and 2015 financial years. The 2014 profit was fully paid to the owner, while the profit arising from 2012 and 2013 was paid only partially.

2.5 Statement of changes in equity

	Closing balance	Opening balance	Total comprehensive income		Changes in equity	Closing balance
	31 Dec 2013	1 Jan 2014	Changes in revaluation surplus	Entry of net profit/loss for the financial year	Payment of profit to the owner	31 Dec 2014
Share capital	1,963,279	1,963,279				1,963,279
Capital reserves						
Gen. equity capital revaluation adjustment	395	395				395
Revenue reserves						
Statutory reserves	196,328	196,328				196,328
Other revenue reserves	569,714	569,714				569,714
Revaluation adjustment surplus	0	0	-2,016			-2,016
Retained earnings	1,616,643	2,469,535			-741,000	1,728,535
Net profit (or loss) for the financial year	852,892	0		835,576		835,576
Total equity	5,199,251	5,199,251	-2,016	835,576	-741,000	5,291,811

Table 25: Statement of changes in equity for 2014

in EUR

	Closing balance	Opening balance	Total comprehensive income		Changes in equity	Closing balance
	31 Dec 2014	1 Jan 2015	Changes in revaluation surplus	Entry of net profit/loss for the financial year	Payment of profit to the owner	31 Dec 2015
Share capital	1,963,279	1,963,279				1,963,279
Capital reserves						
Gen. equity capital revaluation adjustment	395	395				395
Revenue reserves						
Statutory reserves	196,328	196,328				196,328
Other revenue reserves	569,714	569,714				569,714
Revaluation adjustment surplus	-2,016	-2,016	830			-1,186
Retained earnings	1,728,535	2,564,111			-835,576	1,728,535
Net profit (or loss) for the financial year	835,576	0		281,517		281,517
Total equity	5,291,811	5,291,811	830	281,517	-835,576	4,738,582

Table 26: Statement of changes in equity for 2015

in EUR

3. NOTES ON FINANCIAL STATEMENTS

BASIS FOR FINANCIAL STATEMENTS

The financial statements were compiled in accordance with the Slovenian Accounting Standards and the Companies Act. The figures contained in the

financial statements are based on accounting documents and ledgers administered in accordance with the Slovenian Accounting Standards. The basic accounting assumptions were applied in compiling the financial statements:

continuing concern and accrual basis and consistency. The basic accounting principles taken into account in the accounting guidelines were transparency, the precedence of content over form and significance.

3.1 Disclosure of Balance Sheet Items

INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

In books of account, intangible fixed assets and long-term deferrals and


accruals are disclosed separately as acquisition cost and value adjustments as cumulative write-down, which is the result of depreciation; in the balance sheet the assets are declared at the

net book value, which is the difference between the acquisition cost and value adjustment.

	Software	Software in production	Total
Purchase value			
1 Jan 2015	1,609,705	6,597	1,616,302
Direct increases – purchases	0	121,747	121,747
Transfer from investments in progress	128,344	-128,344	0
Disposals	30,617	0	30,617
31 Dec 2015	1,707,432	0	1,707,432
Write-down value			
1 Jan 2015	1,014,126	0	1,014,126
Yearly depreciation	201,640	0	201,640
Disposals	30,617	0	30,617
31 Dec 2015	1,185,149	0	1,185,149
Current value			
1 Jan 2015	595,579	6,597	602,176
31 Dec 2015	522,283	0	522,283

Table 27: Intangible assets and long-term deferred costs and accrued revenues

in EUR



In 2015, we invested a total of EUR 121,747 in new software. The investments include the development of the online application for the REMIT reporting, upgrading of the information system for invoicing, the *iCenter* accounting application and the single information

system (SIS) with which a safe and reliable operation system is established. In addition, we also purchased some licences for system software.

Disposals refer to the old software that was no longer used and was already fully written off.

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

TANGIBLE FIXED ASSETS

For tangible fixed assets, the purchase value and value adjustment are declared separately in ledgers, whereby the value adjustment represents the cumulative write-down as a result of depreciation. In the balance sheet, they are

recorded at the net book value, which is the difference between the purchase value and the write-down value.

The actual purchase value of a tangible fixed asset includes its purchase price and all costs that can be directly

ascribed to making it fit for its intended use. Costs related to tangible fixed asset that are subsequently incurred increase its purchase value if they increase future benefits compared to the previous estimates.

	Real estate	Equipment Information system	Office equipment	Other equipment	Total
Purchase value					
1 Jan 2015	1,367,135	669,009	138,371	92,763	2,267,278
Purchases	0	25,180	0	26,910	52,090
Disposals	0	131,494	0	136	131,630
31 Dec 2015	1,367,135	562,695	138,371	119,537	2,187,738
Write-down value					
1 Jan 2015	181,619	456,305	58,993	83,614	780,531
Depreciation	50,163	101,226	14,402	4,663	170,454
Disposals	0	131,494	0	136	131,630
31 Dec 2015	231,782	426,037	73,395	88,141	819,355
Current value					
1 Jan 2015	1,185,516	212,704	79,378	9,149	1,486,747
31 Dec 2015	1,135,353	136,658	64,976	31,396	1,368,383

Table 28: Tangible fixed assets

in EUR

Investments in tangible fixed assets amounted to EUR 52,090. The investments in information system were

made mainly in order to replace the old and deteriorated equipment as well as to upgrade the information system. The

purchase of other equipment represents the purchase of a new company car.

Disposals refer to written-down deteriorated equipment which was replaced.

Depreciation was charged at the following rates:

- computer equipment 20.00 to 33.33 percent,
- office furniture 11.00 to 12.00 percent,
- other equipment 10.00 to 25.00 percent.

LONG-TERM FINANCIAL INVESTMENTS

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

	31 Dec 2015	31 Dec 2014
Long-term financial investments in shares	419,568	419,568
TOTAL	419,568	419,568

Table 29: Long-term financial investments

in EUR

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

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

years, BSP has been operating with profit.

DEFERRED TAX ASSETS

	31 Dec 2015	31 Dec 2014
Deferred tax assets:		
- arising from impairment of financial investment	98,137	98,137
- arising from provisions	7,131	6,407
TOTAL	105,268	104,544

Table 30: Deferred tax assets

in EUR

Deferred tax assets mainly refer to the deferred tax from the impairment of financial investment in BSP in 2010. The actual impairment of the financial investment is not a recognised tax expense in the year of the impairment but

will become a recognised tax expense in the year of the actual disposal of investment, which is why the Company has disclosed this in its closure of the accounts. In addition, the Company is also disclosing the deferred tax receive-

ables from provisions for severance pays and long-service bonuses, while the deferred tax assets from depreciation were eliminated in 2014.

SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are initially valued at their purchase value, which corresponds to the cash or other invested assets.

	31 Dec 2015	31 Dec 2014
Short-term financial investments	1,000,000	0
TOTAL	1,000,000	0

Table 31: Short-term financial investments

in EUR

A financial investment represents a fixed-term deposit at the Sberbank bank, which is bound for 6 months (until 15 June 2016).

SHORT-TERM OPERATING RECEIVABLES

Receivables are initially recognised in the amounts recorded in the relevant documents under the assumption that they will be paid. Receivables from le-

gal and natural persons abroad are converted into the domestic currency on the day of occurrence. Currency exchange differences that arise up to the day receivables are settled or up to the balance sheet date are deemed to be fi-

financial revenues or financial expenses. The amounts of individual receivables were verified prior to the financial statement compilation.

	31 Dec 2015	31 Dec 2014
Short-term accounts receivables	22,018,899	17,755,307
a) Short-term domestic trade receivables	21,849,914	17,623,010
- of which receivables from associated companies	24,632	90,055
b) Short-term foreign trade receivables	168,985	132,297
Short-term advance payments and guarantees given	240	0
Short-term interest receivables	8,199	0
Short-term receivables from the Centre for RES/CHP Support	0	3,463,170
Other short-term receivables	2,726,857	2,390,769
TOTAL	24,754,195	23,609,246

Table 32: Short-term operating receivables

in EUR

The portions of short-term trade receivables as at 31 December 2015 amounting to EUR 22,018,899 are as follows:

- 90 percent of the receivable are from the Centre for RES/CHP Support,
- 8 percent of the receivables are from the imbalance settlement, and
- 2 percent of the regular receivables are mainly from the services of recording bilateral contracts and closed contracts.

The majority of trade receivables (92 percent) was not yet due on the last day of 2015. From the overdue receivables, which amounted to EUR 1,681 thousand (8 percent of all receivables), the receivables in the amount of EUR 1,671 thousand had a minimal delay and were already paid at the beginning of 2016.

Other receivables in the amount of EUR 761 thousand from ELES arising from

the recording of contracts on the use of cross-border transmission capacities also remained open. The receivables remained unpaid due to different interpretations of the provisions of the new Energy Act concerning the financing of the public service obligation relating to the electricity Market Operator. Due to the disagreement, we asked the Ministry of Infrastructure and Spatial Planning for an opinion which we received in a letter of 25 April 2014 in which it was explained that until the adoption of a new decree in accordance with Article 98 of the EZ-1, it is necessary to provide funding in accordance with the currently applicable Decree (OJ of the RS, No. 8/09). ELES disagreed with the opinion and this is why the case was referred to the Court, where the claim was dismissed at first instance.

We devised a 100 percent revaluation adjustment of claims and disclosed the

financial expenses for revaluation because we intend to appeal the Court's decision.

At the end of 2014, short-term receivables from the Centre for RES/CHP Support accounted for the deficit of the Centre for RES/CHP Support funds. At the end of 2015, the value was not disclosed as a surplus of assets of the Centre for RES/CHP Support was recorded at the end of 2015, which is disclosed under short-term liabilities.

Other short-term receivables refer to input VAT from invoices received in January 2016 and referring to December 2015.

CASH AND CASH EQUIVALENTS

In addition to regular assets, cash and cash equivalents disclose also the assets of the Centre for RES/CHP Support

and imbalance settlement assets, which are recorded under separate accounts. Deposits held at call are also kept in special accounts at the following banks:

UniCredit banka Slovenija d.d. and Banka Sparkasse d.d.

	31 Dec 2015	31 Dec 2014
Cash and cash equivalents held at banks	4,803,053	7,290,116
Cash and cash equivalents in the transaction account	1,497,687	2,268,054
Cash and cash equivalents in special accounts – Centre for RES/CHP Support	87,799	-1,997,988
Cash and cash equivalents in special accounts – efficient energy use	2,054,464	2,249,962
Cash and cash equivalents in special accounts – Balance Scheme	1,163,103	4,770,088
Deposits held at call – Total	11,947,730	1,893,008
Redeemable deposits	0	270,556
Redeemable deposits – Centre for RES/CHP Support	10,935,306	610,771
Redeemable deposits – Balance Scheme	1,012,424	1,011,681
TOTAL	16,750,783	9,183,124

Table 33: Cash and cash equivalents

in EUR

Unlike 2014, when cash and cash equivalents were negative, change in cash and cash equivalents is apparent also in the Centre for RES/CHP Support. At the end of 2015, the surplus funds were evident in cash resources held in accounts and deposits.

SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES

Costs that were charged in 2015 but which relate to the next financial year and will be met as costs in 2016 are declared as deferred costs and accrued revenues.

	31 Dec 2015	31 Dec 2014
Short-term deferred costs or expenses	28,903	24,265
TOTAL	28,903	24,265

Table 34: Short-term deferred costs and accrued revenues

in EUR

EQUITY

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

	31 Dec 2015	31 Dec 2014
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
Reserves from profit	766,042	766,042
Statutory reserves	196,328	196,328
Other reserves from profit	569,714	569,714
Fair value reserve	-1,186	-2,016
Profit or loss brought forward	1,728,535	1,728,535
Net profit or loss for the financial year	281,517	835,576
TOTAL	4,738,582	5,291,811

Table 35: Equity

in EUR

In 2015, the Company generated a net profit of EUR 281,517. The Company's distributable profit totalled EUR 2,010,052 and consists of net profit from 2012 and 2013, as well as net profit recorded in 2015. The 2014 net profit in the amount of EUR 835,576 was paid to the Owner.

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

- Revaluing the equity capital based on the growth rate of the cost of living (-0.5 percent) for 2015, the revaluation expenditures would amount to EUR 22,279 and would disclose the positive result in the amount of EUR 303,796 (without the corporate income tax).

PROVISIONS

Based on the actuarial calculation, the Company created provisions for retirement allowances and long-ser-

vice bonuses. The use of provisions for long-service bonuses totalled EUR 6,543 in 2015 and after recreating provisions at the end of the year, they to-

talled EUR 33,073 for retirement allowances and EUR 49,710 for long-service bonuses.

	31 Dec 2015	31 Dec 2014
Provisions for long-service bonuses	49,710	48,390
Provisions for retirement allowances	33,363	29,008
Total	83,073	77,398

	Retirement allowances	Long-service bonuses	Total
On 31 Dec 2014	29,008	48,390	77,398
Interest costs	638	993	1,631
Costs of previous employment	0	0	0
Costs of current employment	4,546	6,336	10,882
Earning payments	0	-6,543	-6,543
Actuarial gains/losses (Income statement)	/	534	534
Actuarial gains/losses through (Total comprehensive income)	-829	/	-829
On 31 Dec 2015	33,363	49,710	83,073

Parameters	Retirement allowances	Long-service bonuses
Decrease of disc. inter.rate by 0.5 %	3,664	2,834
Increase of disc.inter.rate by 0.5 %	-3,231	-2,580
Increase of salary growth by 0.5 % p.a.	3,993	0
Decrease of salary growth by 0.5 % p.a.	-3,486	0

Table 36: Provisions

in EUR

SHORT-TERM LIABILITIES

Short-term liabilities are declared separately as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities are loans

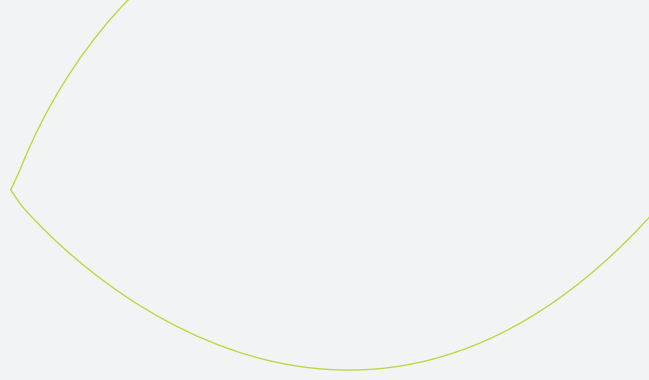
granted, which Borzen does not disclose. Short-term operating liabilities consist of advances acquired from customers, liabilities to suppliers in Slovenia and abroad, liabilities to employees,

liabilities to state institutions and other liabilities. All liabilities are declared at fair value.

	31 Dec 2015	31 Dec 2014
Short-term accounts to suppliers	24,601,922	20,935,480
- Short-term liabilities to suppliers – regular suppliers	297,208	227,194
- Short-term liabilities to suppliers – Centre for RES/CHP Support	21,751,484	18,176,989
- Short-term liabilities to suppliers – Balance Scheme	2,553,230	2,531,297
Short-term liabilities for the Centre for RES/CHP Support	11,314,852	784,161
Short-term liabilities for the efficient energy use	1,991,747	2,483,803
Short-term liabilities for the Balance Scheme	1,329,069	4,677,105
Short-term liabilities for the received advances	37,075	44,942
Short-term liabilities to employees	152,334	144,175
- Liabilities for net salaries and wage compensations	80,716	74,184
- Liabilities for contributions from gross salaries and wage compensations	24,847	23,767
- Liabilities for taxes from gross salaries and wage compensations	21,763	21,992
- Liabilities for other remunerations from employment	25,008	24,232
Liabilities to state and other institutions	694,354	969,363
- Liabilities for charged VAT	633,400	954,909
- Liabilities for corporate income tax	60,225	13,770
- Other short-term liabilities to state and other institutions	729	684
Other short-term liabilities	6,374	19,043
TOTAL	40,127,727	30,058,072

Table 37: Short-term operating liabilities

in EUR



As at 31 December 2014, liabilities consist of open items to regular suppliers, open items to the beneficiaries of the Centre for RES/CHP Support, and open items for suppliers under the Balance Scheme. At the end of both years, liabilities to regular suppliers are higher due to the purchase of fixed assets. With the beneficiaries of the Centre for RES/CHP Support the amount relates to December invoices falling due in January 2015. In addition, most of November invoices were also paid in January. The company settles all liabilities toward suppliers in agreed contractual deadlines.

Short-term liabilities to the Centre for RES/CHP Support represent the surplus of the RES/CHP funds and funds

collected from domestic sources of primary energy. The amount represents excess of assets over liabilities at the end of 2015. This surplus is also evident and disclosed under cash and cash equivalents. In contrast with the surplus at the end of 2015, only the surplus arising from domestic sources of primary energy was recorded at the end of 2014, while the funds collected from RES/CHP recorded a deficit, which is disclosed in the table of short-term receivables.

Short-term liabilities resulting from the energy efficiency represent the funds collected and managed by Borzen in accordance with the Regulation on the provision of energy savings among final customers and the Decree on the finan-

cial settlement for the implementation of programmes to increase the efficiency of electricity use.

The collected funds will be paid to the beneficiaries with the approved programmes, while the remaining funds will be credited to the Slovenian environmental public fund, Eco Fund.

Short-term liabilities related to the Balance Scheme represent a surplus of funds collected in this regard.

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

OFF-BALANCE SHEET ITEMS

The Company's off-balance sheet assets amounted to EUR 4,778,116. From this, EUR 1,432,907 represent the Balance Scheme members' cash in deposit sub-accounts opened in their name. Funds refer to collateral for the fulfilment of financial liabilities stemming from imbalance settlement. The financial coverage must be submitted by the Balance Responsible Party upon

signing the Balancing Agreement with the Market Operator, in accordance with the Rules for the operation of the electricity market. The assets are disclosed as off-balance sheet items as they have no direct impact on the volume and composition of the assets or liabilities; they merely represent a guarantee for the fulfilment of Balance Scheme Members' liabilities.

In addition to cash guarantees, the Balance Scheme members may also submit financial guarantees in the form of bank guarantees payable on first demand. As at 31 December 2015, the value of the received bank guarantees of the Balance Scheme members amounted to EUR 3,345,209.

3.2 Notes to the Income Statement

The Income Statement is drawn up according to version I.

SALES REVENUES

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

	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Revenues from MO operation	1,663,653	42.5	1,620,100	43.3	1,616,213	46.2
Revenues from recorded closed contracts	1,333,626	34.1	1,200,000	32.1	1,205,072	34.4
Revenues from the Centre for RES/CHP Support	591,000	15.1	591,000	15.8	591,000	16.9
Revenues from BSP	85,600	2.2	70,000	1.9	76,740	2.2
Revenues from information provision and raising awareness	199,999	5.1	173,800	4.6	0	0.0
RRM – REMIT revenues	26,600	0.7	0,0	0.0	0	0.0
Other revenues	14,097	0.4	85,000	2.3	743	0.0
Total sales revenues	3,914,575	100.0	3,739,900	100.0	3,489,768	100.0
Other operating revenues	400	0.0	0,0	0.0	10,050	0.3
TOTAL	3,914,975	100.0	3,739,900	100.0	3,499,818	100.0

Table 38: Operating revenues

in EUR

The largest proportion of revenues refers to revenues from supplement to network charges. The supplement to network charges in the amount of 0.13 EUR/MWh is stipulated in the Market Operator's Tariff with effect from 1 January 2010 and approved by a Decision of the Government of the Republic of Slovenia No. 36001-11/2010/4 dated 23.09.10. In accordance with the provisions of the Rules on setting prices for the use of electricity networks and criteria for the justification of costs [Official Journal of the RS, No. 134/03] and Article 90 of the Act determining methodologies for the calculation and settlement of network charges and the criteria for determining eligible costs for electricity networks [Official Journal of the RS, No. 121/05], the Market Operator charges supplement to the network fee to the Distribution System Operator (SODO) and Transmission System Operator (ELES).

In June 2015, the Decree on the concession and on the method for the implementation of performing public service obligation relating to the activity of the Market Operator was adopted, which newly regulates the method of the public service financing and which replaces the supplement to network charge with a contribution to the operation of the concessionaire (Market Operator) in the amount of 0.00013 EUR/kWh.

The second largest share of revenues was accounted for by revenues from recording of contract with the use of cross-border transmission capacities prior to the entry into force of the Decree. The amount of payments of the Balance Scheme members for recording closed contracts was set at 0.00005 euros/kWh for each recording of closed contract in which a member of the Balance Group acts as the seller.

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

Other revenues recorded in the amount of EUR 8 thousand entail the revenues arising from the e-BADGE Project. Total EUR 4 thousand arise from the revenues of the Slovenian Human Resources Development and Scholarship Fund in relation to the public tender project for co-financing lifelong career guidance.

Of total sales revenues, EUR 3,573,355 were charged to domestic buyers and EUR 341,220 to foreign buyers.

OPERATING EXPENSES

Operating expenses are all expenses generated in the financial year and recorded by type such as material costs, costs of services, labour costs, depre-

ciation, operating expenses from revaluation and other operating expenses. Revaluation operating expenses arise upon the alienation of tangible fixed assets, and in connection with intangible

fixed assets and current assets owing to their impairment, if the reduction in their value is not covered by the specific equity capital revaluation adjustment.

	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Costs of material	51,712	1.5	61,100	2.3	55,041	2.3
Costs of services	814,604	24.1	863,200	32.7	677,444	28.2
Labour costs	1,358,108	40.2	1,341,500	50.7	1,316,827	54.8
Depreciation	372,094	11.0	367,000	13.9	338,402	14.1
Operating expenses from revaluation of operating current assets	760,824	22.6	0	0.0	0	0.0
Other operating expenses	18,563	0.6	10,000	0.4	14,725	0.6
TOTAL	3,375,905	100	2,642,800	100	2,402,439	100

Table 39: Operating expenses

in EUR

COSTS OF MATERIAL AND SERVICES

Type	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Energy costs		%		%		%
Office supplies	13,714	26.5	15,000	24.5	14,626	26.6
Professional literature	16,056	31.0	15,700	25.7	18,947	34.4
Other costs of material	14,215	27.5	12,000	19.6	13,187	24.0
Total costs of material	51,712	100	61,100	100	55,041	100
Banking services	15,869	1.9	15,000	1.7	13,345	2.0
Membership fees (accession and membership fees)	39,951	4.9	38,500	4.5	33,568	5.0
Other services	33,168	4.1	44,800	5.2	38,329	5.7
Education and training	42,055	5.2	43,000	5.0	43,099	6.4
Rental costs	63,240	7.8	75,900	8.8	59,081	8.7
Costs of business premises	33,302	4.1	34,000	3.9	32,832	4.8
Public relations	121,032	14.9	120,100	13.9	42,240	6.2
Postal services	17,764	2.2	25,000	2.9	17,574	2.6
SLA costs	94,200	11.6	94,200	10.9	95,623	14.1
Insurance costs	14,966	1.8	19,500	2.3	16,342	2.4
Mission costs	33,991	4.2	34,500	4.0	36,073	5.3
Supervisory Board costs	14,008	1.7	21,000	2.4	17,683	2.6
Advisory services and professional studies costs	191,679	23.5	188,700	21.9	131,576	19.4
Student work	10,371	1.3	18,000	2.1	22,928	3.4
Regular maintenance of fixed assets	89,008	10.9	91,000	10.5	77,151	11.4
TOTAL COSTS OF SERVICES	814,604	100	863,200	100	677,444	100

Table 40: Costs of material and services

in EUR

The total amount of costs of material and costs of services are lower than in the previous year as well as in the planned year. The costs of services and material comprise the costs arising

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

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

FINANCIAL REVENUES

	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Interest revenues	8,738	99.7	30,000	100.0	37,682	99.9
Other financial revenues including financial revenues from revaluation	30	0.3	0	0.0	41	0.1
TOTAL	8,768	100	30,000	100	37,723	100

Table 41: Financial revenues

in EUR

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

Rates are lower than planned and also significantly lower than in 2014,

mostly due to the low interest rates on the market.

FINANCIAL EXPENSES

	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Interest expenses	45,412	100.0	80,000	100.0	123,043	99.9
Other financial expenses with revaluation expenses	3	0.0	0	0.0	125	0.1
TOTAL	45,415	100	80,000	100	123,168	100

Table 42: Financial expenses

in EUR

The amount of financial expenses in 2015 mainly refers to the costs of bank interests in regard to a short-term loan concluded with Hypo Alpe-Adria Bank d.d. The contract was concluded

in January totalling EUR 12 million with a final maturity at 31 December 2015. The purpose of the loan was to ensure the liquidity of the RES/CHP Support Scheme. The funds were disbursed sev-

eral times during the year owing to the gap between the funds collected and the payment of support. The loan was repaid upon its maturity.

OTHER REVENUES AND EXPENSES

In 2015, the Company allocated EUR 10,072 for donations. The donation funds were provided to the Association of

Friends of Youth Ljubljana-Moste Polje, by way of which the Company supported the humanitarian sponsorship project *Botrstvo* ("Sponsorship"). Other donations were allocated to the Foundation

for the New Paediatric Clinic, the "Merry Feet" Association, the Ladko Korošec Foundation and various sports societies.

NET PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

	2015	Share in %	Business plan 2015	Share in %	2014	Share in %
Revenues	3,923,744	100	3,769,900	100	3,538,879	100
Net sales revenues	3,914,575	99.8	3,739,900	99.2	3,489,768	98.6
Other operating revenues	400	0.0	0	0.0	10,050	0.3
Financial revenues	8,768	0.2	30,000	0.8	37,723	1.1
Other revenues	1	0.0	0	0.0	1,338	0.0
Expenses	3,431,420	100	2,732,800	100	2,538,957	100
Costs of sale of services including write-downs	3,357,342	97.8	2,632,800	96.3	2,387,714	94.0
Other operating expenses	18,563	0.5	10,000	0.4	14,725	0.6
Financial expenses	45,415	1.3	80,000	2.9	123,168	4.9
Other expenses	10,100	0.3	10,000	0.4	13,350	0.5
Corporate income tax	-211,531		-176,307		-165,060	
Deferred tax	724		0		714	
Net profit or loss for the period	281,517		860,793		835,576	
Other items of comprehensive income	-1,186		0		-2,016	
Total comprehensive income for the period	280,331		860,793		833,560	

Table 43: Net profit or loss and total comprehensive income

in EUR

OTHER DISCLOSURES

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

Manager Karol Peter Peršolja, PhD, has been running the Company and has represented it since 1 January 2010.

General Manager is entitled to basic payment (salary) and reasonable payment for the performance of the Company (bonus/performance-related pay).

Gross remuneration of the General Manager

Salary 2015	111,259
Work performance 2012 (2nd part) and 2014 (1st part)	12,648
Bonuses	1,220

Table 44: Remuneration of the General Manager in 2015

in EUR

The Supervisory Board consists of three members appointed by the Government of the Republic of Slovenia. On 31 July 2015, the Stakeholder recalled Dejan Paravan, PhD as a member of

the Supervisory Board and appointed Nejc Brezovar, PhD as the replacement member. In 2015, the Supervisory Board members were entitled to basic remuneration for the performance of

their function, session fees and reimbursement of the expenses based on the applicable decision of the Partner, as follows:

	Gross
Gorazd Ažman	5,220
Dejan Paravan, PhD	2,776
Janez Černe	3,979
Nejc Brezovar, PhD	1,282

Table 45: Remuneration of the Supervisory Board members in 2015

in EUR

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 these persons.

3.3. Additional Disclosures in Accordance with SAS 35

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

In accordance with the Energy Act, the Decree on the concession and on the method for implementation of public service obligation relating to the organisation of the Market Operator, the Act of the establishment of Borzen and other applicable regulations, Borzen performs the commercial public service relating to the organisation of the electricity market, which also includes the implementation of the activities of the Centre for RES/CHP Support. In addition, it also performs a commercial activity, i.e. the provision of the RRM services and services for BSP Regional Energy Exchange.

The Energy Act defines the activities re-

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

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

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

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

The table of general keys specified and adopted for 2015 is presented in the continuation.

	ACTIVITY		
	Market Operator	Centre for RES/CHP Support	Commercial activity
General Expenses Key	66 %	30 %	4 %
Costs of Salaries/Wages Key	60 %	35 %	5 %
Fixed Assets Key	72 %	25 %	3 %

Table 46: General keys for 2015

in EUR

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

Costs of Salaries/Wages Key gives consideration to the distribution of balance sheet items to activities as arising from cost centres that are directly or indirectly charged to activities based on the

workload of individual jobs that is measured by hours expressed as a value based on labour costs that are charged to an individual post.

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

Borzen's Income Statement is prepared separately for each commercial public

service and separately for its commercial activity.

In 2015, the Company as a whole generated a net profit of EUR 281,517. The activity of the public service obligation relating to the Market Operator discloses a profit of EUR 555,752, the Centre for RES/CHP Support recorded a deficit in the amount of EUR 300,804, while the commercial activity discloses a profit of EUR 26,569.

BORZEN STRIVES TO REDUCE ITS CARBON FOOTPRINT

Centenarian luxuriant beech foliage has a volume of 2,700 m³. When in leaf, the crown absorbs 2.2 kg of carbon dioxide each day and releases 1.6 kg of oxygen into the atmosphere. This provides the daily oxygen needs for one adult and one child. As an interesting fact: humankind consumes more than six billion tons of oxygen annually for breathing.

INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1 JANUARY 2015 AND 31 DECEMBER 2015

Item	BORZEN Total	Market Operator	Centre for RES/CHP Support	Market activity
1. NET SALES REVENUES	3,914,575	3,000,413	792,319	121,843
A. Revenues arising from MO operation	1,663,653	1,663,653	0	0
B. Revenues from recorded closed contracts	1,333,626	1,333,626	0	0
C. Revenues from the Centre for RES/CHP	591,000	0	591,000	0
Č. Revenues from BSP	85,600	0	0	85,600
D. Revenues from information provision and raising awareness	199,999	0	199,999	0
E. Revenues from RRM - REMIT	26,600	0	0	26,600
F. Other revenues	14,097	3,134	1,320	9,643
2. OTHER OPERATING REVENUES	400	264	120	16
TOTAL OPERATING REVENUES	3,914,975	3,000,677	792,439	121,859
3. COSTS OF MATERIAL AND SERVICES	866,316	487,670	353,248	25,398
a. Costs of material	51,712	37,198	12,815	1,699
b. Costs of services	814,604	450,472	340,433	23,699
4. LABOUR COSTS	1,358,108	734,095	576,361	47,652
A. Salary costs	1,019,793	550,442	433,611	35,740
B. Pension insurance costs	133,169	71,937	56,634	4,598
C. Contributions costs and other taxes on wages and salaries	75,840	40,913	32,274	2,653
Č. Other labour costs	129,306	70,803	53,842	4,661
5. WRITE-DOWNS	1,132,918	1,008,381	112,908	11,629
a. Depreciation	372,094	247,557	112,908	11,629
b. Revaluated operating expenses associated with current assets	760,824	760,824	0	0
6. OTHER OPERATING EXPENSES	18,563	8,914	9,114	535
TOTAL OPERATING EXPENSES	3,375,905	2,239,060	1,051,631	85,214
OPERATING PROFIT OR LOSS	539,070	761,617	-259,192	36,645
7. FINANCIAL REVENUES	8,768	3,069	5,688	11
8. FINANCIAL EXPENSES	45,415	1,080	44,270	65
NET PROFIT OR LOSS FROM OPERATION	502,423	763,606	-297,774	36,591
9. OTHER REVENUES	1	1	0	0
10. OTHER EXPENSES	10,100	6,666	3,030	404
TOTAL REVENUES	3,923,744	3,003,747	798,127	121,870
TOTAL EXPENSES	3,431,420	2,246,806	1,098,931	85,683
TOTAL PROFIT	492,324	756,941	-300,804	36,187
11. CORPORATE INCOME TAX	-211,531	-201,880	0	-9,651
12. DEFERRED TAX	724	691	0	33
NET PROFIT OR LOSS FOR THE PERIOD	281,517	555,752	-300,804	26,569

Table 47: Income statement for the period between 1 January 2015 and 31 December 2015

in EUR



BALANCE SHEET AS AT 31 DECEMBER 2015 WITH ASSETS UNDER MANAGEMENT

DESCRIPTION	Borzen Total	Borzen excluding PUS	Centre for RES/CHP Support	EEU	Balance Scheme
ASSETS	44,949,382	5,398,704	33,454,075	2,054,483	4,042,120
A. LONG-TERM ASSETS	2,415,501	2,415,501	0	0	0
INTANGIBLE FIXED ASSETS AND LONG-TERM DEFERRED					
I. COSTS AND ACCRUED REVENUES	522,283	522,283	0	0	0
II. TANGIBLE FIXED ASSETS	1,368,382	1,368,382	0	0	0
1. Business premises	1,135,353	1,135,353	0	0	0
2. Equipment	233,029	233,029	0	0	0
III. LONG-TERM FINANCIAL INVESTMENTS	419,568	419,568	0	0	0
1. Shares in associated companies	419,568	419,568	0	0	0
IV. DEFERRED TAX ASSETS	105,268	105,268	0	0	0
B. SHORT-TERM ASSETS	42,504,978	2,954,300	33,454,075	2,054,483	4,042,120
I. SHORT-TERM FINANCIAL INVESTMENTS	1,000,000	1,000,000	0	0	0
II. SHORT-TERM OPERATING RECEIVABLES	24,754,195	456,381	22,431,200	21	1,866,593
1. Short-term accounts receivables	22,018,899	439,807	19,860,331	0	1,718,761
2. Short-term operating receivables due by others	2,735,296	16,574	2,570,869	21	147,832
III. CASH AND CASH EQUIVALENTS	16,750,783	1,497,919	11,022,875	2,054,462	2,175,527
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	28,903	28,903	0	0	0
Off-balance-sheet assets	5,039,367	5,039,367	0	0	0
LIABILITIES	44,949,382	5,398,704	33,454,075	2,054,483	4,042,120
A. EQUITY	4,738,582	4,738,582	0	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0	0
1. Share capital	1,963,279	1,963,279	0	0	0
II. CAPITAL RESERVES	395	395	0	0	0
III. REVENUE RESERVES	766,042	766,042	0	0	0
1. Statutory reserves	196,328	196,328	0	0	0
2. Other reserves from profit	569,714	569,714	0	0	0
IV. REVALUATION ADJUSTMENT SURPLUS	-1,186	-1,186	0	0	0
V. RETAINED EARNINGS	1,728,535	1,728,535	0	0	0
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	281,517	281,517	0	0	0
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	83,073	83,073	0	0	0
C. SHORT-TERM LIABILITIES	40,127,727	577,049	33,454,075	2,054,483	4,042,120
A. SHORT-TERM OPERATING LIABILITIES	40,127,727	577,049	33,454,075	2,054,483	4,042,120
1. Short-term liabilities to suppliers	24,601,922	297,208	21,688,748	62,736	2,553,230
2. Other short-term operating liabilities	15,525,805	279,841	11,765,327	1,991,747	1,488,890
Č. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	0	0	0	0	0
Off-balance-sheet liabilities	5,039,367	5,039,367	0	0	0

Table 48: Balance sheet as at 31 December 2015 with a separate overview of the assets under management

in EUR



In Table 48 items that relate to assets and liabilities to assets managed by Borzen are disclosed separately and intended exclusively to perform activities within individual public utility ser-

vice (PUS). It separately discloses the assets of the Centre for RES/CHP Support, the funds of efficient energy use and the funds of the Balance Scheme. On the one hand, these are cash and

cash equivalents in separate special accounts and the receivables and liabilities that are also kept separately and are settled via special settlement accounts.

STATEMENT BY THE MANAGEMENT

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

The Management approves and confirms the financial statements of Borzen, organizator trga z električno

energijo, d.o.o. for the year finishing on 31 December 2015, and Notes on financial statements compiled on the assumption of the Company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that appropriate accounting policies were used in the creation of the financial statements and that the accounting estimates were

made according to the precautionary principle and the principle of good management, and that the financial statements reflect the true and fair picture of the company's assets and results of its business operations for 2015.

Ljubljana, 31 March 2016

Karol Peter Peršolja, PhD
General Manger



RELEVANT ENERGY REGULATIONS

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

- Energy Act (Official Gazette of the RS, No. 17/14 and 81/15);
- Decree on the method of provision of an electricity market operator service of general economic interest (Official Gazette of the RS, No. 39/15);
- Decree on compulsory measurements of generation units granted guarantees of origin and support for generated electricity (Official Gazette of the RS, No. 8/09 and 17/14 – EA-1)
- Regulation on supports for the electricity generated from renewable energy sources (Official Gazette of RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 94/10, 43/11, 105/11, 43/12 and 90/12, 17/14 – EA-1);
- Decree on support for electricity generated in cogeneration with high efficiency (Official Gazette of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10 and 81/10,17/14 – EA-1);
- Decree on energy savings requirements (Official Gazette of the RS, No.: 96/2014)
- Decree on the method of determining and calculating the contribution for ensuring support for the generation of electricity from high-efficiency cogeneration and renewable energy sources (Official Gazette of the RS, No. 46/15);
- Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources (Official Gazette of the RS, No. 36/14 and 46/15);
- Rules on the operation of the electricity market (Official Gazette of the RS, No. 98/09 and 97/2011, 17/14 – EA-1);
- Rules on the operation of the Centre for RES/CHP Support (Official Gazette of the RS, No. 86/09, 17/14 – EA-1);
- Rules on the operation of the electricity balancing market (Official Gazette of the RS, No. 97/14);
- Act on the methodology determining the regulatory framework and the methodology for charging the network charge for the electricity system operators (Official Gazette of the RS, No. 66/15 a 105/15)



CODE AND RECOMMENDATIONS

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

- Recommendations and expectations of the Slovenian Sovereign Holding
- Corporate Governance Code for Companies with State Capital Investment

CONTACT DATA

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GLOSSARY

- CS – Centre for RES/CHP Support
- DSE – Domestic sources of primary energy
- PUS – Public utility service⁷
- INC – Imbalance Netting Cooperation
- MO – Market Operator
- RES – Renewable energy sources
- GoO – Guarantees of origin
- RES-E – Register of guarantees of origin for renewable energy sources
- RES-H – Register of guarantees of origin for renewable heat/cold
- CHP – Cogeneration of heat and power
- EE – Energy efficiency

⁷In accordance with the new EA-1, PUS obligation relating to the operation on the organised electricity market changed to PUS obligation relating to the activity of the Market Operator.



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