

2019

ANNUAL
R=EPORT

BORZEN



Borzen is a company focused on sustainable development. Under our own brand Trajnostna energija ("Sustainable Energy") we target different individuals and organisations and inform and raise awareness on the importance of energy efficiency.

In 2019, we invited young people to participate in the Sustainable Energy competition, entitled "Our message for a better world". Children and young people of different age groups contributed their graffiti (messages) about what they can do to make the world a better place.

Nearly 900 children participated in the competition and their graffiti reached over 30,000 individuals.



**WITH OUR
GRAFFITI
WE WANTED
TO REMIND
PEOPLE TO
TURN OFF ALL
UNNECESSARY
LIGHTS IN
TOWNS AND
CITIES AT NIGHT.**

Elementary School Ormož,
"Sovice" team.



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LETTER FROM THE GENERAL MANAGER

I am looking back on 2019 at a time when a pandemic due to coronavirus (COVID-19) has already been declared throughout our country. At a time, when social responsibility and solidarity have become indispensable. And in moments, when, inevitably, we have recognised the importance of our interconnectedness and interdependence.

I feel justifiably proud of our company's last year results and our employees and business partners who have contributed to this success. Once again, we have proved that the energy market and market players are strongly intertwined. We closed the financial year with a net profit of EUR 1.33 million, generating EUR 4.53 million in revenue and EUR 2.90 million in expenses.

SOCIAL RESPONSIBILITY IS A FUNDAMENTAL FOUNDATION OF EVERY SOCIETY

We have been aware of the importance of social responsibility at Borzen for many years, and sustainable development has become an inherent part of all our operations. We denote collaboration and sharing of knowledge and experience as socially responsible. And in this regard, the year 2019 was exceptional for our company. We were involved in a variety of different projects in the energy market, and are especially proud of the implementation of five consultancy projects within the framework of the Energy Community Secretariat calls for tenders. We had the opportunity to share our knowledge and experience with the colleagues in Moldova, North Macedonia and Georgia, by assisting them in establishing electricity markets in their countries.

ELECTRICITY MARKET IS PERSISTENTLY CHANGING

The electricity market is becoming more and more transparent, with Borzen playing an important role on a country-wide level, by expanding the set of market data that we make publicly available, by providing a wholesale transaction reporting service and by providing and sharing data and other activities. In 2019, we have already started some of the activities that are being imposed by the so-called 'Clean energy for all Europeans package'. Furthermore, in 2019, the electricity market was marked by a smaller increase in the volume of recorded closed contracts, where the total volume amounted to 56,239 GWh. Compared to the previous year, the number of recorded closed contracts decreased and totalled 62,781 contracts. As for the concentration trend in the wholesale market, the data show an increase in concentration year by year, with the top ten balance groups recording slightly less than 96 percent of all closed contracts in 2019. At the end of the year, 52 balance groups and 18 balance subgroups were present in the Slovenian

electricity market, which is comparable to previous years. In 2019, Slovenia was a net importer of electricity. Net imports amounted to 2,512.5 GWh, which is just over 17 percent of Slovenia's electricity consumption.

WE SUPPORT GREEN POWER

At the end of 2019, the Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration, which Borzen has been managing for over 10 years, consisted of 3,858 power plants with a total rated power of 417 MW. This represented approximately 12 percent of the installed capacity in the Republic of Slovenia. Electricity production in 2019 reached about the average level of the previous two years, while the support payments varied both in terms of external influences on individual production sources (in particular the weather) as well as the changes in the market reference price. The production of the units in the Support Scheme in 2019 totalled 947.5 GWh, which is just under 7 percent of the Slovenian annual consumption, with EUR 123 million in support payments, with an average support of EUR 129.83 per MWh.

KNOWLEDGE GIVES US POWER

Knowledge gives us the power to make the right decisions. In addition, this also represents the key motto of our brand Trajnostna energija ("Sustainable Energy"), within which we carried out various activities in the field of providing information and raising awareness on the use of renewable energy sources and energy efficiency in 2019. At this point, I would particularly like to highlight the following activities: the setting up of an energy playground in the centre of Maribor, the opening of a renovated and energy-efficient headquarters of the Slovenian NGO, Slovenian Philanthropy, the organisation of events, competitions and researches, the creation of an environmental board game and dubbing of our environmental cartoons *Lepši svet* ("A Better World") into English.

New times are on the horizon. The beginning of 2020 will set the scene for an economic recovery after the crisis. Regarding the energy markets, however, I expect an even greater focus on renewable energy sources and efficient energy use, which also includes a change in the role of traditional players in the electricity market – here I am primarily talking about the end user, who will turn into an active user and an energy producer at the same time.

Yours sincerely,
Karol Peter Peršolja, PhD
General Manager of Borzen



**HELP THE
ENVIRONMENT
BY RIDING YOUR
BIKE.**

Elementary School Puconci,
"Klovnese" team.



REPORT OF THE SUPERVISORY BOARD

In 2019, Borzen carried out a variety of projects and activities that aimed to support the development of the Slovenian energy market, thus continuing to fulfil its mission as the electricity market operator.

COMPOSITION OF THE SUPERVISORY BOARD

In 2019, the Supervisory Board was composed of:

- Until 16 April 2019:
 - Chairman of the Supervisory Board: Mr. Gorazd Ažman, MSc,
 - Deputy Chairman of the Supervisory Board: Mr. Janez Černe,
 - Member of the Supervisory Board: Ms. Alenka Kolar, PhD.
- From 17 April 2019 onwards:
 - Chairman of the Supervisory Board: Ms. Mojca Kert,
 - Deputy Chairman of the Supervisory Board: Ms. Alenka Kolar, PhD,
 - Member of the Supervisory Board: Mr. Jure Jemec.

COOPERATION WITH THE COMPANY'S MANAGEMENT

The cooperation between the Management and the Supervisory Board was constructive and enabled the supervisors to constantly monitor the operations and attainment of the company's set goals. We believe that the set goals were well fulfilled and that the cooperation between the Supervisory Board and the Company's Management was successful.

OPERATION OF THE SUPERVISORY BOARD

The entire composition of the Supervisory Board of Borzen accepts its role of the supervisory authority with considerable responsibility and with the awareness of Borzen's role as a market operator in the Slovenian electricity market. Therefore, the Supervisory Board expects from the Company's Management and its associates to also act in a diligent, responsible and transparent manner.

In 2019, the Supervisory Board regularly monitored and supervised the work of the company's Management. Until 19 April 2019, the Supervisory Board met at three regular meetings. In its new composition after 19 April 2019, the Supervisory met at nine regular meetings, one extraordinary meeting and one correspondence meeting. The regular meetings were attended by the members of the Company's Management, with whom the Chairman of the Supervisory Board successfully cooperated within his respective competences also in between the regular sessions. Based on the size of the company

and the composition and structure of the Supervisory Board, the latter assessed that it was not necessary to appoint a committee for its operation.

The Supervisory Board addressed the issues in accordance with the applicable legislation, the Articles of Association of Borzen and the Rules of Procedure of the Supervisory Board. The new Supervisory Board conducted a call for a new general manager and upon completion of the call appointed the Company's general manager for a five-year term. The Supervisory Board was briefed on the quarterly reports prepared by the Management and other regular reports. It also monitored the operation of BSP Energetska Borza d.o.o. ("BSP Energy Exchange"), in which Borzen holds a 50-percent equity stake and monitored the company's strategic integration. The Supervisory Board adopted Borzen's Business Plan for the period from 2020 to 2022, examined Borzen's Strategic Plan for the period from 2020 to 2024 and adopted the Reasoned Opinion on the Strategic Plan. During 2019, the Supervisory Board constantly monitored the Company's operations in terms of compliance with the provisions of the Corporate Governance Code and the recommendations of the Slovenian Sovereign Holding.

In 2019, the Supervisory Board adopted 78 resolutions, of which 76 were implemented, one resolution is still pending and one has been partially implemented.

Mojca Kert,
Chairman of the Supervisory Board



RELEVANT DATA ON THE COMPANY'S OPERATIONS

Borzen closed the financial year 2019 with a net profit of EUR 1.33 million. In this period, the company generated EUR 4.53 million in total revenues and the total expenses amounted to EUR 2.90 million.

As at 31 December 2019, the balance sheet total

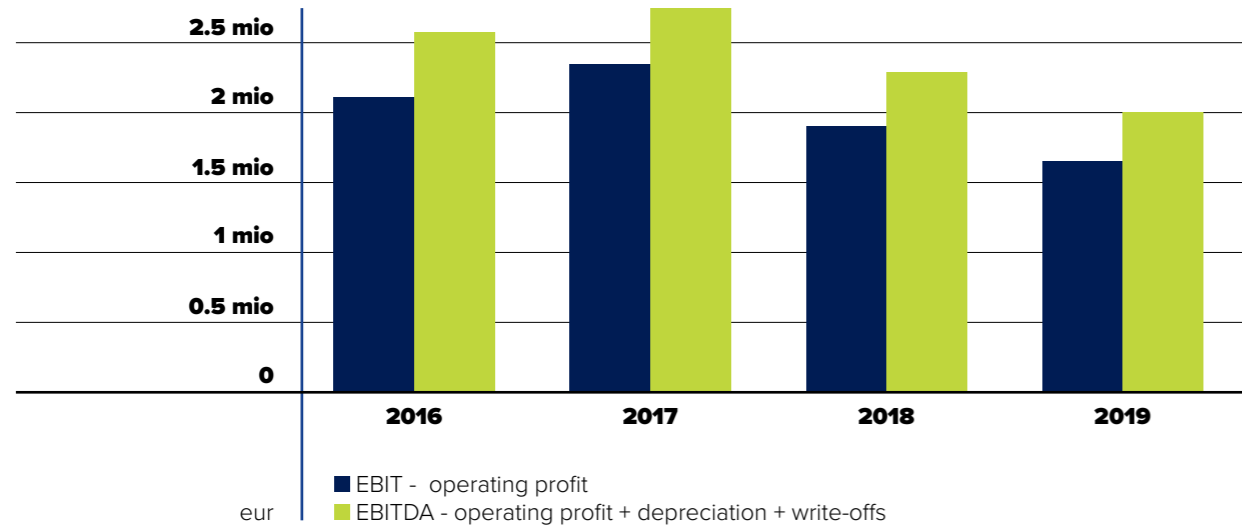
equalled EUR 22772 million and, compared to the previous year, increased due to the higher surplus funds of the Centre for Support.

As at 31 December 2019, the company's equity capital equalled EUR 5.82 million.

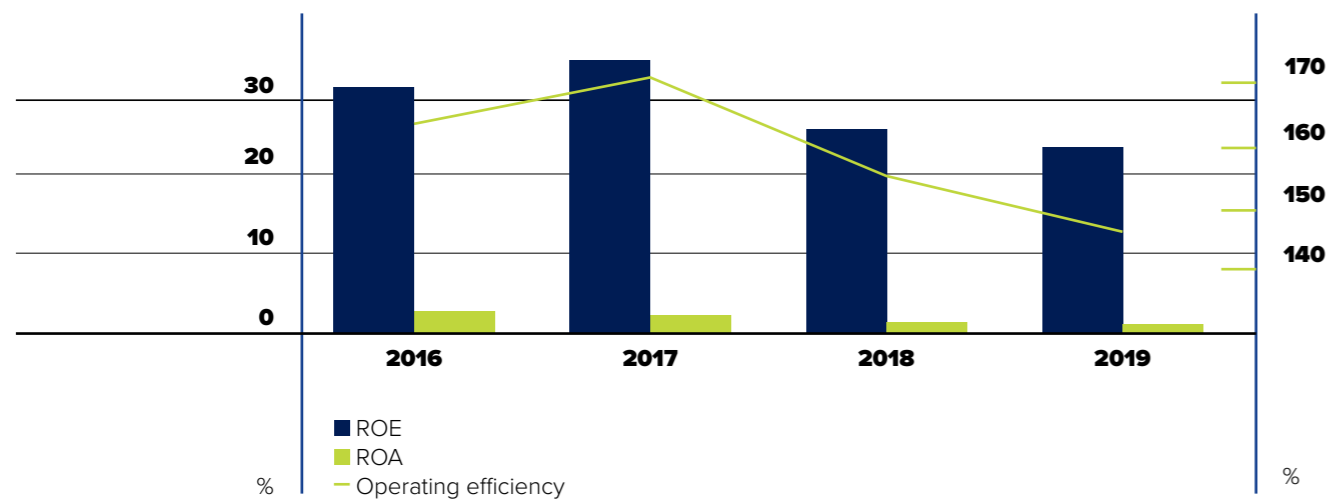
INDICATORS	2016	2017	2018	Business Plan 2019	2019
FROM THE BALANCE SHEET as at 31 December					
Assets in EUR	76,335,698	122,433,365	172,339,210	220,754,329	227,719,712
Equity in EUR	4,435,041	5,130,887	5,491,810	5,738,319	5,822,325
FROM THE INCOME STATEMENT					
Operating revenues in EUR	4,348,563	4,532,107	4,344,556	4,037,000	4,213,605
Operating expenses in EUR	2,661,138	2,651,078	2,810,659	2,885,600	2,884,891
Net profit for year in EUR	1,424,774	1,699,773	1,365,804	1,246,509	1,334,017
EBIT – operating profit in EUR	1,687,425	1,881,029	1,533,897	1,151,400	1,328,714
EBITDA – operating profit + depreciation + write-offs in EUR	2,054,681	2,231,117	1,836,404	1,457,700	1,607,838
PERFORMANCE INDICATORS					
Return on equity (ROE)	31.1 %	35.5 %	25.7 %	22.2 %	23.6 %
Return on assets (ROA)	2.3 %	1.7 %	0.9 %	0.6 %	0.7 %
EBITDA margin	47.3 %	50.8 %	42.3 %	36.1 %	38.3 %
Operating efficiency	163.4 %	171.0 %	154.6 %	139.9 %	146.1 %
NUMBER OF EMPLOYEES as at 31 December	31	30	30	32	31

After the end of the financial year (as at 31 December 2019), there were no particular business events that had materially affected the overall operating results of the company in 2019.

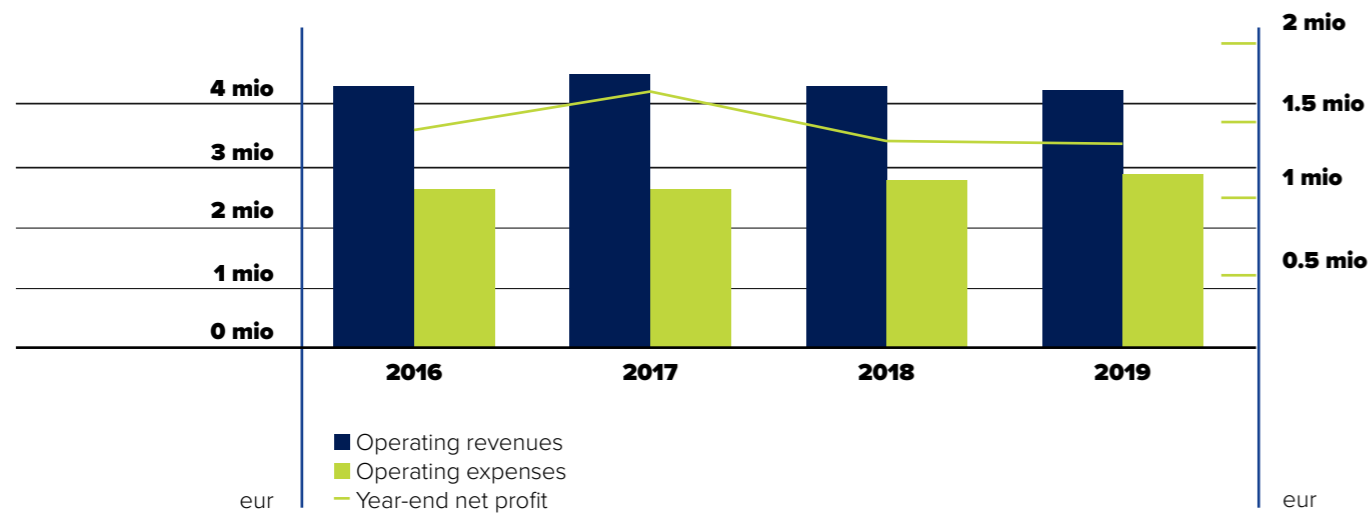
EBIT and EBITDA movements



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



Revenues and expenses from operation and movement of net profit



ELECTRICITY MARKET

Number of members (Balance Scheme)

2018	2019
74	70

Number of recorded contracts and operational forecasts

2018	2019
109,113	107,947

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

2018	2019
83.1	84.3

BALANCING MARKET

Number of members

2018	2019
34	34

Number of transactions

2018	2019
3,224	4,751

Quantity of transactions (in GWh)

2018	2019
128.6	140.3

SUPPORT SCHEME

Number of production units

2018	2019
3,859	3,858

Quantity of electricity (in GWh) by production units

2018	2019
937,9	947,4

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

2018	2019
135.1	123
mio	mio



YEAR 2019

OVERVIEW OF SIGNIFICANT EVENTS

The new Rules on the Operation of the Electricity Market took effect on 1 January, which among other changes implemented the requirements of the first stage of harmonisation of the Commission Regulation (EU) 2017/2195 Establishing a Guideline on Electricity Balancing.

JANUARY

A new board game (playing cards) about sustainable energy presented to the public.

MARCH

FEBRUARY

Release of the new episodes of the environmental animated cartoon series *Lepši svet* ("A Better World") prepared in cooperation with RTV Slovenia, which also broadcast the cartoons for the first time during the winter school holidays.

Start of the public debate on the proposal for Rules on the Termination and Reestablishment of Market Activities (in cooperation with the Slovenian system operator).

Launch of the consultancy project "Support in development of Rules for day-ahead and intraday market in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

Expanded publication of the imbalance settlement data on the company's website (related to the new Rules on the Operation of the Electricity Market).

First meeting of the new Supervisory Board, consisting of the following members: Ms. Mojca Kert (Chairman), Ms. Alenka Kolar, PhD (Deputy Chairman) and Mr. Jure Jemec (Member).

Completion of the consultancy project in Georgia "Support in development of Rules for day-ahead and intraday market in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

APRIL

Public presentation of Borzen's socially responsible project - Energy renovation and installation of self-sustainable solar power plant in the headquarters belonging to the Slovenian Association for Promotion of Volunteering, Slovenian Philanthropy and owned by the City of Ljubljana.

Completion of the consultancy project in North Macedonia "Provision of technical assistance to North Macedonia for operation of the organised day-ahead market" within the framework of the Energy Community Secretariat call.

Launch of the NEDO-Fleks project, which addresses the problems of flexibility and sustainability of the electricity system and smart communities.

JUNE

MAY

Organisation of the event "Days of Sustainable Development" for all age groups in cooperation with the Correspondence Education Center, CDI Univerzum.

Mr. Andraž Šavli, Deputy Director of Operations at Borzen, has been granted another mandate of the president of the IPET Section (Energy Market Data Exchange Section).

JULY

Publication of the Instructions for recording of contracts and operational forecasts for balancing service providers when they act as providers of the balancing services to the TSO, using metering/delivery points, which belong to other balance responsible parties (arrangement of the placement of the so-called independent aggregator according to the EU Clean Energy Package (CEP) on the Slovenian electricity market according to the current state of the remaining regulations).

SEPTEMBER

Msc. Borut Rajer, Director of Operations at Borzen, re-elected as the member of the Europex Board.

Organisation of Borzen's traditional conference Sustainable Energy Locally 019 entitled 'At the Inter-section of Green Opportunities'.

Start of participation in the Competence Center for Human Resources Development in Energy project, KOC ENERGIJA.

OCTOBER

Borzen's current general manager, Mr. Karol Peter Peršolja, PhD, granted a new five-year term as the general manager.

Launch of the international project FARCROSS aimed at implementing physical and procedural measures to make more efficient use of cross-border transmission capacities with the aim of improving the integration of electricity markets.

Publication of an amendment to the Electricity Market Rules, which relates to the switching from an hourly to 15-minute imbalance settlement period.

Launch of the consultancy project in Moldova "Support in capacity building related to provisions of Electricity Market Rules in Moldova".

YEAR 2020

Amendment to the List of products in the balancing market related to the inclusion of the Slovenian market in the Single Intraday Coupling (SIDC, XBID project).

Successful conduct of the auction at which all the electricity to be generated in 2020 by the power plants included in the Eco Group was sold.

End of Borzen's competition 'Sustainable Energy 019: Our Message for a Better World', which has received entries from almost 900 children.

The environmental cartoons Lepši svet ("A Better World") made available in English.

NOVEMBER

DECEMBER

Successful performance of the external control audit according to the ISO/IEC 27001:2013 information security standard.

Completion of the consultancy project "Support in development of the standard terms and conditions for direct contracts on sale and purchase of electricity and procedure for registration in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

The winner of the competition for the Best Master's Thesis on the topic of sustainable energy for 2019 was Ms. Urša Mrhar with her master's thesis, entitled Analysis and a proposed sanitation of an existing building considering earthquake resistance and energy efficiency.

Instalment of an energy playground in Maribor, which allows visitors to learn about sustainable energy in a fun and educational way.

DVDs with the second season of cartoons Lepši svet 2 ("A Better World 2"), accompanied by an educational booklet, were sent free of charge to all Slovenian primary schools, kindergartens and libraries.

Announcement of the competition for the Best Master's Thesis on the topic of sustainable energy for 2020.

Transmission of historical data for the REP-AGEN service, which provides the Energy Agency with access to trading data of the balancing market of the market operator (replacement reserve) and, thus, complements the data obtained by the Energy Agency from ACER.

FEBRUARY

JANUARY

Announcement of the award winners for the Best Sustainable Energy Innovations for 2019. The first prize was awarded to the company RIKEMA with an innovative device for cogeneration of heat and electricity from woody biomass.

Receipt of recognition of the Information Commissioner of the Republic of Slovenia for obtaining a certificate according to the ISO/IEC 27001:20013 security information standard and related efforts for the protection of personal data.

Publication of humorous video tips on energy efficiency.

Initial publication of data to assist market participants in preparing for the transition to the 15-minute ISP, which has been scheduled for 1 January 2021 (test 15-minute prices, 15-minute residual diagram).

During this time, the Government of the Republic of Slovenia adopted the Ordinance on the suspension of payment of the support for the production of electricity from high-efficiency cogeneration and renewable energy sources, and at the same time, the market situation has already been reflected in the proposals for delays in the payment of the contribution. This will not have an impact on the

payment of supports to beneficiaries in 2020.

In 2020, related to the emergency situation, a reduction in electricity consumption is expected, which will affect the reduced revenues from the operation of the market operator. At least in the short term, no effects on the stability of the electricity system are expected, as other companies have also taken

MARCH

On 12 March 2020, the Government of the Republic of Slovenia declared a COVID-19 epidemic across the country. At Borzen, we adjusted our operation to the situation, while ensuring the implementation of all key functions of the public service obligation relating to the organisation of the electricity market. In order to manage the company's operations in times of crisis, a special crisis group was established; we ensured the protection of all our employees and installed disinfection units in our headquarters; we moved to a work-from-home arrangement; we maintained transparent and up-to-date communication with all stakeholders through various channels; where possible, we simplified the operating procedures for our stakeholders; we paid special attention to the continuous operation and provision of IT services through various activities; we actively monitored and responded to current changes that were the result of intervention legislation and the situation on the electricity market. We conducted all the necessary examination of the effects on cash flows and liquidity and ensured cost reductions where possible.

protective measures, according to the available data.

We will continue to monitor and keep a close eye on further developments in the energy and financial markets, and, in the event of possible exposures, react accordingly and, if necessary, prepare a revised business plan.



**PUT A STOP TO
THE WASTE.**

Elementary School IV. Celje,
"Fackini ekologi 3" team.



1. BUSINESS REPORT

1. COMPANY'S OPERATION IN 2019

1.1 COMPANY PRESENTATION

ABOUT THE COMPANY

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

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

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

With the above rules, Borzen provides coordinated operation of the electricity market and determines details regarding the national RES and CHP Support Scheme. As **Market Operator**, Borzen provides and enables a coherent operation of the Slovenian electric power system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and financial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's **Centre for Support** is the Support Scheme operator for the ge-

neration of energy from renewable energy sources and high-efficiency cogeneration of heat and power. The company also provides the functioning and managing of the Slovenian Guarantees of Origin Registry, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY") brand, Borzen provides **information, training and raises awareness** on the use of renewable energy sources and energy efficiency. In this way, Borzen implements legal tasks and supports environmental policies through public awareness.

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

MARKET OPERATOR	
	Centre for Support RES/CHP Support Scheme - conclusion of contracts and support payments - management of scheme assets - management of scheme energy
Balance Scheme management (entry in the market)	
Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules Imbalance settlement	Guarantees of Origin Registry
Imbalance settlement	Providing information on RES and EE
Balancing market	Web portal Trajnostna energija ("Sustainable Energy")
REMIT – RRM reporting	
Clearing and financial settlement	
Ensuring a regulated and transparent electricity market	
Energy-related advisory services	

Figure 1: Activities of Market Operator

IDENTITY CARD

COMPANY'S FULL NAME	Borzen, operater trga z elektriko, d. o. o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenia
PHONE	+386 1 620 76 00
FAX	+386 1 620 76 01
E-MAIL ADDRESS	info@borzen.si
WEBSITE	www.borzen.si
MAIN ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
VAT IDENTIFICATION NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	28 March 2001
PLACE OF ENTRY IN COURT REGISTER	Ljubljana District Court
SHARE CAPITAL	1.963.279 EUR
GENERAL MANAGER	Karol Peter Peršolja, PhD
CHAIRMAN OF THE SUPERVISORY BOARD	Mojca Kert

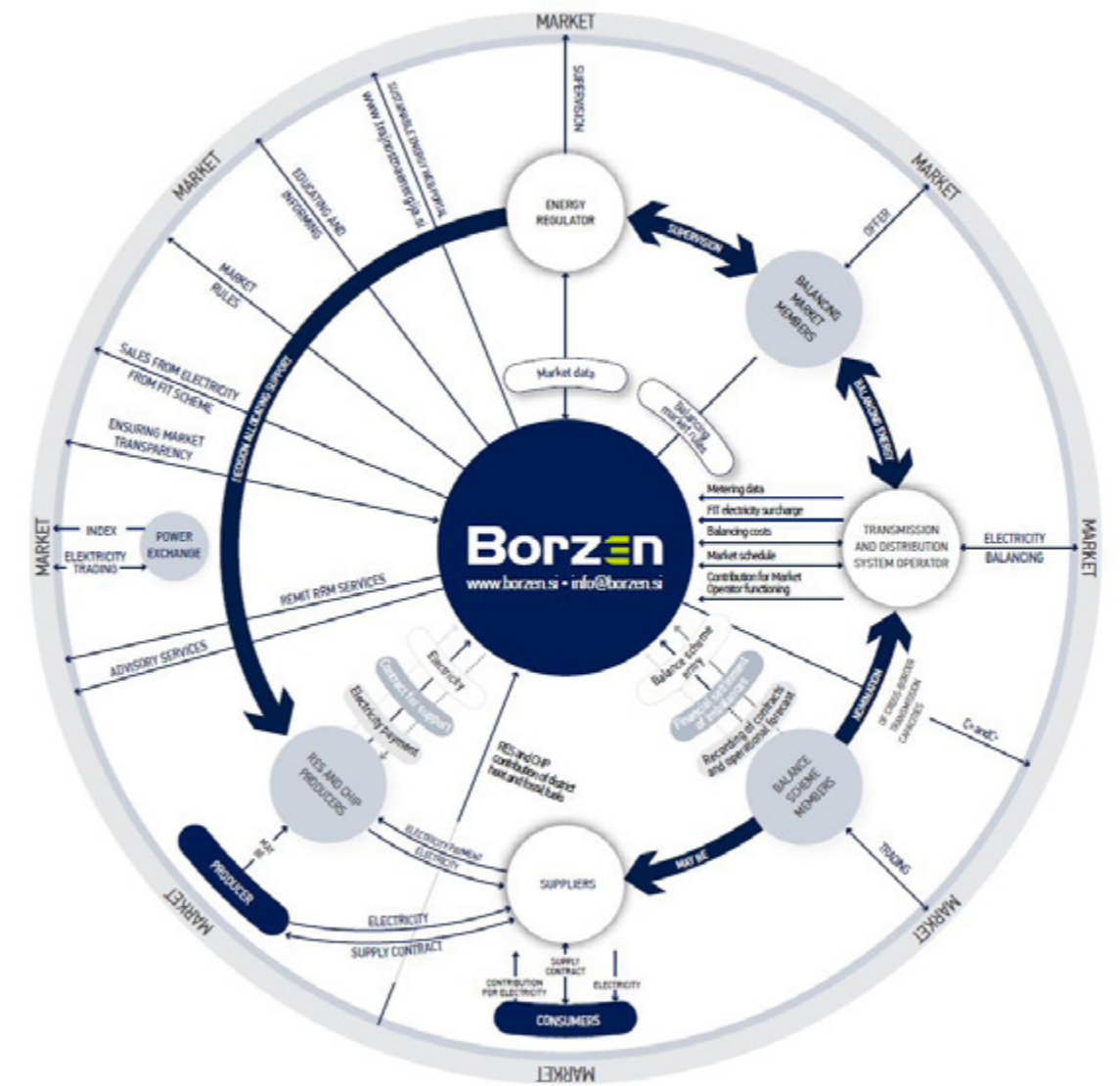


Figure 2: Role of Market Operator on the Slovenian electricity market

1.2 COMPANY'S BUSINESS STRATEGY AND PLANS

COMPANY'S MISSION AND VISION



Figure 3: 'Strategy House'

VALUES

EXPERTISE

- We possess, use, upgrade and share our expertise.
- We are self-critical, we believe in our own abilities and are not afraid of admitting our mistakes.

RESPONSIBILITY

- We are responsible towards the market.
- We are responsible towards our fellow human beings.
- We are responsible towards Borzen.
- We are responsible towards ourselves.
- We take full responsibility for our actions.

TRUST

- We trust in the market.
- We trust in ourselves.
- We trust in our employees.
- We trust in Borzen.
- We embrace trust as a privilege.

CREATIVITY, INNOVATION

- We achieve our goals creatively.
- We are aiming to improve our existing goals – progress.
- We encourage innovation – development.
- We seek new challenges.

KEY STRATEGIC GUIDELINES

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

IMPACT OF ECONOMIC AND LEGISLATIVE CONDITIONS ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2019

According to the Bank of Slovenia, the economic growth in Slovenia will slightly slow down during 2019 and 2020 after solid growth over the past few years, but it is expected to remain higher than the Euro area averages. The reduction factors stem mainly from the international environment, while domestic factors remain encouraging. According to the Bank of Slovenia's June 2019 forecasts, gross domestic product is expected to increase by 3.2 percent this year, and growth is expected to be slightly below 3 percent in the next two years. The slowdown is mainly due to the external factors, i.e. slightly lower growth in foreign demand and a gradual transition to a more mature period of the business cycle. According to the Bank of Slovenia, the risks that could lead to weaker economic growth are more pronounced and arise mainly from the external environment. Among them, geopolitical risks in relation to oil prices, which have a direct impact on the energy sector, and the existing or announced protectionist measures should be mentioned separately. These assessments do not yet cover important events in the very recent past, in particular threats to public health and the possible recurrence of the migrant crisis.

In Slovenia, the trend of increased investments in renewable energy sources, focused on the achievement of minimum percentages of Directive 2009/28/EC, has completely subsided already in 2015. In December 2016, the Slovenian Energy Agency launched a first public call for new entrants into the Support Scheme, which was followed by calls in September 2017, February 2018, December 2018, June 2019 and December 2019. Despite the calls, the realisation of the projects (and their actual entry into the Support Scheme) is currently very poor. According to the current data, Slovenia will not reach the final goal of 25 percent of renewable generation in gross final use by 2020.

In 2019, at the day-ahead market level, Slovenia coupled all three borders (Italian, Austrian and Croatian) with electrical interconnections using the mechanism of coupling markets. In November 2019, the activities relating to the intra-day coupling within the XBID

(SIDC) project were carried out, and, simultaneously, the European Energy Exchange (EEX) and the Slovenian Energy Exchange (BSP) have entered into a cooperation to further strengthen the Slovenian power market with the introduction of Slovenian power futures on the EEX platform. Slovenia is one of the few countries that has been successfully integrating the segment of intra-day trading and the balancing market due to the constructive cooperation between the market operator, energy exchange and system operator.

The Rules on the Changes to the Rules on the Operation of the Electricity Market, aimed at shortening the imbalance settlement procedure and other adjustments for more efficient operation of the electricity market, were adopted in published in the Official Gazette of the Republic of Slovenia in November 2019, with application from 1 January 2019. Therefore, in 2019, the new Rules came into

practical use, including, for example, the expanded publication of the imbalance settlement data. In July 2019, special instructions were published governing the placement of the so-called “independent aggregator” (a term introduced by the new EU legislative package CEP) in the Slovenian electricity market, especially in the context of offering balancing services to the system operator. In order to ensure the conditions for a regulated transition, delayed enforcement of the 15-minute imbalance settlement period (ISP) was also adopted in 2019 as a minor change to the Rules. The transition date has been move to 1 January 2021.

Borzen’s strong intertwining with European and Slovenian legislative conditions, as well as the situation and trends in the energy markets influenced the setting and achievement of the company’s objectives, which was also, reflected in the company’s last year operations.

ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2019

In 2019, Borzen successfully followed its strategic plans and objectives.

PLANNED OBJECTIVES FOR 2019	ACHIEVED OBJECTIVES IN 2019
Cooperation in the Slovenian and international development projects in the energy market	<p>Participation in various working groups in the field of the development of the energy market, among the most important ones are the cooperation within Europex, Energy Market Data Exchange Section (IPET Section) and Slovenian Association for Energy Economics (SAEE). Borzen was successful in the tenders of the Energy Community Secretariat. We implemented five consultancy projects, namely:</p> <ul style="list-style-type: none"> • Support in development of Rules for day-ahead and intraday market in Georgia; • Provision of technical assistance to North Macedonia for operation of the organised day-ahead market; • Support in development of rules/procedures and framework contracts for procurement of electricity in Moldova; • Support in development of the standard terms and conditions for direct contracts on sale and purchase of electricity and procedure for registration in Georgia; • Support in capacity building related to provisions of Electricity Market Rules in Moldova (in progress).

PLANNED OBJECTIVES FOR 2019	ACHIEVED OBJECTIVES IN 2019
Smart devices, models and platforms in the active network (project PAKT)	Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium which was successful in the call for applications carried out by the Slovenian Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology (SPIRIT Slovenia). The project was launched on 1 July 2017 and will last for three years. Borzen’s role is to establish and manage an aggregation trading platform.
FARCROSS project – Facilitating Regional Cross-border Electricity Transmission through Innovation	The project is implemented within the framework of the Horizon 2020 programme. It started in October 2019 and will last for four years. The basic purpose of the project is to optimise the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, which includes both physical interventions and changes in procedures that would increase possible power flows on the same physical infrastructure (cross-border lines).
NEDO-Fleks project	The NEDO-Fleks project, launched in mid-2019, addresses the problem of flexibility and sustainability of the power system and smart communities. We will develop a battery storage control system, advanced WAMS algorithms, new models for the field energy management system, a notification platform and an upgraded platform for market flexibility, which will enable sustainable development, more reliable power supply in emergency situations, efficient energy use, multifunctional use of equipment and maximum integration of prosumers into electricity markets.
Development of services of the Centre for Support	In order to follow the digitalisation trends and greater user-friendliness, we launched a web portal for the Centre for Support users in May 2016. The portal enables an easy and quick invoicing procedure. submission of applications, reviewing production data, changing contact details and accessing news related to the Support Scheme. The portal has more than 1,350 registered users.
Attention and kindness towards stakeholders	Analysing stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders; a greater involvement of stakeholders, a more targeted communication, and new content.
Sustainable development	A quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of activities of informing and raising awareness on sustainable energy; maintenance of the Corporate Social Responsibility Certificate and the Family-Friendly Enterprise Certificate; preparation of the Sustainability Report in accordance with the GRI guidelines.
Optimisation of business processes and quality of operations	Optimisation of certain business processes and the provision of IT support to different business processes.

COMPANY'S PERFORMANCE INDICATORS

An integrated quality of operations is achieved through the knowledge and professionalism of the employees and in pursuit of the company's mission, vision and values. At a time of great economic changes, the company operates with an increased level

of responsibility and is making informed decisions in order to maintain the existing trust in its operations to the greatest extent possible. The key indicators for comparing the performance of the company are monitored by applying a balanced system of indicators as a system of strategic management.

Selected strategic performance indicators are presented in the table below.

	2017	2018	BUSINESS PLAN 2019	2019
Revenue (in EUR)	4,581,099	4,494,848	4,437,000	4,526,725
EBIT – operating profit (in EUR)	1,881,029	1,533,897	1,151,400	1,328,714
EBIT margin	41.5 %	35.3 %	28.5 %	31.5 %
EBITDA margin	50.8 %	42.3 %	36.1 %	38.3 %
Return on assets (ROA)	1.7 %	0.9 %	0.6 %	0.7 %
Return on equity (ROE)	35.5 %	25.7 %	22.2 %	23.6 %
Operating efficiency	171.0 %	154.6 %	139.9 %	146.1 %
Revenue per employee (in EUR)	147,196	144,814	130,226	138,148
Added value per employee (in EUR)	119,314	114,447	99,797	105,302
Time needed for the preparation of the monthly imbalance settlement (in working days)	14	13,8	12	3,4
Time needed for the preparation and sending of an agreement on the provision of support and Eco agreements (in working days)	8,5	8,8	8	7,8
Customer satisfaction	94 %	87 %	above 80 %	95 %

Table 1: Strategic performance indicators

Preparation of the monthly imbalance settlement indicator shows the number of working days needed for the preparation of the imbalance settlement (IS), i.e. from the formal deadline for receiving data (which is not necessarily actual) to the issuance of IS1. For reasons of simplification, IS2 is carried out together with IS1 for the following month. The realisation of 2018 and the plan for 2019 originate from the previous model of IS or the predictions before the actual implementation.

Preparation and sending of an agreement on the provision of support indicator shows the number of working days needed for the preparation of an agreement on the provision of support and an Eco agreement from the receipt of a complete application

or the date of notification by the Energy Agency of the finality of the support decision.

Customer satisfaction is monitored through periodic satisfaction surveys by separately conducting a satisfaction survey on the operation of the Market Operator (carried out in 2018) and a satisfaction survey on the operation of the Centre for Support (carried out in 2017) every two years.

OTHER PERFORMANCE INDICATORS	2017	2018	BUSINESS PLAN 2019	2019
Operating fixed assets rate	1.5 %	1.1 %	1.0 %	0.9 %
Long-term assets rate	1.8 %	5.2 %	13.2 %	13.7 %
Net profit before tax (in EUR)	1,917,723	1,673,881	1,538,900	1,623,585
Operating efficiency	171.0 %	154.6 %	139.9 %	146.1 %
Share of labour costs in added value	40.7 %	46.0 %	52.3 %	49.7 %
Material and service cost management (in EUR)	832,278	911,035	943,300	998,519
Equity financing rate	4.2 %	3.2 %	2.6 %	2.6 %
Long-term financing rate	4.3 %	3.3 %	2.7 %	2.7 %
Equity to operating fixed assets ratio	2,796	2,870	2,685	2,867
Immediate solvency ratio	0,542	0,294	0,312	0,299
Quick ratio	0,768	0,440	0,426	0,413
Current ratio	1,024	0,980	0,892	0,887

Table 2: Other performance indicators

ANTICIPATED CIRCUMSTANCES AND COMPANY'S KEY OBJECTIVES IN 2020

In 2020, the company's operations will continue to be affected by the situation on both the Slovenian and international energy market, arising from the legislative frameworks and the general economic situation.

The trend in Slovenia as well as in Europe is moving in the direction of greater integration and "deepening" of markets, which will also affect the company's operations.

The following list summarises some of the key priorities that Borzen will pursue in 2020 and are part of the continuous implementation of the company's long-term strategy:

- Achieving the target ROA and ROE indicators;
- Achieving the target EBITDA margin;
- Ensuring the efficient implementation of tasks of the Market Operator for the benefit of the entire

market through operational excellence, including preparation for the transition to a 15-minute ISP;

- Adapting the market model due to the changes related to CEP, network codes and other regulations;
- Establishing the Centre for Support as the central reference point for RES in Slovenia;
- Adjusting the operation of the guarantees of origin system in the light of regulatory changes and users' needs;
- Reaching the key audiences and enhancing the company's socially responsible attitude;
- Providing a professional, quality, efficient and user-customised fulfilment of reporting requirements in accordance with REMIT;
- The company's integration into the international energy podium;
- Provision of advisory services, focusing on energy markets.

1.3 MANAGEMENT OF THE COMPANY

CORPORATE GOVERNANCE STATEMENTU

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

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

Borzen follows the recommended standards of the Code of Corporate Governance of Companies with State Capital Investment, adopted by the Management Board of the Slovenian Sovereign Holding

on 17 May 2017. The Code is publicly accessible on the Issuer's website. In addition, the Company has, since the adoption of the Code, followed the recommended standards of the Code of Corporate Governance of Companies with State Capital Investment, adopted by the Management Board of the Slovenian Sovereign Holding on 28 November 2019. The Code is publicly accessible on the Issuer's website.

2. BORZEN DEROGATES FROM THE FOLLOWING PROVISIONS

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

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

This involves the following provisions of the Code:

NUMBER IN THE CODE	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
3.2	NO	NO	The provision does not apply to a small limited liability company.
4.2	NO	NO	Borzen has only one shareholder.
4.2.3 (4.2.4 Code 2019)	NO	NO	The provision applies only to public limited companies.
4.3	NO	NO	The provision does not apply to Borzen, since, in accordance with the provision of Article 511 of the EA-1, the rights and duties which belong to the Republic of Slovenia based on equity investments in these companies are exercised by the Government and, consequently, cannot be implemented.
9.2.4. 9.2.5. 9.2.6. 9.2.7. 9.2.8. 9.2.9 9.2.10 and 9.3	NO	NO	Since Borzen is a small company, in accordance with Provision 9.2.3., it is not required to set up an internal audit service.

Borzen partially complies with the following recommendations:

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

Borzen does not comply with the following recommendations:

NUMBER IN THE CODE	PROVISION BINDS BORZEN	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.4.1	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competence profiles is neither reasonable nor necessary.
6.8.7 (6.9.7 Code 2019)	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, compliance with the Provisions 6.8.3, 6.8.4 and 6.8.5 is neither reasonable nor necessary (6.9.3, 6.9.4 and 6.9.5 Code 2019).
6.9.1 (6.10.1 Code 2019)	YES	NO	Regarding the amount of attendance fees and remunerations for functions, the Government of the Republic of Slovenia did not comply with the provisions of the Slovenian Sovereign Holding.

In 2020, Borzen will continue to comply with the same provisions of the Code as it has been complying with in 2019.

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

3. CORPORATE GOVERNANCE SYSTEM

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

MANAGEMENT OF THE COMPANY

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

General Manager Karol Peter Peršolja, PhD, has been managing and representing the company since 1 January 2010. In 2019, Mr. Peršolja was re-appointed as General Manager for a new five-year term, beginning on 1 January 2020.

In 2019, Mr. Peršolja continued to serve as a Deputy Chairman of the Supervisory Board of the affiliated company BSP d.o.o.

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

MANAGEMENT STRUCTURE OF THE COMPANY IN THE FINANCIAL YEAR 2019

Karol Peter Peršolja, PhD, General Manager of the company	
Year of birth:	1963
Gender:	male
Nationality:	Slovenian
Education:	Bachelor of Economics, Master of Science, Doctor of Science of Law
Professional profile:	Energy
First appointment to the function:	1 January 2010
Conclusion of the mandate:	31 December 2024
Memberships in other supervisory or management bodies that are not related to Borzen:	Chairman of the Supervisory Board of SODO d.o.o. until 13 May 2019, Chairman of the Supervisory Board of GEN energija d.o.o. until 20 June 2019

SUPERVISORY BOARD OF THE COMPANY

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

At the company's Annual General Meeting, the Government of the Republic of Slovenia appointed a Supervisory Board, which took office on 17 April 2014 and, after the constitutive meeting dated 6 May 2015, consisted of:

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

- Member of the Supervisory Board: Mr. Janez Černe.

On 29 July 2015, the Government of the Republic of Slovenia recalled Mr. Dejan Paravan as a member of the Supervisory Board (effective on 30 July 2015) and appointed Mr. Nejc Brezovar as a new member of the Supervisory Board from 31 July 2015 to 17 April 2019. The Supervisory Board consisted of:

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

On 16 June 2016, the Government of the Republic of Slovenia recalled Mr. Nejc Brezovar as a member of the Supervisory Board and appointed Ms. Alenka

Kolar as a new member of the Supervisory Board from 17 June 2016 to 17 April 2019. Thus, the Supervisory Board currently consists of:

- Chairman of the Supervisory Board: Mr. Gorazd Ažman, MSc;
- Deputy Chairman of the Supervisory Board: Mr. Janez Černe;
- Member of the Supervisory Board: Ms. Alenka Kolar, PhD.

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

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

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

- Appointing and dismissing the General Manager;
- Reviewing the composition of the annual report and the proposal for the use of distributable profit; preparing a written report for the founder or the

sole shareholder on the results of the verification of the annual report; and confirming or stating the observations regarding the annual report;

- Proposing the adoption of resolutions within its field of competence or giving its opinions on proposals for the adoption of resolutions of the general meeting, made by the General Manager;
- Adopting the annual operating plan and approving the company's annual report;
- Issuing a reasoned opinion on the company's strategic plan;
- Concluding employment contracts with the General Manager and confirming the content of other contracts, concluded with the General Manager or the Procurement Holder;
- Giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence;
- Giving consent to the General Manager for disposing of the shares or interest in a legal person, in which the company holds a controlling stake or a dominant influence;
- Requesting that the General Manager provide any information necessary for exercising supervision in the company or its subsidiaries.

COMPOSITION OF THE SUPERVISORY BOARD OF BORZEN IN THE FINANCIAL YEAR 2019 UP TO AND INCLUDING 16 APRIL 2019:

Gorazd Ažman, MSc, Chairman of the Supervisory Board	
Year of birth:	1975
Gender:	male
Nationality:	Slovenian
Education:	Bachelor of Electrical Engineering, Master of Science
Professional profile:	Energy, finance
Beginning of the mandate:	17 April 2014 (representative of capital)
Conclusion of the mandate:	16 April 2019
Attendance at the Supervisory Board meetings:	3/3
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	General manager at Mentem, poslovno svetovanje, d.o.o.

Janez Černe, Deputy Chairman of the Supervisory Board	
Year of birth:	1967
Gender:	male
Nationality:	Slovenian
Education:	Bachelor of Electrical Engineering/Automation
Professional profile:	Energy, finance
Beginning of the mandate:	17 April 2014 (representative of capital)
Conclusion of the mandate:	16 April 2019
Attendance at the Supervisory Board meetings:	2/3
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	General manager at ENERGOVAT inženiring d.o.o., general manager at KOENERGO A sproizvodnja toplote in električne energije d.o.o.

Alenka Kolar, PhD, Member of the Supervisory Board	
Year of birth:	1972
Gender:	female
Nationality:	Slovenian
Education:	Bachelor of Mechanical Engineering, MSc of Organisational Theory, PhD in Informatics
Professional profile:	Computer and/or information technologies
Beginning of the mandate:	17 June 2016 (representative of capital)
Conclusion of the mandate:	16 April 2019
Attendance at the Supervisory Board meetings:	3/3
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	Chairman of the supervisory board of Informatika d.d., member of the institute council of the Ljubljana University Medical Centre.

COMPOSITION OF THE SUPERVISORY BOARD OF BORZEN IN THE FINANCIAL YEAR 2019 UP TO AND INCLUDING 17 APRIL 2019:

Mojca Kert, Chairman of the Supervisory Board	
Year of birth:	1964
Gender:	female
Nationality:	Slovenian
Education:	Bachelor of Science in Mechanical Engineering
Professional profile:	Energy
Beginning of the mandate:	17 April 2019 (representative of capital)
Conclusion of the mandate:	17 April 2024
Attendance at the Supervisory Board meetings:	9/9
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	Is not a member in any other supervisory or management body.

Alenka Kolar, PhD, Deputy Chairman of the Supervisory Board	
Year of birth:	1972
Gender:	female
Nationality:	Slovenian
Education:	Bachelor of Mechanical Engineering, MSc of Organisational Theory, PhD in Informatics
Professional profile:	Computer and/or information technologies
Beginning of the mandate:	17 April 2019
Conclusion of the mandate:	17 April 2024
Attendance at the Supervisory Board meetings:	9/9
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	Member of the institute council of the Ljubljana University Medical Centre.

Jure Jemec, Member of the Supervisory Board	
Year of birth:	1987
Gender:	male
Nationality:	Slovenian
Education:	Bachelor of Computer Science
Professional profile:	Computer and/or information technologies
Beginning of the mandate:	17 April 2019 (representative of capital)
Conclusion of the mandate:	17 April 2024
Attendance at the Supervisory Board meetings:	9/9
Independence under Article 23 of the Code:	Yes
Existence of a conflict of interest in the financial year:	No
Memberships in other supervisory or management bodies that are not related to Borzen:	General manager at TMG-BMC d.o.o. družba za biomedicinski inženiring, general manager at SENSMOTION, družba za razvoj bio senzorjev, d.o.o., general manager at Zavod ISOT, institute for the promotion of tensiomyography.

In accordance with the Companies Act, Borzen's Articles of Association and Rules of Procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the financial year 2019, the Supervisory Board held nine regular, one extraordinary and one correspondence session. The Supervisory Board did not set up any special commission for the purpose of its operation.

In 2019, the members of the Supervisory Board were entitled to benefits for their function in accordance with the valid decision of the shareholder. The benefits are specified in the Financial Report.

The members of the Supervisory Board were acquainted with the criterion of independence and signed an independence declaration.

SHAREHOLDER

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

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

- Appointment of an auditor;

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

The shareholder usually meets once a year at the general meeting. In the financial year 2019, three general meetings were held. The first general meeting took place on 11 April 2019, at which the shareholder appointed all three members of the Supervisory Board for a five-year term.

The second general meeting took place on 19 September 2019, at which the shareholder was acquainted with the company's Annual Report for the business

year 2018 and decided that the distributable profit in the amount of EUR 1,365,700.56 is used by allocating the profit in the amount of EUR 1,000,000 to the shareholder and that the remaining profit in the amount of EUR 365,700.56 is allocated to other profit reserves. At the general meeting, the shareholder granted a discharge to the General Manager and members of the Supervisory Board for their work in 2018.

At the third general meeting, held on 5 December 2019, the shareholder adopted the Decision on giving consent to the General Manager to conclude the Framework Credit Agreement undertaking joint and several liability with BSP d.o.o. up to the amount of the principal debt EUR 1,750,000 with possible collateral liabilities and the delivery of the blank promissory notes to the bank for liability insurance.

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

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

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

The Management accepts and approves the financial statements of the company Borzen, d.o.o. for the year ending on 31 December 2019 and the notes to the financial statements, which are prepared under the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies were consistently applied in the preparation of the financial statements; that the accounting estimates were prepared on the basis of the precautionary principle and good governance; and that the financial statements represent a true and fair view of the company's assets and the results of the company's business operations in 2019.

5. System of internal controls and risk management

The company conducts a system of internal controls and risk management in accordance with the system of comprehensive risk management, as described in more detail in a special chapter of this annual report.

6. System of corporate integrity

Borzen adheres to the recommendations of the good corporate practice of the Slovenian Sovereign Holding and the Slovenian Directors' Association. In 2019, the company's Supervisory Board carried out a self-assessment of its work.

7. Associated companies

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

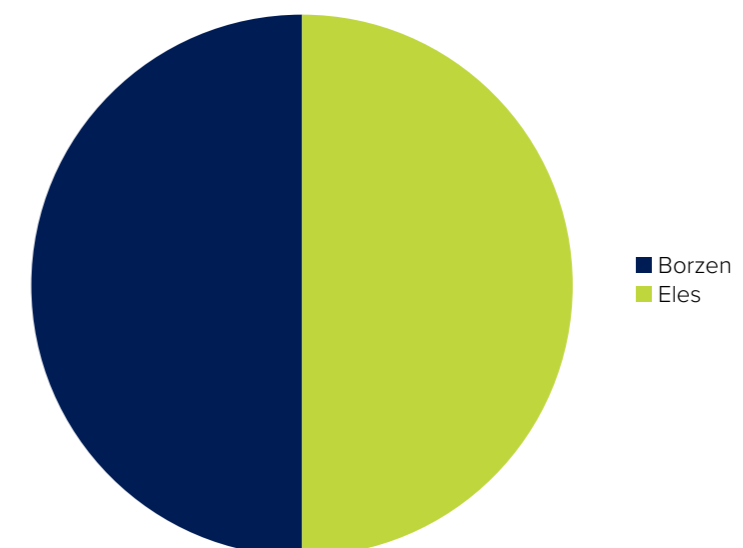


Figure 4: Equity participation in BSP Energy Exchange

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

BSP Energy Exchange was founded in 2008 with the aim of organising trading on an electricity exchange market, conducting financial settlements of exchange transactions, and implicitly granting short-term rights to access cross-border transmission capacities on behalf of the System Operator. Furthermore, BSP Energy Exchange, taking into account the technical requirements of the System Operator ELES and the competences of the Market Operator Borzen, pursuant to the Energy Act, carries out trading on the Slovenian balancing market. The Energy Exchange enables trading in two segments, namely in the form of day-ahead auction trading, where trading takes place one day before the electricity is supplied, and in the form of intra-day trading, where trading takes place until the electricity is supplied. The Energy Exchange also provides OTC clearing for both market segments.

Simultaneously, BSP has been actively participating in the formation of a single European electricity market in the field of trading on the electricity exchange. Pursuant to the Commission Regulation (EU) 2015/1222 Establishing a Guideline on Capacity Allocation and Congestion Management. in the last quarter of 2015, BSP was issued a decision by the Energy Agency of the Republic of Slovenia, awarding it the status of a Nominated Electricity Market Operator (NEMO), which imposes that it performs the uniform coupling of day-ahead markets at the borders of the Slovenian electric power system in cooperation with the System Operator of the transmission network. In December 2019, the Energy Agency extended the status of NEMO for a further period of four years to BSP on the basis of the implementation of the criteria assessment procedure. In the day-ahead segment, the Slovenian energy exchange market has been successfully integrated into the single European day-ahead market since February 2015, through the mechanism of implicit market coupling. At the same time, the Slovenian energy exchange market in the intraday trading segment has been implicitly coupled with the Italian intraday market through supplementary implicit auctions since June 2016.

In 2019, the Slovenian energy exchange market became part of the single intraday coupling market by upgrading the local intraday trading (XBID) and adjusting its operating procedures.

The company BSP d.o.o. ended the financial year 2019 with a net profit of EUR 665,000. The positive

result was mainly due to a fifteen-percent increase in the amount of concluded transactions on the exchange and the additional revenues arising from the management of working groups at the level of the company's regional projects and from the provision of the professional advisory services. As a result, the Slovenian market has been successfully connected to the single European intraday market at the Slovenian-Austrian and Slovenian-Croatian borders since November 2018.

1.4 RISK MANAGEMENT

CIRCUMSTANCES THAT AFFECTED THE RISKS AND THEIR MANAGEMENT

For successful business operations, it is of great importance to identify risks as efficiently as possible and to manage them successfully. Borzen is a company providing public service, which consequently means that we are bound to our regulatory environment that greatly affects all the categories of identified risks.

INTEGRATED RISK MANAGEMENT

Based on the Rules on Integrated Risk Management (hereinafter: Rules), the company reports on the ex-

posure to key risks and measures for their control, on significant changes in the exposure to individual risks and on other relevant information regarding risk management.

In accordance with the aforementioned Rules, the risks are assessed based on the parameters listed below.

DETERMINING THE CONSEQUENCES/DAMAGES (OF THE IMPACT)

The consequences of the risks include the possible outcomes of the event. The consequences can be positive or negative and are valued according to the achievement of the intended objectives.

Value	Scale of impact	Measure; revenue, expenses, payments, sensitivity...
4	SEVERE	The financial impact is greater than 50 percent of the company's revenue/expenditure; the company's core mission and activities are at risk; the threat of judicial proceedings; the loss of confidence; the cessation of activities and competences, etc.
3	SIGNIFICANT	The financial impact is between 25 and 50 percent of the company's revenue/expenditure; the need for adjustments and changes; the change of organisation; great influence on stakeholders' satisfaction; long-term loss of reputation, etc.
2	MODERATE	The financial impact is between 10 and 25 percent of the company's revenue/expenditure; the need to reorganise activities, moderate influence on stakeholders' satisfaction, short-term loss of reputation, etc.
1	MINOR	The financial impact is lower than 10 percent of the company's revenue/expenditure; minor influence on stakeholders' satisfaction, etc.

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

- Significance of the impact on the operation (materiality principle) – **quantitative**:
 - Significance of costs in the profit (participation in % of costs or expenses);
 - Significance of revenue (percentage of service, etc. in all revenues);
 - Significance of assets (size of investment, value of the assets in the balance sheet);
 - Significance in terms of the number of employees involved in the processes (also related to costs).
- Sensitivity of the area – **qualitative**:
 - Significant changes (e.g. new investments, organisational changes);
 - Importance in terms of stakeholders' satisfaction;
 - Impact on service quality;
 - Personnel and their knowledge;
 - Integrity of IT support;
 - Protection of personal data;
 - Control area;
 - Reputation of the company.

Determining the probability (how likely and how often is an event to occur)

The criteria for assessing the likelihood of a negative event or loss of opportunity are as follows:

Value	Rating	Criterion
4	VERY LIKELY	Probability above 75 percent
3	LIKELY	Probability between 50 and 75 percent
2	POSSIBLE	Probability between 25 and 50 percent
1	UNLIKELY	Probability less than 25 percent. small possibility of realisation

RISK LEVEL (SEVERITY OF THE RISK)

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

Risk = impact x probability

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

		PROBABILITY			
		Unlikely 1	Possible 2	Very possible 3	Almost certainly 4
IMPACT	Severe 4	16	12	8	4
	Significant 3	12	9	6	3
	Moderate 2	8	6	4	2
	Minor 1	4	3	2	1

Table 3: Risk matrix

The comprehensive risk management system is thus supported by a risk register that identifies all the key risks that can affect the achievement of the company's planned business objectives and represents the company's strategic risk management.

major business decision, project or any significant change in the market or of relevant legislation. The identified risks are analysed in detail, by determining the significance of a particular risk and the necessary measures for their control.

The identification of risks is carried out during the preparation of the company's business plan, the revision of the company's strategic plan and during any

Based on the risk assessments and the cost-benefit balancing, the company sets its priorities and selects the most appropriate way of managing risks. In this

way, we want to ensure that the risk stays at the desired exposure level after the implementation of measures. In this regard, we have decided upon the strategies of risk aversion, risk reduction, risk transfer to a third party or risk acceptance.

OPERATIONAL RISKS

Operational risks are related to the damage caused by inadequately implemented internal processes, improper employee behaviour, information technology failures and low-quality services provided by external providers. The recognition and management of operational risks are crucial for the successful operation of the company since efficient internal processes, professionally qualified, experienced and motivated employees ensure the prevention of operational risks and the correct and efficient adjustment of operations under all economic conditions.

Among the information system risks, there are significant risks of potential interruptions in the operation of the application and system software, hardware, communication and network connections, and special attention is paid to the risks associated with information security. The risks are primarily reduced through redundant independent optical connections between two locations, synchronous replications, a central control system and data backup.

The human resources risks are of particular importance for the company, due to the implementation of different activities of the Market Operator and the specificity of the assigned tasks. The additional tasks acquired by Borzen every year and the changes in the market require that the employees constantly upgrade their existing knowledge and obtain new knowledge, adapt and perform quality team work. The biggest risk for the company is the potential loss of key employees; thus, special attention is given to social dialogue, additional professional training, motivation and provision of stimulating working conditions and environment. The monitoring of the labour market conditions showed that the employment trends were highly favourable and that the market was still very open (the impact of the ageing population; a reduction in the available workforce/the impact of the economy; new jobs, etc.). This has resulted in an increased employee fluctuation rate in the companies on the market. A similar trend can be observed at Borzen, where, throughout 2019, six employees sought new opportunities and challenges outside out company.

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

In the course of monitoring the operational risks in 2019, no significant deviations were detected, apart from those described above.

THE KEY IDENTIFIED RISKS

Based on the activity and size of the company, the number of employees, the conduct on the market and the legislative framework that limits and binds the company's operations, we have classified the risks into four systematic groups, namely:

- Strategic/business risks;
- Operational risks;
- Financial/market risks;
- Legislative risks – risk of non-compliance with the regulations.

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

STRATEGIC/BUSINESS RISKS

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

One of the strategic risks is the investment risk related to the investment in the BSP Energy Exchange, in which Borzen holds a 50-percent stake. This is primarily related to the management of the investment, which represents an issue addressed by both stakeholders and their mutual coordination regarding the management and further development of the company.

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

In the course of monitoring the strategic/business risks in 2019, no significant deviations were detected.

FINANCIAL/MARKET RISKS

The financial risk management pursues the attainment of stable operations, the management of financial expenses within the planned framework and long-term solvency.

The risk of default or non-payment of financial obligations means that there is a risk that the counterparty will not fulfil its financial liabilities in accordance with the contractual terms. The management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. The risk of default is largely present in the implementation of the financial settlement of the imbalance settlement. Therefore, Borzen already included this type of risk in the Rules on the Operation of the Organised Electricity Market. Future Balance Scheme members are verified upon their application for membership by a careful review of their credit rating and by monitoring their operations. Before entering the Balance Scheme, members are required to submit an adequate financial guarantee in the form of a cash deposit or a first call bank guarantee. The process of managing the risks of default includes the calculation of the relevant variation margins in case of deviations. The increase in the variation margin arises on the basis of projected deviations (on a daily basis) or at every issuing of the imbalance settlement invoices if these are higher than the already submitted margins. In the event that the participants in the financial settlement fail to fulfil their financial obligations, Borzen can use their financial guarantees and, in the extreme case, exclude a member from the Balance Scheme.

The liquidity risk defines the ability to provide sufficient funds for a prompt settlement of due liabilities. Borzen ensures the highest possible financial liquidity by always having sufficient liquid assets for settling due liabilities within the deadline and separately managing the assets under management. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and carefully planning the inflows and outflows on a monthly/weekly basis. The company has also established a system for managing and optimising short-term cash surpluses, taking into account the investment diversification. At the same time, the company is also responsible for coordinating the maturity of claims and liabilities and their consistent enforcement.

In addition to the above mentioned risks, the company also monitors currency and interest rate risks, which were fairly modest and did not require any special management. In the framework of foreign operations, the recalculation and imbalance settlement for different business segments are both carried out

in euros. The interest rate risk is associated with an unexpected rise in cash flow costs in bank accounts.

In the course of monitoring the financial/market risks in 2019, no significant deviations were detected.

LEGISLATIVE RISKS (COMPLIANCE WITH THE REGULATIONS)

A legislative risk is a risk related to the amendments and inconsistencies in the regulations on which the company has no influence. Borzen's exposure to the regulatory risks is high, since the company's core business of a public utility service is a regulated activity. In this regard, it is necessary to emphasise that the source of financing a public utility service is also regulated.

The risks related to the damage caused by violations or non-compliance with legislation and regulations are managed primarily through regular monitoring and active participation in the preparation of regulations and up-to-date adjustments of operations. In addition, regulatory risks are also managed by the most precise and unambiguous regulations possible.

At the end of 2019, the issue of further amendments to EA-1 has remained open, as the act will soon need to be revised due to the transfer of the CEP package. In addition to the above, the reform of the EA-1 is already underway at the Slovenian Ministry of Infrastructure and is now proposed to be divided into separate laws. Any amendment to the EA-1 poses a risk to the operation of Borzen, but on the other hand, also presents the opportunity for new activities, while it is necessary to provide an appropriate system funding resources.

1.5 ENSURING COMPLIANCE WITH INFORMATION SECURITY AND DIGITAL BUSINESS STANDARDS

ISO/IEC 27001:2013 CERTIFICATION

Due to the growing dependence on information technologies, the openness of organisations and the increasing importance of information in modern business, regular and adequate protection of information has become very important. The company can control risk by appropriate identification and classification of information goods, systematic analysis and identification of risks that pose a threat to information goods. By selecting an appropriate control mechanism, such as an international standard for the management of information security, the company demonstrates that it protects the confidentiality, completeness and availability of all information assets relevant to stakeholders and society in general. That is why Borzen decided to obtain the ISO/IEC 27001:2013 certification in 2018.

ISO/IEC 27001:2013 is an international standard that contains requirements related to the Information Security Management System. It enables the company to assess risks and introduce control mechanisms that maintain the confidentiality, completeness and availability of information goods. The main objective is to secure company's information and prevent the loss or misuse of information.

We understand information security management as an ongoing process that includes planning, implementation, control and action, with which we constantly raise the level of information security. In this way, we ensure the constant discovery of weak points, the detection of security events (incidents), we adapt to business needs, the requirements of applicable regulations and the external and internal environment.

In 2019, Borzen successfully performed an external control audit according to the ISO/IEC 27001:2013 standard.

DIGITAL OPERATION

Digital operation enables us to store electronic documentation in a long-term electronic manner in accordance with the law and regulations. In this way, we ensure operational excellence in terms of savings in physical storage costs, optimisation and acceleration of business processes, easier management of archival documents. This also ensures the durability

of stored digital documents, maintains the usability of their content and ensures their invariability and authenticity or provability of their origin.

The e-storage system we have established is based on internal rules, which were confirmed by the Archives of the Republic of Slovenia. As there were some changes in the company in 2019, we changed or supplemented individual chapters within the internal rules and the associated appendix (Signing plan). In this way, we take care of the properly arranged capture of company's documents and storage of documentary and archival material in digital form.



**CLEAN SEAS
FOR A HEALTHY
ENVIRONMENT.**

Elementary School IV. Celje,
"Fackini ekologi 1" team.





2. ACTIVITIES OF THE MARKET OPERATOR IN SLOVENIA

2.1 RECORDING OF CLOSED CONTRACTS, OPERATIONAL FORECASTS AND PREPARATION OF INDICATIVE OPERATING SCHEDULES OF THE TRANSMISSION AND DISTRIBUTION NETWORK

The Energy Act imposes on the Market Operator the obligation of recording contracts of the Balance Scheme membership, operational forecasts and closed contracts. All contractually agreed obligations according to which electricity is purchased or sold in the Republic of Slovenia or is transmitted outside the control area are recorded. Closed contracts and operational forecasts are recorded on a daily basis, seven days a week. Every day, the Market Operator draws up an indicative operating schedule of the transmission and distribution network that is submitted to the Slovenian Transmission System Operator, ELES. In the case of changes in the reported quantities of closed contracts and operational forecasts, which can be reported in accordance with the Rules on the Operation of the Organised Electricity

Market due to intra-day trading, the corrected final schedule is also prepared.

RECORDED CLOSED CONTRACTS AND OPERATIONAL FORECASTS

A total of **107,947** closed contracts and operational forecasts were recorded in 2019, in the total amount of **84,343 GWh**. Compared to the previous year, the number of recorded closed contracts and operational forecasts in the same period was 1.1 percent lower, while the total quantity was 1.5 percent higher.

Month	Closed contracts [in MWh]	Operational forecasts [in MWh]	Number of closed contracts and operational forecast
January	5,035,778.906	2,399,795.513	9,332
February	4,428,561.444	2,267,888.105	8,435
March	4,611,414.053	2,272,760.578	9,279
April	4,203,264.956	2,244,269.125	8,983
May	4,486,807.456	2,466,610.785	9,421
June	4,490,717.615	2,490,878.397	9,089
July	4,981,646.956	2,439,412.907	9,187
August	4,598,255.442	2,203,631.788	8,933
September	4,775,318.424	2,176,446.080	8,777
October	5,093,931.828	1,927,103.949	9,068
November	4,722,062.908	2,613,020.230	8,964
December	4,811,397.861	2,602,049.738	8,479
Total	56,239,157.849	28,103,867.195	107,947

Table 4: Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and number of recorded closed contracts and operational forecasts on the organised market in Slovenia in 2019

In 2019, we recorded a slight increase in the value of recorded closed contracts, which was higher by 3.2 percent than that of the previous year and amounted to 56,239 GWh. The opposite applies to the number of recorded closed contracts, where a decrease in number was observed, namely the number decreased by 4.3 percent and amounted to 62,781 contracts. The volumes were increased mainly on

account of intra-Slovenia trading or concluded closes contracts between members of the Balance Scheme, where we recorded 3.9-percent growth. At the borders of the regulatory area, we recorded 2.1-percent growth compared to the previous year. Compared to 2018, the amount of recorded operational forecasts decreased by 1.6 percent and amounted to 28,103 GWh.

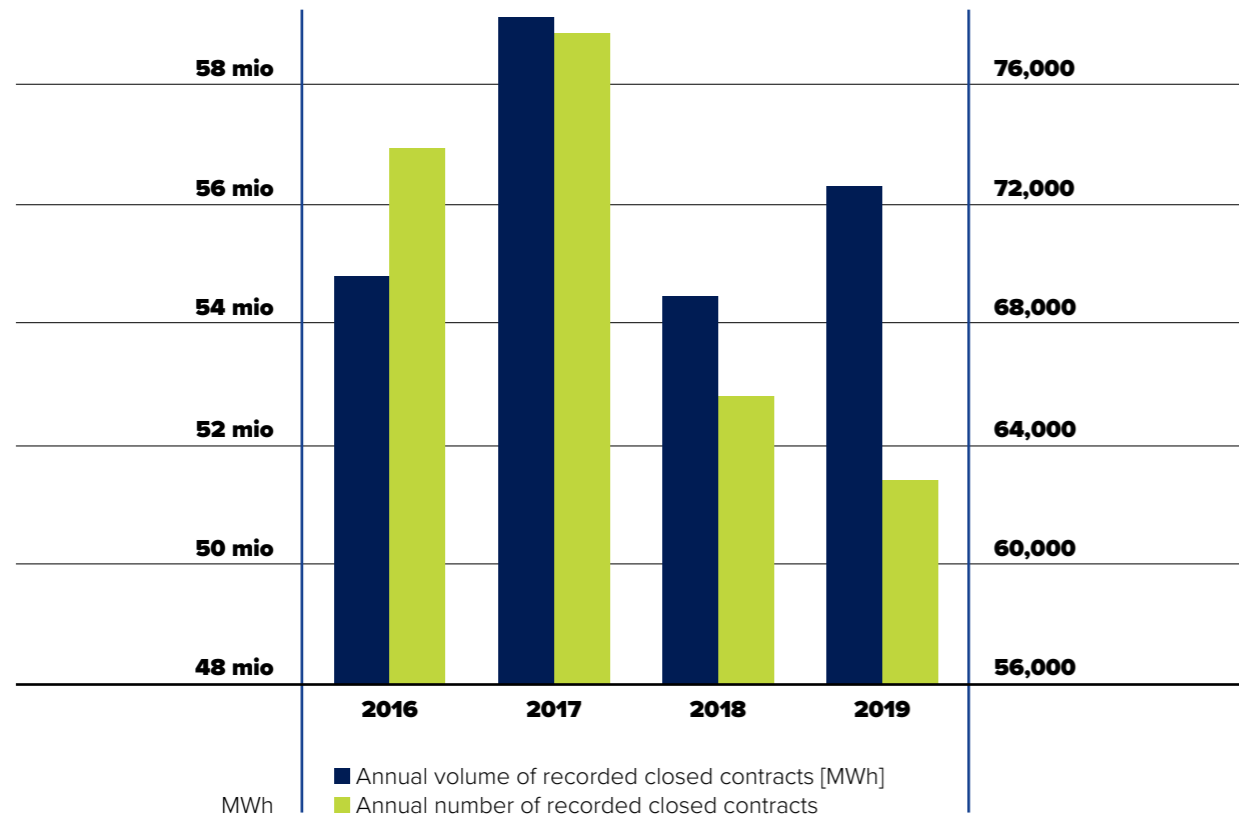


Figure 5: Monthly volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the electricity market in Slovenia in the period from 2016 to 2019

The data from the last four years are shown in the following table.

Year	Annual volume of recorded closed contracts [in MWh]	Increase in the volume of closed contracts in percent compared to the previous year	Annual number of recorded closed contracts	Increase in the number of closed contracts in percent compared to the
2016	54,834,360	5.2 %	73,887	-3.1 %
2017	59,144,645	7.9 %	77,763	5.2 %
2018	54,488,921	-7.9 %	65,577	-15.7 %
2019	56,239,158	3.2 %	62,781	-4.3 %

Table 5: Annual volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the electricity market in Slovenia in the 2016-2019 period

From 2016 to 2019, the reported volumes of electricity from closed contracts increased by 2.6 percent, while the number of recorded contracts on the Slovenian market decreased by 15 percent. Despite the growth of the total quantity of recorded closed contracts, it is worth noting that the quantities in recorded contracts decreased for most balance groups. The total increase is mainly due to the increase in the volumes of recorded closed contracts by the transmission system operator (TSO) and BSP Energy Exchange, which is a result of increased trading on the BSP Energy Exchange. Namely, TSO performs the role of a market agent (i.e. Shipping Agent) in the Slovenian trading area, which consequently means that the entire quantity concluded through the energy exchange is recorded first in the form of a closed contract between BSP and TSO and then, additionally, in the form of a closed contract between TSP and external partners at the regulatory area border.

In accordance with the Energy Act, the members of the Balance Scheme (excluding public service providers and BSP) are obliged to pay for the registration of closed contracts, in which they act on behalf of supplier (seller in a closed contract). The payments by the members of the Balance Scheme depend on the volume of recorded closed contracts (excluding closed contracts for electricity imports) and are calculated on the basis of the reported quantities in MWh. In 2019, this amount totalled 22,819 GWh and was 11 percent lower than in 2018 and even 27 percent lower than in 2017.

distribution. The Herfindahl–Hirschman Index (HHI) of concentration and the sum of the shares of the five and ten largest balance groups are presented in the table below. HHI is calculated as the sum of the squares of the balance groups' shares in the market (excluding duplications due to the trading on the energy exchange and an independent system balance group, i.e. system operator). CR5 and CR10 are calculated as the sum of shares of the five and ten largest balance groups. The value of the index varies on a scale from 0 (full competition) to 10,000 (monopoly).

From the table below, it can be observed that HHI was at similar level in the 2016-2017 period (approximately 1,800) and then increased significantly in 2018 and again in 2019, when it stopped at 2,850, indicating a strong market concentration. If we look at the cumulative share represented by the five largest players on the market (CR5), we can see that the share of the five largest balance groups increased from 75.8 percent in 2016 to 91.4 percent in 2019. The largest increase is noticeable just in the last year. A similar situation arose in the case of the CR10 index, which represents the sum of the ten largest balance groups in the recorded closed contracts. This increased from 89.6 percent in 2016 to 95.9 percent in 2019, meaning that the ten largest balance groups recorded slightly less than 96 percent of all closed contracts in 2019.

MOVEMENT OF CONCENTRATION ON THE WHOLESALE MARKET

In the previous chapter, we analysed the total quantity and number of recorded closed contracts in 2019. From the market operation point of view, not only the total quantities are important, but also their

Year	2016	2017	2018	2019
HHI	1,837	1,813	2,359	2,850
CR5	82.2%	75.4 %	82.2 %	91.4 %
CR10	94.1%	2.850	94.1 %	95.9 %

Table 6: Herfindahl–Hirschman Index and the share of the five (CR5) or ten (CR10) largest balance groups in the recorded closed contracts in the 2015-2018 period

TRANSMISSION OF ELECTRICITY AT THE BORDERS OF THE SLOVENIAN CONTROL AREA

In 2019, the net electricity exchange at the borders of the Slovenian control area totalled 249.5 GWh, me-

aning that there was a 1.7 percent surplus of electricity compared to the total electricity consumption. Since slightly less than 2,762 GWh of electricity from the Croatian share of the Krško Nuclear Power Plant (KNPP) belonged to the Croatian network. Slovenia was a net importer of electricity in 2019. The net imports amounted to 2,512.5 GWh, which represented 17.4 percent of the total electricity consumption in Slovenia.

Month	Export [in MWh]	Export from KNPP [MWh]	Import [MWh]	Import incl. KNPP [MWh]	Net position [MWh]	Net position excl. KNPP [MWh]
January	556,485	813,527	992,338	992,338	-178,811	-435,853
February	559,721	793,354	777,882	777,882	15,472	-218,161
March	537,429	795,942	893,318	893,396	-97,454	-355,889
April	495,501	745,405	722,583	722,679	22,726	-227,082
May	629,454	887,379	711,125	711,125	176,254	-81,671
June	658,903	905,990	698,715	698,715	207,275	-39,812
July	697,512	949,075	825,533	825,543	123,532	-128,021
August	532,386	783,292	795,918	795,991	-12,699	-263,532
September	499,367	743,464	807,064	807,064	-63,600	-307,697
October	547,350	559,915	972,921	976,981	-417,066	-425,571
November	701,420.9	947,509.9	656,004.6	656,004.6	291,505.3	45,416.3
December	669,327.1	926,317.1	743,954.025	743,954.025	182,363.075	-74,626.925
Total	7,084.856	9,851.170	9,597,355.625	9,601,672.625	249,497.375	-2,512,499.625

Table 7: Total import and export of electricity on the borders of the Slovenian control area in 2019

The export of electricity, excluding the electricity generated from the Croatian part of the KNPP, was 2 percent higher than in 2018, amounting to 7,084 GWh, while the total imports, excluding the electricity intended for the needs of the Croatian part of the KNPP, increased by 2.7 percent in the same period and amounted to 9,597 GWh.

The export at the Austrian border in 2019 was 51 percent lower than in 2018 and it totalled 573 GWh, while the import was 55.4 percent higher and equalled 5,975 GWh. Compared to 2018, the export at the Croatian border was 41.6 percent higher (taking into account

the production of the Croatian part of the KNPP) and amounted to 6,629 GWh. The import decreased by 55 percent and equalled 2,317 GWh. The total KNPP production increased by 1.3 percent compared to 2018 and equalled 5,558 GWh. Compared to 2018, the exports at the Italian border were higher by 31 percent, while the imports amounted to 1,309 GWh and increased by 265 percent compared to the previous year.

The table below shows the data on the number of recorded closed contracts concerning the electricity import and export in 2019 by individual borders.

Border	AUSTRIA		ITALY		CROATIA		
	Export	Import	Export	Import	Export	Import	Export KNPP
January	15,903	594,154	141,184	201,929	656,440	196,255	257,042
February	60,375	471,529	360,291	21,879	372,688	284,474	233,633
March	45,449	620,654	381,760	8,485	368,733	264,257	258,513
April	26,475	514,451	271,981	43,204	446,949	165,024	249,904
May	75,006	468,624	284,178	25,773	528,195	216,728	257,925
June	61,193	510,913	241,964	53,520	602,833	134,282	247,087
July	12,849	603,452	121,559	149,943	814,667	72,148	251,563
August	11,592	506,969	46,907	192,598	724,793	96,424	250,906
September	7,283	478,376	59,161	254,707	677,020	73,981	244,097
October	8,512	542,441	92,746	246,543	458,657	187,997	12,565
November	149,178.80	247,705.5	354,095	31,564	444,236.1	376,735.1	246,089
December	100,138.50	415,962.5	291,896	79,243	534,282.6	248,748.5	256,990
Total	573,954.30	5,975,231	2,647,722	1,309,388	6,629,493.70	2,317,053.60	2,766,314

Table 8: Recorded closed contracts by border for the export and import of electricity in 2018 [in MWh]

2.2 IMBALANCE SETTLEMENT

On 1 January 2019, the new Rules on the Operation of the Electricity Market came into force and brought several novelties, especially in regards to the implementation of imbalance settlement. Significant changes were also introduced by the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing. The Regulation stipulates that an imbalance can have alternatively a negative sign, indicating a balance responsible party's shortage and a positive sign, indicating a balance responsible party's surplus. As a result of these provisions, the naming of price indices for imbalances has changed from C+ to Cneg and C- to Cpos. The sign of the control energy has not changes.

The new Rules brought even more important novelties, i.e. the terminological harmonisation; a chan-

ge in the method of performing the imbalance settlement in terms of implementation steps (IS1 and IS2, which is performed only in case of need, such as errors or new facts or data); an expanded set of data which shall be made public; shortened deadlines for data transmission by operators; a modified methodology for adjusting prices for imbalances.

The figure below provides a schematic overview of the new imbalance settlement procedure, indicating key articles (and paragraphs, e.g. 104(2) of the new Rules on the Operation of the Electricity Market). In separate frames, the key difference regarding the timetable to the (first) financial settlement, as well as the key data for the annual settlement are also given.

IMBALANCE SETTLEMENT SCHEME

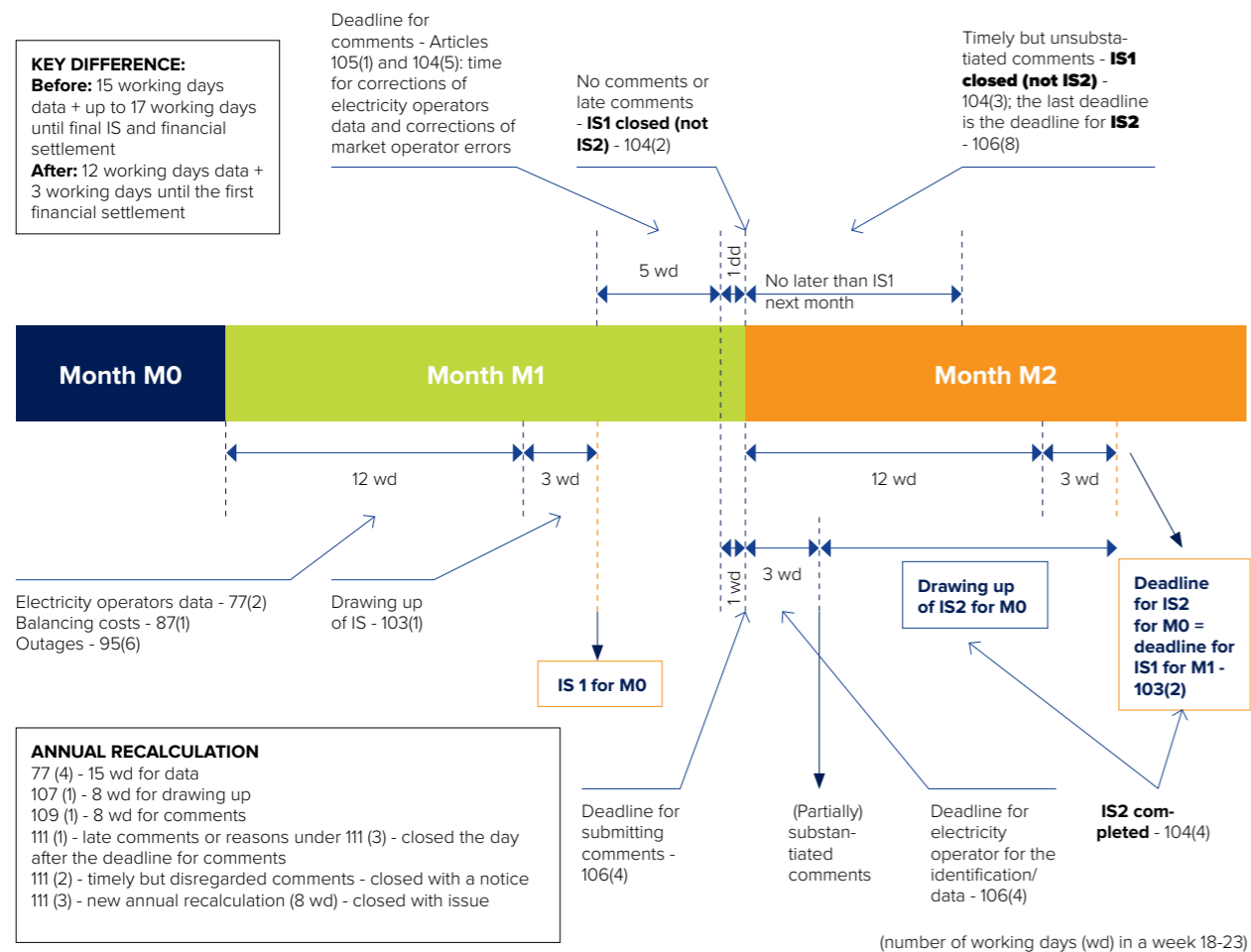


Figure 6: Imbalance settlement procedure (indicating the relevant articles of the new Rules on the Operation of the Electricity Market)

The new Rules also provided for the transition from the hourly to the 15-minute imbalance settlement period from 1 January 2020. In order to ensure a smoother and more harmonised transition to the new ISP, the amendment to the Rules, which entered into force in September, postponed the deadline until 1 January 2021.

The report covers the imbalance settlement period for 2019 and it includes completed imbalance settlements from January to December. In both months, both the first and the second imbalance settlement were carried out. The results are summarised in the texts and figures below.

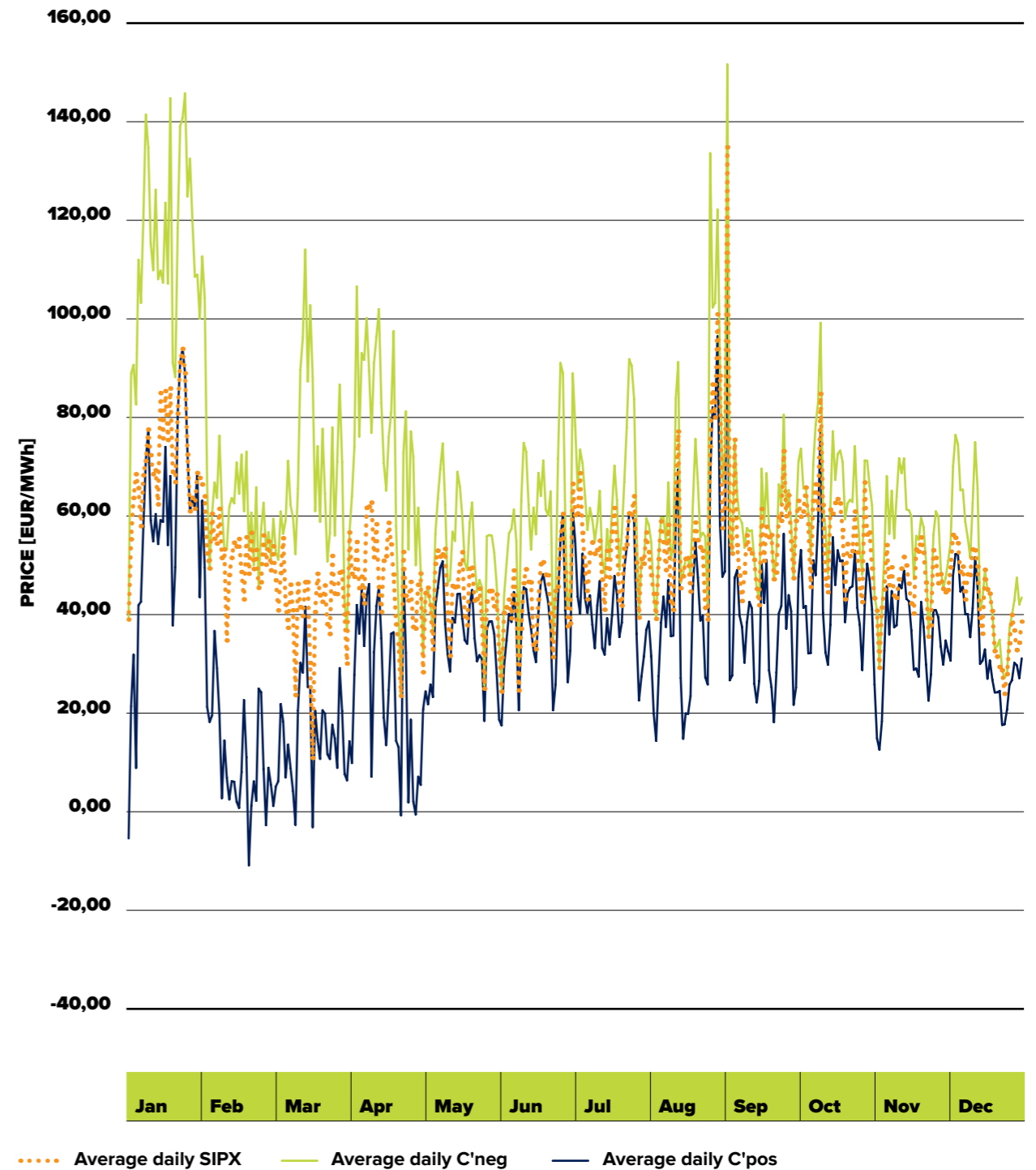


Figure 7: Average daily values of derived imbalance prices C'_{neg} and C'_{pos} and the SIPX index in 2019

The diagram above shows the price movements in 2019 for positive and negative imbalances C'_{neg} in C'_{pos} and the SIPX index. The higher prices were detected at the beginning of the year, which was followed by stabilisation and decline in the last month of 2019. The movement of prices for imbalances is, of course, a reflection of the market situation, and at the same time, the prices also reflect the cost peaks in the balancing of the electricity system, as the (basic) price for imbalances is calculated as the ration between costs and quantity (of the balancing). In the first four months, a more pronounced gap between the derived prices for positive and negative imbalances was also observed, which was the result of high balancing costs.

In 2019, the average value of the derived (corrected) price for negative imbalances C'_{neg} equalled EUR 63.76 per MWh and EUR 32.51 per MWh for positive imbalances C'_{pos} . The highest price value C'_{neg} amounted to EUR 279.61 per MWh, while the highest price value for C'_{pos} totalled EUR 200.02 per MWh. The lowest price value for C'_{neg} equalled EUR -10.79 per MWh, while the lowest price value for C'_{pos} amounted to EUR -175.45 per MWh. The highest price for C'_{neg} occurred on 18 January in the 17-hour block, while the highest price for C'_{pos} occurred on 2 September in the 13-hour block. The lowest price for C'_{neg} occurred on 10 March in the 1-hour block, while the lowest price for C'_{pos} occurred on 24 August in the 24-hour block.

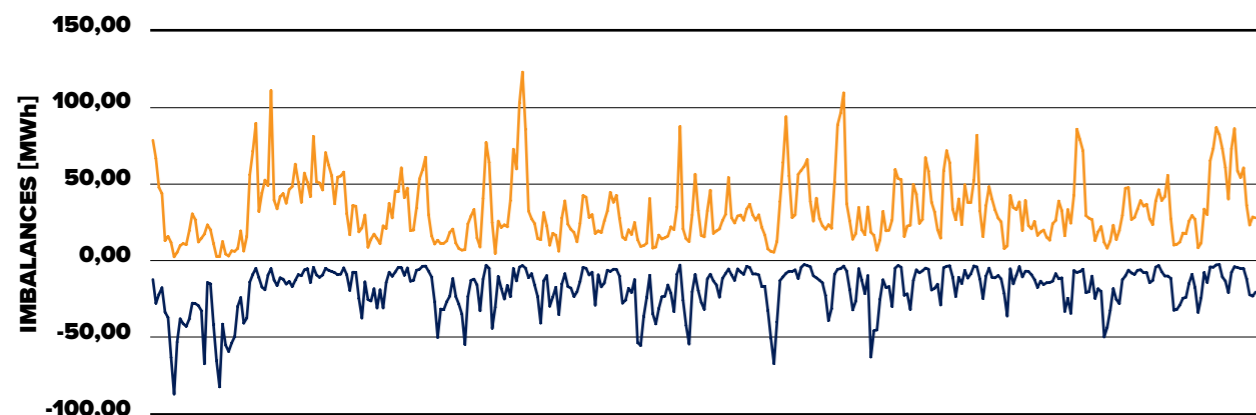
	2018 [EUR/MWh]			2019 [EUR/MWh]		
	C'+	C'-	SIPX	C'+	C'-	SIPX
Average values	62,11	39,91	51,15	63,76	32,51	48,74
Highest values	991,93	122,08	141,25	279,61	200,02	200,02
Lowest values	-51,50	-82,56	-76,01	-10,79	-175,45	-20,23

Table 9: The average, highest and lowest values of C'_{neg} (C'+), C'_{pos} (C'-) and SIPX in 2017 and 2018

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

negative imbalances of all balance groups in Slovenia in 2018.

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



Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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— Negative imbalances — Positive imbalances

Figure 8: Average daily imbalances in the Slovenian electricity system in 2019

The balancing energy for balancing positive and negative imbalances in the Slovenian electricity system is provided by the transmission system operator ELES. In 2019, the amount of electricity for the balancing of negative imbalances equalled 171 GWh, while the amount of electricity for the balancing of positive imbalances totalled 285 GWh. The figure below shows the average monthly regulatory costs for the balancing of the electricity system (S+, which represents the cost of determining a short position and S-, which represents the cost of determining a long position). The costs take into account all types of regulation, i.e. automatic reserve for frequency recovery (before the change of terminology called 'secondary regulation'); manual reserve for frequency recovery (before the change of terminology called

'tertiary regulation'), reserve for replacement (which also includes the balancing market) and energy from the INC/IGCC mechanism or other balancing in accordance with Article 87 of the Rules on the Operation of the Electricity Market. It is also worth noting that in February 2019 the system operator ELES joined the multilateral cooperation IGCC (International Grid Control Cooperation), which is to become a European platform for netting of the imbalances, as defined by the Regulation (EU) 2017/2195 establishing a guideline on electricity balancing. The IGCC replaced the previous cooperation, INC ('Imbalance Netting Cooperation'), which represented a mechanism for cross-border netting of the imbalances and it included the following members: Austria, Croatia and Slovenia.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
S+	108,16	71,85	67,42	69,82	53,03	53,95	62,56	71,53	63,11	70,39	57,02	61,92
S-	40,56	11,97	15,76	26,59	30,28	30,86	36,26	34,63	35,28	39,84	33,86	30,22

Figure 9: Average monthly values of regulatory costs (S+ and S-) in 2019

The movement of average monthly regulatory costs coincides with the prices for positive and negative imbalances. The table below shows the average monthly values of regulatory costs in 2019 and a comparison with the year 2018. It is clear that the average regulatory prices in the first four months of 2019 were much higher than in 2018 (higher for

positive regulation and lower for negative regulation). However, in the following months, these differences were no longer pronounced, and the rest was characterised by the fact that the gap between the average monthly prices for positive and negative regulation in 2019 was much higher compared to 2018.

Month	2018		2019	
	S+ [EUR/MWh]	S- [EUR/MWh]	S+ [EUR/MWh]	S- [EUR/MWh]
January	45,45	25,78	108,16	40,56
February	59,53	35,41	71,85	11,97
March	57,03	33,11	67,42	15,76
April	38,26	22,10	69,82	26,59
May	51,37	33,05	53,03	30,28
June	60,88	37,88	53,95	30,86
July	58,03	42,86	62,56	36,26
August	67,48	47,13	71,53	34,63
September	68,54	48,82	63,11	35,28
October	70,14	51,70	70,39	39,84
November	67,98	50,16	57,02	33,86
December	70,50	47,40	61,92	30,22

Table 10: Average monthly values of regulatory costs (S+ and S-) in 2018 and 2019

The table below shows the IGCC/INC+ and IGCC/INC- volumes. As already mentioned, in February 2019, ELES joined the multilateral IGCC mechanism, which replaced the former INC mechanism. The table shows the volumes for the entire period from the introduction of cross-border cooperation in netting imbalances, from May 2013 onwards. The first

column presents the volumes of energy deficit in the Slovenian electricity system and the activation of the IGCC/INC+ function. The second column represents the volumes in the intervals of excess of energy in the Slovenian electricity system and the activation of the IGCC/INC- function.

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

Table 11: IGCC/INC volumes from 2013 to 2019

The following table presents a more detailed overview of positive and negative imbalances for 2018 and 2019 on a monthly basis.

Month	2017		2018	
	Positive imbalances of balance groups [MWh]	Negative imbalances of balance groups [MWh]	Positive imbalances of balance groups [MWh]	Negative imbalances of balance groups [MWh]
January	12,459	27,120	30,235	12,590
February	18,832	13,024	7,319	34,816
March	29,465	10,579	9,352	24,305
April	11,058	28,965	15,238	17,731
May	13,830	17,394	10,795	23,293
June	12,535	20,724	16,837	16,842
July	9,541	22,807	11,619	21,299
August	12,483	23,720	12,425	26,666
September	10,488	21,236	8,227	28,705
October	11,216	19,361	10,136	19,058
November	10,763	23,675	10,375	23,293
December	16,022	23,106	10,424	30,115
TOTAL	168,692	251,711	152,983	278,711

Table 12: Positive and negative imbalances of the balance groups in 2017 and 2018

The following table presents the quantities of positive and negative imbalances of all balance groups on the electricity market from 2013 onwards. The imbalances on the borders of the Slovenian control area are also included in the volume of imbalances of the balance groups.

Year	Total positive imbalances of the balance groups [MWh]	Total negative imbalances of the balance groups [MWh]
2013	301,776	397,808
2014	307,168	367,965
2015	300,051	388,574
2016	239,765	371,020
2017	263,038	326,166
2018	224,905	306,999
2019	225,191	305,042

Table 13: Total positive and negative imbalances of the balance groups from 2013 to 2019

Based on the data presented in the table above, it can be noted that there is a downward trend in both segments of imbalances. This represents one of the essential tasks of the imbalance settlement system, namely, motivating market participants towards more careful behaviour and forecasting, and thus contributing to the stability of the electric power system.

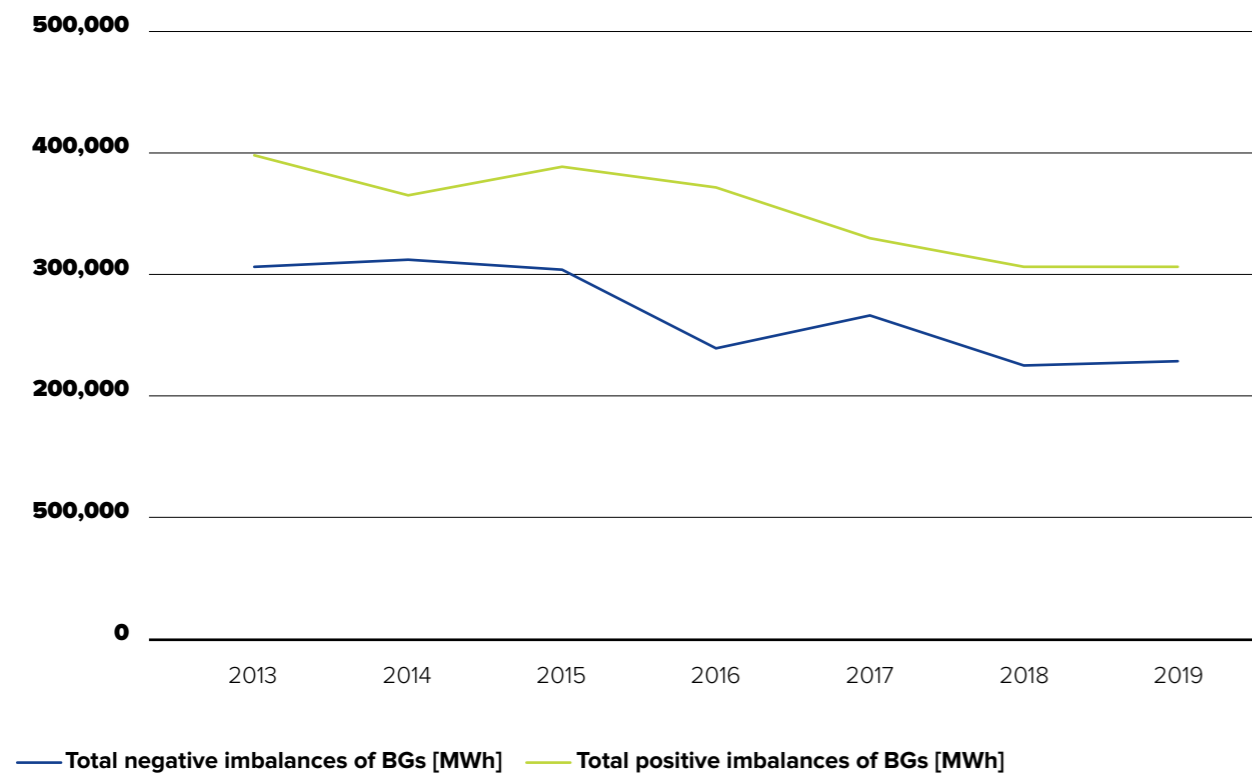


Figure 10: Total positive and negative imbalances of the balance groups (BGs) from 2013 to 2019

ANNUAL RECALCULATION

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

In 2019, the annual recalculation was made for 2018. The redistribution of differences between balance groups was carried out on the basis of the calculated differences and the average annual price that equalled the annual average and C'_+ and C'_- (in 2018, the old Rules were still in force) and amounted to EUR 51.01 per MWh. In the annual recalculation for 2019, slightly less than 162 GWh of electricity were redistributed, totalling EUR 8.26 million (net).

2.3 BALANCE SCHEME

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

In 2019, one domestic and one foreign company entered the Balance Scheme. During the same period, four foreign and two Slovenian companies left the Balance Scheme, which, compared to 2018, means that the membership in the Balance Scheme decreased by four members. In 2019, three transfers of balance subgroups were carried out between different balance groups and three companies extended their balancing agreements, thus maintaining their memberships in the Balance Scheme.

In total, as at 31 December 2019, there were 52 registered balance groups (19 domestic and 33 foreign companies) and 18 balance subgroups (16 domestic and 2 foreign companies).

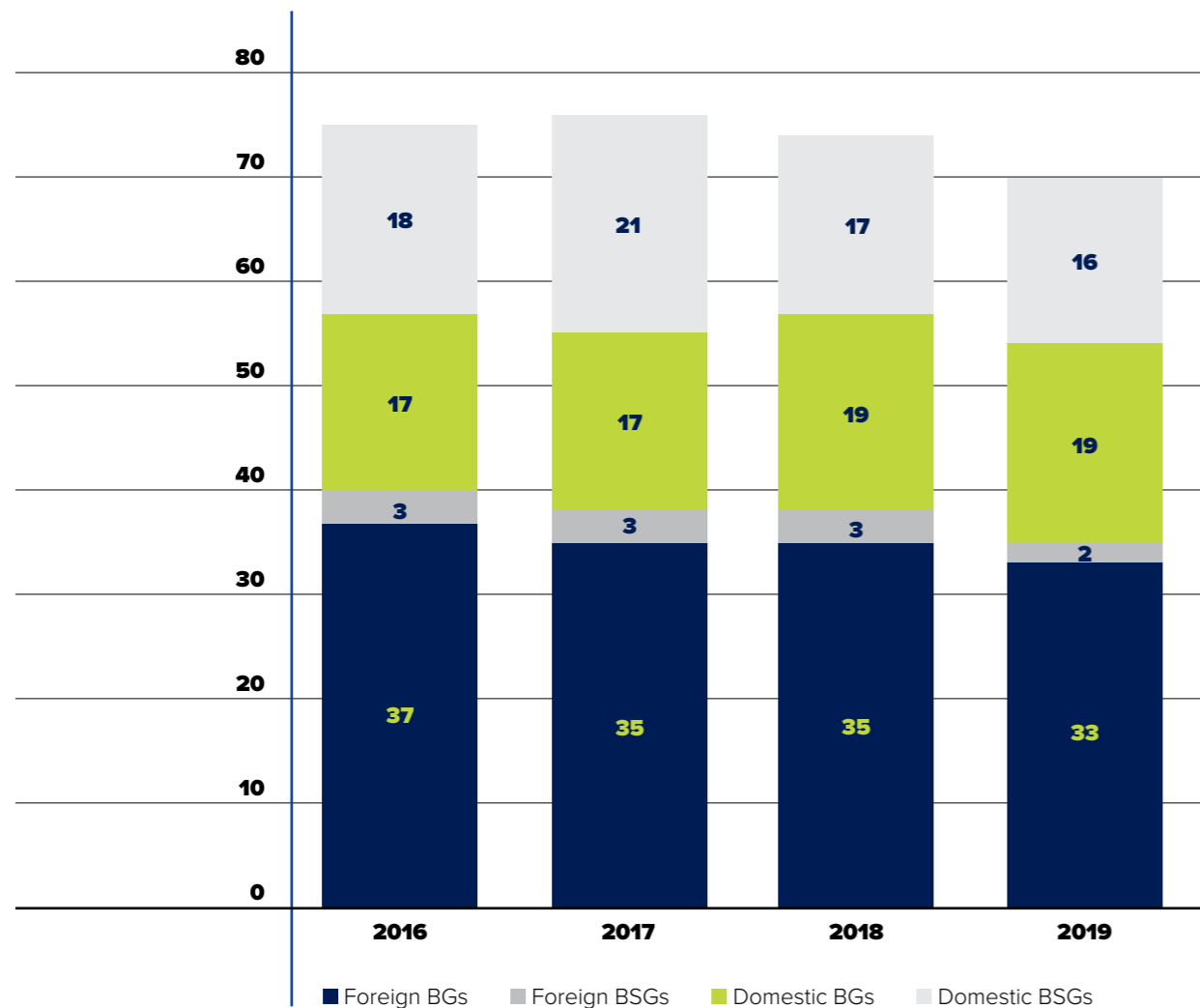


Figure 11: Number of foreign and domestic balance groups (BGs) and balance subgroups (BSGs) from 2016 to 2019

In 2019, the following companies entered the Balance Scheme: NGEN d.o.o. and MaxiCommodities, a.s. During the same period, the following companies left the Balance Scheme: LOGO ENERGIJA d.o.o., PROENERGY d.o.o., JAS Energy trading. s.r.o., JAS Budapest Zrt., MaxiCommodities, a.s. and Ezpada

s.r.o. In 2019, the transfers of balance subgroups occurred between different balance groups and three companies extended their balancing agreements.

The table below presents the changes in the Balance Scheme in 2019 in a chronological order.

Date	Name of the Balance Scheme member	Status
10 Oct	Ezpada s.r.o.	Exit
1 Aug	MaxiCommodities, a.s.	Exit
11 Jun	MaxiCommodities, a.s.	Entry
31 May	JAS Budapest Zrt.	Exit
31 May	JAS Energy trading, s.r.o.	Exit
9 Apr	PROENERGY d.o.o.	Exit
1 Apr	LOGO ENERGIJA d.o.o.	Exit
18 Feb	NGEN d.o.o.	Entry
1 Jan	LOGO ENERGIJA d.o.o.	Transfer from the balance group (BG) HEP d.d. to BG HSE d.o.o.
1 Jan	Borzen, d.o.o. - Center za podpore (Eko skupina)	Transfer from BG GEN-I, d.o.o. to BG HEP d.d.
1 Jan	SODO d.o.o.	Transfer from BG HSE d.o.o. to balance subgroup (BSG) ECE d.o.o.
1 Jan	MERCATOR, d.d.	Extension of the balancing agreement
1 Jan	ADRIAPLIN d.o.o.	Extension of the balancing agreement
1 Jan	TALUM d.d. Kidričevo	Extension of the balancing agreement

Table 14: Chronological timeline of the membership movement in the Balance Scheme in 2019

2.4 FINANCIAL SETTLEMENT OF IMBALANCES

As a clearing agent, Borzen provides accounting and financial settlement of liabilities/claims arising from the imbalance settlement of financial settlement participants. All final imbalance settlements of an individual balance group in a specific time period are the subject of the financial settlement.

The table below presents the value-based data, resulting from the financial settlement of imbalances for 2019, compared to the data from 2018.

in EUR excl. VAT

Year	2018			2019		
	Imbalance settlement	Balancing costs	Surplus	Imbalance settlement	Balancing costs	Surplus
January	541,248	-509,501	31,747	3,864,853	-3,650,269	214,584
February	1,520,885	-1,370,966	149,919	348,768	-280,226	68,542
March	2,189,399	-2,057,451	131,948	618,052	-578,324	39,728
April	238,624	-163,718	74,906	1,298,809	-1,211,820	86,989
May	576,732	-544,820	31,912	119,014	-56,961	62,053
June	540,291	-495,630	44,661	717,211	-677,719	39,492
July	-364,715	409,348	44,633	222,358	-171,476	50,882
August	46,832	10,928	57,760	599,720	-507,447	92,273
September	94,292	41,838	136,130	-131,835	192,625	60,790
October	-263,911	343,638	79,727	141,397	-81,991	59,406
November	-25,055	127,524	102,469	161,257	-115,756	45,501
December	225,527	-99,091	126,436	-106,484	145,530	39,046
Total	5,320,149	-4,307,901	1,012,248	7,853,120	-6,993,834	859,286
Default interests:			186			547
Total surplus			1,972,611			1,657,358

Table 15: Value overview of the imbalance settlement for 2018 and 2019

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

The surplus of revenues over expenses arising from the imbalance settlement is intended for the management of the risks of default or late payments and are kept in a separate account for the management of the imbalance settlement surpluses. In 2019, the surplus of the imbalance settlement totalled EUR 0.86 million. In 2019, a portion of the surplus of the imbalance settlement was disbursed among the imbalance settlement participants in the total amount of EUR 1.18 million. At the end of 2019, the total amount of the surplus of the imbalance settlement equalled EUR 1.66 million and included the undisbursed portion of the surplus from previous years and the total surplus from 2019 with default interests.

2.5 BALANCING MARKET

The electricity balancing market is an organised form of collecting and soliciting the offers for the sale and purchase of the balancing energy for balancing purposes in a transparent and economically efficient way. On the Slovenian electricity balancing market, which has been in operation since October 2012, **4,751 transactions** were concluded in 2019 in the total amount of slightly under **140.3 GWh**. Around **43.8 GWh** represented the **purchase** of electricity, while **96.5 GWh** represented the **sale** of electricity by the Transmission System Operator. The highest number of transactions was concluded with **hourly products** in the total amount of **114.3 GWh**. The highest number of transactions was also concluded with hourly products, amounting to 4,061 transactions. In the same period, another 581 transactions were concluded with 15-minute products and 109 transaction with block products. The highest price for the purchase of balancing energy in 2019 amounted to EUR 220 per MWh, while the lowest price for the sale of balancing energy equalled EUR -50 per MWh. In addition to the system operator, six other members of the balancing market were involved in the transactions. At the end of 2019, the balancing market consisted of 34 members.

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

In connection with the balancing market and intraday trading, it is worth mentioning that the Single Intraday Coupling (SIDC) project was successfully expanded to Slovenia and six other countries on 19 November 2019. The intraday trading volumes have increased significantly and, as a result, the transmission system operator (TSO) has a wider range of options for balancing the system. Despite the fact that the trading on the balancing market takes place from 1 hour to just before the delivery (i.e. intraday trading is possible only an hour or more before delivery), we can expect the decrease of the volume of transactions in the balancing market at the expense of greater liquidity and more favourable prices in this segment of intraday trading in the coming year.

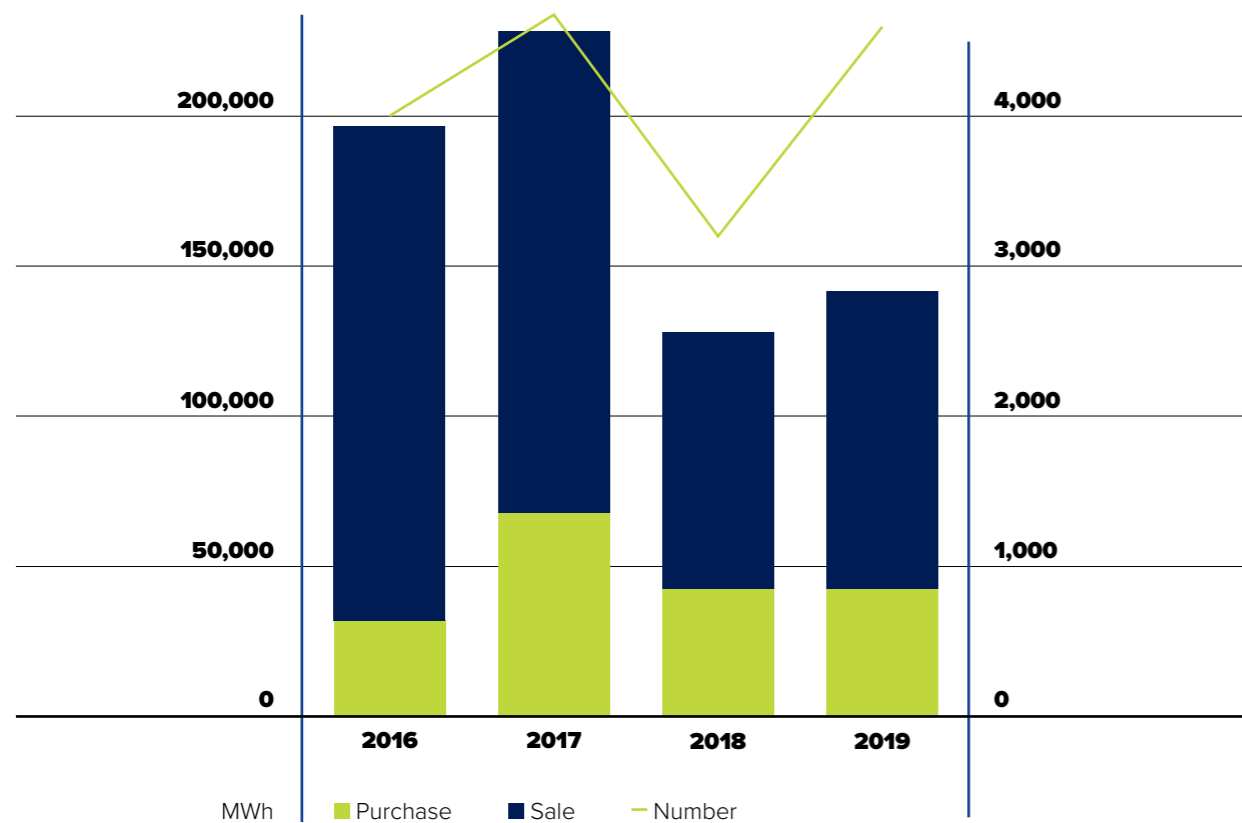


Figure 12: Volume and number of concluded transactions on the electricity balancing market by year

In 2019, the electricity balancing market accounted for 30.8 percent of the total balancing system, which is 3.6 percentage points lower than in 2018, when the share of the balancing market in the total balancing system equalled 27.2 percent. The highest monthly share of balancing electricity from the balancing market was recorded in February 2019 and amount-

ed to 46.1 percent, while the lowest monthly share occurred in October, equalling 22.7 percent. In 2019, the share of electricity from the balancing market for the upward balancing (purchase) represented 25 percent, while the share for the downward balancing (sale) equalled 34 percent.

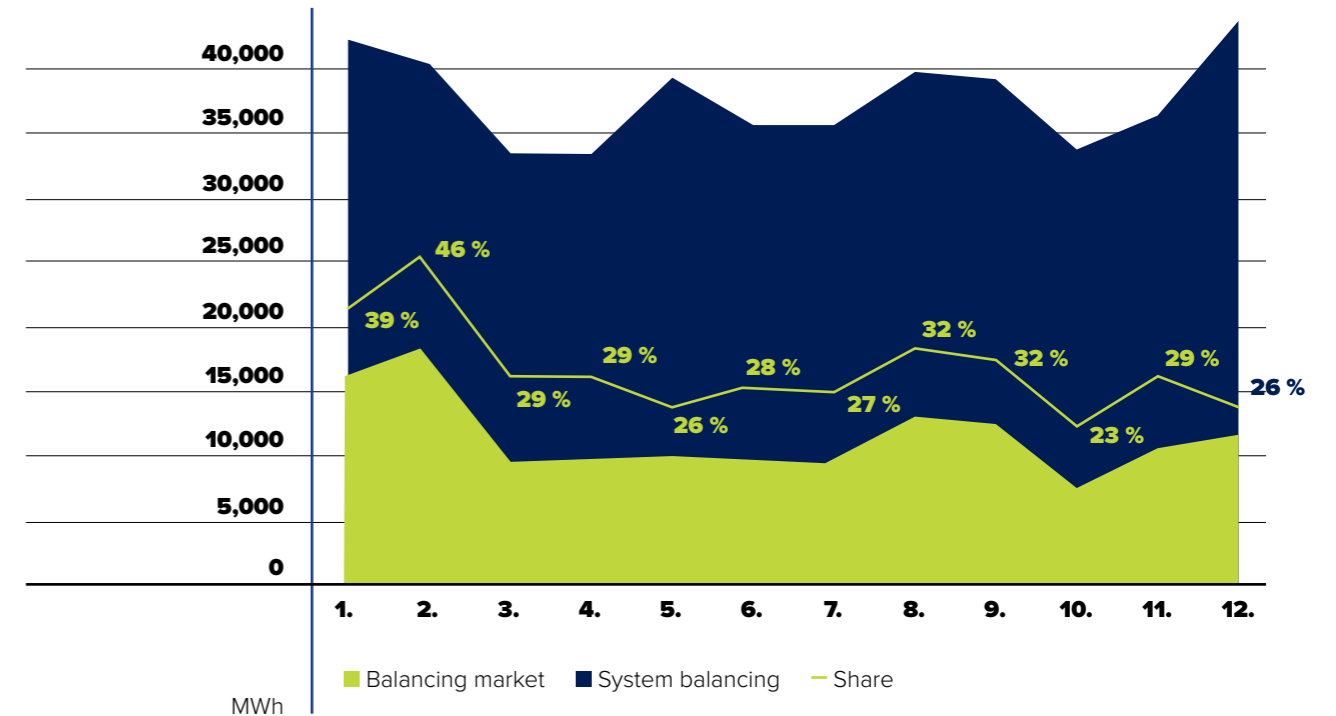


Figure 13: Balancing market share in the total system balancing of the Slovenian electricity system

Trading on the balancing market is carried out in combination with intra-day trading, namely one hour after the intra-day gate closure time until the physical delivery of the traded product. In the so-called balancing market phase, which lasts from one hour before delivery to just before the delivery, the total volume of recorded transactions amounted to slightly less than 101 GWh in 2019, which represented 72 percent

of the total volume of recorded transactions. A trend in increased transactions in this phase was also noticeable, ranging from 34 percent in 2015 to 72 percent in 2019, which means that the system operator purchased or sold electricity directly before delivery and thus balancing the electric power system more effectively.

Year	'Balancing market' phase	'Intraday trading' phase
2015	34 %	66 %
2016	52 %	48 %
2017	56 %	44 %
2018	63 %	37 %
2019	72 %	28 %

Table 16: Percentage of recorded transactions according to the trading phase

2.6 ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

2.6.1 Data exchange and imbalance settlement

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

Since 2015, Borzen has been using the electronic data exchange or recording data from all five distribution networks for the purposes of the imbalance settlement. In the future, we plan to extend the system to the operators of closed distribution systems and members of the Balance Scheme, enabling them to import the results of the imbalance settlement into their own systems in XML format.

2.6.2 Other activities related to ensuring the transparency of the electricity market

TRANSMISSION OF DATA UNDER EUROPEAN REGULATION 543/2013 – “TRANSPARENCY

Since the end of 2014, Borzen has had an established automated data transmission via online services, since the company is obliged to send the data on the quantity of bids on the balancing market and the data on the volumes and prices of transactions concluded on the balancing market to the System Operator every hour in accordance with the European Regulation No. 543/2013 (the so-called Transparency Regulation). In addition to the data on the balancing market, Borzen also submits the prices of imbalances to the System Operator on a monthly basis. The submitted data are published on the European platform “ENTSO-E Transparency Platform” in order to increase the transparency of the European energy market. In 2019, certain adjustments were made due to the changes in data

source, which were introduced when the solution of a single intraday coupling (SIDC or XBID) was introduced.

ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

On a proposal from the Slovenian Energy Agency, Borzen established electronic access to the Balance Scheme records via web services. The access provides the Energy Agency with the automated control of the data on the Balance Scheme members, which are submitted upon their registration in accordance with the REMIT Regulation. In 2019, the exchange process operated smoothly, enabling the verification of the data submitted by market participants as part of their registration with the Energy Agency. In the future, we want to integrate the data on the supplier's status into this access, as we are already publishing it on our corporate website.

TRANSMISSION OF BALANCING MARKET DATA TO THE ENERGY AGENCY

In 2018, Borzen established a system for transmitting balancing market data to the regulator for the needs of the Energy Agency. The system operates according to the principles, standards and records of the REMIT Regulation and enables the regulator to establish a complete market record (offers, transactions), as other data are already received by the Energy Agency from ACER. In 2019, the data were provided to the Energy Agency on a daily basis.

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

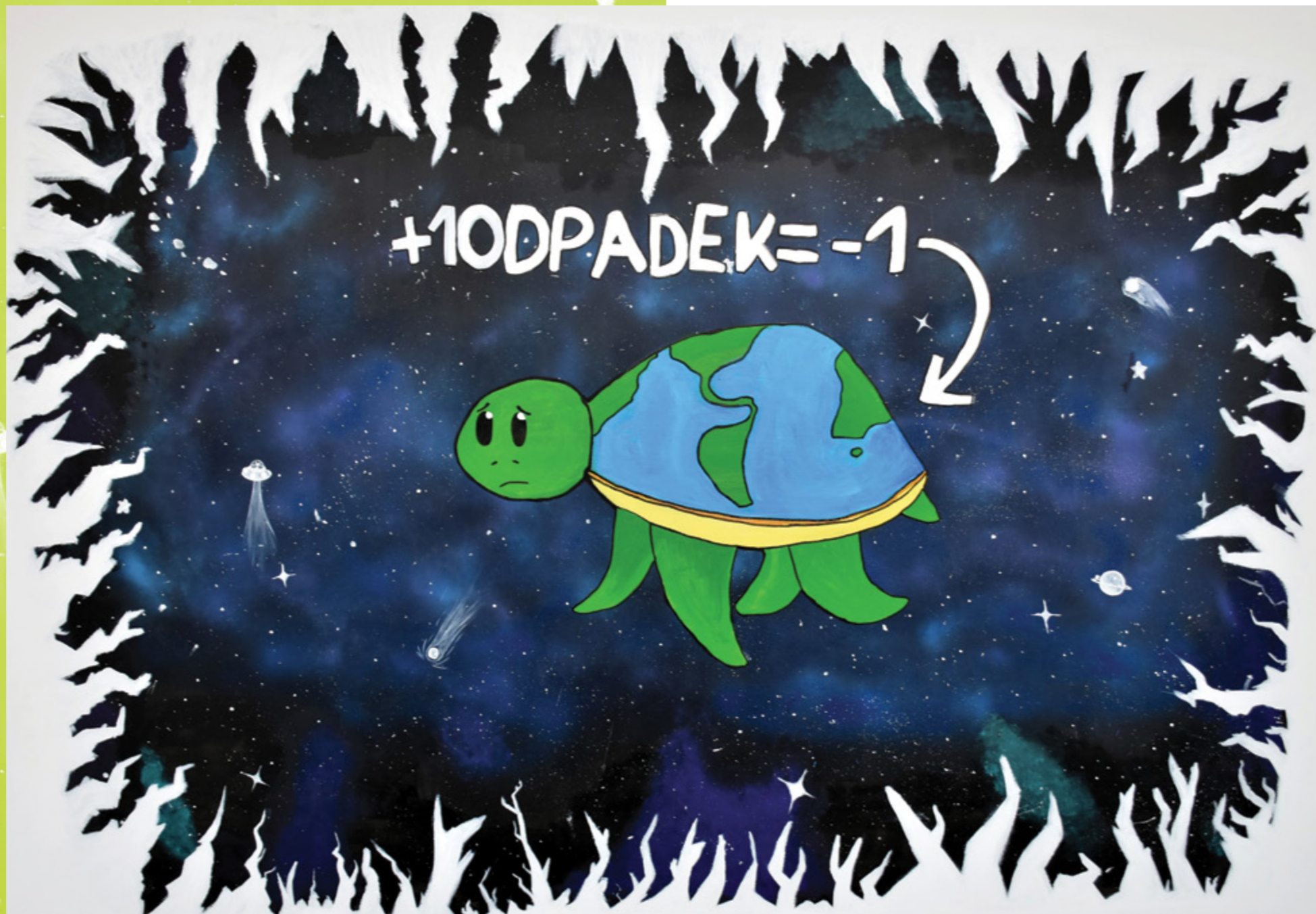
Borzen regularly publishes various information on its website, as required by the law. In order to increase transparency in the electricity market, the company also publishes additional information, such as the data on the residual diagram. In each settlement interval, the residual diagram is calculated by subtracting 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) from the value of estimated losses in the area and the actual consumption of all consumers with the registration measurements, whose registration interval is shorter or equal to the settlement interval. These data facilitate the operation of the market, especially for new members and represent an addi-

tional 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 the above data, Borzen also publishes a list of suppliers, i.e. a list of Balance Scheme members with physical delivery points either at the point of consumption or at the point of production. After the abolition of licences under the EA-1, an official public list of suppliers on the market is no longer available.

The company also regularly publishes more detailed data related to the imbalance settlement (e.g. balancing costs, balancing volumes, imbalances of balance groups in the Slovenian regulatory area), including the history from 2007 onwards. Borzen also carries out activities related to the automation of posts and extension of data sets that are or will be available to market participants. All available data sets are updated on a monthly basis.

Borzen also publishes a pride index of concluded transactions on the balancing market and enables market members and other interested parties to access the forecasts of the total amount of electricity production and consumption in Slovenia for the day-ahead period.

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



**WASTE = MINUS
1 TURTLE.**

Elementary School Puconci,
"Skuše" team.



3. CENTRE FOR SUPPORT

3.1 SUPPORT SYSTEM

In accordance with the Energy Act, the Centre for Support is the operational provider of the Support Scheme for environmentally friendly ways of generating activity. The support schemes are an instrument of State aid (subsidies) approved by the European Union, which enables, with higher purchase prices, the realisation of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP), which are necessary for achieving the national objectives concerning the share of use of renewable energy sources in the final energy consumption. The Energy Act (EA-1) provides for a call for the integration of power plants that do not comply with the provisions of Article 535 (energisation before 22 September 2014). At the end of 2016, the Energy Agency issued the first such call for new entrants. The Agency issued another call of the same financial volume (EUR 10 million of annual support payments) in September 2017. This was followed by calls in February 2018, December 2018, June 2019 and December 2019. The latter has not yet been completed at the time of preparing this annual report.

TYPES OF SUPPORT

CHP units with a power output of less than 500 kW and RES units with a power output of less than 500 kW can choose between two types of support: guaranteed purchase or operating support. Larger units may only receive the operating support and are not entitled to receive the support for guaranteed purchase. For CHP units, the support is limited to the units whose age does not exceed 10 years, while for RES units the limit is 15 years.

GUARANTEED PURCHASE OF ELECTRICITY

In the case of guaranteed purchase, the Centre for Support receives the electricity and pays for it at a price specified in the decision. The production unit is included in a special balance group or subgroup, created by the Centre for Support ("Eco Group"). For the units which are eligible for this type of support the Centre for Support regulates the balancing differences between the forecast and realised production (i.e. the coverage of "imbalances").

OPERATING SUPPORT ("OPERATING AID SCHEME")

In the case of operating support, the Centre for Support does not receive or pay for any electricity, but instead, based on the produced net quantities of

electricity, pays only the operating support intended to compensate the production unit for the difference between the production costs and the market price, which the unit acquires over-the-counter. The production units which are eligible for this type of support must regulate the balancing of differences between the forecast and realised production and their 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 ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES AND COGENERATION OF HEAT AND POWER

3.2.1 Power plant in the support system

At the end of 2019, the Support Scheme consisted of **3,858 power plants** with a total rated power of **417 MW**, which represented approximately 12

percent of the installed capacities in the Republic of Slovenia.

The share of units in the Support Scheme that independently sell electricity on the market (and thus receive the operating support) is at a similar level as in the previous years and accounts for 70 percent of units that receive the support.

Type of power plant	Power in kW	Number of units
Biogas power plants	23,282	24
Other	1,035	2
Wood biomass power plants	22,932	44
Hydro power plants	22,831	92
Solar power plants	258,041	3,304
Fossil-fuelled CHP	85,740	388
Wind power plants	3,228	4
Total	417,088	3,858

Table 17: Power plants in the new support system (as at 31 December 2019)¹

3.2.2 Support payments

In 2019, the electricity production in the Support Scheme reached approximately the average level of 2018 and 2017, while the payments vary according to external influences on individual production sources, especially the weather, as well as changes in the reference market price, which directly affects the amount of operating support. A comparison of payments and

electricity produced in the Support Scheme shows that the electricity production in 2019 was one percent higher than the production in 2018, while there were 9 percent fewer payments.

Quantitatively, the production that receives one of the types of support represents just under 7 percent of Slovenia's annual consumption. In recent years, this share has slightly declined due to consumption growth and stagnant production in the Scheme.

¹ Due to rounding, the sums in the table may not add up.

Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Quantity of electricity (in GWh)	947.5	937.9	944.9	1,003.50	980.8	905.9	802.9	654	943.3	995.5	934.2
Support payments under contracts (in million EUR. excl. VAT)	123	135.1	143.5	146.2	147.1	130.8	118.5	89.8	69.5	48.6	22.7
Average support (in EUR/MWh)	129.83	144.06	151.89	145.6	149.97	144.42	147.61	137.28	73.69	48.81	24.3

Table 18: Support payments from 2009 to 2019²

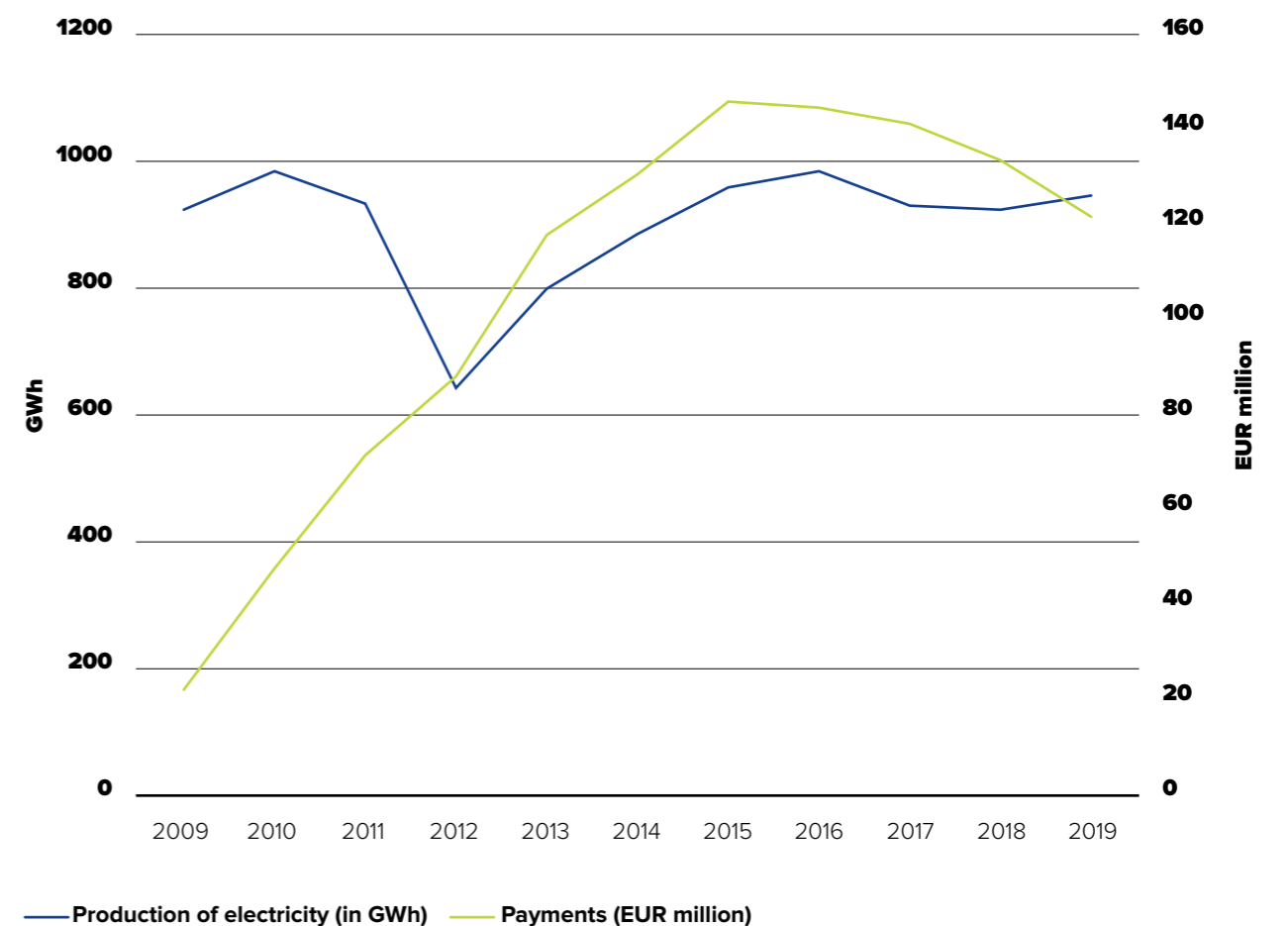


Figure 14: Production and support payments (EUR excl. VAT) in 2009-2019

² The data for 2019 are given as at 6 March 2020.

Based on the share of produced electricity, fossil-fuelled CHP units (37 percent) and solar power plants (27 percent) stood out in 2019. The latter also received a half (50 percent) of all support payments in 2019.

Type of power plant	Produced electricity (GWh)	Support payment (in million EUR. excl. VAT)	Share of energy (%)	Share of support (%)
Biogas power plants	84.4	9.6	8.91	7.84
Wood biomass power plants	133.5	18.3	14.09	14.87
Hydro power plants	110.4	4.6	11.66	3.76
Solar power plants	261.4	61.9	27.59	50.34
Fossil-fuelled CHP	346.4	27	36.56	21.94
Wind power plants	6.1	0.3	0.65	0.22
Other	5.2	1.3	0.55	1.04
TOTAL	947.4	123	100	100

Table 19: Support payments in 2019³

Compared to 2018, no substantial change in terms of proportions of production and payments was recorded. It is worth noting that slight differences in the proportions of production were the result of different weather conditions, which more or less affected not only the production of an individual plant but also the aggregate production of a specific type of unit.

Type of power plant	Support share in 2018	Support share in 2017	Difference in support share (%)	Energy share in 2018	Energy share in 2017	Difference in energy share (%)
Biogas power plants	7.84 %	11.10 %	-3.26	8.91 %	11.97 %	-3.06
Solar power plants	50.34 %	46.49 %	3.85	27.59 %	26.61 %	0.98
Other	1.04 %	1.24 %	-0.20	0.55 %	0.67 %	-0.12
Wind power plants	0.22 %	0.27 %	-0.05	0.65 %	0.64 %	0.01
Hydro power plants	3.76 %	5.09 %	-1.33	11.66 %	12.62 %	-0.96
Wood biomass power plants	14.87 %	14.51 %	0.36	14.09 %	13.32 %	0.77
Fossil-fuelled CHP	21.94 %	21.30 %	0.64	36.56 %	34.17 %	2.39

Table 20: Comparison of payments by power plant type between 2018 and 2017⁴

³ The data for 2019 are given as at 6 March 2020. Due to rounding, the sums in the table may not add up.

⁴ Each individual share in the table is rounded to two decimal places, so there may be a deviation when adding up the shares.

Already in 2014, as a part of a comprehensive control of the scheme payments by the Centre for Support, which is regularly carried out, we introduced additional 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. The preparation of the forecast takes into account several scenarios, also based on the realisation of a specific group of power plants. In addition to the monthly examination of trends in disbursements by using D-1 sample checks (measurements for the previous day) 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 comparison of production and payments in 2019 and 2018 is best evident from the figure below, which clearly shows the absolute difference in payments and the relative change in the 2019 production

compared to 2018. The figure shows that in 2019 the production of certain unit types fluctuated. Due to the specific weather conditions, a decrease in the production by hydro power plants is notable (-6.7 percent). On the other hand, the production increased in other groups, e.g. fossil-fuelled CHP (+8.1 percent) solar power plants (+4.8 percent), wind power plants (+1.9 percent) and wood biomass power plants (6.8 percent). Biogas power plants are specific due to the many problems faced by their owners.

In 2019, the disbursed support payments were lower than the forecast limits, which is mainly a result of the higher market price which caused a reduction in payments. The additional reduction in payments was also affected by the withdrawals from the Scheme. The main counterbalances which would stimulate higher annual payments (low number of new entries and favourable conditions for production units that achieve higher shares in electricity production) had a smaller impact on production and support payments.

Comparison of support payments and production (2019-2018)

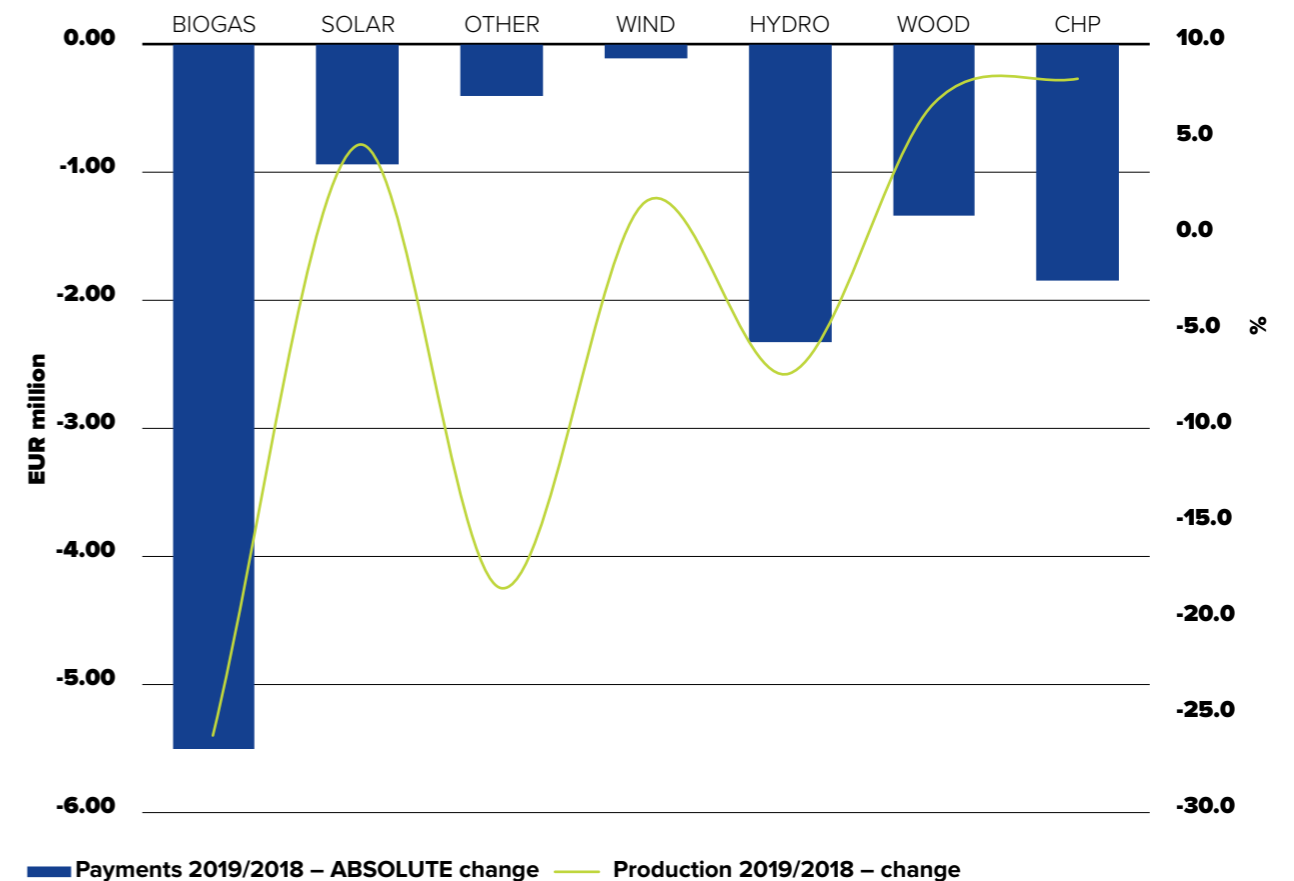


Figure 15: Comparison of support payments and production between 2019 and 2018

3.3 FINANCIAL DATA OF THE CENTRE FOR SUPPORT

The contributions are transferred into a special account of the Centre for Support and are used for the provision of support, the operation of the Centre for Support and other purposes stipulated by law.

The table below presents the revenues and expenses of the Centre for Support for 2019, namely the realised values in 2018 compared to the realised values in 2019 (as at 28 February 2020).

in EUR excl. VAT

	Item	Realisation 2017	Realisation 2018
A	Opening balance	86,244,678	137,637,785
1	Revenues	187,100,089	188,396,704
a	RES+CHP contribution	180,462,278	180,976,372
b	DES contribution	0	0
c	CS – EE sales	6,604,444	7,331,679
d	Default interests	33,366	88,653
2	Expenses	135,706,982	123,597,879
a	RES+CHP support	135,115,982	123,006,879
b	DES support	0	0
c	Operation of the CS	591,000	591,000
d	CS – EE purchase	0	0
3	Total (1-2)	51,393,106	64,798,825
4	Total (A+3)	137,637,785	202,436,610

Table 21: Overview of the revenues and expenses of the Centre for Support in 2017 and 2018

The table shows that in 2019 the Centre for Support collected EUR 180.98 million net of the RES/CHP contributions. The RES/CHP contributions also include the assets from the contribution for final consumers of district heating and buyers of fossil fuels, in the total amount of EUR 36.65 million net.

The revenues of the Centre for Support also disclose the received funds from the direct sale of electricity from the Eco Balance Group, which was, in 2019, sold indirectly in such a way that the Centre for Support transferred the Eco Balance Group into the balance group of another member. The revenues of the Centre for Support also include the default interests in the re-

alisation of 2019. In 2019, we received a higher number of notifications from the Energy Agency regarding detected violations by the support beneficiaries. This resulted in the default interest in the amount of EUR 88,653, which the beneficiaries were obliged to reimburse the Centre for Support, along with the unjustified support payments they had received.

In 2019, the payments of RES/CHP support amounted to EUR 123 million net. The contribution for the operation of the Centre for Support equalled EUR 591,000 and has remained unchanged since 2009.

After the disbursement of support payments in 2019, the Centre for Support recorded a surplus in the amount of EUR 202.44 million.

3.3.1 Financing of the Support Scheme and contributions

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

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

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

3.4 ENERGY MANAGEMENT OF THE BALANCE GROUP WITHIN THE CENTRE FOR SUPPORT

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. The Eco Group would also include power plants that have a concluded Eco contract or a contract on the sale of electricity through the Centre for Support. In 2019, one unit joined the Eco Group.

Compared to the situation at the end of 2018, the number of power plants in the Eco Group decreased by 18 units in 2019, namely to 1,110 units. The total rated capacity of units included in the Eco Group decreased by 8 percent and equalled 75.2 MW at the end of the year.

The dynamics of changes in the composition of the Eco Group were mainly caused by changes in the type of support, exits from the Support Scheme due to the age of power plants, withdrawal of the support due to the expiry of the declaration and change of ownership. Upon the occurrence of the latter, the Energy Agency first withdraws the support from the previous owner with a decision and then issues a new decision to the new owner. In the intermediate period (from the withdrawal of the support to the receipt of a new decision), such a power plant is usually not entitled to support and is, consequently, not included in the Eco Group. The Energy Agency acts in the same way in the case of the expiry of the declaration, if the beneficiary does not extend it on time. In this case, as well, the beneficiary is deprived of support until the declaration and subsequent decision on granting support have been adequately regulated.

Type of power plant	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
Solar	1,092	1,094	1,084	1,048	1,033
Hydro energy	25	21	16	16	17
CHP	60	58	57	54	52
Biogas	9	7	7	6	6
Wind	5	5	5	4	1
Landfill gas	0	0	0	0	0
Gas from waste water sludge	1	1	1	1	1
TOTAL	1,192	1,186	1,170	1,129	1,110

Table 22: Number of power plants in the Eco Group from 2015 to 2019

Type of power plant	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
Solar	78,222	78,312	75,614	66,468	60,645
Hydro energy	6,104	5,289	4,555	4,555	4,327
CHP	6,682	6,420	6,370	4,795	4,770
Biogas	8,197	6,199	6,199	5,385	4,915
Wind	73	73	73	24	15
Landfill gas	0	0	0	0	0
Gas from waste water sludge	518	518	518	518	518
TOTAL	99,796	96,811	93,329	81,745	75,190

Table 23: The sum of the rated power of the units in the Eco Group (in KWh) from 2015 to 2019

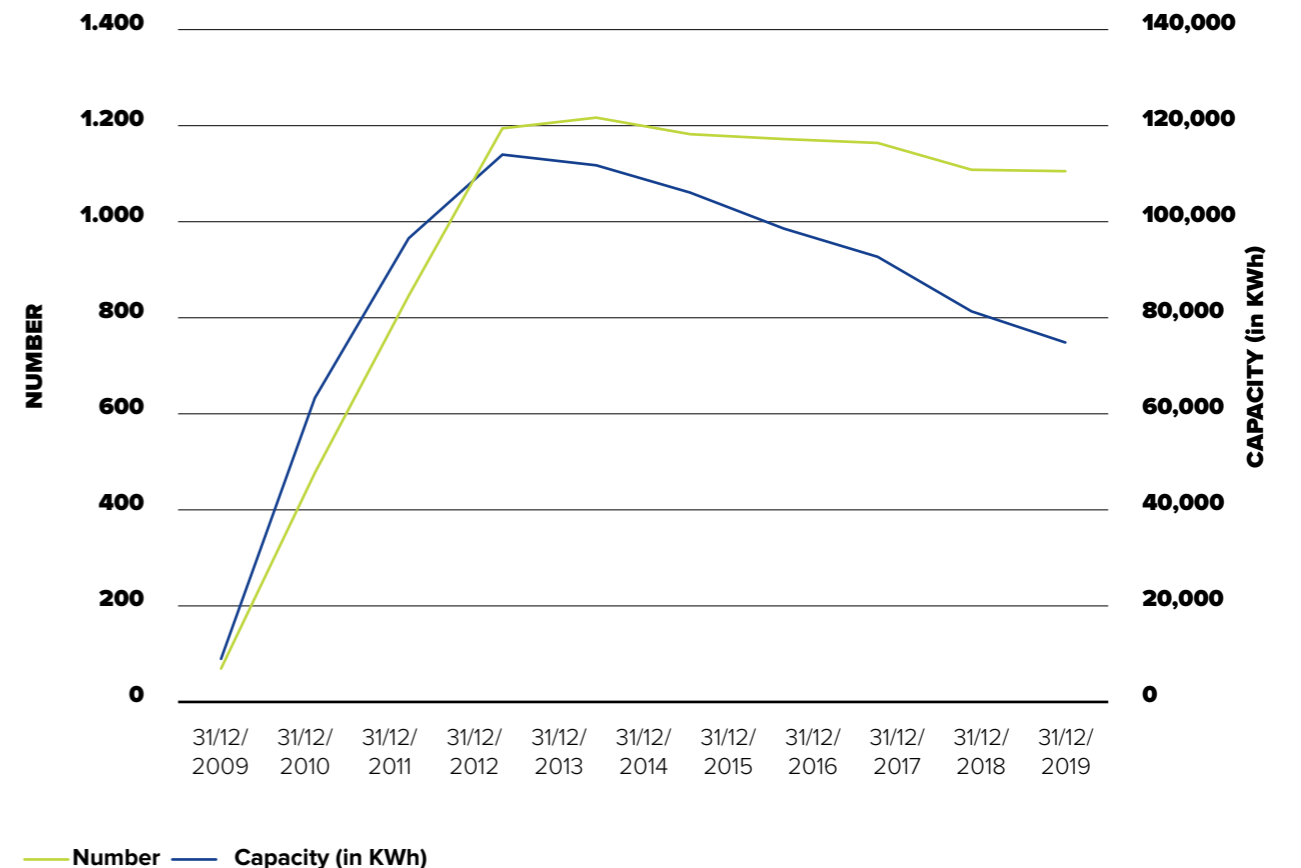


Figure 16: Overview of the movement of the total number and capacity of production units included in the Eco Group

The decrease in the number and total rated capacity of the power plants included in the Eco Group represented in the above figures did not significantly affect the composition and proportion of the representation of individual technologies compared to the previous years. The chart below, showing the amount of monthly electricity production by the Centre for Support Balance Group from 2009 to

2019, displays a marked increase in production in the months with more favourable conditions for the operation of solar power plants. The latter is, of course, entirely expected since the share of solar power plants represents more than 90 percent of the total number of power plants and more than 80 percent of the rated capacity of the power plants included in the Eco Group.

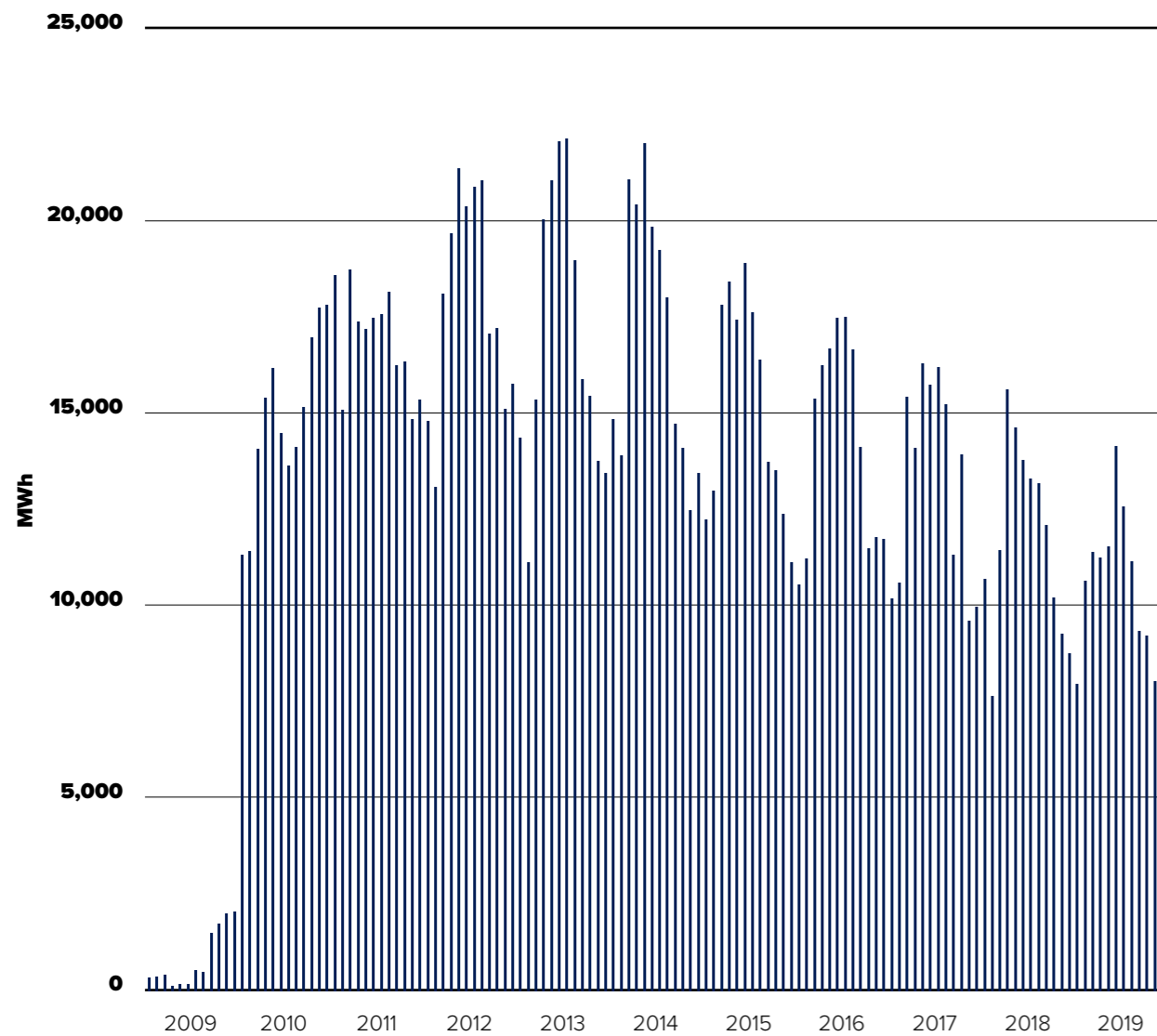


Figure 17: Monthly realisation of the Eco Group from 2009 to 2019 (in MWh)

The graph also indicates a gradual decrease in the total production of the Eco Group. In 2019, the conditions for solar production and the hydrological conditions affecting the production of small hydro power plants were more favourable compared to 2018, both in the segment of hydrology (in terms of rainfall) and in the segment of solar radiation. The average temperatures were significantly higher than in the previous year, which resulted in a redu-

ced volume of CHP production. As indicated in the chart below, which shows the average hourly production in the previous years, in 2019 – despite slightly better weather conditions for hydro and solar production – production was lower. Compared to 2018, the lower volume of production was relatively evenly distributed at all hourly intervals.

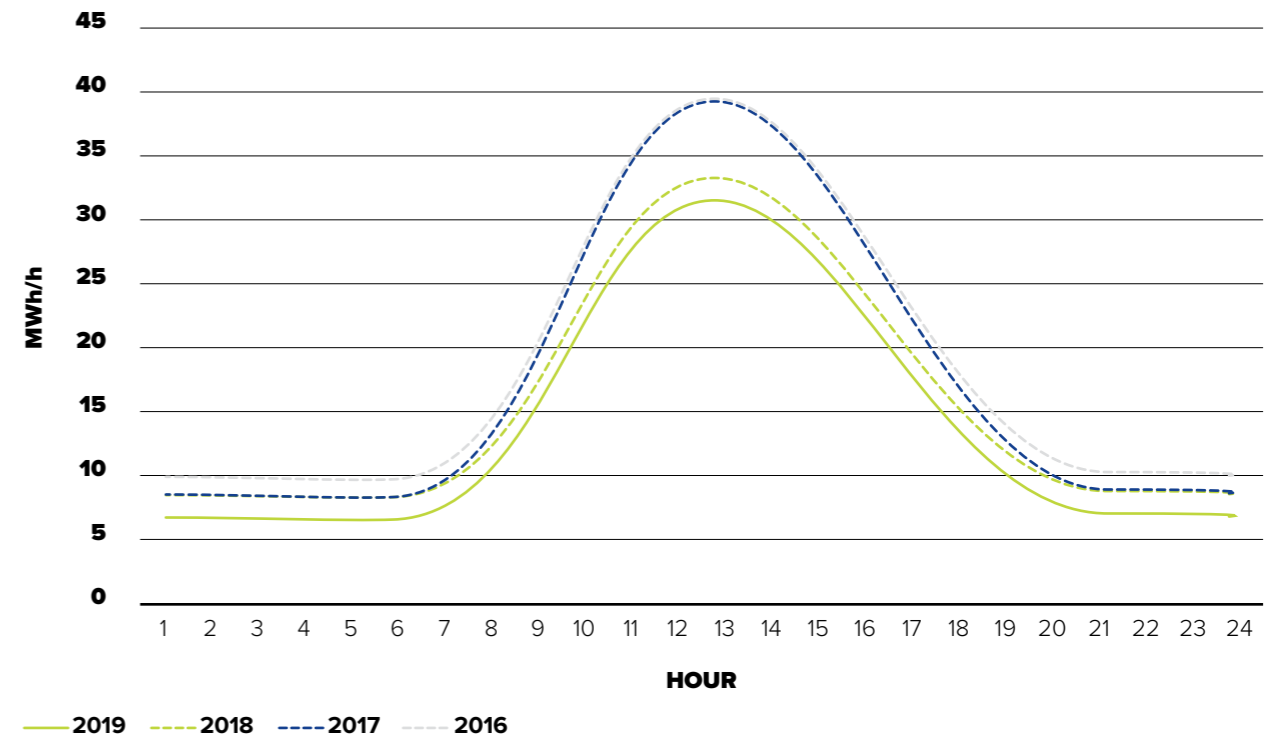


Figure 18: Average daily production profile (comparison of 2019 with respect to 2016-2018)

For the purpose of ensuring the highest possible degree of transparency in the implementation of the RRM – REMIT service, it was decided that the sale of electricity from the Eco Group in the following years was to be carried out in an indirect way. In accordance with the Rules on the Operation of the Centre for RES/CHP Support, this means the sale or transfer of the entire Eco Group to a balance group of a member of the Balance Scheme that offers the best

conditions for the purchase of electricity. At the auction held in November 2018, a single purchase price of EUR 58.88 per MWh was achieved for electricity produced in 2019. The price included the balancing costs between the forecast and realised production.

In November 2019, the Centre for Support carried out an auction for the transfer of the Eco Group in 2020. The final auction price amounted to EUR 55.87 per MWh.

Year	2009	2010	2011	2012	2013
Total [in MWh]	9,908	176,902	201,482	212,840	201,955
Sales at auctions/transfer of the Eco Group [in MWh]	0	86,148	157,680	121,068	61,320
Sales at BSP Energy Exchange [in MWh]	0	34,962	35,533	82,493	142,521
Imbalances [in MWh]****	9,908	55,792	8,106	9,135	-1,902
Recalculation of imbalances*	0	0	163	144	16
Total (in EUR million)**	0.5	5.2	10.5	11.6	9.4
Final achieved price (incl. imbalances, EUR/MWh***)	46.02	41.36	52.02	54.96	45.67
Achieved price at the auction (EUR/MWh***)	n.d.	40.27	51.15	58.53	51.02
Weighted price of the sale at BSP (EUR/MWh***)	n.d.	49.38	63.42	54.29	43.90
BSP MAX (EUR/MWh***)	n.d.	117.02	165.01	224.00	123.14
BSP MIN (EUR/MWh***)	n.d.	4.76	0.00	0.00	0.00

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

** Rounded to one decimal place.

*** Rounded to two decimal places.

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

Table 24: Sale of electricity from the Eco Group from 2009 to 2019

Year	2014	2015	2016	2017	2018	2019
Total [in MWh]	202,499	181,087	169,427	157,284	139,543	125,112
Sales at auctions/transfer of the Eco Group [in MWh]	52,560	52,560	169,427	157,295	139,543	125,112
Sales at BSP Energy Exchange [in MWh]	151,656	122,107	0	0	0	0
Imbalances [in MWh]****	-1,815	6,418	8,464	8,582	-3,216	6,018
Recalculation of imbalances*	98	2	1	-11	0	n.d.
Total (in EUR million)**	8.7	7.6	7.0	6.0	6.6	7.3
Final achieved price (incl. imbalances, EUR/MWh***)	42.42	41.80	41.13	38.25	47.33	58.88
Achieved price at the auction (EUR/MWh***)	44.32	43.50	41.13	38.25	47.33	58.88
Weighted price of the sale at BSP (EUR/MWh***)	41.00	43.33	0.00	0.00	0.00	0.00
BSP MAX (EUR/MWh***)	145.03	143.02	104.96	199.00	141.25	200.02
BSP MIN (EUR/MWh***)	0.10	0.00	0.01	-42.93	-76.01	-20.23

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

** Rounded to one decimal place.

*** Rounded to two decimal places.

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

Table 24: Sale of electricity from the Eco Group from 2009 to 2019

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

The Energy Act stipulates that the issuing of Guarantees of Origin for the whole of Slovenia is the responsibility of the Energy Agency. In accordance with the law, Borzen is, in its role as the Centre for Support, responsible for maintaining a joint application support for the registries that are necessary for the implementation of the support system for the production of electricity from renewable energy sources and high-efficiency cogeneration, which also include the GoO Registry.

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

As at 31 December 2019, the GoO Registry included **1,434 users** and consisted of the administrator account (Borzen), the account of the issuer of Guarantees of Origin (Energy Agency), the account of the Centre for Support, 6 accounts of the System Operators, 16 trading accounts and 1,410 producer accounts. A total of **2,075 production units** with the total rated power of **1,420,148 kW** were registered in the registry.

In 2019, a total of **4,753,324 MWh of Guarantees of Origin** were issued, which is 3 percent less than

in 2018. A total of 6,286,184 MWh was transferred among users' accounts, which is 9 percent less than in the previous year.

In 2019, the international transactions were also carried out. The imports via AIB-HUB into the Slovenian registry amounted to 674,616 MWh (+7 percent with regard to 2018), while the Slovenian export of certificates via AIB-HUB decreased by 17 percent compared to 2018 and equalled 3,393,753 MWh.

Energy source	Issued	Cancelled	Imported	Exported	Transferred
Renewable	54,831,000	51,364,000	/	20,438,000	45,378,000
Renewable/solid/wood	/	7,594,000	7,594,000	/	7,594,000
Renewable/gaseous	/	5,944,000	5,944,000	/	5,944,000
Renewable/gaseous/landfill gas	94,909,000	95,791,000	882,000	/	56,201,000
Renewable/gaseous/landfill gas/gas from treatment plants	/	21,903,000	21,903,000	/	21,903,000
Renewable/gaseous/gas from agriculture/energy crops	/	2,808,000	2,808,000	/	2,808,000
Renewable/thermal/solar	6,289,000	6,289,000	/	/	6,289,000
Renewable/mechanical source or other/wind	16,014,000	15,699,000	3,193,000	18,424,000	19,231,000
Renewable/mechanical source or other/hydro and marine	408,000	408,000	/	/	408,000
Fossil/gaseous/natural gas	2,265,000	9,610,000	258,000	620,000	13,453,000
Renewable	/	4,560,000	4,560,000	/	/
Renewable/solid/wood	4,433,319,000	1,613,002,000	627,474,000	3,354,271,000	6,022,885,000
Renewable/gaseous	145,289,000	145,289,000	/	/	84,090,000
Total	4,753,324,000	1,980,261,000	674,616,000	3,393,753,000	6,286,184,000

Table 25: Activities of the GoO Registry in 2019 (in KWh)

The data in the table include the issues and invalidations of all existing types of Guarantees of Origin (national GoO Registry, EECS RECS, EECS GoO Registry) and all existing forms of transfers (i.e. transfers among accounts within the registry and transactions via AIB-HUB).

⁶ AIB-HUB is a special register/interface managed by the Association of Issuing Bodies (AIB), which enables international transfers between registries.



LET'S BE THE ENERGY. LET'S SAVE THE EARTH.

Franc Miklošič High School,
Ljutomer,
"Bomba" team.



4.

RRM – REMIT REPORTING SERVICES

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

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

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

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

In 2019, Borzen continued with its previously planned activities. Following the ACER guidelines, the main focus was placed on ensuring adequate data quality. Borzen also continued to actively inform its users and assisted them in fulfilling regulatory obligations. At the end of 2019, more than 50 clients (most of them were foreign clients) entrusted Borzen with the implementation of the RRM reporting services. The number of clients can be attributed to the fact that in previous years Borzen proved to be a reliable partner and thus managed to acquire a large number of new clients in the second phase of the REMIT reporting. In 2019, Borzen managed to acquire some new customers, but at the same, a few customers left the reporting services, mainly due to their complete withdrawal

from the market. Thus, the number of customers remained at a similar level compared to 2018.

The trend in the number of clients has been fairly stable in the last two years, but as there is a tendency to consolidate the operations of some companies (transition from several RRM to one RRM, additional implementation of reporting for related companies), some inactive customers are expected to leave in the long run (customers who do not perform reporting). These customers also include companies that have chosen the BSP reporting/forwarding and pay higher rates for the RRM – REMIT service. As can be seen from the reduction in the volume of contracts and the dynamics of the Balance Scheme, the market as a whole is not actually expanding.

In 2019, ACER held several consultations and workshops in relation to the introduction of additional or special payments for ACER. Namely, in accordance with the basis of the ACER regulation, the European Commission will introduce special payments by the RRM, which may also affect Borzen's membership in the RRM – REMIT. Based on the current information, ACER is expected to set the rates for each participant and the RRM will be responsible for collecting the fee and pay it to ACER. More will be known in the first half of 2020, when the first version of the consultation document is expected to be released. The document will contain the details related to the introduction of fee-based system. Borzen will closely monitor the developments in this field and, if necessary, inform its customers in relation to this subject. The implementation of the special fee is expected in 2021.



**THE FUTURE IS
IN OUR
HANDS.**

Milan Šušteršič
Elementary School, Ljubljana,
"9. razred" team.





5.

IMPLEMENTATION OF INFORMATION, PUBLIC AWARENESS AND TRAINING PROGRAMMES ON THE EFFICIENT USE OF ENERGY AND RENEWABLE ENERGY SOURCES – “TRAJNOSTNA ENERGIJA” (SUSTAINABLE ENERGY)

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

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



Figure 19: Logo of the “Trajnostna energija” (Sustainable Energy) brand

In 2019, we carried out a series of activities in the field of information provision, raising awareness and training on the efficient use of energy and renewable energy sources, which we efficiently combined and communicated to the public through the web portal TRAJNOSTNA ENERGIJA (www.trajnostnaenergija.si). The portal represents a meeting point for accessing the information on the efficient use of energy and renewable energy sources, which is collected in a simple and transparent manner. The quality and professional information, on the one hand, contributes to a more efficient use of energy and, on the other

hand, offers various information on renewable energy sources and their use.

In 2018, we pursued the set goals and strategy, using various activities and projects to raise the level of awareness and knowledge in the field of sustainable energy, and contribute to a higher use of renewable energy sources and efficient use of energy. In doing so, we relied on the results of previous projects and on their reprints; we carried out a few continuous activities and started implementing certain new projects. The key activities are listed below:

Conference ‘Sustainable Energy Locally’

In mid-September, we held the fifth professional meeting of local energy managers “SUSTAINABLE ENERGY LOCALLY 2019” entitled “At the intersection of green opportunities”.

At the conference, the participants were introduced to the new examples of local energy communities and how to take advantage of new green energy opportunities at the local level.

Ms. Tonka Matič from the European Commission highlighted the new 2019 investment recommendation to Slovenia by the EU, which recommends that Slovenia focuses its economic policy regarding the investments on research and innovation, low-carbon and energy transition, sustainable transport (especially railway) and environmental infrastructure, taking into account its regional differences.

The conference concluded with the World Café entitled “At the intersection of green opportunities and necessary knowledge”, at which the participants identified challenges and formed common conclusions in response to these challenges. The latter were forwarded to relevant institutions across the country and were published on the portal www.trajnostnaenergija.si.

Web portal	<p>The web portal www.trajnostnaenergija.si was regularly updated with relevant content and up-to-date news throughout 2019. We also prepared new contents which would contribute to spreading the information about RES and EE, as well as minor technical optimisation of the portal and part of the preparation for the upgrade which will occur in the coming year.</p> <p>With the aim to increase our website traffic, the recognition of our brand and its mission and projects, we set up the Trajnostna energija Facebook page, which joined our Trajnostna energija Youtube channel. For the purpose of ad campaigns, we also used Facebook and Youtube advertising.</p>
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Prize competition for preschool children, primary school children and high school students	<p>The prize competition entitled "SUSTAINABLE ENERGY 019", in which the total prize fund equalled EUR 10,000, took place in autumn 2019 and was intended for preschool children, primary school children (first, second and third triad) and high school students.</p> <p>The children participated in the competition by making graffiti about how they can contribute to create a better world. Graffiti could be made on cardboard, paper, drawn on the wall, etc. All graffiti had to be hung or placed in a visible place in order to spread their message as widely as possible.</p> <p>More than 900 children participated in the competition and their graffiti reached at least 30.000 people (classmates, kindergarten and school employees, parents, etc.).</p>
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Atlas of sustainable energy	<p>The web application Atlas of Sustainable Energy, which enables the display of renewable energy sources (electricity production sources and potentials) and energy efficiency measures (implemented measures of households and legal entities), was updated in 2019 with data related to RES and EE.</p>
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Best master's thesis on RES and EE 2019	<p>In 2019, we organised a competition for the best master's thesis on the topic of sustainable energy for the first time. In this way, we wanted to encourage young people to become actively involved in solving current challenges in the field of sustainable energy.</p> <p>The winner of the completion was Miss Urša Mrhar with her master's thesis <i>Analysis and a proposed sanation of an existing building considering earthquake resistance and energy efficiency</i>. A special award was awarded to Miss Urška Stopar for her master's thesis entitled <i>Renewable energy sources, peer-to-peer electricity trading and new technologies in energy sector (selected legal aspects)</i>. In December, we held an award ceremony for both winners where we handed out prizes in the total value of EUR 3,500.</p>
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Environmental cartoons "Lepši svet" (A Better World)	<p>The new episodes of our environmental cartoon series Lepši svet 2 ("A Better World 2") were broadcast on the Slovenian national television RTV Slovenia. The cartoons were created in cooperation with RTV Slovenia and are targeted at younger children, ages 4-10. The main characters. Tina and Rok, together with their little dog Edi and the all-knowing tablet Nik, go on exciting and interesting adventures where they learn about different topics, such as:</p> <ul style="list-style-type: none"> - why we use batteries. - who invented electricity. - what a day without electricity would look like. - how to carefully handle electricity. - how we use solar energy. <p>The cartoons are also published on the website www.trajnostnaenergija.si and on the Trajnostna energija Youtube channel.</p> <p>In addition, all episodes of the cartoons were dubbed in English in 2019. The cartoons are also suitable for learning English, since they come with keyword translations. The English cartoons are published on the Trajnostna energija Youtube channel and the Slovenian Academic and Research Network of Slovenia (ARNES), a public institute that provides network services to research, educational and cultural organizations.</p> <p>The second season of the cartoons was recorded on DVDs and was equipped with an educational booklet containing learning materials which accompany the topics presented in the cartoons and are primarily intended for educators and teachers since the materials describe keywords and ideas for creation and discussion. In this way, employees in educational institutions can use our DVDs as an interactive learning tool. DVDs were sent free of charge to all Slovenian kindergartens, primary schools and libraries.</p> <p>We are proud that the cartoons LEPSI SVET ("A Better World") have already received over 1 million views since their launch.</p>
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Demonstration renovations	<p>The most important aspect of the activity we started in 2016 is to present an empirical comparison of data on energy consumption in buildings before and after energy-efficient renovation and publish this data on the website www.trajnostnaenergija.si, through which we aim to raise confidence in the calculations of theoretical savings and prove that the measure of energy-efficient renovations is economically justified. In 2019, Borzen obtained the last actual measurements of all three analysed facilities for the heating season 2018/2019 and carried out a comparison analysis against the previous years. The results are published on the website www.trajnostnaenergija.si.</p> <p>The socially responsible demonstration project of the self-sufficient 'Viška hiška', the building in which the Slovenian Philanthropy headquarters are located, which was carried out in 2018 (energy renovation, solar power plant, energy storage), was also monitored in 2019 and has yielded good results.</p> <p>On the one hand, the consumption of electricity needed for heating was reduced by 35 percent and the production of the solar power plant reached 8.3 MWh. The energy storage system operated successfully - the acquired energy totalled 12,649 kWh, the transmitted energy equalled 4,709 kWh and the charged energy amounted to 7,940 kWh. In the spring of 2019, the project was presented to the public.</p>
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<p>Sustainable Energy Innovations competition 2019</p>	<p>For the first time, we organised the competition 'Sustainable Energy Innovations 019' on the topic of electricity production from RES and high-efficiency cogeneration, currently available on the market. With the competition, we wanted to encourage the generation of ideas in the field of RES and EE.</p> <p>The prize fund totalled EUR 16,500 and 4 prizes were awarded:</p> <ul style="list-style-type: none"> - First place: RIKEMA d.o.o. for their project 'Electricity from the home forest - cogeneration of electricity from wood biomass'; - Second place: Institute of Chemistry with their project 'Innovative Nano technological process of preparation of catalysts for more efficient and cheaper hydrogen fuel cells'; - Third place: Ms. Romanca Pečnik with her project 'Walnut shell in a wood briquette - organic zero-waste briquette'; - Fourth place: Mr. Timotej Černe with his project 'Centrifugal force'. <p>All participants participated in a workshop entitled "From idea to successful story", the key purpose of which was to empower individuals with knowledge that will help them in implementing their ideas in the future.</p>
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<p>Research on energy efficiency in Slovenia</p>	<p>We participated in the implementation of the Slovenian Energy Efficiency Survey, whose goal is to obtain useful information in the field of energy use and to promote efficient energy use and renewable energy sources in Slovenian households.</p> <p>The aim of this comprehensive research was to discover and monitor the following aspects:</p> <ul style="list-style-type: none"> - situation in households (list of energy and resource consumers). - behavioural habits, consumer attitudes towards energy use and willingness to act more efficiently. - perception of relevant market participants. - willingness to invest. - monitoring trends and gradually establishing standards for energy efficiency in households. <p>A wider summary was prepared and is available on the website www.trajnostnaenergija. In November 2019, a press conference at which key findings were presented was held for interested media.</p>
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<p>Energy playground in Maribor</p>	<p>At the beginning of December, we set up an energy playground in the centre of Maribor, which introduces children and other citizens to the concept of renewable energy and encourages more sustainable use of energy. The socially responsible project was initiated by Borzen, with the participation of two project partners: Dravske elektrarne Maribor (the largest Slovenian producer of electricity from renewable sources) and the Municipality of Maribor. The project partners share their awareness of the importance of a responsible attitude towards the environment and they all want to inform, raise awareness and encourage the efficient use of energy and renewable energy sources in the most environmentally acceptable way.</p>
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<p>Board game "Lepši svet" (A Better World)</p>	<p>We designed a board game on the topic of RES and EE, intended especially for children. Throughout the game, the players move towards the goal – a better world. On their way, they come across fields with questions that they must successfully solve in order to reach their goal. In addition to answering the question, the players also learn about the proper and improper energy management by picking up green (reward) and red (punishment) cards. In this way, the players learn new and important information on sustainable energy. The board game has been sent to all Slovenian game libraries.</p>
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<p>Short video tips on EE</p>	<p>For all those who like to browse the web and watch fun videos (especially the young population), we created ten funny videos on the topic of RES in collaboration with the famous Slovenian TV host, Jože Robežnik aka JocoHud. All ten videos are published on the Trajnostna energija Youtube channel and JocoHud Youtube channel.</p>
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<p>Sustainable Development Days 2019</p>	<p>In cooperation with CDI UNIVERZUM, an adult education centre in Ljubljana, we prepared a series of events related to sustainable energy in May 2019. The events were aimed at citizens who are involved in the adult education programmes, local communities and pre-school children. We reported the events and related them to the European Sustainable Energy Week (EUSEW) 2019. EUSEW is a pan-European initiative whose goal is to promote and identify activities, projects and events that promote sustainable development.</p>
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The field of information provision, awareness raising and training is a great opportunity to provide information on renewable energy sources and efficient use of energy to the widest possible range of people and thus contribute to raising awareness

and knowledge on both topics, and empower various target audiences. In the future, we intend to implement new projects in this area and add new content to the existing ones.



6. MARKETING ACTIVITY

Within the framework of commercial activities in 2019, Borzen performed settlement and clearing services and IT services for BSP Energy Exchange.

As part of the clearing of transactions on the energy exchange, Borzen mainly performs 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 guarantee management;
- Performing counterparty tasks in the process of market coupling;
- Administration for the energy exchange members.

Within the commercial activities, the RRM – REMIT reporting service is also defined in the financial part, although it is already covered in the fourth chapter of this report.

In 2019, the company was awarded five advisory projects under the calls for applications of the Energy Community Secretariat, namely:

- Consultancy contract "Support in development of Rules for day-ahead and intraday market in Georgia" with the aim of preparing a draft law for day-ahead and intraday trading in Georgia (the contract was concluded in April 2019);
- Consultancy contract "Provision of technical assistance to North Macedonia for operation of the organised day-ahead market" with the aim of preparing a draft for the day-ahead trading rules (the contract was concluded in June 2019);
- Consultancy contract "Support in development of rules/procedures and framework contracts for procurement of electricity in Moldova" with the aim of preparing draft rules and a draft framework contract for the purchase of electricity (the contract was concluded in March 2020);
- Consultancy contract "Support in development of the standard terms and conditions for direct contracts on sale and purchase of electricity and procedure for registration in Georgia" (the contract was concluded in December 2019);

- Consultancy contract "Support in capacity building related to provisions of Electricity Market Rules in Moldova" with the aim of transferring expertise in the field of electricity market establishment and preparation of an explanatory document on electricity market rules in Moldova (it is a six-month project which started in October 2019 and is expected to end at the end of March 2020).



GREEN AGAIN.

Sveti Jutrij Kindergarten,
"Jasli Petroča" team.



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. We understand the sustainable development as a commitment towards sustainable operations of our company, as well as the efforts of each of our employees to contribute to a better world through their work and in the service of society.

We perceive social responsibility as our company's responsibility for the impacts of our decisions and activities on the wider society and environment. With our transparent and ethical conduct, we:

- Contribute to sustainable development, including the health and prosperity of the country;
- Take into account the expectations of our stakeholders;
- Comply with the applicable legislation and the international norms of operation;
- Our transparent and ethical conduct has been integrated in our whole company and is being implemented in our relations.

7.

SUSTAINABLE DEVELOPMENT

7.1 OUR 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 to create a working environment in which

working demands and results are combined with our employees' satisfaction, motivation, commitment and good interpersonal relationships.

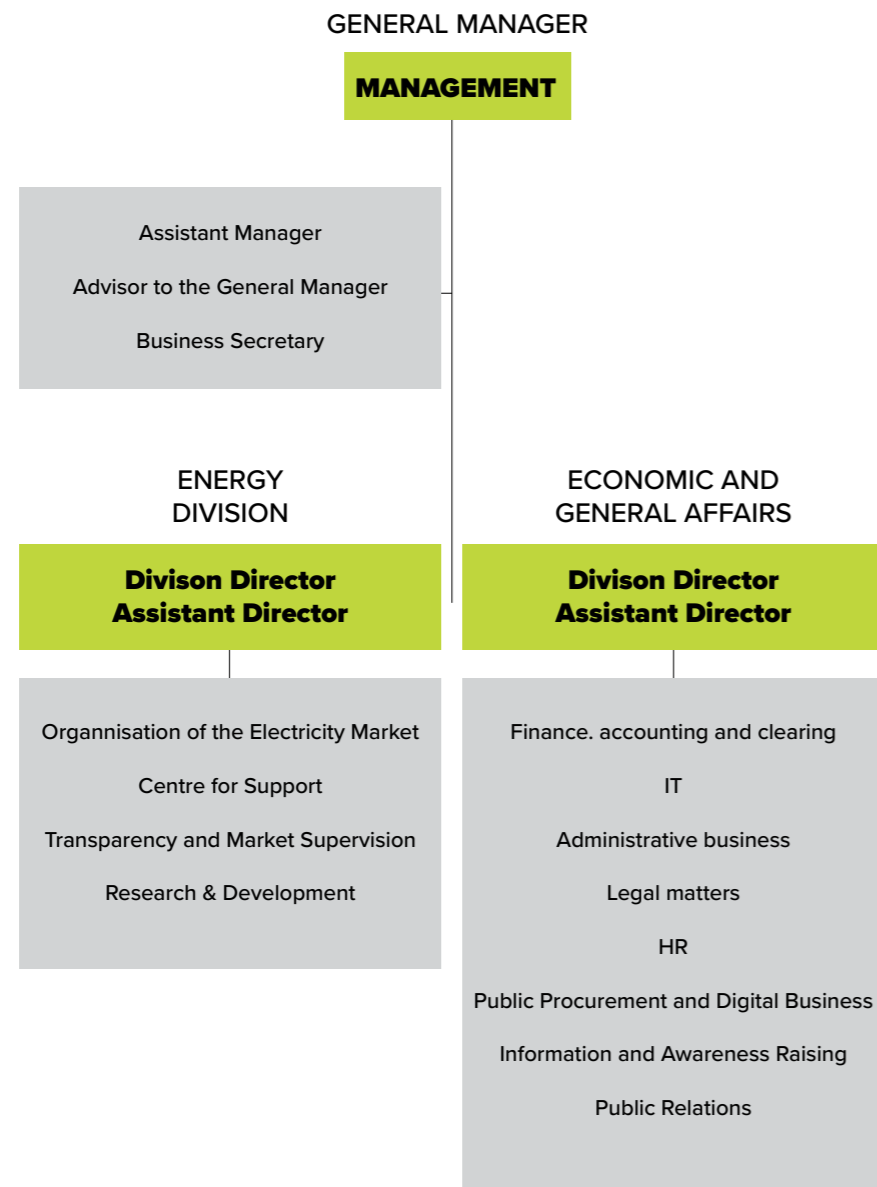


Figure 20: Internal organisational chart of Borzen

7.1.1 Internal organisational chart of the company

The above diagram shows the internal organisation of the company, which changed in 2019. In addition to the company's management, it consists of two other divisions, namely the energy division and economic and

general affairs. The internal reorganisation also brought a new systematisation of job, all with the aim of optimising business processes.

7.1.2 HR indicators

NUMBER OF EMPLOYEES

At the end of 2019, Borzen employed 31 employees. Compared to the end of 2018, the number of employees increased by one employee. The average number of employees in 2019 equalled 28 employees and was two employees lower than the average number of employees in 2018.

At the end of 2019, the share of fixed-term employees accounted for 6 percent of all the employees and increased by one employee compared to the previous year.

AGE STRUCTURE

The average age of the employees was 39. The age structure displayed in the chart below shows that most of the employees belong to the 36-45 age group (48 percent), which is followed by the 26-35 age group, with 35 percent of all the employees

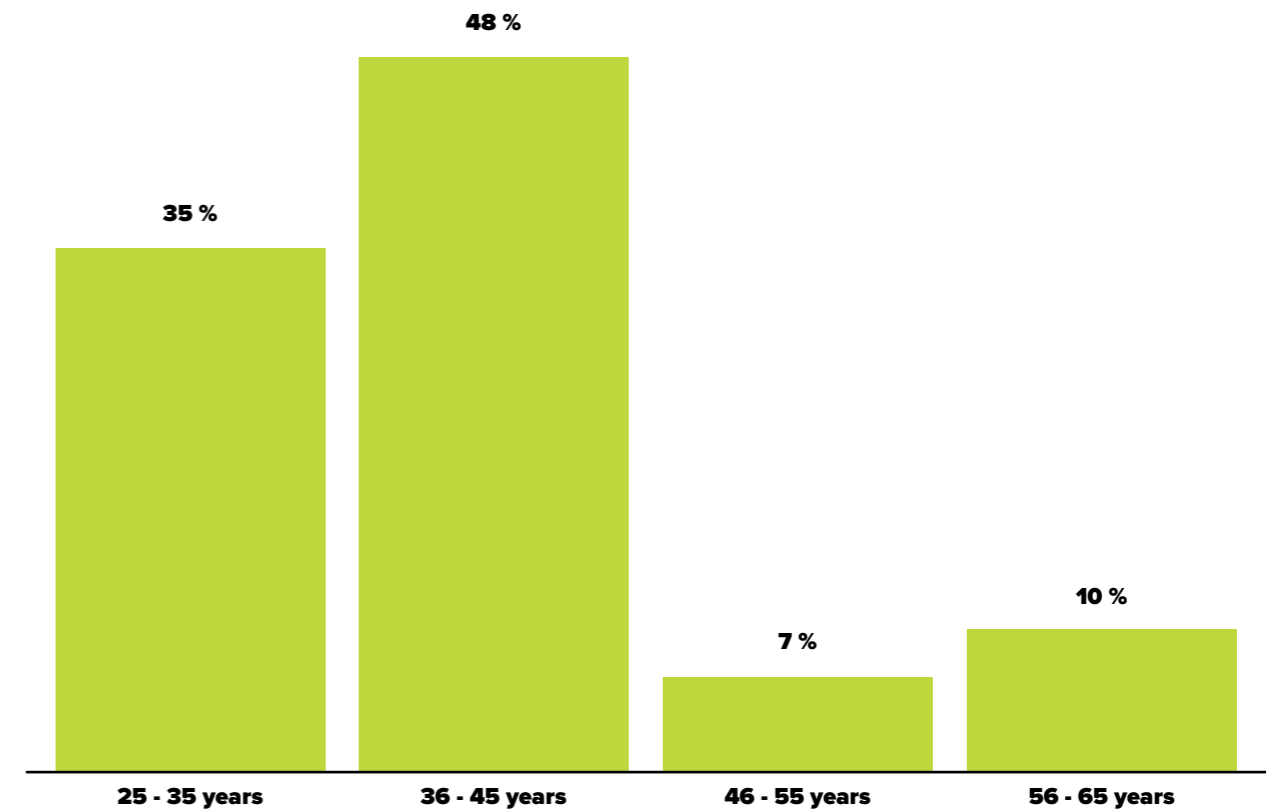


Figure 21: Age structure of the employees in percentage as at 31 December 2019

STRUCTURE BY GENDER

There were 18 men among the employees at Borzen, accounting for 58 percent of all the employees, and 13 women, which equals 42 percent of all the employees in the company. Compared to the previous year, the gender ratio remained the same.

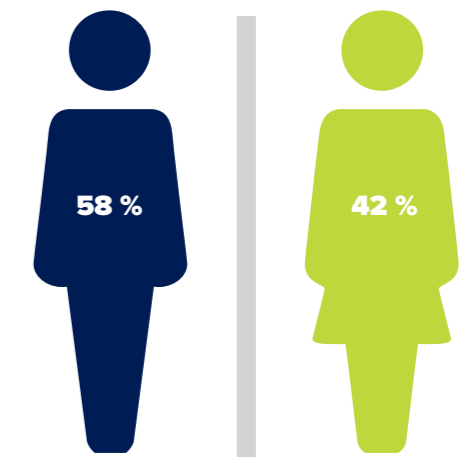


Figure 22: Gender structure of the employees as at 31 December 2019

EDUCATIONAL STRUCTURE

Level	Title of professional education	2018	Share in %	2019	Share in %
VIII/2	Doctorate	1	3	1	3
VIII/1	Master's degree	3	10	3	10
VII	University education	18	61	18	58
VI/2	Four-year tertiary professional education	6	20	6	19
VI/1	Two-year tertiary professional education	1	3	2	7
V	Secondary education	1	3	1	3
Total		30	100	31	100

Table 26: Educational structure in shares as at 31 December 2018 and 31 December 2019

Most employees have the seventh level of education, namely 58 percent, which is followed by level VI/2 (19 percent) and VIII/1 (10 percent).

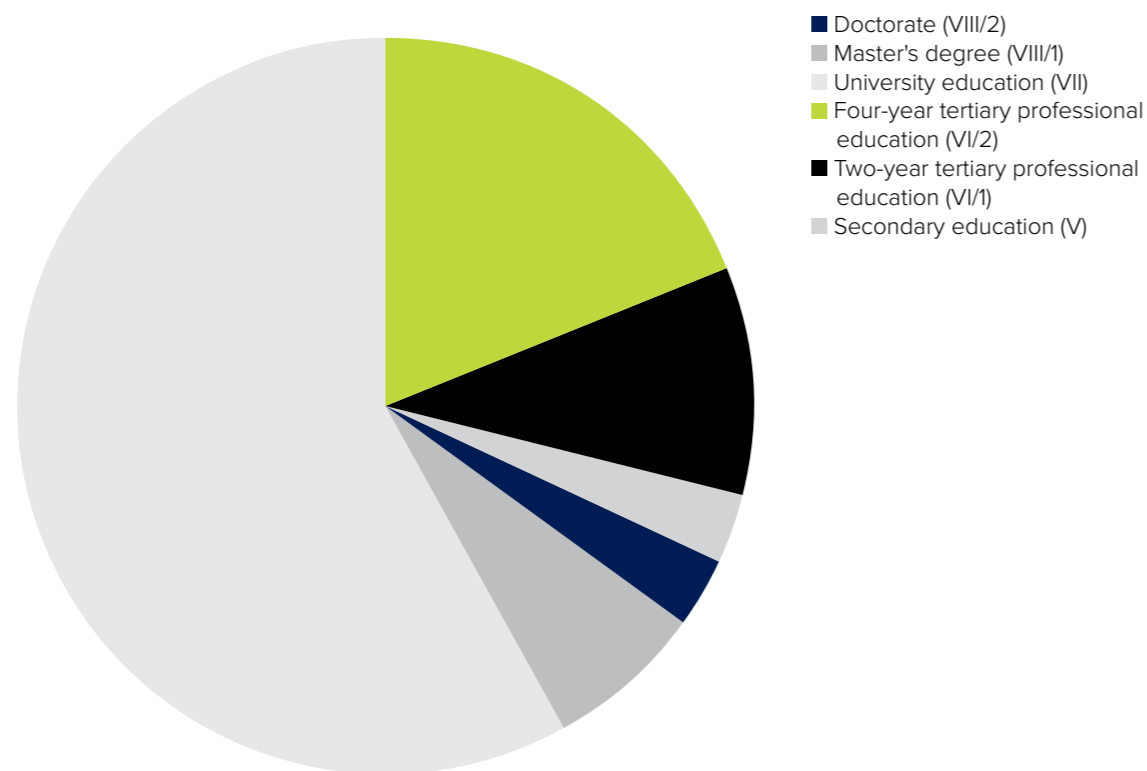


Figure 23: Educational structure of the employees as at 31 December 2019

7.1.3 Employee development

MOTIVATION

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the tasks. Employment is therefore an upgrade of 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. Thus, throughout the year, all employees attended various seminars, courses, training sessions and conferences.

Employees can upgrade and improve their already acquired knowledge and education with in-service training. The employees are very interested in further schooling to acquire a higher formal educational level. Borzen supports this kind of personal growth with training leave. In 2019, there was one employee integrated into study programmes to obtain a higher educational level.

The company carries out internal transfer of knowledge and information among employees and presentations of the new business procedures for all employees. In 2019, we organised and designed group training for areas related to the majority of employees. An important aspect of professional development and education is also represented by professional literature and memberships in professional associations, in which the informal flow of knowledge takes place.

By implementing the competency model, we continued to ensure more efficient planning and management of HR development in 2019, as well as the identification of appropriate development of our employees' potentials. The competence profiles are the basis for conducting competence assessments once a year (i.e. 360-degree assessment) and for preparing a development plan for every individual employee.

We establish an appropriate level of motivation and employee affiliation by developing employees' competencies, goal-oriented management, targeted two-way communication and other tools. We also pay special attention to intangible forms of rewarding, such as the involvement in various projects and working groups, which has an additional proactive effect on the employee engagement.

SUCCESSION MANAGEMENT SYSTEM

At Borzen, we have established a succession management system for the position of the general manager and the key function holders within the company. The system includes the identification of the key personnel, an objective assessment of their competences, the monitoring and evaluation of their performance, and support in establishing and upgrading the competences that are essential for promotion. This way, we want to ensure a suitable continuity within the company and manage potential risks in this context.

7.1.4 Communication with the employees

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

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

We believe 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 internal communication, which is also reflected in the regular team-building programmes.

7.1.5 Care for the employees

OCCUPATIONAL HEALTH AND SAFETY

Borzen provides all the employees with a 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. A risk assessment was prepared for each post and measures have been prescribed that ensure the adequate safety of the employees. Risks are peri-

odically 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.

In 2019, we again organised regular periodical medical examinations in order to monitor the employees' health status and their ability to perform tasks. The company cares for the employees' health by carrying out preventive measures that help to resolve the employees' health and other problems.

FAMILY-FRIENDLY ENTERPRISE

We are aware that coordinating professional and family life represents a challenge of ever-increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of balancing professional and private life, which we have achieved within the scope of the Family-Friendly Enterprise Certificate.

By doing so, we want to enable our employees to more easily balance their professional and private life, for we believe that in the long run such efforts lead to a mutual satisfaction between the company and its employees, which is why such activities will be continued in the future.

HEALTH PROMOTION

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

ADDITIONAL VOLUNTARY PENSION SCHEME AND ACCIDENT INSURANCE

Borzen provides all of its employees with voluntary additional pension insurance in order to increase their social security, especially after retirement. All employees are covered by voluntary pension insurance. We also provide all employees with accident insurance which covers accidents both at work and outside of work.

7.2 RESPONSIBILITY TOWARDS WIDER COMMUNITY

RELATIONS WITH STAKEHOLDERS

At Borzen, we are aware that our stakeholders are the core of our operations. We recognise and acknowledge various groups of stakeholders and the public, and adapt our communication and activities to each of these groups separately. A responsible attitude towards our stakeholders is embedded in our business processes, both on the strategic and day-to-day level. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and that we are fulfilling our public service mission.

We regularly check the general satisfaction of our stakeholders through our satisfaction surveys. The results from 2019 show that the implementation of the Centre for Support activities is at an extremely high level, as 95 percent of respondents are satisfied or completely satisfied with our services, and the average satisfaction rating is 5.41 (6 being the highest score). The trust that the stakeholders place on us and their confirmation that our work is carried out well and professionally give us new impetus and ideas. In the future, we will continue to conduct satisfaction analyses.

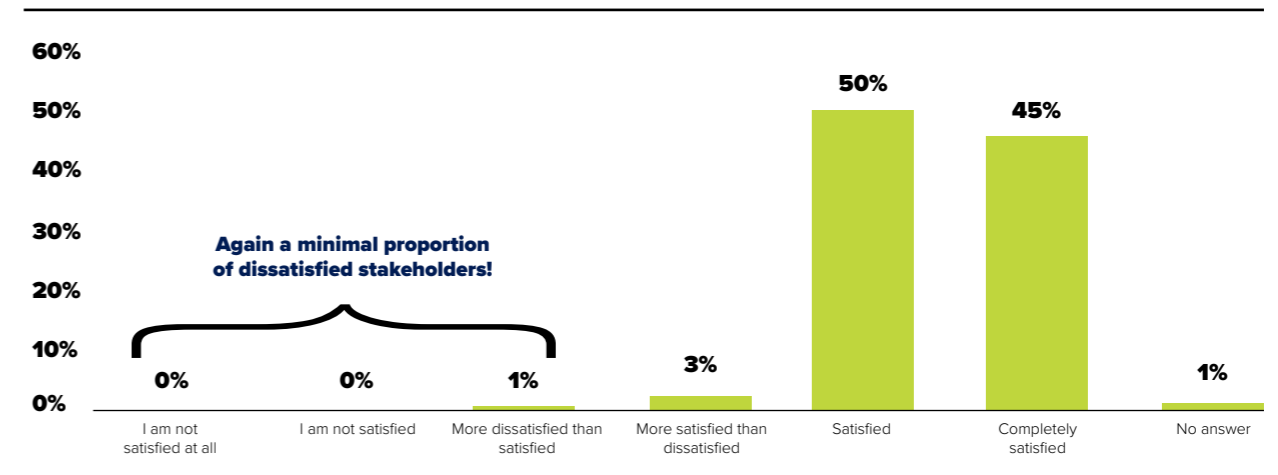


Figure 24: Overall satisfaction of our stakeholders

In 2019, the area of communication with stakeholders was primarily targeted at the following four key groups:

- the existing and potential members of the Balance Scheme,
- the existing and potential members of the Support Scheme,
- the existing and potential users of the RRM – REMIT service,
- the general public that was targeted through our brand “Trajnostna energija” (Sustainable Energy).

In addition, our attention was also focused on the regular communication with the above-mentioned public and active cooperation with the Slovenian media and other stakeholders. Regarding the latter, it is especially important to highlight the communication in the segment of public debates on rules that were in the phase of updating (i.e. Rules concerning amendment and supplement of the rules for the operation of the electricity balancing market), which means that all interested parties could present their observations and suggestions. Borzen strives to achieve an advanced energy market, which will, as such, represent the biggest added value for all existing and potential members of the Balance Scheme.

The activities that should be highlighted in the field of communication in 2019 are the preparation and publication of additional data on the functioning of the electricity market on our corporate website (extended publication of the imbalance settlement data in accordance with the new Rules on the Operation of the Electricity Market).

In the field of information provision and raising awareness on renewable energy sources and efficient energy use under our brand “Trajnostna energija” (Sustainable Energy), we strengthened and established communication with our key stakeholders through various communication channels and tools, such as a local conference, TV broadcasts, a scientific monograph, the web portal www.trajnostnaenergija.si and other projects mentioned in the previous chapters. Furthermore, we intend to upgrade and strengthen the communication in the future. All activities in the field of information provision, raising awareness and training on RES and EE were adequately covered by communication support, which has resulted in great media coverage and positive feedback from the public.

Sharing knowledge and experience and simultaneously positioning Borzen as the hub of the energy market is the priority orientation of our company, which is why the representatives of Borzen regularly

attend various professional conferences as lecturers in Slovenia and abroad.

TRANSPARENCY

Borzen aims to provide a transparent business operation, since we believe it is our commitment to all our users as well as to the citizens of the Republic of Slovenia. We believe that transparency is an important value and we strive to attain it with the publication of various types of data and information about our business operations on our website and via other channels. Among other things, we have also published a list of beneficiaries, a list of the Balance Scheme members, reports on market operations and Support Scheme operation, high- and low-value public procurement tenders and various other public information. We also regularly submit relevant information to the interested members of the public and strive towards an open cooperation with the media.

At Borzen, we respect and appreciate the principle of transparency, which is an important guiding thread in the preparation of the company's annual report every year. In the spirit of sustainable development and sustainable communication, we have been preparing a sustainability report in accordance with the “Global Reporting Initiative Standards” (GRI Standards) guidelines from 2012 onwards. In our sustainability reports, we also cover the aspect of diversity, which is implemented in connection with the composition of the governance bodies, although the company does not implement a diversity policy. In the spirit of sustainable development and sustainable communication, we prepared the company's annual report and launched a call for the allocation of sponsorship and donor funds for 2019.

SOCIAL RESPONSIBILITY

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

Borzen obtained the Corporate Social Responsibility Certificate as one of the first companies in Slovenia and the first company in the electricity industry. The certificate represents a socially responsible prin-

ciple of corporate governance. Borzen obtained the certificate in the field of organisational management (level B) and in the field of community involvement and development (level A). On the overall level, Borzen achieves level B. In the middle of 2019, an external auditor performed an audit of our work in the field of certification, which we successfully passed.



Dedicated and targeted sponsorships and donations are one way to connect with the community and thus contribute to the positive functioning of the society as a whole. We support participation in different sports activities, work with young people, culture, education and humanitarianism.

We aim to share good practices and support the knowledge transfer to the wider social environment.

7.3 ENVIRONMENTAL RESPONSIBILITY

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

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

Today, sustainability is a part of our everyday life but the topics of sustainable action and environmental protection will be even stronger tomorrow. Borzen was entrusted with tasks related to information provision, awareness raising, training and publication of information on the efficient use of energy and renewable energy sources. In this respect, we are extremely proud of our brand "Trajnostna energija" (Sustainable Energy), which works towards expanding and promoting knowledge in the field of sustainable energy.

At Borzen, we are actively engaged in raising awareness on environmental protection among our employees, i.e. by separating waste, using recycled materials, and saving water and electricity.

7.4 COOPERATION AND DEVELOPMENT

7.4.1 Cooperation in professional associations and working groups

Borzen actively shapes the trends of the Slovenian and the European energy sector. We are aware of the importance of cooperation between different players on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects the exceptional trust we enjoy in professional circles. Some forms of cooperation that mark the operations of our company are mentioned below.

Among the more important ones, let us mention the cooperation in the association of the European energy exchanges **Europex**, in which our Director of Operations, Borut Rajer, MSc, occupies a responsible position on the management board. The **APEX** Association and cooperation within the section established by the Slovenian Chamber of Commerce, through which Borzen is a member of **Eurelectric** (Union of the Electricity Industry), are among other important organisations through which we exchange knowledge.

Borzen and its representatives also actively participate in **ENTSO-E** in the WG Ancillary Services working group, in which we are in the role of observer members in the project group for harmonisation of the imbalance settlement (Project Team Imbalance Settlement Harmonisation). We participate in the formulation of the proposal of all system operators for the harmonisation of the imbalance settlement in the EU with our proposals and opinions. The Electricity Balancing Guideline (2017/2195) dictates further harmonisation of the electricity market in the EU, which will have a significant impact on changes in the field of imbalance settlement in Slovenia as well.

Borzen has been also actively involved in the **Energy Market Data Exchange Section (IPET)**, which operates within the Energy Industry Chamber of Slovenia and promotes the development in the field of data exchange on the electricity market; it is presided by a Borzen employee. Our employees are also active in the association **CIGRE (Conseil Internationale des Grands Reseaux Electriques) – CIRED (Slovenian Committee of Electric Power)**, especially within the Marketing and Regulation of Energy Systems working group.

Borzen is also a member of the **Section for Quality and Excellence in Electricity as well as a founding member of the Slovenian Association for Energy Economics (SAEE)**, which is the 30th national affiliate of the International Association for Energy Economics (IAEE) and operates as a section within the Energy Industry Chamber of Slovenia.

Also important is our membership in the international organisation. **Information Systems Audit and Control Association (ISACA)**, which is responsible for the development of information systems auditing, information technology management, control and assurance and cyber security.

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 corporate management stakeholders.

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

Borzen is also a member of the **Network of Socially Responsible Companies** which promotes and raises awareness on the importance of social responsibility and represents a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.

7.4.2 Significant projects and activities of the company

PROJECT PAKT – SMART DEVICES, MODELS AND PLATFORMS IN THE ACTIVE NETWORK

Despite the state-of-the-art technologies that are used in energy devices and a variety of available technologies that enable the connection and communication between devices, the global market still

lacks common and standardised solutions that would enable authorised companies (for example, energy traders, energy distributors, market operators, etc.) to continuously manage the flexible loads (DSM/DR) in a direct way or through remote aggregators and thus contribute to the integrated energy management system (EMS) at the level of smart cities and communities. In order to achieve this, it is necessary to provide innovative building blocks for energy infrastructure, which would enable an improvement of the distribution management system (DMS) and could be marketed globally. The project covers the following conceptual areas:

- Knowledge and manageability of the Distribution Management System (DMS);
- Active inclusion of the Demand Response (DR) and Demand Side Management (DSM);
- Integrated Energy Management System (EMS).

Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium with partial reimbursement of research and development costs. The project will last three years and was begun in 2017. Borzen's role is to establish and manage an aggregation trading platform. In 2019, we performed testing of intermediate products for the purposes of demonstrating the aggregation-trading platform. At this stage, some research closer to the basic level regarding the predictability of consumption by individual segments was also included. We participated in the definition of the back-end data model and prepared prototypes of products that will be demonstrated in the platform. We analysed examples of good practice of trading applications and prepared requirements and specifications for the aggregation trading platform together with the functionalities that are the basis for adjustments (products, matching rules, etc.). A pilot application has been developed, along with a user interface, and the final version will be ready in 2020, when the project is planned to be completed. In terms of content, the project will continue with the NEDO-Fleks project that started in 2019.

PROJECT NEDO-FLEKS – COMPREHENSIVE USE OF FLEXIBILITY

The NEDO-Fleks project addresses the problem of flexibility and sustainability of the power system and smart communities. The goal of the project is to develop a battery storage control system, advanced WAMS (Wide Area Monitoring System) algorithms, new modules for the for the field energy management system, a notification platform and an upgraded flexibility platform for market flexibility, which will enable sustainable development, more reliable electricity supply in emergency situations, efficient energy use, multifunctional use of equipment and maximum integration of prosumers into electricity markets. The project started in mid-2019 and will last for 32 months. The consortium of the project is led by ELES and the other members consist of Borzen, Unistar LC, Bintegra, Semantika, Elpros and Sipro inženiring.

Borzen's role will be crucial in the activities related to the upgrade of the electricity services market platform (flexibility) and in simulating the impact of the system battery storage on the imbalance settlement (in various model of the imbalance settlement). The project, similar to the PAKT project, relates to Borzen's strategic priorities as well as to the results of the PAKT project, as it is planned to upgrade the platform that is being developed in this project.

PROJECT SRIP PMIS – STRATEGIC DEVELOPMENT INNOVATION PARTNERSHIP 'SMART CITIES AND COMMUNITIES'

Borzen is a member of the Strategic Development and Innovation Partnership 'Smart Cities and Communities' (SRIP PMIS). The purpose of the partnership is to connect stakeholders, especially research organisations and business representatives to develop products that will be successful on the global market. Within the first phase of the operation, the members of the project prepared an action plan. Within the project, Borzen operates in the field of "Energy and Other Supply". The key objective of this regional vertical is an increased flexibility of energy production, consumption, storage and conversion, and improved

management of the energy and water distribution network. The project is expected to be completed in 2022.

PROJECT FARCROSS

Project FARCROSS (FACilitating Regional CROSS-border Electricity Transmission through Innovation) was successful in the H2020 call LC-SC3-2018-2019-2020 (Building a low-carbon, climate resilient future: secure, clean and efficient energy). A consortium of 30 companies, including Borzen, is led by the Greek company Ubitech. The basic purpose of the project is the optimisation of the use of physical (cross-border) electricity infrastructure with the aim to develop solutions that would increase possible power flows on the same physical infrastructure (cross-border lines). In order to achieve its energy goals, the EU must create the best possible internal market and one of the main obstacles are the suboptimal cross-border connections. A larger market facilitates competition and improves security of supply by facilitating the integration of renewable energy sources into the system. To this end, cross-border electricity infrastructure should operate similarly to the internal infrastructure, while in practice this is often not the case (e.g. changing cross-border capacity allocation due to internal network problems). The FARCROSS project will approach this both from the point of view of developing new hardware and software solutions that would enable better use of infrastructure, as well as through the review of possible obstacles in regulation. The project started in October 2019 and will have a duration of 48 months.

EMI (ELECTRICITY MARKET INITIATIVE) - USEA

In July 2018, Borzen officially joined the initiative for the development of the electricity market in SE Europe, i.e. "Electricity Market Initiative" (EMI), which is being implemented under the auspices and funding of the U.S. Energy Association (USEA) and the United States Agency for International Development (USAID). The agreement, which has been signed by Borzen and ELES from Slovenia and by markets operators and system operators from Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia, Bulgaria, Romania and Greece, supports the regional development of the electricity market in the above-mentioned region. Within the scope of the initiative, the market operators and transmission system operators of the aforementioned countries will strive towards optimising the transmission network and the operation of the electricity markets in the region. The

initiative's mission is to improve the efficiency of the markets, increase competitiveness, and promote alternative energy sources. The project is expected to be completed by the end of 2020, but an extension of the project is also possible. A working group meeting was held in Athens at the end of May and in Sarajevo in October. At the meeting, all participants received the finished ANTARES model of the power system of the South-Eastern Europe.

KOC ENERGIJA – COMPETENCE CENTRE FOR HR DEVELOPMENT IN ENERGY

In 2019, Borzen started to participate in the KOC ENERGIJA project, which will be active until the middle of 2022. The common interest of the project is the establishment of a system of continuous professional training, knowledge transfer between companies, networking and development of new business relations and projects in relation to R&D and educational institutions, cost reduction, business optimisation, increase of the benefit, higher profits and bigger competitiveness. As part of the project, Borzen is entitled to 50 percent of the co-financing of individual trainings in the total value of EUR 15,000.

7.5 INVESTMENTS

In accordance with the company's Business Plan, we carried the majority of planned investments in 2019. The investments were mainly related to the field of information technology. The investments in maintaining a high level of information security and high availability were primarily targeted at updating the hardware and software of the virtual environment and network devices in the server segment.

The investments in the business segment were mainly focused on the development of a solution for the implementation of the imbalance settlement processes, as well as the improvement and protection of user environments. A portion of the investments was intended for upgrading the platform of our single information system which forms the backbone of the company's business processes.



II. FINANCIAL REPORT

1. AUDITOR'S REPORT

RE-member

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the BORZEN, operater trga z elektriko, d.o.o. («the Company»), which comprise the statement of balance sheet as at December 31 2019, the income statement, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BORZEN, operater trga z elektriko, d.o.o. as at December 31 2019, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards

Basis for Opinion

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

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

Other information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

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

RE-member

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Re-member d.o.o.

Frankopanska ulica 21, Ljubljana

David Valenčič

Certified auditor

For signature please refer to the original Slovenian version

Ljubljana, 10 April 2020

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS



2. FINANCIAL STATEMENTS

2.1 BALANCE SHEET

in EUR

DESCRIPTION		31/12/2019	31/12/2018
ASSETS		227,719,712	172,339,210
A. LONG-TERM ASSETS	EXPLANATION	31,108,082	8,966,372
I.	INTANGIBLE FIXED ASSETS. LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	4.1.1. 501,028	338,705
II.	TANGIBLE FIXED ASSETS	4.1.2. 1,559,602	1,580,525
	1. Business premises	1,187,453	1,249,783
	2. Equipment	372,149	330,742
III.	LONG-TERM FINANCIAL INVESTMENTS	4.1.3. 28,919,568	6,919,568
	1. Shares in associated companies	1,919,568	1,919,568
	2. Other long-term financial investments	27,000,000	5,000,000
IV.	DEFERRED TAX	4.1.4. 127,884	127,574
B. SHORT-TERM ASSETS		196,560,881	163,339,143
I.	SHORT-TERM FINANCIAL INVESTMENTS	4.1.5. 105,000,000	90,000,000
II.	SHORT-TERM OPERATING RECEIVABLES	4.1.6. 25,339,925	24,315,250
	1. Short-term trade receivables	23,179,920	21,686,133
	2. Short-term receivables due from others	2,160,005	2,629,117
III.	CASH AND CASH EQUIVALENTS	4.1.7. 66,220,956	49,023,893
C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES		50,749	33,695
	Off-balance sheet assets	4.1.13. 4,873,945	5,286,214
LIABILITIES		227,719,712	172,339,210
A. EQUITY		5,822,325	5,491,810
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.	PROFIT RESERVES	2,537,778	2,172,078
	1. Statutory reserves	196,328	196,328
	2. Other profit reserves	2,341,450	1,975,750
IV.	FAIR VALUE RESERVES	-11,770	-9,643
V.	NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD	1,332,643	1,365,701
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES		191,598	188,339
C. LONG-TERM LIABILITIES		21,905	0
1.	LONG-TERM OPERATING LIABILITIES	-11,770	-9,643
D. SHORT-TERM LIABILITIES		221,683,884	166,658,991
1.	SHORT-TERM OPERATING LIABILITIES	-11,770	-9,643
	1. Short-term liabilities to suppliers	15,293,223	25,313,815
	2. Other short-term operating liabilities	206,390,661	141,345,176
E. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES		0	70
	Off-balance sheet liabilities	4.1.13. 4,873,945	5,286,214

Table 27: Balance sheet as at 31 December 2019 and 31 December 2018

2.2 INCOME STATEMENT

in EUR

DESCRIPTION	EXPLANATION	01/01/2019 31/12/2019	Business plan 2019	01/01/2018- 31/12/2018
I. NET SALES REVENUES		4,199,693	4,037,000	4,344,433
a. Revenues arising from the MO's operation		1,731,478	1,765,000	1,756,289
b. Revenues arising from the recorded closed contracts		1,140,980	984,600	1,278,648
c. Revenues arising from the Centre for Support		591,000	591,000	591,000
d. Revenues arising from BSP		118,262	101,400	109,130
e. Revenues arising from information provision and raising awareness		330,235	320,000	289,860
f. Revenues arising from RRM – REMIT		154,866	140,000	152,391
g. Other revenues		132,872	135,000	167,115
2. OTHER OPERATING REVENUES		13,912	0	123
TOTAL OPERATING REVENUES	4.2.1.	4,213,605	4,037,000	4,344,556
3. MATERIAL AND SERVICE COSTS	4.2.3.	998,519	943,300	911,035
a. Material costs		55,139	53,000	50,394
b. Service costs		943,380	890,300	860,641
4. LABOUR COSTS	4.2.4.	1,591,949	1,619,000	1,580,605
a. Costs of wages and salaries		1,153,757	1,165,000	1,121,275
b. Costs of pension insurance		155,641	154,000	147,374
c. Costs of other social insurances		89,402	90,000	85,606
d. Other labour costs		193,149	210,000	226,350
5. WRITE-DOWNS	4.2.5.	279,124	306,300	302,507
a. Depreciation		279,124	306,300	302,361
b. Operating expenses from revaluation of operating current assets			0	146
6. OTHER OPERATING EXPENSES	4.2.6.	15,299	17,000	16,512
OPERATING PROFIT OR LOSS		1,328,714	1,151,400	1,533,897
7. FINANCIAL REVENUES	4.2.7.	312,336	400,000	150,292
8. FINANCIAL EXPENSES	4.2.8.	10,649	5,000	1,139
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES		1,630,401	1,546,400	1,683,050
9. OTHER REVENUES	4.2.9.	784	0	0
10. OTHER EXPENSES	4.2.9.	7,600	7,500	9,169

in EUR

DESCRIPTION	EXPLANATION	01/01/2019 31/12/2019	Business plan 2019	01/01/2018- 31/12/2018
NET PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES		-6,816	-7,500	-9,169
TOTAL REVENUES		4,526,725	4,437,000	4,494,848
TOTAL EXPENSES		2,903,140	2,898,100	2,820,967
TOTAL PROFIT		1,623,585	1,538,900	1,673,881
11. TAX ON PROFIT		289,654	292,391	315,581
12. DEFERRED TAX		-86	0	-7,504
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		1,334,017	1,246,509	1,365,804

Table 28: Income statement for the period from 1 January 2018 to 31 December 2019

2.3 CASH FLOW STATEMENT

in EUR

DESCRIPTION	2019	2018
A CASH FLOW FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	1,299,510	1,598,218
Operating revenues (except for revaluation) and financial revenues from operating receivables	4,200,477	4,344,433
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-2,611,399	-2,438,138
Tax on profit and other taxes not included in operating expenses	-289,568	-308,077
b. Outflows from operating activities	53,981,284	51,655,643
Opening less closing operating receivables	-1,024,675	2,209,080
Opening less closing deferred costs and accrued revenues	-40,645	-4,387
Opening less closing deferred tax assets	-310	-8,516
Closing less opening operating liabilities	55,046,984	49,459,616
Closing less opening accrued expenses and deferred revenues and provisions	-70	-150
c. Positive or negative cash flow from operating activities (a + b)	55,280,794	53,253,861
B. CASH FLOW FROM INVESTMENTS		
a. Inflows from investments	30,313,853	20,151,290
Inflows from interests arising from investment activities	312,333	150,275
Revenues from disposal of tangible fixed assets	1,520	1,015
Revenues from disposal of short-term financial investments	30,000,000	20,000,000
b. Outflows from investments	-67,397,584	-86,887,662
Outflows from acquisition of intangible assets	-253,420	-108,742
Outflows from acquisition of tangible fixed assets	-144,164	-278,920
Outflows from acquisition of short-term financial investments	-67,000,000	-86,500,000
c. Positive or negative cash flow from investments (a + b)	-37,083,731	-66,736,372
C. CASH FLOW FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	0	0
Inflows from an increase in short-term financial liabilities	0	0
b. Outflows from financing activities	-1,000,000	-1,000,000
Outflows from interests pertaining to financing activities	0	0
Outflows from repayment of financial liabilities	-1,000,000	-1,000,000
c. Outflows from dividends paid and other profit-sharing	-1,000,000	-1,000,000
POSITIVE OR NEGATIVE CASH FLOW FROM FINANCING ACTIVITIES		
D. (A + B)	66,220,956	49,023,893
Closing balance of cash and cash equivalents	17,197,063	-14,482,511
Net cash flow	49,023,893	63,506,404

Table 29: Cash flow statement based on the indirect method (version II)

2.4 ALLOCATION OF NET PROFIT FOR THE FINANCIAL YEAR

in EUR

DESCRIPTION	31/12/2019
Net profit from the preceding financial years	0
Net profit for the financial year	1,334,017
Portion of net profit from the financial year for the elimination of actuarial losses	1,374
Distributable profit for the financial year	1,332,643

Table 30: Allocation of net profit for the financial year 2019

2.5 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

DESCRIPTION	01/01/2019-31/12/2019	01/01/2018-31/12/2018
NET PROFIT OR LOSS FOR THE PERIOD	1,334,017	1,365,804
Actuarial gains and losses on defined benefit plans	-3,501	-4,881
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	1,330,516	1,360,923

Table 31: Statement of other comprehensive income from 1 January 2018 to 31 December 2019

2.6 STATEMENT OF CHANGES IN EQUITY

in EUR

	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
Closing balance 31/12/2017	1,963,279	395	196,328	1,275,993	-4,865	0	1,699,757	5,130,887
Changes in equity – transactions with owners								
- Dividend payment						-1,000,000		-1,000,000
Total comprehensive income								
- Change in fair value reserves					-4,881			-4,881
- Entry of net profit							1,365,804	1,365,804
Changes in equity								
- Allocation of the remaining part of net profit of the comparative period						1,699,757	-1,699,757	0
- Reserve transfer by decision of the general meeting				699,757		-699,757		0
- Other changes					103		-103	0
Closing balance 31/12/2018	1,963,279	395	196,328	1,975,750	-9,643	0	1,365,701	5,491,810

Table 32: Statement of changes in equity for 2018

in EUR

	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
Closing balance 31/12/2017	1,963,279	395	196,328	1,975,750	-9,643	0	1,365,701	5,491,810
Changes in equity – transactions with owners								
- Dividend payment						-1,000,000		-1,000,000
Total comprehensive income								
- Change in fair value reserves					-3,501			-3,501
- Entry of net profit							1,334,017	1,334,017
Changes in equity								
- Allocation of the remaining part of net profit of the comparative period						1,365,701	-1,365,701	0
- Reserve transfer by decision of the general meeting				365,701		-365,701		0
- Other changes					1,374		-1,374	0
Closing balance 31/12/2019	1,963,279	395	196,328	2,341,450	-11,770	0	1,332,643	5,822,325

Table 33: Statement of changes in equity for 2019



3. ACCOUNTING POLICIES

BASES FOR THE STRUCTURE OF FINANCIAL STATEMENTS

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

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

INTANGIBLE ASSETS

In the accounts, the intangible assets, long-term deferred expenses, and accrued revenues are disclosed separately as acquisition costs and valuation adjustments as a cumulative write-down, which is the result of depreciation. In the balance sheet, the assets are declared at the net book value, which represents the difference between the acquisition cost and valuation adjustment.

TANGIBLE FIXED ASSETS

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

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

LONG-TERM FINANCIAL INVESTMENTS

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

SHORT-TERM FINANCIAL INVESTMENTS

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

SHORT-TERM OPERATING RECEIVABLES

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

CASH ASSETS

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

ACCRUALS FOR FINANCIAL ASSETS AND LIABILITIES

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

EQUITY

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

SHORT-TERM LIABILITIES

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

THE INCOME STATEMENT IS COMPILED ACCORDING TO VERSION I.

REVENUES

The revenues are divided into operating revenues, financial revenues and other revenues. The operating and financial revenues are regarded as regular revenues. The operating revenues are revenues from sales and other operating revenues related to business impact. The revenues from sales consist of the market values of the supplied services in the accounting period. The revenues are recognised based on the sale prices indicated on the invoices or other documents. The financial revenues are revenues arising from investments, financial investments and receivables. Other revenues consist of extraordinary items and other income that increase the profit.

EXPENSES

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





4. NOTES TO THE FINANCIAL STATEMENTS

4.1 NOTES TO THE BALANCE SHEET ITEMS

4.1.1 Intangible fixed assets and long-term deferred expenses and accrued revenues

in EUR

	Software	Software in production	Total
Purchase price			
01/01/2019	1,904,725	0	1,904,725
Direct increases – purchases	0	253,420	253,420
Transfer from the investments in progress	253,420	-253,420	0
Disposals	118,718	0	118,718
31/12/2019	2,039,427	0	2,039,427
Write-down value			
01/01/2019	1,571,936	0	1,571,936
Yearly depreciation	114,689	0	114,689
Disposals	118,719	0	118,719
31/12/2019	1,567,906	0	1,567,906
Current value			
01/01/2019	332,789	0	332,789
31/12/2019	471,521	0	471,521

Table 34: Intangible assets

The investments in 2019 represent software investments and include the implementation of the new application for the imbalance settlement with a data portal IBIS++, the upgrade of the VRapp application, the upgrade of the Guarantees of Origin registry, the upgrade of the clearing and financial settlement application ISOB. In addition, the company also purchased some system software licenses for maintaining information security that relate to the virtual environment software update.

The disposals refer to the old software that was no longer in use and was already fully written off or replaced.

The depreciation rate for software ranges from 20 to 50 percent and reflects the expected asset's useful life.

The long-term deferred expenses and accrued revenues represent reserve funds, which are collected by the manager of the business premises on a special account and amounted to EUR 29,507 at the end of 2019.

4.1.2 Tangible fixed assets

in EUR

	Real estate	Information system equipment	Office equipment	Other equipment	Total
Purchase price					
01/01/2019	1,639,905	552,957	190,219	173,136	2,556,217
Purchases	0	124,719	10,147	9,298	144,164
Disposals	0	5,368	8,065	6,015	19,448
31/12/2019	1,639,905	672,308	192,301	176,419	2,680,933
Write-down value					
01/01/2019	390,122	380,249	115,326	89,996	975,693
Depreciation	62,330	64,374	20,875	16,856	164,435
Disposals	0	4,929	8,065	5,803	18,797
31/12/2019	452,452	439,694	128,136	101,049	1,121,331
Current value					
01/01/2019	1,249,783	172,708	74,893	83,140	1,580,524
31/12/2019	1,187,453	232,614	64,165	75,370	1,559,602

Table 35: Tangible fixed assets

The investments in the information system include the purchase of new hardware, e.g. servers, network switches, new screens and desktop workstations. Most new equipment means replacing the old or worn-out equipment.

The disposals relate to the write-offs of worn-out equipment that has been replaced.

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

The investments in the company's business premises include the purchase of office equipment, e.g. replacement of chairs, while the investments in other fixed assets relate to the purchase of new telephone equipment and two TV sets.

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

4.1.3 Long-term financial investments

in EUR

	31/12/2019	31/12/2018
Long-term financial investments in shares	1,919,568	1,919,568
Other long-term financial investments	27,000,000	5,000,000
Total	28,919,568	6,919,568

Table 36: Long-term financial investments

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

been operating profitably. Other long-term financial investments include the long-term investment of liquid cash of the Centre for Support for the purpose of generating revenue. EUR 20 million is invested as a long-term deposit with the BKS Bank and EUR 7 million with the company Agencija za pospeševanje likvidnosti d.o.o. (Agency for Liquidity Promotion).

4.1.4 Deferred tax assets

in EUR

	31/12/2019	31/12/2018
Deferred tax assets arising from:		
-impairment of the financial investment	109,682	109,682
-provisions	18,202	17,892
Total	127,884	127,574

Table 38: Deferred tax assets

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

vestment, which is why the company has disclosed this information in its financial statements. In addition, the company also discloses the information on the deferred tax provision for severance pay and long-service bonuses, which slightly increased in 2019 due to the increase in the provisions.

4.1.5 Short-term financial investments

in EUR

	31/12/2019	31/12/2018
Short-term financial investments	105,000,000	90,000,000
Total	105,000,000	90,000,000

Table 38: Short-term financial investments

The financial investment represents the fixed-term deposits at Sberbank d.d., Ljubljana, Addiko Bank d.d., Gorenjska banka d.d., Banka Sparkasse d.d. and Zagrebačka banka d.d., which are bound for the period

of twelve months. All deposits represent the funds of the Centre for Support, which are liquid assets or the surplus of the funds of the Centre for Support.

4.1.6 Short-term operating receivables

in EUR

	31/12/2019	31/12/2018
Short-term trade receivables	23,179,920	21,686,133
a) Short-term domestic trade receivables	22,487,727	21,143,211
Receivables from the associated companies	27,466	10,309
b) Short-term foreign trade receivables	692,193	542,922
Short-term advances and securities	0	888
Short-term receivables for interests	34,626	42,153
Other short-term receivables	2,125,379	2,586,076
Total	25,339,925	24,315,250

Table 39: Short-term operating receivables

As at 31 December 2019, the share of the short-term receivables amounted to EUR 23,179,920 and consisted of:

- 90 percent of the receivables from the Centre for Support;
- 8 percent of the receivables from the imbalance settlement;
- 2 percent of the regular receivables (mainly from the services of recording bilateral contracts and closed contracts).

- EUR 232,586 of the short-term trade receivables fell due (1 percent), of which EUR 214,283 has a 30-day delay in payment, EUR 16,303 has a 60-day delay in payment, and EUR 2,000 has a 90-day delay in payment;
- EUR 20,953 (0.1 percent) of the short-term receivables are the subject of enforcement proceedings.

Short-term receivables by maturity:

- EUR 22,926,381 of the short-term trade receivables are not yet matured (98.9 percent);

Other short-term receivables relate to the input VAT from the invoices received in January 2020, which refer to December 2019.

4.1.7 Cash assets

in EUR

	31/12/2019	31/12/2018
Cash and cash equivalents in banks	4,035,528	1,748,558
Cash assets in the commercial account	717,135	150,069
Cash assets in special accounts – Centre for Support	1,801,737	62,947
Cash assets in special accounts – Balance Scheme	1,516,656	1,535,542
Deposits held at call – total	62,185,428	47,275,335
Deposit held at call	1,399,001	1,500,000
Deposit held at call – Centre for Support	60,786,427	45,775,335
Deposit held at call – Balance Scheme	0	0
Total	66,220,956	49,023,893

Table 40: Cash assets

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

sits held at call with Unicredit Bank Slovenia, BKS Bank, Sberbank, Addiko Bank and Sparkasse bank are also kept separately.

4.1.8 Short-term deferred expenses and accrued revenues

in EUR

	31/12/2019	31/12/2018
Short-term deferred costs or expenses	50,749	33,695
Total	50,749	33,695

Table 41: Short-term deferred expenses and accrued revenues

The costs that were charged in 2019 but which relate to the next financial year and will be charged as costs in 2020 are declared as the deferred expenses and accrued revenues.

4.1.9 Equity

in EUR

	31/12/2019	31/12/2018
Called-up capital	1,963,279	1,963,279
Share capital – equity investment	1,963,279	1,963,279
Capital reserves – general revaluation adjustment	395	395
Profit reserves	2,537,778	2,172,078
Statutory reserves	196,328	196,328
Other profit reserves	2,341,450	1,975,750
Fair value reserves	-11,770	-9,643
Profit from the previous years	0	0
Net profit for the financial year	1,332,643	1,365,701
Total	5,822,325	5,491,810

Table 42: Equity

At the end of 2019, the total equity of the company equals EUR 5.82 million. The profit for the previous year was partly paid to the Shareholder (in the amount of EUR 1 million), while the rest of the amount increased the other profit reserves.

4.1.10 Provisions

in EUR

	31/12/2019	31/12/2018
Provisions for long-service bonuses	50,478	62,588
Provisions for severance pays	141,120	125,751
Total	191,598	188,339

Table 43: Provisions

Based on the actuarial calculations, the company built up the provisions for the retirement allowances and long-service bonuses. The use of provisions in 2019 amounted to EUR 3,251 (payment of a long-service bonus). After the reestablishment of the provisions at the end of 2019, the provisions amounted to EUR 191,598.

in EUR

	Provisions for severance pays upon retirement	Provisions for long-service bonuses	Total
Balance as at 31 Dec 2018	125,751	62,588	188,339
Interest expenses	1,383	670	2,053
Past service costs	0	0	0
Current service costs	10,261	3,514	13,775
Benefit payments	0	-3,251	-3,251
Actuarial gains/losses (IPI)	/	-13,043	-13,043
Actuarial gains/losses through IFP	3,725	/	3,725
Balance as at 31 Dec 2019	141,120	50,478	191,598

Table 44: Movement of provisions

in EUR

Parameters	Provisions for severance pays	Provisions for long-service bonuses
Reduction of disc. interest rate by 0.5%	12,878	2,914
Increase of disc. interest rate by 0.5%	-11,544	-2,687
Increase in wage growth by 0.5% per year	13,138	0
Reduction in wage growth by 0.5% per year	-11,903	0

Table 45: Sensitivity analysis

4.1.11 Long-term liabilities

in EUR

	31/12/2019	31/12/2018
Long-term liabilities to suppliers	21,905	0
Total	21,905	0

Table 46: Short-term liabilities

Long-term liabilities are part of liabilities to suppliers with a maturity of more than one year.

4.1.12 Short-term liabilities

in EUR

	31/12/2019	31/12/2018
Short-term liabilities to suppliers – regular suppliers	15,293,223	25,313,815
- Short-term liabilities to suppliers – regular suppliers	582,817	219,580
- liabilities to related parties	16,104	21,228
- Short-term liabilities to suppliers – Centre for Support	12,966,294	22,573,192
- Short-term liabilities to suppliers – Balance Scheme	1,744,112	2,521,043
Short-term liabilities from the Centre for Support	202,436,610	137,637,785
Liabilities for the deposits from the Centre for Support	750,000	0
Short-term liabilities from the Balance Scheme	1,657,358	1,972,611
Short-term liabilities for received advances	15,050	0
Short-term liabilities to employees	224,872	184,753
- Liabilities for net salaries and wage compensations	92,320	89,862
- Liabilities for contributions from gross salaries and wage compensations	64,615	50,499
- Liabilities for taxes from gross salaries and wage compensations	20,589	19,784
- Liabilities for other remunerations from employment	47,348	24,608
Liabilities to state and other institutions	1,284,783	1,535,853
- Liabilities for charged VAT	1,282,727	1,420,125
- Liabilities for corporate income tax	371	114,788
- Other short-term liabilities to state and other institutions	1,685	940
Other short-term operating liabilities	21,988	14,174
Total	221,683,884	166,658,991

Table 47: Short-term liabilities

As at 31 December 2019, the liabilities consist of open commitments to regular suppliers, open commitments to the beneficiaries of the Centre for Support and open commitments to the Balance Scheme suppliers. In regard to the beneficiaries of the Centre for Support, the amount refers to some November and December invoices falling due in early January and February 2020. A smaller part of liabilities to the Centre for Support suppliers stems from the repayment of liabilities in the last days of December due to excess funds and the avoidance of compensation for exce-

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

The short-term liabilities to the Centre for Support represent the surplus of the RES/CHP funds, which again increased in the course of 2019. This surplus is also evident and disclosed under the cash assets, short-term financial investments and long-term financial investments.

The short-term liabilities arising from the Balance Scheme represent the surplus of assets.

The short-term liabilities to employees represent open items to employees arising from the December salaries, Christmas bonus and the unpaid bonus to the General Manager.

4.1.13 Off-balance sheet assets

In 2019, the company's off-balance sheet assets equaled EUR 4.87 million, of which the amount of EUR 1.76 million represented the funds of the Balance Scheme members deposited on the deposit sub-accounts, which are open in their names. The assets refer to the insurance for the fulfilment of the financial obligations arising from the imbalance settlement. The financial coverage must be submitted by the balance group's responsible party upon signing the balance agreement with the Market Operator in accordance with the applicable Rules on 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 the Balance Scheme members' liabilities.

In addition to cash deposits, the Balance Scheme members may also submit financial guarantees in the form of bank guarantees payable on first demand. As at 31 December 2019, the value of the bank guarantees submitted by the Balance Scheme members equalled EUR 3.11 million.

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

4.2 NOTES TO THE INCOME STATEMENTS

4.2.1 Operating revenues

in EUR

	2019	Share in %	Business Plan 2019	Share in %	2018	Share in %
Revenues arising from the MO's operation	1,31,478	41.1	1,765,000	43.7	1,756,289	40.4
Revenues arising from recorded closed contracts	1,140,980	27.1	984,600	24.4	1,278,648	29.4
Revenues arising from the Centre for Support	591,000	14.0	591,000	14.6	591,000	13.6
Revenues arising from BSP	118,262	2.8	101,400	2.5	109,130	2.5
Revenues arising from information provision and raising awareness	330,235	7.8	320,000	7.9	289,860	6.7
Revenues arising from RRM – REMIT	154,866	3.7	140,000	3.5	152,391	3.5
Other revenues	132,872	3.2	135,000	3.3	167,115	3.9
TOTAL SALES REVENUES	4,199,693	99.7	4,037,000	100.0	4,344,433	100.0
Other operating revenues	13,912	0.3	0	0.0	123	0.0
Total	4,213,605	100.0	4,037,000	100.0	4,344,556	100.0

Table 48: Operating revenues

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

The second largest share of the revenues is represented by the revenues from the recording of closed contracts. The amount of the fee paid by the Balance Scheme members for the recording of closed contracts equals EUR 0.00005 per kWh for each individual recording of a closed contract, in which the Balance Scheme member acts as a seller.

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

Other operating revenues also include revenues from advisory services rendered in the establishment of an electricity market in Ukraine, Georgia and Macedonia in the total amount of EUR 104,000.

Of the total sales revenues, EUR 3,814,626 were charged to domestic buyers, while EUR 385,067 were charged to foreign buyers.

Other revenues also include revenues from our consultancy projects related to setting up the electricity markets in Georgia, Moldova and North Macedonia in the total amount of EUR 116,000.

4.2.2 Operating expenses

in EUR

	2019	Share in %	Business Plan 2019	Share in %	2018	Share in %
Material costs	55,139	1.9	53,000	1.8	50,394	1.8
Service costs	943,380	32.7	890,300	30.9	860,641	30.6
Labour costs	1,591,949	55.2	1,619,000	56.1	1,580,605	56.2
Depreciation	279,124	9.7	306,300	10.6	302,361	10.8
Operating expenses from revaluation of operating current assets	0	0.0	0	0.0	146	0.0
Other operating expenses	15,299	0.5	17,000	0.6	16,512	0.6
Total	2,884,891	100.0	2,885,600	100.0	2,810,659	100.0

Table 49: Operating expenses

4.2.3 Material and service costs

in EUR

Type of cost	2019	Share in %	Business Plan 2019	Share in %	2018	Share in %
Energy costs	20,810	37.7	20,000	37.7	19,538	38.8
Office supplies	7,010	12.7	7,000	13.2	5,521	11.0
Professional literature	18,964	34.4	18,000	34.0	18,628	37.0
Other material costs	8,355	15.2	8,000	15.1	6,707	13.3
Total material costs	55,139	100	53,000	100	50,394	100
Banking services	8,882	0.9	11,000	1.2	10,292	1.2
Membership fees	34,320	3.6	33,000	3.7	33,390	3.9
Other services	48,213	5.1	24,000	2.7	72,260	8.4
Education and training	33,041	3.5	31,000	3.5	36,571	4.2
Rental costs	74,133	7.9	66,400	7.5	49,635	5.8
Business premises costs	42,191	4.5	40,000	4.5	39,621	4.6
Public relations	175,834	18.6	187,500	21.1	149,013	17.3
Postal services	31,167	3.3	32,000	3.6	30,458	3.5
SLA costs	88,000	9.3	86,400	9.7	87,823	10.2
Insurance costs	16,686	1.8	18,000	2.0	15,854	1.8
Mission and duty travel costs	35,237	3.7	35,000	3.9	41,789	4.9
Supervisory Board costs	13,679	1.4	11,000	1.2	9,876	1.1
Advisory services and professional studies costs	235,290	24.9	200,000	22.5	180,683	21.0
Student work	106,707	11.3	115,000	12.9	103,376	12.0
Regular maintenance of fixed assets	943,380	100.0	890,300	100.0	860,641	100.0

Table 50: Material and service costs

The total amounts of material and service costs are higher in comparison with the previous year and are also higher in relation to the planned items. They also include 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 Eco Fund. The costs of advisory services also include the costs of the audit of annual accounts totalling EUR 5,700 per year.

4.2.4 Labour costs

In 2019, the total labour costs equalled EUR 1,591,949. At the end of 2019, the company had 31 employees, while the average number of employees based on the working hours equalled 28.15. The labour costs are calculated in accordance with the Rules on Labour Relations and the clauses of the Collective Agreement for Slovenian Electricity Industry, which the company has been applying since 1 May 2018.

4.2.5 Write-offs

In 2019, the depreciation equalled EUR 279,124. The company uses a straight-line depreciation method in its calculations.

4.2.6 Other operating expenses

Other operating expenses amounted to EUR 15,299 and refer to the construction land contribution, court fees and the contribution that the company pays to the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia due to non-compliance with the legislation on the employment of the disabled.

4.2.7 Financial revenues

in EUR

	2019	Share in %	Business Plan 2019	Share in %	2018	Share in %
Interest revenues	312,236	100.0	400,000	100.0	149,442	99.4
Other financial revenues including financial revenues from revaluation	100	0.0	0	0.0	850	0.6
Total	312,336	100.0	400,000	100.0	150,292	100.0

Table 51: Financial revenues

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

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

4.2.8 Financial expenses

in EUR

	2019	Share in %	Business Plan 2019	Share in %	2018	Share in %
Interest expenses	10,610	99.6	5,000	100.0	868	76.2
Other financial expenses including revaluation expenses	39	0.4	0	0.0	271	23.8
Total	10,649	100.0	5,000	100.0	1,139	100.0

Table 52: Financial expenses

Financial expenses for interests in the amount of EUR 10,649 refer to bank fees charged by banks for exceeding funds on the accounts, interests from provisions (based on the actuarial calculation) and default interests, while other financial expenses refer to the negative exchange rate differences.

4.2.9 Other revenues and expenses

In 2019, other revenues amounted to EUR 784.

Other expenses relate to donations, for which the company allocated a total of EUR 7,600 in 2018. The funds were donated to various cultural, humanitarian and sports associations.

4.3 OTHER DISCLOSURES

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a five-year period. General Manager Karol Peter Peršolja, PhD, has been managing and representing the company since 1 January 2010.

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

in EUR

	General Manager's gross receipts
Salary for 2019	115,754
Performance-based bonus for 2015 (second half) and 2017 (first half)	22,196
Deferred payment – performance-based bonus (second half) for 2017 and 2018	23,354
Holiday pay	1,827
Bonuses	7,873

Table 53: General Manager's remuneration in 2019

The Supervisory Board consists of three members appointed by the Government of the Republic of Slovenia. In April 2019, the term of office of all members of the Supervisory Board expired, and three new members were appointed. In 2019, the members

of the Supervisory Board were entitled to a basic payment for performing the function and payment of attendance fees based on the applicable decision of the Stakeholder, as follows:

in EUR

	Gross receipts of the Supervisory Board
Gorazd Ažman, MSc	1,157
Janez Černe	874
Alenka Kolar, PhD	3,793
Mojca Kert	3,324
Jure Jemec	2,759

Table 54: Remuneration of the Supervisory Board members in 2019

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

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

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

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

The Energy Act defines the activities regarding the organisation of the electricity market and the activities of the Centre for Support as one commercial public service; however, it also stipulates that separate accounts should be kept for the activity of the Centre for Support. For the purpose of keeping the market

organisation and the Centre for Support accounts separate, they are regarded as two separate business entities where the funds used by both activities are divided according to predetermined keys.

The starting point for demonstrating the successful operation of a particular activity is to include both funds and expenses as revenues and expenses directly by activities to the maximum extent possible. For items that cannot be assigned unambiguously to a particular activity, keys are used, which are based mainly on assumptions regarding their distribution to each activity. The keys for the division of joint revenues and expenses are set in the company's Rules on Separate Accounts for Revenues, Expenses, Assets and Liabilities by Individual Activities.

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

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

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

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

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

In 2019, the company, as a whole, reports a net profit in the amount of EUR 1.33 million. The activity of the public service obligation relating to the Market Operator discloses a profit of EUR 1.21 million, the activity of the Centre for Support records a profit in the amount of EUR 15,000, while the commercial activity reports a profit of EUR 112,000. The activity of information provision and awareness raising is managed on the principle of reimbursement by the Slovenian Eco Fund.

	ACTIVITY		
	Market Operator	Centre for Support	Commercial activities
General expenses key	55 %	40 %	5 %
Wage costs key	52 %	40 %	8 %
Fixed assets key	64 %	30 %	6 %

Table 55: Table of general keys for 2019

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

INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1 JANUARY 2019 AND 31 DECEMBER 2019

in EUR

Elements	BORZEN total	Market organisation	Centre for Support	Information provision and awareness raising	Commercial activity
1. NET SALES REVENUES	4,199,693	2,886,987	592,971	330,235	389,500
a. Revenues arising from the MO's operation	1,731,478	1,731,478	0	0	0
b. Revenues arising from the recorded closed contracts	1,140,980	1,140,980	0	0	0
c. Revenues arising from the Centre for Support	591,000	0	591,000	0	0
d. Revenues arising from BSP	118,262	0	0	0	118,262
e. Revenues arising from information provision and raising awareness	330,235	0	0	330,235	0
f. Revenues arising from RRM – REMIT	154,866	0	0	0	154,866
g. Other revenues	132,872	14,529	1,971	0	116,372
2. OTHER OPERATING REVENUES	13,912	7,824	5,416	0	672
TOTAL OPERATING REVENUES	4,213,605	2,894,811	598,387	330,235	390,172
3. MATERIAL AND SERVICE COSTS	998,519	438,236	224,909	207,340	128,034
a. Material costs	55,139	33,807	17,617	1,634	2,081
b. Service costs	943,380	404,429	207,292	205,706	125,953
4. LABOUR COSTS	1,591,949	814,961	572,485	114,269	90,234
a. Costs of wages and salaries	1,153,757	592,499	419,417	76,671	65,170
b. Costs of pension insurance	155,641	79,349	45,736	21,752	8,804
c. Costs of other social insurances	89,402	45,927	22,577	15,846	5,052
d. Other labour costs	193,149	97,186	84,755	0	11,208
5. WRITE-DOWNS	279,124	158,544	77,406	8,626	34,548
a. Depreciation	279,124	158,544	77,406	8,626	34,548
b. Operating expenses from revaluation of operating current assets	0	0	0	0	0

in EUR

Elements	BORZEN total	Market organisation	Centre for Support	Information provision and awareness raising	Commercial activity
6. OTHER OPERATING EXPENSES	15,299	8,359	6,180	0	760
TOTAL OPERATING EXPENSES	2,884,891	1,420,100	880,980	330,235	253,576
OPERATING PROFIT OR LOSS	1,328,714	1,474,711	-282,593	0	136,596
7. FINANCIAL REVENUES	312,336	54	312,279	0	3
8. FINANCIAL EXPENSES	10,649	1,217	9,322	0	110
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,630,401	1,473,548	20,364	0	136,489
9. OTHER REVENUES	784	2	782	0	0
10. OTHER EXPENSES	7,600	4,180	3,040	0	380
TOTAL REVENUES	4,526,725	2,894,867	911,448	330,235	390,175
TOTAL EXPENSES	2,903,140	1,425,497	893,342	330,235	254,066
TOTAL PROFIT	1,623,585	1,469,370	18,106	0	136,109
11. TAX ON PROFIT	289,654	262,141	3,230	0	24,283
12. DEFERRED TAX	-86	-78	-1	0	-7
NET PROFIT OR LOSS FOR THE PERIOD	1,334,017	1,207,307	14,877	0	111,833

Table 56: Income statement for the period between 1 January 2019 to 31 December 2019

BALANCE SHEET AS AT 31 DECEMBER 2019 SHOWING THE ASSETS UNDER MANAGEMENT

in EUR

DESCRIPTION	BORZEN total	BORZEN excl. public utility service	Centre for Support	Balance Scheme
ASSETS	227,719,712	6,903,712	217,358,426	3,457,574
A. LONG-TERM ASSETS	31,108,082	4,108,082	27,000,000	0
I. INTANGIBLE FIXED ASSETS. LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	501,028	501,028	0	0
II. TANGIBLE FIXED ASSETS	1,559,602	1,559,602	0	0
1. Business premises	1,187,453	1,187,453	0	0
2. Equipment	372,149	372,149	0	0
III. LONG-TERM FINANCIAL INVESTMENTS	28,919,568	1,919,568	27,000,000	0
1. Shares in associated companies	1,919,568	1,919,568	0	0
2. Other long-term financial investments	27,000,000	0	27,000,000	0
IV. DEFERRED TAX	127,884	127,884	0	0
B. SHORT-TERM ASSETS	196,560,881	2,744,881	190,358,426	3,457,574
I. SHORT-TERM FINANCIAL INVESTMENTS	105,000,000	0	105,000,000	0
II. SHORT-TERM OPERATING RECEIVABLES	25,339,925	628,739	22,770,268	1,940,918
1. Short-term trade receivables	23,179,920	531,601	20,893,419	1,754,900
2. Short-term receivables due from others	2,160,005	97,138	1,876,849	186,018
III. CASH AND CASH EQUIVALENTS	66,220,956	2,116,142	62,588,158	1,516,656
C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	50,749	50,749	0	0
Off-balance sheet assets	4,873,945	4,873,945	0	0
LIABILITIES	227,719,712	6,903,712	217,358,426	3,457,574
A. EQUITY	5,822,325	5,822,325	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0
1. Share capital	1,963,279	1,963,279	0	0
II. CAPITAL RESERVES	395	395	0	0

in EUR

DESCRIPTION	BORZEN total	BORZEN excl. public utility service	Centre for Support	Balance Scheme
III. PROFIT RESERVES	2,537,778	2,537,778	0	0
1. Statutory reserves	196,328	196,328	0	0
2. Other profit reserves	2,341,450	2,341,450	0	0
IV. REVALUATION SURPLUS	-11,770	-11,770	0	0
V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD	1,332,643	1,332,643	0	0
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	191,598	191,598	0	0
C. LONG-TERM LIABILITIES	21,905	21,905	0	0
I. LONG-TERM OPERATING LIABILITIES	21,905	21,905	0	0
D. SHORT-TERM LIABILITIES	221,683,884	867,884	217,358,426	3,457,574
I. SHORT-TERM OPERATING LIABILITIES	221,683,884	867,884	217,358,426	3,457,574
1. Short-term liabilities to suppliers	15,293,223	582,816	12,966,295	1,744,112
2. Other short-term operating liabilities	206,390,661	285,068	204,392,131	1,713,462
E. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	0	0	0	0
Off-balance sheet liabilities	4,873,945	4,873,945	0	0

Table 57: Balance sheet as at 31 December 2019 with a separate overview of the assets under management

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

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

4.5 EVENTS AFTER THE BALANCE SHEET DATE

No particular business events occurred at the end of the financial year that would affect the company's financial position in 2019. The events related to the COVID-19 outbreak that could affect the company's operations in 2020 are described in more detail in the chapter overviewing significant events in the business part of the Annual Report.

STATEMENT BY THE MANAGEMENT

In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board hereby ensure that the annual report of Borzen, operater trga z elektriko, 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, operater trga z elektriko, d.o. o. for the year finishing on 31 December 2019 and the 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 the appropriate accounting policies were consistently applied in the preparation of the financial statements; that the accounting estimates were prepared on the basis of the precautionary principle and good governance; and that the financial statements represent a true and fair view of the company's assets and the results of the company's business operations in 2019.

Ljubljana, 10 April 2020

Karol Peter Peršolja, PhD
General Manager

RELEVANT ENERGY REGULATIONS

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

- Energy Act (Official Gazette of the RS, No. 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 Support for the Electricity Generated from Renewable Energy Sources and in Cogeneration with High Efficiency (Official Gazette of RS, No. 74/16);
- Decree on Energy Savings Requirements (Official Gazette of the RS, No.: 6/2014);
- 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 and 76/17);
- Rules on the Operation of the Electricity Market (Official Gazette of the RS, No. 74/18 and 62/19);
- Rules on the Operation of the Centre for RES/CHP Support (Official Gazette of the RS, No. 88/16);
- Rules on the Operation of the Electricity Balancing Market (Official Gazette of the RS, No. 97/14 and 28/17);
- 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. 46/18, 47/18 – amend., 86/18, 76/19 and 78/19 – amend.).

CODES AND RECOMMENDATIONS

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

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

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GLOSSARY

- **ACER** – Agency for the Cooperation of Energy Regulators
- **CEP** – Clean Energy for Europeans Package
- **CHP** – Cogeneration of heat and power
- **CP** – Centre for Support
- **DMS** - Distribution Management System
- **DR** – Demand Response
- **DSM** – Demand Side Management
- **EA** – Energy Act
- **EE** – Energy efficiency
- **EECS** – European Energy Certificate System
- **EMS** – Energy Management System
- **ENTSO-E** – European Network of Transmission System Operators
- **GoO** – Guarantee of Origin
- **INC** – Imbalance Netting Cooperation
- **MO** – Market operator
- **RES** – Renewable energy sources
- **RECS** – Renewable Energy Certificate System
- **RRM** – Registered Reporting Mechanism
- **REMIT** – Regulation on Wholesale Energy Market Integrity and Transparency
- **SIDC** - Single Intraday Coupling
- **SIPX** – Slovenian Price Index
- **TSO** – Transmission system operator

2019

**ANNUAL
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