

MOVING TOWARDS A GREEN TRANSITION

Annual Report
2023

Borzen





CONTENTS



01 ABOUT THE COMPANY

- HIGHLIGHTS OF THE YEAR
- COMPANY PRESENTATION
- CORPORATIVE GOVERNANCE



02 BUSINESS REPORT

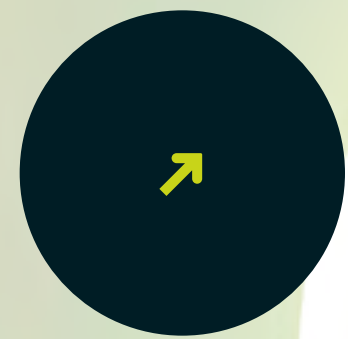
- SUMMARY OF RESULTS
- THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023
- PRODUCTION CAPITAL
- COMPANY CAPITAL
- HUMAN CAPITAL
- RESPONSIBILITY FOR THE NATURAL ENVIRONMENT
- INTELLECTUAL CAPITAL
- MANAGEMENT OF RISKS AND OPPORTUNITIES
- COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES
- FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



03 FINANCIAL REPORT

- STATEMENT OF THE MANAGEMENT
- AUDITOR'S REPORT
- FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- NOTES ON THE FINANCIAL STATEMENTS
- IMPORTANT ENERGY REGULATIONS
- CODES AND RECOMMENDATIONS





ABOUT THE COMPANY

Many paths lead to the future and our mission is to choose the one that guides us towards a green transition, modernization, sustainability and safety. As a key player in fostering change, we serve as both a unifier and a facilitator.





1 HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW



KEY INDICATORS



EUR
5.60
million
in operating income



EUR
5.42
million
in operating expenses



EUR
5.33
million
in net profit



40
employees

HIGHLIGHTS OF THE YEAR

- KEY INDICATORS
- LETTER FROM THE GENERAL MANAGER
- COMPANY MILESTONES THROUGH THE YEARS
- 2023 IN REVIEW

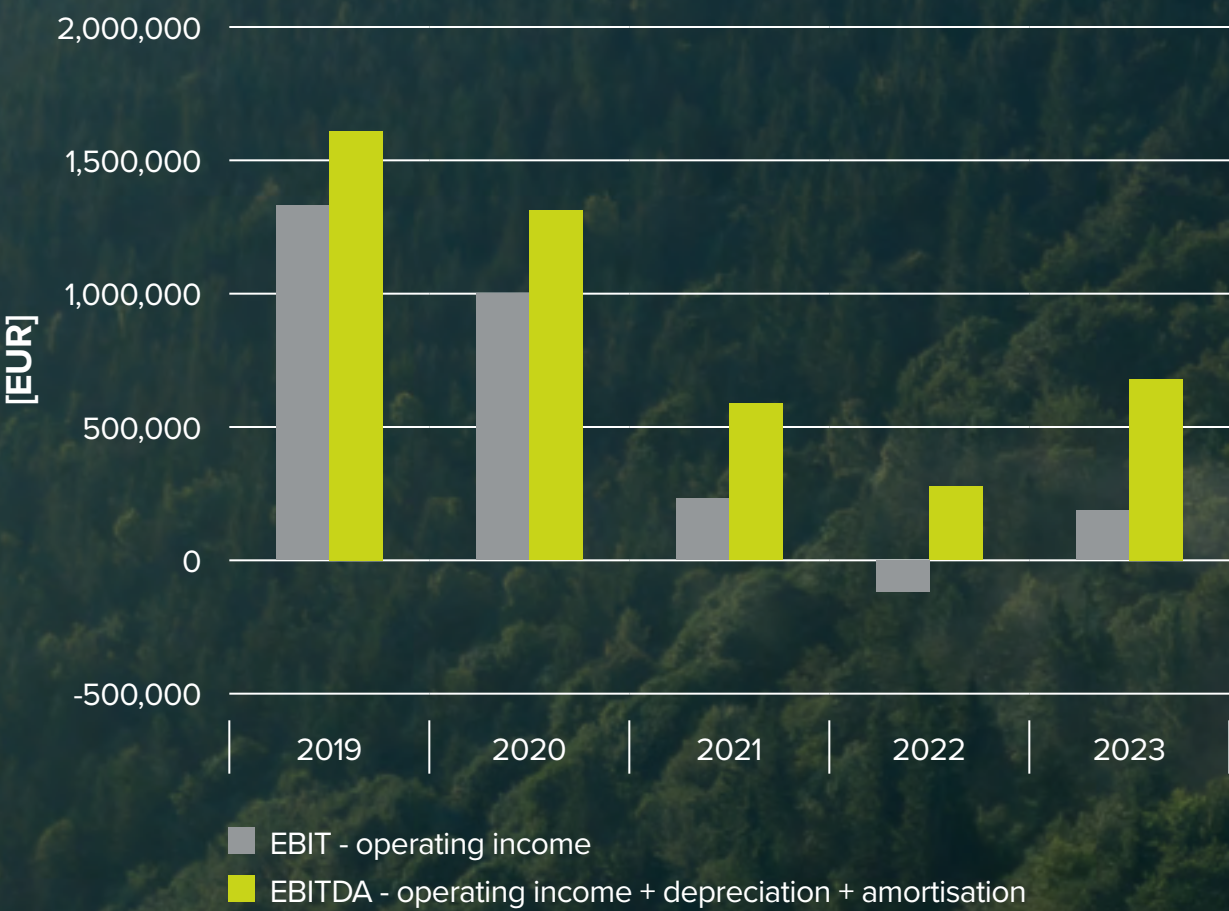
COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

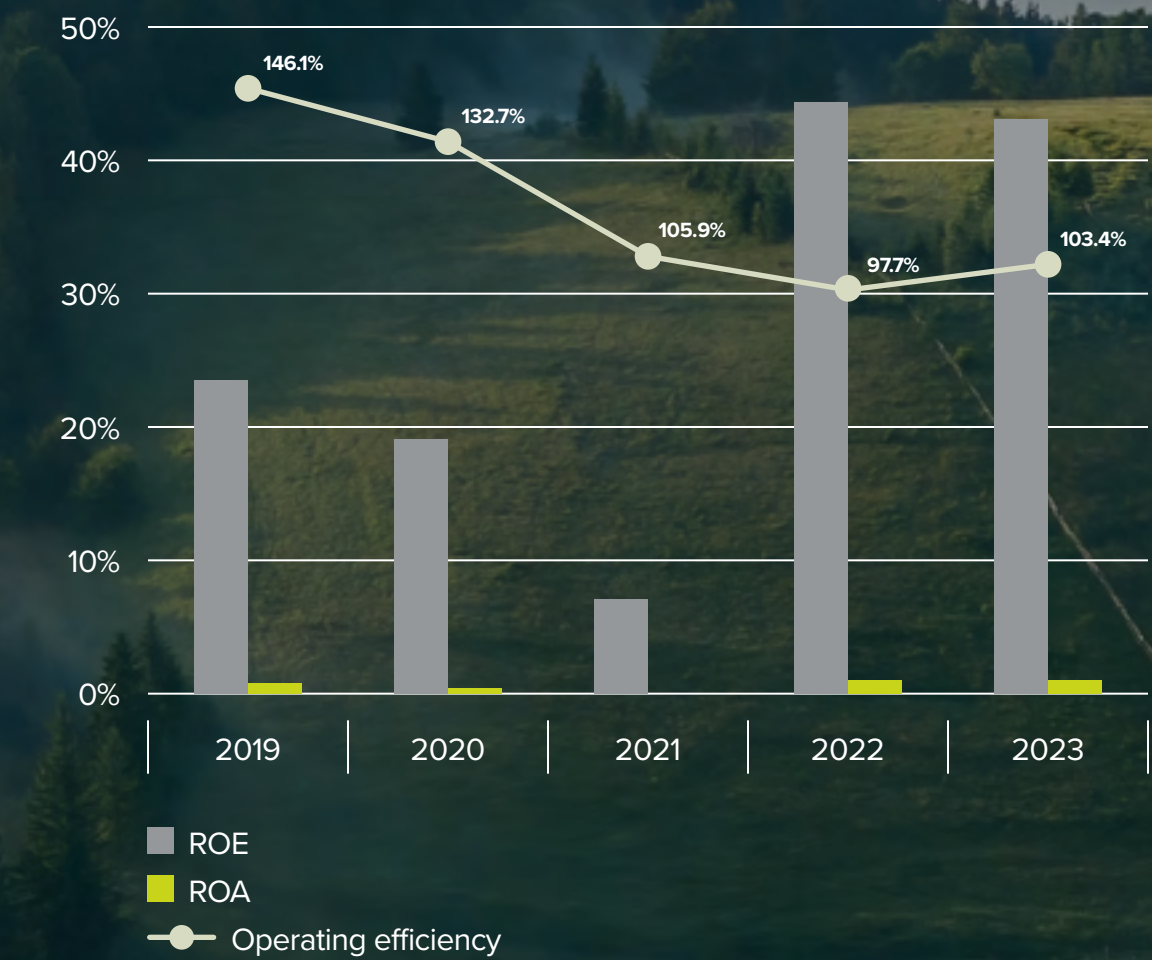


KEY INDICATORS

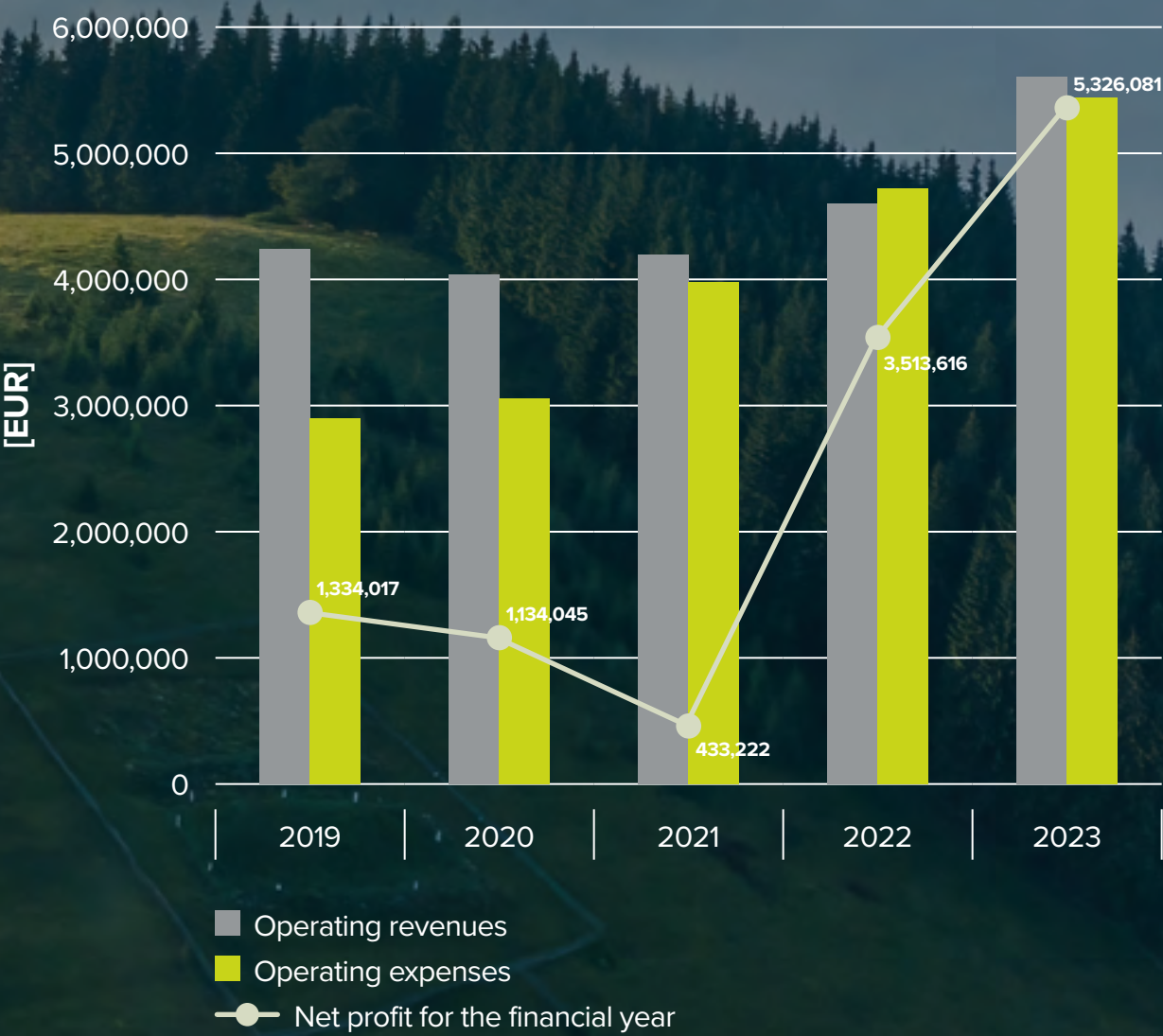
EBIT and EBITDA movements



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



Operating revenues/expenses and net profit fluctuation



HIGHLIGHTS OF THE YEAR

- KEY INDICATORS
- LETTER FROM THE GENERAL MANAGER
- COMPANY MILESTONES THROUGH THE YEARS
- 2023 IN REVIEW
- COMPANY PRESENTATION
- CORPORATIVE GOVERNANCE



KEY INDICATORS

ELECTRICITY
MARKET

Number of members (balance scheme)

2022	↗ 2023
54	65

Number of recorded closed contracts
and operational forecasts

2022	↗ 2023
99,371	101,914

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

2022	↘ 2023
75.3	71.2

THE PLATFORM FOR
BALANCING ENERGY

Number of members

2022	↗ 2023
29	32

Number of transactions concluded

2022	↗ 2023
1,605	2,451

Quantity of concluded transactions
(in GWh)

2022	↗ 2023
33.2	74.4

SUPPORT
SCHEME

Number of power plants in
the Support Scheme

2022	↘ 2023
3,718	3,560

Quantity of electricity generated by the
power plants in the Support Scheme
(in GWh)

2022	↘ 2023
800.8	675.8

Support payments for generated
electricity to the power plants in the
Support Scheme (in EUR)

2022	↗ 2023
94.8 mio	107.3 mio

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



KEY INDICATORS



HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



LETTER FROM THE GENERAL MANAGER



MOJCA KERT
General Manager of Borzen d.o.o.

We are currently facing a period of intensive energy transformation which is inextricably linked to sustainable development and digitalisation. In the energy sector, environmentally friendlier energy sources are being brought to the fore, while classic energy consumers are becoming increasingly active in the field of energy management and production. In this process, Borzen’s services as an electricity market operator enable a harmonised functioning of the Slovenian electricity system; in the framework of the activities provided by the Centre for Support Activities, the company operationally implements a support scheme and, in parallel to the activity of informing, raising awareness and training in the field of efficient energy use, actively contributes to the accelerated introduction of the efficient use of energy and renewable sources. As one of the key players in the actualisation of our country’s fair and green transition, and as an active co-creator of low-carbon future, the company will further expand its activities in this area in the future.

When I took the reins of the company in September 2023, Borzen was in good shape. At the end of the year, 40 colleagues who have been pursuing and realising the objectives of the business plan have concluded the financial year with a net profit of EUR 5.33 million, which represents a 35% increase compared to 2022. In 2023, the company recorded EUR 5.42 million of operating expenses and EUR 5.6 million of operating income, whereby the EBITDA has also increased, reaching EUR 678 thousand in 2023.

In creating our shared successes, we are inspired and guided by the values of Borzen: professionalism, responsibility, trust, creativity, and innovativeness. Our contributions to a better tomorrow start today, which is why our energy is focused on complying with strategic objectives that are closely related to

environmental protection and sustainable development. Borzen employees aim for a professional and responsible action, reinforcing the trust of our users and stakeholders, and pursuing innovation in achieving the objectives in the field of business digitalisation, by providing our users with a friendly, efficient and up-to-date electronic data processing.

In pursuit of sustainable relations and the mission of our “Sustainable Energy” brand, we also ensured the connection and cooperation of all Borzen stakeholders. One of the key features of a green transition is breaking out of old patterns together; only through a better and more in-depth understanding of why changes are necessary can we trust these changes, becoming not only their initiators but also the driving force for their attainment.

A new model for the calculation of imbalance prices

In terms of energy, 2023 was a quite dynamic year. At the beginning of the year, we implemented a new method for the calculation of imbalance prices with a single price; as the market operator, we are namely responsible for transparency, traceability and the correct functioning of the market which is a key component of a stable and efficient electricity system in Slovenia. Since companies showed a strong interest in entering the market, our balance scheme at the end of the year had 11 more members than in 2022, which represents an increase of more than 20%. On the market operator’s platform for balancing energy, the quantity of concluded transactions which decreased in the previous years increased again by 124%; conversely, the quantity of all recorded closed contracts in Slovenia decreased by 11.4% compared to the year before, while the forecasted production increased by 18.9% and the forecasted consumption decreased by 5.1%.

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



2023 was a year strongly marked by the changed circumstances in the electricity supply market due to high prices at the time of trading the year before. Through intervention measures intended to mitigate the increased costs in the field of energy, the government protected consumers by regulating supply prices for end consumers. The market operator played an important role in this process, seeing as they performed eligibility checks and paid compensations for electricity and natural gas suppliers due to price regulations.

In ensuring transparency in the electricity market, which is a key component for a functioning and liberalized market, we paid particular attention to the market by implementing the reporting service pursuant to the Regulation on Wholesale Energy Market Integrity and Transparency. In February, we used the new model for the calculation of imbalance prices for the first time, using a single imbalance price for every imbalance settlement period, regardless of the imbalance direction. In doing so, we successfully implemented the requirements set out in the European guidelines on electricity balancing, the ACER Decision on the harmonisation of the main features of imbalance settlement, and the Electricity Supply Act, as a market operator.



"The new imbalance settlement model ensures that the costs for the balancing of the electricity system are covered, and encourages members to achieve the highest possible balance, while also ensuring, to the highest possible extent, the simplicity of the model and, above all, the core purpose of the guidelines, namely the harmonisation of the process within the EU."

As a market operator, we will continue to act in the field of electricity market development and will also continue to participate in various development projects at the European level. At company level, we will continue to further digitise our processes and services, while also ensuring information security. In 2023, we also started analysing the costs and benefits of upgrading a flexibility market model, a process which will be concluded in 2024.

Active involvement in green transition

In the field of energy and climate mechanisms, Borzen entered 2023 with the mitigation of the high prices of energy sources which were triggered by the energy crisis a year before. Intervention measures included subsidies for the purchase of wood pellets and a proportional reimbursement of RES and CHP contributions, as well as a reduction in the use of natural gas. We must particularly emphasise the public call for an accelerated introduction of RES as the most important element of green transition, where EUR 105 million were tendered as part of said public call. The upgraded version of the aforementioned public call will also take place in 2024 and 2025.

Borzen has been implementing a support scheme for environmentally friendly electricity generation methods for 15 years. Two years ago, we also set up a Borzen contact point, with the purpose of promoting investments in renewable energy sources and expanding the granting of subsidies for various measures intended to reduce the carbon footprint. At the end of

2023, the support scheme encompassed 3,560 units, the total rated power of which amounted to 386 MW. A survey among the members of the support scheme, implemented in June 2023, showed that no less than 98% of respondents were extremely satisfied with the services implemented by Borzen.

In the field of informing, raising awareness and training, we organised several training sessions for the second generation of experts for the performance of energy audits on buildings and industrial buildings with manufacturing processes in 2023, under the auspices of our "Sustainable Energy" brand. In addition, we also prepared technical days for pupils of Slovenian elementary schools, and continued with our activities in the framework of the "Our Stories for a Better World" (sl. "Naše zgodbe za lepši svet") competition, which encouraged young people to think about where energy comes from and how we use it on a daily basis. In the framework of the "Let's Paint a Better World" (sl. "Pobarvajmo lepši svet") art project, we invited children and young people with special needs to join us; in December, we published the fourth season of our "A Better World" environmental cartoons.

"The green transition is an opportunity for the entire society to advance; it is important, however, to empower citizens and local communities in a timely manner to participate in this transition, and also reinforce the cooperation of all stakeholders in the energy market – this was the main message of Borzen's central conference "Sustainable energy, locally 023" (sl. "Trajnostna energija lokalno 023")."

During the Borzen "Sustainable energy, locally 023: Active inclusion of citizens into the process of green transition" conference which took place on 21 September, we informed stakeholders about the urgency of the entire society becoming involved in the green energy transition, while paying special attention to encouraging citizens to actively participate in the consumption of energy sources at the local level. During the conference, we also awarded the now traditional prize for the best master's thesis in the field of sustainable energy.

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



A visionary view
of Slovenia’s green energy future

The new draft of the Energy Act (the EZ-2) which was submitted for consideration by the National Assembly of the Republic of Slovenia in December 2023 further directs Slovenia towards a green transition, further reducing its dependence on fossil fuels. The EZ-2 emphasises a sustainable energy policy, promotes the use of renewable energy sources, and introduces process digitalisation and simplification; these are the directions that we also intend to follow at Borzen in our new Borzen 2024-2028 Strategy. We are also ready for a new network charging system that will enter into force in the second half of 2024, the main objective of which is to incentivise users to adapt their consumption, thereby contributing to the optimisation of the use of the distribution, as well as transmission network, and to relieve the network when it is most burdened in terms of electricity and power consumption.

Through its activities, Borzen will continue reinforcing its role of the green transition promoter, and will support the transition to a more sustainable society in a visionary manner. In the framework of our Centre for Support, we are already implementing additional activities in connection with the contact point for the promotion of use of renewable energy sources and the introduction of investment grants for power plants in the new self-supply system. The transition is also supported through the expansion of the renewable energy sources grant system and the implementation of tenders in the field of efficient energy use; furthermore, we also ventured into the field of sustainable mobility.

I am proud to be able to take part, in cooperation with my professional and dedicated colleagues, in the sustainable story that we are writing here at Borzen, together with our partners and other citizens. We responsibly place our dedicated employees at the heart of our development, build cooperative and trustworthy relationships, and take care of the development of the necessary competencies and skills.

May the energy of cooperation continue to lead us along our path towards a sustainable future!

Mojca Kert
General Manager of Borzen d.o.o.

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



COMPANY MILESTONES THROUGH THE YEARS

→

2001

- The establishment of the company and the official opening of the electricity market in Slovenia.
- The start of electricity trading on the electronic trading platform.

→

2002

- The establishment of the company and the official opening of the electricity market in Slovenia.
- The start of electricity trading on the electronic trading platform.

→

2004

- The launch of the wood biomass information portal.
- The initiation of a project for establishing a regional energy exchange in south-eastern Europe.

→

2007

- A complete opening of the electricity market to all consumers.
- The establishment of the Guarantees of Origin Registry.

→

2008

- Borzen and Eurex establish BSP Regionalna Energetska Borza d.o.o., thus transferring the electricity exchange activities from Borzen to the newly established company.

→

2009

- The launch of the Centre for Support Activities.

→

2011

- The implementation of the market coupling at the Slovenian-Italian border.

→

2014

- The public utility service organized by Borzen is renamed to the public utility service of the electricity market operator.
- The establishment of the “Sustainable Energy” brand (sl. “Trajnostna energija”), which kick-starts the information and awareness-raising on energy efficiency and renewable energy sources.

→

2015

- Borzen introduces the energy wholesale transaction data reporting service for electricity and gas market participants in accordance with the Regulation on Energy Market Integrity (REMIT)

→

2016

- The launch of the Centre for Support web portal, which is intended for all beneficiaries of the Support Scheme for renewable energy sources (hereinafter referred to as “RES”) and cogeneration of heat and power (hereinafter referred to as “CHP”).

→

2017

- Borzen produces the first Slovenian series of environmental cartoons, entitled “A Better World” (sl. “Lepši svet”).
- Borzen is the winner of numerous awards and prizes, i.e. the award for best renewable energy and energy efficiency promotion project, third place in the “Best of the Best” programme, the award for best annual report, etc.

→

2018

- The participation in various international projects and projects related to the establishment of electricity markets in eastern European countries.

→

2019

- Borzen provides a wide range of educational content on sustainable energy (i.e. a board game, a new season of the environmental cartoons, a competition for the best master’s thesis and a sustainable energy prize competition for children), the set-up of the first energy playground in Maribor.

→

2020

- The organisation of the first hybrid conference (live and online), the set-up of the energy playground in Koper and the publication of a comic book on sustainable energy.

→

2021

- The Slovenian electricity market switches to a 15-minute imbalance settlement period.

→

2022

- The new Rules on amendments of and additions to the Rules for the Operation of the Electricity Market enter into force.
- The first phase of the contact point for the promotion of the consumption of renewable energy sources is established.
- Borzen obtains the certificate of a Socially Responsible Employer.

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE



2023 IN REVIEW

→ JANUARY

- The year 2023 started with activities for the payment of compensations for electricity and natural gas suppliers in relation to intervention measures intended to mitigate the increased costs in the field of energy.
- On 1 January, the new Rules for the Operation of the Electricity Market and Rules for the Organisation of the Market Operator Platform for Balancing Energy entered into force.

→ FEBRUARY

- The first imbalance settlement based on the new Rules for the Operation of the Electricity Market was published, with the new model for the calculation of imbalance prices – the single price model – being used for the first time.
- The market operator received the first applications for the payment of compensation for electricity and natural gas suppliers.

→ MARCH

- Borzen began paying subsidies for the purchase of wood pellets.
- In March, we started accepting applications for the extension of eligibility for reduced RES and CHP contributions for 2023.

→ MAY

- In the framework of our contact point, we prepared a list of contractors performing services related to investments in renewable energy sources.

→ JUNE

- We successfully implemented training sessions for experts in performing energy audits on buildings and industrial buildings.
- As the legislation changed, the VAT rate for the billing of electricity supply also changed to 22%.

→ SEPTEMBER

- On 1 September 2023, Mojca Kert took over the management of Borzen for a full mandate period of five years.
- On 1 September, Borzen also enabled the submission of applications for the enforcement of the proportional payment of a contribution due to voluntary reduction of natural gas consumption.
- We have successfully implemented the ninth edition of the traditional “Sustainable energy, locally” conference.

→ OCTOBER

- In October, Borzen’s Centre for Support held an auction for the transfer of the Eco Group for 2024.
- The European project FARCROSS which has been taking place since the end of 2019 successfully came to an end.
- We implemented two events: an expert consultation on energy audits and the online workshop entitled “Green public procurement of tires”.

→ NOVEMBER

- It is now possible to submit an online application on request for the award of grants for the promotion of electricity and heat generation from renewable sources and for the storage of electricity and heat.
- Online seminars on the topic of efficient energy management in the public sector, in energy-intensive companies and among the public are implemented.

→ DECEMBER

- We published the amendments for allocating direct grants for investments in new manufacturing installations from renewable energy sources for the generation of electricity and heat, and for electricity and heat storage, in combination with energy production.
- In December 2023, the fourth season of our “A Better World” environmental cartoons saw the light of day. We completed the implementation of technical days on the topic of RES and EUE taking place in fifteen elementary schools across Slovenia.

→ EVENTS AFTER THE END OF THE FINANCIAL YEAR 2023

- From the end of January 2024, it is only possible to issue support invoices through the CP online portal.
- On 1 February 2024, the new Rules on amendments of and additions to the Rules for the Operation of the Electricity Market enter into force.
- We successfully implemented the workshop “How to plan your project of installing a solar power plant on public buildings and surfaces” in the framework of Borzen’s contact point.
- In March 2024, we started accepting applications for subsidies of environmentally friendly road transport.

HIGHLIGHTS OF THE YEAR

KEY INDICATORS

LETTER FROM THE
GENERAL MANAGER

COMPANY MILESTONES
THROUGH THE YEARS

2023 IN REVIEW

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE





2 COMPANY PRESENTATION

IDENTITY CARD

BORZEN’S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL



IDENTITY CARD

GENERAL INFORMATION as at 31 December 2023

FULL NAME OF THE COMPANY	Borzen, operater trga z elektriko, d. o. o.
SHORT NAME OF THE COMPANY	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, SI-1000 Ljubljana, Slovenia
TELEPHONE NUMBER	+386 (0)1 620 76 00
E-MAIL ADDRESS	info@borzen.si
WEBSITE	www.borzen.si
COMPANY'S MAIN ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
VAT IDENTIFICATION NUMBER	27799468
NUMBER OF ENTRY IN THE COURT REGISTER	1/34438/00
DATE OF ENTRY IN THE COURT REGISTER	28/03/2001
COMPANY'S SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Mojca Kert
CHAIRMAN OF THE SUPERVISORY BOARD	Mojca Veljkovič

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

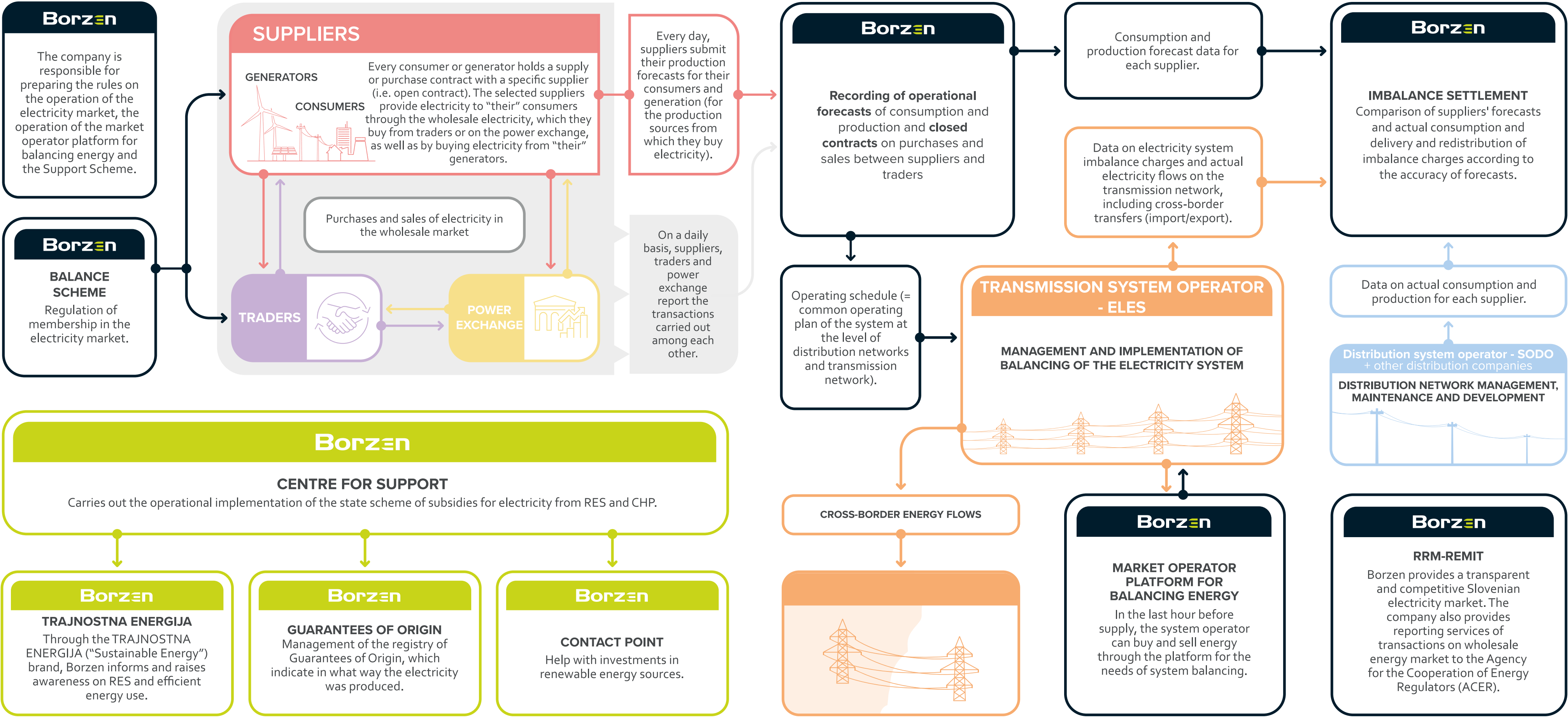
BORZEN'S ROLE IN THE
ELECTRICITY MARKET

VISION, MISSION AND
BUSINESS MODEL

CORPORATIVE
GOVERNANCE



BORZEN'S ROLE IN THE ELECTRICITY MARKET



HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE



VISION, MISSION AND BUSINESS MODEL



Vision

Borzen’s vision is to become a central regional force in the green transformation.

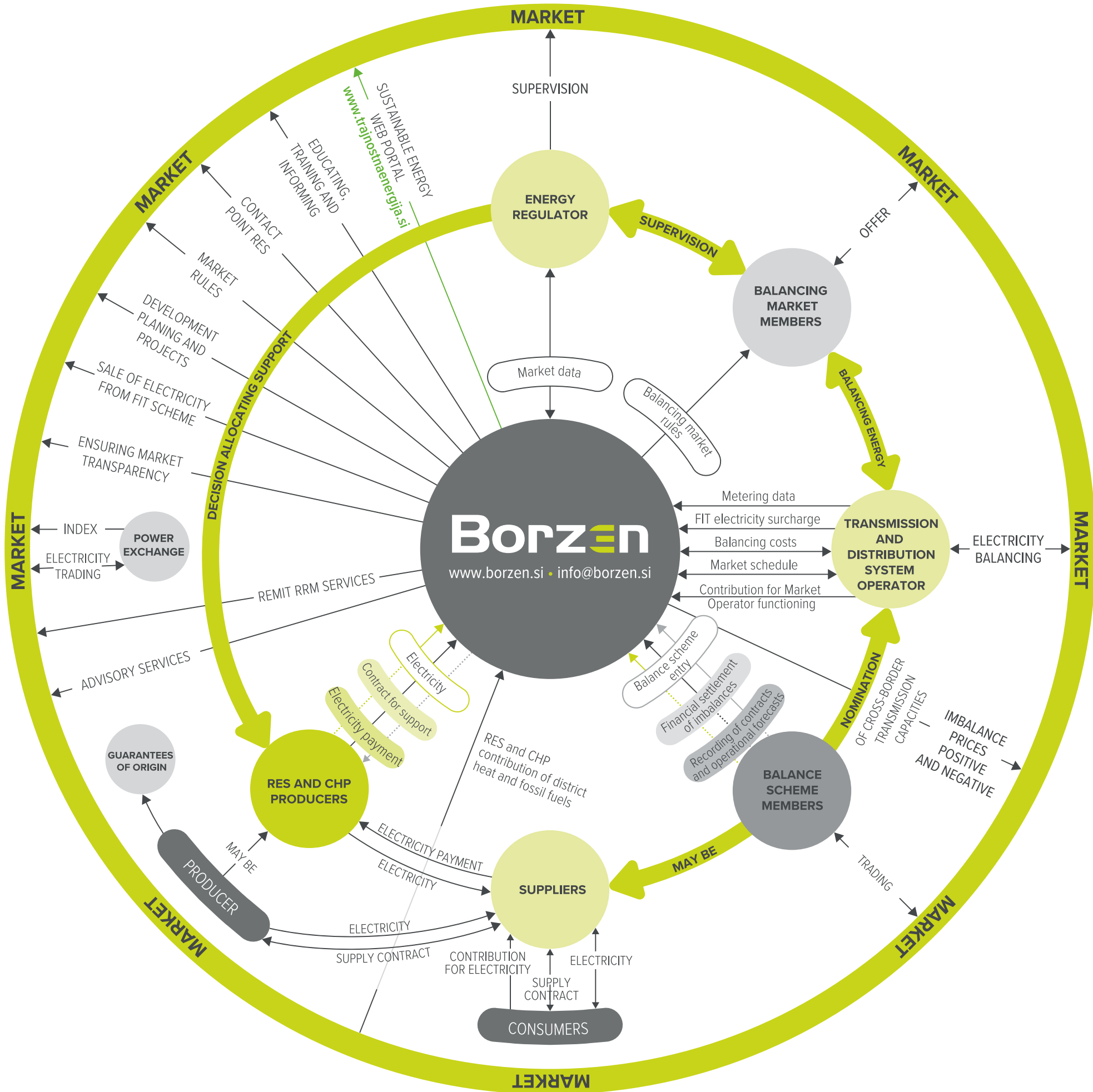


Mission

Borzen’s mission is to connect regulations, users and critical infrastructure into efficient infrastructural markets.

Business model

The role of the market operator in the electricity market in Slovenia



HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE



Borzen, d.o.o. was established on 28 March 2001 on the basis of the provisions of the Slovenian Energy Act for the performance of the tasks of the mandatory public utility service for organising the electricity market. Since mid-2007, Borzen has been solely under the ownership of the Republic of Slovenia.

The core activity of Borzen is the **provision of the public service of electricity market operator**. On the basis of its public mandate, Borzen is responsible for issuing the following regulations in accordance with Article 94(4) of the Electricity Supply Act (Official Gazette of the Republic of Slovenia, No 172/21, hereinafter referred to as the “ZOEE”):

- Rules on the Operation of the Electricity Market, issued after prior coordination with the system operator and subject to the approval of the Energy Agency before their publication in the Official Gazette of the Republic of Slovenia.
- Rules on the organisation of the Market Operator’s platform for balancing energy, issued after prior coordination with the system operator and subject to the approval of the Energy Agency before their publication in the Official Gazette of the Republic of Slovenia.

In addition to the activities mentioned above, Borzen also **provides a compulsory national public service of the Centre for Support**. Pursuant to Article 18(8) of the Act on the Promotion of the Use of Renewable Energy Sources (Official Gazette of the Republic of Slovenia No 121/21, 189/21 and 121/22 – ZUOKPOE, hereinafter referred to as the “ZSROVE”), Borzen issues the following regulation:

- Rules on the operation of the Centre for RES/CHP Support, for which the approval of the Government must be obtained prior to their publication in the Official Gazette of the Republic of Slovenia.

The rules set out by Borzen are important for the functioning of the electricity market, as well as for the modalities of the state support scheme for electricity production from renewable sources and high-efficiency cogeneration. As a market operator, Borzen

provides and facilitates the coordinated operation of the Slovenian electricity system through its services, i.e. the management of the Balance Scheme, the recording of bilateral contracts, the establishment of the indicative schedule, the operation of the balancing energy platform (replacement reserve), the imbalance settlement and financial clearing. In addition to the above, there are also tasks related to the establishment and operation of the balancing market and the balancing energy market operator platform, where the system operator buys or sells energy to balance the imbalances of the electricity system. Borzen's **Centre for Support** operates the support scheme for electricity production from renewable sources and high-efficiency cogeneration. Borzen also ensures the operation and technical management of the Registry of Guarantees of Origin in the Republic of Slovenia,

which is a fundamental tool for ensuring traceability of the origin or provenance of electricity produced in Slovenia. Within the framework of its own brand “Sustainable Energy” (“Trajnostna energija”), Borzen also carries out **information, awareness-raising and training activities** on renewable energy sources and the efficient use of energy, thus fulfilling its legal obligations and supporting environmental policies through public awareness-raising. Borzen is also in the process of setting up a single point of contact to simplify, expedite and harmonise administrative procedures related to renewable energy investments.

In addition to its public service tasks, the company also provides **clearing and information services** for BSP Energetska Borza d.o.o., **RRM – REMIT reporting services** and **energy-related consultancy services**.

Company activity

MARKET OPERATOR	
BALANCE SCHEME MANAGEMENT (ENTRY IN THE MARKET)	CENTRE FOR SUPPORT
RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS, DRAWING UP OF THE INDICATIVE OPERATING SCHEDULES	RES/CHP SUPPORT SCHEME
IMBALANCE SETTLEMENT	conclusion of contracts and support payments
THE PLATFORM FOR BALANCING ENERGY	management of scheme assets
REMIT – RRM REPORTING	management of scheme energy
	GUARANTEES OF ORIGIN REGISTRY
	PROVIDING INFORMATION ON RES AND EE
	WEB PORTAL TRAJNOSTNA ENERGIJA (SUSTAINABLE ENERGY)
	SINGLE POINT OF CONTACT
CLEARING AND FINANCIAL SETTLEMENT	
ENSURING A REGULATED AND TRANSPARENT ELECTRICITY MARKET	
ENERGY-RELATED CONSULTANCY SERVICES	
DEVELOPMENT PROJECTS	

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

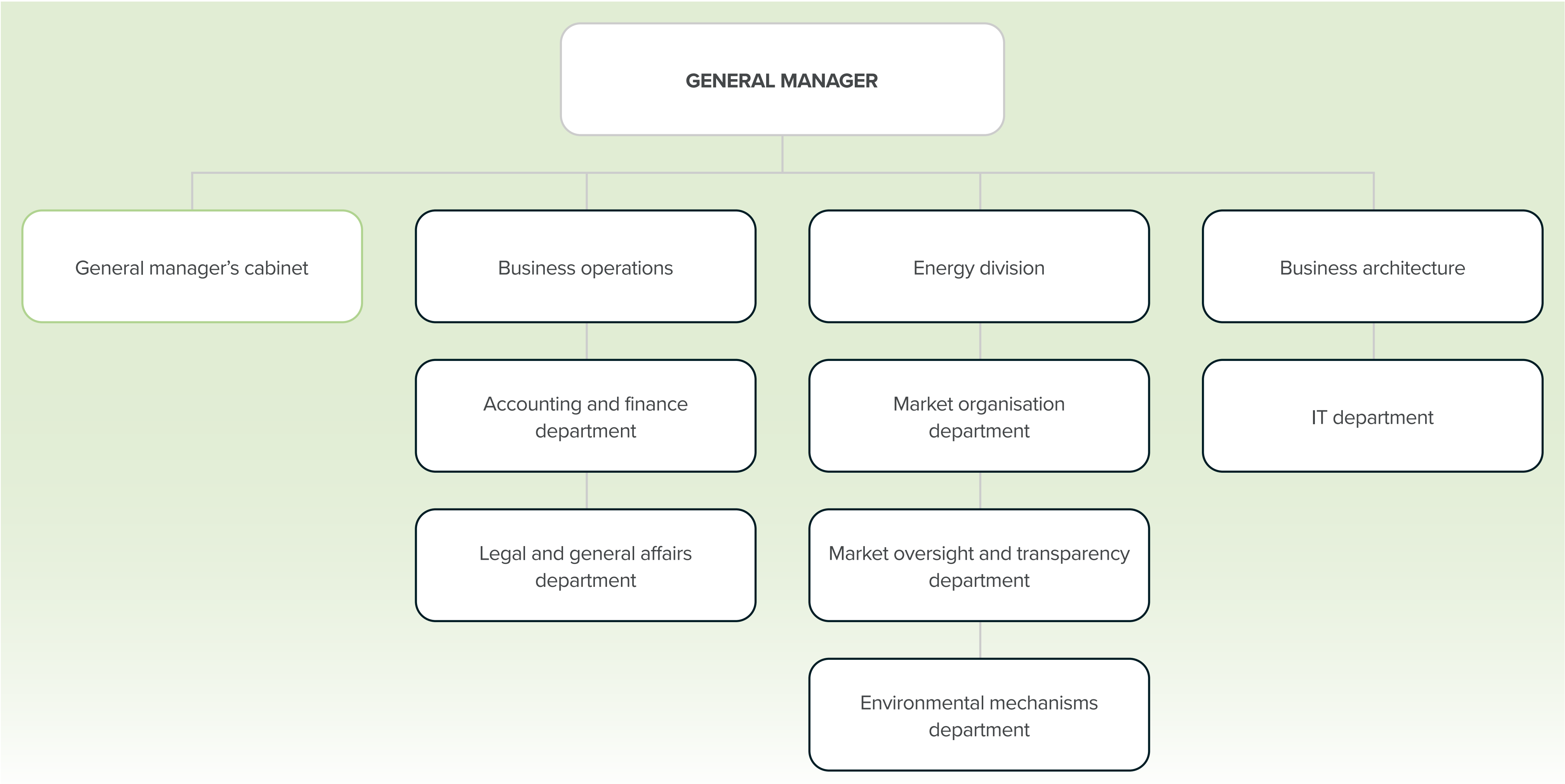
VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE



Organisation chart of the company

Internal organisation chart of Borzen, d.o.o. as at 31 December 2023



HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE



The company’s business strategy and plans

In the context of the implementation of the tasks of the public utility assigned to Borzen by the concession agreement, the company's primary goal is to ensure the coordinated operation of the electricity system in Slovenia, organise a transparent and competitive electricity market and promote investments in renewable energy sources and encourage efficient use of energy. By providing high-quality services on the electricity market, including the development of new services, Borzen fulfils the tasks of public economic services and pursues and co-creates the development of the energy market, especially in light of the goals set by the EU in Slovenia in the field of climate change.

One of the key documents in this area, the implementation of which will be supported by Borzen, is the Integrated National Energy and Climate Plan (hereinafter referred to as the NEPN) for the period up to 2030 (with a view to 2040), which was adopted in 2020 and which, among other things, defines the following objectives:

- Reduction of total greenhouse gas emissions by 36%.

- At least 35% improvement in energy efficiency.
- At least 27% renewable energy in final energy consumption.

Borzen is explicitly mentioned in reference to certain instruments, specifically:

- Development incentives for decarbonising gas supply.
- Support scheme for the promotion of electricity production from RES and CHP.
- Financial incentives for energy efficiency and RES use in residential buildings.
- Ensuring conditions for efficient market development.

Key strategic objectives of the company:

- Achieving satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and taking on tasks with synergistic effects with the services provided by Borzen as a public utility.

In line with the role of market operator entrusted to Borzen by the state, the company's strategic challenges and objectives are strongly intertwined with the development of the energy market and the provision of the highest quality services to all market

participants, as well as supporting the environmental policies of the EU and Slovenia. Together with the key stakeholders, the company’s objectives, vision and mission are defined in the company's strategic documents, which are approved by the Supervisory Board and the Government of the Republic of Slovenia. The objectives and their achievement are described in more detail below.

With the adoption of new legislation in 2021, major changes have taken place under the Act on the Promotion of the Use of Renewable Energy Sources (hereinafter referred to as the ZSROVE) for the future operation of the Centre for Support. Key changes include the introduction of a single contact point (assisting investors in the administrative field of renewable energy investments), the extension of the guarantees of origin system, the introduction of investment subsidies for power plants (and combinations with battery storage) in the new self-supply system, the extension of the RES subsidy system as well as the extension of some existing tasks.

In the area of the electricity market operator's public utility activities, the Electricity Supply Act (ZOEE) introduces changes in relation to the flexibility market, the calculation of the imbalance settlement, the publication of inside information for market monitoring and changes in the operation of the balancing market.

Borzen’s implementation strategy

OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
ENHANCING OPERATIONAL EFFICIENCY AND PERFORMANCE	INCREASING THE QUALITY OF SERVICES AND CUSTOMER SATISFACTION	SEIZING SELECTED OPPORTUNITIES FOR GROWTH AND DEVELOPMENT
• Increasing the excellence of business functions; • Improving business performance and operational efficiency; • Increasing the quality of business process and functions.	• Information support to the implementation and availability of services. • Co-creation of a support scheme with active participation in policy making by providing analyzes and proposals.	• Finding synergies with other tasks and optimizing existing ones, taking advantage of further development of energy markets.
• Ensuring high responsiveness, timeliness and proactivity of employees to effectively support to the company. • Introduction of a process approach. • Strengthening »active« communication, which would improve certain work procedures and consequently cooperation between areas of work. • Utilizing information support for the implementation of services to ensure and improve the quality of services to users and increase efficiency. • Maintaining good visibility and reputation of Borzen by consolidating activities that build sustainable operation and strengthen the reputation of Borzen as a socially responsible and environmentally oriented organization.		

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE



Materiality inventory

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

- economic aspects;
- social aspects (employees and social environment);
- our employees;
- preserving intellectual capital;
- environment.

Within these aspects, the following key attributes are identified:

Economic aspects

- The stability and viability of the company.
- Reliability of payments.

Social aspects

- Quality and on-time service.
- Building on existing cooperation.
- Reputation of the company.
- Friendly attitude towards customers.
- Involvement of the local community.

Employees

- Reliability and trust in society.
- Care for employees.
- Health and safety at work.
- Employee relations.
- Employee satisfaction.
- Employee education, training and career development.
- Diversity, equal opportunities and non-discrimination.

Aspects of preserving intellectual capital

- Transparency and business compliance.

Environment

- Care for the environment.

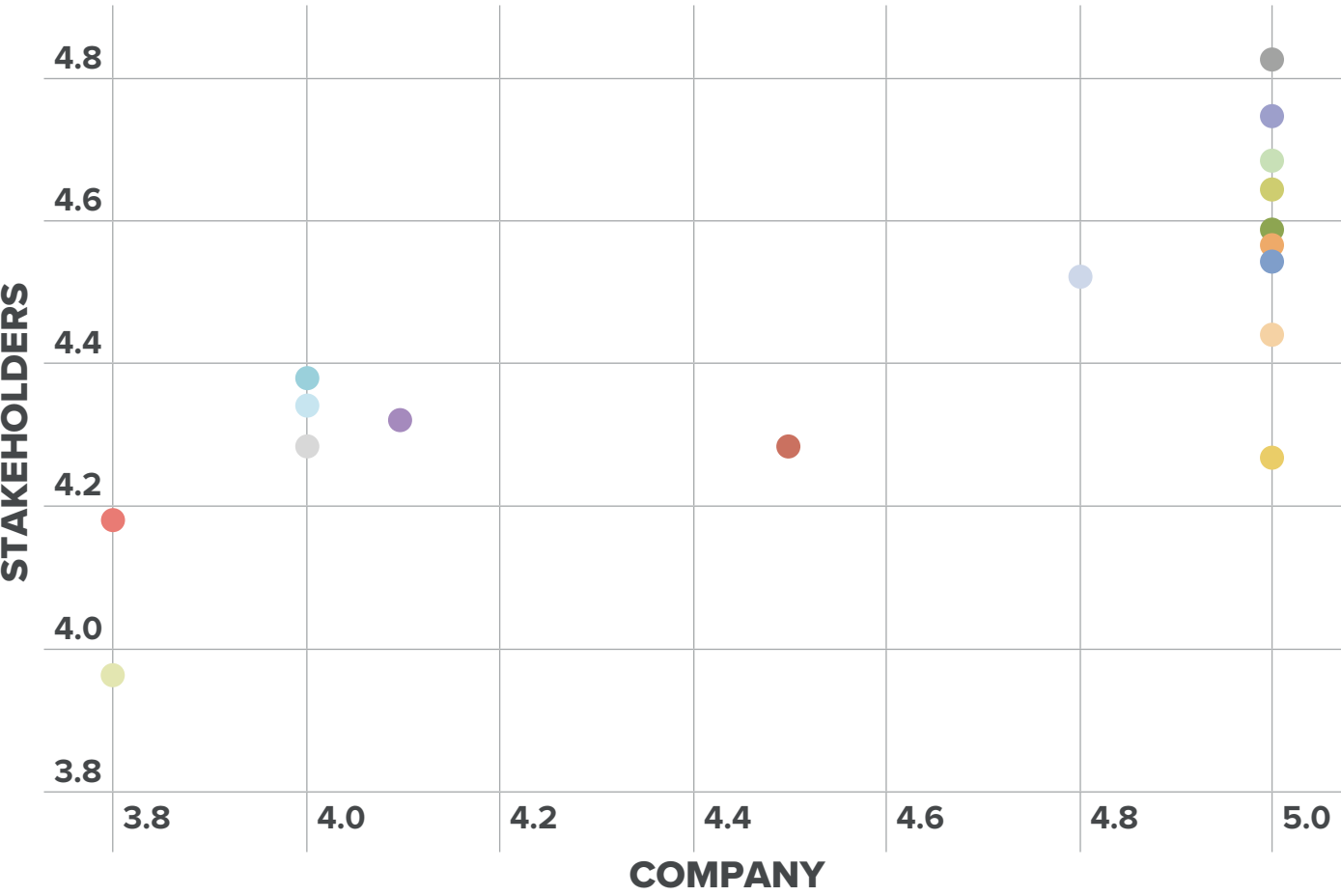
Related materialities

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

Key stakeholder ratings were obtained through a questionnaire and the responses were used to create a materiality matrix with eighteen key attributes. The 2018 materiality matrix is presented below.

The indicators selected with the help of our stakeholders reflect all those elements that leave the strongest sustainability mark on our business. The selected indicators aim to show the most important impacts of our business on society and the environment.

Materiality matrix



Materiality matrix

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

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

IDENTITY CARD

BORZEN'S ROLE IN THE ELECTRICITY MARKET

VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE





3 CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING

COMPANY MANAGEMENT SYSTEM

The management of the company is composed of one member, i.e. the general manager of the company. The directors of the divisions report to the general manager, while the heads of departments report to the directors of the divisions. Through precisely defined processes, the proper implementation of all the company's activities is ensured, with the heads of departments or administrators of individual processes regularly informing their superiors and the management about the course of processes and including them in decisions. The company operates through established and IT-enabled workflows that include both coordination and approval at the appropriate levels, with all important documents approved by the management. The college of directors usually meets on weekly basis to manage the company's operation through decisions and resolutions. More detailed reports are prepared for the management and the Supervisory Board on a quarterly basis, when the fulfilment of strategic goals is monitored and a report on comprehensive risk management in the company is prepared. The management and directors of the divisions are the bearers of the company's strategy and, together with the heads of departments, also prepare the company's business plans. The principles for management decision-making are based in particular on business efficiency, development considerations within the energy and wider market, and sustainable development. The company's objectives are communicated to all employees, who are aware that results can only be achieved through joint efforts.



HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

- COMPANY MANAGEMENT SYSTEM
- CORPORATE GOVERNANCE STATEMENT
- SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT
- STATEMENT ON NON-FINANCIAL REPORTING



CORPORATE GOVERNANCE STATEMENT

The Management and the company’s Supervisory Board give a corporate governance statement in accordance with Article 70 of the Companies Act (hereinafter referred to as the “ZGD-1”) and Point 3.4.1 of the Corporate Governance Code for Companies with State Capital Investments (hereinafter referred to as the “Code”), which contains the content as required by Article 70 of the ZGD-1 for Public Limited Companies.

Reference to the Corporate Governance Code for Companies with State Capital Investments

Borzen d.o.o. reasonably follows the recommended standards of the Code adopted by the Management Board of Slovenski državni holding d.d. (hereinafter referred to as the “SDH”) on 14 December 2023. The Code is publicly accessible on the issuer’s website.

Borzen’s derogations from provisions of the Code are as follows:

Individual derogations from the Code are disclosed in the continuation of this statement, along with the reasons for said derogations.

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 d.o.o. and therefore cannot be complied with.

This involves the following provisions of the Code:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	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	The company only has one shareholder.
4.2.4	NO	NO	The provision only applies to public joint stock companies.
4.3	NO	NO	The provision does not apply to Borzen since, in accordance with the provision of Article 511 of the Energy Act (hereinafter referred to as the “EZ-1”), the rights and obligations attributable to the Republic of Slovenia by virtue of the capital investment in these companies are exercised by the Government as of the date of entry into force of this Act and, consequently, cannot be exercised.
9.3, 9.3.2, 9.3.4, 9.3.5, 9.3.6 and 9.3.7	NO	NO	Since Borzen is a small company, it is not required to set up a specific internal audit service in accordance with Provision 9.3.1.

In its operations, Borzen partially complies with the following recommendations:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.1.7	YES	PARTIALLY	The Government of the Republic of Slovenia has decided that, instead of the Supervisory Board, the Government of the Republic of Slovenia will decide on certain types of transactions, as reflected in the Articles of Association of Borzen, d.o.o.
8.3	YES	PARTIALLY	Borzen only discloses the gross remuneration of the general manager and the members of the Supervisory Board in accordance with legal requirements, but not the net remuneration (since net remuneration is the result of personal circumstances).

In its operations, Borzen does not comply with the following recommendations:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.5.1	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competency profiles is neither reasonable nor necessary.
6.9.7	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, compliance with the Provisions 6.9.3, 6.9.4 and 6.9.5 is not necessary.
6.10.1	YES	NO	The Government of the Republic of Slovenia did not take into account the recommendations of the SDH when considering the level of attendance fees and function remuneration.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING



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.

Up to and including 31 August 2023, the company was represented by Borut Rajer, MSc. On 1 September 2023, the management of the company was taken over by the general manager Mojca Kert for a full five-year term of office.

The general manager is entitled to a basic remuneration (salary) and an acceptable performance-based remuneration (business performance bonus). The remuneration is set out in the company’s Financial Report.

MOJCA KERT, GENERAL MANAGER OF THE COMPANY
Year of birth: 1964
Education: Bachelor of Mechanical Engineering
Professional profile: Energy
First appointment to the function: 1 September 2023
Conclusion of the mandate: Fixed term of five years
Memberships in other supervisory bodies that are not related to Borzen: /

SUPERVISORY BOARD OF THE COMPANY

In line with Borzen d.o.o. Acts of Association, the company’s Supervisory Board consists of three members who are appointed by the Shareholder for a period of five years. The five-year mandate of the current Members of the Supervisory Board began on 4 June 2022.

The Supervisory Board, following its constitutive meeting of 14 June 2022, is composed as follows:

- Chairwoman of the Supervisory Board: Mojca Veljkovič,
- Deputy Chairwoman of the Supervisory Board: Ivana Nedižavec Korada,
- Member of the Supervisory Board: Žiga Fišer.

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

- appointing and dismissing the General Manager,
- reviewing the composition of the annual report and the proposal for the use of distributable profit, preparing a written report for the founder or the sole shareholder on the results of the verification of the annual report, and confirming or stating the observations regarding the annual report,
- proposing the adoption of resolutions within its field of competence or giving its opinions on proposals for the adoption of resolutions of the general meeting, made by the General Manager,

- adopting the annual operating plan,
- approving the company’s annual report and issuing a reasoned opinion on the annual report,
- issuing a reasoned opinion on the company’s strategic plan,
- concluding employment contracts with the General Manager and confirming the content of other contracts, concluded with the General Manager or the Procuration Holder,
- giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence,
- issuing a reasoned opinion on the disposal of the business shares of the company, particularly on the division and termination of business shares,
- requesting that the General Manager provide any information necessary for exercising supervision in the company or its subsidiaries,
- issuing a reasoned opinion on all legal transactions relating to the disposal of shares or business interests held by the company, in particular acquisitions, disposals or encumbrances,
- giving its consent to the General Manager on any legal transaction concerning the investment of assets held by the company under management, except for investments in banks within the EU and investments guaranteed by the Republic of Slovenia,
- giving its consent to the General Manager to any disposal of immovable property in an amount exceeding EUR 750,000.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING



The composition of Borzen’s Supervisory Board:

MOJCA VELJKOVIČ, CHAIRWOMAN OF THE SUPERVISORY BOARD
Year of birth: 1972
Education: Bachelor of Laws with state judicial exam /
Professional profile: Law and Energy
Start of the mandate: 4 June 2022 (Representative of the capital)
Completion of the mandate: 4 June 2027
Attendance at the Supervisory Board meetings: 23/23
Independence under Article 23 of the Code: YES
Existence of a conflict of interest during the financial year: NO
Memberships in other supervisory or management bodies that are not related to Borzen: NO
IVANA NEDIŽAVEC KORADA, DEPUTY CHAIRWOMAN OF THE SUPERVISORY BOARD
Year of birth: 1977
Education: Bachelor of Economy
Professional profile: Finance, Accounting, Audits and Energy
Start of the mandate: 4 June 2022 (Representative of the capital)
Completion of the mandate: 4 June 2027
Attendance at the Supervisory Board meetings: 23/23
Independence under Article 23 of the Code: YES
Existence of a conflict of interest during the financial year: NO
Memberships in other supervisory or management bodies that are not related to Borzen: member of the Supervisory Board of GEN energija, d.o.o. since 10 August 2022

ŽIGA FIŠER, MEMBER OF THE SUPERVISORY BOARD
Year of birth: 1978
Education: Bachelor of Political Science
Professional profile: Energy, International Business and Logistics
Start of the mandate: 4 June 2022 (Representative of the capital)
Completion of the mandate: 4 June 2027
Attendance at the Supervisory Board meetings: 23/23
Independence under Article 23 of the Code: YES
Existence of a conflict of interest during the financial year: NO
Memberships in other supervisory or management bodies that are not related to Borzen: NO

For the purpose of its work, the Supervisory Board established an Audit Committee which, as of 7 July 2022, is composed as follows:

- Chairwoman of the Audit Committee: Ivana Nedižavec Korada,
- Member of the Audit Committee: Mojca Veljkovič,
- External Member of the Audit Committee: Braco Mihelj.

The members of the Supervisory Board and the members of the Audit Committee were entitled to remuneration for their functions in 2023 on the basis of a valid resolution of the Shareholder, which is further specified in the financial report.

The members of the Supervisory Board were acquainted with the independence criteria and have signed a declaration of independence which is regularly being renewed.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING



SHAREHOLDER

The Republic of Slovenia is the sole shareholder of Borzen, d.o.o. Since the enforcement of the EZ-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:

- the adoption of the Articles of Association of the company and its amendments,
- the appointment of the auditor,
- the adoption of the annual report,
- the adoption of the strategic plan of the company,
- the use of the balance sheet profit and the coverage of balance sheet losses,
- granting discharge to the General Manager,
- the appointment or dismissal of the members of the Supervisory Board,
- granting discharge to the members of the Supervisory Board,
- the adoption of measures to increase or reduce the share capital,
- the division and termination of business holdings,
- giving approval to the General Manager to take out loans exceeding the amount of EUR 1 million,
- giving approval to the General Manager to issue a company guarantee to a legal entity in which the company holds a controlling interest or a dominant influence,
- representing the company in legal proceedings against members of the Supervisory Board,
- the dissolution of the company and reorganisation of the company's status,
- other matters defined by law and not delegated to the Supervisory Board.

The general meeting of the Shareholder is usually held once a year. Only one general meeting was held in 2023, i.e. on 6 July 2023, where the Shareholder received the Borzen d.o.o. 2022 annual report and resolved that the balance sheet profit of Borzen d.o.o. amounting to EUR 3,512,877.72 be used by allocating the profit in full to other profit reserves. At the general meeting, the Shareholder granted a discharge to the General Manager and the members of the Supervisory Board for their work in 2022.

Declaration of compliance with the Corporate Governance Code of State Invested Enterprises

The Management and the Supervisory Board of Borzen d.o.o. declare that the company, in the course of its work and business, reasonably complies with the provision of the Corporate Governance Code of State Invested Enterprises, with the exception of the provisions set out in Section 2 of this Statement.

The company’s system of internal control and risk management

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

Corporate integrity system in the company

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

Associated companies

Borzen had no associated companies in 2023.

Mojca Kert
General Manager of Borzen d.o.o.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING



SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

In 2023, Borzen implemented various projects and activities supporting the development of the Slovenian energy market, thereby continuing to fulfil its mission of the electricity market operator.

COMPOSITION OF THE SUPERVISORY BOARD

In 2023, the Supervisory Board was composed of:

- Mojca Veljkovič, Chairwoman of the Supervisory Board
- Ivana Nedižavec Korada, Deputy Chairwoman of the Supervisory Board,
- Žiga Fišer, Member of the Supervisory Board.

COOPERATION WITH THE MANAGEMENT OF THE COMPANY

The cooperation between the Management and the Supervisory Board was constructive and ensured the Supervisory Board's ongoing monitoring of the company's operations and the fulfilment of its objectives. We consider that the objectives were met to a high standard and that the cooperation between the Supervisory Board and the Management was conducted in a successful manner.

THE FUNCTIONING OF THE SUPERVISORY BOARD

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

The Supervisory Board held 22 regular meetings and one extraordinary meeting; four of the meetings were held as correspondence meeting. At all regular meetings which were not correspondence meetings, the management was also present and the Chairman of the Supervisory Board cooperated with the management in the period between the regular meetings, within the scope of her responsibilities.

The work of the previously established Audit Committee continued in the framework of the Supervisory Board. In 2023, the former held 14 meetings, of which one was held as a correspondence meeting.

The Supervisory Board dealt with matters in accordance with the applicable legislation, Borzen, d.o.o. Articles of Association and the Rules of Procedure of the Supervisory Board. In 2023, the Supervisory Board conducted a tender for the general manager of Borzen; after the tender has been concluded, the general manager of Borzen has been appointed for a term of office of five years. In 2023, the Supervisory Board also renovated and adopted new Rules of Procedure of the Supervisory Board.

The Supervisory Board took note of the quarterly management report and other regular company reports. In 2023, the Supervisory Board confirmed the Business Plan of the Company for 2024 and the 2024-2026 Business Plan of the Company.

During its work in 2023, the Supervisory Board constantly monitored the company's operations in terms of compliance with the Code and the recommendations of the Slovenian State Holding.

Mojca Veljkovič

Chairwoman of the Supervisory Board
of Borzen

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE GOVERNANCE

COMPANY MANAGEMENT SYSTEM

CORPORATE GOVERNANCE STATEMENT

SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

STATEMENT ON NON-FINANCIAL REPORTING



STATEMENT ON NON-FINANCIAL REPORTING

Borzen's Annual Report combines and integrates the reporting on financial and non-financial performance in the context of the Business Report. This is structured as reporting on the refinement of capital inputs that the company uses to create value for its key stakeholders. In doing so, we already partially follow the Integrated Reporting Guidelines; www.integratedreporting.org), but comprehensive adaptation to these guidelines, which ensure full connectivity of financial capital with non-financial capital, will follow in the following reporting years.

In corporate reporting designed this way, we consider the following requirements and expectations in this report:

- ZGD-1 (Official Gazette of the Republic of Slovenia, No. 65/09 – official consolidated text, 33/11, 91/11, 100/11 – decision of the Constitutional Court, 32/12, 57/12, 44/13 – decision of the Constitutional Court, 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C, 175/20 – ZIUOPDVE, 18/21, 18/23 – ZDU-1O, 75/23);

- Guidelines on business transparency and reporting as contained in the Code of Corporate Governance of Companies with State Capital Investment (SDH, d. d., 14 December 2023);
- GRI (Global Reporting Initiative) sustainability reporting guidelines, with the transition to the GRI standards and the continued use of the GRI EUSD sectoral disclosures of electricity companies. A table with references to the GRI standards can be found in the section on the compliance with the Sustainable Development Guidelines;
- Value Reporting Foundation Guidelines; <https://www.valuereportingfoundation.org/>) and Integrated Reporting Framework Guidelines; <https://www.valuereportingfoundation.org/wp-content/uploads/2021/07/InternationalIntegratedReportingFramework.pdf>).

Mojca Kert
Direktorica družbe Borzen, d.o.o.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

CORPORATIVE
GOVERNANCE

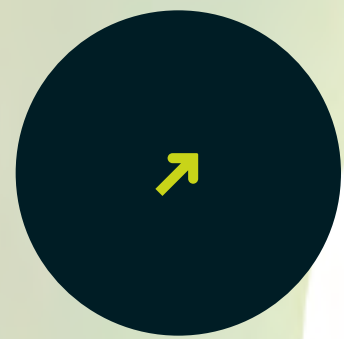
COMPANY MANAGEMENT
SYSTEM

CORPORATE GOVERNANCE
STATEMENT

SUPERVISORY BOARD AND
SUPERVISORY BOARD REPORT

STATEMENT ON
NON-FINANCIAL REPORTING





BUSINESS REPORT

Every new day, our vision is anchored towards Slovenia as a carbon-neutral member of Europe. We view the pursuit of the European Green Deal policy as both our responsibility and an opportunity for energy transformation.

02





4 SUMMARY OF RESULTS



SUSTAINABLE DEVELOPMENT OBJECTIVES ACHIEVED IN 2023

- Achieving satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and taking on tasks with synergistic effects with the services provided by Borzen as a public utility.

Planned objectives for 2023	Achieving the objectives in 2023
Participation in Slovenian and international energy market development projects	BD4NRG – Big Data for Next Generation Energy: The project is part of the Horizon 2020 programme. It started in January 2021, with a duration of three years; activities in the framework of pilot projects were terminated at the end of 2023. The main purpose of the project was to review different aspects of big data issues in the energy context, including through several pilot cases. For Borzen, the project was additionally important because it addressed (among other things) the issue of aggregators, which is one of the key elements of the upcoming change in the market model, also due to the “Clean Energy for All Europeans” package. FARCROSS – Facilitating Regional Cross-border Electricity Transmission through Innovation: The project is part of the Horizon 2020 programme. It started in October 2019, with a duration of four years, and ended in November 2023. The main objective of the project was to optimise the use of physical (cross-border) electricity infrastructure, with the aim of developing a solution including both physical interventions and process changes, to increase the possible power flows on the same physical infrastructure (cross-border lines). STREAM: The project is implemented under the Horizon Europe programme. It started in October 2022, with a duration of four years. The project aims to set up an innovative “flexibility” ecosystem on the low-voltage side of the grid and a key added value will be the development of new business models linked to flexibility. Borzen’s task is to prepare the regulatory framework and basis for the creation of a national flexibility register for all installations involved in the project.
Development of the Centre for Support services	In order to keep up with the trend towards digitalisation and, at the same time, to be more user-friendly, we have set up an online portal for users of the Centre for Support services, which makes it easy and fast to issue invoices, submit applications, view production data, change contact details, and access news related to support. More than 1,650 users have already registered on the portal, and, on average, more than 2,000 invoices are issued through the portal on a monthly basis. In 2023, the transition to the CP online portal was communicated to the users in the framework of the gradual digitalisation process; in 2024, this portal will become the only possible method for the submission of invoices for the devices included in the support scheme.
Stakeholder satisfaction	Carrying out a stakeholder satisfaction analysis and various activities, especially in the area of stakeholder communication, with more stakeholder involvement as well as more targeted communication and new content.
Social Responsibility	Quality and reliable performance of the basic activities of the electricity market operator and the Centre for Support, implementation of information and awareness-raising activities on sustainable energy, maintenance of the Socially Responsible Company and Family Friendly Company certificates, preparation of the Sustainability Report pursuant to the GRI guidelines.
Optimisation of business processes and operational quality	We have optimised and modernised certain business processes and adapted the IT support accordingly.
Ensuring compliance with information security and digital business standards	We understand information security management as an ongoing process of planning, implementation, control and action to continuously improve the level of information security. In 2023, Borzen successfully completed an external control audit in accordance with the ISO/IEC 27001:2013 standard.
Reducing the company’s carbon footprint	The company is taking various measures to reduce its carbon footprint year on year, with a particular focus on business travel, depending on the company's activity. In 2023, the carbon footprint decreased compared to the year before, which was achieved through the introduction of electric vehicles for business purposes
Promoting employee engagement	In 2023, the employee turnover rate increased slightly compared to the year before, which can mostly be attributed to the changes in the labour market and generally increased needs in the sector of electrical economy. Furthermore, we used various tools for the promotion of employee engagement, and we also measured organisational climate.
Achieving the targeted profitability	In 2023, the company achieved higher than planned profitability indicators due to higher realised profit, which is a consequence of higher financial revenues related to the placement of free cash. The return on equity (ROE) is 24.1 percentage points higher, while the return on assets (ROA) is 0.7 percentage points higher. ROA is not affected by the higher profit to the same extent as ROE, as the company's assets also include the assets of the Centre for Support and imbalance settlement, which are managed by the company.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES





5

THE IMPACT OF ECONOMIC,
LEGISLATIVE AND OTHER CONDITIONS ON
OPERATION AND IMPLEMENTATION OF
THE DEVELOPMENT STRATEGY IN 2023

In 2023, the electricity market was affected by the regulation of electricity supply prices for end consumers, which was, as a measure intended to prevent the increased costs, a consequence of high prices in the previous two years, particularly in 2022. The high gas prices and the beginning of the war in Ukraine influenced the increase of prices which have reached record values in August 2022. High prices in the year before influenced high supply prices on the suppliers’ side which would also translate to higher prices for end consumers, which was prevented by the government and its intervention measures. In order to limit price increases for end consumers, several regulations were adopted setting out the electricity pricing mechanisms for different customer segments, as well as an emergency intervention law to deal with high energy prices. Borzen participated in the activities intended to prevent the increased costs as the entity paying the compensations for suppliers due to limited supply prices.

Compared to the record prices achieved in 2022, the prices gradually decreased and stabilised in 2023, yet still remained higher than before the energy crisis. In view of the tight situation, Borzen continued to monitor the performance of the members of the Balance Scheme more closely throughout the year. It was ensured that all the tasks of Borzen were carried out smoothly, although under partially adapted circumstances.

The trend of increased investments in renewable energy sources with the aim of reaching the minimum targets set by Directive 2009/28/EC already slowed down in Slovenia in 2015. Despite the calls for tenders, the implementation of projects (and their actual entry into the Support Scheme) is currently still very poor. The key issue is the spatial siting of power plants, which is regulated outside the Support Scheme. We expect that many projects that have been approved in the Energy Agency tenders will not be finalised, as it is a condition that the power plant has to be connected to the grid within three years, or five years at most if it is a complex facility or if a building permit is required. Since Slovenia did not reach the final target of 25% RES in gross end-use by 2022, the shortfall was compensated by the so-called “statistical transfer”, contractually agreed between the Republic of Slovenia and the Republic of Croatia.

The trend in Slovenia and Europe is heading towards greater integration and “deepening” of the markets. Borzen is following this trend by participating in European projects and associations (especially EuroPEX, the European Association of Exchanges and Energy Market Operators) and by increasing the use of and focus on renewable energy sources and efficient use of energy. Overall, market concentration continues.

We continue focusing on the implementation of activities that ensure electricity market transparency, including the reporting service pursuant to the Regulation on Wholesale Energy Market Integrity and Transparency, the promotion of market data exchange flows and, last but not least, by publishing data, reports and other information on a timely and complete basis. In addition, we are active in promoting investment and the use of renewable energy sources and energy efficiency. Climate issues, trends and commitments, such as the European Green Deal and the Just Transition Mechanism, are geared towards creating a carbon-free society. The European Green Deal identified the energy sector as one of the key generators of the new green investment cycle. The energy sector will need to provide the conditions for access to long-term, sustainable energy, while also depending on other sectors (energy consumption in all material flows) to achieve the objectives. Understanding these dynamics is the basis for considering the so-called Green and Just Transition, where the key actions from an energy use perspective concern precisely energy efficiency and increasing the share of renewable generation.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES

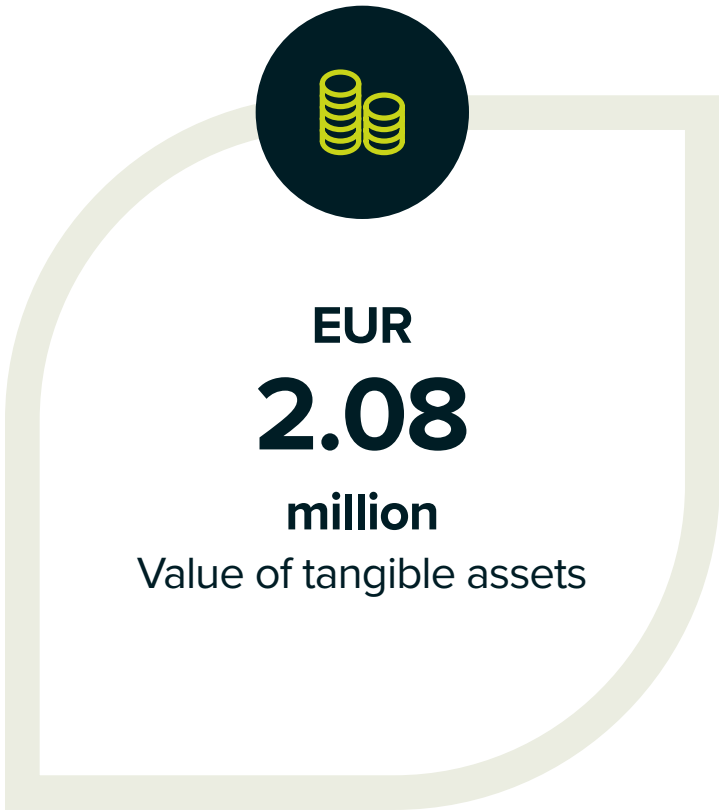




6 PRODUCTION CAPITAL



KEY DATA



The company's production capital consists mainly of the facilities, installations, tools and technologies we have at our disposal for the execution of our activities. Borzen owns office premises at 156 Dunajska cesta in Ljubljana, where it also houses the entire IT-infrastructure, with all the necessary software and ICT.

As Borzen’s entire business is of a service nature, the aforementioned production capital is used to carry out all our activities:

- recording of closed contracts and operational forecasts and preparing the indicative operating timetable for the transmission and distribution network,
- the operation of the balancing energy market operator platform (replacement reserve),

- carrying out the imbalance settlement including financial settlement,
- the operation of the Balance Scheme,
- the implementation of the Support Scheme for environmentally friendly electricity generation,
- maintaining the Guarantees of Origin registry,
- the implementation of activities in the unregulated market (so-called REMIT reporting) and IT support for the associated company BSP d.o.o., as well as the development of the Centre for Support services,
- the implementation of information and awareness raising activities.

IT INFRASTRUCTURE

Ensuring the company’s business continuity is one of the most important elements of a stable electricity system. By keeping pace with technological developments and maintaining a high technological level of process performance, ensuring the continuous operation of key information systems and maintaining the information and cyber-security, we fulfil our public utility tasks.

In 2023, in addition to upgrades and updates of our business applications, we also changed optic switches enabling a faster connection between our data centres, and updated the system that we use for test purposes. We also updated our disc array with new SSD discs, enabling faster processing and higher space capacity.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



7 COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP
WITH THE MARKET

RELATIONS
WITH STAKEHOLDERS



KEY DATA



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



PARTICIPATION FOLDER

Borzen is the meeting point of the electricity market, and our stakeholders are everyone we influence through our business and those who influence us through their business. Our key stakeholders are therefore closely related to the core business of the company.

Borzen's key stakeholders



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



RELATIONSHIP WITH THE MARKET

As part of its activities as a market operator, Borzen enables stakeholders to actively participate in the electricity market. As part of the Balance Scheme management process, it enables stakeholders to enter the market or move between different Balance Scheme groups. For all members, we carry out the daily activity of recording closed contracts and operational forecasts, as well as the imbalance settlement, which is carried out on a monthly basis. In addition to the above mentioned tasks, Borzen actively cooperates with all relevant players in the development of the Slovenian electricity market through various workshops and by submitting comments on various legal and regulatory acts.

The Centre for Support, as the operational provider of one of the most important environmental instruments, i.e. the RES and CHP Support Scheme, facilitates the payment of subsidies to those entities whose starting price of the generation unit technology installation exceeds market prices, and at the same time manages the contribution funds that are the source of the payment of the subsidies. As the operator of the so-called Eco-Balance Group, we leave our mark on the entire organised electricity market, in which we address both the transmission and the forecasting of the supported electricity on the market. Through our role as the operational provider of the Support Scheme, we are also importantly involved in constructive cooperation in the adoption of legislation, the implementation of the RES directives and the cooperation with other relevant players in the field of RES.

In 2021, with the adoption of the Act on the Promotion of the Use of Renewable Energy (ZSROVE), the Centre for Support has been given an even stronger role as an operational provider. One of the key tasks is the establishment of a contact point (which was launched in its basic form in August 2022) to provide information and assistance for RES investors. In this role, Borzen has taken an even more active approach to the implementation of legislation

and directives, and has extended its cooperation with the various players who will contribute, together with Borzen, to the objectives set out in the NEPN and the European Green Deal.

The development activities towards meeting the objectives of the European Green Deal through the implementation of the Green, Digital and Fair Transition, however, require the involvement of new stakeholders. The energy sector, as a key generator of the new green investment cycle, is also dependent on the management of energy in all material flows, which also includes other sectors with which Borzen has started to engage.

REMIT (Regulation on Wholesale Energy Market Integrity and Transparency) aims to increase transparency in wholesale energy markets and promote their integrity by establishing a control system to prevent abuses and by introducing prohibition on market abuse. This promotes open and fair competition and protects energy consumers by ensuring that prices reflect the fair and competitive interaction of supply and demand and that profits cannot be extracted from market abuse. The added value of REMIT is evident in an environment of high prices and stressful market situations, such as we have seen over the last years. These open up opportunities and increase the scope for maximising profits in the event of abuse. Borzen is also an important building block of REMIT. With its RRM-REMIT service, Borzen is the only entity in Slovenia and Croatia that offers its services to all market participants who require this service to comply with their legal reporting obligations. The RRM-REMIT service is offered to both the Balance Scheme and BSP members. In this way, the RRM-REMIT service complements and builds on the activities of the market operator. In addition, there is also a synergistic relationship with BSP, whose members are also subject to reporting obligations. The RRM-REMIT activity itself goes beyond the electricity market and has been successfully transferred to the gas market.

We also have a mutually beneficial business relationship with BSP. Borzen provides IT support and clearing of the exchange transactions for BSP within its own IT infrastructure; on the other hand, Borzen also cooperates with BSP in the balancing market activities by offering trading platform with all the necessary functionalities.

ELECTRICITY MARKET OPERATOR ACTIVITY

Recording of closed contracts and operational forecasts and preparation of the indicative operating timetable for the transmission and distribution network

The Electricity Supply Act (ZOEE) requires the market operator to record membership agreements in the Balance Scheme, operational forecasts and closed contracts. All contractually agreed commitments in which electricity is bought or sold in Slovenia or in which energy is transferred across the borders of the regulatory area shall be recorded. Closed contracts and operational forecasts are recorded on a daily basis, all seven days of the week. On a daily basis, the responsible parties of a balance group shall forecast their balance group’s production or consumption for the day ahead and the purchase or sale of electricity through closed contracts. They must work towards ensuring that the overall operational forecast of the balance group in each billing interval is equal to the market plan of the balance group, or that the forecast consumption is covered by purchases and the forecast generation is covered by sales of electricity. In the event of changes in the reported quantities of closed contracts and operational forecasts that may be reported as a result of intra-day trading, an adjustment to the timetable shall also be made. The indicative operating timetable for the transmission and distribution network is produced on a daily basis by the market operator and is transmitted to the system operator ELES. Forecasting accuracy is important in particular from the point of view of the reliability of the electricity system and is promoted by an appropriate balance clearing methodology, which encourages the responsible balance groups to forecast as accurately as possible. In the imbalance settlement process, a comparison is made between the market plan and their actual realisation, which results in the payment of imbalances of the market plan from the realisation.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2023, a total of **101,941 closed contracts** and **operational forecasts** were recorded, with a total volume of **71,199 GWh**. Compared to the previous year, the number of the recorded closed contracts and operational forecasts was 2.6% higher, while the total volume of energy was 5.5% lower.

Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts and operational forecasts on the Slovenian electricity market in 2023

MONTH	CLOSED CONTRACTS [in MWh]	OPERATIONAL FORECASTS [in MWh]	NUMBER OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS
January	4,019,212.078	2,372,631.917	8,653
February	3,611,266.791	2,168,686.971	7,835
March	3,923,343.849	2,326,886.349	8,765
April	3,471,899.879	2,146,735.404	8,213
May	3,480,855.342	2,265,569.245	8,526
June	3,385,483.077	2,255,750.479	8,276
July	3,610,890.789	2,330,058.214	8,485
August	3,443,308.142	2,281,672.467	8,454
September	3,347,975.017	2,104,976.241	8,300
October	3,975,470.879	1,864,949.158	9,050
November	3,938,840.861	2,181,993.727	8,702
December	4,172,430.381	2,517,622.354	8,655
Total	44,380,977.083	26,817,532.523	101,914

In 2023, we observed a decrease in the value of the recorded quantities of closed contracts, which is 11.4% lower compared to the previous year, at 44,381 GWh. The same also applies to the number of recorded closed contracts, where we observe a decrease of 11.6% to 45,493 contracts. The quantity of recorded closed contracts decreased at the expense of intra-Slovenian trading or closed contracts between members of the Balance Scheme, while the quantity of closed contracts at the borders of

the regulatory area increased compared to 2022. The volume of recorded closed contracts within Slovenia decreased by 22.4%, while the volume at the borders of the regulatory area increased by 4.6%. The amount of recorded operational forecasts increased by 6.2% compared to 2022, and amounted to 26,818 GWh. Forecast generation increased by 18.9% and forecast consumption decreased by 5.1%.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

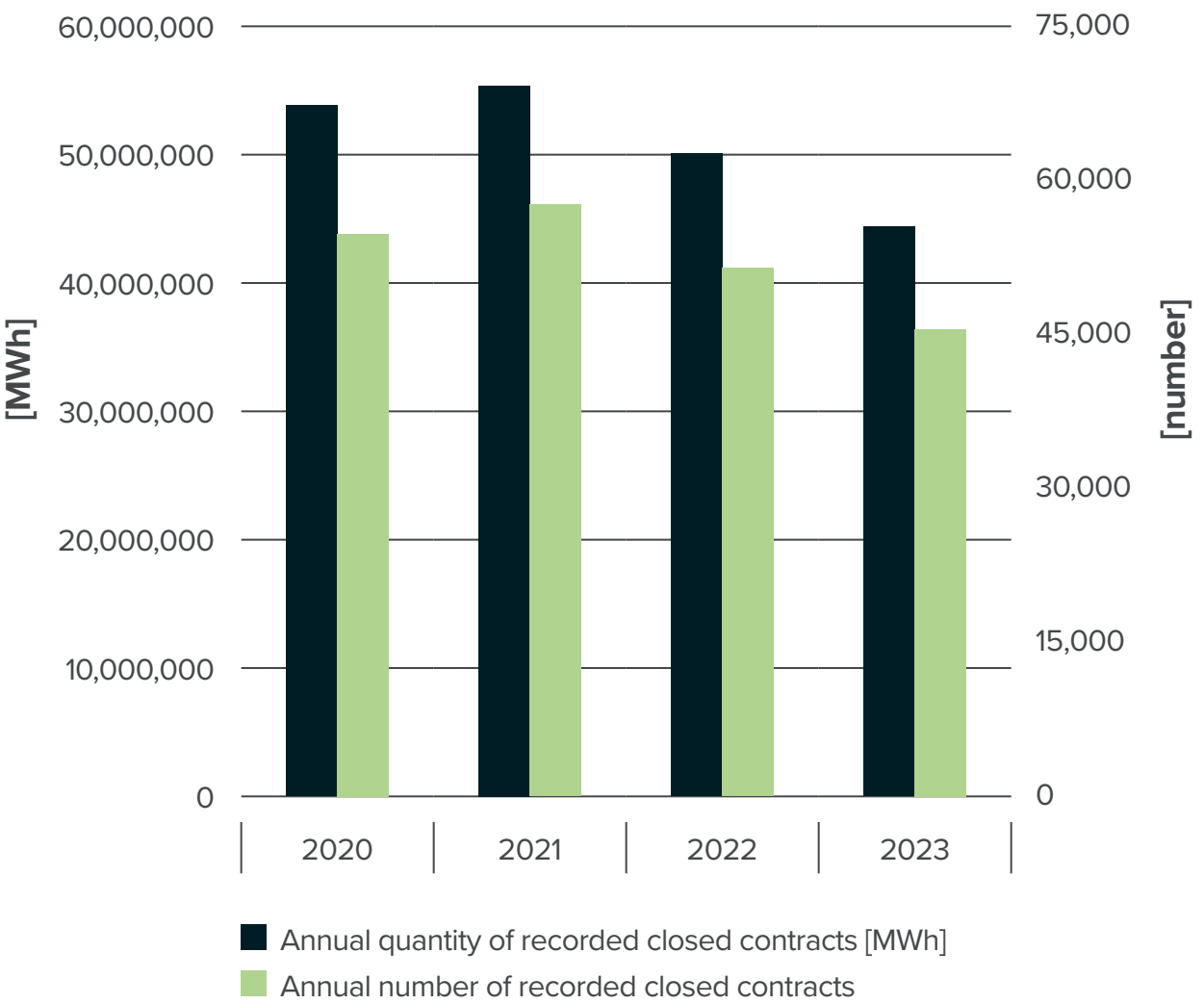
MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Annual volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the Slovenian electricity market in the period 2020-2023



As can be seen from the figure above, the volumes and the number of recorded closed contracts has been declining in the past years. Compared to 2020, quantities in 2023 decreased by a total of 17.6%. The same applies to the number of recorded closed contracts, where a 17% decrease was observed in the 2020-2023 period.

The decline in the volumes and number of recorded closed contracts is due to a number of factors, mainly related to the development of the electricity market. The first reason is related to the intra-day market coupling project, which allowed the implicit allocation of physical intra-day cross-border transmission capacity at the Slovenian-Austrian and Slovenian-Croatian borders. As a consequence, the role of the market agent (the so-called “shipping agent”) in the trading area of the Republic of Slovenia for intra-day trading has been transferred to the BSP d.o.o. energy exchange. This means that all trades executed on the intra-day trading platform are first recorded in the form of a closed contract between the energy exchange and the partner, and then the total volume traded with partners outside Slovenia is further recorded in the form of a closed contract between the energy exchange and the external partner at the border of the regulatory area. The latter is recorded in the form of two contracts at each border, as net

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

Annual volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the Slovenian electricity market in the period 2020-2023

YEAR	ANNUAL VOLUME OF RECORDED CLOSED CONTRACTS [MWh]	PERCENTAGE CHANGE IN THE VOLUME OF CLOSED CONTRACTS COMPARED TO THE PREVIOUS YEAR	ANNUAL NUMBER OF RECORDED CLOSED CONTRACTS	PERCENTAGE CHANGE IN THE NUMBER OF CLOSED CONTRACTS COMPARED TO THE PREVIOUS YEAR
2020	53,839,877	-4.3%	54,790	-12.7%
2021	55,388,063	2.9%	57,654	5.2%
2022	50,077,730	-9.6%	51,468	-10.7%
2023	44,380,977	-11.4%	45,493	-11.6%

The members of the Balance Scheme (excluding the public utilities and the BSP exchange) are, in accordance with the energy legislation, liable to pay for the registration of closed contracts in which they act on behalf the supply side (as the seller in a closed contract). The payments of the members of the Balance Scheme

imports or exports per interval, which is reflected in lower volumes and number of recorded closed contracts at the borders of the regulatory area. The quantities of closed contracts have further reduced in 2022 and in 2023, as there is no longer a need to declare an additional closed contract between the system operator (ELES) and the energy exchange; rather, the energy for importing or exporting electricity under the market coupling is transferred directly from the power exchange to the external partner. In addition, it is worth noting that in June 2022, the Hungarian border was also connected under the Core Flow-Based Day-Ahead Market Coupling project. The second reason is related to the change in the number of members in the Balance Scheme, since the membership decreased from 62 to 54 members compared to 2021. Even though another increase in the number of members in the Balance Scheme was recorded in 2023, this increase did not influence the quantity and number of recorded closed contracts to a large extent.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



CONCENTRATION TRENDS IN THE WHOLESALE MARKET

In the previous section, we analysed the total volume and the number of recorded closed contracts in 2023. However, it is not only the total volumes that are important from the perspective of the functioning of the market, but also their distribution. Hereinafter, we present the Herfindahl-Hirschman Index (hereinafter referred to as the “HHI”) of the concentration and the sum of the shares of the five and ten largest balance groups. The HHI is calculated as the sum of the squares of the market shares of the balance groups (excluding the energy exchange and the independent system balance groups, i.e. the system operator), while CR5 and CR10 are calculated as the sum of the market shares of the five and ten largest balance groups, respectively. The index value varies on a scale from 0 (perfect competition) to 10,000 (monopoly). The energy exchange and the transmission system operator are also excluded from the CR5 and the CR10.

The table below shows that the HHI is at a very high level between 2020 and 2023, indicating a highly concentrated market. The HHI peaked in 2022, amounting to 3,155; in 2021 and 2020, it was slightly lower but then increased again in 2023, amounting to 3,038. If we were to analyse the cumulative market share represented by the five largest market players (CR5), we would find that the share of the five largest balance groups has increased from 92.3% in 2020 to 98.1% in 2023. The table shows that the share has been constantly increasing over the last three years. The situation is similar in the case of the CR10 index, which represents the sum of the shares of the ten largest balance groups in recorded closed contracts. It has increased from 98% in 2020 to 99.6% in 2023, which means that the ten largest balance groups accounted for virtually all of the volume of closed contracts in 2023, or 99.6% to be precise.

Herfindahl-Hirschman index and the share of the five (CR5) or ten (CR10) largest balance groups in recorded closed contracts from 2020 to 2023

YEAR	2020	2021	2022	2023
HHI	3,155	2,842	2,847	3,038
CR5	92.3 %	95.0 %	97.2 %	98,1 %
CR10	98.0 %	99.1 %	99.5 %	99.6 %

ELECTRICITY TRANSMISSION AT THE BORDERS OF THE SLOVENIAN REGULATORY AREA

The net exchange of electricity at the borders of the Slovenian regulatory area (excluding the export of electricity from the Croatian part of the Krško Nuclear Power Plant (hereinafter: NPP) and the import of electricity for domestic use) in 2023 amounted to 1,193 GWh, which means that Slovenia was a net importer of electricity in 2023 as well. Net imports decreased compared to

2022, when they amounted to 4,153 GWh. The decrease in net imports is mainly due to higher production in 2023, which was 24% higher, excluding the production of the Croatian part of the NPP. The largest increase is observed in the recorded operational forecast of hydroelectric generation, which was 57% higher in 2023 compared to 2022.

Total electricity imports and exports at the borders of the Slovenian regulatory area in 2023

MONTH	EXPORTS EXCLUDING NPP [in MWh]	EXPORT [in MWh]	IMPORTS EXCLUDING NPP [in MWh]	IMPORTS [in MWh]	NET POSITION (in MWh)	NET POSITION EXCLUDING NPP (in MWh)
January	662,821.025	922,480.025	1,022,657.175	1,022,683.175	-100,203.150	-359,836.150
February	547,885.325	782,416.325	906,803.825	906,803.825	-124,387.500	-358,918.500
March	663,374.850	922,548.850	952,586.275	952,586.275	-30,037.425	-289,211.425
April	608,316.125	859,103.125	750,704.225	750,711.225	108,391.900	-142,388.100
May	686,154.725	944,460.725	717,458.600	717,458.600	227,002.125	-31,303.875
June	721,817.125	969,445.125	614,659.050	614,659.050	354,786.075	107,158.075
July	808,371.475	1,062,996.475	659,355.650	659,409.650	403,586.825	149,015.825
August	768,188.325	1,023,763.325	524,166.300	524,719.300	499,044.025	244,022.025
September	678,662.050	926,748.050	682,366.200	682,366.200	244,381.850	-3,704.150
October	754,668.225	804,520.225	982,053.075	989,915.075	-185,394.850	-227,384.850
November	690,540.875	786,546.875	854,993.700	854,993.700	-68,446.825	-164,452.825
December	849,254.175	1,108,461.175	964,875.000	965,035.000	143,426.175	-115,620.825
Total	8,440,054.300	11,113,490.300	9,632,679.075	9,641,341.075	1,472,149.225	-1,192,624.775

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP
WITH THE MARKET

RELATIONS WITH
STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



The electricity exports (excluding electricity generated from the Croatian part of the NPP) were 29.5% higher compared to 2022, at 8,440 GWh, while imports (excluding electricity destined for the Croatian part of the NPP) were 9.7% lower over the same period, at 9,633 GWh.

The exports on the Austrian border were 54.8% higher compared to 2022, at 1,008 GWh, while imports were 18.6% lower, at 4,258 GWh. On the Croatian border, the exports (including the output of the Croatian part of the NPP) were 14.7% higher than in 2022, at

4,478 GWh. The imports were 25.5% lower in the same period, at 2,424 GWh. On the Italian border, the exports in 2023 were up by 3.3% compared to 2022, at 4,293 GWh, while the import increased by 17.2%, at 1,226 GWh. At the Hungarian border, which is connected to Slovenia since June 2022, the imports amounted to 1,734 GWh, while the exports amounted to 1,334 GWh.

The table below shows the recorded closed contracts according to each individual border for electricity imports and exports in 2023.

Recorded closed contracts by border for electricity imports and exports in 2023 in MWh

BORDER	AUSTRIA		ITALY		CROATIA		HUNGARY	
MONTH	IMPORT	EXPORT	IMPORT	EXPORT	IMPORT	EXPORT	IMPORT	EXPORT
January	378,908.650	99,093.300	110,983.900	382,402.200	318,130.300	384,622.200	214,660.325	56,362.325
February	365,231.650	39,276.050	51,051.000	413,260.400	259,386.100	286,992.000	231,135.075	42,887.875
March	221,531.675	112,195.575	26,634.000	469,697.200	503,720.900	278,085.100	200,699.700	62,570.975
April	281,460.650	64,153.625	49,641.700	436,935.000	239,380.000	298,154.200	180,228.875	59,860.300
May	405,038.500	42,844.475	75,073.200	357,643.800	165,420.300	358,541.400	71,926.600	185,431.050
June	153,778.350	176,787.950	151,424.100	283,828.900	201,684.100	354,388.600	107,772.500	154,439.675
July	350,456.875	67,570.125	141,837.900	285,104.800	79,383.500	561,687.500	87,731.375	148,634.050
August	254,348.450	105,310.925	111,130.100	211,711.800	93,037.000	507,048.600	66,203.750	199,692.000
September	260,051.925	123,508.575	108,786.100	331,994.400	136,577.900	374,963.100	176,950.275	96,281.975
October	543,485.725	44,663.075	94,877.800	434,187.600	102,124.100	257,711.600	249,427.450	67,957.950
November	453,597.525	66,521.425	120,795.300	373,012.500	186,914.600	249,814.000	93,686.275	97,198.950
December	589,666.725	66,163.775	183,495.800	313,698.400	137,902.200	565,777.200	53,970.275	162,821.800
Total	4,257,556.700	1,008,088.875	1,225,730.900	4,293,477.000	2,423,661.000	4,477,785.500	1,734,392.475	1,334,138.925

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

In 2023, simulations were regularly carried out through a dedicated application that allows the receipt of closed contracts and operational forecasts and the preparation of output files that are sent daily to the Slovenian system operator ELES. It is intended to be used in case of unforeseen events that would prevent the registration of closed contracts and operational forecasts by the members of the Balance Scheme. In this context, a simulation of the technical problems in the process of registering closed contracts and operational forecasts was also successfully carried out, involving also the members of the Balance Scheme.

A security upgrade of the VR5 application for the recording of closed contracts and operational forecasts was carried out in order to examine any potentially harmful IT elements when submitting files. Due to the issues reported by one of our partners when sending schedules using the Web Service method, the application was amended by adding the logging function examining the run time of certain transcripts and any potential transmission interruptions. These data allowed us to obtain information on the actual response times of each individual user. In connection with this, we also performed updates in the application in order to improve the file processing speed in the file import process performed by partners. Regular annual reporting to the Energy Agency was performed, and the annual and periodical reports were also prepared for the “Our Contact” (sl. “Naš stik”) magazine.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



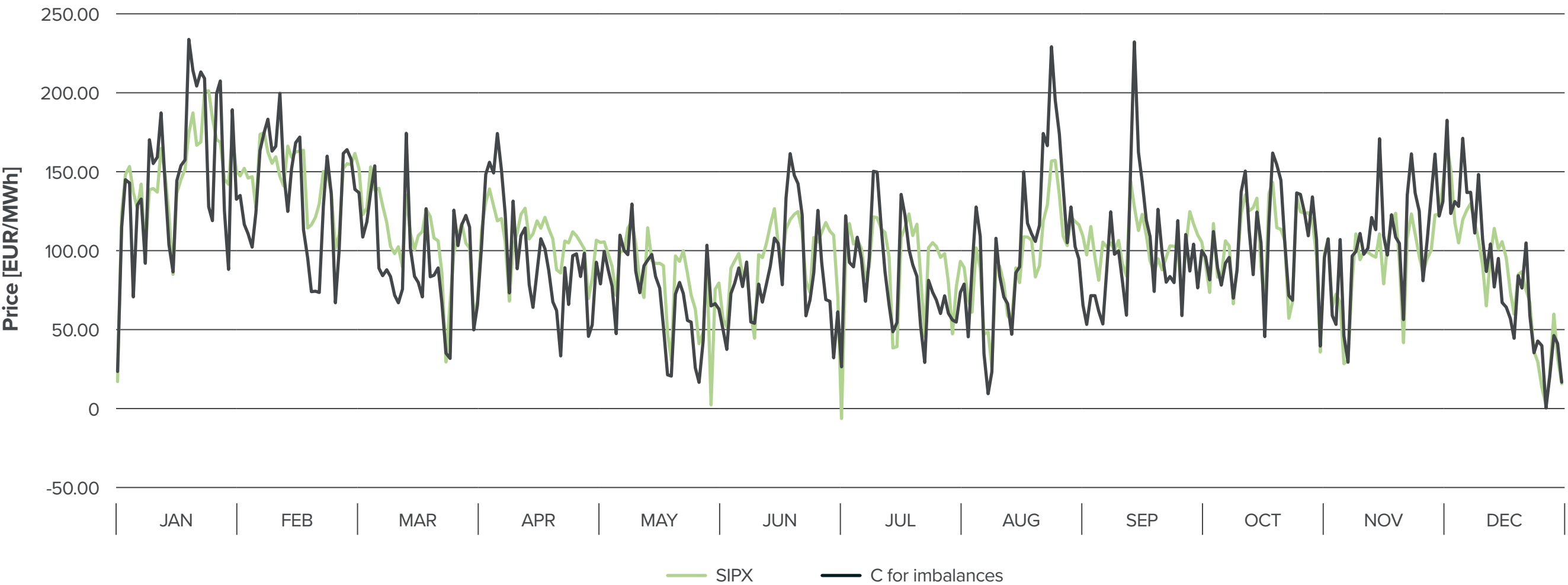
Imbalance settlement

In 2023, the revised Rules on the Operation of the Electricity Market have entered into force. The most important change implemented by these new Rules is the new model for the calculation of imbalance prices. In the framework of this model, imbalances are calculated using a single imbalance price for every imbalance settlement period, regardless of the imbalance direction. In doing so, the market operator successfully implemented the requirements set out in the European guidelines on electricity balancing, the ACER Decision on the harmonisation of the main features of imbalance settlement, and the Electricity Supply Act.

In 2023, another extremely relevant change occurred in the context of imbalance settlement. Pursuant to the dynamic of the inclusion of users into measured diagrams, as set out in the applicable system operating instructions for the electricity distribution system, all non-household consumers with an available capacity of less than 43 kW were included among metered consumers in 2023. This seriously affected the shape and size of the remaining supply diagram. The market operator, pursuant to its powers, could only assist in this process by providing appropriate and timely information to all market stakeholders.

2023 was a year marked by a gradual stabilisation of prices in the electricity market. Compared to record high prices and their extreme fluctuation in 2022, prices reached significantly lower levels and less extremes in 2023. In spite of the above, the average annual SIPX in 2023 amounted to 104 EUR /MWh, which is significantly more than before the so-called “energy crisis”. The prices of imbalances which, as a rule, follow the day-ahead market prices, thereby amounted to an average of 101.18 EUR/MWh in 2023. This is significantly less than in 2022, when the average price for negative imbalances amounted to 263 EUR/MWh, while the average price for positive imbalances amounted to 188 EUR / MWh.

Average daily imbalance prices and the SIPX index in 2023



In 2023, the highest total monthly positive imbalances (energy surplus) of the balance groups were recorded in July, amounting to 45,046 MWh. The highest total monthly negative imbalances (energy deficit) of the balance groups were recorded in November, amounting to 31,488 MWh. The average monthly imbalances (positive and negative combined) of the balance groups in 2023 amounted to 56,146 MWh, which is on average over 30% more than the monthly average in 2022.

The figure above shows the average daily imbalance prices and the SIPX index in 2023. Pursuant to new rules, only a single price for each individual interval is calculated for imbalances starting in January 2023, regardless of the imbalance direction. As a consequence, it is not possible to prepare a direct comparison of imbalance prices since in 2022, separately derived prices for negative and positive imbalances were still being calculated. In 2023, the highest imbalance price was reached on 12 September 2023, amounting to 1,306.84 EUR/MWh, while the lowest price, which amounted to -600.06 EUR/MWh, was reached on 9 March 2023. On average, the imbalance prices were the lowest in May (72.45 EUR/MWh) and the highest in January (147.24 EUR/MWh on average).

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Under certain conditions and in line with the rules, a situation may also occur in which double prices are calculated for imbalances, separately for positive and negative imbalances, just like in the past. This is why representations, including the table below, still include C_{neg} and C_{poz} prices which, however, are and will remain the same in the majority of cases, seeing as only single prices will be calculated.

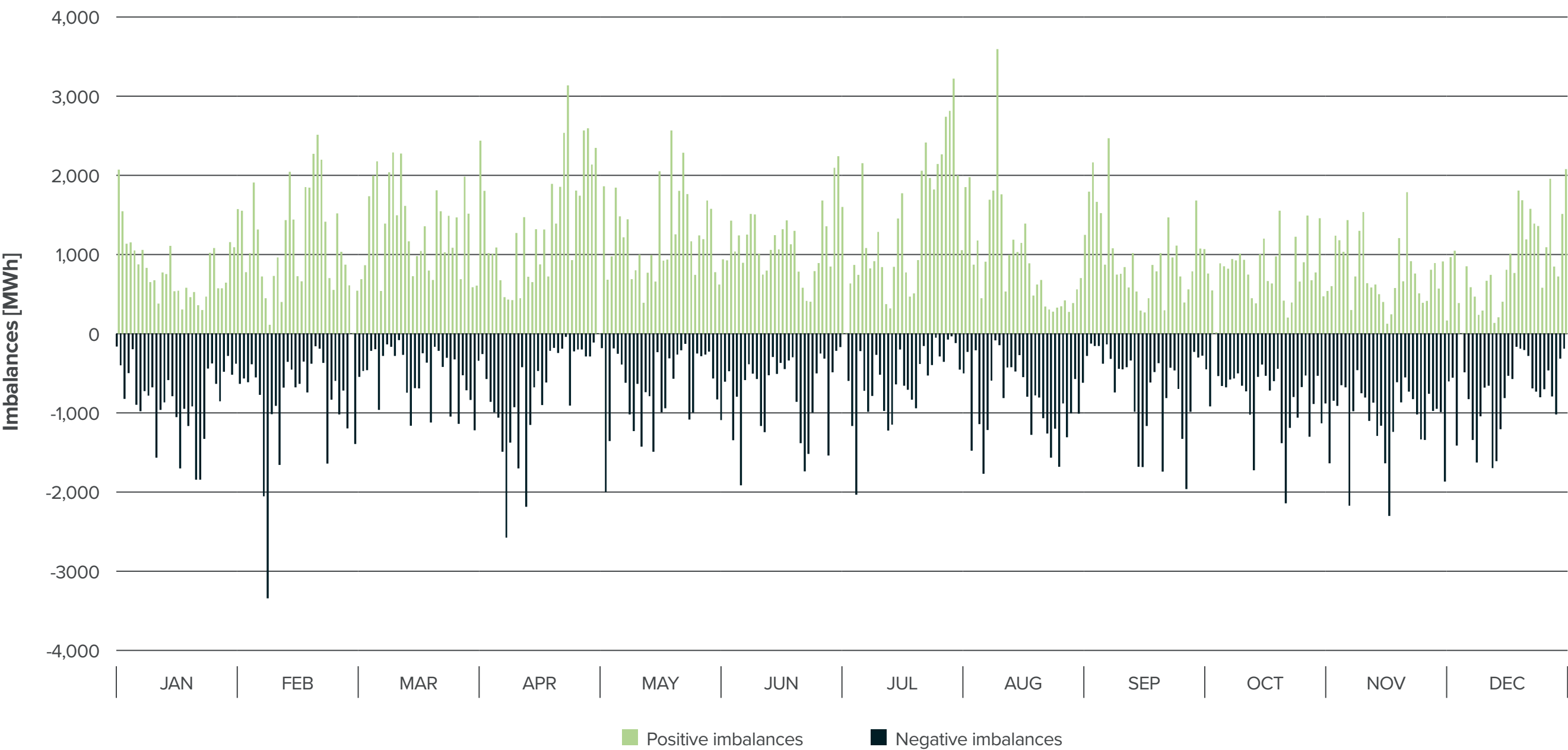
To calculate the prices for positive and negative imbalances, we use the costs and volumes incurred for balancing the electricity system in Slovenia. The balancing of the electricity system is the result of imbalances of electricity market participants from their forecasts. The figure below shows the total daily sum of positive and negative imbalances of all balance groups in Slovenia in 2023.

The imbalances in the negative direction represent a deficit of electricity in the power system, while the imbalances in the positive direction represent a surplus of electricity in the Slovenian power system. For 2023, we can observe that in December, high positive imbalances, which were largely the consequence of the then-regulation of taking into account surpluses from self-consumption power plants, are no longer present. With the introduction of the new Rules on the Operation of the Electricity Market, the surpluses from these plants will be accounted for in the annual calculation of the imbalance settlement.

Average, highest and lowest C_{neg} , C_{pos} and SIPX in 2022 and in 2023

	2023 [EUR/MWh]			2022 [EUR/MWh]		
	C_{neg}	C_{pos}	SIPX	C_{neg}	C_{pos}	SIPX
Average values	101.18	101.18	104.10	307.16	214.23	274.46
Highest value	1,306.84	1,306.84	426.18	1,148.27	879.29	879.29
Lowest value	-600.06	-600.06	-500.00	0.00	-431.42	0.00

Sum of daily imbalances of the Slovenian power system in 2023



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

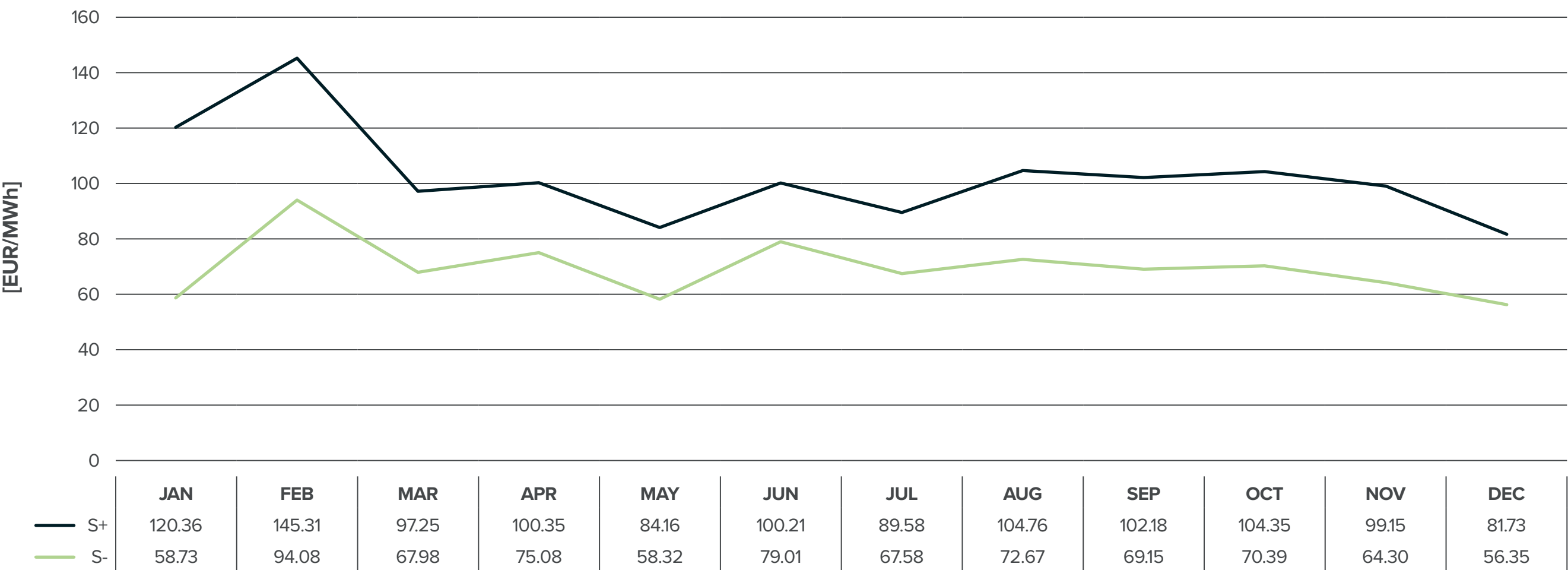
FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Balancing energy for balancing positive and negative imbalances in the Slovenian power system is provided by the Slovenian system operator ELES. In 2023, the amount of energy used for balancing negative imbalances totalled 299 GWh, while the amount of energy used for balancing positive imbalances amounted to 413 GWh. The figure below shows the average hourly prices for balancing the power system, calculated from all costs and balancing volumes. S+ represents the prices for short position settlement (purchase of energy), and S- represents the prices for long position settlement (sale of energy). The quantities take into account all types of regulation: FRR (frequency restoration reserve), aFRR (automatic frequency restoration reserve, also known as “secondary regulation” before the change in terminology), mFRR (manual frequency restoration reserve, previously known as “tertiary regulation”), RR (replacement reserve, which also includes the balancing market), FSkar (cross-border imbalances) and energy from the IGCC mechanism or other balancing, in accordance with Article 91 of the applicable Rules on the Operation of the Electricity Market.

The following table shows the average balancing prices by month in 2023 and the comparison with 2022. It is clear that the average balancing prices in 2022 were significantly higher than in 2023. In 2023, the relative spread between the average prices for positive and negative imbalances remained at the approximately same level as in 2022; speaking in absolute terms, it was nearly 240% lower on average.

Average monthly values of regulation costs (S+ and S-) in 2023



Average hourly balancing prices (S+ and S-) by month in 2022 and 2023

MONTH	2023		2022	
	S+ [EUR/MWh]	S- [EUR/MWh]	S+ [EUR/MWh]	S- [EUR/MWh]
January	120.36	58.73	210.99	136.58
February	145.31	94.08	177.15	122.35
March	97.25	67.98	261.03	184.19
April	100.35	75.08	191.78	128.33
May	84.16	58.32	177.52	128.73
June	100.21	79.01	245.74	184.37
July	89.58	67.58	267.63	181.71
August	104.76	72.67	375.51	240.29
September	102.18	69.15	353.44	209.31
October	104.35	70.39	168.29	129.73
November	99.15	64.3	202.2	150.57
December	81.73	56.35	251.94	152.01

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



The following table presents a more detailed overview of the monthly data on total positive and negative imbalances of the balance groups in 2022 and in 2023.

Positive and negative imbalances of the Slovenian balance groups in 2022 and in 2023

MONTH	2023		2022	
	TOTAL NEGATIVE BG IMBALANCES [MWh]	TOTAL POSITIVE BG IMBALANCES [MWh]	TOTAL NEGATIVE BG IMBALANCES [MWh]	TOTAL POSITIVE BG IMBALANCES [MWh]
January	25,654	25,802	24,104	17,526
February	23,476	33,606	18,984	21,679
March	17,382	40,136	21,742	23,639
April	21,656	43,052	16,464	30,093
May	21,531	38,261	17,030	26,712
June	22,319	34,556	17,363	19,474
July	18,187	45,046	13,615	26,944
August	25,808	30,325	15,415	23,189
September	21,107	27,160	17,065	27,798
October	26,748	26,141	12,787	27,164
November	31,405	22,307	18,614	22,272
December	23,044	29,047	17,596	37,513
Total	278,317	395,440	210,779	304,004

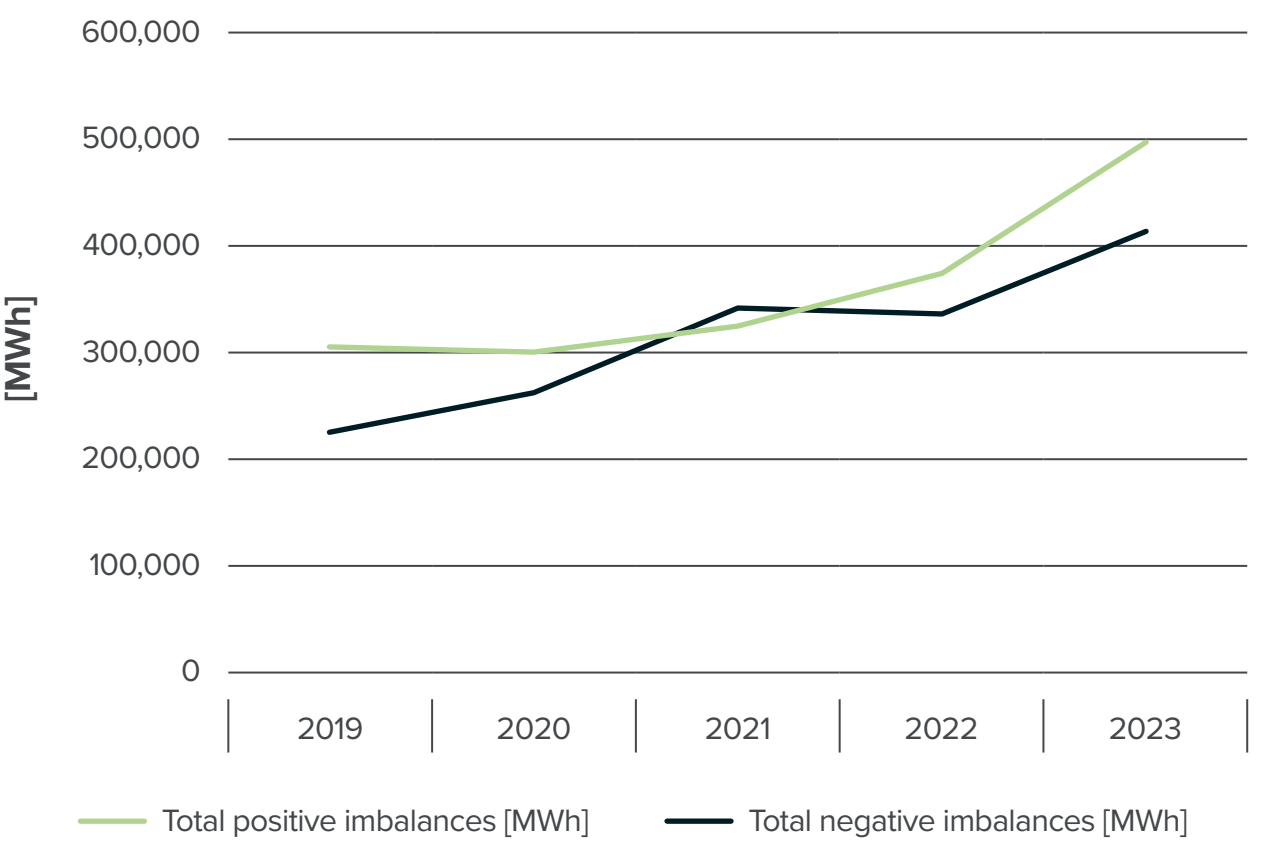
The following table shows the annual amounts of positive and negative imbalances for all balance groups, including imbalances at the borders of the Slovenian regulatory area, from 2019 onwards.

Based on the data, we can observe that the sum of both the positive and the negative imbalances in 2023 has increased significantly. Positive imbalances are higher by almost 123 GWh, while negative imbalances are higher by almost 77 GWh.

Total positive and negative imbalances from 2019 to 2023

YEAR	TOTAL NEGATIVE IMBALANCES (MWh)	TOTAL POSITIVE IMBALANCES (MWh)
2019	225,191	305,042
2020	262,243	300,190
2021	341,339	324,665
2022	335,860	374,111
2023	413,335	496,849

Total positive and negative imbalances from 2019 to 2023



SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP
WITH THE MARKET

RELATIONS WITH
STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



Annual recalculation

As the analytical procedure is used in the imbalance settlement to determine the realisation of the delivery points without 15-minute measurements, their consumption during the year in the imbalance settlement is estimated on the basis of the residual consumption of the distribution area. Differences arising between the quantities obtained on the basis of the analytical procedure and the actual invoiced quantities shall be settled in the context of the annual recalculation, which is carried out after the completion of all imbalance settlements.

The annual recalculation of imbalance settlements for 2022 has been concluded in April 2023. The rebalancing of the differences between the balance groups was carried out on the basis of the identified quantity differences (between the accounting budgetary/final quantities) and the average annual price which equals the annual average of C’neg and C’pos. The latter amounted to 260.63 EUR/MWh in 2022. Just over 115 GWh of electricity was reallocated in the annual recalculation for the year 2022, amounting to a total of EUR 29.9 million (net).

Balance Scheme

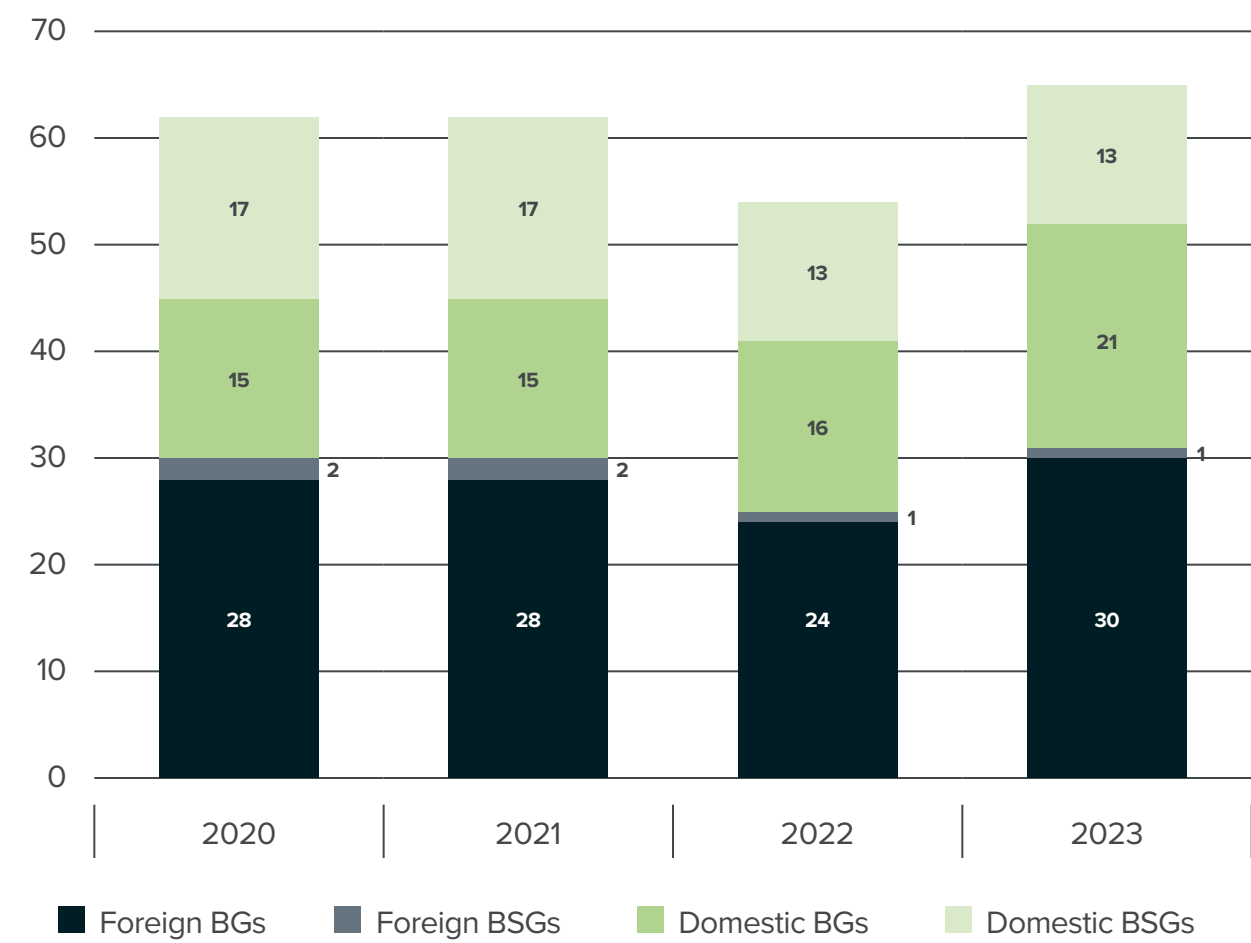
The electricity market is hierarchically organised into a Balance Scheme. Any legal or natural person who wants to actively operate in the Slovenian electricity market must become a member of the Balance Scheme. The membership and structure of the Balance Scheme are determined by the balancing agreements concluded with the market operator and the compensation agreements concluded with the members of the Balance Scheme. The market operator, which is the apex of the Balance Scheme, ensures the supply of balancing energy to the balance groups through the balancing agreements. The physical balancing of the electricity system is carried out by the system operator. The market operator keeps a record of the balancing system membership agreements, maintains its accuracy, and publicly publishes it on its website. It is the market operator's task to thoroughly check new and monitor existing members of the Balance Scheme. For this purpose, Borzen has established a

systematic monitoring of the members of the Balance Scheme, which is carried out periodically. The members’ monitoring measures relate to the verification of financial statements, the review of registers and other measures relevant to ensuring the security of trading of electricity market participants and of the market as a whole. Part of the process of managing the Balance Scheme is the ongoing adjustment of financial coverages, which is intertwined with the activity of imbalance settlement and the recording of closed contracts and operational forecasts. In particular, the market operator monitors on a daily basis the quantitative values of the imbalances occurring at the time of the reporting of closed contracts and operational forecasts, on the basis of which it calculates the exposure of the financial settlement participant and accordingly adjusts the value of the variable financial guarantee for each balance group.

2023 was a quite dynamic year: in the first months of 2023, the interest of potential members for entering the Balance Scheme increased significantly. By the end of 2023, 15 companies have joined the Balance Scheme, while 4 companies have left the Balance Scheme. In the same period, 3 companies have maintained their status in the Balance Scheme by extending their compensation agreements, while 2 companies have made the transition between balance groups or subgroups. After a significant drop in the number of members in 2022, a net increase was once again recorded in 2023, with 11 new members joining the Balance Scheme. Some of the reasons cited by the members at the time of joining the Scheme are the activity of purchasing electricity from renewable energy source generators and selling it on the wholesale market, the supply of electricity to end users, and trading on the wholesale market.

As at 31 December 2023, a total of 51 balance groups (21 domestic and 30 foreign companies) and 14 balance subgroups (13 domestic and 1 foreign company) were registered in the Republic of Slovenia.

Number of foreign and domestic balance groups (BG) and balance subgroups (BSG) from 2020 to 2023



The Market Operator Portal, which was launched in 2021, provides an advanced online service to the members of the Balance Scheme in relation to the tasks performed by the market operator. The portal allows, among other things, the members of the Balance Scheme to access data and reports related to the imbalance settlement process and provide comments on the imbalance settlement. 250 different requests or submissions were submitted through the portal in 2023.

The portal also has a publicly accessible part where comprehensive data on the Slovenian electricity market is available, including:

- imbalance prices,
- balancing volumes and costs,
- the residual consumption diagram,
- loss factors in distribution areas,
- data from the market operator’s platform for balancing energy,
- overview of the Balance Scheme members etc.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Financial settlement of the imbalance settlement

Borzen, in its role as a clearing agent, performs the settlement of financial claims and liabilities of financial settlement participants and settles the liabilities and claims arising from the imbalance settlement. The subject of the financial settlement are the imbalance settlements of the individual balance group in a certain period of time.

The following section presents the value figures resulting from the financial settlement of the 2023 imbalance settlement compared to the 2022 figures.

The imbalance settlement item represents the net value of the final imbalance settlement of the balance groups by individual months. The balancing costs or revenues are generated by the purchase or sale of electricity for the purpose of balancing the imbalances of the Slovenian electricity system. The financial settlement of the imbalance costs is carried out between the system operator and the market operator. Negative values represent an outflow for Borzen and positive value represent an inflow.

Excess revenue over expenditure in the imbalance settlement account is used to manage the risk of default or delinquency and is held in a special account for the management of the imbalance settlement surpluses. The amount of the imbalance settlement surplus for 2023 was EUR 4.89 million. In 2023, the participants of the financial settlement of the imbalance settlement have received a portion of the imbalance settlement surplus amounting to a total of EUR 7.69 million.

The total surplus of the imbalance settlement at the end of 2023 therefore amounts to EUR 9.53 million, which includes the entire surplus of 2023, the unpaid portion of the surplus of the previous years amounting to EUR 4.52 million, calculated and received default interest, partially paid principal of outstanding obligations arising from the 2022 imbalance settlement, and calculated and unpaid statutory interest from outstanding obligations arising from the 2022 imbalance settlement.

Value review of the imbalance settlement for 2022 and 2023

Value in EUR excluding VAT

MONTH	2022			2023		
	IMBALANCE SETTLEMENT	BALANCING COSTS	SURPLUS	IMBALANCE SETTLEMENT	BALANCING COSTS	SURPLUS
January	4,292,953	-4,058,997	233,956	2,447,059	-2,030,906	416,153
February	1,872,873	-1,429,277	443,596	1,134,526	-667,201	467,325
March	3,928,365	-2,850,554	1,077,811	-445,143	787,538	342,394
April	958,718	-286,821	671,897	318,471	6,877	325,348
May	764,480	-225,312	539,168	357,056	-41,839	315,216
June	2,033,262	-1,756,523	276,739	229,428	124,009	353,437
July	238,891	564,400	803,291	-447,745	852,252	404,508
August	3,247,714	-1,807,290	1,440,424	2,363,318	-1,795,123	568,196
September	3,432,524	-2,413,421	1,019,103	1,684,530	-1,368,719	315,811
October	253,311	381,126	634,437	1,917,814	-1,424,818	492,996
November	1,645,175	-1,145,327	499,848	2,880,272	-2,322,149	558,123
December	1,910,366	-1,068,013	842,353	1,128,143	-793,584	334,559
Total	24,578,632	-16,096,009	8,482,623	13,567,729	-8,673,663	4,894,066
default interest and received payments for outstanding IS obligations from previous years			321	85,277		
calculated and unpaid statutory interest from outstanding obligations from the imbalance settlement			-485,105	21,150		
Surplus of previous years' imbalance settlement			4,219,491	4,524,607		
Total surplus of the imbalance settlement			12,217,331	9,525,100		

As from 2022, the market operator has a total of EUR 450,000 of unpaid accrued liabilities due to a company whose balancing agreement has been terminated by the market operator, including recovery costs, which are charged to the imbalance settlement surplus for 2022.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Market Operator's platform for balancing energy

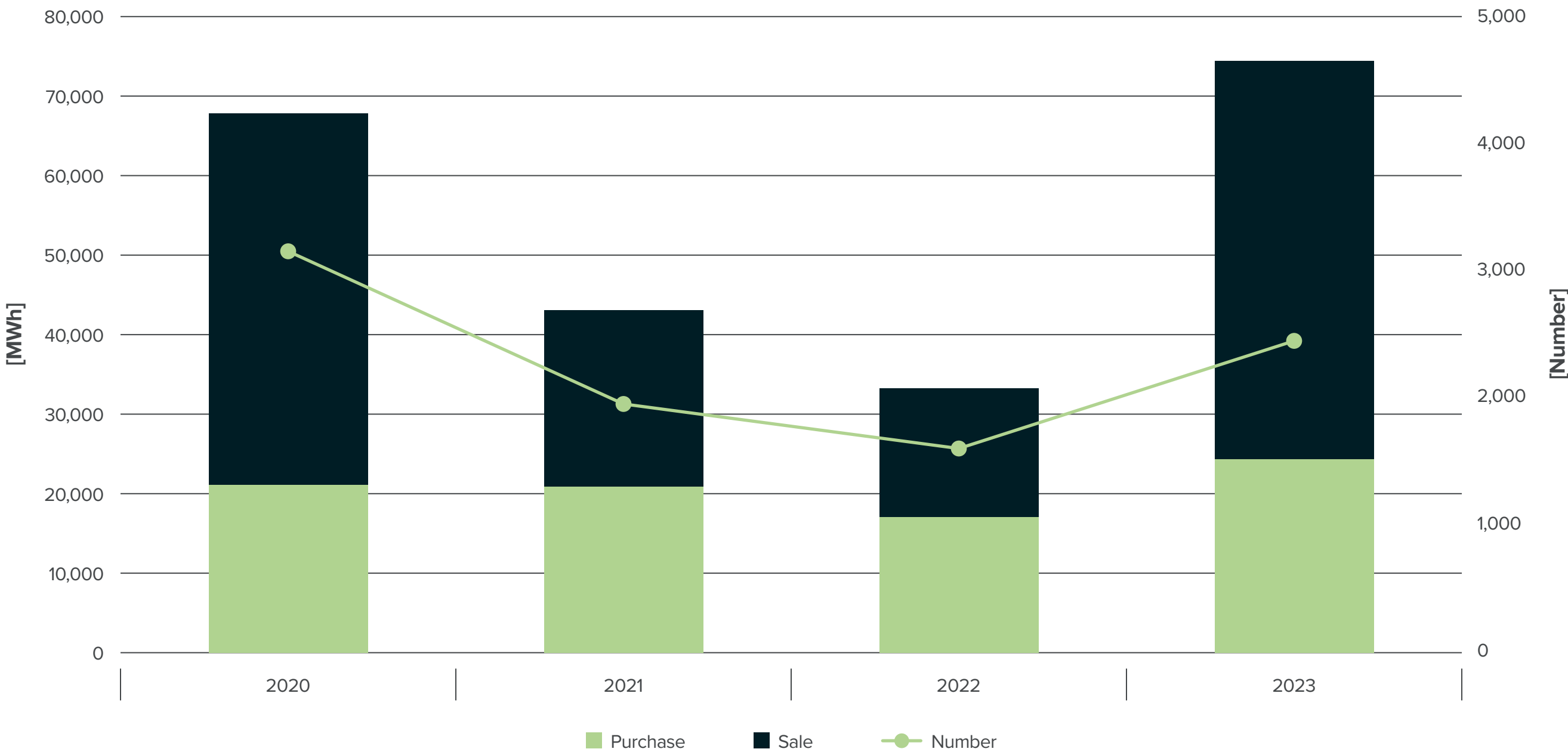
The Platform for Balancing Energy is an organised form of collecting and engaging bids for the sale and purchase of balancing energy with the aim of balancing power system imbalances in a transparent and economically efficient manner. In 2023, **2,451 transactions** were concluded for a total volume of **74.4 GWh**, of which **24.4 GWh** were **purchases** of electricity and **50 GWh** were **sales** of electricity by the TSO. **Hourly products** accounted for the largest volume of trades, totalling **68 GWh**, and the largest number of trades, 1,821. In the same period, another 630 deals were concluded with 15-minute products for a total volume of **6.4 GWh**. Compared to the same period of the previous year, the volume of transactions concluded increased by 124%, while the number of transactions concluded increased by 53%.

The highest price for the purchase of balancing energy in 2023 was **340 EUR/MWh** and the lowest price for the sale of balancing energy was **-50 EUR/MWh**. In addition to the system operator, three members of the market operator’s platform for balancing energy were involved in the transactions. At the end of 2023, the platform had 32 members.

In these past years, the market operator’s platform has seen a steady decline in the number and volume of transactions concluded. The biggest drop was recorded in 2020, when, compared to the same period of the previous year, the volume of recorded transactions decreased by almost 52% and the number of recorded transactions decreased by more than 33%. The more significant drop in the volume of transactions on the platform for balancing energy in 2020 was expected and is related to the Single Intraday Coupling (SIDC, formerly known as the XBID project), which was successfully extended to Slovenia and six other countries as of 19 November 2019. Trading volumes in

intra-day trading increased significantly and, as a consequence, the system operator has a wider range of options to balance the system. In 2022, the volume of concluded transactions decreased by an additional 23% and the number of concluded transactions by 18% compared to 2021. In 2023, the number and volume of concluded transactions have increased significantly, which can mostly be attributed to higher negative and positive balance group imbalances in 2023. As a consequence, the system operator increased the degree of activation of all types of regulation, including the platform for balancing energy.

Volume and number of transactions concluded on Market Operator's platform for balancing energy by year



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

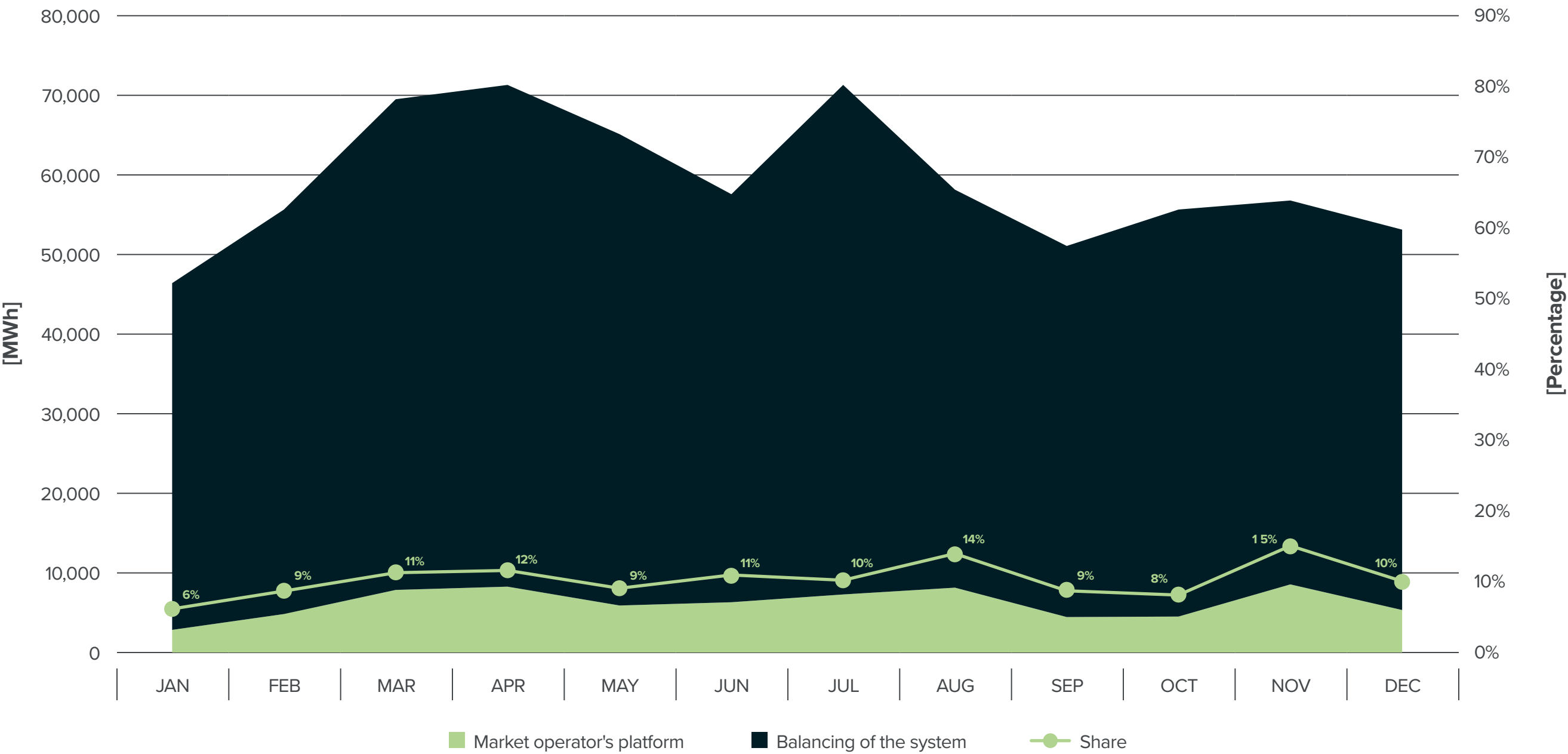
FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



The share of volumes of transactions concluded on the platform for balancing energy in 2023 represented 10.5% of the total balancing of the system, which is 4.6 percentage points higher than in 2022, when the share of transactions concluded on the platform in the total balancing of the system was 5.9%. The highest share of transactions concluded on the platform on a monthly basis was 15.1% in November, while the lowest share was 6.2% in October. In 2023, the share of the volumes of transactions concluded on the platform for balancing energy in the case of upward balancing (buying) was 8.2%, and in the case of downward balancing (selling), the share was 12.1%.

Trading on the Market Operator's platform for balancing energy is carried out in combination with intra-day trading for one hour after the close of the latter and until physical delivery of the product. During the so-called “balancing market” phase, which lasts from one hour before delivery to just before delivery, 71 GWh of transactions were concluded in 2023, representing 96% of the total volume of transactions concluded. In the past four years, this percentage has increased from 96% in 2023 to 99% in 2021 and in 2022, meaning that the system operator is buying or selling electricity immediately before delivery, thereby balancing the electricity system more efficiently.

Share of the volumes transacted on the Market Operator's platform for balancing energy in the total balancing of the Slovenian electricity system



Transactions concluded by trading phase

YEAR	“BALANCING MARKET” PHASE	“INTRA-DAY TRADING” PHASE
2020	98%	2%
2021	99%	1%
2022	99%	1%
2023	96%	4%

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Ensuring transparency in the operation of the electricity market

DATA EXCHANGE AND IMBALANCE SETTLEMENT

Data exchange is essential for the proper performance of the market operator's tasks and for the operation of the electricity system as a whole. Data exchange is an important step towards more reliable and faster transmission of data to the market operator. Borzen is working hard to develop and further strengthen this area, including through participation in associations such as the Energy Market Data Exchange Section (iPET).

For the imbalance settlement purposes, Borzen has been using electronic data exchange to receive data from all five distribution networks since 2015. The introduction of the IBIS++ application has been an important step towards more reliable, faster and more comprehensive data exchange. More advanced standards supporting 15-minute data exchanges have been migrated; the first closed distribution system operator has joined the web-based exchange, and others are likely to follow in the future. At the same time, members of the Balance Scheme can also import balancing results in XML format into their own systems via the market operator's portal.

OTHER ACTIVITIES RELATED TO ENSURING TRANSPARENCY IN THE OPERATION OF THE ELECTRICITY MARKET

DATA TRANSMISSION UNDER EUROPEAN REGULATION 543/2013 (“TRANSPARENCY”)

Since the end of 2014, Borzen has been providing automated data transmission via web services, because as a market operator, the company is required to provide the system operator with the final imbalance prices on a monthly basis in accordance with the European Regulation 543/2013 (the so-called “Transparency Regulation”). The data provided is published on the European “ENTSO-E Transparency Platform” in order to increase the transparency of the European energy market.

ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

For the Energy Agency's purposes, Borzen has established electronic access to the Balance Scheme records, using web-based services. This access allows the Energy Agency to check the information provided by the members of the balancing system when registering as market participants under the REMIT Regulation in an automated way. In 2023, the data exchange was smooth and enabled the verification of market participants in the context of their registration with the Energy Agency. In the future, we aim to integrate information on supplier status into this access, which is also available on our corporate website.

TRANSMISSION OF THE PLATFORM FOR BALANCING ENERGY DATA TO THE ENERGY AGENCY

In 2018, for the Energy Agency's purposes, Borzen established a system for transmitting data from the Market Operator's platform for balancing energy to the regulator, called REP-AGEN. The system operates according to the principles and standards and notations of the REMIT Regulation and allows the regulator to establish a complete market record (bids, offers, transactions), as other data is already received by the Energy Agency from the Agency for the Cooperation of Energy Regulators (hereinafter referred to as: ACER). In 2023, data was transmitted to the Energy Agency on a daily basis pursuant to the established procedure.

PUBLICATION OF ADDITIONAL INFORMATION ON MARKET OPERATIONS

On the market operator's portal, which was established in 2021, Borzen publishes several sets of data for market participants, with the aim of improving and ensuring transparency in the operation of the electricity market. The set of data, which is also set out in the Rules on the Operation of the Electricity Market and is in practice wider than the requirements, is as follows:

- residual diagram data (related to the distribution of non-measured customers in the imbalance settlement and relevant for new market entrants; as of January 2019, the list also contains the applied the quotient of losses by distribution area),
- the list of suppliers (market members to whom the physical delivery points belong; the only information on supplier status),
- the calculated values of the C_{neg} and C_{pos} base prices and the SIPX index,
- more detailed information for the imbalance settlement purposes (total quantities and balancing costs of the automatic frequency restoration reserve, separately according to the direction of balancing, total quantities and balancing costs of the manual frequency restoration reserve, separately according to the direction of balancing, total quantities and balancing costs of the compensation reserve, separately according to the direction of balancing, total quantities and costs from the participation of system operators in the coordinated balancing of regulatory area imbalances, total imbalances of balance groups, possible limitation of prices according to the fifth paragraph of Article 87 of the Rules on the Operation of the Electricity Market),
- the price index of transaction on the Market Operator's platform for balancing energy (aggregated price index and data separately by product),
- aggregated forecast notification of the total amount of electricity production and consumption in the territory of the Republic of Slovenia for the day ahead (received by e-mail after the completion of the registration process), and
- a value overview of the imbalance settlement, showing by month the total value of the imbalance settlement and the total balancing costs of the system operator.

All available data sets are updated on a monthly basis. Due to the specificities of the FSkar balancing (changes regarding primary regulation, ramps and unintentional imbalances), which entered into force in June 2021, we also separately publish additional data in XLS format.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Performing tasks in the framework of the measure for the payment of compensation for electricity and natural gas suppliers

Pursuant to the Emergency Intervention Law to Address High Energy Prices (Official Gazette of the Republic of Slovenia, No. 158/22, hereinafter referred to as the “ZNPOVCE”) and the Regulation on Determining Compensation for Electricity Suppliers (Official Gazette of the Republic of Slovenia, No. 4/23 and 58/23, hereinafter referred to as the “EE Regulation”) and the Regulation on Determining Compensation for Natural Gas Suppliers (Official Gazette of the Republic of Slovenia, No. 4/23 and 58/23, hereinafter referred to as the “ZP Regulation”) which were adopted on the basis of the ZNPOVCE, the market operator performed tasks pursuant to these Regulations in 2023.

With the Ministry of the Environment, Climate and Energy, the market operator signed a Contract on the Implementation of Tasks in the Framework of the Measure for the Payment of Compensation for Electricity and Natural Gas Suppliers, which regulates mutual relations as set out in the adopted Regulations.

In January 2023, intensive preparations have been carried out in order to prepare for the onset of these tasks; a form for the submission of applications and instructions for filling out said form have had to be prepared. In addition, we also had to adapt our internal IT system, and internally consolidate the procedures and activities of the application processing operation pursuant to the Administrative Procedure Act.

In January 2023, additional explanations regarding the payment of compensation for electricity and natural gas suppliers have also been published on the website of the market operator, including the legal basis, the definition of beneficiaries, the compensation application submission method, and other information regarding the procedure for processing received applications. A form to help the suppliers prepare compensation applications has also been published and was later amended due to the amendment of the Regulations.

The complexity and difficulty of performing these tasks arise from the fact that the Regulation failed to specify the application preparation methodology for the suppliers. Since the Regulation stipulates that the eligibility is determined and the compensations are paid by the market operator, evidence related to purchase costs which were directly necessary for the supply of energy must be thoroughly checked, which is an extremely complicated process in terms of the required expertise and time. This means that, when preparing their compensation application, each individual supplier may use their own portfolio calculation methodology and their own reporting method for transactions submitted within the compensation application. As a consequence, our entire year was consumed with an extremely time-consuming process of verifying the calculated values of volumes and prices of energy purchase transactions for supply purposes, which also required a lot of expertise.

By 31 December 2023, we received a total of 185 applications from suppliers, of which 84 were electricity (hereinafter referred to as “E”) applications and 101 were natural gas (hereinafter referred to as “NG”) applications.

The number of applications by month of supply is set out in the table below. The table also includes applications for November and December 2023 that were received in January 2024:

NUMBER OF COMPENSATION APPLICATIONS			
YEAR	MONTH OF SUPPLY	E	NG
2022	9		7
	10		6
	11		10
	12		12
2023	1	14	16
	2	13	11
	3	12	11
	4	12	10
	5-6	11	6
	7-8	11	4
	9-10	11	8
	11-12	10	7
Total		94	108

By 31 December 2023, 145 positive decisions have been issued, of which 58 for electricity and 87 for natural gas.

Compensations for electricity suppliers: The total value of applications received amounted to EUR 207.17 million. By 31 December 2023, 58 positive decisions have been issued in the total amount of EUR 158.02 million. By 31 December 2023, we have also issued two negative decisions and three decisions to stop the proceedings due to the fact that the suppliers withdrew their applications. The applicants filed a complaint regarding the negative decisions; in both instances, the second-instance body confirmed our decisions.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Compensations for natural gas suppliers: The total value of applications amounts to EUR 37.96 million. We have issued two application rejection decisions based on the finding that the same administrative matter has already been the subject of a final decision. The applicant filed a complaint regarding these decisions, but we have yet to receive the decision of the second-instance body regarding this matter. We have also issued one decision due to a belated application submission and two decisions to stop the proceedings due to the fact that the supplier withdrew their application.

The total value (in EUR) of the issued decisions for compensations, divided according to the supply period, is as follows:

YEAR/MONTH	E	NG	TOTAL
2022			
September		1,218,941.21	1,218,941.21
October		2,068,694.60	2,068,694.60
November		2,570,855.53	2,570,855.53
December		5,275,027.58	5,275,027.58
2023			
January	27,353,493.30	8,596,599.72	35,950,093.02
February	22,943,690.83	6,884,374.08	29,828,064.91
March	22,287,326.48	4,600,284.45	26,887,610.93
April	17,838,895.67	1,954,669.21	19,793,564.88
May-June	34,454,043.81	2,014,113.47	36,468,157.28
July-August	33,144,284.14	922,668.54	34,066,952.68
Total	158,021,734.23	36,106,228.39	194,127,962.62

SUPPORT CENTER

Support system

In accordance with the energy legislation, the Centre for support is the operational provider of the Support Scheme for environmentally friendly electricity generation. Support schemes are a state aid instrument (subsidy) approved by the European Union, which, through higher feed-in tariffs, enables investments in RES and CHP to be achieved in order to meet national targets concerning the share of use of renewable sources in the final energy consumption.

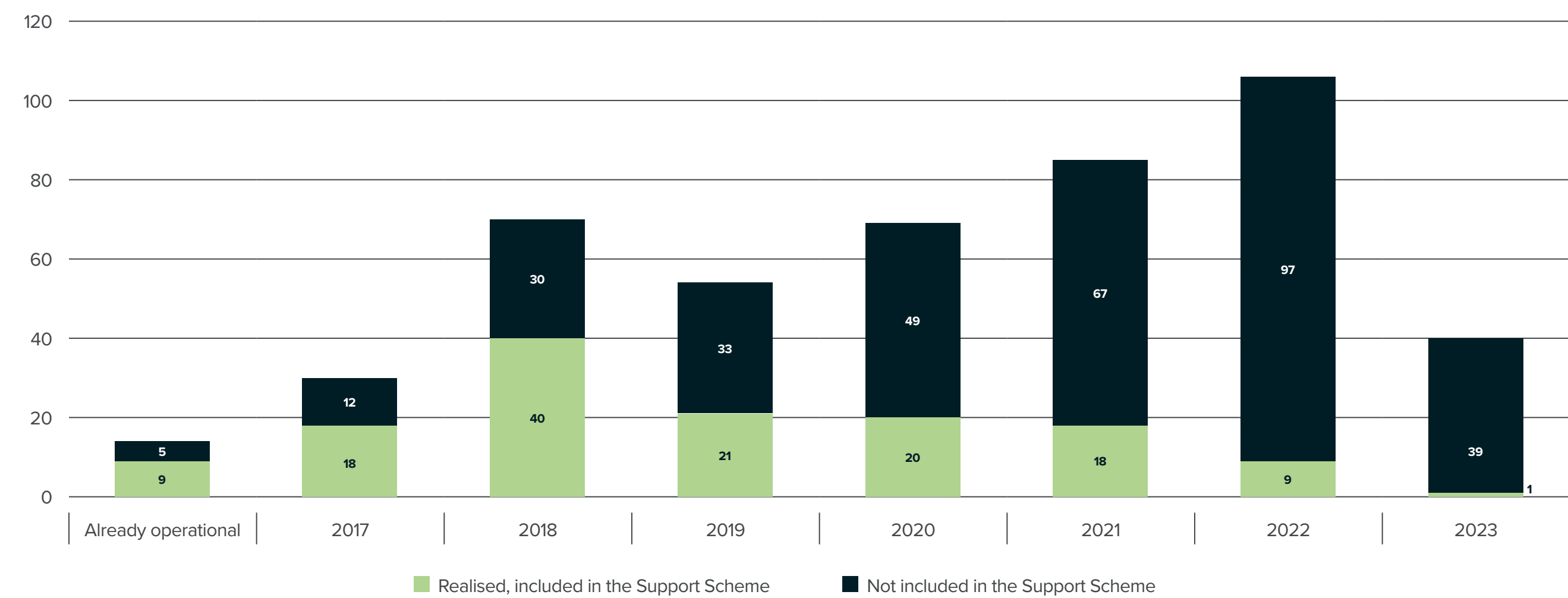
The current legislation provides for a public call for the integration of units that do not comply with the provisions of Article 535 of the EZ-1 (connection to the system before 22 September 2014). So far, the Energy Agency has carried out 13 public calls.

IMPLEMENTATION OF THE ENTRIES INTO THE SUPPORT SCHEME OF GENERATION UNITS SELECTED IN PUBLIC CALLS

In the 12 closed public calls carried out by the Energy Agency, 606 projects were selected. The theoretical realisation of entries into the Support Scheme by the number of generation units at the end of 2023 was 22%, which means that about one in four projects selected in a public call also entered the Support Scheme, which is a relatively low percentage (described as the theoretical realisation because all the units that participated in every closed public call are included in the calculation, even if the planned connection of the unit would be introduced by 2025). However, the realisation of generation units, i.e. the realised connection of units in relation to the planned connection up to and including 2023, is 29%.

At the same time, it should be noted that 62 wind projects were also selected through public calls. At the time of drafting this report, not one of these projects has been realised by entering the Support Scheme; the final connection deadline for most of these projects was 2023, meaning that they will most probably not be realised. The last major wind projects were selected through public calls in 2018. In subsequent public calls, a building permit condition was added to the list of conditions.

Projects selected in the Energy Agency’s public calls by number, and number of entries into the Support Scheme (overview by expected year of connection)



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Key results of the Support Scheme for RES and CHP electricity generation

POWER PLANTS IN THE SUPPORT SYSTEM

At the end of 2023, **3,560 power plants** with a total nominal capacity of **387 MW** were included in the Support Scheme, representing approximately 9.2% of the total installed capacity in the Republic of Slovenia¹.

The share of generation units that sell electricity on the market independently under the Support Scheme (and thus receive their support in the form of operating support) was at a similar level as in previous years, i.e. around 69%. The remaining 31% of units receive support in the form of guaranteed purchase, meaning that they receive a support payment from the Centre for Support and a payment for electricity at the same time.

Power plants in the support system²

POWER PLANT TYPE	POWER (in kW)	NUMBER
Biogas power plants	13,585	20
Hydroelectric power plants	17,395	73
Individual	6,655.7	18
Solar power plants	260,910	3,170
CHP fossil fuel power plants	68,207	241
Wind power plants	3,210	2
Wood biomass power plants	16,583.6	36
Total	386,545	3,560

SUPPORT PAYMENTS

Electricity generation and payments to the generation units in the Support Scheme are significantly lower in 2023 than in the last five years, with payments in 2023 exceeding payments in 2022. Payments as well as generation mainly vary due to changes in the reference market price and new entries to and exits from the Support Scheme. The most significant impact is the change in reference price (in 2023, the reference price of electricity amounted to EUR 180.00/MWh). The reference price of electricity is used to calculate the amount of operating support for electricity generated through renewable energy sources, and to calculate operating support for electricity generated from high-efficiency cogeneration. Its increase means that many units on operating support fall into the no-support zone and, consequently, do not issue invoices. As a result, the realisation of many units is not recorded (however, the fact is that these devices did not stop their production, but only issued invoices for the production of electricity to their supplier, i.e. received no support, at the expense of the high reference market price).

The reference prices of natural gas (which amounted to no less than EUR 169.72/MWh in 2023), wood biomass and maize silage are used to consolidate the variable portion of the reference costs for generating electricity using generation units running on renewable energy sources (wood biomass and biogas from

biomass) and high-efficiency cogeneration running on energy sources of fossil origin, which serve as the basis to consolidate the amount of support provided to generators for the electricity that they have generated. The reference price of natural gas is also used for the consolidation of the variable portion of the reference costs for generating electricity in generation units for high-efficiency cogeneration running on fossil-based energy sources, which serve as the basis to consolidate the amount of support provided to generators for the electricity that they have generated. In individual units, the increase of support payments was therefore mainly influenced by the effect of the higher price of the energy source which is expressed in variable costs, compared to the opposite effect of the higher reference market price.

A comparison of support payments and electricity produced under the Support Scheme shows that electricity production in 2023 was 16% lower than in 2022, with 12% more payments. As mentioned above, the fall in the production of power plants in the Support Scheme does not necessarily mean that the plants produced less.

In terms of quantity, the generation benefiting from one of the forms of support represents around 5.4% of Slovenia's annual consumption³.

Support payments in the years 2020 to 2023⁴

	2020	2021	2022	2023
Electricity generated (in GWh)	962.2	973.2	800.8	675.8
Support paid (EUR million, excluding VAT)	124.7	128.1	94.8	107.3

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES

¹ According to Energy Agency's data for 2023.
² Due to rounding, there may be a discrepancy in the summation. Data as at 31 December 2023.
³ According to the Energy Agency's data (data for the year 2023 was not yet available at the time of preparation of this annual report), the total consumption of electricity in 2022 amounted to 12,452 GWh.
⁴ The data for 2023 are as of 14 March 2024.



In terms of the share of electricity generated, fossil-fuel CHP units (approximately 51%) and solar power plants (approximately 31%) stand out. The latter also received most payments, with fossil-fuel CHP units receiving a good half (approximately 51%) and solar plants receiving approximately 38% of all payments in 2023. The lowest share of energy generated and payments paid (less than 1%, respectively) belonged to hydroelectric power plants in 2023.



Support payments in 2023⁵

POWER PLANT TYPE	PAYMENTS IN EUR EXCLUDING VAT	ELECTRICITY PRODUCED (KWH)	SHARE OF PAYMENTS	SHARE OF ENERGY
Biogas power plants	2,486,143	70,320,430	2.32%	10.41%
Other power plants	2,795,534	6,609,297	2.61%	0.98%
Wood biomass power plants	6,613,987	47,490,346	6.17%	7.03%
Hydroelectric power plants	206,735	2,009,739	0.19%	0.30%
Solar power plants	40,672,356	206,903,508	37.92%	30.62%
Fossil-fuel CHP	54,493,083	342,454,438	50.80%	50.67%
Total	107,267,838	675,787,758	100%	100%

⁵ The data for 2023 are as of 14 March 2024. There may be discrepancies in totals due to rounding.

HIGHLIGHTS OF THE YEAR

COMPANY PRESENTATION

- IDENTITY CARD
- BORZEN'S ROLE IN THE ELECTRICITY MARKET
- VISION, MISSION AND BUSINESS MODEL

CORPORATIVE GOVERNANCE

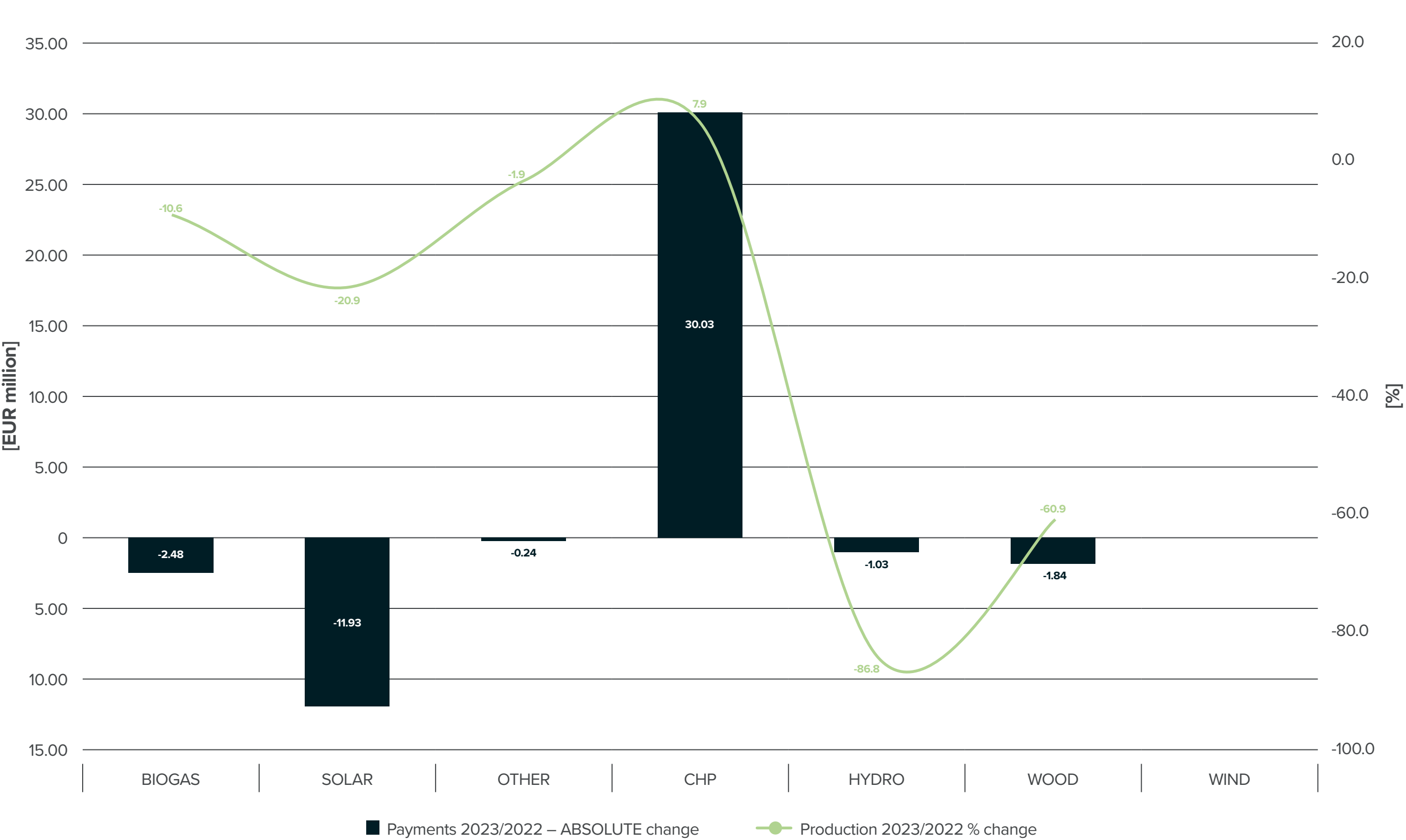


A comparison of the production and payments of the support scheme in 2023 and 2022 is provided in the graph below. The bars show the absolute difference in payments between the two years, while the green curve shows the relative change in production in 2023 compared to 2022.

There is a clear trend towards a larger decline in both production and payments of the Support Scheme in 2023 compared to 2022. Positive divergences in payments are only observed for fossil-fuel CHP units. The aforementioned group of generation units, which had higher payments compared to the previous year, the impact of the higher energy price, expressed in variable costs, dominated the calculation of the level of support, compared to the reverse impact of the higher reference market price. All other types of power plants in the Support Scheme (where the impact of the increase in the reference market price has therefore prevailed) show a decrease (certain units may also lose support for a particular year) and consequently much lower payments.

The statistics show that the largest drop in payments affected solar power plants (in 2023, the production in solar power plants was lower compared to 2022), and biogas power plants, wood biomass power plants and hydroelectric power plants, since these units were left without support due to low reference costs. When it comes to production, we must particularly focus on hydroelectric power plants. The exceptionally bad hydrological year, also from the point of view of floods that have damaged numerous hydroelectric power plants, had an important impact on electricity production in these generation units.

Comparison of payments and production between 2023 and 2022



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Financial data of the Centre for Support

Contributions for the provision of the support are collected in a special account of the Centre for Support and are used for the provision of the support, the operation of the Centre for Support, and other purposes provided for by law.

The table below shows the revenue and expenditure of the Centre for Support, in terms of realised values in 2023 compared to realised values in 2022 (as at 29 February 2024).

In 2023, the Centre for Support collected a net contribution of EUR 124.85 million from RES and CHP. The RES + CHP contribution also includes the contribution for district heat end-users and fossil fuel purchasers, in the amount of EUR 16.43 million. The RES + CHP contribution in 2023 was 11.8% lower than its realisation in 2022. In 2022, the Government of the Republic of Slovenia adopted certain measures to mitigate the energy crisis. In the second half of 2022, the exemption from RES + CHP contribution for fossil fuels (petrol and diesel) and the reduction of the RES + CHP contribution for electricity by 50% for the “other unmetered consumption” and “household electricity consumption” customer groups came into force, and was also applicable in 2023.

The Centre for Support’s revenue separately includes the proceeds received from the sale of the Eco-Balance Group's electricity, which was sold indirectly in 2023, i.e. the Centre for Support transferred the Eco-Balance Group to the balance group of another member of the Balance Scheme. The Centre for Support’s revenue also includes accrued interest on late payments in the 2023 realisation. Following notifications received from the Energy Agency on identified infringements by beneficiaries of support, the beneficiaries were obliged to reimburse the undue support received and statutory interest totalling EUR 6,580.

In 2023, the Centre for Support disbursed EUR 107.27 million in RES and CHP support, i.e. 13.2% more than the previous year. The amount of the contribution for the implementation of the

Overview of the Centre for Support’s revenue and expenditure in 2022 and in 2023

ITEM		REALISATION 2022 (in EUR)	REALISATION 2023 (in EUR)
A	Opening balance	292,113,017	347,943,814
1	Revenue	153,652,047	155,916,049
a	RES + CHP contribution	141,527,776	124,847,055
b	Domestic sources of primary energy contribution	0	0
c	Centre for Support – Sale of electricity	12,117,726	31,062,413
d	Late payment interest	6,546	6,580
2	Expenses	97,821,251	120,867,349
a	RES + CHP support	94,757,851	107,267,834
b	Operation of the Centre for Support	850,000	1,250,000
c	Operation of the contact point	175,000	690,000
d	Statistic transfers	2,038,400	10,856,300
e	Other payments	0	803,214
3	Total (1+2)	55,830,797	35,048,700
4	Total (A+3)	347,943,814	382,992,514

public utility service of the Centre for Support’s activities is set at EUR 1.94 million for the year 2023 by Government Decision No. 36000-13/2022/7 of 18 May 2023. In 2023, the Centre for Support’s expenditure also included the payments of subsidies for pellets and reimbursements of RES contributions amounting to a total of EUR 803 thousand, as well as the payment for the statistic transfer of renewable energy pursuant to the signed Contract on Statistic Transfer of Renewable Energy between the Republic of Slovenia and the Republic of Croatia in the amount of EUR 10.86 million.

At the end of 2023, the Centre for Support reports a surplus of EUR 383 million.

FINANCING OF THE SUPPORT SCHEME AND CONTRIBUTIONS

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

The contribution is calculated monthly per unit of capacity charges as a separate item on the network use invoice. It represents a separate contribution which is not part of the network connection charge.

Since June 2014, 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 this contribution, Borzen set up an online 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.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Energy management of the
Centre for Support balance group

The balance group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. Power plants that have concluded Eco contracts are also included in the Eco Group.

Compared to the situation at the end of 2022. the number of power plants in the Eco Group increased by 17 generating units to 1,098 power plants in 2023. The total rated capacity increased by 6% over the same period, reaching 77.9 MW at the end of 2023.

The dynamics of the changes in the composition of the Eco Group were mainly caused by changes in the type of support, entries based on public calls by the Energy Agency, exits from the support system due to the age of the units, withdrawals of support, and changes in ownership. When the latter occur, 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 until the new decision is issued), the power plant is usually not eligible for support and is, consequently, not included in the Eco Group. The Energy Agency acts in the same way in the event of the expiry of the declaration if the beneficiary fails to renew it in time. In this case, the beneficiary is also deprived of the support until the declaration and subsequent decision on granting support have been adequately regulated.

In the last quarter of 2023, the interest in changing the type of support to guaranteed purchase increased immensely due to market conditions. A larger number of units joined the Eco Group in January 2024.

Number of power plants in the Eco Group from 2019 to 2023

POWER PLANT TYPE	SITUATION ON 31/12/2019	SITUATION ON 31/12/2020	SITUATION ON 31/12/2021	SITUATION ON 31/12/2022	SITUATION ON 31/12/2023
Solar	1,029	1,036	1,039	1,028	1,065
Hydro	16	19	12	11	3
CHP	52	49	42	38	20
Biogas power plants	7	5	5	4	4
Wind	1	1	0	0	0
Wood biomass power plants	0	0	0	0	6
Total	1,105	1,110	1,098	1,081	1,098

Sum of the rated power of power plants (in kW) in the Eco Group from 2019 to 2023

POWER PLANT TYPE	SITUATION ON 31/12/2019	SITUATION ON 31/12/2020	SITUATION ON 31/12/2021	SITUATION ON 31/12/2022	SITUATION ON 31/12/2023
Solar	60,467	61,063	61,634	62,897	70,872
Hydro	4,280	4,992	4,264	4,245	260
CHP	4,770	4,446	3,215	2,996	1,757
Biogas power plants	5,433	3,794	3,780	3,262	3,291
Wind	15	15	0	0	0
Wood biomass power plants	0	0	0	0	1,742
Total	74,965	74,310	72,893	73,400	77,923

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP
WITH THE MARKET

RELATIONS WITH
STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

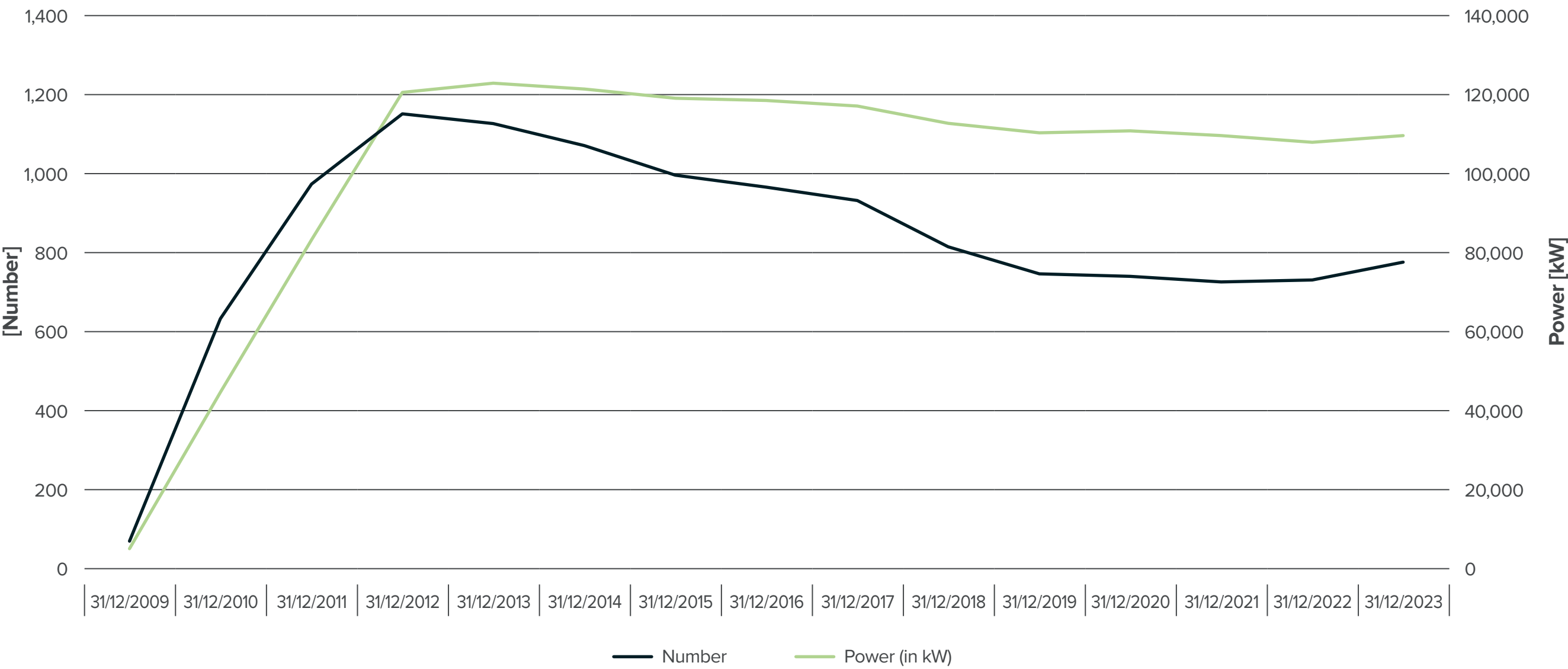
COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES

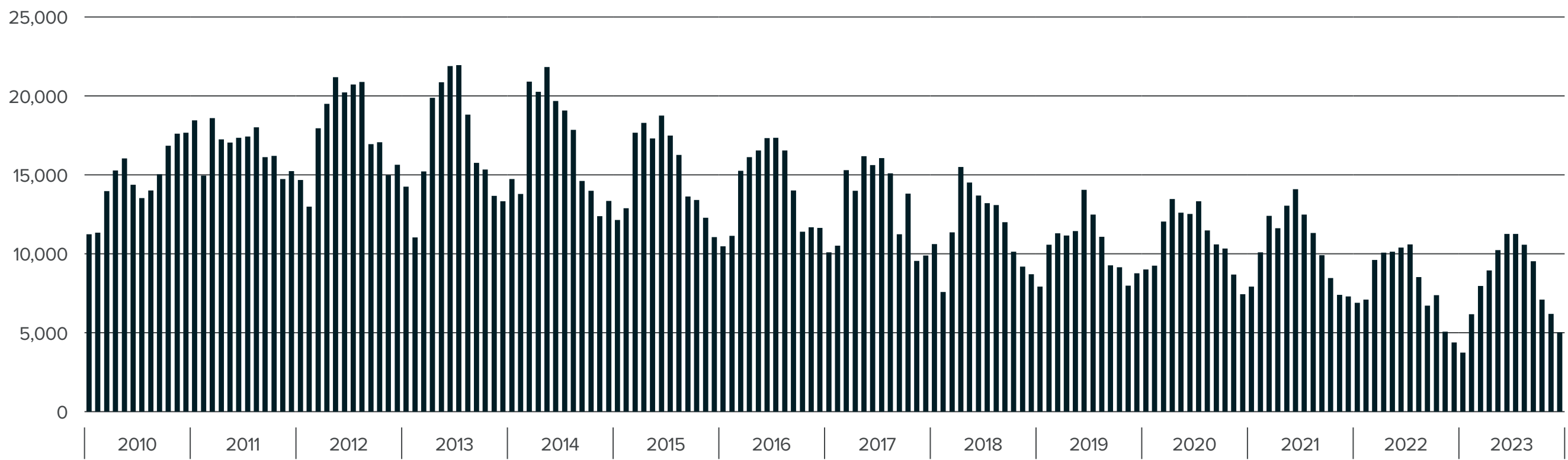


As can be seen from the chart above, the number and capacity of generation units included in the Eco Group increased slightly compared to the end of 2022. The composition and share of individual technologies changed slightly compared to the years before – the share of solar power plants increased significantly, now accounting for 91% of all units included in the Eco Group; at the same time, the share of hydroelectric power plants has decreased and is now negligible (a total of 3 units with a total rated power of 260 kW). Three wood biomass units have become a part of the Eco Group, representing a share of a little over 2% with a total power of 1.7 MWh in the Eco Group. The graph below, which shows the sum of the monthly electricity production of the Eco Group from 2010 to 2023, shows a markedly higher production in the calendar months with more favourable conditions for the operation of solar power plants. This is of course to be expected, as solar power plants, as it has already been mentioned, account for nearly 97% and 91% of all power plants in the Eco Group (by number and by rated power, respectively). The sum of the entire production of units in the Eco Group in 2023 was comparable to the production in 2022. Last year, a total of 98 GWh of electricity were produced, while a little over 1 GWh less was produced in 2022.

Overview of trends in the total number and power of generation units in the Eco Group since its foundation



Monthly realisation of the Eco Group from 2010 to 2023 (in MWh)



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



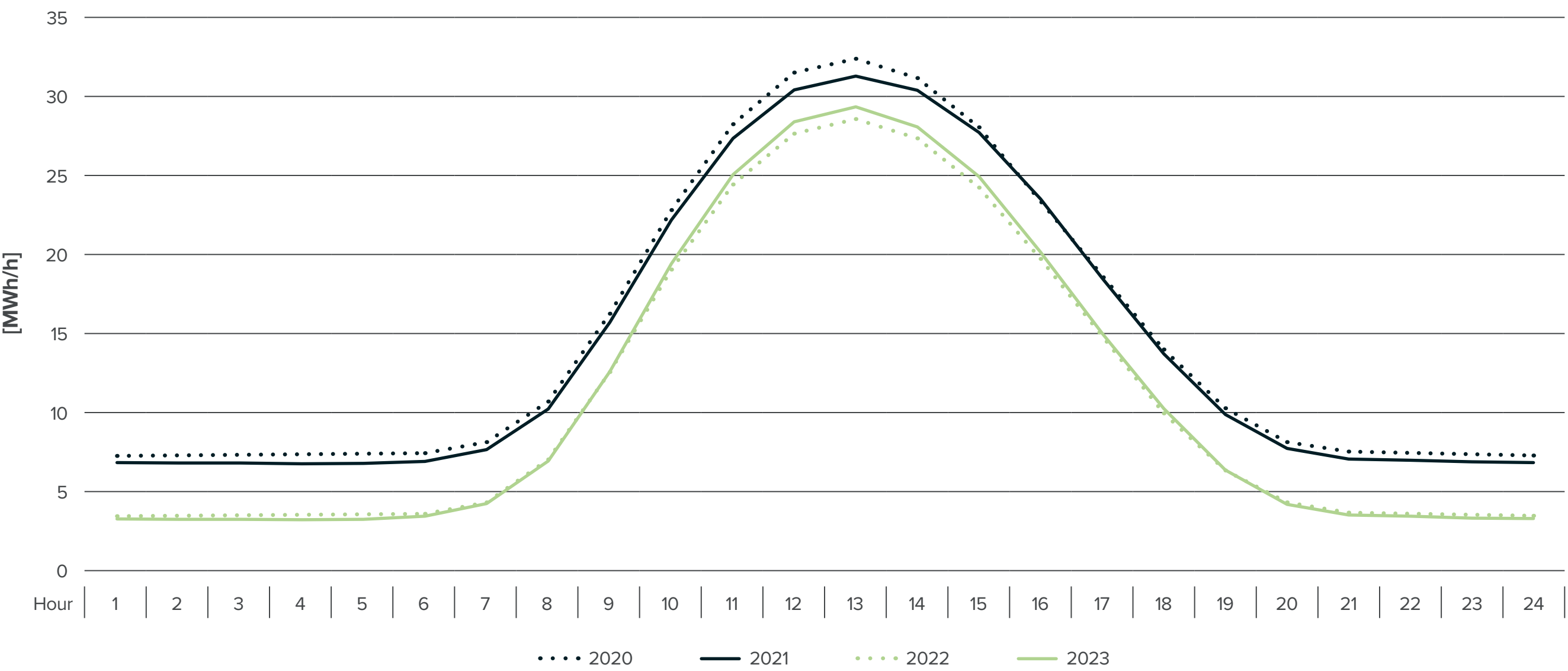
The graph shows a gradual stabilisation of the total production from the Eco Group. In 2023, the conditions for solar generation were comparable to 2022, while hydrological conditions affecting small hydro generation were markedly more favourable compared to the previous year or even to the long-term average. Despite this fact, the better conditions did not translate into higher production, due to the decreasing share of hydroelectric power plants in the Eco Group. The average temperatures were on average much higher compared to the previous year, and the difference is even more pronounced when comparing last year's average temperatures with the long-term average. The higher temperatures and the natural gas savings due to the energy crisis have also influenced lower quantities produced by the CHP. As shown in the graph below, which shows the average hourly production over the years, the total production and the average hourly profile were nearly identical to the ones observed in 2022; compared to the previous years, a decline in the production from “non-solar” production sources may be observed.

In order to ensure the highest possible degree of transparency in the implementation of the RRM-REMIT service, it was decided in 2015, when the RRM application was granted, that the sale of electricity from the Eco Group 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 the balance group of the member of the Balance Scheme that offers the best purchase terms for the electricity generated. The company that secures the contract is responsible for declaring the closed contracts and operational forecasts, and operationally implements and bears the costs of balancing the differences between forecasted and realised production, including the quantity and financial aspects of the imbalance settlement.

In October 2023, an auction was held for the electricity to be generated by the Eco Group in 2024. The price of EUR 109.11/ MWh was achieved, which is, naturally, a reflection of the market situation prevailing at the time.

The following table shows the total amount of electricity generated by the units included in the Eco Group over the past five years, the total value of the sales of that electricity and the final price achieved at which the electricity was sold.

Average daily profile of production from the Eco Group



Sale of electricity from the Eco Group

YEAR	2019	2020	2021	2022	2023
Total [MWh]	125,081	130,718	125,993	96,857	97,989
Calculation of imbalances [MWh]*	-31	-24	0	69	n.a.
Total (EUR million)**	7.4	7.3	5.5	12.1	31.1
Final price achieved (EUR/MWh***)	58.88	55.87	43.86	125.11	317.00

* 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 executed).
** Rounded to one decimal place.
*** Rounded to two decimal places.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Guarantees of Origin Registry

Guarantees of Origin are electronic records that provide evidence that a certain amount of electricity has been generated at a specific generating facility during a specific period of time, in the manner specified in the guarantee of origin for electricity.

The Registry of the Guarantees of Origin is an electronic support for the system of issuing guarantees of origin for electricity. It allows users to issue, download and redeem guarantees of origin in a transparent and easy way via the internet. The various lists supported in the registry of the Guarantees of Origin allow users to have a constant overview of their accounts and to export and process the data in any way they wish in the corresponding software tools.

The legislative framework 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 Registry of the Guarantees of Origin.

The 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 2023, the Registry included 1,531 users, consisting of the administrator account (Borzen), the account of the issuer of the Guarantees of Origin (Energy Agency), the account of the Centre for Support, 6 accounts of system operators, 20 trading accounts and 1,503 accounts of generators. There were 2,331 registered generation units with a total rated capacity of 3,255,656 kW, which is approximately 82% of the installed capacity of the generation units in the Republic of Slovenia⁶.

Activities in the Registry of the Guarantees of Origin in 2023 (kWh)

ENERGY SOURCE	ISSUED	CANCELLED	IMPORTED	2022	2023
Renewable/	1,926,000	1,808,000	/	/	808,000
Renewable/solid/industrial and commercial waste/biogen	/	31,000	31,000	/	/
Renewable/solid/wood/	66,429,000	75,070,000	1,272,000	/	11,259,000
Renewable/solid/wood/forestry products	/	9,000	9,000	/	/
Renewable/solid/wood/forestry by-products and waste	/	1,060,000	1,060,000	/	/
Renewable/solid/agricultural biomass/agricultural by-products and waste	/	4,000	4,000	/	/
Renewable/gas	31,764,000	3,721,000	494,000	42,252,000	31,764,000
Renewable/gas/landfill gas/	621,000	621,000	/	/	621,000
Renewable/gas/landfill gas/sewage sludge gas/	787,000	751,000	/	/	787,000
Renewable/gas/landfill gas/agricultural gas/	6,155,000	6,155,000	/	/	/
Renewable/gas/agricultural gas/energy crop	33,724,000	59,227,000	/	/	33,724,000
Renewable/thermal/solar	191,074,000	1,143,553,000	835,036,000	21,321,000	197,516,000
Renewable/mechanical or other/	648,000	538,000	/	/	648,000
Renewable/mechanical or other/wind/	2,455,000	33,875,000	52,260,000	7,074,000	38,727,000
Renewable/mechanical or other/hydro and marine	4,600,623,000	438,378,000	262,011,000	3,830,531,000	5,134,838,000
Fossil/solid/brown coal/lignite	2,590,232,000	/	/	/	2,590,232,000
Fossil/liquid/liquid natural gases/	2,215,000	2,215,000	/	/	/
Fossil/liquid/	186,000	/	/	/	/
Fossil/gas/natural gas/	179,678,000	183,828,000	97,003,000	/	147,512,000
Fossil/gas/petroleum derivatives	566,000	566,000	/	/	/
Nuclear/solid/radioactive fuel/	/	76,678,000	78,680,000	2,001,000	41,179,000
Nuclear/solid/radioactive fuel/UOX	5,324,693,000	2,686,566,000	193,745,000	182,521,000	11,226,020,000
Total	13,033,776,000	4,714,654,000	1,521,605,000	4,085,700,000	19,455,635,000

In 2023, 13,033,776 MWh of guarantees of origin were issued, which represents an 11% decrease compared to 2022. The fact that guarantees of origin are gaining more and more traction is the 5% increase in imports in guarantees from abroad and the increasing presence of Slovenian production capacities in the Guarantees of Origin Registry.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES

⁶ According to Energy Agency's data.



Contact point for the promotion of the consumption of renewable energy sources

Pursuant to the provisions of the ZSROVE and the Regulation on Determining the Tasks of the Contact Point for the Promotion of the Consumption of Renewable Energy Sources (RES), Borzen has set up a contact point for the promotion of the consumption of renewable energy sources. The purpose of this contact point is to provide information related to the implementation of projects for the consumption of renewable energy sources in one place, and accelerate the investments in the field of renewable energy sources.

The RES contact point directs any public or private investor in the process of obtaining permits or other acts which are necessary for the construction, reconstruction, renovation or operation of a generation unit and their connection to the network, as well as in the support programme processes for the generation of electricity from renewable energy sources, generation of heat for heating and cooling from renewable energy sources, generation of gas fuels, including hydrogen, from renewable energy sources, generation of propellant liquid and gas biofuels, generation of other liquid fuels, high-efficiency cogeneration, consumption of excess heat in district heating systems, and electricity storage devices connected to the construction of the generation unit.

In 2022 and in 2023, the website of the RES contact point informed the users and raised their awareness on the implementation of projects for the use of renewable energy sources; at the same time, an application was being developed which, starting in 2024, will enable digital subscription to free consultation and transparent tracking of the phases of energy and construction projects, with an emphasis on the time necessary to obtain all required permits for the implementation of the project in question.

With the purpose of acceleration of investments in the consumption of renewable energy sources, potential locations for RES projects, as well as projects that are already ongoing, have been identified in 2023. A list of contractors performing services related to the performance of RES investments has been made, and the training programme for consultants implementing the tasks of the RES contact point has been designed and implemented. Consultants

and other stakeholders that are thinking about investing in renewable energy sources will be able to help themselves with five case studies for various forms of the use of solar energy and other renewable energy sources, that are published on the website of the RES contact point.

UNREGULATED ACTIVITIES

As part of its unregulated activities, Borzen is performing the RRM-REMIT service which is further explained hereinafter. In addition, Borzen also provides IT support and financial clearing of the exchange trades for the purposes of BSP d.o.o. The financial clearing of the exchange trades was performed by Borzen for BSP d.o.o. up to and including 31 May 2023.

The scope of services encompassed:

- **as part of the clearing of transactions concluded on the energy exchange, we performed the following tasks:**
 - calculation of financial liabilities and receivables,
 - determining the net balance of financial claims and liabilities after offsetting mutual claims and liabilities,
 - financial settlement of concluded transactions,
 - managing the financial coverages,
 - performing counterparty functions in the market coupling process,
 - management of the exchange membership records;
- **as part of the provision of IT services, we perform the following tasks:**
 - rental and use of ITC equipment in high availability mode,
 - renting space in ITC racks for the equipment owned by BSP or third parties in a relationship with BSP,
 - rental and maintenance of desktop computers and software,
 - providing user support,
 - provision and maintenance of e-mail services,
 - provision and maintenance of network data storage and backup services,
 - management of certain third-party software solutions.

RRM-REMIT REPORTING SERVICE

Since October 2015, Borzen has been performing reporting services (the so-called RRM-REMIT reporting service) of transactions on the wholesale energy market in accordance with the Regulation on Wholesale Energy Market Integrity and Transparency (hereinafter referred to as “REMIT”). According to the aforementioned 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 ACER.

Borzen provides a service that generates various synergistic effects that go hand in hand with the knowledge and experience provided by Borzen, as well as 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.

On the basis of the energy legislation, as extended by the provisions of the Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator, adopted by the Government of the Republic of Slovenia, Borzen initiated the RRM-REMIT reporting service after its registration with the national Energy Agency and after obtaining the status of a Registered Reporting Mechanism (hereinafter referred to as the “RRM”) with ACER. The RRM status, entrusted to Borzen by ACER, 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 individual market participants 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.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Following the ACER guidelines, the main focus in 2023 was on ensuring adequate data quality. During this time, Borzen has therefore continued to actively inform and assist its users in meeting their regulatory obligations. 2023 was marked by a relatively large fluctuation of our service (5 cancellations and 8 newly concluded contracts). Contract cancellations performed by some of our clients were expected and within our expectations (these cancellations were implemented by clients who have withdrew completely from the market due to the market situation, e.g. who have ceased supplying natural gas, who went out of business, etc.). On the other hand, RRM-REMIT activities have also started showing the consequences of an increased interest for entering the electricity market in the second half of 2023. At the end of the year, 53 clients, most of them from abroad, have entrusted Borzen with the RRM-REMIT reporting service. The number of clients can be attributed, among other things, to the fact that Borzen has proven to be a reliable partner in these past years. In 2023, no important adjustments to the reporting scheme were made in line with ACER’s requirements; we did, however, provide additional information to customers regarding the activation of some of the ACER adaptations (which were first planned for 2022) that we already activated in advance at Borzen as the RRM in 2022. Important adjustments, however, will be required in the years to come, seeing as the publication of the revised so-called REMIT II regulation which will bring the need to perform certain adaptations of the RRM-REMIT reporting system, is planned for 2024.

DEVELOPMENT OF ENERGY EFFICIENCY SERVICES

Borzen’s core activities, i.e. the provision of the public utility service of electricity market operator and the implementation of the Support Scheme for RES and CHP production, are intertwined with sustainable development and, in particular, with the development of energy-efficient services, which is also in line with the EU’s guidelines.

The Member States have committed themselves to the Green Deal and the goals that the Member States must achieve by 2030 (i.e. a 40% share of energy from RES, a 36-39% reduction in final and primary energy consumption and an increase in energy efficiency of at least 32.5%). The Green Deal identified the energy sector as one of the key generators of the new green investment cycle. However, the energy sector is also dependent on energy management in all material flows, including other sectors (for example, mineral extraction, production and processing activates, collection and treatment of waste as well as consumers at all levels). Understanding this dynamic is a reflection on the **EU’s Green and Just Transition and its development ambition**, which will require innovative approaches in combining social (integration of different sectors, decentralisation, etc.) and technological innovation (KETs and disruptive technologies, such as AI, IoT, Big Data, etc.).

In particular, the ability of the existing system (e.g. the state system and its sub-systems) to recognise and respond competitively to these challenges is a major challenging issue. Due to its systemic role as an electricity market operator and a centre for supporting green energy production, Borzen recognises this potential and is aware of the lack of knowledge, competences, integration, system solutions and financial resources in this area.

The development activities support Borzen’s activities in the direction of the EU development strategy, which is already partly reflected in the new legal obligations and will be further enhanced. For this reason, it is necessary to develop services that will be a competitive advantage in the future due to Borzen’s preparedness.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



RELATIONS WITH STAKEHOLDERS

Implementing information, awareness-raising and training programmes on energy efficiency and renewable energy – TRAJNOSTNA ENERGIJA (“SUSTAINABLE ENERGY”)

Under the Trajnostna energija (“Sustainable Energy”) brand, Borzen informs, raises awareness and offers training programmes to different target groups.

Each of these groups manages energy in some way and, as a consequence, affects the environment and future generations through their behaviour. Through a wide range of activities, Borzen empowers individuals and institutions, giving them the knowledge to make the right energy decisions.

Within the framework of its tasks under Article 55 of the Act on Energy Efficiency (ZURE), Borzen carries out activities in the field of information, awareness-raising and training on renewable energy sources and the efficient use of energy. These activities are carried out under our own brand **TRAJNOSTNA ENERGIJA** (“SUSTAINABLE ENERGY”), through which we reach a wide range of diverse audiences.

Trajnostna energija (“Sustainable Energy”) brand logo



TRAJNOSTNAENERGIJA

Target groups



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



In 2023, we carried out a series of activities in the field of information, awareness-raising and training on the efficient use of energy and renewable energy sources, which were effectively communicated and integrated through the web portal SUSTAINABLE ENERGY (www.trajnostnaenergija.si). The portal is a hub of information on energy efficiency and renewable energy sources, providing a simple and transparent collection of quality and expert information that, on the one hand, contributes to more efficient energy use and, on the other hand, provides a variety of information on renewable energy sources and their use.

We have pursued our objectives and strategy and through various activities and projects we have tried to raise awareness and knowledge in the field of sustainable energy and to contribute to the increased use of renewable energy sources and efficient energy use. In doing so, we have built on the results of past projects, reproductions, some continuous activities and some new projects.

The key activities are summarised below:

Conference “Sustainable Energy, locally 023”

In mid-September, we held our 9th “SUSTAINABLE ENERGY, LOCALLY 023” conference, entitled “Active Inclusion of Citizens into the Green Transition”. As every year, the event was aimed at municipal energy managers, local energy agencies and other relevant audiences.

The conference, which was attended by approximately 150 participants, offered key highlights related to the inclusion of the entire society into green energy transition, whereby the importance of an active participation of citizens as consumers of energy sources was emphasised. A special emphasis was also given to opportunities brought by the green transition and its promotion of the progress of the society as a whole, from the empowerment of citizens and local communities to the reinforcement of the participation of all stakeholders in the field of energy. During the conference, the participants discussed green challenges, opportunities for local communities, inclusion into carbon-free transition, investment opportunities into renewable energy sources, and the necessary changes of habits for the actualisation of the green transition.

Web portal and social networks

The web portal www.trajnostnaenergija.si has been upgraded with new content on RES and EUE, as well as content resulting from past projects related to informing and raising awareness. In addition, the existing content has also been updated accordingly. We regularly published news and were also sending out a newsletter which allows us to expand the database of the readers of our messages year by year.

With the purpose of displaying current domestic and foreign tenders in the field of RES and EUE, we regularly updated a module allowing us to provide a complete overview of the published tenders in the field of sustainable energy in Slovenia

and abroad. This allows individuals and organisations to browse through current calls for tenders, it saves them time looking for certain information and enables a wider range of stakeholders to access these funds, and also makes better use of the funds available. Data and information are logically linked and organised to make it easier and faster for users to get the information they want. We also maintain an active online presence via Facebook, LinkedIn and YouTube. In 2023, we also published ads on Google, the largest search engine available online, to achieve a greater reach of the “Sustainable Energy” online portal.

Promotion of RES and EUE in primary schools

In 2023, we continued with the direct transfer of our knowledge in terms of renewable energy sources (RES) and efficient use of energy (EUE) to pupils of the third triad of primary schools in the form of technical days. In 2022/2023 and 2023/2024 school years, we performed a total of 15 technical days on the topic of RES and EUE in various primary schools across Slovenian regions. Through theoretical and practical applications, over 1,100 primary school pupils of the third triad were introduced to solar energy as a source of electricity and heating, the meaning of heat insulation for an efficient use of energy, the influence of energy efficiency on individuals, and the use of energy for moving studying the example of mobility; they also had some fun with the quiz on renewable energy sources and efficient use of energy. The technical days were received with no less than 95% satisfaction among teachers.

In the framework of promoting RES and EUE in primary schools, we participated in the project of implementing the “21 Sustainable Challenges” workshops in cooperation with a non-profit association. 20 workshops were implemented in total during the 2022/2023 and 2023/2024 school years. Using these workshops, we encouraged nearly 1,100 children to act in a more sustainable manner.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Sustainable Energy Atlas

The Sustainable Energy Atlas web application, which displays renewable energy sources (electricity generation sources and RES potentials) and energy efficiency measures (implemented measures by households and legal entities) on a Slovenian map, was updated in 2023 with the latest data and supplemented with missing data on both RES (data related to SODO) and EUE (data obtained by the Eco Fund) parts. We also updated the information about devices located in the Support Scheme. The Sustainable Energy Atlas is intended for the general public to use for their own purposes; its major added value, however, lies in the value it can provide for potential investors.

EUE media campaign

The energy and climate crisis further accentuated the need to raise awareness among individuals and organisations about energy-related questions, both on the consumption and on the production side. With our 2023 campaign, we have upgraded the successful campaign managed in 2022, in the framework of which we particularly emphasised the aspects of efficient use of energy in households, in cooperation with the competent ministry.

The main emphasis of the 2023 campaign were tips on RES and EUE. Intensive advertising took place through traditional media, i.e. the radio, through Radio 1, Val 202 and Radio Prvi radio stations.

Competition for the best master’s thesis

For the fifth year in a row, we held the competition for the best master’s thesis in the field of sustainable energy. In doing so, we wished to encourage young people to get actively involved in solving the current issues in the field of sustainable energy.

The award commission was most convinced by the master’s thesis authored by Blaž Dobravc, entitled “Distribution Network Management through Deep Motivated Learning”, and also awarded a special prize to Aleš Zaplatil for his master’s thesis entitled “Heat Storage Device Based on a Material with Solid State Phase Transformation”.

The award ceremony, during which prizes in the total value of EUR 3,500 were awarded, took place during our “Sustainable Energy, Locally” conference in September.

Green public procurement

Efficient and green public procurement, particularly when it comes to energy-related products and services, can yield significant energy and money savings.

In order to empower and encourage the efficiency of those involved in procurement processes, we conducted two training courses related to Green public procurement in 2023. In May, we organised an online training related to green public procurement of electronic office equipment in cooperation with the Ministry of the Environment, Climate and Energy. In October, we performed an online workshop on green public procurement of tyres in cooperation with the Institute for Public-Private Partnership.

All materials from both training sessions are publicly available on the “Sustainable Energy” portal.

Training of experts for conducting energy audits

In accordance with the Act on Energy Efficiency (ZURE), Borzen has become a provider of training for energy auditing experts, with the aim of ensuring quality energy audits for all end-users. As a result, the following activities were performed in 2023:

- an expert consultation on the implementation of energy audits in Slovenia,
- training of certified experts to carry out energy audits of buildings,
- training of certified experts to carry out energy audits of industrial buildings with production processes.

We provided nearly 40 energy auditors and energy managers with further training in energy audits, energy systems, energy consumption, metering and metering equipment, and efficient use of energy.

On-line energy management events

In energy-intensive companies and buildings, both in the public sector and in households, energy is one of the most important costs. There are several possibilities to reduce energy consumption and provide for an efficient use of energy and related costs. The savings achieved are beneficial for the financial situation of the entity, while reducing energy consumption also represents significant benefits for the environment. Energy consumption reduction measures may be organisation-based or investment-based. All of them influence a more efficient use and reduction of energy costs.

With the purpose of necessary awareness-raising, education and information on energy management, a sequence of on-line events (eight in total) for the public sector, energy-intensive companies and citizens was implemented in November.

The materials on energy management are also available to the general public on the “Sustainable Energy” portal.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Art project for children with special needs

In 2023, we implemented a socially responsible art project entitled “Let’s Paint a Better World”, aimed at children and young people with special needs, in order to also include this group of children into activities related to RES and EUE awareness. With this project, we enabled children and young people with special needs to express their own vision of a better world for all of us and for all living things, in their own way, using artworks. The project which is set to conclude in April 2024 brings together a total of 6 institutions.

The “Better World” cartoons and book

In 2023, a fourth season of the “Better World” cartoons saw the light of day, joining the first three seasons which are also raising awareness on RES and EUE. These cartoons, intended for the youngest children between 4 and 10 years of age, feature the main characters Tina and Rok, as well as their dog Edi and the omniscient tablet computer Nik, who are embarking on exciting and interesting adventures to find out:

- what a smart home can do,
- what carbon footprint actually is,
- how to efficiently manage food,
- more about the interesting profession of an engineer,
- how to use energy obtained from hydrogen.

In addition to cartoons, we also issued a picture book entitled “A Better World: a Collection of Stories about Sustainable Energy”, which includes contents and stories from the previous episodes of the “A Better World” cartoons. The electronic version of the picture book is available on the “Sustainable Energy” portal.

Social networks

We are also actively present on Facebook, YouTube and LinkedIn. In 2023, we published ads on Google, the largest search engine available online, to further expand our on-line presence. All of these channels are an excellent method of building our “Sustainable Energy” brand and connecting with users. The number of actions carried out by users on the Facebook page and its posts during the seven-month advertising period exceeded 23,000.

“Flash” – a fun, educational game on sustainable energy

In the framework of informing and awareness-raising activities, numerous promotional contents were joined by a new card quiz board game called “Flash” in 2023. The game includes 200 different questions in the field of sustainable energy.

The area of information, awareness raising and training is an excellent opportunity to disseminate information on renewable energy and energy efficiency to the widest possible audience and to do our utmost to raise awareness and knowledge on both topics, thereby raising awareness of their meaning for the sustainable development of the society as a whole.

Purposeful and earmarked sponsorships and donations are one of the ways of connecting with the community and contribute to the positive functioning of society as a whole.

The media

Transparent and up-to-date communication is one of the priorities of our company. We regularly respond to press enquiries, arrange interviews or articles and keep journalists informed of key developments in the company. We monitor media reactions on a daily basis and respond to them when necessary.

Our company has been a long-standing member of the Newspaper Council of the Slovenian electricity magazine “Our Contact” (sl. “Naš stik”), which plays an important role in informing the professional energy community, as well as in promoting energy literacy among the general public. In 2023, Borzen helped co-create the content of the magazines and of the web portal through our own contributions and through providing directions for other contributions.

We have concluded an agreement with the television company Pro Plus, d.o.o. to air the cartoons “A Better World” (sl. “Lepši svet”) on their channels, in particularly on the children's channel OTO. In this way, we aim to reach a higher additional viewership of the contents we prepare for our youngest audience.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP
WITH THE MARKET

RELATIONS WITH
STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



International stakeholders

- In the area of corporate social responsibility
- Participation in professional associations and working groups
- In the area of transparency and ensuring transparency in the functioning of the electricity market
- Cooperation and development

At Borzen, we actively participate in shaping trends in both the Slovenian and European energy sectors. We are aware of the importance of cooperation between different players in the energy sector. Our experts hold responsible positions in various associations and working groups, which shows the great trust placed in us in professional circles. We are actively involved in the EuroPEX association, which brings together European energy exchanges and electricity market operators, the APEX association and, through the section established at the Chamber of Commerce and Industry of Slovenia, the Eurelectric association (European Association of Electricity Producers, Transmission, Distribution, Trading and Supply Companies); the last two associations are also important organisations that allow us to exchange our knowledge with other stakeholders.

Borzen and its representatives actively contributed to the functioning of the ENTSO-E association within the framework of the WAS Ancillary Services working group where, as an observer member of the Imbalance Settlement Harmonisation Project Team, Borzen has contributed suggestions and opinions to the development of a proposal from all system operators to harmonise imbalance settlement in the EU. The Electricity Balancing Guideline Regulation (2017/2195) namely dictates further harmonisation of the electricity market in the EU, which will have a significant impact on the changes in the area of imbalance settlement in our country.

Our company is also very active in the Energy Market Data Exchange Section (IPET), which operates within the Energy Chamber of Slovenia and promotes the development of data exchange in the electricity market. Borzen’s great commitment within the section is indicated by the fact that our colleagues have been involved in the leadership of the section since its foundation, occupying the position of president or vice president. Thus, the current vice president is David Copič, Deputy Director of Energy at Borzen.

Borzen's colleagues also participate in the CIGRE (Conseil Internationale des Grands Reseaux Electriques) – CIRED (Slovenian Association of Power Engineers) association, especially in the Marketing and Regulation of Energy Systems group.

Another important aspect is our membership in ISACA (Information Systems Audit and Control Association), an international organisation dedicated to the development of information systems auditing, information technology governance, control and assurance and cyber security.

Borzen is also a member of the Network of Corporate Socially Responsible Companies, which promotes and raises awareness of the importance of social responsibility and is a meeting point for Slovenian companies and organisations to exchange knowledge, information, ideas and good practices in the field of corporate social responsibility. In 2023, we promoted the various activities that Borzen carried out during the year in the area of corporate social responsibility and its activities in a broader context, thereby increasing their impact.

Other stakeholder groups from the stakeholder portfolio

Our suppliers and external contractors, with whom Borzen cooperates in the performance of specific activities, are also important stakeholders. When selecting suppliers, we adhere to the principles of public procurement, carefully verifying their references and green procurement guidelines. In these business relationships, we often develop or upgrade specific products and services, through which we learn and improve together.

We also consistently adhere to the Shareholder’s Recommendations and to the legal obligations in the field of public procurement, where we ensure, among other things, that all required information is regularly published on the national public procurement portal. The so-called “help desk” is available for stakeholders to obtain information or lodge complaints.

We pay particular attention to the protection of personal data, in line with the General Data Protection Regulation (GDPR), for which we also appointed a Data Protection Officer.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES

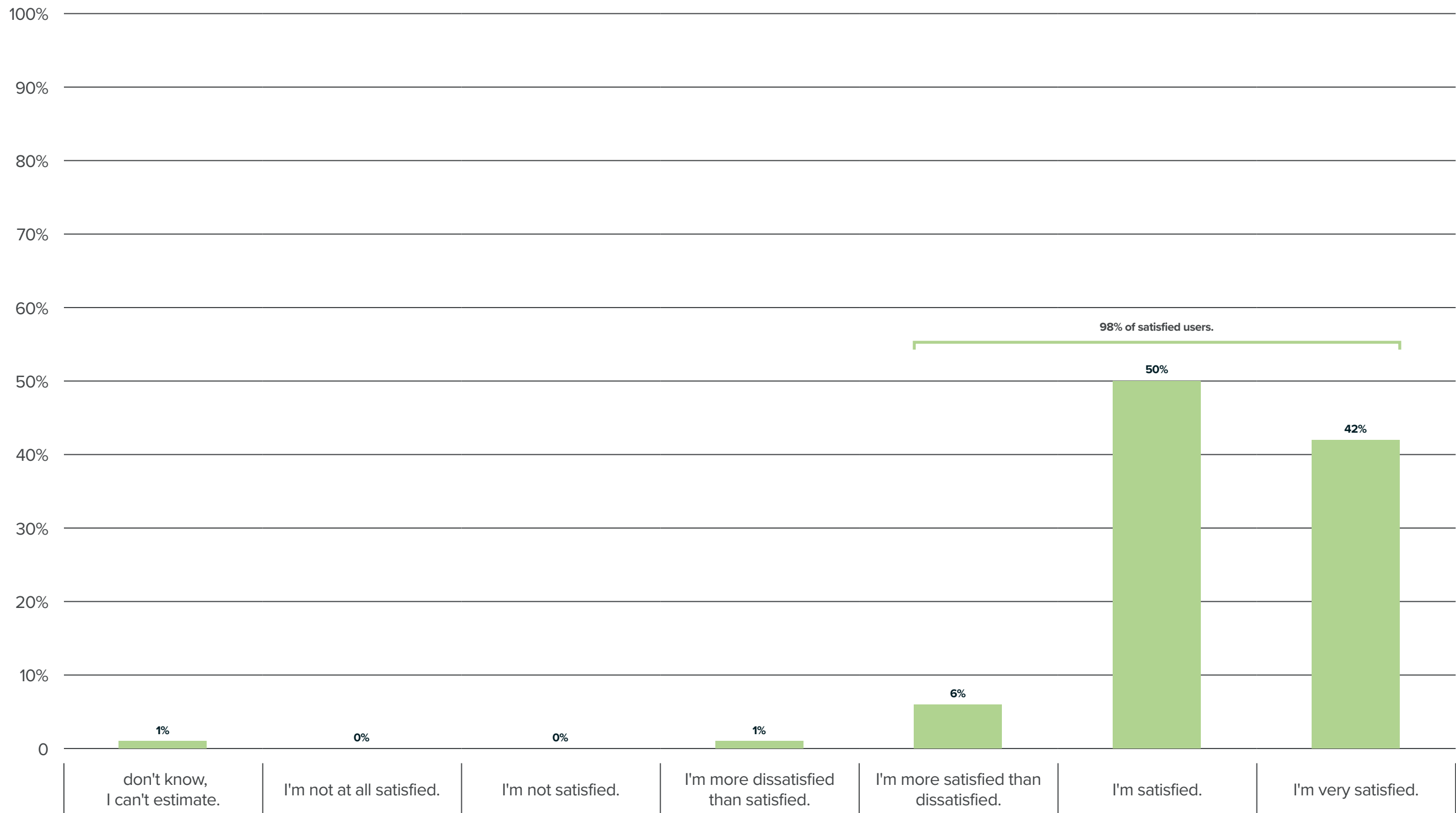


Measuring stakeholder satisfaction

We regularly check the overall satisfaction of our stakeholders through satisfaction analyses. We carry out a biannual satisfaction analysis of the Market Operator and the Centre for Support stakeholders. The results of the latter, based on a sample of nearly 400 participants in 2023, show that the performance of the market operator’s activities is at an exceptionally high level, with no less than 98% of participants being satisfied (42% completely satisfied, 50% satisfied and 6% more satisfied than dissatisfied users).

Alongside our various activities, we also carry out occasional satisfaction analyses, for example participant satisfaction at our traditional Sustainable Energy Locally conference, webinars, etc. The average satisfaction rating for events in 2023 was 90.6%. We will continue to analyse satisfaction and obtain other relevant feedback in the future.

Overall satisfaction of stakeholders



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

PARTICIPATION FOLDER

RELATIONSHIP WITH THE MARKET

RELATIONS WITH STAKEHOLDERS

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES





8 HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND
HR DEVELOPMENT

RESPECT FOR ETHICAL
PRINCIPLES AND NORMS OF
BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL HEALTH AND
SAFETY

COMMUNICATION
WITH EMPLOYEES AND
ORGANISATIONAL CLIMATE



HUMAN CAPITAL INDICATORS



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND HR DEVELOPMENT

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY

COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



EMPLOYEES AND HR DEVELOPMENT

Employees are at the heart of Borzen's operations, and we are committed to their personal and professional development. We strive to create a stimulating work environment that combines the demands of the job and the company's business objectives with commitment, motivation, loyalty and good relationships. Borzen employs competent, highly professional employees who place social responsibility, ethical business conduct and a focus on development and progress at the core of their work.

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

We respect the traditions, cultures and religions of each stakeholder in all our business relationships. Under no circumstances is discrimination on the basis of race, colour, gender, sexual orientation, marital status, pregnancy, parenthood, religion, political belief, nationality, ethical affiliation, disability, social origin or status, trade union membership or other personal circumstances permitted. The values that the company's employees follow are trust, responsibility, professionalism, creativity and innovation. These values are also written on the company's website and on the company's premises, and are also reflected in our internal documents, such as the Employee Dignity Policy, which sets out standards and norms of behaviour. The Policy regulates how sexual and other harassment and ill-treatment in the workplace are identified, prevented and addressed.

Protection against sexual and other harassment and ill-treatment in the workplace is determined and implemented in accordance with the provisions of the law governing employment relations, the provisions of the law governing the implementation of the principle of equal treatment, the provisions of the law governing equal opportunities for men and women, and the provisions of the law governing safety and health at work. We have selected a representative from among our employees to receive reports of alleged sexual and other harassment and ill-treatment. The officer receives education and training in dignity protection and provides information to employees on this subject and keeps a register of reports. There were no reports of discrimination in 2023.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND
HR DEVELOPMENT

RESPECT FOR ETHICAL
PRINCIPLES AND NORMS
OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL
HEALTH AND SAFETY

COMMUNICATION
WITH EMPLOYEES AND
ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



HR INDICATORS

NUMBER OF EMPLOYEES

At the end of 2023, the company employed 40 people. There is no increase in the number of employees compared to the end of 2022. The average number of employees on the basis of working hours for 2023 was 36.26, which represents a decrease of 2.13 employees compared to the average number of employees in the previous year. All employees had a full-time employment relationship. At the end of 2023, three employees were engaged for a fixed period; at the end of 2022, all employees were permanent employees.

When seeking and selecting employees in our company, we look at the knowledge, skills, competences and experience that each individual has, which is our only guiding principle when selecting a candidate to fill an open job position. We treat all job applicants equally, regardless of their gender, age, race or any other personal circumstance, and we comply with all legal standards.

Breakdown by gender and age of the employees who left the company and new employees for 2022 and 2023

	LEFT THE COMPANY		JOINED THE COMPANY	
	2022	2023	2022	2023
Number	5	8	5	8
Gender	1 woman/4 men	3 women/5 men	3 women/2 men	4 women/4 men
Age	42/35, 38, 48, 56	41, 43, 44/31, 33, 48, 57, 57	36, 30, 31/43, 44	31, 37, 55, 59/24, 38, 38, 42

EMPLOYEE TURNOVER

In 2023, the turnover rate was 12.5, which means that it did not change compared to 2022. 2023 was a quite dynamic year in terms of departures and new arrivals of employees, which is also a consequence of one of the most important reorganisations in the past several years, as well as of the situation in the electrical economy market. The company recognises the importance of retaining quality employees and we continuously make sure that our employees are satisfied, committed and motivated, and that they grow both professionally and personally.

The following table provides an overview and comparison of the number of arrivals and departures of the company’s employees in 2022 and 2023 by gender and age.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND HR DEVELOPMENT

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY

COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



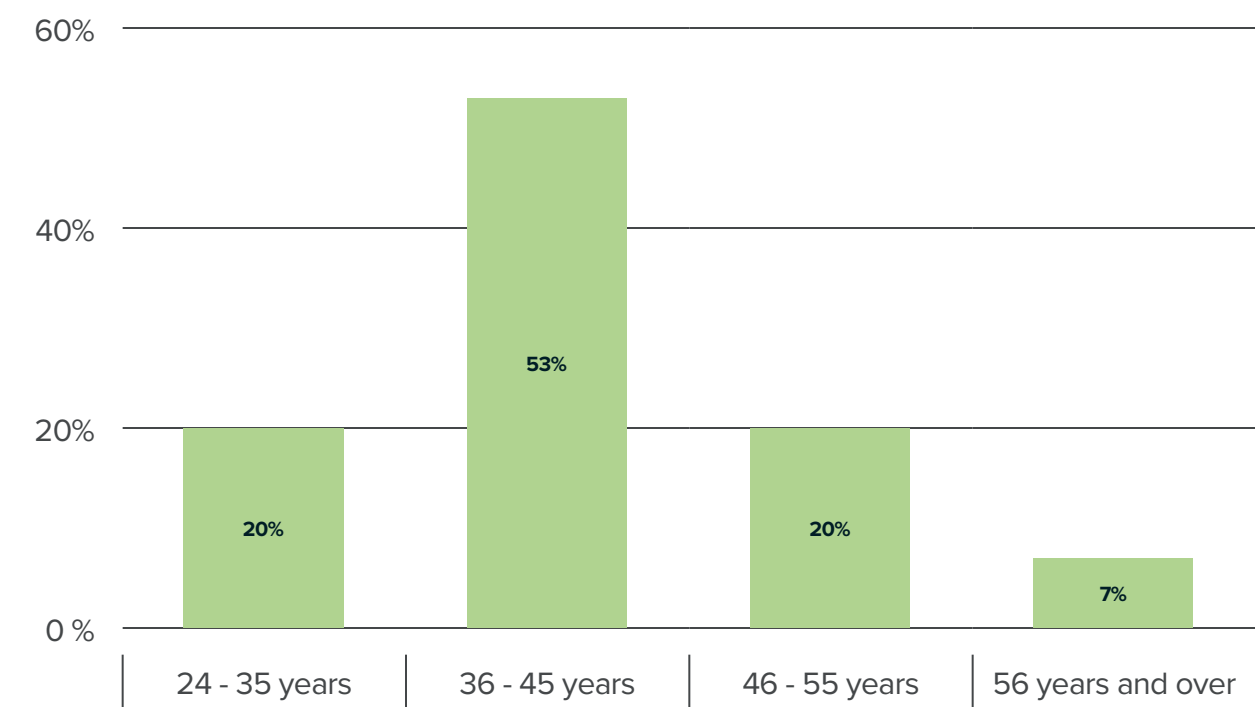
GENDER STRUCTURE

At the end of 2023, Borzen had 17 male and 23 female employees. The gender ratio has changed in favour of the female gender compared to 2022.

AGE STRUCTURE

The average age of the company’s employees in 2023 was 40 years, which is less than in 2022, when the average age of the company’s employees was 41 years.

Age structure of the company’s employees as at 31 December 2023⁷



COMPOSITION OF THE MANAGEMENT BODIES

In 2023, the company consisted of three key pillars: Operations, Business Operations and Business Architecture. Each area was headed by an area director that reports to the company’s general manager The general manager’s advisers and other staff in the general manager’s cabinet report to the general manager. In terms of gender, the ratio of employees occupying managerial positions as at 31 December 2023 was 2:1 in favour of the female gender.

The age structure of the employees in management positions by gender is shown in the chart below, which shows that managers are divided into two age groups.

The company has a fairly diverse gender and age breakdown of its workforce, showing equality and openness to all demographic groups. We want to maintain the trend towards equal opportunities in the future.

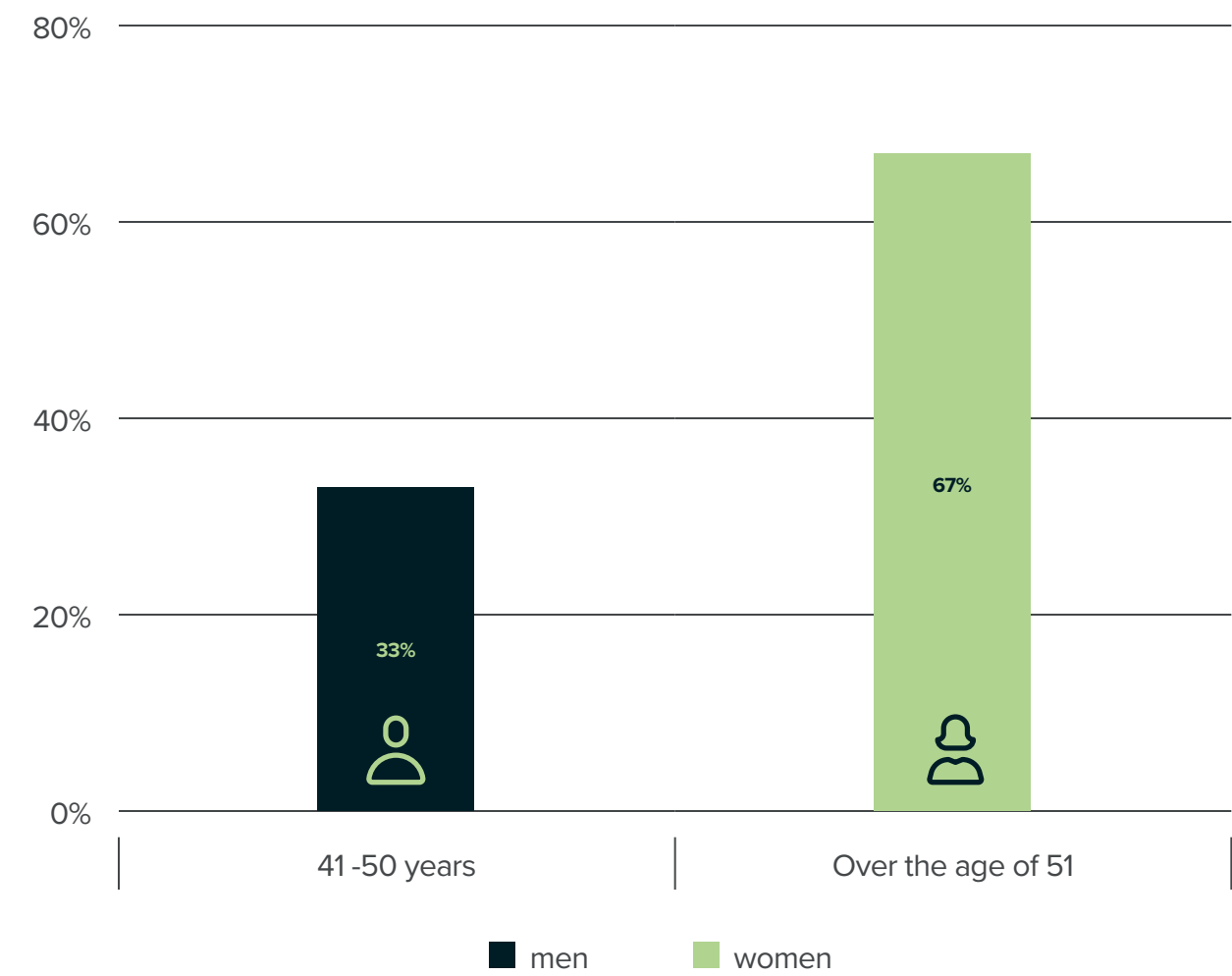
EDUCATIONAL STRUCTURE

The educational structure has changed minimally compared to the previous year, due to departures and new employments.

Educational structure⁹

LEVEL	TITLE OF PROFESSIONAL QUALIFICATION	2022	Share in %	2023	Share in %
VIII/2	Doctorate	1	2.5	1	2.5
VIII/1	Master’s degree	3	7.5	1	2.5
VII	University degree	25	60	26	65
VI/2	3-year higher professional education	9	25	8	20
VI/1	Higher professional education	1	2.5	3	7.5
V	Secondary education	1	2.5	1	2.5
Total		40	100	40	100

Age and gender structure of employees holding managerial positions in the company⁸



SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND HR DEVELOPMENT

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY

COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES

⁷ As at 31 December 2023
⁸ As at 31 December 2023
⁹ As at 31 December 2023



EMPLOYEE DEVELOPMENT

EMPLOYEE TRAINING

Every year, we carefully prepare an annual training plan, which covers the training needs of our employees, following the company's strategic and operational objectives. The training plan is tailored to each individual in terms of content and value, taking into account individual preferences that are aligned with the company's objectives. In 2023, almost all employees have therefore participated in various seminars, courses, trainings and conferences, both in-house and at external locations. There were no differences in participation by gender, age or position in the company, as education and training is aligned with the needs and competencies of the job position, the objectives set and the professional and personal development of the individual, as is also evident from the training hours of the employees.

Key information on employee training

	2022	2023
Number of participants in training courses	42*	40
Percentage of employees who have attended training courses	98%**	100%
Number of training hours	1042	1047.50
Average number of training hours per employee**	25	26.20

* In 2022, three of our colleagues were absent due to long-term sick leave.
** The percentage is linked to the number of total employees.

In 2023, 100% of employees were involved in education and training, and 1,047.50 hours of training were delivered. The total number of hours also includes hours of in-house training, where employees present specific skills and experience to colleagues internally. On average, each employee received 26.20 hours of training. The number of training hours per employee was not significantly different in 2023 compared to the previous year, due to the fluctuation of certain employees. In 2023, less training sessions were performed on-line compared to the year before.

Employees can upgrade and improve their already acquired knowledge and education by further their education while working. At the end of the years, four employees had participated in the ongoing training.

Our employees have also been involved in knowledge transfer as speakers and participants at professional meetings and conferences. Professional literature and memberships in professional associations are also an important aspect of development and education, as is the informal flow of knowledge

MOTIVATING EMPLOYEES

We ensure the right level of motivation and commitment of our employees by developing their competences, through targeted management, targeted two-way communication and other tools. We also pay special attention to non-material forms of rewards, such as involvement in various projects, work groups, etc., which further proactively influence employee engagement.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND HR DEVELOPMENT

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY

COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



OCCUPATIONAL HEALTH AND SAFETY

We integrate innovations in the field of occupational health and safety and fire protection into all our processes and projects. All workplaces have a risk assessment with prescribed measures to ensure adequate employee safety. Risks are periodically assessed and kept at an acceptable level with appropriate safety measures, while enabling employees to work with advanced and human-friendly technology and materials.

We organise regular periodic health checks for employees to monitor their health and capacity to do their job. The company has a negligibly low sickness absence rate, which is experiencing a stable trend. This is due to the resolution of health and other problems of employees and preventive care for the health of employees. In 2023, the degree of sickness of up to 30 days increased, while the degree of sickness over 90 days have partially decreased. The number of hours spent caring for family members has also decreased, which is a consequence of the change in the age structure of the workforce.

Sick leaves taken by the employees in 2023

2023	SICKNESS OF UP TO 30 DAYS/HOURS	SICKNESS OVER 30 DAYS/HOURS	SICKNESS OVER 90 DAYS/HOURS	CARE OF A FAMILY MEMBER/HOURS	ACCOMPANYING A FAMILY MEMBER/ HOURS
All employees	2,211	1,152	2,672	183	8
Per person	54.35	28.32	65.68	4.50	0.20

MOTIVATING EMPLOYEES

As part of health promotion at Borzen, we provide our employees with various activities, as we are aware that spending leisure time in a quality and healthy manner has a positive impact on our employees. The company supports the activities of the Borzen Sports Association, which is responsible for organising different recreational sports activities and cultural activities.

HEALTH PROMOTION

As part of health promotion at Borzen, we are raising our employees’ awareness of the importance of their health, encouraging them to take an integral approach on their path to improving and maintaining their health. We inform our employees of preventive actions that they can take to prevent diseases, while also allowing them to actively take care of a healthy work environment. We are implementing and promoting various activities, both at and outside the workplace.

FAMILY-FRIENDLY COMPANY

Balancing work and family life is a major challenge, which is why, since 2010, we have been providing our employees with support in this area through a range of measures to facilitate work-life balance, as part of our Family Friendly Company certificate and, since 2022, as part of our Socially Responsible Employer accession certificate.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND
HR DEVELOPMENT

RESPECT FOR ETHICAL
PRINCIPLES AND NORMS
OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL
HEALTH AND SAFETY

COMMUNICATION
WITH EMPLOYEES AND
ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



SOCIAL SECURITY
FOR YOUNG FAMILIES

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

In this context, we have adopted a measure to reintegrate employees after a prolonged absence as part of our Family Friendly Company accession certificate. The measure allows employees to adapt their working hours and gradually take on work responsibilities, making it easier to return to work after a long absence. This makes the return less stressful, and the employees and their families happier.

Parental leave can be used by both parents. In 2023, two of our female employees were on maternity leave, while no female employees were on maternity leave the year before. One employee took his paternity leave in 2023, same as in 2022.

Maternity, paternity and parental leave

	2022	2023
Maternity leave and parental leave (for women)	0	2
Paternity leave (for men)	1	1

We balance the needs and preferences of our employees within the demands and conditions of their work and ensure a work-life balance. In accordance with the company's internal regulations and the Parental Protection and Family Benefits Act, we provide employees with part-time work, flexible working hours and the use of unpaid leave.

SOCIAL SECURITY IN MATURE AGE

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

Information on supplementary pension insurance in 2022 and 2023

	2022	2023
Percentage of participants in supplementary pension insurance	100%	100%
Amount of insurance premium (EUR)	79,966.51	77,832.36

In 2022 and in 2023, all Borzen employees were covered by voluntary supplementary pension insurance. The amount of the premium charged to Borzen was EUR 77,832.36 in 2023 and EUR 79,966.51 in the year before. The total amount of the premium represents 5.84% of the employee’s monthly salary. When determining the percentage of the company’s participation, the age of the employee is taken into account, as well as the employee’s participation in the payment of the premium.

All employees are also provided with accident insurance against accidents both during their regular working hours and in their time off work.

COMMUNICATION
WITH EMPLOYEES AND
ORGANISATIONAL CLIMATE

COMMUNICATION WITH EMPLOYEES

Regular annual interviews with employees are a useful tool for identifying past performance and future competencies. The content of the annual interview is an in-depth discussion of current tasks, performance and results, goals and objectives for the coming period, and the employee's personal development and career path.

Employees are kept up-to-date with developments at Borzen via the intranet, e-mail and various formal and informal meetings. Employees are also given the opportunity to actively participate in the creation of the company's objectives; they are able to freely express their opinions, and the company maintains an open-door policy.

In the context of internal communication, we also focus on interpersonal communication, which is reflected, among other things, in regular team-building programmes.

ORGANISATIONAL CLIMATE

From time to time, we analyse the organisational climate and employee engagement in the company. The data from the analysis carried out for 2023 show that the core relationship between the company and its employees reached a rating of 4.31 (with a maximum rating of 5). Management, communication and cooperation, as well as entrepreneurship and innovation, were also evaluated at a high rating of 4.16 (with a maximum rating of 5), which also applies to diversity and inclusion, with a rating of 4.08 (with a maximum rating of 5).

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

HUMAN CAPITAL INDICATORS

EMPLOYEES AND
HR DEVELOPMENT

RESPECT FOR ETHICAL
PRINCIPLES AND NORMS
OF BEHAVIOUR

HR INDICATORS

EMPLOYEE DEVELOPMENT

OCCUPATIONAL
HEALTH AND SAFETY

COMMUNICATION
WITH EMPLOYEES AND
ORGANISATIONAL CLIMATE

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES





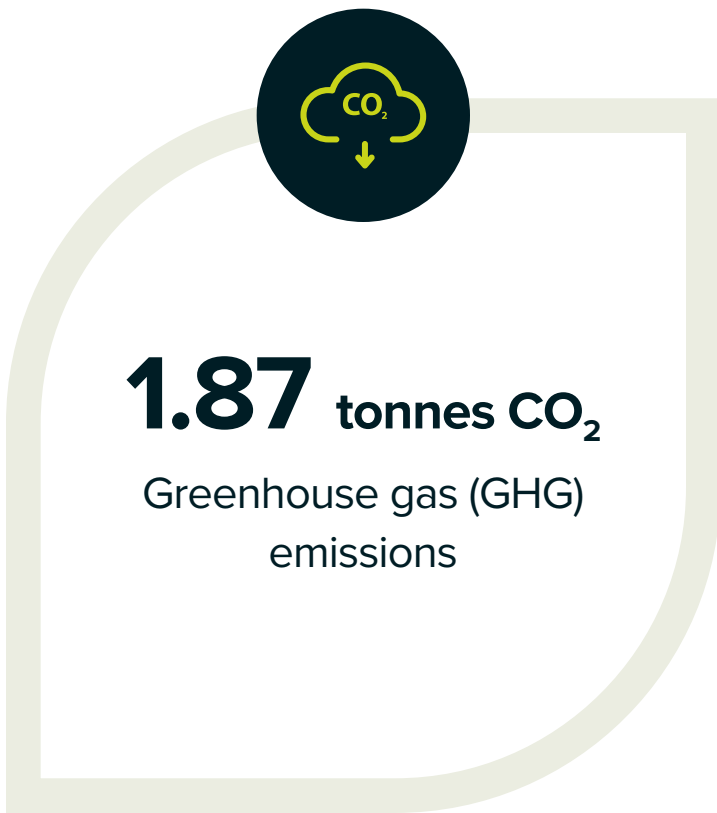
9

RESPONSIBILITY
FOR THE NATURAL
ENVIRONMENT

ENVIRONMENTAL INDICATORS



KEY DATA



We follow the trends of efficient use in the field of energy, water and raw materials. Borzen is committed to following the principles of sustainable development also in the segment of environmental protection, which is directly related to our business. Borzen manages the state Support Scheme for environmentally friendly methods of electricity production (RES and CHP), thereby promoting the use of these natural resources, which positively affects the environment, since nearly 1,000 GWh of energy is produced annually within the framework of the Support Scheme in an environmentally friendly way. At the same time, we are promoting the efficient use of energy and raising awareness and information on sustainable energy.

Sustainability is already part of our everyday lives, but the topics of sustainability and environmental protection will be even more important tomorrow. Borzen has namely been entrusted with responsibilities covering, in particular, information, awareness-raising and training, as well as the publication of information on the efficient use of energy and renewable energy sources. In this context, we are proud of our activities and the Sustainable Energy brand, in the framework of which we have been striving since the end of 2014 to expand and promote knowledge in the field of sustainable energy.

At the company’s premises, we are actively involved in raising awareness of nature protection among all employees, separating waste, using recycled materials, and saving drinking water and electricity. Since we wish to go one step further in this area, we have set out guidelines for improving our carbon footprint in the future, based on our measured carbon footprint.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

ENVIRONMENTAL INDICATORS

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



ENVIRONMENTAL INDICATORS

The results of the carbon footprint measured a few years ago place Borzen in the average of comparable Slovenian office companies and slightly above the average of comparable international office companies. By measuring our carbon footprint, we also wanted to start a broad discussion on this topic and, in this way, raise awareness, first and foremost among our employees and also among our other stakeholders.

Due to the office-based nature of Borzen's activities, we have taken the decision to regularly monitor and measure our carbon footprint in the segment where we have the greatest impact as a company. We have decided to monitor the carbon footprint of business trips made by car. We have taken some measures to reduce emissions in this category as well, which are described in more detail below.

In 2023, the number of kilometres travelled increased compared to 2022: in 2023, we made 10,426 kilometres, i.e. 1,637 kilometres more than in 2022. The increase is a consequence of the increase of business trips abroad, where we attended professional meetings; despite a larger number of kilometres travelled, our carbon footprint was smaller, which is the result of the fact that we started using electric passenger vehicles. Broadly speaking, a large number of meetings, appointments and training session still took place remotely, which also had a positive influence on the quantity of emissions.

Carbon footprint and kilometres travelled by car for business trips

	2022	2023
Total missions travelled (in kilometres)	10,426	12,063
Greenhouse gas (GHG) emissions (in tonnes of CO ₂)	2.1	1.87

We are promoting a proactive approach to reducing our carbon footprint. We aim to involve as many interested employees as possible in the design and implementation of the strategy and activities, thereby increasing the effectiveness of the project in question.

We understand that raising awareness and informing employees through a variety of communication channels is the basis for the ultimate success and the achievement of our objectives. At the action level, we have therefore taken certain measures; first and foremost, we believe that it is most useful for our company to monitor the reduction of emissions at the expense of business travel, as other indicators are more difficult and harder to influence in a direct manner (e.g. commuting); in some cases, their changes are also more difficult to monitor (e.g. electricity, heat, water).

Measures in the field of reducing the carbon footprint of our business trips

MEASURE	REDUCING THE CARBON FOOTPRINT	COST REDUCTION	RAISING AWARENESS AMONG EMPLOYEES
Reduction in travel requirements due to meetings held at Borzen’s headquarters	++	++	+
Encouraging the use of teleconferences	++	+++	++
Combining and general optimisation of travel	+	+	++
Mandatory use of a company car for business trips	++	+++	++

* The potential was evaluated as + (low potential), ++ (medium potential) or +++ (high potential).

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

ENVIRONMENTAL INDICATORS

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES





10 INTELLECTUAL CAPITAL





The key elements of the company's intellectual capital are the procedures, policies, processes and records of individual activities within business processes that ensure workflows function properly, regardless of a potential employee turnover.

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

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

The application for recording closed contracts and operational forecasts is an IT solution comprising a desktop administration interface and a web-based user interface. The user interface allows for the registration of closed contracts and operational forecasts by the responsible balance groups, as well as an overview of imbalances and non-harmonised closed contracts with other partners. The administrator interface allows Borzen to have a comprehensive overview of the data entered and to manage the Balance Scheme and its users. It is used on a daily basis, since one of the tasks of the market operator is the production and transmission of the electricity network schedule for the next day to the transmission system operator.

IBIS++ is a comprehensive IT solution for the management of the imbalance settlement. The core desktop application IBIS++ is designed for the integrated management of all input data received by the market operator from the electricity operators and the members of the Balance Scheme, the execution of the calculation of the imbalance settlement and annual recalculation of the imbalance settlement, and all related documents, reports and data for the members of the Balance Scheme and the Energy Agency. A module for the electronic exchange of data via web services with all participants has also been integrated into the solution. An integral part of the IBIS++ solution also includes

the **web portal of the market operator (the OT Portal)**, which is divided into a public and a private part. The public part of the portal displays all the relevant data of the electricity market in Slovenia, while the private part is reserved for the members of the Slovenian Balance Scheme. Registered users have access to data and reports related to the imbalance settlement process of each member, while the OT Portal also allows direct editing of some other procedures (commenting on the imbalance settlement, communicating changes to contact persons, setting various reminders, etc.).

Delfi is a web-based application used to perform high-quality short- and long-term forecasts of electricity generation from distributed sources (RES/CHP). It is designed to be a powerful and reliable application that allows for the rapid implementation of even complex forecast models for different types of production technologies. The application allows certain forecast models to be adjusted and improved by changing the parameters or coefficients of the models, so that the quality of the forecasts themselves can be continuously improved. In addition, the application is built in such a way that new forecast models can be easily built in, either at the level of a group of production units (depending on the technology) or even at the level of a single production unit. It also features a powerful analytical module that allows the quality of the forecast models to be monitored, the use of different forecast models to be simulated for different historical periods etc. The input validation logic is also built in to prevent poor quality input data (especially quarter-hourly measurements for the previous day) from affecting the results of the forecast models. The application thereby enables a fast, efficient and controlled implementation of the process of daily forecasting of production from dispersed sources.

Other applications (e.g. **RRM-REMIT, Registry of the Guarantees of Origin**) and the **ISO 27001 Information Security and Maintenance Policy**, the development and upgrading of IT systems through in-house operational experience and knowledge of energy regulations and legislation, the implementation of a human resources policy, and regular analyses of satisfaction among users of the services can also be mentioned here.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES





11

MANAGEMENT OF RISKS AND OPPORTUNITIES

RISK MANAGEMENT
OPPORTUNITY MANAGEMENT



RISK MANAGEMENT

Borzen is a company performing the service of a public utility, which means that we are primarily bound by our regulatory environment, which has a strong impact on all categories of perceived risks. Pursuant to the Comprehensive Risk Management Policy, the company reports on its exposure to key risks and the measures taken to manage them, significant changes in exposure to particular risks, and other relevant information in the area of risk management.

DETERMINING THE CONSEQUENCES/DAMAGE (IMPACT)

The consequences of risks include the possible outcomes of an event. Consequences can be positive or negative and are evaluated in relation to the achievement of objectives.

Determining the consequences/damage (impact)

VALUE	SCALE OF IMPACT	MEASURE; REVENUES, EXPENSES, PAYMENTS, SENSITIVITY, ETC.
4	SEVERE	Financial impact is greater than 50% of the company's operating income/expenditure; the mission and core activities of the company are threatened, and there is also a threat of litigation, loss of trust, or suspension of activities and competences.
3	SIGNIFICANT	Financial impact ranges from 25% to 50% of the company's revenue/expenditure; there is a need to change plans or change the organisation, as well as a major impact on stakeholder satisfaction, and long-term loss of reputation, etc.
2	MODERATE	Financial impact ranges from 10% to 25% of company's revenue/expenditure; activities need to be reorganised, there is a moderate impact on stakeholder satisfaction, short-term loss of reputation, etc.
1	MINOR	Financial impact is less than 10% of the company's revenue/expenditure; low impact on stakeholder satisfaction, etc.

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

- the importance of the impact on the operation (materiality principle) – **quantitative**:
 - the importance of costs in the profit (participation in % of costs or revenues),
 - the importance of revenues (percentage of service etc. in all revenues),
 - the importance of the asset (the size of the investment, the value of the asset in the imbalance settlement),
 - the importance considering the number of employees in the processes (which is also related to costs);
- the sensitivity of the area – **qualitative**:
 - important changes (e.g. new investments, organisational changes, etc.),
 - the importance considering the stakeholder satisfaction,
 - the impact on the quality of services,
 - the personnel and their knowledge,
 - the integrity of IT support,
 - personal data security,
 - the regulative area,
 - the reputation of the company.

DETERMINING THE PROBABILITY

How likely it is that a certain event will occur, and how often.

Criteria for assessing the probability of the occurrence of a negative event or loss of opportunity

VALUE	ESTIMATION	CRITERION
4	VERY LIKELY	Probability of over 75%
3	LIKELY	Probability between 50% and 75%
2	POSSIBLY	Probability between 25% and 50%
1	UNLIKELY	Probability of less than 25%, small possibility of realisation

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



RISK LEVEL (SEVERITY OF 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 = POSSIBLE DAMAGE x LIKELIHOOD

The significance of the risk is demonstrated through the proposed risk matrix depicted in the table below.

Risk matrix

		PROBABILITY			
		very likely 4	likely 3	possibly 2	unlikely 1
DAMAGE	severe 4	16	12	8	4
	significant 3	12	9	6	3
	moderate 2	8	6	4	2
	minor 1	4	3	2	1

Risk managers actively monitor and assess all risks defined in the interoperable risk catalogue, and also propose corrective measures and report to the Supervisory Board.

Hereinafter, we present the key perceived risks in the framework of systematised risk groups for which we estimate that we will continue to be exposed to them in the period to come.

STRATEGIC/BUSINESS RISKS

The strategic or business risks are related to a successful realisation of the strategy and the strategic objectives of the company, with the possibility of ensuring a short- and long-term creation of operating income and the preservation of the value of the company’s assets and reputation. The aforementioned risks are related to the changes in legal and regulatory provisions and environmental influences and, in relation to this, the company's organisation, the activities it carries out and the constraints on its business transactions.

Strategic risks also include investment risk. In 2023, free cash assets from the Centre for Support were tied in banks who have provided us with the most favourable offers. In addition to deposit investments with business banks, we also placed a part of the Centre for Support assets into other investments, with the consent of the Supervisory Board. We are pursuing a policy of short-term commitment of funds with the highest possible return. When managing the amount of the committed assets, we take note of the expected outflows for the payment of Centre for Support payments and the financial effects of the reduced RES + CHP contribution, both for fossil fuels and for electricity, as well as additional payments in the framework of the adopted Emergency Intervention Law to Address High Energy Prices (pellet subsidies). We also carefully manage Borzen assets, investing funds into cash deposits and other safe investments which are also suitably protected.

Other business risks also include investment risks and the risks related to public procurement processes, which are controlled through constant improvement of the quality of the preparation, implementation, activation and monitoring of investments and public procurement processes.

OPERATIVE RISKS

Operative risks are related to the damage that would be caused through improperly implemented internal processes, improper employee conduct, IT mistakes and poor quality of the services provided by external contractors. Recognising and managing operative risks is extremely important for a successful functioning of the company, since efficient internal processes, as well as professionally trained, experienced and motivated employees, are a guarantee for preventing operative risks and correct, efficient business adjustments, regardless of the economic circumstances.

Important risks in the IT system include the risks of potential disruption in the functioning of the applicative and system software, hardware and communication and network connections in the system; we are also particularly focused on risks related to IT security. We mainly reduce these risks through redundant, independent optical connections between locations, synchronous replication and safety data backups, as well as through periodic safety reviews of the IT system, pursuant to our business continuity plan. The impact of the human factor on the IT system is managed through regular trainings of our professional staff and all employees of the company; pursuant to specific internal protocols, we also control our external contractors.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



The scope of business and personal data collection and exchange has increased importantly. Technology enables private companies and public entities to use data to achieve their goals in an unprecedented scope. Individuals increasingly make their personal data available, both publicly and globally. Technology has changed the economy, as well as our social lives, and should continue enabling an easier implementation of the free flow of personal data in EU and their transfer to third countries and international organisations, whereby a high degree of business and personal data protection must be provided for.

In 2023, no personal data disclosure instances were recorded. Upon the adoption of the Personal Data Act (the ZVOP-2), a working group has examined our legislative compliance. The personal data collection catalogue has been updated; we have also amended and recorded a new process of video surveillance examination, and prepared the required camera labels.

We have successfully passed our annual certification audit regarding the ISO/IEC 27001:2013 standard for information security management systems, which demonstrates that we adequately manage information risks and provide quality protection for our business processes. Monitoring network traffic and records by the Telekom Slovenije Security Operations Centre (the SOC) is running smoothly, and we are also regularly updated on newly discovered vulnerabilities that we check and eliminate if necessary. We have performed a safety check of the external and internal network, as well as a test of data theft through social engineering.

Our Legal Department is actively participating in the examination of laws and bylaws, and is also examining current jurisprudence, preparing monthly reports on relevant regulations/jurisprudence/legal news. There is still a risk of certain support beneficiaries who have been found to be in breach by the Energy Agency and who have received excess support.

The HR function or the human resource management department is an important link in the risk management process. The objective is to achieve a sufficient number of employees with the appropriate structure and level of motivation, who are also professionally trained and satisfied in their work. HR risks are mitigated by maintaining good communication with our employees, improving working conditions, providing for an appropriate work organisation, effectively and diligently implementing activities related to training, education and employee development (preparation and organisation of training, selection and training of providers, evaluation of training and providers, professional assistance in conducting annual interviews, analysis of results, etc.), rewarding employees appropriately, and complying with labour legislation.

The HR function is primarily the responsibility of our management, with the expert support of an HR specialist. In the last quarter, we have achieved a certain degree of empowerment in the field of our HR function, since the new company management gave special emphasis to HR development. This was also followed by activities intended to increase the efficiency and empowerment of our staff.

During the reporting period, we have been providing up-to-date and correct answers for the media, which allowed us to maintain suitable relationships with them. Through different publications, particularly on our company website, we provided updated information related to the business operations of the company to the media and the general public.

In the last quarter of 2023, we have noticed an increased scope of publications in the media, which correlates with the activities related to public calls in the field of RES which were or will be published by our company. We did not detect any negative publications related to our company’s operations.

Other operative risks are limited by our company through clearly defined procedures, unambiguously defined roles, responsibilities and powers of our employees, and adopted policies.

Financial/market risks

The role of the market operator is to monitor the situation in the financial markets, to strive to ensure short- and long-term financial solvency, and to perform its business operations in line with the Rules that dictate the deadlines and liabilities regarding the execution of payments to the market operator. By controlling financial risks, we are pursuing the objectives of stable business transactions, controlling financial expenses within the planned framework, and long-term financial solvency.

Managing these risks is important in order to ensure a better solvency and an improved coordination of financial inflows and outflows. The risk of not complying with our financial obligations is, due to a greater degree of dispersion of our debtors, present to a greater extent when it comes to complying with our obligations arising from the RES + CHP contribution; in this regard, we are controlling the risk without any specific issues, pursuant to the agreed-upon processes for the recovery of unpaid liabilities. When it comes to the financial settlement of the imbalance settlement, we manage the risk of not complying with our financial obligations through calculating the financial coverage that we require from the participants of the financial settlement, based on the calculation of their exposure; when it comes to determining the amount of additional coverage, however, we are limited by the Rules on the Operation of the Electricity Market.

The liquidity risk defines the capability to provide sufficient finances for the current settlement of overdue liabilities. Borzen ensures the highest possible degree of financial liquidity by always disposing of sufficient liquidity funds in order to pay its outstanding obligations within the required deadline. At a daily level, the company is planning its short-term financial solvency through up-to-date monitoring of cash flows and carefully planning inflows and outflows on a monthly/weekly basis. The company also has a system of managing and optimising short-term cash excess. At the same time, we make sure that our financial investments are suitably dispersed; furthermore, we also coordinate the maturity of our receivables and liabilities, and make sure that they are consistently recovered. In 2023, the company has not faced any issues related to the provision of sufficient finances for the regular and timely settlement of its overdue liabilities.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



Legislative risks

The legislative risks are related to changes in and uncertainty of regulations over which the company has no direct influence.

While Borzen is actively monitoring current regulatory changes that could potentially pose a risk to its operations, it is also actively monitoring and exploiting the opportunity for pursuing new activities, while recognising the need to secure an adequate systemic source of funding.

The new Rules on the Operation of the Electricity Market, which have entered into force on 1 January 2023, are consistent with the provisions of the ZOEE and of the CEP legislative package of the EU. In relation to the risks mentioned in this chapter, one of the most important features of these Rules is the transition to the so-called “single price” imbalance settlement model, the increase of coverage, which is also connected to segments, and the expanded provisions related to the transmission of data to the market operator.

In 2023, we provided AGEN-consolidated comments to the ZEP bill (the draft law on energy policy) in relation to temporary provisions. At the end of 2023, the government has settled on the wording of the draft law of the Energy Act (the EZ-2), as a result of the ZEP consolidation.

We have been implementing activities intended to adopt changes in the PTE rules related to the inclusion of self-supply into the measured diagram. In December, the amendment proposal was refused by the Energy Agency council. In January 2024, after providing detailed additional explanations, the proposal was granted the consent of the Energy Agency and was published in the Official Gazette on 26 January 2024. This change is planned to enable the improved precision of scheduled timetables and reduce any deviations. In 2024, the deviations are likely to vary in the first months, due to the transition of household consumers to the measured diagram scheme, since suppliers must adapt to this change.

In relation to the market situation, several activities are first carried out by the market operator in order to monitor the situation and to detect potential problems, such as additional entry controls (also based on the ZNPOVCE intervention law), additional internal reviews, reports, requests for information to the members of the Balance Scheme, recalculations of financial coverages, informal and formal communication with systemic actors, procedures for securing claims (in the field of activity), etc.

We have been performing regular timetable controls, including previously added additional controls of analytical reports intended to detect any anomalies.

As was the case in the past, we will try to influence our regulatory risks by actively monitoring legislative activities and providing suggestions and comments in terms of the proposed solutions.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



OPPORTUNITY MANAGEMENT

In 2023, the company actively participated in three development projects (BD4NRG, FARCROSS and STREAM).

The **FARCROSS project** was a part of the Horizon 2020 programme. It started in October 2019, with a duration of four years. The main objective of the project is to optimise the use of physical (cross-border) electricity infrastructure, with the aim of developing solutions, which include both physical interventions and process changes, to increase the possible power flows on the same physical infrastructure (cross-border lines). This is an important project for Borzen, seeing as it addresses an important element of the internal EU market operation, i.e. the optimisation of the use of cross-border infrastructure. The project ended in October 2023.

The **BD4NRG project** was also a part of the Horizon 2020 programme. It started in January 2021, with a duration of three years, and ended at the end of 2023. The project addressed different aspects of big data issues in the energy context, including through several pilot cases. For Borzen, the project was additionally important because it addressed (among other things) the issue of aggregators, which is one of the key elements of the upcoming change in the market model, also due to the “Clean Energy for All Europeans” package. When it comes to its content, the project is similar to the PAKT project which ended in 2022, or to the NEDO-fleks project.

The **STREAM project** is implemented under the Horizon Europe programme. It started in October 2022, with a duration of four years. The project aims to set up an innovative “flexibility” ecosystem on the low-voltage side of the grid, of which a key added value will also be the development of new business models linked to flexibility. Borzen’s task will be to prepare the regulatory framework and basis for the creation of a national flexibility register for all installations involved in the project.

In terms of 2023 investments, they included adaptations, customisations and upgrades of timetable applications (VR5), VR Backup, market operator portal and other applications.

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES





12

COMPLIANCE
WITH THE GRI
SUSTAINABILITY
REPORTING
GUIDELINES

TABLE OF CONTENTS
ACCORDING TO THE
GRI STANDARDS



Borzen’s report is prepared pursuant to the principles of sustainable reporting and in line with the GRI Sustainable Reporting international guidelines. The scope and the basis of the report, as well as the selection of indicators, are derived from the activity we perform (electricity market operator), while the key contents were determined and prepared by the competent authorities within the company and the relevant stakeholder group. The general manager, the senior management and relevant employees participate in the preparation of consolidated financial statements.

The report consists of reporting in accordance with the GRI Standards guidelines at the “basic level”, presenting key information on the management, economic, environmental and social relationship and their long-term impact on the operations implemented by the company. Three GRI standards, namely the GRI 1 (Reporting Basis 2021), GRI 2 (General Standard Disclosures 2021) and GRI 3 (Material Topics 2021), were used to prepare the report and decide on its contents, whereby the material topics have been organised according to 2016 GRI guidelines in the previous period.

In order to provide a high-quality report, the principles of balance, comparability, accuracy, clarity and reliability of data were taken into consideration. The report provides relevant information and contributes to a higher degree of transparency of sustainable business operations. The most important reported contents and disclosures are:

- our stakeholder portfolio and the relation and cooperation with individual stakeholders,
- a clear overview of the competitive environment, achievements, risks, and opportunities,
- cooperation with a broader social environment, and environmental protection.

The report provides an overview of our business operations from 1 January to 31 December of the previous year. If you have any questions regarding our annual report and its consolidation with the GRI Sustainable Reporting guidelines, you can send them to us at info@borzen.si

In the future, the reporting development of the company will follow the frameworks of comprehensive thinking and reporting.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

TABLE OF CONTENTS ACCORDING TO THE GRI STANDARDS

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



TABLE OF CONTENTS ACCORDING TO THE GRI STANDARDS

GENERAL STANDARD DISCLOSURES

INDICATOR	DISCLOSURE	CHAPTER	COMMENT
GRI 1: Reporting basis 2021			
GRI 2: General disclosures 2021			
Presentation of the organisation			
2-1	Name of the organisation	Basic data	
2-1	Headquarters of the organisation	Basic data	
2-1	Ownership and legal form	Vision, mission and business model Corporative governance	
2-2	List of subjects included in our consolidated financial statements	Corporate governance statement	
2-3	Reporting period	Compliance with the GRI Sustainability Reporting guidelines	
2-3	Reporting cycle	Compliance with the GRI Sustainability Reporting guidelines	
2-3	Contact information for any questions related to the report	Compliance with the GRI Sustainability Reporting guidelines Contacting Borzen	
2-6	Primary trademarks, products and services	Compliance with the GRI Sustainability Reporting guidelines Contacting Borzen	
2-6	Size of the organisation (number of employees, number of activities, sales revenues, liabilities/capital, number of products or services)	2023 highlights Human capital	
2-7	Employees according to employment type, contract type, region, and gender	Human capital	
Management			
2-9	Management structure of the organisation, including the commissions of the highest governing body	Corporative governance	
2-9	Composition of the highest governing body and commissions	Corporative governance	
2-22	Statement of the highest decision maker in the organisation about the meaning of sustainable development for the organisation and the sustainable development handling strategy	Letter from the general manager	
2-23	Explanation of if and how the organisation uses the precautionary principle	Management of risks and opportunities	
2-23	Description of values, principles, standards and principles of conduct such as the code of conduct and ethical codes	Vision, mission and business model Corporate governance statement	
2-26	Mechanisms for counselling and submitting complaints or commendations in terms of ethical issues	Human capital; Respect for ethical principles and norms of behaviour/ Other stakeholder groups from the stakeholder portfolio	
2-28	Membership in organisations	International stakeholders	

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

TABLE OF CONTENTS
ACCORDING TO THE GRI
STANDARDS

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



INDICATOR	DISCLOSURE	CHAPTER	COMMENT
Approach to stakeholder engagement			
2-29	List of stakeholder groups with which the organisation cooperates	Company capital	
2-29	Identifying and choosing stakeholders	Company capital	
2-29	Approach to stakeholder engagement, including the frequency of cooperation according to stakeholder groups	Company capital	
Information about the report			
3-1	The process of determining the contents of the report and the boundaries	Summary of results Compliance with the GRI Sustainability Reporting guidelines	
3-2	List of material topics	Vision, mission and business model	
3-2	Important changes compared to previous reporting periods in terms of limiting the scope and aspects	Compliance with the GRI Sustainability Reporting guidelines	

SPECIFIC STANDARD DISCLOSURES

INDICATOR	DISCLOSURE	CHAPTER	COMMENT
2016 ECONOMIC IMPACTS			
GRI 201: Economic performance			
201-1	Directly generated and distributed economic value	2023 highlights Notes on the Financial Statements	
201-3	Liabilities from our pension plan	Human capital	
2016 ENVIRONMENTAL IMPACTS			
GRI 302: Energy			
302-1	Energy consumption within the organisation	Responsibility for the natural environment	We are reporting on our fuel consumption; other indicators are not relevant for the company.
302-3	Efficient use of energy	Responsibility for the natural environment	We are reporting on our fuel consumption; other indicators are not relevant for the company.
302-4	Reducing our energy use	Responsibility for the natural environment	Generally presented activities in the field of energy use.
305: Emissions			
3-1, 3-2, 3-3	Management approach		
305-1	Direct greenhouse gas emissions	Responsibility for the natural environment	
305-5	Reducing greenhouse gas emissions	Responsibility for the natural environment	

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

TABLE OF CONTENTS
ACCORDING TO THE GRI
STANDARDS

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



INDICATOR	DISCLOSURE	CHAPTER	COMMENT
2016 SOCIAL IMPACTS			
GRI 401: Hiring Employees			
401-1	Number and degree of new employees and employee turnover	Human capital	
401-3	Parental leave	Human capital	
GRI 403: Occupational health and safety			
403-1	The explanation on whether the company has introduced an occupational health and safety management system	Human capital; Occupational health and safety	
403-5	Employee training in the field of occupational health and safety	Human capital; Occupational health and safety	Pursuant to legal provisions, all our employees participate in occupational health and safety training.
403-6	Occupational health promotion	Human capital; Occupational health and safety	
GRI 404: Training and education			
404-1	Average number of training hours per employee	Human capital; Employee development	
GRI 405: Diversity and equal opportunity			
3-1, 3-2, 3-3	Management approach		
405-1	Diversity in management bodies and employees	Corporative governance Human capital; HR indicators	
405-2	Relationship between the basic income of women compared to men in terms of employment type, according to key operation locations	Human capital; HR indicators	We are implementing the principle of equal pay for all employees.
GRI 406: Preventing discrimination			
406-1	Examples of discrimination and implemented collective measures	The employment structure has changed in favour of the female gender compared to 2023.	
GRI 413: Local community			
413-1	Projects involving the local community, local community impact assessment, and development programmes for the local community	Company capital; Relationships with stakeholders	

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

TABLE OF CONTENTS
ACCORDING TO THE GRI
STANDARDS

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES





13

FINANCIAL REPORT
ON THE OPERATIONS
OF THE COMPANY
ACCORDING TO
INDIVIDUAL ACTIVITIES



The scope of the individual activities carried out by Borzen, d.o.o. is governed by the Slovenian Accounting Standards (the SRS 32).

On the basis of Article 8 of the Act on the Transparency of Financial Relations and Separate Recording of Various Activities (Official Gazette of the Republic of Slovenia, No. 33/11), the Supervisory Board of Borzen, d.o.o. has, during its 17th session held on 21 December 2022 at the proposal of the general manager of the company, adopted the Rules and judgements on the separate recording of business events according to individual activities of Borzen, d.o.o. (hereinafter referred to as the “Rules on Judgements”). This act regulates the delimitation of indirect labour, material and service costs, as well as the delimitation of any revenues that cannot be directly attributed to an individual activity. Pursuant to the Rules on Judgements, the business transactions in the company are recorded as follows:

1. The performance of public service activities which also encompass the performance of the concession agreement (hereinafter referred to as the “GJS”) is recorded separately from the implementation of market and unregulated activities (hereinafter referred to as “market activities”).
2. Two public services are performed within the GJS, namely:
 - Market Operator and
 - Centre for Support

Indirect costs and revenues are allocated according to activities, based on the judgement “*relationship between direct labour costs*”. Based on this judgement, cost allocation keys are then determined by defining the share of direct labour costs of each individual activity or service or of each business outcome unit in total direct labour cost. In 2023, the following keys have been determined and used based on the judgement, according to individual activities:

Table with general keys for 2023

	ACTIVITY		
	MARKET OPERATOR	CENTRE FOR SUPPORT	COMMERCIAL ACTIVITY
Key	56.10%	40.82%	3.08%

Borzen is preparing the income statement separately for the activities of the market operator, the Centre for Support, the information and awareness-raising programme, and commercial activity.

Based on the aforementioned keys, the company shows a net profit of EUR 5,326,081 in 2023, of which:

- the public utility service of the electricity market operator shows a profit of EUR 146,638;
- the public utility service of the Centre for Support shows a profit of EUR 5,143,140, within which the activities related to the information and awareness-raising programme are conducted according to the principle of cost reimbursement by the Eco Fund;
- the commercial activity shows a profit of EUR 36,302.

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



INCOME STATEMENT BY ACTIVITY FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

in EUR

ELEMENTS	BORZEN TOTAL	MARKET ORGANISATION	CENTRE FOR SUPPORT	INFORMING AND AWARENESS- RAISING	COMMERCIAL ACTIVITY
1. NET REVENUES FROM SALES	5,491,932	2,800,073	1,940,000	449,859	302,000
a. Revenues from the operations of the Centre for Support	1,484,781	1,484,781	0	0	0
b. Revenues from recording closed contracts	966,486	966,486	0	0	0
c. Other revenues from sales of the Centre for Support	348,806	348,806	0	0	0
d. Revenues from the Centre for Support	1,250,000	0	1,250,000	0	0
e. Revenues from the implementation of the contact point	690,000	0	690,000	0	0
f. Revenues from the BSP	115,416	0	0	0	115,416
g. Revenues from informing and awareness-raising	449,859	0	0	449,859	0
h. RRM-REMIT revenues	186,584	0	0	0	186,584
i. Additional revenues pursuant to the ZSROVE	0	0	0	0	0
j. Other revenues from sales	0	0	0	0	0
2. OTHER OPERATING REVENUE	109,575	62,392	43,894	0	3,289
TOTAL OPERATING REVENUE	5,601,507	2,862,465	1,983,894	449,859	305,289
3. MATERIAL AND SERVICE COSTS	1,686,060	693,610	611,417	289,695	91,338
a. Material costs	92,653	54,102	30,845	4,445	3,261
b. Service costs	1,593,407	639,508	580,572	285,250	88,077
4. LABOUR COSTS	3,202,802	1,796,939	1,150,816	156,465	98,582
a. Salary costs	2,320,027	1,306,731	836,643	104,984	71,669
b. Pension costs	291,673	154,441	98,970	29,784	8,478
c. Other social security costs	176,719	91,302	58,692	21,698	5,028
d. Other labour costs	414,383	244,465	156,511	0	13,407
5. WRITE-OFFS	494,746	232,841	185,688	3,699	72,518
a. Amortisation	411,149	232,459	140,443	3,699	34,548
b. Revaluation operating expenses of current assets	83,597	382	45,245	0	37,970

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



in EUR

ELEMENTS	BORZEN TOTAL	MARKET ORGANISATION	CENTRE FOR SUPPORT	INFORMING AND AWARENESS- RAISING	COMMERCIAL ACTIVITY
6. OTHER OPERATING EXPENSES	34,523	13,012	20,803	0	708
TOTAL OPERATING EXPENSES	5,418,131	2,736,402	1,968,724	449,859	263,146
OPERATING PROFIT OR LOSS	183,376	126,063	15,170	0	42,143
7. FINANCIAL REVENUES	6,745,195	57,479	6,684,576	0	3,140
8. FINANCIAL EXPENSES	363,821	8,309	355,056	0	456
NET OPERATING PROFIT FROM REGULAR OPERATIONS	6,564,750	175,233	6,344,690	0	44,827
9. OTHER REVENUES	6,676	6,597	73	0	6
10. OTHER EXPENSES	5,204	2,919	2,125	0	160
TOTAL OF ALL REVENUES	12,353,378	2,926,541	8,668,544	449,859	308,434
TOTAL OF ALL EXPENSES	5,787,156	2,747,631	2,325,903	449,859	263,764
TOTAL PROFIT	6,566,222	178,910	6,342,641	0	44,671
11. INCOME TAX	1,242,986	33,868	1,200,662	0	8,456
12. DEFERRED TAX	-2,845	-1,596	-1,161	0	-88
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	5,326,081	146,638	5,143,140	0	36,302

SUMMARY OF RESULTS

THE IMPACT OF
ECONOMIC, LEGISLATIVE
AND OTHER CONDITIONS
ON OPERATION AND
IMPLEMENTATION OF THE
DEVELOPMENT STRATEGY
IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE
NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS
AND OPPORTUNITIES

COMPLIANCE WITH THE
GRI SUSTAINABILITY
REPORTING GUIDELINES

FINANCIAL REPORT ON
THE OPERATIONS OF THE
COMPANY ACCORDING TO
INDIVIDUAL ACTIVITIES



BALANCE SHEET AS AT 31 DECEMBER 2023

WITH A PRESENTATION OF ASSETS UNDER MANAGEMENT

in EUR

DESCRIPTION	BORZEN TOTAL	BORZEN WITHOUT GJS	CENTRE FOR SUPPORT	BALANCE SCHEME	COMPENSATIONS FOR ELECTRICITY AND NATURAL GAS SUPPLIERS
ASSETS	490,709,232	17,467,293	406,110,804	19,483,777	47,647,358
A. LONG-TERM ASSETS	64,506,796	4,506,796	60,000,000	0	0
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	395,980	395,980	0	0	0
II. TANGIBLE ASSETS	2,083,560	2,083,560	0	0	0
1. Land and buildings	1,523,805	1,523,805	0	0	0
2. Other plant and equipment	559,755	559,755	0	0	0
III. LONG-TERM FINANCIAL INVESTMENTS	62,000,000	2,000,000	60,000,000	0	0
1. Other long-term financial investments	62,000,000	2,000,000	60,000,000	0	0
IV. DEFERRED TAX RECEIVABLES	27,256	27,256	0	0	0
B. SHORT-TERM ASSETS	426,083,184	12,841,245	346,110,804	19,483,777	47,647,358
I. SHORT-TERM FINANCIAL INVESTMENTS	297,000,000	0	297,000,000	0	0
II. SHORT-TERM BUSINESS RECEIVABLES	57,804,452	1,322,945	15,335,026	9,436,700	31,709,781
1. Short-term operating receivables from customers	52,897,065	605,158	13,432,069	8,410,241	30,449,597
2. Short-term operating receivables from other entities	4,907,387	717,787	1,902,957	1,026,459	1,260,184
III. CASH ASSETS	71,278,732	11,518,300	33,775,778	10,047,077	15,937,577
C. SHORT-TERM ACCRUALS AND DEFERRED INCOME	119,252	119,252	0	0	0

SUMMARY OF RESULTS

THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023

PRODUCTION CAPITAL

COMPANY CAPITAL

HUMAN CAPITAL

RESPONSIBILITY FOR THE NATURAL ENVIRONMENT

INTELLECTUAL CAPITAL

MANAGEMENT OF RISKS AND OPPORTUNITIES

COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES

FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES



in EUR

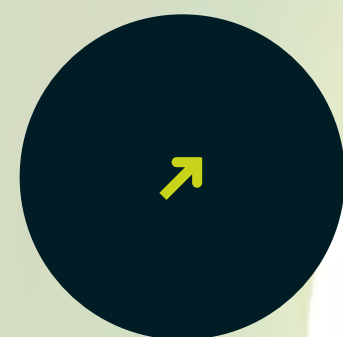
DESCRIPTION	BORZEN TOTAL	BORZEN WITHOUT GJS	CENTRE FOR SUPPORT	BALANCE SCHEME	COMPENSATIONS FOR ELECTRICITY AND NATURAL GAS SUPPLIERS
LIABILITIES	490,709,232	17,467,293	406,110,804	19,483,777	47,647,358
A. CAPITAL	14,992,373	14,992,373	0	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0	0
1. Share capital	1,963,279	1,963,279	0	0	0
II. CAPITAL RESERVES	395	395	0	0	0
III. REVENUE RESERVES	7,698,284	7,698,284	0	0	0
1. Statutory reserves	196,328	196,328	0	0	0
2. Other revenue reserves	7,501,956	7,501,956	0	0	0
IV. REVALUATION ADJUSTMENT SURPLUS	3,938	3,938	0	0	0
V. PROFIT OR LOSS BROUGHT FORWARD	396	396	0	0	0
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	5,326,081	5,326,081	0	0	0
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	270,318	270,318	0	0	0
C. SHORT-TERM LIABILITIES	475,312,330	2,070,391	406,110,804	19,483,777	47,647,358
I. SHORT-TERM FINANCIAL LIABILITIES	0	0	0	0	0
II. SHORT-TERM BUSINESS LIABILITIES	475,312,330	2,070,391	406,110,804	19,483,777	47,647,358
1. Short-term business liabilities to suppliers	69,028,342	472,527	11,740,616	9,167,841	47,647,358
2. Other short-term operating liabilities	406,283,988	1,597,864	394,370,188	10,315,936	0
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	134,211	134,211	0	0	0

The table shows separately the items relating to the assets and the liabilities to the sources of those assets that are held by Borzen exclusively for the purpose of fulfilling the activities of the respective public utility service.

The assets of the Centre for Support and the Balance Scheme are shown separately. On the one hand, these are cash assets, which are held in separate special accounts; on the other hand, these represent claims and liabilities, which are also managed separately and are settled through special settlement accounts.

SUMMARY OF RESULTS
THE IMPACT OF ECONOMIC, LEGISLATIVE AND OTHER CONDITIONS ON OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2023
PRODUCTION CAPITAL
COMPANY CAPITAL
HUMAN CAPITAL
RESPONSIBILITY FOR THE NATURAL ENVIRONMENT
INTELLECTUAL CAPITAL
MANAGEMENT OF RISKS AND OPPORTUNITIES
COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES
FINANCIAL REPORT ON THE OPERATIONS OF THE COMPANY ACCORDING TO INDIVIDUAL ACTIVITIES





FINANCIAL REPORT

As an electricity market operator, we connect all system stakeholders. Only united in a strategy towards an energy-stable and high-quality future can we move more swiftly and effectively towards a green transition.

03





14 STATEMENT OF THE MANAGEMENT



In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board of the company hereby ensure that the annual report of Borzen, operater trga z elektriko, d.o.o., is prepared and will be published in compliance with the Companies Act and the Slovenian Accounting Standards.

The Management adopts and confirms the financial statements of Borzen, operater trga z elektriko, d.o.o. for the year that ended on 31 December 2023, and the notes to the financial statements which are prepared based on the assumption of the company’s continued operations and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that suitable accounting policies have been used consistently during the preparation of the financial statements, that the accounting estimates have been created pursuant to the principle of precaution and sound governance, and that the financial statements represent a true and fair view of the financial situation of the company, as well as of its economic outturn for 2023.

In Ljubljana, on 26 April 2024

Mojca Kert
General Manager of Borzen, d.o.o.



**STATEMENT OF THE
MANAGEMENT**

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

**NOTES ON THE
FINANCIAL STATEMENTS**

**IMPORTANT
ENERGY REGULATIONS**

**CODES AND
RECOMMENDATIONS**

CONTACTING BORZEN

GLOSSARY





15 AUDITOR'S REPORT





16 FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT
FOR THE FINANCIAL YEAR
AND THE DETERMINATION OF
BALANCE SHEET PROFIT

STATEMENT OF OTHER
COMPREHENSIVE INCOME

STATEMENT OF CHANGES
IN EQUITY



BALANCE SHEET

Balance sheet as at 31 December 2023 and as at 31 December 2022

inEUR

DESCRIPTION	31 DEC 2023	31 DEC 2022
ASSETS	490,709,232	392,216,876
A. LONG-TERM ASSETS	64,506,796	74,528,116
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	395,980	483,963
II. PROPERTY, PLANT AND EQUIPMENT	2,083,560	2,019,742
1. Land and buildings	1,523,805	1,607,951
2. Other plant and equipment	559,755	411,791
III. LONG-TERM FINANCIAL INVESTMENTS	62,000,000	72,000,000
1. Other long-term financial investments	62,000,000	72,000,000
IV. DEFERRED TAX RECEIVABLES	27,256	24,411
B. SHORT-TERM ASSETS	426,083,184	317,600,154
I. SHORT-TERM FINANCIAL INVESTMENTS	297,000,000	274,000,000
II. SHORT-TERM OPERATING RECEIVABLES	57,804,452	26,468,758
1. Short-term operating receivables due from customers	52,897,065	24,919,475
2. Short-term operating receivables due from others	4,907,387	1,549,283
III. CASH AND CASH EQUIVALENTS	71,278,732	17,131,396
C. SHORT TERM DEFERRED COSTS AND ACCRUED REVENUES	119,252	88,606

in EUR

DESCRIPTION	31 DEC 2023	31 DEC 2022
LIABILITIES	490,709,232	392,216,876
A. EQUITY	14,992,373	9,666,199
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL RESERVES	395	395
III. REVENUE RESERVES	7,698,284	4,185,407
1. Legal reserves	196,328	196,328
2. Other revenue reserves	7,501,956	3,989,079
IV. RESERVES ARISING FROM FAIR VALUE MEASUREMENTS	3,938	4,241
V. PROFIT OR LOSS BROUGHT FORWARD	396	-739
VI. NET PROFIT (OR LOSS) FOR THE FINANCIAL YEAR	5,326,081	3,513,616
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE	270,318	257,178
C. SHORT-TERM LIABILITIES	475,312,330	382,216,979
I. SHORT-TERM FINANCIAL LIABILITIES	0	1,750,000
II. SHORT-TERM OPERATING LIABILITIES	475,312,330	380,466,979
1. Short-term operating liabilities to suppliers	69,028,342	19,375,409
2. Other short-term operating liabilities	406,283,988	361,091,570
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	134,211	76,520

STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT
FOR THE FINANCIAL YEAR
AND THE DETERMINATION OF
BALANCE SHEET PROFIT

STATEMENT OF OTHER
COMPREHENSIVE INCOME

STATEMENT OF
CHANGES IN EQUITY

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



INCOME STATEMENT

Statement of profit or loss from 1 January to 31 December 2023

in EUR

DESCRIPTION	1 JAN 2023 - 31 DEC 2023	1 JAN 2022 - 31 DEC 2022
1. NET REVENUES FROM SALES	5,491,932	4,524,108
2. OTHER OPERATING REVENUE	109,575	89,786
TOTAL OPERATING REVENUE	5,601,507	4,613,894
3. MATERIAL AND SERVICE COSTS	1,686,060	1,434,711
a. Material costs	92,653	88,407
b. Service costs	1,593,407	1,346,304
4. LABOUR COSTS	3,202,802	2,884,366
a. Salary costs	2,320,027	2,121,809
b. Pension costs	291,673	273,584
c. Other social security costs	176,719	160,059
d. Other labour costs	414,383	328,914
5. WRITE-OFFS	494,746	382,386
a. Amortisation	411,149	382,386
b. Revaluated operating expenses	83,597	0
6. OTHER OPERATING EXPENSES	34,523	21,443

in EUR

DESCRIPTION	1 JAN 2023 - 31 DEC 2023	1 JAN 2022 - 31 DEC 2022
7. FINANCIAL REVENUES FROM SHARES	16,555	3,356,265
a. Financial revenues from shares in Group companies	0	3,335,522
b. Financial revenues from other investments	16,555	20,743
8. FINANCIAL REVENUES FROM LOANS GRANTED	6,728,098	501,550
a. Financial revenues from loans granted to Group companies	0	72,053
b. Financial revenues from other investments	6,728,098	429,497
9. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	541	24,431
10. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	14,584	109,588
11. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	349,237	2,368
12. OTHER REVENUES	6,676	30
13. OTHER EXPENSES	5,204	1,013
14. INCOME TAX	1,242,986	38,860
15. DEFERRED TAX	-2,846	107,819
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	5,326,081	3,513,616

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT
FOR THE FINANCIAL YEAR
AND THE DETERMINATION OF
BALANCE SHEET PROFIT

STATEMENT OF OTHER
COMPREHENSIVE INCOME

STATEMENT OF
CHANGES IN EQUITY

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



CASH FLOW STATEMENT

Cash flow statement according to the indirect method (version II)

in EUR

DESCRIPTION	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Operating income	(927,839)	167,968
Operating income (except revaluation) and financial revenue from trade receivables	5,584,084	4,634,695
Operating expenses without depreciation (except revaluation) and financial expenses from trade liabilities	-5,268,937	-4,320,048
Income tax and other taxes not included in operating expenses	-1,242,986	-146,679
b. Operating expenses	63,570,843	63,880,806
Opening minus closing operating receivables	-31,335,694	7,351,513
Initial minus final deferred costs and accrued revenues	-6,801	-67,755
Initial minus final deferred tax assets	-2,845	109,876
Final minus initial trade debts	94,845,351	56,416,555
Closing minus opening accrued costs and deferred revenues and provisions	70,831	70,617
c. Positive or negative cash flow from operating activities (a + b)	62,643,003	64,048,774
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Cash receipts from investing activities	264,757,401	94,675,946
Receipts from interest relating to investing activities	6,744,654	5,777,384
Income from the disposal of tangible assets	38,556	37,429
Cash receipts from the disposal of financial investments	257,974,191	88,861,133
b. Cash disbursements from investing activities	-271,488,484	-163,339,225
Expenditures for the acquisition of intangible assets	-177,990	-193,215
Expenditures for the acquisition of tangible assets	-336,303	-146,010
Expenditures for the acquisition of financial investments	-270,974,191	-163,000,000
c. Positive or negative cash flow from investing activities (a + b)	-6,731,083	-68,663,279

in EUR

DESCRIPTION	2023	2022
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Income from financing activities	0	1,750,000
Income from increase of financial liabilities	0	1,750,000
b. Expenditures from financing activities	-1,764,584	-109,589
Expenditures for interest related to financing activities	-14,584	-109,589
Cash repayment of financial liabilities	-1,750,000	0
c. Positive or negative cash flow from financing activities (a + b)	-1,764,584	1,640,411
D. Final cash balance		
Cash performance in the period	54,147,336	-2,974,094
Initial cash balance	17,131,396	20,105,490

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT
FOR THE FINANCIAL YEAR
AND THE DETERMINATION OF
BALANCE SHEET PROFIT

STATEMENT OF OTHER
COMPREHENSIVE INCOME

STATEMENT OF
CHANGES IN EQUITY

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



DISTRIBUTION OF NET PROFIT FOR THE FINANCIAL YEAR AND THE DETERMINATION OF BALANCE SHEET PROFIT

Allocation of the net profit for the 2023 financial year in EUR

DESCRIPTION	31 DEC 2023
Net profit for the previous years	0
Net profit for the current year	5,326,081
Share of the profit carried forward for the financial year from the elimination of actuarial losses	396
Balance sheet profit for the financial year	5,326,477

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2022 in EUR

	SHARE CAPITA	CAPITAL RESERVES	REVENUE RESERVES		RESERVES RESULTING FROM VALUATION AT FAIR VALUE	NET PROFIT OR LOSS FROM THE PREVIOUS YEAR BROUGHT FORWARD	NET PROFIT OR LOSS OF THE FINANCIAL YEAR	TOTAL EQUITY
			STATUTORY RESERVES	OTHER REVENUE RESERVES				
END BALANCE AS AT 31 DECEMBER 2021	1,963,279	395	196,328	3,555,418	-20,352	439	433,222	6,128,730
Changes in equity – transactions with owners								
– Payment of dividends								
Total comprehensive income								3,537,470
– Change in reserves resulting from valuation at fair value					23,854			23,854
– Entry of net profit or loss							3,513,616	3,513,616
Changes in equity								
– Distribution of the remaining portion of net profit of the comparative period						433,222	-433,222	0
– Transfer to reserves pursuant to the decision of the assembly				433,661		-433,661		0
– Other changes					739	-739		0
END BALANCE AS AT 31 DECEMBER 2022	1,963,279	395	196,328	3,989,079	4,241	-739	3,513,616	9,666,199

STATEMENT OF OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income from 1 January 2022 to 31 December 2023 in EUR

DESCRIPTION	1 JAN 2023 - 31 DEC 2023	1 JAN 2022 - 31 DEC 2022
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	5,326,081	3,513,616
Actuarial gains and losses of programmes with certain earnings	92	23,854
TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD	5,326,173	3,537,470

STATEMENT OF THE MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT FOR THE FINANCIAL YEAR AND THE DETERMINATION OF BALANCE SHEET PROFIT

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF CHANGES IN EQUITY

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Statement of changes in equity for 2023

in EUR

			REVENUE RESERVES		RESERVES RESULTING FROM VALUATION AT FAIR VALUE	NET PROFIT OR LOSS FROM THE PREVIOUS YEAR BROUGHT FORWARD	NET PROFIT OR LOSS OF THE FINANCIAL YEAR	TOTAL EQUITY
	SHARE CAPITA	CAPITAL RESERVES	STATUTORY RESERVES	OTHER REVENUE RESERVES				
END BALANCE AS AT 31 DECEMBER 2022	1,963,279	395	196,328	3,989,079	4,241	-739	3,513,616	9,666,199
Changes in equity – transactions with owners								
– Payment of dividends								
Total comprehensive income								5,326,173
– Change in reserves resulting from valuation at fair value								
					92			92
– Entry of net profit or loss								
							5,326,081	5,326,081
Changes in equity								
– Distribution of the remaining portion of net profit of the comparative period								
						3,513,616	-3,513,616	0
– Transfer to reserves pursuant to the decision of the assembly								
				3,512,877		-3,512,877		0
– Other changes								
					-396	396		0
END BALANCE AS AT 31 DECEMBER 2023	1,963,279	395	196,328	7,501,956	3,938	396	5,326,081	14,992,373

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

CASH FLOW STATEMENT

DISTRIBUTION OF NET PROFIT
FOR THE FINANCIAL YEAR
AND THE DETERMINATION OF
BALANCE SHEET PROFIT

STATEMENT OF OTHER
COMPREHENSIVE INCOME

STATEMENT OF
CHANGES IN EQUITY

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





17 ACCOUNTING POLICIES



BASES FOR DRAWING UP
FINANCIAL STATEMENTS

The financial statements are compiled in accordance with the Slovenian Accounting Standards and the Companies Act (the ZGD-1). The data in the financial statements are based on accounting documents and accounts kept in accordance with the Slovenian Accounting Standards. The preparation of financial statements is based on the following basic accounting assumptions: going concern basis, consistent stability, and accrual accounting principles. The accounting policies follow the basic accounting principles, i.e. the precautionary principle, the principle of the priority of substance, the materiality principle, and the principle of comparability of information.

All important items are disclosed, with their significance also depending on the amount of each individual item. The accounting policies and accounting estimates used in the preparation and presentation of the financial statements for the year under review are the same as those used in the previous financial year.

INTANGIBLE ASSETS

For intangible assets and long-term deferred costs and accrued revenues, the accounting records separately show their cost and value adjustments as a cumulative write-off resulting from amortisation. They are recorded in the balance sheet at their unamortised cost, which is the difference between the cost and the value adjustment. At the end of each accounting period, the company reviews all significant intangible assets and examines whether any signals of impairment exist. If it is determined that the recoverable amount is smaller than the carrying amount, then such impairment is recognised as a revaluation expense.

TANGIBLE ASSETS

Property, plant and equipment are recorded separately at cost and at depreciated amounts, in which depreciation represents the cumulative write-off of the asset as a result of depreciation. They are carried in the balance sheet at their carrying amount, which represents the difference between the acquisition and depreciated values.

The actual cost of an item of property, plant and equipment includes its purchase price and all costs which can be directly attributed to its qualification for its intended use. Costs incurred in connection with an item of property, plant and equipment subsequently increase its cost to the extent that they increase future benefits over those previously estimated.

At the end of each reporting period, the company reviews significant property, plant and equipment for indicators of impairment. If it is determined that the recoverable amount is smaller than the carrying amount, then such impairment is recognised as a revaluation expense.

LONG-TERM FINANCIAL INVESTMENTS

At the time of origination, long-term financial investments are disclosed at the purchase value, which corresponds to the invested cash or other assets.

SHORT-TERM FINANCIAL INVESTMENTS

At the time of origination, short-term financial investments are disclosed at the purchase value, which corresponds to the invested cash or other assets.

SHORT-TERM BUSINESS RECEIVABLES

Upon their time of origination, receivables are disclosed in the sums arising from said suitable documents, assuming that they will be paid. Receivables due from legal and natural persons abroad are converted into the local currency at the date of their creation. Exchange rate differences arising until the date of settlement of said receivables or until the balance sheet date are considered as the financial income or financial expenses item. The adequacy of the reported amounts of each individual receivable is verified before the financial statements are drawn up. The value adjustments of the receivables that are estimated not to be paid in full are made on the basis of each individual receivable. The value adjustments of receivables reduce their carrying amount and increase the revaluation financial expenses, insofar as they relate to the regular receivables of the company. The value adjustments of the receivables of the Centre for Support reduce the assets of the Centre for Support; in addition, the value adjustments of the imbalance settlement receivables are also covered from the surplus of the imbalance settlement in accordance with the Rules on the Operation of the Electricity Market.

CASH ASSETS

Cash assets consist of demand deposits and short-term deposits held at call with banks. The company separately discloses the cash assets of the Centre for Support and the cash assets of the imbalance settlement, which are held in separate accounts that have been opened up specifically for this purpose.

ACCRUALS

Accruals may be active or passive. They include deferred revenues and costs or expenses, accrued costs or expenses and accrued income, which represents a specific type of claims and debts.

STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



EQUITY

The total equity of the company is divided into share capital, i.e. the called-up capital of the shareholder, capital reserves, profit reserves, revaluation surplus, profit or loss of previous years, and undistributed net profit or loss of the current year.

RESERVATIONS

Reservations are made for current liabilities arising from past obligating events and that are planned to be settled during a period which is not determined with certainty, of which the amounts for their settlement can be evaluated with certainty. They include provisions for jubilee awards and severance pay upon retirement, and can be treated as debts in the broader sense of the word.

LONG-TERM LIABILITIES

Long-term liabilities are all liabilities that are due within a period of more than one year and that are separately disclosed as long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities refer to loans obtained, while long-term operating liabilities are liabilities towards domestic and foreign suppliers.

SHORT-TERM LIABILITIES

Short-term liabilities are separately disclosed as short-term financial liabilities and short-term operating liabilities. Short-term financial liabilities refer to loans obtained. Short-term business liabilities are advanced payments obtained from customers, liabilities towards domestic and foreign suppliers, liabilities towards employees, liabilities towards state institutions, and other liabilities. All liabilities are measured at fair value.

The **INCOME STATEMENT** has been prepared pursuant to version I.

INCOME

Revenues are divided into operating revenues, financial revenues, and other revenues. Operating and financial revenues are considered as regular revenues. Operating revenues are revenues from sales and other operating revenues related to operating effects. Sales revenues consist of the sales values of services performed during the accounting period. Revenues are recognised on the basis of sale prices set out in invoices or other documents. Financial revenues are investment revenues, which appear in relation to financial investments and also in relation to receivables. Other revenues consist of unusual items and other revenues that are increasing our operating result.

EXPENSES

Expenses are classified as operating expenses, financial expenses, and other expenses. Operating and financial expenses are regular expenses. Operating expenses consist of all costs incurred during the financial year, recorded according to their natural types, such as material costs, service costs, labour costs, depreciation, revaluated operating expenses, and other operating expenses. Revaluated operating expenses arise upon the disposal of tangible fixed assets in connection with intangible assets and current assets due to their impairment, if their decrease in value is not covered through a special capital revaluation adjustment. Financial expenses are expenses arising from financing and investment expenses, while other expenses consist of extraordinary items that decrease the operating result.

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





18

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF
BALANCE SHEET ITEMS

EXPLANATION OF ITEMS
IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF
THE BALANCE SHEET



EXPLANATIONS OF BALANCE SHEET ITEMS

Intangible assets and long-term deferred costs and accrued revenues

Overview of fixed assets

in EUR

	SOFTWARE	SOFTWARE IN DEVELOPMENT	TOTAL
COST			
1 Jan 2023	2,440,328	0	2,440,328
Direct increases – Purchasing	0	177,990	177,990
Transfer from investments in progress	177,990	-177,990	0
Disposals	729,754	0	729,754
31 Dec 2023	1,888,564	0	1,888,564
DEPRECIATED VALUE			
1 Jan 2023	2,014,027	0	2,014,027
Depreciation during the year	167,873	0	167,873
Disposals	655,498	0	655,498
31 Dec 2023	1,526,402	0	1,526,402
CURRENT VALUE			
1 Jan 2023	426,301	0	426,301
31 Dec 2023	362,162	0	362,162

Software investments in 2023 represent the purchase of a couple of new licences and two new applications, i.e. the MDM application and the portal for submitting applications for grants that will be allocated by the Centre for Support in order to promote the generation of electricity and heat from renewable sources, as well as for electricity and heat storage. Disposals are related to the write-off of software which is no longer useful.

The depreciation rate according to which software is depreciated amounts to 20-50%, reflecting the estimated useful life.

Long-term deferred costs and accrued revenues represent the assets of the reserve fund and of the voluntary fund that are collected in a special account by the business premises manager; in 2023, they amounted to EUR 33,818.

STATEMENT OF THE MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Tangible fixed assets

Overview of tangible fixed assets in EUR

	REAL ESTATE	INFORMATION SYSTEM EQUIPMENT	OFFICE SPACE EQUIPMENT	OTHER EQUIPMENT	TOTAL
COST					
1 Jan 2023	2,277,248	881,483	229,536	216,231	3,604,498
Purchasing	0	180,048	957	155,298	336,303
Disposals	0	147,300	421	71,894	219,615
31 Dec 2023	2,277,248	914,231	230,072	299,635	3,721,186
DEPRECIATED VALUE					
1 Jan 2023	669,298	635,478	158,275	121,704	1,584,755
Amortisation	84,145	114,599	12,989	31,543	243,276
Disposals	0	146,234	421	43,749	190,404
31 Dec 2023	753,443	603,843	170,843	109,498	1,637,627
CURRENT VALUE					
1 Jan 2023	1,607,950	245,005	71,261	94,527	2,019,743
31 Dec 2023	1,523,805	310,388	59,229	190,137	2,083,559

IT system investments encompass the purchase of new hardware: disc arrays, servers, switches and new desktop workstations and laptops for new employees; some of the equipment was also replaced, particularly due to the wear and tear of the old equipment. Investments in other equipment are related to the purchase of new electric cars and mobile phones.

Disposals are related to the sell-off or write-off of old computer equipment that was replaced, as well as to the sale of two passenger cars.

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

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

STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

EXPLANATIONS OF
BALANCE SHEET ITEMS

EXPLANATION OF ITEMS
IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF
THE BALANCE SHEET

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Long-term financial investments

Other long-term financial investments relate to long-term investment of free cash assets of Borzen and of the Centre for Support, with the purpose of creating output. Out of these assets, EUR 2 million represent Borzen assets which are invested in bonds, while the remaining portion represents assets of the Centre for Support that are invested with different banks: EUR 23 million with the BKS Bank, EUR 13 million with NLB d.d., EUR 8 million with Sparkasse d.d., EUR 7 million with Unicredit Banka Slovenija d.d., EUR 4 million with Addiko Bank d.d. and EUR 5 million with 3M Finance d.o.o.

Deferred tax receivables

Deferred tax receivables are related to provision for severance pays upon retirement and jubilee awards which have decreased in 2023 due to the consumption of provisions arising therefrom; the increase was caused by the conversion to a higher tax rate for corporation tax that will apply in the year to come. New deferred tax receivables were not formed in 2023, since these provisions are fully tax deductible during this year as well.

Short-term investments

Financial investments are free assets or the surplus of the assets of the Centre for Support which are tied as deposits with the following banks: BKS Bank, Addiko Bank d.d., NLB d.d., Gorenjska banka d.d., DBS d.d., Unicredit banka Slovenije d.d., Banka Intesa Sanpaolo d.d. and Banka Sparkasse d.d. These deposits are tied up for up to 12 months. The amount of short-term financial investments represents the highest possible exposure to credit risk.

Overview of long-term financial investments for 2023 and 2022in EUR

	31 DEC 2023	31 DEC 2022
Other long-term financial investments	62,000,000	72,000,000
Total	62,000,000	72,000,000

Overview of deferred tax receivablesin EUR

	31 DEC 2023	INCREASES	DECREASES	31 DEC 2022
Deferred tax receivables				
– arising from provisions	27,256	3,716	871	24,411
Total	27,256	3,716	871	24,411

Overview of short-term financial investmentsin EUR

	31 DEC 2023	31 DEC 2022
Short-term investments	297,000,000	274,000,000
Total	297,000,000	274,000,000

STATEMENT OF THE MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Short-term operating receivables

Overview of short-term operating receivables in EUR

	31 DEC 2023	31 DEC 2022
Short-term receivables from customers	52,897,065	24,919,475
a) Short-term receivables from customers in the country	52,297,732	23,425,330
b) Short-term receivables from customers abroad	599,333	1,494,145
Short-term advances and securities granted	11,236	85,907
Current liabilities for interest	720,479	162,088
Short-term receivables arising from compensation for electricity suppliers	1,260,184	0
Other short-term receivables	2,915,488	1,301,288
Total	57,804,452	26,468,758

The share of short-term receivables from customers that amount to EUR 52,897,065 as at 31 December 2023 consists of:

- 25% of the Centre for Support receivables;
- 16% of the imbalance settlement receivables;
- 58% of the receivables for compensations for electricity and natural gas suppliers, and;
- 1% of regular receivables that encompass, to the greatest extent, membership contract and closed contract recording services.

These receivables are higher than compared to the end of 2022, particularly due to Borzen’s receivables towards the Ministry of Natural Resources and Spatial Planning arising from compensations for electricity and natural gas suppliers which, at the end of 2023, amounted to EUR 30 million. Imbalance settlement receivables are secured (the members must submit a coverage in the form of a deposit or bank guarantee), while other receivables are not secured.

Short-term receivables from customers according to their due date:

- EUR 51,918,435 of receivables from customers are not due as of yet (98.1%);
- EUR 976,140 are already due (1.9%), of which EUR 961,994 are up to 30 days late in payment, EUR 4,824 are up to 60 days late in payment, and EUR 9,322 are up to 90 days late in payment;
- EUR 2,490 of receivables are currently in the process of recovery by enforcement.

Short-term receivables arising from compensation for electricity suppliers are related to current shortfall of funds arising therefrom; at the end of the year, the MOPE has not yet provided these funds. Other short-term receivables are related to input VAT from invoices that have been recorded at the end of January 2023 and that are mostly related to December 2022.

Cash assets

Overview of cash assets in EUR

	31 DEC 2023	31 DEC 2022
Cash in banks	71,278,732	17,031,416
Cash assets on the business account	11,515,158	3,061,419
Cash assets on special accounts – Centre for Support	33,778,886	3,974,849
Cash assets on special accounts – Balance Scheme	10,047,095	9,995,148
Cash assets on special accounts – Compensations for electricity and natural gas suppliers	15,937,593	0
Deposits redeemable at notice – total	0	99,980
Deposit redeemable at notice	0	99,980
Deposit redeemable at notice – Centre for Support	0	0
Deposit redeemable at notice – Balance Scheme	0	0
Total	71,278,732	17,131,396

In terms of cash assets, the assets of the Centre for Support are disclosed separately in addition to regular asset, as well as the assets of the imbalance settlement and the assets for compensations for electricity and natural gas suppliers which are managed in special accounts. The assets of the Centre for Support are managed by the company on the basis of the ZSROVE, while the assets of the imbalance settlement are related to the organisation of the electricity market. Since the company manages these assets, it keeps them separately in separate accounts.

At the end of 2023, we had no deposits redeemable at notice. All deposits are tied for a definite period of time and are disclosed with short-term or long-term financial investments.

STATEMENT OF THE MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Short-term deferred costs and accrued revenues

Overview of short-term deferred costs and accrued revenuesin EUR

	31 DEC 2023	31 DEC 2022
Short-term deferred costs or expenses	119,252	88,606
Total	119,252	88,606

Deferred costs and accrued revenues disclose the costs that have been charged to us in 2023 and that relate to 2024, which is why they will be charged among the expenses of this year.

Capital

Capital overviewin EUR

	31 DEC 2023	31 DEC 2022
Called-up capital	1,963,279	1,963,279
Share capital – capital investment	1,963,279	1,963,279
Capital reserves – general capital revaluation adjustment	395	395
Revenue reserves	7,698,284	4,185,407
Statutory reserves	196,328	196,328
Other revenue reserves	7,501,956	3,989,079
Reserves resulting from revaluation at fair value	3,938	4,241
Profit or loss carried forward from previous years	396	-739
Net profit for the current year	5,326,081	3,513,616
Total	14,992,373	9,666,199

The entire capital of the company at the end of 2023 amounts to EUR 14.99 million. The previous year’s profit was allocated to other profit reserves. The net profit for 2023, which is also disclosed in the income statement, amounts to EUR 5,326,081. The profit carried

forward from previous years in the amount of EUR 396 represents the reversal of actuarial gains or losses for employees who left the company during the year and for whom the provisions for retirement benefits were reversed.

Provisions

Overview of provisionsin EUR

	31 DEC 2023	31 DEC 2022
Provisions for jubilee awards	75,546	84,401
Provisions for severance pays	194,772	172,777
Total	270,318	257,178

Based on the actuarial calculation, the company formed provisions for retirement allowances and jubilee benefits. The actuarial assumptions used were as follows: 39 employees, interest rate of 3.30%, salary increase of 4.0%, fluctuation of up to 35 years 5.5%, of up to

45 years 3.5% and of over 45 years 1.5%. The use of provision in 2023 amounted to EUR 9,171 (the payment of a jubilee bonus); after the restructuring at the end of 2023, provisions amount to a total of EUR 270,318.

Overview of provision fluctuationin EUR

	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT	PROVISIONS FOR JUBILEE AWARDS	TOTAL
Situation on 31 Dec 2022	172,777	84,401	257,178
Interest costs	7,256	3,352	10,608
Past service costs	0	0	0
Current service costs	14,831	4,884	19,715
Benefit payments	0	-9,171	-9,171
Actuarial gains/losses (IPI)	/	-7,920	-7,920
Actuarial gains/losses through IFP	-92	/	-92
Situation on 31 Dec 2023	194,772	75,546	270,318

Sensitivity analysis overviewin EUR

PARAMETERS	PROVISIONS FOR SEVERANCE PAYS	PROVISIONS FOR JUBILEE AWARDS
Reduction of discounted interest rate by 0.5%	15,689	3,588
Increase of discounted interest rate by 0.5%	-14,138	-3,320
Salary increase by 0.5% per year	16,057	0
Salary decrease by 0.5% per year	-14,620	0

STATEMENT OF THE MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Short-term liabilities

Overview of short-term liabilities

in EUR

	31 DEC 2023	31 DEC 2022
Short-term business liabilities to suppliers	69,028,342	19,375,409
– Short-term liabilities towards suppliers – regular suppliers	472,527	476,979
– Short-term liabilities towards suppliers – Centre for Support	11,740,616	7,026,844
– Short-term liabilities towards suppliers – Balance Scheme	9,167,841	11,871,586
– Short-term liabilities towards suppliers – compensations for electricity and natural gas	47,647,358	0
Short-term liabilities arising from the Centre for Support	382,992,514	347,943,813
Short-term liabilities arising from the Balance Scheme	9,525,100	12,217,331
Short-term liabilities for advance payments received	94,900	137,293
Short-term liabilities towards employees	374,808	281,860
– Liabilities for net salaries and salary compensations	216,823	113,104
– Liabilities for contributions from and to gross salaries and compensations	101,529	89,775
– Liabilities for taxes from gross salaries and compensations	35,128	35,463
– Liabilities for other benefits from the employment relationships	21,328	43,518
Liabilities from state and other institutions	2,430,129	502,565
– VAT liabilities	1,232,179	500,582
– Liabilities for the corporate income tax	1,194,301	0
– Other short-term liabilities towards the state and other institutions	3,649	1,983
Other short-term operating liabilities	10,866,537	8,708
Total short-term operating liabilities	475,312,330	380,466,979
Total short-term financial liabilities	0	1,750,000

The balance of liabilities to suppliers as at 31 December 2023 consists of open liabilities to regular suppliers, open liabilities to beneficiaries of the Centre for Support, open liabilities to suppliers related to the imbalance settlement, and open liabilities to suppliers related to compensations for electricity and natural gas. For the beneficiaries of the Centre for Support, the amount mainly relates to December invoices due at the end of January. Liabilities towards suppliers are settled by the company within the agreed-upon contractual deadlines.

Short-term liabilities from the Centre for Support represent a source of funds collected from RES and CHP, which increased again in 2023. This source finances cash assets, as well as short- and long-term financial investments of the Centre for Support.

Short-term liabilities arising from the Balance Scheme represent a surplus of assets arising therefrom.

Short-term liabilities towards employees represent open items due to employees in relation to December salaries and business performance bonus for 2023.

Other short-term liabilities mainly relate to the obligation for statistic transfers amounting to EUR 10,856,300 which was paid from the assets of the Centre for Support at the beginning of 2024 to the Republic of Croatia.

Off-balance records

The company reports off-balance assets amounting to EUR 13.39 million, of which EUR 5.93 million are cash assets of the members of the Balance Scheme on deposit sub-accounts which are opened in the name of the members of the Balance Scheme. The assets represent the insurance for the fulfilment of financial liabilities arising from the imbalance settlement. The financial coverage must be presented by the person responsible for the Balance Group at the time of signing the balance contract with the market operator, pursuant to the applicable Rules for the Operation of the Electricity Market. These assets are disclosed as off-balance assets since they do not directly influence the size and composition of assets and liabilities towards the asset sources, seeing as they only represent the guarantee for the performance of the obligations of the members of the Balance Scheme.

In addition to cash deposits, the members of the Balance Scheme may also submit financial coverage in the form of a bank guarantee payable on first demand. As at 31 December 2023, the value of the bank guarantees received from the members of the Balance Scheme amounted to EUR 7.46 million.

STATEMENT OF THE MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



EXPLANATION OF ITEMS IN THE INCOME STATEMENT

Operating income

Overview of operating revenues in EUR

	2023	SHARE IN %	2022	SHARE IN %
Revenues from the operations of the Centre for Support	1,484,781	26.5	1,616,420	35.0
Revenues from recorded closed contracts	966,487	17.3	973,863	21.1
Other revenues from sales of the Centre for Support	348,806	6.2	66,042	1.4
Revenues from the Centre for Support	1,250,000	22.3	850,000	18.4
Revenues from the implementation of the contact point	690,000	12.3	175,000	3.8
Revenues from the BSP	115,416	2.1	155,647	3.4
Revenues from informing and awareness-raising	449,859	8.0	449,714	9.7
RRM-REMIT revenues	186,583	3.3	193,334	4.2
Additional revenues pursuant to the ZSROVE	0	0.0	43,247	0.9
Other revenues	0	0.0	841	0.0
Total revenues from sales	5,491,932	98.0	4,524,108	98.1
Other operating revenues	109,575	2.0	89,786	1.9
Total	5,601,507	100.0	4,613,894	100.0

The largest share of the revenue relates to the revenue from the operation of the market operator. The amount of this revenue was determined in June 2015 in the Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator, which regulates the method of financing the public utility service and the supplement to network charges with a contribution for the operation of the concessionaire (the market operator) in the amount of EUR 0.00013/kWh.

A major share is also represented by revenues from recording closed contracts. The amount of the payment of the members of the Balance Scheme for the recording of closed contracts is set at EUR 0.00005/kWh for each recording of a closed contract in which a member of the balance group acts as the seller.

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

Other operating revenue in 2023 also included the revenue from salary refunds amounting to EUR 91,627.

Of the sales revenues, EUR 5,263,278 were invoiced to domestic customers and EUR 228,654 to customers abroad.

Operating expenses

Overview of operating expenses in EUR

	2023	SHARE IN %	2022	SHARE IN %
Material costs	92,653	1.7	88,407	1.9
Service costs	1,593,407	29.4	1,346,304	28.5
Labour costs	3,202,802	59.1	2,884,366	61.1
Amortisation	411,149	7.6	382,386	8.1
Revaluated operating expenses	83,597	1.5	0	0.0
Other operating expenses	34,523	0.6	21,443	0.5
Total	5,418,131	100.0	4,722,906	100.0

STATEMENT OF THE MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Material and service costs

Overview of material and service costs

in EUR

	2023	SHARE IN %	2022	SHARE IN %
Costs of energy	35,047	37.8	48,196	54.5
Office supplies	12,874	13.9	10,150	11.5
Professional literature	16,815	18.1	17,519	19.8
Other material costs	27,917	30.1	12,542	14.2
Total material costs	92,653	100.0	88,407	100.0
Bank services	10,641	0.7	8,664	0.6
Memberships (accession and membership fees)	34,495	2.2	36,910	2.7
Other services	85,107	5.3	72,089	5.4
Education	41,015	2.6	19,060	1.4
Rents	249,057	15.6	210,072	15.6
Costs of the business premises	80,319	5.0	73,939	5.5
Public relations	267,780	16.8	171,378	12.7
Postal services	36,952	2.3	27,291	2.0
SLA costs	85,600	5.4	86,549	6.4
Promotion of occupational health and safety	13,283	0.8	8,937	0.7
Insurance costs	26,469	1.7	22,161	1.6
Costs of business trips	18,388	1.2	19,225	1.4
Costs of the Supervisory Board	27,100	1.7	27,925	2.1
Advisory services and professional studies	278,075	17.5	339,205	25.2
Student work	3,283	0.2	37,862	2.8
Ongoing maintenance of fixed assets	335,843	21.1	185,037	13.7
Total costs of services	1,593,407	100.0	1,346,304	100.0

The total material and service costs are higher compared to the previous year. Most of the costs have increased, which is a consequence of the introduction of new activities.

Labour costs

Total labour costs in 2023 amounted to EUR 3,202,802. At the end of 2023, the company had 40 employees. The average number of employees on the basis of paid hours amounted to 38.35. The labour costs are calculated in accordance with the Rules on Labour Relations and the provisions of the Electricity Industry Collective Agreement applicable in the company since 1 May 2018. The labour costs, including the revenues arising from refunds, are within the planned values. The costs of wages and pension and social security insurances are slightly lower than the planned values, while other labour costs exceed the planned values, mainly due to the severance pays and the Christmas bonus that was paid in December and amounted to 1.5 times the minimal wage. In 2023, the company also calculated other costs of unused annual leave amounting to EUR 38,000.

Write-offs

In 2023, the depreciation amounted to EUR 411,149. The company uses the straight-line method to calculate its depreciation. Write-offs amounting to EUR 83,597 are the consequence of the depreciation of tangible and intangible fixed assets.

Other operating expenses

Other operating expenses amounted to EUR 34,523 and refer to the construction land contribution, 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, and court fees.

STATEMENT OF THE MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE FINANCIAL STATEMENTS

EXPLANATIONS OF BALANCE SHEET ITEMS

EXPLANATION OF ITEMS IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF THE BALANCE SHEET

IMPORTANT ENERGY REGULATIONS

CODES AND RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



Financial revenues

Overview of financial revenues in EUR

	2023	SHARE IN %	2022	SHARE IN %
Financial revenue from shares	0	0.0	3,785,763	97.5
Financial revenues from loans granted	6,744,654	100.0	72,053	1.9
Financial revenues from operating receivables	541	0.0	24,430	0.6
Total	6,745,195	100.0	3,882,246	100.0

Financial revenues are related to interests arising from other long-term and short-term financial investments.

Finančni odhodki

Overview of financial expenses in EUR

	2023	SHARE IN %	2022	SHARE IN %
Financial expenses for interests	14,584	4.0	111,911	100.0
Other financial expenses with revaluation expenses	349,237	96.0	45	0.0
Total	363,821	100.0	111,956	100.0

The financial interest expenses amounting to EUR 14,584 are mainly related to interests arising from actuarial calculation, as well as to interests from treasury bills. Other financial expenses are related to interest on late payments that we had to pay to the beneficiaries of the Centre for Support due to withholding of funds, as well as to exchange rate differences.

Other revenues and other expenses

In 2023, the company organised a solidarity working Saturday, earmarking EUR 5,204 arising therefrom to the Fund for the Reconstruction of Slovenia, in addition to employee contributions.



STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

EXPLANATIONS OF
BALANCE SHEET ITEMS

EXPLANATION OF ITEMS
IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF
THE BALANCE SHEET

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



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.

The employment relationship of Borut Rajer MSc, our previous general manager who was appointed on 1 September 2022, came to an end on 31 August. As at 1 September 2023, Mojca Kert was appointed as the general manager of the company.

Remuneration of the general managers in 2023

	GROSS RECEIPTS OF GENERAL MANAGERS in EUR
Borut Rajer Msc (mandate lasting until 31 August 2023)	
Salary for 2023	85,602
Annual bonus	4,280
Subsidy	1,513
Benefits	628
Compensation for unused leave and redundancy payment	11,807
Jubilee award	8,025
Mojca Kert (mandate beginning on 1 September 2023)	
Salary for 2023	42,801
Christmas bonus and business performance	2,547
Subsidy	760
Annual bonus	4,815
Benefits	82

The Supervisory Board consists of three members appointed by the Government of the Republic of Slovenia. The members of the Supervisory Board and the Audit Committee were appointed in June 2022. In 2023, the members of the Supervisory Board and the Audit Committee were entitled to the following basic payment for the performance of their functions and the payment of attendance fees based on the applicable decision of the Shareholder:

Remunerations of the members of the Supervisory Board and the Audit Committee in 2023

in EUR

	SB FUNCTION	SB ATTENDANCE FEES	AC FUNCTION	AC ATTENDANCE FEES	TRAVEL COSTS	BENEFITS	GROSS TOTAL
Mojca Veljkovič	2,400	3,300	400	1,656	2,853	33	10,642
Ivana Nedižavec Korada	1,760	3,300	550	1,656	149	33	7,448
Žiga Fišer	1,600	3,300	/	/	0	33	4,933
Braco Mihelj	/	/	400	1,296	148	0	1,844
Total	5,760	9,900	1,350	4,608	3,150	98	24,866

The company has no liabilities to the general managers or to the members of the Supervisory Board, nor has the company made or approve any advances, loans or guarantees of liabilities to these parties.

Pursuant to the ZNPOVCE and on the basis of the Regulation on Determining Compensation for Electricity Suppliers (Official Gazette of the Republic of Slovenia, No. 4/23 and 58/23) and the Regulation for Determining Compensation for Natural Gas Suppliers (Official Gazette of the Republic of Slovenia, No. 4/23 and 58/23), the company started performing the tasks related to the payment of compensation for electricity and natural gas

suppliers in 2023. The total amount of claims related to 2023 which have not been processed before 31 December 2023 amounts to EUR 87,032,788.77, of which EUR 36,358,225.55 is related to claims for September and October 2023, while EUR 42,678,536 is related to claims for November and December 2023. The company does not disclose this amount as its liabilities, seeing as the liability only arises when the issued written decision becomes final. Simultaneously with the recording of liabilities for the payment of said compensation, the company also records its receivable from the MOPE, seeing as Borzen is only the entity implementing the measure in this procedure, while the actual source for the payment of these claims is the State budget.

STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

EXPLANATIONS OF
BALANCE SHEET ITEMS

EXPLANATION OF ITEMS
IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF
THE BALANCE SHEET

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY



EVENTS AFTER THE DATE OF THE BALANCE SHEET

There have been no events subsequent to the end of the financial year that would affect the financial position of the company in 2023.

Mojca Kert
General Manager of Borzen, d.o.o.



STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

EXPLANATIONS OF
BALANCE SHEET ITEMS

EXPLANATION OF ITEMS
IN THE INCOME STATEMENT

OTHER DISCLOSURES

EVENTS AFTER THE DATE OF
THE BALANCE SHEET

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





19

IMPORTANT
ENERGY
REGULATIONS



Some of the most relevant energy regulations governing the operation of the electricity market operator's public utility activities and the public service of the Centre for Support are listed below:

- Act on the method for determining and presenting the breakdown of electricity generation by energy source (Official Gazette of the Republic of Slovenia, No. 22/16 and 172/21 – the ZOEE)
- Act on support for the production of electricity from renewable energy sources and high-efficiency cogeneration (Official Gazette of the Republic of Slovenia, No. 56/15, 121/21 – the ZSROVE)
- Act on using guarantees of origin registry (Official Gazette of the Republic of Slovenia, No. 204/20, 121/21 – the ZSROVE)
- Energy Act (Official Gazette of the Republic of Slovenia, No. 60/19 – official consolidated version, 65/20, 158/20 – the ZURE, 175/20 – the ZIUOPDVE, 121/21 – the ZSROVE, 172/21 – the ZOEE, 204/21 – the ZOP, 44/22 – the ZOTDS)
- Rules on the operation of the Centre for Support (Official Gazette of the Republic of Slovenia, No 88/16, 172/21)
- Rules on the Operation of the Electricity Market (Official Gazette of the Republic of Slovenia, No. 74/18, 62/19, 159/21 – corr., 69/22)
- Rules for the Implementation of the Balancing Market for Electricity (Official Gazette of the Republic of Slovenia, No. 97/14, 28/17 and 161/22)
- Rules on the Financial Incentives for Energy Efficiency, District Heating and Use of Renewable Energy Sources (Official Gazette of the Republic of Slovenia, No. 52/16, 59/16 – corr., 158/20 – the ZURE)
- Decision on prices and premiums for the purchase of electricity from qualified electricity producers (Official Gazette of the Republic of Slovenia, No. 65/08, 98/08, 105/08, 85/09)
- Decree on determining the quantity of electricity generated from high-efficiency cogeneration of heat and electricity and on determining the efficiency of the energy conversion of biomass (Official Gazette of the Republic of Slovenia, No. 37/09, 17/14 – the EZ-1, 158/20 – the ZURE)
- Decree on issuing declarations for generation units and guarantees of electricity origin (Official Gazette of the Republic of Slovenia, No. 182/20, 121/21 – the ZSROVE)

- Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources (Official Gazette of the Republic of Slovenia, No. 184/21, 84/22, 86/22, 112/22)
- Regulation on measurements to be performed in production units which are receiving guaranties of origin and support for electricity produced (Official Gazette of the Republic of Slovenia, No. 21/09, 33/10, 45/12, 17/14 – the EZ-1, 121/21 – the ZSROVE)
- Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator (Official Gazette of the Republic of Slovenia, No. 39/15, 121/21 – the ZSROVE, 172/21)
- Decree on support for electricity generated from renewable energy sources and from high-efficiency cogeneration (Official Gazette of the Republic of Slovenia, No. 26/22)
- Decree on the rules for drafting forecasts of the position of units generating electricity from renewable energy sources and high-efficiency cogeneration on the electricity market (Official Gazette of the Republic of Slovenia, No. 194/21)
- Decree on energy savings requirements (Official Gazette of the Republic of Slovenia, No. 96/14, 158/20 – the ZURE, 84/22, 86/22, 107/22)
- Companies Act (Official Gazette of the Republic of Slovenia, No. 65/09 – the UPB, 33/11, 91/11, 100/11 – Decision of the Constitutional Court, 32/12, 57/12, 44/13 – Decision of the Constitutional Court, 82/13, 55/15, 15/17, 22/19 – the ZPosS, 158/20 – the ZIntPK-C, 175/20 – the ZIUOPDVE, 18/21, 18/23 – the ZDU-1O and 75/23)
- Act on Public Utility Services (Official Gazette of the Republic of Slovenia, No. 32/ 93, 30/98 – the ZZLPPO, 127/06 – the ZJZP, 38/10 – the ZUKN, 57/11 – ORZGJS40)
- Electricity Supply Act (Official Gazette of the Republic of Slovenia, No. 172/21)
- Act on the Promotion of the Use of Renewable Energy Sources (Official Gazette of the Republic of Slovenia, No. 121/21, 189/121, 29/22 – the ZUOPVCE)
- Act on the Efficient Use of Energy (Official Gazette of the Republic of Slovenia, No. 158/20) and others.

STATEMENT OF THE
MANAGEMENT

AUDITOR'S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





20

CODES AND
RECOMMENDATIONS



Below, you can find the codes and recommendations of the Shareholder that Borzen, d.o.o. adheres to in its operations:

- Recommendations and expectations of the Slovenian State Holding;
- Corporate Governance Code for Companies with State Capital Investments.

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





21 CONTACTING BORZEN



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STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





22 GLOSSARY



- **ACER** – Agency for the Cooperation of Energy Regulators
- **CC** – Closed Contracts
- **CEP** – Clean Energy for Europeans Package
- **CHE** – Combined Heat and Power
- **CP** – Centre for Support
- **DSPE** – Domestic Sources of Primary Energy
- **EECS** – European Energy Certificate System
- **ENTSO-E** – European Network of Transmission System Operators
- **EU** – European Union
- **EUE** – Efficient Use of Energy
- **EZ-1** – Energy Act
- **GDPR** – General Data Protection Regulation
- **GRI** – Global Reporting Initiative
- **HHI** – Herfindahl-Hirschman Index
- **IAEE** – International Association for Energy Economics
- **IGCC** – International Grid Control Cooperation

- **INC** – Imbalance Netting Cooperation
- **MO** – Market Operator
- **MZI** – Ministry of Infrastructure
- **NEPN** – National Energy and Climate Plan of the Republic of Slovenia
- **PUS** – Public Utility Service
- **RES** – Renewable Energy Sources
- **REMIT** – Regulation on Wholesale Energy Market Integrity and Transparency
- **RRM** – Registered Reporting Mechanism
- **SDH** – Slovenski državni holding d.d.
- **SIDC** – Single Intraday Coupling
- **SIPX** – Slovenian Price Index
- **ZGD-1** – Companies Act
- **ZOEE** – Electricity Supply Act
- **ZSROVE** – Act on the Promotion of the Use of Renewable Energy Source
- **ZURE** – Act on the Efficient Use of Energy

STATEMENT OF THE
MANAGEMENT

AUDITOR’S REPORT

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

NOTES ON THE
FINANCIAL STATEMENTS

IMPORTANT
ENERGY REGULATIONS

CODES AND
RECOMMENDATIONS

CONTACTING BORZEN

GLOSSARY





Borzen