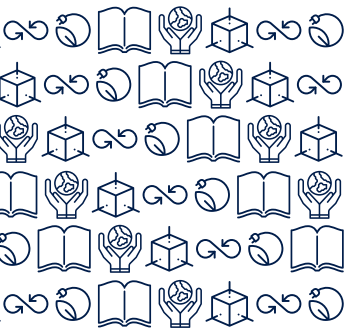


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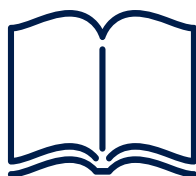
THINKING OF THE FUTURE

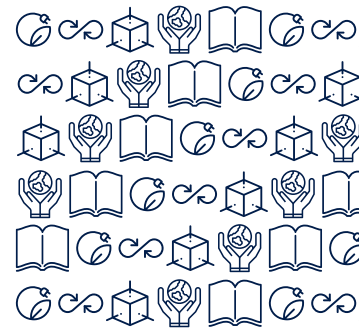
The international community has reached a historic agreement on the eradication of poverty, reduction of inequality, assurance of progress and protection of the environment for the present and future generations with the adoption of the 2030 Agenda for Sustainable Development in 2015 at the UN Summit.

In a balanced way, the Agenda connects the three dimensions of sustainable development – economic, social and environmental – and intertwines them through 17 sustainable development goals, which must be realised by 2030. These goals are to be realised by all world countries, taking their national circumstances into account.

We at Borzen also identify with many of the set goals and want to do our best to help to realise them:

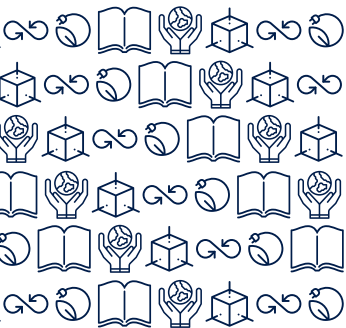
- ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
- ensure access to affordable, reliable, sustainable and modern energy for all;
- build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation;
- ensure sustainable consumption and production patterns;
- take urgent action to combat climate change and its impacts.





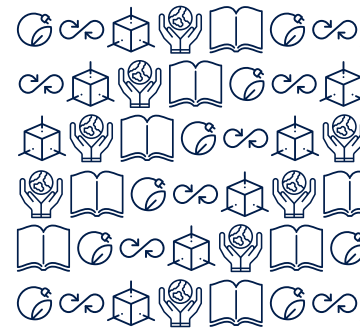
Borzen identifies with the set goals through its mission. Our company's operation is highly intertwined and supports the realisation of the goals set by the UN, and through them also of our country's goals.

The very nature of an electricity market operator is a socially responsible one; the company tries to pass these values on to the broader environment. In 2018, Borzen once again supported the 2030 Agenda for Sustainable Development through diverse activities, as reflected in our report.

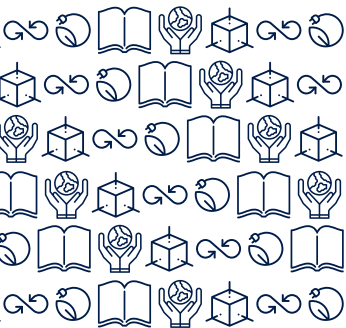


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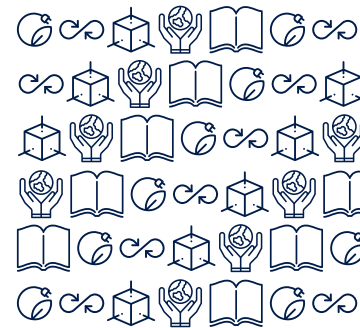
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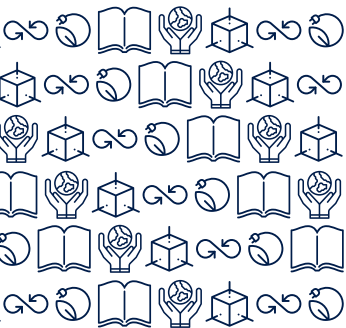
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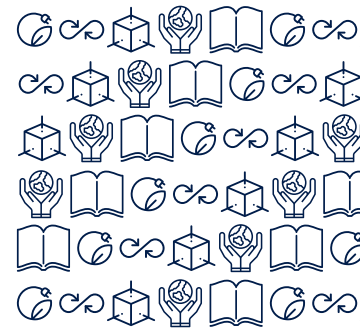
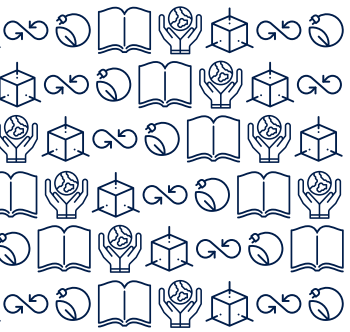
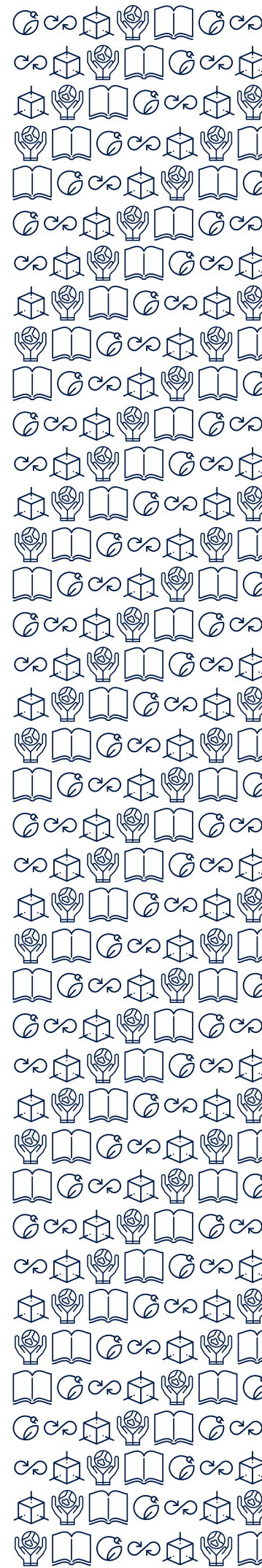


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GENERAL MANAGER'S STATEMENT

The connection and interdependence of individuals, societies and, last but not least, of humanity and our planet is undeniable. Something similar can be said of the energy market, where all players are operating interdependently. The very co-creation of the energy market in Slovenia and abroad left the biggest mark on Borzen in 2018.

THE ELECTRICITY MARKET IS CHANGING

The conditions on the electricity market, where an increased market concentration was detected in 2018, are also reflected in the drop in the volume and number of recorded closed contracts, as noted by Borzen. All of the above is also reflected in our company's profit, which equals EUR 1.37 million for 2018. In the organised market, we recorded slightly less than 110,000 closed contracts and operational forecasts totalling 8.1 TWh. The data show that in 2018 Slovenia was the net importer of electricity and that the import represented 16.4 percent of the total Slovenian electricity consumption.

Transparency is undoubtedly one priority of the electricity market. Borzen was very active when it came to ensuring the transparent operation of the electricity market; among other things, through various announcements and submitting relevant data to market participants and the broader public. Since 2015, we have been reporting data on wholesale energy transactions to the Agency for the Cooperation of Energy Regulators (ACER), thus providing a systematic, transparent, efficient and competitive Slovenian electricity market.

MORE ENVIRONMENTALLY FRIENDLY ELECTRICITY GENERATION

Renewable energy sources and energy efficiency have been established for many years now and are continuing to gain ground. In Slovenia, the trend of increased investments in renewable energy sources through the Support Scheme, but not in general, stabilised about two years ago, when the policy of granting State aid in this field was amended. This is collaborated by the low number of entries of new units to the Support Scheme for Electricity Production from Renewable Energy Sources and Cogeneration of Heat and Power, which is managed by Borzen. At the end of 2018, the Support

Scheme consisted of slightly less than 3,600 units, which represented approximately 12 percent of installed capacities in the Republic of Slovenia. The total amount of support payments for the electricity generated by the above-mentioned units, which accounted for 7 percent of the Slovenian annual consumption of electricity, equalled a little over EUR 135 million. As regards the share of generated electricity, fossil-fuelled CHP units and solar power plants stood out; the latter also received slightly less than half of all support payments in that year.

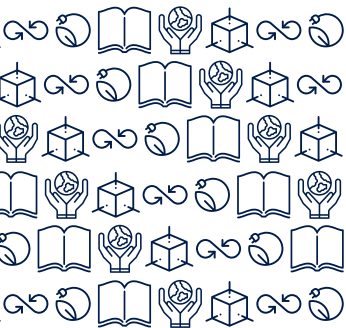
WE AT BORZEN ARE PROUD

We and our colleagues are proud to have been able to use our valuable experiences and knowledge to be a part of the formation and establishment of electricity markets in Georgia, Ukraine and North Macedonia. We are proud that our brand "Trajnostna energija" (Sustainable Energy), which raises awareness on the sustainable power industry, has reached over one million people. This way we provide people with knowledge and the right information for making mature and good decisions regarding energy. Our series of the first Slovenian environmental animated cartoons "Lepši svet" (A Better World) received a special recognition award from Newspaper Finance.

We are truly aware of the responsibility we carry as an electricity market operator, which is why we are operating in accordance with a socially responsible concept of management; this has been confirmed by the Corporate Social Responsibility Certificate that we are diligently maintaining and upgrading. We are also proud to have successfully passed the conformity assessment for obtaining the ISO 27001 international certificate in the field of information security, which focuses on the protection of the confidentiality, integrity and availability of information, since the security of all our stakeholders is one of our priorities.

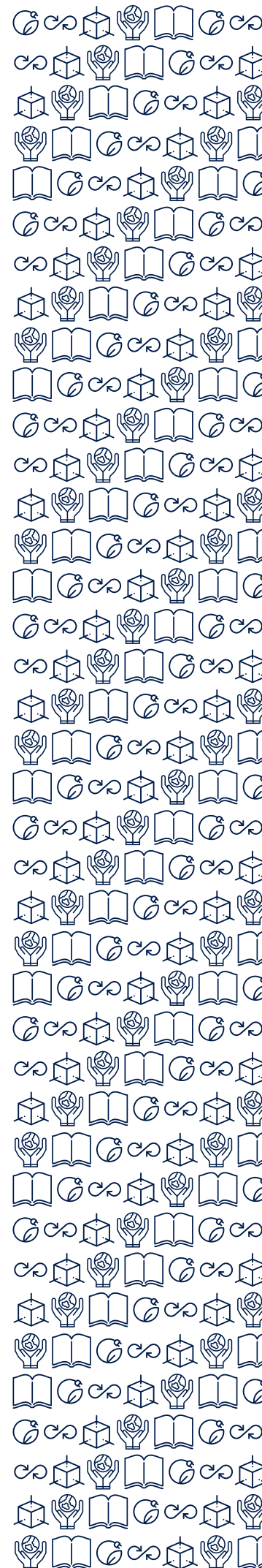
In 2019, we will be building on the foundations laid in the past, in cooperation with our stakeholders. Full of energy and ideas we are looking to the future.

Sincerely,
Karol Peter Peršolja, PhD
General Manager



ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.



REPORT OF THE SUPERVISORY BOARD

In 2018, Borzen carried out a variety of projects and activities that aimed to support the development of the Slovenian energy market, thus continuing to fulfil its mission as the electricity market operator.

COMPOSITION OF THE SUPERVISORY BOARD

In 2018, the Supervisory Board comprised Gorazd Ažman, MSc (Chairman), Janez Černe (Deputy Chairman) and Alenka Kolar, PhD (Member).

COOPERATION WITH THE COMPANY'S MANAGEMENT

Throughout the year, the constructive cooperation between the Management and the Supervisory Board enabled the supervisors to monitor the operations and attainment of the company's set objectives. As estimated by the Supervisory Board, the set goals were well met and the cooperation with the Management was successful.

OPERATION OF THE SUPERVISORY BOARD

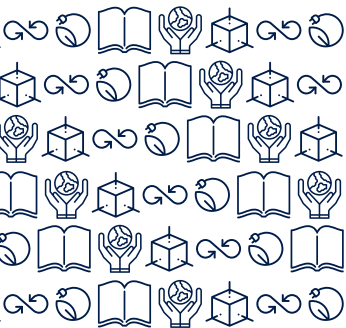
The Supervisory Board of Borzen has accepted its role of supervisory authority with considerable responsibility and with awareness of Borzen's role as the Market Operator on the Slovenian electricity market. Therefore, the Supervisory Board expects from the company's Management and its employees to also act in a diligent, responsible and transparent manner.

In 2018, the Supervisory Board regularly monitored and supervised the work of the company's Management. In 2018, the Supervisory Board held six regular sessions and two correspondence sessions. The sessions were also attended by the members of the compa-

ny's Management, with whom the Chairman of the Supervisory Board successfully cooperated within his respective competences also in between the regular sessions. Based on the size of the company and the composition and structure of the Supervisory Board, the latter assessed that it was not necessary to appoint a committee for its operation.

The Supervisory Board addressed the issues in accordance with the applicable legislation, i.e. the Articles of Association of Borzen and the Rules of Procedure of the Supervisory Board. It got acquainted with the quarterly reports prepared by the Management and with other regular reports. It also monitored the operation of the company BSP Energetska Borza d.o.o. ("BSP Energy Exchange"), in which Borzen has a 50-percent stake. The Supervisory Board adopted Borzen's Business Plan for the 2019-2021 period. During 2018, the Supervisory Board also monitored the company's operations in terms of compliance with the provisions of the Corporate Governance Code and the recommendations of the Slovenian Sovereign Holding.

Gorazd Ažman, MSc,
Chairman of Borzen's Supervisory Board



RELEVANT DATA ON THE COMPANY'S OPERATIONS

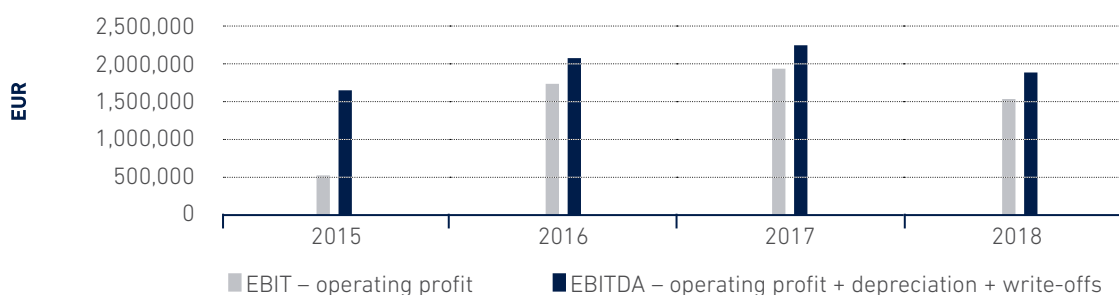
Borzen closed the financial year 2018 with a net profit of EUR 1.37 million. In this period, the company generated EUR 4.49 million in total revenues and the total expenses amounted to EUR 2.82 million. The lower total revenues are mainly the result of smaller revenues from the recording of closed contracts.

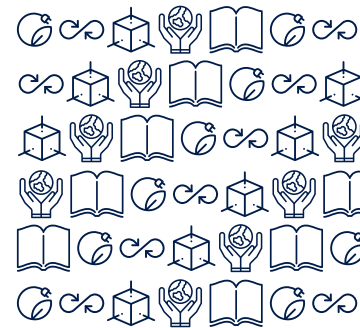
As at 31 December 2018, the balance sheet total equalled EUR 172.34 million and, compared to the previous year, increased due to the higher surplus funds of the Centre for Support.

As at 31 December 2018, the company's equity capital equalled EUR 5.49 million.

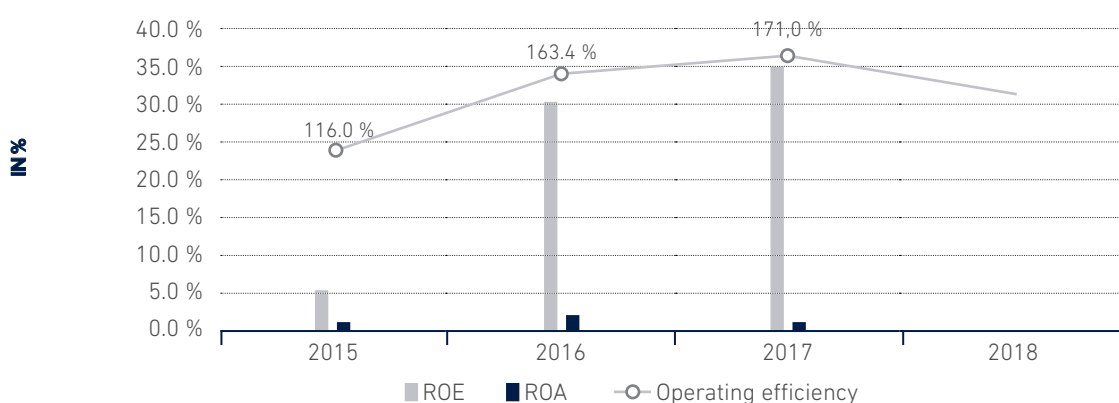
INDICATORS	2015	2016	2017	Business Plan 2018	2018
FROM THE BALANCE SHEET as at 31 December					
Assets in EUR	44,949,382	76,335,698	122,433,365	136,865,535	172,339,210
Equity in EUR	4,738,582	4,435,041	5,130,887	5,587,259	5,491,810
FROM THE INCOME STATEMENT					
Operating revenues in EUR	3,914,975	4,348,563	4,532,107	4,486,500	4,344,556
Operating expenses in EUR	3,375,905	2,661,138	2,651,078	2,677,300	2,810,659
Net profit for year in EUR	281,517	1,424,774	1,699,773	1,488,132	1,365,804
EBIT – operating profit in EUR	539,070	1,687,425	1,881,029	1,809,200	1,533,897
EBITDA – operating profit + depreciation + write-offs in EUR	1,671,988	2,054,681	2,231,117	2,138,800	1,836,404
PERFORMANCE INDICATORS					
Return on equity (ROE)	5.6%	31.1%	35.5%	27.9%	25.7%
Return on assets (ROA)	0.7%	2.3%	1.7%	1.2%	0.9%
EBITDA margin	42.7%	47.3%	50.8%	47.7%	42.3%
Operating efficiency	116.0%	163.4%	171.0%	167.6%	154.6%
NUMBER OF EMPLOYEES as at 31 December	30	31	30	30	30

After the end of the financial year (as at 31 December 2018), there were no particular business events that had materially affected the overall operating results of the Company in 2018.

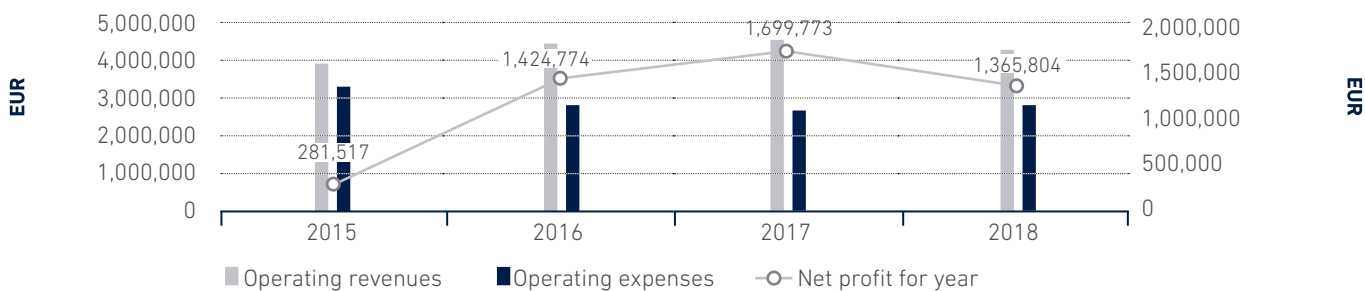




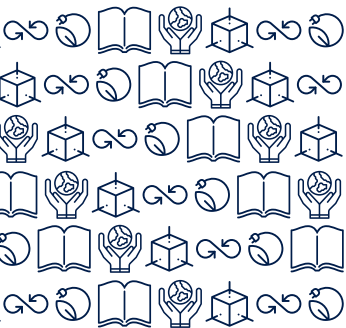
RETURN ON ASSETS (ROA), RETURN ON EQUITY (ROE) AND OPERATING EFFICIENCY



REVENUES AND EXPANSES FROM OPERATION AND MOVEMENT OF NET PROFIT



ELECTRICITY MARKET	BALANCING MARKET	SUPPORT SCHEME
Number of members (Balance scheme) 76 / 74	Number of members 34 / 34	Number of production units 3,864 / 3,859
Number of recorded contracts and operational forecasts 114,531 / 109,113	Number of transactions 4,713 / 3,224	Quantity of electricity generated (GWh) by production units 944.9 / 937.9
Quantity of electricity (TWh) from recorded closed contracts and operational forecasts 87.5 / 83.1	Quantity of transactions (GWh) 228.9 / 128.6	Support payments (EUR) for electricity generated for power plants under Scheme contracts 143.5 million / 135.1 million
2017 / 2018		



OVERVIEW OF SIGNIFICANT EVENTS

2018

We began the daily preparations of the forecast of the total electricity production and consumption in the territory of the Republic of Slovenia for the day-ahead time frame.

We started publishing the Price Index for the Slovenian Balancing Market on our corporate website.

Start of the implementation of the year-long advisory project "Support to the Working Group for Monitoring the Reform of the Electricity Market in Ukraine. Capacity Building for the Ukrainian Electricity Market Operator". In the third quarter, we expanded the project to include the same advisory services in Georgia.

Start of the advisory project "Technical Assistance with Establishing Organised Day-Ahead Electricity Trading" in Northern Macedonia.

Five projects were successful in Borzen's Call for the Reimbursement of Costs for the Implementation of Educational Projects in the Field of RES and EE for Young People 2017.

Applying for the ISO/IEC 27001:2013 international certificate in the field of information security, which focuses on the protection of the confidentiality, integrity and availability of information.

Borzen prepared new informative series on sustainable energy entitled "Eko utrinki" (Eco Glimpses) in cooperation with RTV Slovenia, which also broadcast them.

Second public debate on the new Rules on the Operation of the Electricity Market.

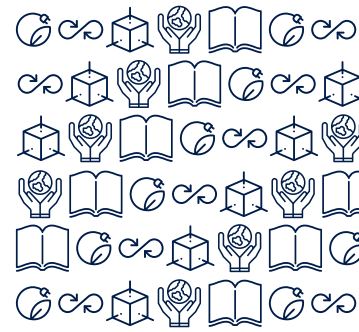
Borzen received a special recognition award for the environmental animated cartoon series "Lepši svet" (A Better World) at the 20th Energy Managers' Days.

JANUARY

MARCH

APRIL

Launch of the Call for the Reimbursement of Costs for the Implementation of Educational Projects in the Field of RES and EE for Young People 2018.



Successful conclusion of the advisory project "Technical Assistance with Establishing Organised Day-Ahead Electricity Trading" in Northern Macedonia.

JUNE

MAY

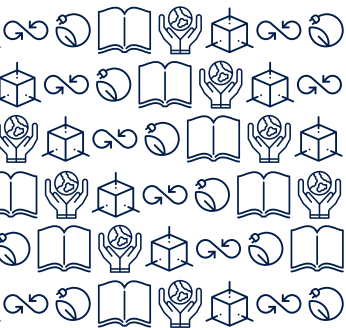
Borzen held a prize contest for primary and secondary school students entitled "SUSTAINABLE ENERGY 018: Our Promise for a Better World".

A successful introduction of all additional principles, security measures and procedures related to personal data processing in accordance with GDPR.

JULY

Borzen officially joined the SE Europe Electricity Market Initiative (EMI) organised by USEA (United States Energy Association).

Start of the advisory project in Northern Macedonia, entitled "Technical Assistance with Establishing a Balancing Electricity Market".



Successful conclusion of the advisory project in Northern Macedonia, entitled "Technical Assistance with Establishing a Balancing Electricity Market".

Borzen's traditional conference "Sustainable Energy Locally 018 – Financing and Implementing EE Measures by Connecting Municipalities".

Borzen organised an expert workshop, entitled "Exchange of Experience in the Operation of a Market Operator and Electricity Exchange" for our colleagues from the Georgian electricity operator ESCO and regulator GNERC and for representatives of the Energy Community Secretariat (EnCS).

SEPTEMBER

NOVEMBER

An auction was held, at which all the electricity to be generated in 2019 by the power plants involved in the Eco Group of Borzen's Centre for Support was sold.

New Rules on the Operation of the Electricity Market were adopted and published in the Official Gazette of the Republic of Slovenia.

The radio quiz show "Trajnostna energija" (Sustainable Energy) was concluded.

An upgrade of the Guarantees of Origin (GoO) Registry to the new data exchange standards of the Association of Issuing Bodies (AIB), which enables the continuation of the smooth import and export of Guarantees of Origin for Slovenian energy companies that are included in the EECS system.

Conclusion of the socially responsible pilot demonstration project "Energy-Efficient and Self-Sustaining Viška hiška" at the seat of the humanitarian organisation Slovenian Philanthropy; the project was carried out in partnership with the City of Ljubljana and Slovenian Philanthropy.

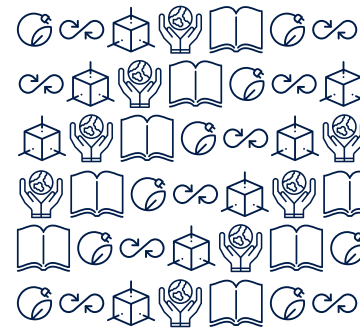
We have successfully passed the external assessment under the ISO/IEC 27001:2013 standard for ensuring information security.

Setting up an application for reporting data on the balancing market to the Energy Agency in accordance with REMIT standards and records.

Conclusion of the advisory project in Ukraine.

Implementation of a traditional corporate voluntary campaign, during which we helped Slovenian Philanthropy with sprucing up the surroundings and minor finishing works under the pilot project "Energy-Efficient and Self-Sustaining House", in which the humanitarian organisation is based.

DECEMBER



OVERVIEW OF SIGNIFICANT EVENTS

2019

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

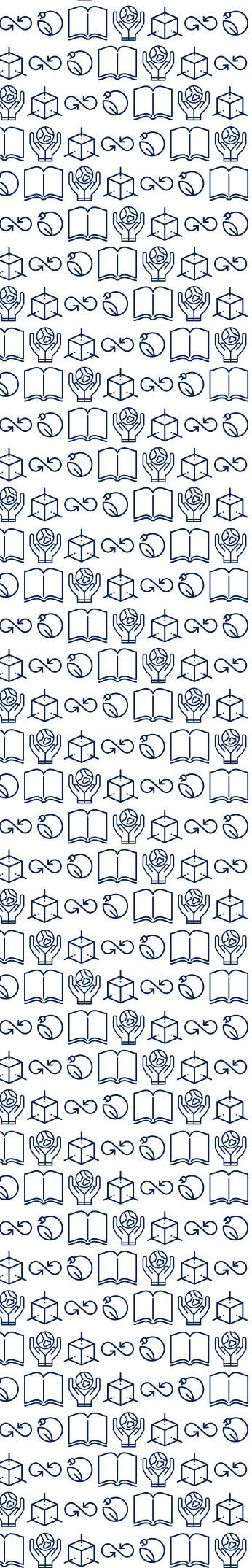
Start of the public debate on the proposal for Rules on the Termination and Reestablishment of Market Activities (in cooperation with the system operator ELES d.o.o.).

Start of the technical assistance "Assistance with Preparing Rules on Day-Ahead and Intra-Day Trading in Georgia" under the EU4Energy project, in which Borzen is participating with the company BSP.

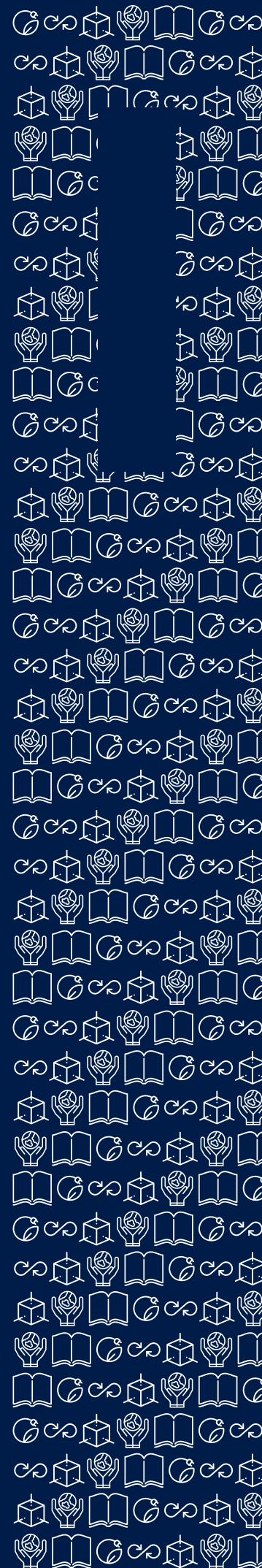
FEBRUARY

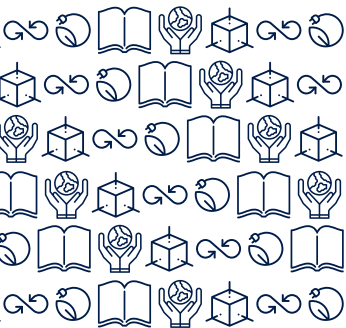
JANUARY

The new Rules on the Operation of the Electricity Market took effect on 1 January; besides other changes, they have also implemented the requirements of phase 1 of the harmonisation of the Commission Regulation (EU) 2017/2195 Establishing a Guideline on Electricity Balancing.



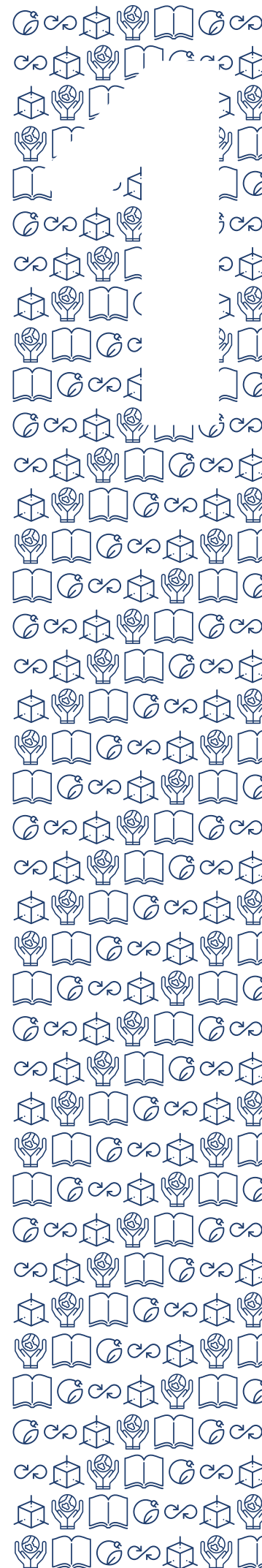
I. BUSINESS REPORT





ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

By 2030, increase substantially the share of renewable energy in the global energy mix.
By 2030, double the global rate of improvement in energy efficiency.



1. COMPANY'S OPERATION IN 2018

1.1 COMPANY PRESENTATION

ABOUT THE COMPANY

Borzen, d.o.o. was founded on 28 March 2001, in accordance with the provisions of the Energy Act for the implementation of the public service obligation relating to the organisation of the electricity market as a subsidiary of the public company Elektro-Slovenija, d.o.o. In mid-2007, the Government of the Republic of Slovenia, on the proposal of the Ministry of Economy, and as the founder and sole shareholder of Elektro-Slovenija reached the conclusion that the total Elektro-Slovenija's share in Borzen was to be transferred for consideration to the Republic of Slovenia. The full transfer of the ownership was carried out in December 2007.

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

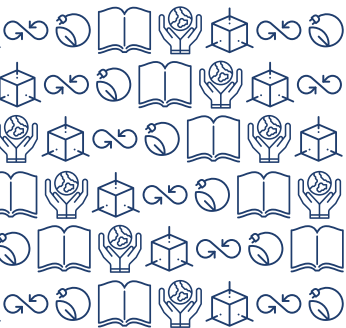
- Rules on the Operation of the Electricity Market (for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the Operation of the Electricity Balancing Market (which are issued after prior coordination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

With the above rules, Borzen provides coordinated operation of the electricity market and determines details regarding the national RES and CHP Support Scheme. As **Market Operator**, Borzen provides and enables a coherent operation of the Slovenian electric power system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and financial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's **Centre for Support** is the Support Scheme operator for the generation of energy from renewable energy sources and high-efficiency cogeneration of heat and power. The company also provides the functioning and managing of the Slovenian Guarantees of Origin Registry, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its "TRAJNOSTNA ENERGIJA" (SUSTAINABLE ENERGY) brand, Borzen provides **information, training and raises awareness** on the use of renewable energy sources and energy efficiency. In this way, the company fulfils its tasks in accordance with Article 351 of the Energy Act (EA-1) and supports environmental policies through public awareness.

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

MARKET OPERATOR	
Balance Scheme management (entry in the market)	Centre for Support
Recording of closed contracts and operational forecasts,	RES/CHP Support Scheme <ul style="list-style-type: none"> • conclusion of contracts and support payments • management of scheme assets • management of scheme energy
drawing up of the indicative operating schedules	Guarantees of Origin Registry
Imbalance settlement	Providing information on RES and EE
Balancing market	Web portal "Trajnostna energija" (Sustainable Energy)
CLEARING AND FINANCIAL SETTLEMENT	
ENSURING A REGULATED AND TRANSPARENT ELECTRICITY MARKET	
ENERGY-RELATED ADVISORY SERVICES	

Figure 1: Activities of the Electricity Market Operator



IDENTITY CARD

COMPANY'S FULL NAME	BORZEN, OPERATER TRGA Z ELEKTRIKO, D. O. O.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenia
PHONE	+386 (0)1 620 76 00
FAX	+386 (0)1 620 76 01
E-MAIL ADDRESS	info@borzen.si
WEBSITE	www.borzen.si
MAIN ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
VAT IDENTIFICATION NUMBER	27799468
NUMBER OF ENTRY IN COURT REGISTER	1/34438/00
DATE OF ENTRY IN COURT REGISTER	28 March 2001
PLACE OF ENTRY IN COURT REGISTER	Ljubljana District Court
SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Karol Peter Peršolja, PhD
CHAIRMAN OF THE SUPERVISORY BOARD	Gorazd Ažman, MSc

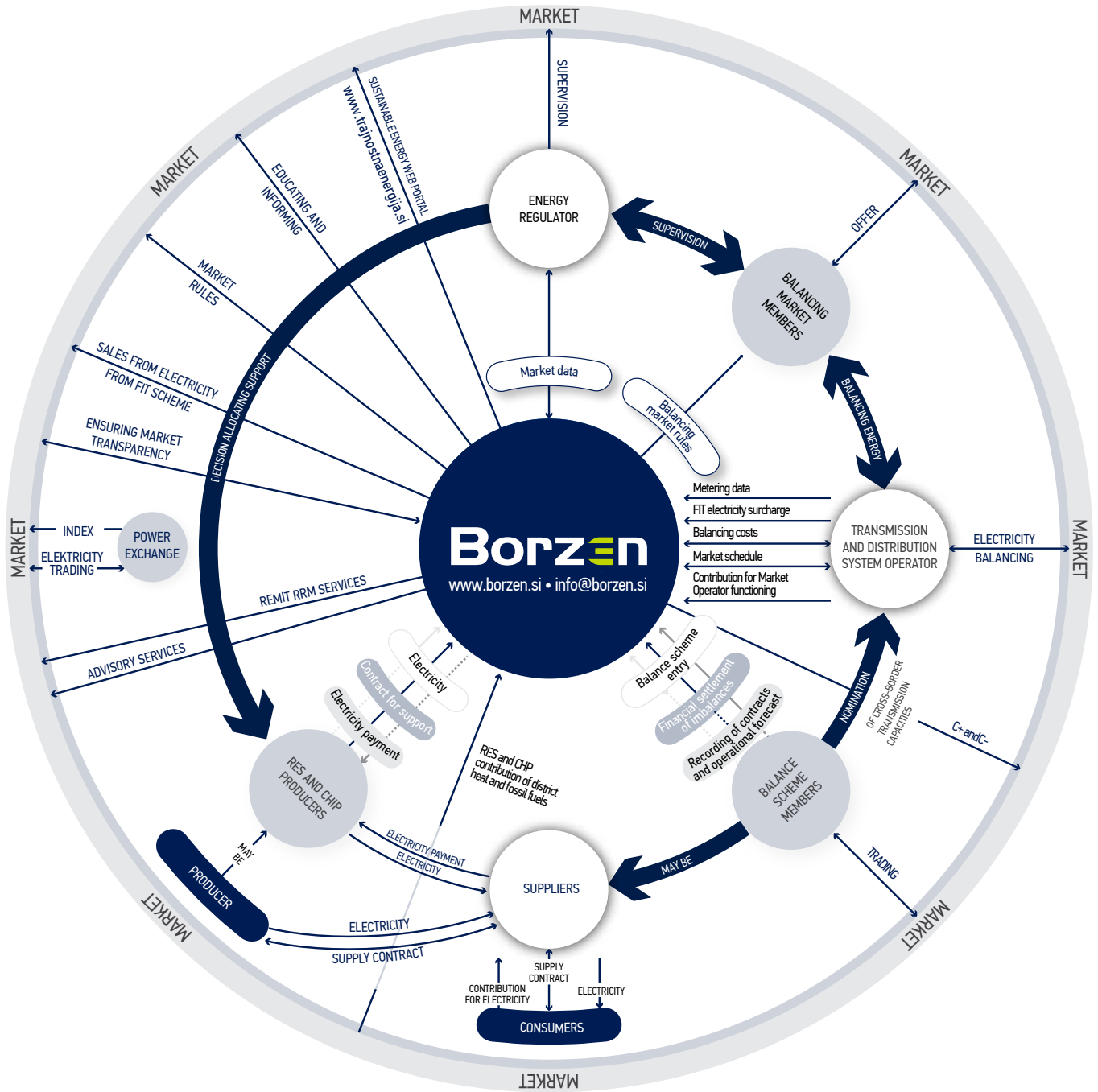
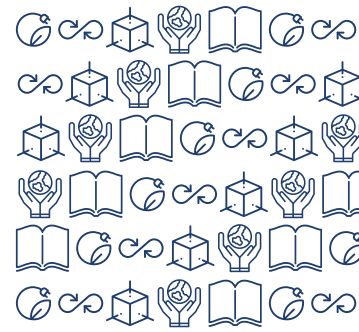
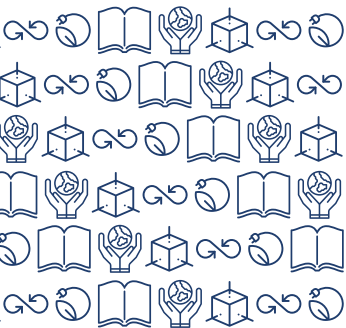


Figure 2: Role of the Market Operator on the Slovenian electricity market



1.2 COMPANY'S BUSINESS STRATEGY AND PLANS

MISSION AND VISION

VISION	MISSION
<p>Borzen – a juncture of expertise, competency and responsibility towards the development and implementation of services in energy markets and promotion of the use of sustainable energy.</p>	<ul style="list-style-type: none"> • By way of providing high-quality services, professionalism and neutrality, Borzen ensures a competitive, effective, transparent and system-defined electricity market in Slovenia and its further integration into the European internal market. • Borzen promotes energy efficiency together with the generation and use of energy from renewable sources. • Borzen participates in the formation of the Slovenian and European energy policies. • Borzen is a socially responsible company with a focus on sustainable development • Borzen provides an environment for the professional development of a highly-motivated workforce, leveraged in the co-creation of a dynamic company.

OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
<p>Enhancing operational efficiency and performance:</p> <ul style="list-style-type: none"> • Improving business performance and operational efficiency; • Increasing the quality of business processes and functions; • Risk management 	<p>Increasing the quality of services and customer satisfaction:</p> <ul style="list-style-type: none"> • Information support to the implementation and availability of services. 	<ul style="list-style-type: none"> • Implementing new activities within the public service in the field of energy markets. • Developing market activities in synergy with the services operated by Borzen within the public service. • Enhancing Borzen's recognition and reputation.

Figure 3: 'Strategy Bases'

VALUES

Expertise

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

Responsibility

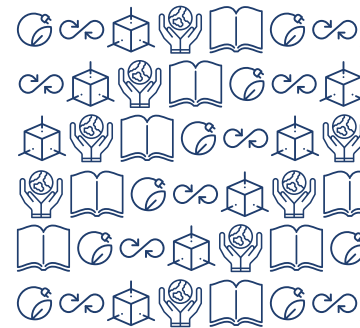
- We are responsible towards the market.
- We are responsible towards our fellow human beings.
- We are responsible towards Borzen.
- We are responsible towards ourselves.
- We take full responsibility for our actions.

Trust

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

Creativity and innovation

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



KEY STRATEGIC GUIDELINES

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

IMPACT OF ECONOMIC AND LEGISLATIVE CONDITIONS ON THE OPERATION AND IMPLEMENTATION OF THE DEVELOPMENT STRATEGY IN 2018

The positive trend of economic conditions continued in 2018. In 2017, the electricity consumption in Slovenia was 3.8 percent higher than in 2016. There is still no definitive data for 2018, but monthly data indicate a roughly one and a half percent increase compared to 2017.

In Slovenia, the trend of increasing investments in renewable energy resources, focused on the achievement of certain moderated minimum percentages of Directive 2009/28/EC, has been stagnating since 2015. In December 2016, the Slovenian Energy Agency launched a first public call for new entrants into the Support Scheme, which was followed by calls in September 2017, February 2018 and December 2018. Despite the launched calls, the realisation of said projects (and their actual entry into the Support Scheme) is currently very poor. According to the Statistical Office of the Republic of Slovenia, the share of energy from renewable sources in the gross final consumption of energy equalled 21.55 percent in 2017 (the data for 2018 is not yet available), which is only slightly more than in 2016 (21.29 percent). The ultimate objective of the Republic of Slovenia is to achieve the overall 25 percent of renewable generation by 2020.

ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2018

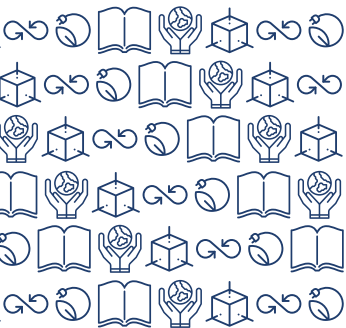
In 2018, Borzen successfully followed its strategic plans and objectives.

Planned objectives for 2018	Achievement of the objectives in 2018
Cooperation in the Slovenian and international development projects in the energy market	Participation in various working groups in the field of the development of the energy market, among the most important ones are the cooperation within Europex, Energy Market Data Exchange Section (IPET Section) and Slovenian Association for Energy Economics (SAEE).
Smart devices, models and platforms in the active network (project PAKT)	Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium which was successful in the call for applications carried out by the Slovenian Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology (SPIRIT Slovenia). The project was launched on 1 July 2017 and will last for three years. Borzen's role is to establish and manage an aggregation trading platform.

In 2018, at the day-ahead market level Slovenia coupled all three borders (Italian, Austrian, Croatian) with electrical interconnections using the mechanism of coupling markets. Further activities relating to the coupling of intra-day markets under the XBID project are expected in the first quarter of 2020; simultaneously, in light of the announcement of BSP d.o.o. and the German exchange EEX, forward energy products can be anticipated for the Slovenian market as well already in 2019. Slovenia is one of the few countries which have been successfully integrating the segment of intra-day trading and the balancing market due to the constructive cooperation between the market operator, energy exchange and system operator.

At the end of 2017, Borzen submitted the Rules on Amendments to the Rules on the Operation of the Electricity Market to public consultation. The Rules aim to shorten the imbalance settlement procedure and make other adjustments for a more efficient operation of the electricity market. In April 2018, after the Rules were supplemented in accordance with the Commission Regulation (EU) 2017/2195 Establishing a Guideline on Electricity Balancing, a second public consultation was held. The Rules were adopted and published in the Official Gazette of the RS in November 2018, taking effect on 1 January 2019.

The setting and achieving of Borzen's objectives is thus closely intertwined with the European and Slovenian legislative situation and energy market trends, which are also reflected in the company's business operations of last year.



Planned objectives for 2018	Achievement of the objectives in 2018
Standard for ensuring information security	The company is managing its ICT infrastructure in accordance with internationally recognised standards and good practices of information systems management. This way we are providing a secure, available and trustworthy information environment for all stakeholders. The information security management system, in accordance with the requirements of the ISO/IEC 27001:2013 standard, is therefore based on regular risk assessments and the implementation of risk control measures, on shaping suitable security policies, and on an internal and external assessment of the system's compliance with the standard's requirements. An external assessment has confirmed that the information security management system is suitable for the activities and size of the company, is being implemented in practice, and is properly documented.
Development of services of the Centre for Support	In order to follow the digitalisation trends and greater user-friendliness, we launched a web portal for the Centre for Support users in May 2016. The portal enables an easy and quick invoicing procedure, submission of applications, reviewing production data, changing contact details and accessing news related to the Support Scheme. The portal has more than 1,300 registered users.
Attention and kindness towards stakeholders	Analysing stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders; a greater involvement of stakeholders, a more targeted communication, and new content.
Sustainable development	A quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of activities of informing and raising awareness on sustainable energy; maintenance of the Corporate Social Responsibility Certificate and the Family-Friendly Enterprise Certificate; preparation of the Sustainability Report in accordance with the GRI guidelines; corporate volunteerism.
Optimisation of business processes and quality of operations	Optimisation of certain business processes and the provision of IT support to different business processes.

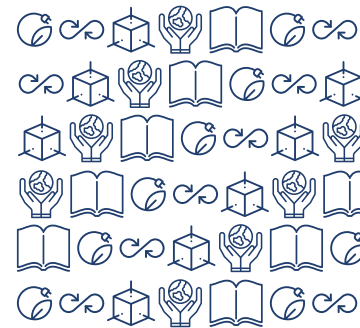
COMPANY'S PERFORMANCE INDICATORS

An integrated quality of operations is achieved through the knowledge and professionalism of the employees and in pursuit of the company's mission, vision and values. At a time of great economic changes, the company operates with an increased level of responsibility and is making informed decisions in order to maintain the existing trust in its operations to the greatest extent possible. The key in-

dicators for comparing the performance of the company are monitored by applying a balanced system of indicators as a system of strategic management.

Selected strategic performance indicators are presented in the table below.

	2016	2017	Business Plan 2018	2018
Revenue (in EUR)	4,364,661	4,581,099	4,526,500	4,494,848
EBIT – operating profit (in EUR)	1,687,425	1,881,029	1,809,200	1,533,897
EBIT margin	38.8%	41.5%	40.3%	35.3%
EBITDA margin	47.3%	50.8%	47.7%	42.3%
Return on assets (ROA)	2.3%	1.7%	1.2%	0.9%
Return on equity (ROE)	31.1%	35.5%	27.9%	25.7%



Operating efficiency	163.4%	171.0%	167.6%	154.6%
Revenue per employee (in EUR)	137,135	147,196	149,550	144,814
Added value per employee (in EUR)	109,902	119,314	120,527	114,447
Time needed for the preparation of the monthly imbalance settlement (in working days)	14	14	17	13.8
Time needed for the preparation and sending of an agreement on the provision of support and Eco agreements (in working days)	9.5	8.5	9	8.8
Customer satisfaction	83%	94%	above 80%	87%

Table 1: Strategic performance indicators

Preparation of the imbalance settlement shows the number of working days needed for the preparation of the imbalance settlement.

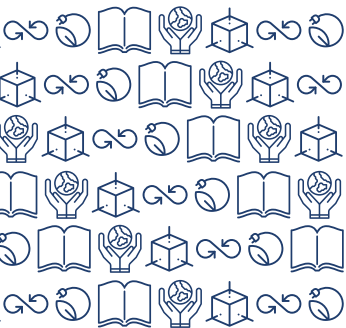
Preparation and sending of an agreement on the provision of support shows the number of working days needed to prepare an agreement on the provision of support and an Eco agreement.

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

Other performance indicators are presented below.

OTHER PERFORMANCE INDICATORS	2016	2017	Business Plan 2018	2018
Operating fixed assets rate	2.4%	1.5%	1.5%	1.1%
Long-term assets rate	2.9%	1.8%	3.0%	5.2%
Net profit before tax (in EUR)	1,691,190	1,917,723	1,837,200	1,673,881
Operating efficiency	163.4%	171.0%	167.6%	154.6%
Share of labour costs in added value	40.6%	40.7%	40.4%	46.0%
Material and service cost management (in EUR)	863,281	832,278	870,700	911,035
Equity financing rate	5.8%	4.2%	4.1%	3.2%
Long-term financing rate	5.9%	4.3%	4.2%	3.3%
Equity to operating fixed assets ratio	2.453	2.796	2.795	2.870
Immediate solvency ratio	0.565	0.542	0.498	0.294
Quick ratio	0.877	0.768	0.669	0.440
Current ratio	1.030	1.024	1.012	0.980

Table 2: Company's performance indicators



ANTICIPATED CIRCUMSTANCES AND COMPANY'S KEY OBJECTIVES IN 2019

In 2019, Borzen will again be affected by the developments on the Slovenian and on the international energy market, arising from legislative frameworks and the general economic situation.

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

The following list summarises some of the key objectives that the company will pursue in 2019 and that are part of the continuous implementation of the company's long-term strategy:

- Achieving the target ROA and ROE indicators;
- Achieving the target EBITDA margin;

- Through operational excellence ensure the efficient implementation of tasks of the Market Operator for the benefit of the entire market;
- Establishing the Centre for Support as the central reference point for RES in Slovenia and expanding the CS Portal;
- Reaching the key audiences and enhancing the company's socially responsible attitude;
- Providing a professional, quality, efficient and user-customised fulfilment of reporting requirements in accordance with REMIT;
- The company's integration into the international energy podium;
- Provision of advisory services, focusing on energy markets.

1.3 MANAGEMENT OF THE COMPANY

CORPORATE GOVERNANCE STATEMENT

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

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

Borzen follows, mutatis mutandis, the recommended standards of the Corporate Governance Code for Companies with State Capital Investments (hereinafter referred to as the

Code), adopted by the Management Board of the Slovenian Sovereign Holding (SSH) on 17 May 2017. The Code is publicly accessible on the Issuer's website.

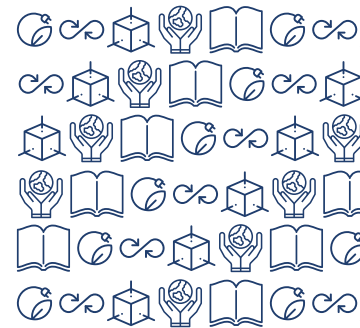
2. BORZEN DEROGATES FROM THE FOLLOWING PROVISIONS:

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

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

This involves the following provisions of the Code:

Number in the Code	Binds Borzen	Borzen complies with the provision	Explanation
3.2	NO	NO	The provision does not apply to a small limited liability company.
4.2	NO	NO	Borzen has only one shareholder.
4.2.3	NO	NO	The provision applies only to public limited companies.
4.3	NO	NO	The provision does not apply to Borzen, since, in accordance with the provision of Article 511 of the EA-1, the rights and duties which belong to the Republic of Slovenia on the basis of equity investments in these companies are exercised by the Government and, consequently, cannot be implemented.
9.2.4, 9.2.5, 9.2.6, 9.2.7, 9.2.8, 9.2.9, 9.2.10 in 9.3	NO	NO	Since Borzen is a small company, in accordance with Provision 9.2.3., it is not required to set up an internal audit service.



Borzen partially complies with the following recommendations:

Number in the Code	Binds Borzen	Borzen complies with the provision	Explanation
6.1.5	YES	PARTIALLY	The Government of the Republic of Slovenia has concluded that it shall decide for itself on certain types of transactions, instead of the Supervisory Board; this is also evident from the company's Articles of Association.
8.3	YES	PARTIALLY	Borzen discloses only the gross receipts of the general manager and members of the Supervisory Board in accordance with the legal requirements. Borzen does not disclose the net receipts (i.e. the result of personal circumstances).

Borzen does not comply with the following recommendations:

Number in the Code	Binds Borzen	Borzen complies with the provision	Explanation
6.4.1	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competence profiles is neither reasonable nor necessary.
6.8.7	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, compliance with the Provisions 6.8.3, 6.8.4 and 6.8.5 is neither reasonable nor necessary.
6.9.1	YES	NO	Regarding the amount of attendance fees and remunerations for functions, the Government of the Republic of Slovenia did not comply with the provisions of SSH.

In 2019, Borzen will continue to take into account the same provisions of the Code that were taken into account in 2018. With the enforcement of the Energy Act (EA-1), the Government of the Republic of Slovenia started to exercise its rights as Borzen's sole shareholder.

3. CORPORATE GOVERNANCE SYSTEM

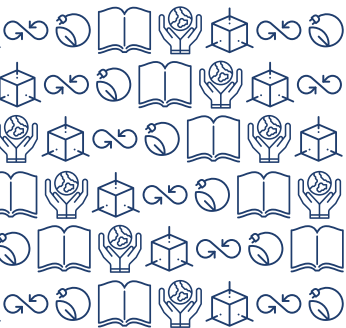
Borzen has a two-tier governance structure. The managing bodies of the company are the Management, the Supervisory Board and the Shareholder.

MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a five-year period. General Manager Karol Peter Peršolja, PhD, has been managing and representing the company since 1 January 2010. In 2014, Mr Peršolja was reappointed as General Manager for a new five-year term, beginning on 1 January 2015.

In 2018, Mr Peršolja was reappointed as the Vice-Chairman of the Supervisory Board of BSP Energy Exchange for a four-year period.

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



MANAGEMENT STRUCTURE OF THE COMPANY IN THE FINANCIAL YEAR 2018

Karol Peter Peršolja, PhD, General Manager of the company

Year of birth: 1963 / Gender: male / Nationality: Slovenian

Education: Bachelor of Economics, Master of Science, Doctor of Science of Law / Professional profile: Energy

First appointment to the function: 1 January 2010

Conclusion of the mandate: 31 December 2019 (expected)

Memberships in other supervisory or management bodies that are not related to Borzen: chairman of the supervisory board of SODO d.o.o., chairman of the supervisory board of GEN energija d.o.o.

SUPERVISORY BOARD OF THE COMPANY

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

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

- Chairman of the Supervisory Board: Gorazd Ažman;
- Vice-Chairman of the Supervisory Board: Dejan Paravan, PhD;
- Member of the Supervisory Board: Janez Černe.

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

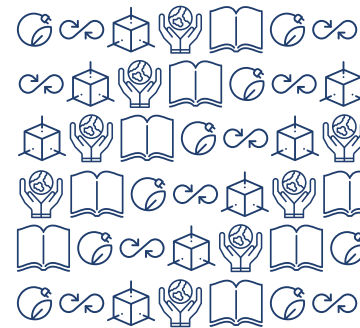
- Chairman of the Supervisory Board: Gorazd Ažman;
- Vice-Chairman of the Supervisory Board: Janez Černe;
- Member of the Supervisory Board: Nejc Brezovar, PhD.

On 16 June 2016, the Government of the Republic of Slovenia recalled Nejc Brezovar as a member of the Supervisory Board and appointed Alenka Kolar as a new member of the Supervisory Board from 17 June 2016 to 17 April 2019. Thus, the Supervisory Board currently consists of:

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

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

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



COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD IN THE FINANCIAL YEAR 2018

Gorazd Ažman, MSc, Chairman of the Supervisory Board

Year of birth: 1975 / Gender: male / Nationality: Slovenian

Education: Bachelor of Electrical Engineering, Master of Science / Professional profile: Energy, finance

Beginning of the mandate: 17 April 2014 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 8/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the financial year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: General manager at Mentem, poslovno svetovanje, d.o.o.

Janez Černe, Vice-Chairman of the Supervisory Board

Year of birth: 1967 / Gender: male / Nationality: Slovenian

Education: Bachelor of Electrical Engineering / Automation / Professional profile: Energy, finance

Beginning of the mandate: 17 April 2014 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 8/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the financial year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: general manager at ENERGOVAT inženiring d.o.o., general manager at KOENERGO A sproizvodnja toplote in električne energije d.o.o.

Alenka Kolar, PhD, Member of the Supervisory Board

Year of birth: 1972 / Gender: female / Nationality: Slovenian

Education: Bachelor of Mechanical Engineering, MSc of Organisational Theory, PhD in Informatics / Professional profile: Computer and/or information technologies

Beginning of the mandate: 17 June 2016 (representative of capital)

Conclusion of the mandate: 17 April 2019 (expected)

Attendance at the Supervisory Board meetings: 8/8

Independence under Article 23 of the Code: YES

Existence of a conflict of interest in the financial year: NO

Memberships in other supervisory or management bodies that are not related to Borzen: chairman of the supervisory board of Informatika d.d., member of the institute council of the Ljubljana University Medical Centre.

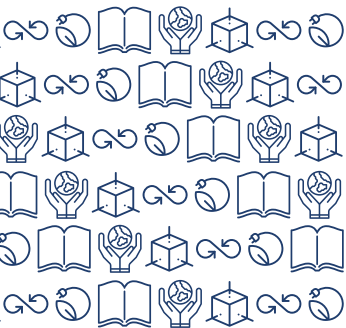
In accordance with the Companies Act, Borzen's Articles of Association and Rules of Procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the financial year 2018, the Supervisory Board held six regular sessions and two correspondence meetings. The Supervisory Board did not set up any special commission for the purpose of its operation.

In 2018, the members of the Supervisory Board were entitled to benefits for their function in accordance with the

valid decision of the shareholder. The benefits are specified in the Financial Report.

For 2018, the members of the Supervisory Board carried out a self-assessment of their work and adopted an action plan.

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



SHAREHOLDER

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

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

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

The shareholder usually holds one general meeting once a year. In the financial year 2018, two general meetings were held; the first one in June 2018, at which the shareholder got acquainted with the company's annual report for the financial year 2017, decided on the payment of the accumulated profit in the amount of EUR 1,699,757.26, granted a discharge to the General Manager and the Supervisory Board members for their work in 2017, and appointed the audit company RE-MEMBER revizija d.o.o. to perform an audit.

The second general meeting took place on 29 November 2018, at which the shareholder adopted the Decision on Granting Consent to the General Manager to Conclude a Loan Contract as a Guarantor to BSP d.o.o. up to the principal amount of EUR 1,750,000.00 with possible ancillary obligations and the delivery of the blank bill of exchange to the bank as collateral for liabilities.

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

The Management and the Supervisory Board of Borzen hereby declare that the Company respects the provisions of the Corporate Governance Code for Companies with State

Capital Investments in its business operations, except for the provisions that are set forth in Chapter 2 of this Statement.

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

The Management accepts and approves the financial statements of the company Borzen, d.o.o. for the year ending on 31 December 2018 and the notes to the financial statements, which are prepared under the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies were consistently applied in the preparation of the financial statements; that the accounting estimates were prepared on the basis of the precautionary principle and good governance; and that the financial statements represent a true and fair view of the company's assets and the results of the company's business operations in 2018.

5. SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT OF THE COMPANY

The company conducts a system of internal controls and risk management in accordance with the integrated risk management system, which is described in more detail in a later chapter of this annual report.

6. SYSTEM OF CORPORATE INTEGRITY IN THE COMPANY

Borzen adheres to the recommendations of the good corporate practice of SSH and the Slovenian Directors' Association. In 2018, the company's Supervisory Board carried out a self-assessment of its work. On the basis of the said procedure, the Supervisory Board carried out the evaluation procedure of work effectiveness and adopted a special report with the action plan.

7. ASSOCIATED COMPANIES

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

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

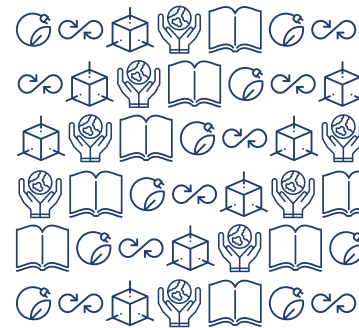


Figure 4: Equity participation in BSP Energy Exchange

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

Simultaneously, the company has been actively participating in the formation of a single European electricity market in the field of trading on the electricity exchange since 2011. Pursuant to the Commission Regulation (EU) 2015/1222 Establishing a Guideline on Capacity Allocation and Congestion Management, in the last quarter of 2015, the company BSP was issued a decision by the Energy

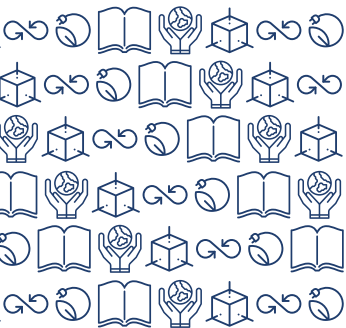
Agency of the RS, awarding it the status of a Nominated Electricity Market Operator (NEMO), which imposes that it performs the uniform coupling of day-ahead markets at the borders of the Slovenian electric power system in cooperation with the System Operator of the transmission network.

In the field of day-ahead trading on the electricity market, the company is connected through a mechanism of coupling into a single European electricity market with the neighbouring Italian market (since 2011), Austrian market (since 2016) and since mid-2018 with the Croatian market too. In the field of intra-day trading, the Slovenian Energy Exchange has been implicitly coupled with the Italian intra-day trading market through supplementary auctions since June 2016.

In 2018, the company received a capital injection of EUR 3 million from both shareholders due to the coupling at the Slovenian-Croatian border, which is shown in Borzen's balance sheet for 2018.

For the purpose of future participation in the establishment of a single European electricity market in the intra-day trading segment, the BSP Exchange is a member of the XBID project (Cross Border IntraDay) and a lessee of a part of XBID assets. The company will begin the project's implementation in 2019, which will result in amendments to the existing rules and the applied work.

The company BSP d.o.o. ended the financial year 2018 with a net profit of EUR 614,000. The positive result was mainly due to a three-percent increase in the amount of concluded transactions on the exchange and the additional revenues arising from the management of working groups at the level of the company's regional projects, and from the professional advisory services performed.



1.4 RISK MANAGEMENT

CIRCUMSTANCES THAT AFFECTED THE RISKS AND THEIR MANAGEMENT

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

INTEGRATED RISK MANAGEMENT

Based on the Rules on Integrated Risk Management (hereinafter: Rules), the company reports on the exposure to key risks and measures for their control, on significant changes in the exposure to individual risks and on other relevant information regarding risk management.

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

Determining the consequences/damages (of the impact)

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

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

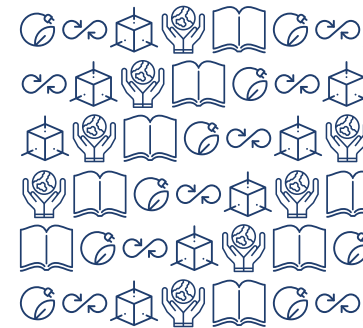
The criteria for assessing the consequences of risks arise from two parts, namely:

1. SIGNIFICANCE OF THE IMPACT ON THE OPERATION (MATERIALITY PRINCIPLE) – **QUANTITATIVE:**

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

2. SENSITIVITY OF THE AREA – **QUALITATIVE:**

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



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

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

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

Risk level (severity of the risk)

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

$$\text{RISK} = \text{IMPACT} \times \text{PROBABILITY}$$

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

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

Table 3: Risk matrix

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

The identification of risks is carried out during the preparation of the company's business plan, the revision of the company's strategic plan and during any major business decision, project or any significant change in the market or of relevant legislation. The identified risks are analysed in detail, by determining the significance of a particular risk and the necessary measures for their control.

Based on the risk assessments and the cost-benefit balancing, the company sets its priorities and selects the most appropriate way of managing risks. In this way, we want to ensure that the risk stays at the desired exposure level after the implementation of measures. In this regard, we have decided upon the strategies of risk aversion, risk reduction, risk transfer to a third party or risk acceptance.

THE KEY IDENTIFIED RISKS

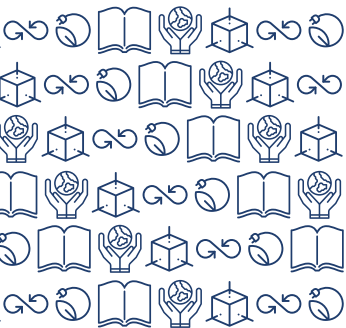
Based on the activity and size of the company, the number of employees, the conduct on the market and the legislative framework that limits and binds the company's operations, we have classified the risks into four systematic groups, namely:

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

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

Strategic/business risks

Strategic or business risks are related to the successful implementation of the company's strategy and set strategic objectives, with the ability to ensure the short-term and



long-term creation of operating revenues, as well as maintaining the value of the company's assets and reputation. These risks are related to changes in legal and statutory obligations and environmental impacts, which are consequently connected to the organisation of the company, its activities and restrictions on the company's operations. One of the strategic risks is the investment risk related to the investment in the BSP Energy Exchange, in which Borzen holds a 50-percent stake. This is primarily related to the management of the investment, which represents an issue addressed by both stakeholders and their mutual coordination regarding the management and further development of the company.

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

In the course of monitoring the strategic/business risks in 2018, no significant deviations were detected.

Operational risks

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

In 2018, the number of recorded risks increased owing to the introduction of the ISO 27001 standard, as it requires a more granular view of risks in the field of information security. Among the new risks, which were previously controlled by monitoring "Outage of network connections or system power supply" and "Failure of one of the key system or business applications", we identified certain deviations in the risks "Lack of traceability, difficult/impossible to verify", "Poor supervision of the coding methodology" and "Disclosure of information or documents", for which we have already envisaged a risk reduction measure of introducing an access control system. The deviations are minor, but the additional measure will enable automated control of access by contractors.

Among the information system risks, there are significant risks of potential interruptions in the operation of the application and system software, hardware, communication and network connections, and special attention is paid to the risks associated with information security. The risks are

primarily reduced through redundant independent optical connections between two locations, synchronous replications, a central control system and data backup.

The human resources risks are of particular importance for the company, due to the implementation of different activities of the Market Operator and the specificity of the assigned tasks. The additional tasks acquired by Borzen every year and the changes in the market require that the employees constantly upgrade their existing knowledge and obtain new knowledge, adapt and perform quality team work. The biggest risk for the company is the potential loss of key employees; thus, special attention is given to social dialogue, additional professional training, motivation and provision of stimulating working conditions and environment. In 2018, we also revised the competence model and implemented the project of introducing successions. In 2018, the monitoring of the labour market conditions showed that the employment trends are highly favourable and that the market is very open (the impact of the ageing population; a reduction in the available workforce/the impact of the economy; new jobs, etc.). This has resulted in an increased employee fluctuation rate in the companies on the market. A similar trend can be observed in Borzen, as some of its employees have found new opportunities and challenges in other companies.

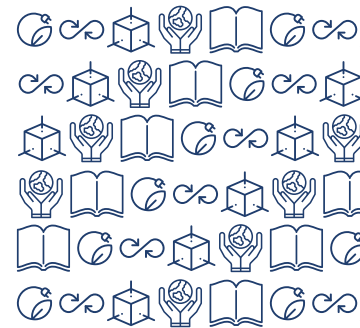
Other operational risks are limited by clearly defined procedures, unambiguously defined roles, responsibilities and powers of the employees, and the rules adopted by the company.

In the course of monitoring the operational risks in 2018, no significant deviations were detected, apart from those described above.

Financial/market risks

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

The risk of default or non-payment of financial obligations means that there is a risk that the counterparty will not fulfil its financial liabilities in accordance with the contractual terms. The management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. The risk of default is largely present in the implementation of the financial settlement of the imbalance settlement. Therefore, Borzen already included this type of risk in the Rules on the Operation of the Organised Electricity Market. Future Balance Scheme members are verified upon their application for membership by a careful review of their credit rating and by monitoring their operations. Before entering the Balance Scheme,



members are required to submit an adequate financial guarantee in the form of a cash deposit or a first call bank guarantee. The process of managing the risks of default includes the calculation of the relevant variation margins in case of deviations. The increase in the variation margin arises on the basis of projected deviations (on a daily basis) or at every issuing of the imbalance settlement invoices if these are higher than the already submitted margins. In the event that the participants in the financial settlement fail to fulfil their financial obligations, Borzen can use their financial guarantees and, in the extreme case, exclude a member from the Balance Scheme.

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

In addition to the above-mentioned risks, the company also monitors the foreign currency and interest rate risks, which were fairly modest and did not require any special management. In the framework of foreign operations, the recalculation and imbalance settlement for different business segments are both carried out in euros. The interest rate risk is related to an unexpected increase in the costs of cash in bank accounts. In light of the current state of financial markets, banks are lowering the limits for assets in bank accounts, for which demurrage charges or negative interest rates are not yet charged, or are not willing to accept liquid cash, which requires an additional optimisation in the placement of the company's cash surpluses in order to avoid the payment of demurrage charges. The above-mentioned risk was reduced by looking for other options of investing the surplus funds of the Centre for Support and adopting the Rules on the Management of the Funds of the Centre for Support. In accordance with these Rules, in the last quarter of 2018, a part of the funds was placed in long-term investments (diversified investment of funds in the purchases of claims with the highest credit rating A and B, or in the purchases of secured claims).

In the course of monitoring the financial/market risks in 2018, no significant deviations were detected.

Legislative risks (compliance with the regulations)

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

The risks related to the damage caused by violation of or non-compliance with legislation and statutory regulations are primarily managed by regular monitoring and active participation in the preparation of regulations and by an up-to-date adjustment of operations. Regulatory risks are also managed by regulations as precise and unambiguous as possible.

The risk register shows the existence of a risk greater than the acceptable risk level in this field and the possibility of loss of the public utility service tasks due to the enforcement of the Network Codes on Electricity Balancing (NCEB). However, a reduction of the risk is also expected in this area as a relatively favourable text of the network code has been adopted. Since legislative activity began in the last quarter of 2018, due to the start of the implementation of CEP (Clean Energy Package) and the start of the mandate of the new Government of the RS, the level of regulatory risk has also increased to a currently still acceptable level.

In the course of monitoring legislative risks in 2018, no significant deviations were detected.

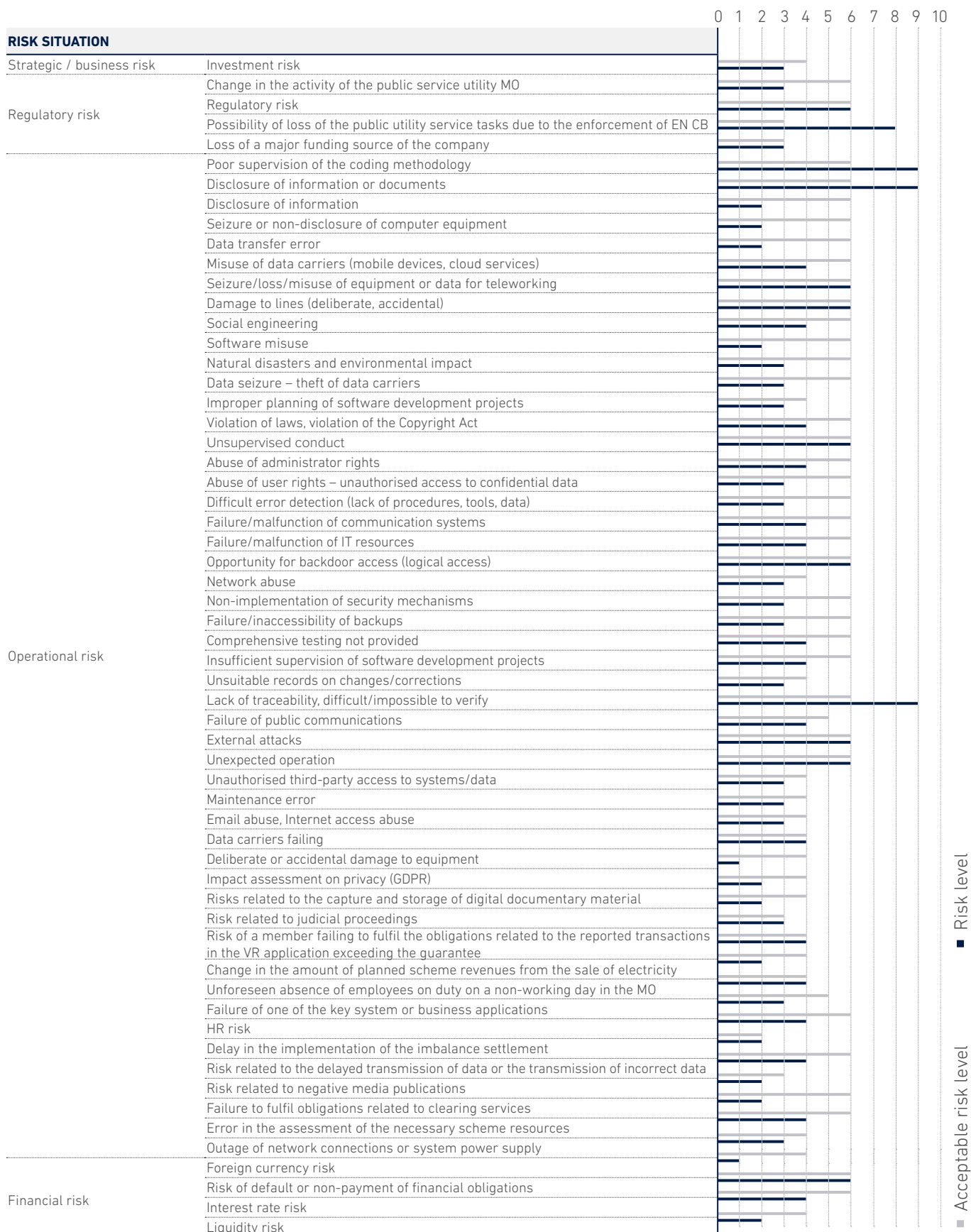
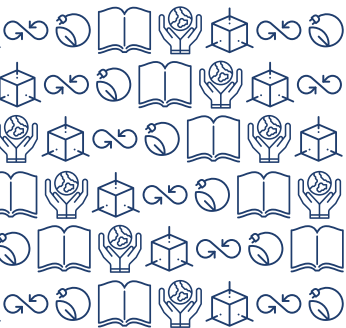
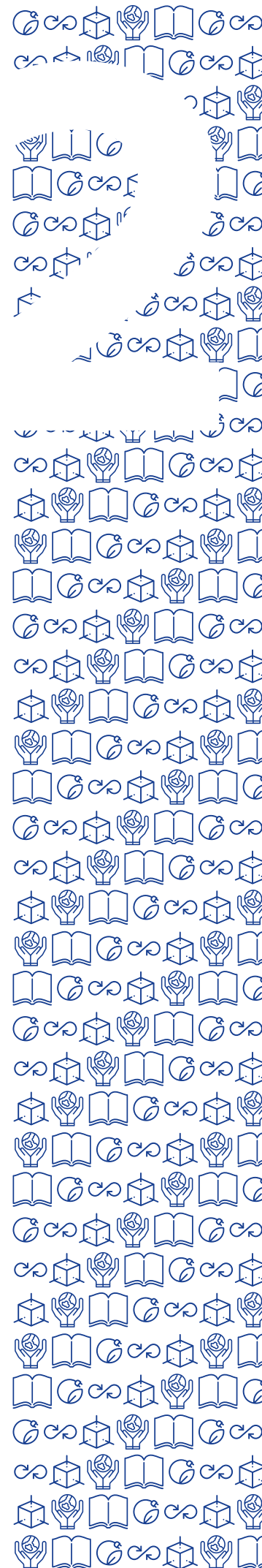


Figure 5: Risk situation as at 31 December 2018



2. ACTIVITIES OF THE POWER MARKET OPERATOR IN SLOVENIA

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

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

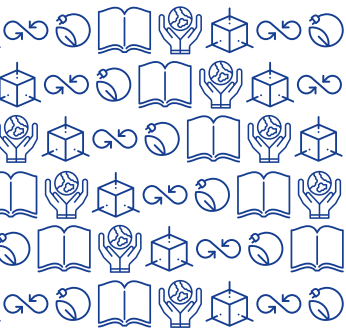
which can be reported in accordance with the Rules on the Operation of the Organised Electricity Market due to intra-day trading, the corrected final schedule is also prepared.

RECORDED CLOSED CONTRACTS AND OPERATIONAL FORECASTS

A total of **109,113 closed contracts** and operational forecasts were recorded in 2018, in a total quantity of approximately **83,063 GWh**. Compared to the previous year, the number of recorded closed contracts and operational forecasts in the same period was 4.7 percent lower, while the total quantity of electricity was 5.2 percent lower.

Month	Closed contracts [in MWh]	Operational forecasts [in MWh]	Number of closed contracts and operational forecasts
January	4,898,011	2,516,916	9,069
February	4,702,526	2,343,490	8,644
March	5,399,848	2,609,636	9,467
April	4,599,744	2,038,003	9,397
May	4,313,671	2,401,923	9,432
June	4,125,577	2,265,403	9,085
July	4,174,195	2,372,276	8,712
August	3,837,397	2,339,677	8,830
September	4,137,565	2,351,145	8,821
October	4,893,469	2,444,227	9,392
November	4,615,789	2,570,606	9,072
December	4,791,128	2,320,968	9,192
TOTAL	54,488,920	28,574,270	109,113

Table 4: 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 organised market in Slovenia in 2018



In 2018, we recorded a decrease in the value of recorded closed contracts, which is lower by 7.9 than that of the previous year and amounts to 54,488 GWh. An even bigger decrease was recorded in the number of recorded closed contracts; the number decreased by 15.7 percent and amounted to 65,577 contracts. The volumes were reduced mainly on

account of the trading on the borders of the control area. In that segment, the recorded volumes were reduced by 2,528 GWh, which amounts to an 11.7 percent decrease compared to the previous year. The volume of recorded operational forecasts remained at a level similar to that of 2017, amounting to 28,574 GWh.

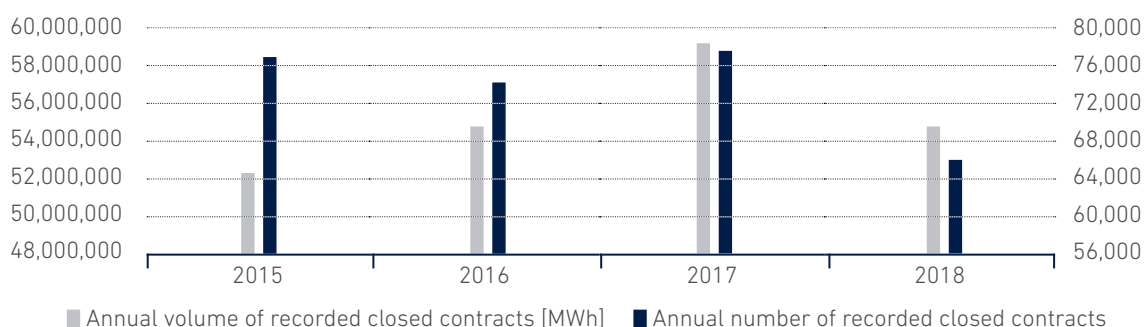


Figure 6: Monthly volumes of electricity sold or purchased through closed contracts and the number of recorded closed contracts on the electricity market in Slovenia in the 2015-2018 period

The table below shows the data on the growth trend over the last four years.

Year	Annual volume of recorded closed contracts [in MWh]	Increase in the volume of closed contracts in percent compared to the previous year	Annual number of recorded closed contracts	Increase in the number of closed contracts in percent compared to the previous year
2015	52,143,848	-3.20%	76,273	-1.80%
2016	54,834,360	5.16%	73,887	-3.13%
2017	59,144,645	7.86%	77,763	5.20%
2018	54,488,920	-7.87%	65,577	-15.70%

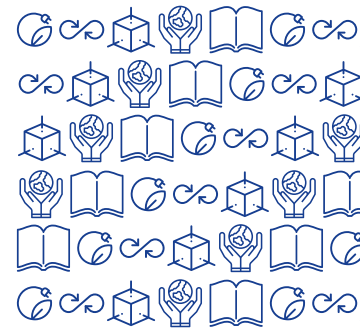
Table 5: Annual volumes of electricity sold or purchased through closed contracts and the number of recorded closed contracts on the electricity market in Slovenia in the 2015-2018 period

From 2015 to 2018, the reported volumes of electricity from closed contracts increased by 4.5 percent, while the number of recorded closed contracts on the Slovenian market decreased by 14 percent.

MOVEMENT OF CONCENTRATION ON THE WHOLESALE MARKET

In 2018, the reduction in the volumes and numbers of recorded closed contracts occurred mostly on account of smaller players on the market, which consequently led to an increased concentration on the market. The Herfindahl-Hirschman Index (HHI) is a potential measure of market concentration. It is calculated as a sum of the squares of market shares of the balance groups in the recorded closed contracts on the market (excluding duplications due to trading on the exchange and independent system balance groups (System Operator)). The index value varies on a scale from 0 (pure competition) to 10,000 (monopoly). The table below shows that between 2015 and 2017 HHI fluctu-

ated between 1,800 and 2,000; in the past year it increased significantly, i.e. to 2,359, which indicates a high market concentration. Looking at the cumulative share, which is represented by the 5 largest players on the market (CR5), we would notice a growth from 72.5 percent in 2015 to 84.2 percent in 2018. The biggest growth can be observed in the past year. A similar situation can be observed in the case of the CR10 index, which represents a sum of the shares of the ten largest balance groups in the recorded closed contracts. It increased from 87.1 in 2015 to 94.1 percent in 2018, which means that in 2018 ten of the largest balance groups recorded more than 94 percent of all volumes of closed contracts.



Year	2015	2016	2017	2018
HHI	2,004	1,837	1,813	2,359 82.2% 94.1%
CR5	72.5%	75.8%	75.4%	82.2% 82.2% 94.1%
CR10	87.1%	89.6%	91.9%	94.1%

Table 6: Herfindahl–Hirschman Index and the share of 5 (CR5) or 10 (CR10) of the largest balance groups in the recorded closed contracts in the 2015 – 2018 period

TRANSMISSION OF ELECTRICITY ON THE BORDERS OF THE SLOVENIAN CONTROL AREA

In 2018, the net electricity exchange at the borders of the Slovenian control area totalled a little under 339 GWh, which means that there was a 2.3 percent surplus of electricity compared to the total electricity consumption. Since slightly less than 2,740 GWh of electricity from the Croatian share of the

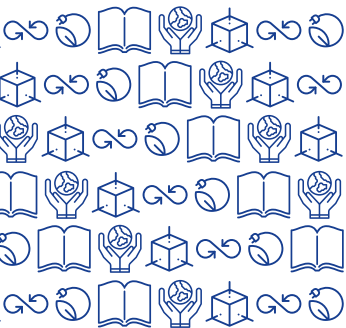
Krško Nuclear Power Plant (KNPP) belonged to the Croatian network, Slovenia was a net importer of electricity in 2018. The net imports amounted to almost 2,400 GWh, which represents 16.4 percent of the total electricity consumption in Slovenia.

Month	Export [in MWh]	Export from KNPP [in MWh]	Import [in MWh]	Import incl. KNPP [in MWh]	Net position [in MWh]	Net position excl. KNPP [in MWh]
January	648,429	907,289	878,776	878,783	28,506	-230,347
February	638,604	872,384	890,526	890,535	-18,151	-251,922
March	776,775	1,035,119	979,142	979,213	55,906	-202,367
April	667,870	668,108	821,765	824,690	-156,582	-153,895
May	551,310	788,780	689,517	690,975	97,805	-138,207
June	476,017	723,460	758,276	758,390	-34,930	-282,259
July	462,704	711,753	676,979	677,284	34,469	-214,275
August	419,842	668,629	608,515	608,715	59,914	-188,673
September	503,559	750,854	690,326	690,405	60,449	-186,767
October	643,726	899,136	827,854	827,854	71,282	-184,128
November	641,366	890,921	638,753	638,753	252,168	2,613
December	516,429	774,986	886,862	886,862	-111,876	-370,433
TOTAL	6,946,631	9,691,419	9,347,291	9,352,459	338,960	-2,400,660

Table 7: Total import and export of electricity on the borders of the Slovenian control area in 2018

The export of electricity, excluding the electricity generated from the Croatian part of the KNPP, was 12.7 percent lower than in 2017, amounting to 6,946 GWh, while the total exports, excluding the electricity intended for the needs of the Croatian part of the KNPP, decreased by 11.6 percent in the same period and amounted to 9,347 GWh.

The export on the Austrian border in 2018 was 75.7 percent higher than in 2017, amounting to 1,147 GWh, while the import was lower by 34.6 percent and amounted to 3,845 GWh.



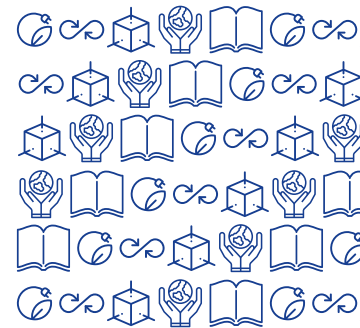
Compared to 2017, the export on the Croatian border was 37.2 percent lower (taking into account the production of the Croatian part of the KNPP) and amounted to 4.681 GWh. The import increased by 42.5 percent in the same period and equalled 5,148 GWh. The total production in the KNPP decreased by 8 percent compared to 2017 and amounted to 5,485 GWh. The lower production is mainly the result of the overhaul of the KNPP, which was carried out in April 2018.

Compared to 2017, the exports on the Italian border were higher by 34.5 percent, while the imports amounted to 358 GWh in the same period, decreasing by more than 67 percent compared to the previous year.

The table below shows the data on the number of recorded closed contracts concerning the electricity import and export in 2018 by individual borders.

BORDER	AUSTRIA		ITALY		CROATIA		
	Export	Import	Export	Import	Export	Import	Export KNPP
January	101,940	416,343	398,136	11,709	407,213	450,731	258,860
February	118,952	252,476	429,095	5,538	324,337	632,521	233,780
March	233,627	227,410	449,495	4,274	351,997	747,529	258,344
April	186,309	123,877	338,610	6,220	143,189	694,593	238
May	39,851	367,941	262,387	29,388	486,542	293,646	237,470
June	33,681	341,599	216,806	66,468	472,973	350,323	247,443
July	78,610	212,438	330,341	4,318	302,802	460,528	249,049
August	65,516	239,395	204,527	48,083	398,586	321,237	248,787
September	76,035	309,092	287,785	19,119	387,034	362,194	247,295
October	64,333	407,201	442,185	16,695	392,618	403,958	255,410
November	155,712	330,553	311,655	39,014	423,554	269,186	249,555
December	20,052	616,901	164,496	108,011	590,438	161,950	258,557
TOTAL	1,174,618	3,845,226	3,835,518	358,837	4,681,283	5,148,396	2,744,788

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



2.2 IMBALANCE SETTLEMENT

The report covers the accounting period for 2018 and it contains concluded imbalance settlements from January to December. The results are summarised in the text and figures below.

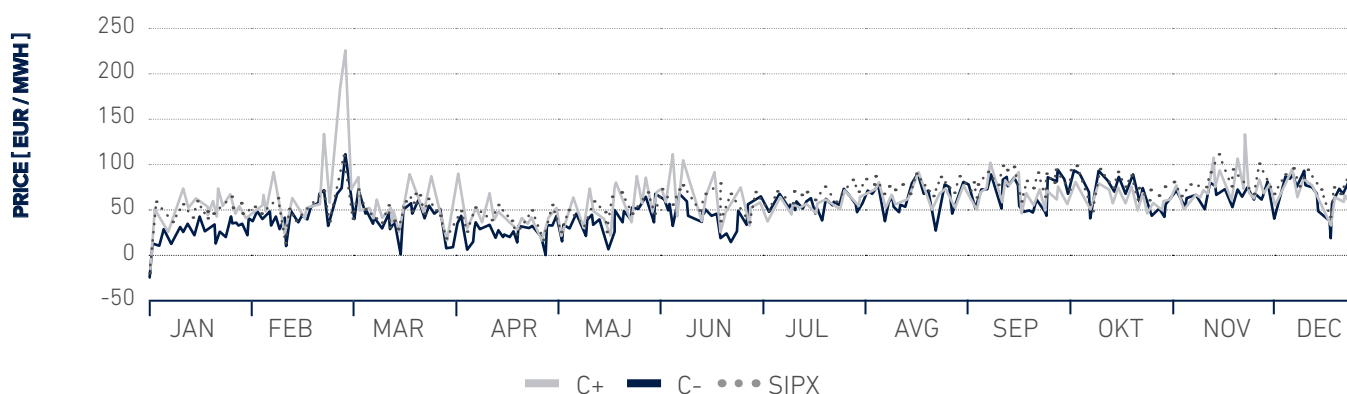


Figure 7: Average daily values of derived imbalance prices C_+ and C_- and the SIPX Index in 2018

The diagram above, showing the price movement in 2018 for positive and negative imbalances C_+ and C_- and the SIPX Index, indicates a gradual increase in prices in the course of the year. The latter is of course a reflection of the market conditions, while the higher average prices follow the cost points in the balancing of the electric power system, since the (basic) price for the imbalances is calculated as the ratio between the cost and the amount (of the balancing).

The average value of the derived (corrected) price for positive imbalances C_+ totalled EUR 62.16 per MWh and EUR 39.93

per MWh for negative imbalances C_- . The highest price value for C_+ amounted to EUR 991.93 per MWh and EUR

122.08 per MWh for C_- . The lowest price value for C_+ and C_- equalled EUR -51.50 per MWh and EUR -82.56 per MWh, respectively. The highest price C_+ occurred on 30 November in the 18-hour block and the highest price C_- occurred on 2 March in the 10-hour block. The lowest price C_+ was recorded on 1 January in the 9-hour block and the lowest price C_- was recorded on 4 January in the 2-hour block.

	2017 [EUR/MWH]			2018 [EUR/MWH]		
	C_+	C_-	SIPX	C_+	C_-	SIPX
Average values	64.78	34.72	49.64	62.11	39.91	51.15
Highest values	1,444.62	193.03	199.00	991.93	122.08	141.25
Lowest values	-0.96	-189.87	-42.93	-51.50	-82.56	-76.01

Table 9: The average, highest and lowest values of C_+ and C_- SIPX in 2017 and 2018

According to the Rules on the Operation of the Organised Electricity Market, which were in force in 2018, the SIPX Index is applied to calculate the basic prices for imbalances C_+ and C_- and, consequently, for the calculations of the derived prices for imbalances C_+ and C_- . The figure above shows the movement of the SIPX Index in comparison with the imbalance prices in 2018.

To calculate the prices for positive and negative imbalances, we use the costs and quantities that have been incurred for

the balancing of the electric power system in Slovenia. The balancing of the electric power system is the result of the deviations of electricity market participants from their forecasts. The figure below shows the total positive and negative imbalances of all balance groups in Slovenia in 2018.

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

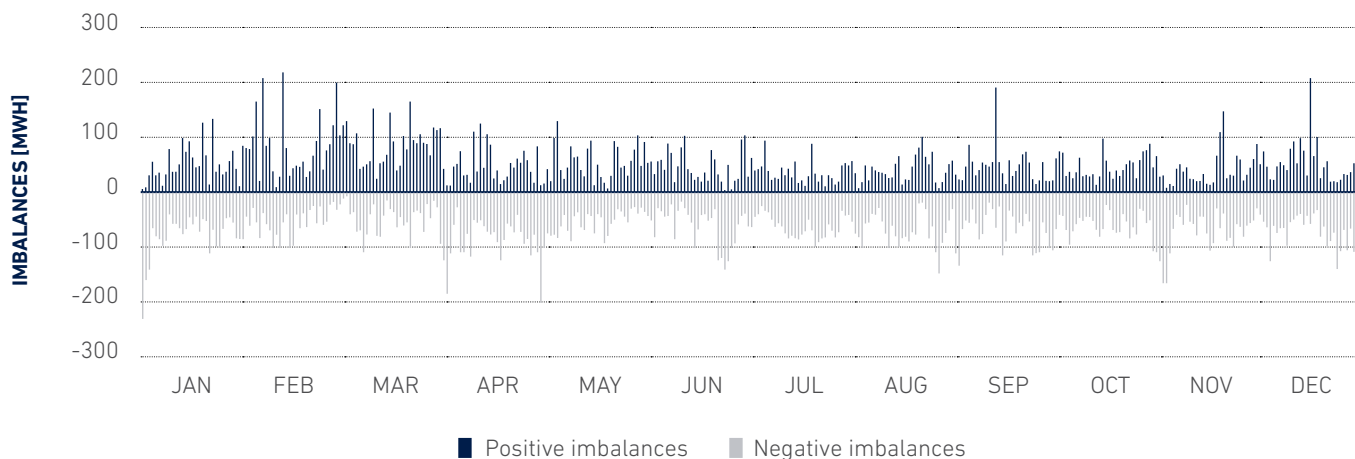
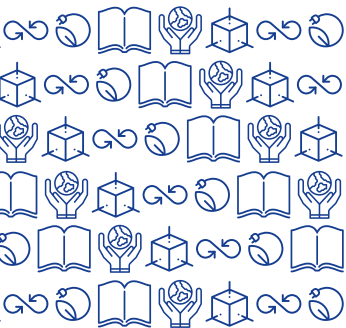


Figure 8: Imbalances in the Slovenian electricity system in 2018

The balancing energy for the settlement of positive and negative imbalances in the Slovenian electric power system is provided by the Transmission System Operator, ELES. In 2018, a total of 281 GWh of energy was used for the settlement of positive imbalances and 344 GWh for the settlement of negative

imbalances. The figure below shows the average monthly values of regulatory costs for the balancing of the electric power system. The costs include secondary and tertiary regulatory costs, energy from the balancing market and energy from the Imbalance Netting Cooperation (INC).

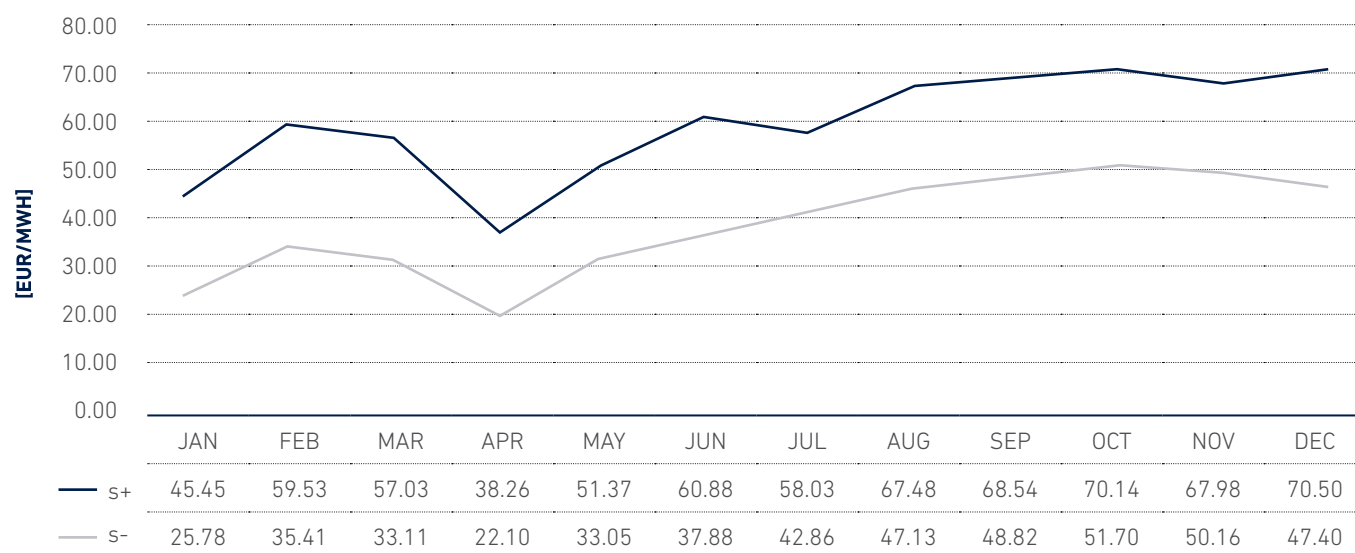
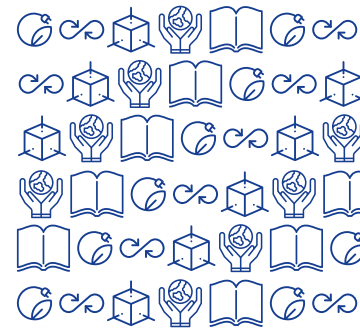


Figure 9: Average monthly values of regulatory costs (S+ and S-) in 2018

The average monthly value of regulatory costs in 2018 coincides with the prices for positive and negative imbalances. The figure above shows slightly higher average values of the S+ and S- imbalance costs in the first months of the year, followed by a decrease in April and a gradual increase towards the end of the year.

The following table shows the average monthly values of reg-

ulatory costs in 2018 and a comparison with 2017. The costs include secondary regulatory costs, tertiary regulatory costs, energy from the balancing market and energy from the INC. It can be observed that the regulatory costs were higher in 2018, especially in the second half of the year, excluding the exceptional situation in the network in January 2017, when the System Operator had to activate very large quantities of positive regulation (an energy deficit in the network).



Month	2017		2018	
	S+ [EUR/MWh]	S- [EUR/MWh]	S+ [EUR/MWh]	S- [EUR/MWh]
January	118.42	49.50	45.45	25.78
February	63.99	33.47	59.53	35.41
March	42.20	22.68	57.03	33.11
April	44.07	26.04	38.26	22.10
May	45.79	29.23	51.37	33.05
June	48.57	29.43	60.88	37.88
July	54.33	29.54	58.03	42.86
August	65.47	38.89	67.48	47.13
September	50.31	30.01	68.54	48.82
October	55.67	29.70	70.14	51.70
November	68.13	42.61	67.98	50.16
December	53.23	27.79	70.50	47.40

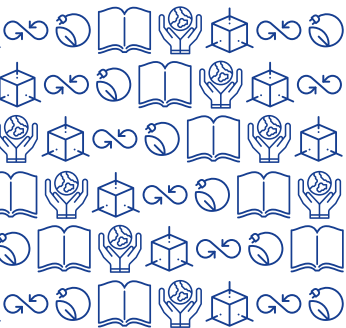
Table 10: Average monthly values of regulatory costs (S+ and S-) in 2017 and 2018

The table below shows the INC+ and INC- volumes for the entire period following the introduction of INC regulation, namely from May 2013 onward. The first column presents the values in which there was an electricity deficit in the Slovenian

electric power system and the INC+ function was activated. On the other hand, the second column shows the values in which an electricity surplus occurred in the Slovenian electric power system and the INC- function was activated.

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

Table 11: INC volumes from 2013 to 2018



The following table presents a more detailed overview of positive and negative imbalances for 2017 and 2018 on a monthly basis.

Month	2017		2018	
	Positive imbalances of balance groups [in MWh]	Negative imbalances of balance groups [in MWh]	Positive imbalances of balance groups [in MWh]	Negative imbalances of balance groups [in MWh]
January	50,623.89	8,573.38	12,459.39	27,120.07
February	16,606.03	20,258.99	18,832.07	13,024.46
March	7,175.96	37,637.85	29,465.45	10,578.71
April	13,438.75	27,707.50	11,057.81	28,965.21
May	13,759.75	24,084.61	13,829.77	17,394.26
June	9,767.67	21,042.27	12,534.52	20,723.61
July	9,342.49	33,954.50	9,541.00	22,807.00
August	17,220.10	19,513.22	12,483.00	23,720.00
September	16,405.14	23,396.77	10,487.83	21,236.21
October	10,206.47	25,003.09	11,216.30	19,360.89
November	23,693.04	9,860.90	10,762.74	23,675.48
December	21,033.85	19,024.30	16,022.03	23,105.59
TOTAL	209,273.14	270,057.37	168,691.91	251,711.49

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

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

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

Table 13: Total positive and negative imbalances of the balance groups from 2013 to 2018

Based on the data presented in the table above, it can be noted that there is a downward trend in both segments of imbalances. This represents one of the essential tasks of the

imbalance settlement system, namely, motivating market participants towards more careful behaviour and forecasting, and thus contributing to the stability of the electric power system.

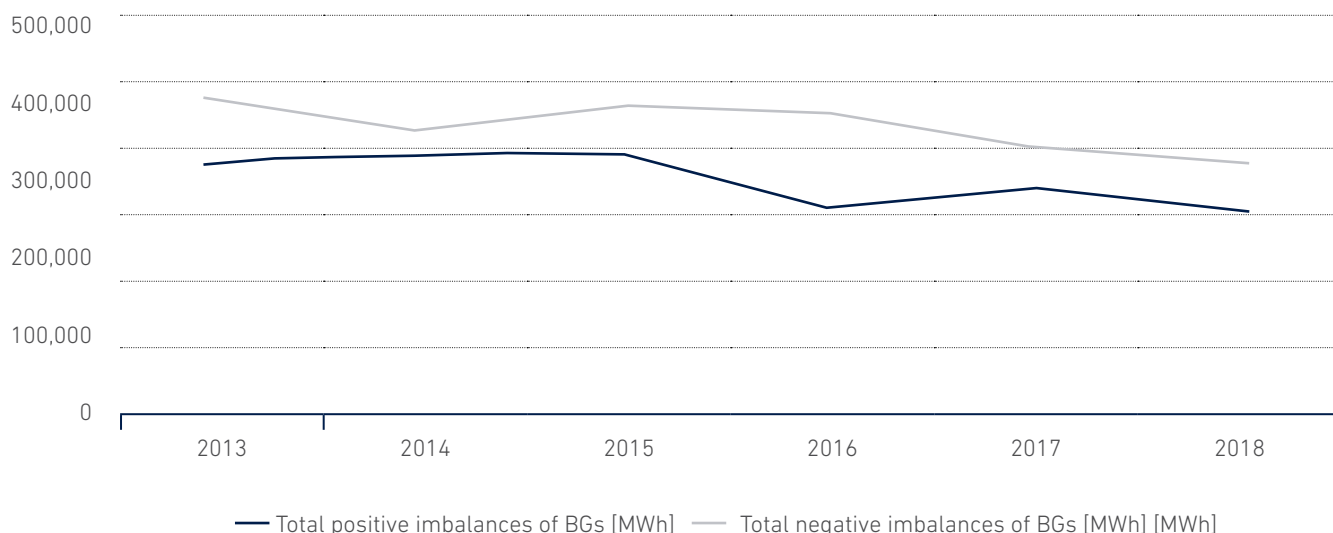
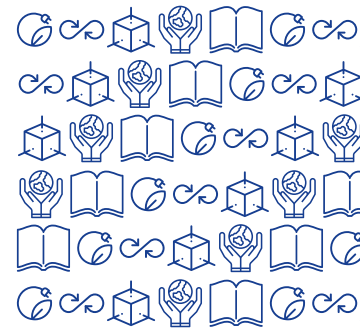


Figure 10: Total positive and negative imbalances of the balance groups from 2013 to 2018

ANNUAL RECALCULATION

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

In 2018, the annual recalculation was made for 2017. The redistribution of differences between balance groups was carried out on the basis of the calculated differences and the average annual price that equalled the annual average C_+ and C_- and amounted to EUR 49.62 per MWh. In the annual recalculation for 2018, slightly less than 97 GWh of electricity were redistributed, totalling EUR 4.80 million (net).

2.3 BALANCE SCHEME

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

In 2018, three domestic companies and three foreign companies entered the Balance Scheme of the Market Operator. Five of them obtained the status of a balance group, and one company obtained the status of a balance subgroup. During the same period, three foreign companies and five domestic companies left the Balance Scheme, which, compared to 2017, means that the membership in the Balance Scheme decreased by two members. In total, as at 31 December 2018 there were 54 balance groups (19 Slovenian and 35 foreign companies) and 20 balance subgroups (17 Slovenian and 3 foreign companies) registered in the Republic of Slovenia.

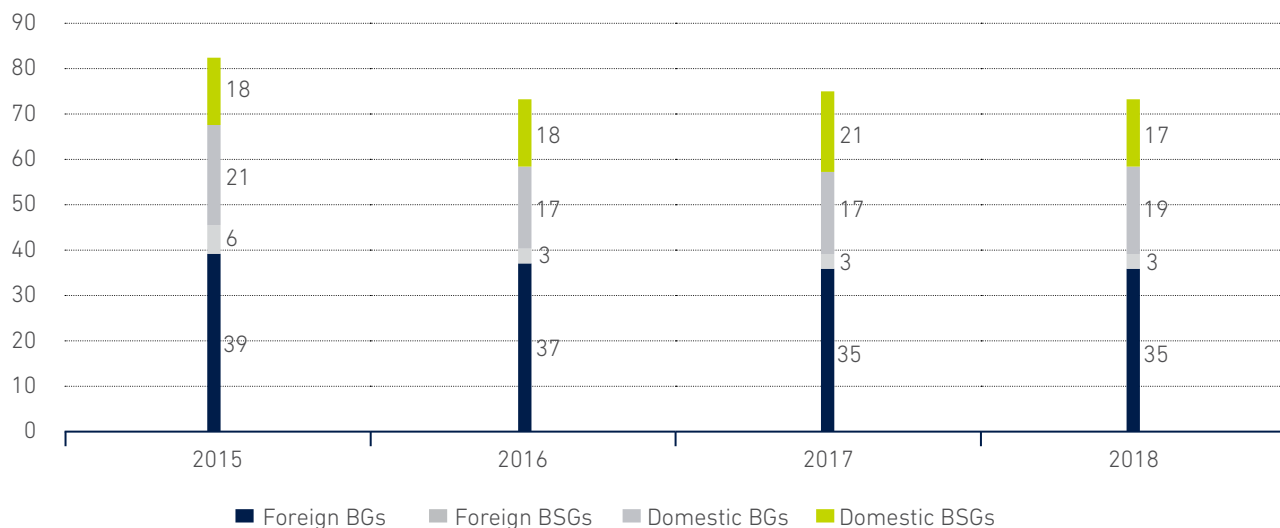
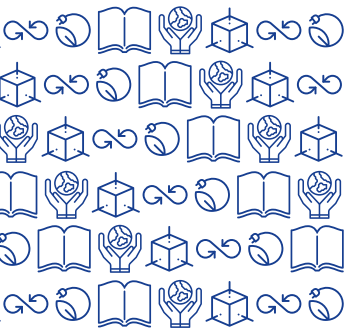


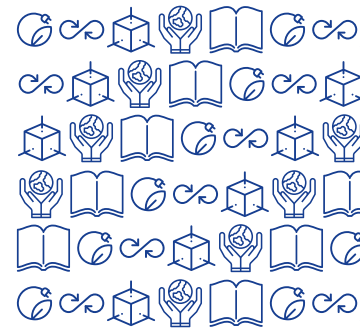
Figure 11: Number of foreign and domestic balance groups (BGs) and balance subgroups (BSGs) from 2015 to 2018

In 2018, the following companies entered the Balance Scheme: MERCATOR d.d., ENETRA d.o.o., PROENERGY d.o.o., G O ENERGY GAS & OIL SA, EZPADA AG and POWERMART ApS. During the same period, the following companies left the Balance Scheme: CATV SELNICA RUŠE d.o.o., GORENJSKE ELEKTRARNE, d.o.o., ENERGENTI PLUS d.o.o., JWM ENERGIA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, Edison Trading S.p.A., CRODUX ENERGIJA, d.o.o.

and PETROL ENERGETIKA d.o.o. (the latter because of its merger with the parent company Petrol). During the same period, four transfers of balance subgroups occurred between various balance groups, and one extension of the balancing agreement.

The table below chronologically shows the changes in the Balance Scheme in 2018.

Event date	Name of Balance Scheme member	Status
17 Oct	CRODUX PLIN d.o.o.	Exit
24 Sep	CRODUX ENERGIJA, d.o.o.	Exit
12 Sep	POWERMART ApS	Entry
6 Sep	EZPADA AG	Entry
29 Aug	G O ENERGY GAS & OIL SA	Entry
2 May	PETROL ENERGETIKA d.o.o. (merger with Petrol d.d.)	Exit
29 Mar	Edison Trading S.p.A.	Exit
20 Mar	PROENERGY d.o.o.	Entry
15 Mar	ENETRA d.o.o.	Entry
14 Feb	JWM ENERGIA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Exit
5 Feb	ENERGENTI PLUS d.o.o.	Exit
1 Jan	CRODUX ENERGIJA, d.o.o.	Extension of the balancing agreement
1 Jan	GORENJSKE ELEKTRARNE, d.o.o.	Exit
1 Jan	CATV SELNICA RUŠE d.o.o.	Exit



Event date	Name of Balance Scheme member	Status
1 Jan	SODO d.o.o.	Transfer from balance group (BG) HEP d.d. to BG HSE d.o.o.
1 Jan	Borzen, d.o.o. - Centre for Support (Eco Group)	Transfer from BG HEP d.d. to BG GEN-I, d.o.o.
1 Jan	SIJ ACRONI d.o.o. (together with balance subgroup (BSG) ZDS JESENICE, d.o.o.)	Transfer from BG GEN-I, d.o.o. to BG HSE d.o.o.
1 Jan	PETROL ENERGETIKA d.o.o.	Transfer from BG GEN-I, d.o.o. to BG PETROL d.d., Ljubljana
1 Jan	MERCATOR d.d.	Entry to BG GEN-I d.o.o.

Table 14: Timeline of the membership movement in the Balance Scheme in 2018

2.4 FINANCIAL SETTLEMENT OF IMBALANCES

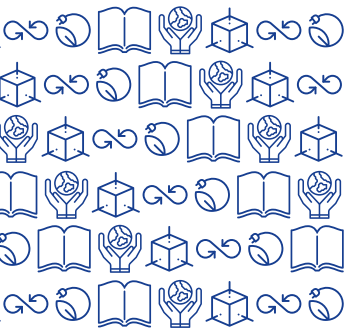
As a clearing agent, Borzen provides accounting and financial settlement of liabilities/claims arising from the imbalance settlement of financial settlement participants. All final imbalance settlements of an individual balance group in a specific time period are the subject of the financial settlement.

The table below presents the value-based data, resulting from the financial settlement of imbalances for 2018, compared to the data from 2017.

in EUR excl. VAT

YEAR	2017			2018		
	Month	Imbalance settlement	Balancing costs	Surplus	Imbalance settlement	Balancing costs
January	7,533,410	-7,382,846	150,564	541,248	-509,501	31,747
February	1,065,186	-1,038,358	26,828	1,520,885	-1,370,966	149,919
March	-258,828	317,626	58,798	2,189,399	-2,057,451	131,948
April	271,706	-243,426	28,280	238,624	-163,718	74,906
May	326,408	-282,895	43,513	576,732	-544,820	31,912
June	245,816	-236,309	9,507	540,291	-495,630	44,661
July	31,655	6,153	37,808	-364,715	409,348	44,632
August	1,053,172	-1,010,232	42,940	46,832	10,928	57,760
September	746,157	-721,035	25,122	94,292	41,838	136,130
October	185,346	-155,212	30,134	-263,911	343,638	79,726
November	1,863,625	-1,834,721	28,904	-25,055	127,524	102,470
December	1,302,226	-1,226,926	75,300	225,527	-99,091	126,437
TOTAL	14,365,879	-13,808,181	557,698	5,320,149	-4,307,901	1,012,248
Default interest:			165			186
TOTAL SURPLUS:			557,863	5,320,149	-4,307,901	1,012,434

Table 15: Value overview of the imbalance settlement for 2017 and 2018



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

The surplus of revenues over expenses arising from the imbalance settlement is intended for the management of the risks of default or late payments and are kept in a separate account for the management of the imbalance settlement surpluses. In 2018, the surplus of the imbalance settlement totalled EUR 1.01 million. In 2018, a portion of the surplus of the imbalance settlement was disbursed among the imbalance settlement participants in the total amount of EUR 1.14 million. At the end of 2018, the total amount of the surplus of the imbalance settlement equalled EUR 1.97 million and included the undisbursed portion of the surplus from previous years and the total surplus from 2018 with default interests.

2.5 BALANCING MARKET

The electricity balancing market is an organised form of collecting and soliciting the offers for the sale and purchase of the balancing energy for balancing purposes in a transparent and economically efficient way. On the Slovenian electricity balancing market, which has been in operation since October 2012, **3,224 transactions** were concluded in 2018 in the total amount of slightly under **129 GWh**. Around **42 GWh** represented the **purchase** of electricity, while roughly **86 GWh** represented the **sale** of electricity by the Transmission System Operator. The highest number of transactions was concluded with **hourly products** in the total amount of **97 GWh**. The highest number of transactions was also concluded with hourly products, amounting to 2,562 transactions.

As shown in the chart below, in 2018 the System Operator operated as a seller of electricity for most of the time. Most of the balancing electricity was sold in April, while the purchase of balancing electricity reached its peak in March. In 2018, the highest price for the purchase of balancing electricity equalled EUR 200 per MWh, while the lowest price for the sale of balancing electricity totalled EUR -50 per MWh. In addition to the System Operator, seven more members were

involved in the transactions concluded on the balancing market. As at 31 December 2018, the balancing market consisted of **34 members**.

The balancing market was experiencing a steady growth since its establishment until 2017; in 2018, we recorded the first annual decline, as shown in the chart below. The highest increase in the volume and number of transactions was recorded in 2015, when the volume increased by 138 percent and the number of transactions increased by 228 percent compared to the preceding year. In 2017, compared to the previous year, the volume of concluded transactions decreased by slightly less than 44 percent, while the number of concluded transactions decreased by more than 31 percent. The reason lies mostly in the smaller imbalances of the balance groups, which means that the System Operator made less use of the balancing market than in 2017. In this regard, the extreme situation of January 2017 should be mentioned, when an exceptionally high number of transactions occurred due to a structural shortage of electricity within the system, which was mostly the result of temperatures that were lower than anticipated by suppliers.

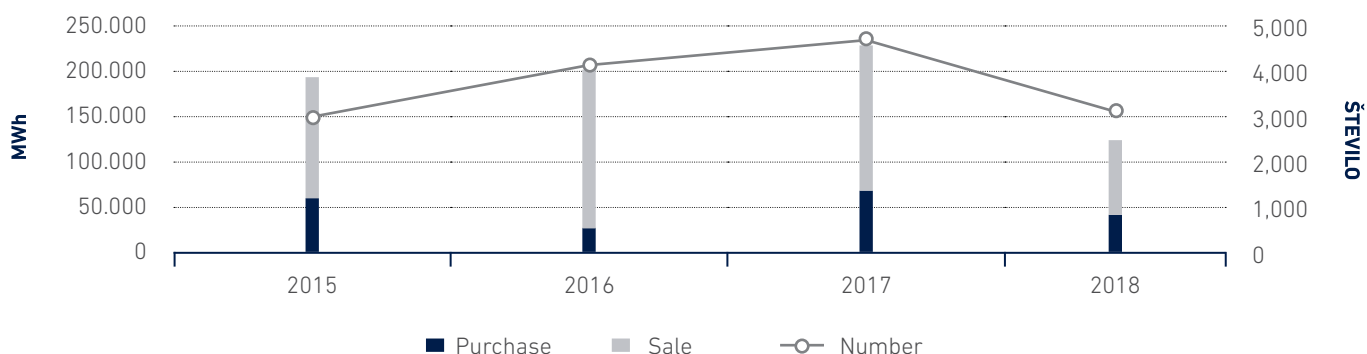
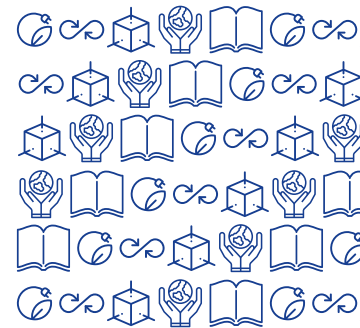


Figure 12: Volume and number of concluded transactions on the electricity balancing market by year



In 2018, the electricity balancing market accounted for 27.2 percent of the total balancing system, which is 9.4 percentage points lower than in 2017, when the share of the balancing market in the total balancing system equalled 36.6 percent. The highest monthly share of balancing electricity from the

balancing market was recorded in January 2018 and amounted to 37.7 percent. In 2018, the share of electricity from the balancing market for the upward balancing (purchase) represented 21 percent, while the share for the downward balancing (sale) equalled 31 percent.

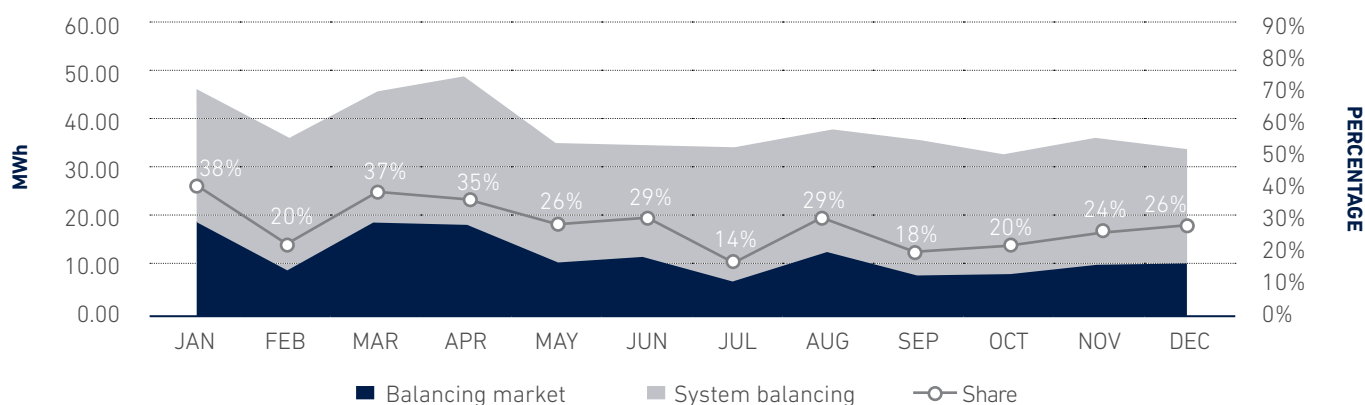


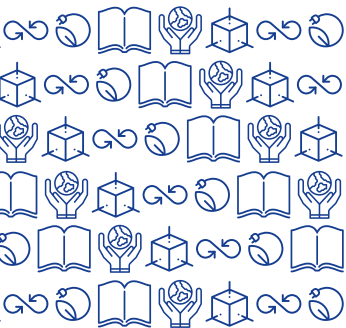
Figure 13: Balancing market share in the total system balancing of the Slovenian electric power system

Trading on the balancing market is carried out in combination with intra-day trading, namely one hour after the intra-day gate closure time until the physical delivery of the traded product. In the so-called balancing market phase, which lasts from one hour before delivery to just before the delivery, the total volume of recorded transactions amounted to slightly less than 81 GWh in 2018, which represented

63 percent of the total volume of recorded transactions. A trend in increased transactions in this phase was also noticeable, ranging from 20 percent in 2014 to 63 percent in 2018, which means that the System Operator purchased or sold electricity directly before delivery and thus balanced the electric power system more effectively.

Year	"Balancing market" phase	"Intra-day trading" phase
2014	20%	80%
2015	34%	66%
2016	52%	48%
2017	56%	44%
2018	63%	37%

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



2.6 ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

2.6.1 DATA EXCHANGE AND IMBALANCE SETTLEMENT

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

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

2.6.2 OTHER ACTIVITIES RELATED TO ENSURING THE TRANSPARENCY OF THE ELECTRICITY MARKET

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

At the end of 2014, Borzen already established an automated data transmission via web services, since the company is obliged to send the data on the quantity of bids on the balancing market and the data on the volumes and prices of transactions concluded on the balancing market to the System Operator every hour in accordance with the European Regulation No. 543/2013 (the so-called Transparency Regulation). In addition to the data on the balancing market, Borzen also submits the prices of imbalances to the System Operator on a monthly basis. The submitted data are published on the European platform "ENTSO-E Transparency Platform" in order to increase the transparency of the European energy market. In 2018, we made certain adjustments due to the changes in the data source.

ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

On a proposal from the Slovenian Energy Agency, Borzen established electronic access to the Balance Scheme records via web services. The access provides the Energy Agency with the automated control of the data on the Balance Scheme members which are submitted upon their registration in accordance with the REMIT Regulation. In 2018, the exchange process operated smoothly, enabling the verification of the data submitted by market participants as part of their registration with the Energy Agency. In the future, we want to integrate the data on the supplier's status into this access, as we are already publishing it on our corporate website.

SUBMISSION OF BALANCING MARKET DATA TO THE ENERGY AGENCY

For the needs of the Energy Agency, in 2018 Borzen set up a system for submitting data on the balancing market to the Regulator. The system operates in accordance with the principles, standards and texts of the REMIT Regulation and will enable the Regulator to establish a complete market record (bids, transactions), since the Energy Agency is already receiving other data from ACER. The system is currently in the testing phase with the Energy Agency.

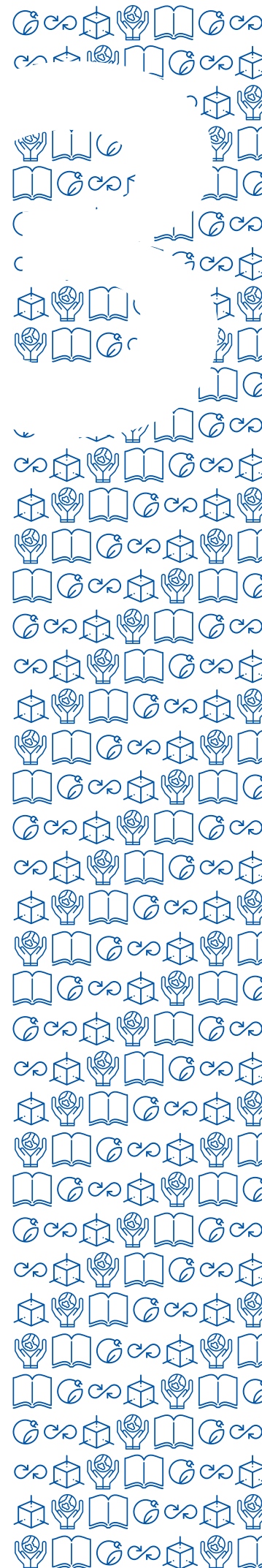
PUBLICATION OF ADDITIONAL DATA ON THE FUNCTIONING OF THE MARKET ON THE CORPORATE WEBSITE

Borzen regularly publishes different information on its website as required by law. In order to increase transparency in the electricity market, the company also publishes additional information, such as the data on the residual diagram. For each accounting interval, the residual diagram of a particular distribution area is calculated in the following way: the number of the total energy received by a particular transmission area (from the transmission network, the distribution network of the adjacent areas or the production delivery points) is subtracted by the value of estimated losses for the area and the realised consumption of all measured consumers, where the registration interval is shorter than or equal to the accounting interval. The data primarily makes it easier for new participants to operate on the market and represents an additional activity of the company in the direction of collecting, analysing and publishing the data in order to ensure the transparency of the electricity market. In addition to this, Borzen also publishes a list of suppliers, i.e. the Balance Scheme members with physical delivery points either on the consumption or on the production side. After the suspension of licences under the new Energy Act, as has been mentioned, an official public list of suppliers on the market is no longer available.

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

Borzen also publishes the Price Index for the Slovenian Balancing Market, which provides the members of the market and other interested third parties with insight into the announcement of the forecasts of the total electricity production and consumption in the territory of the Republic of Slovenia for the day-ahead time frame.

In the future, Borzen wishes to expand the scope of published data, thus striving to contribute to a greater transparency in the electricity market, as is envisaged in the new Rules on the Operation of the Electricity Market. The actual realisation is anticipated with the introduction of a new application for imbalance settlement into production or of the portal of the Market Operator, at the latest.



3. CENTRE FOR SUPPORT

3.1 SUPPORT SYSTEM

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

TYPES OF SUPPORT

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

3.2 SUPPORT SCHEME FOR ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES AND COGENERATION OF HEAT AND POWER

3.2.1 POWER PLANTS IN THE SUPPORT SYSTEM

At the end of 2018, the Support Scheme consisted of **3,859 power plants** with a total rated power of **412 MW**, which represented approximately 12 percent of the installed capacities in the Republic of Slovenia.

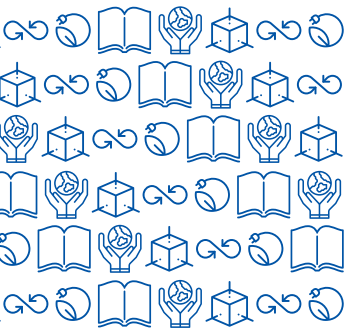
GUARANTEED PURCHASE OF ELECTRICITY

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

OPERATING SUPPORT ("OPERATING AID SCHEME")

In the case of operating support, the Centre for Support does not receive or pay for any electricity, but instead, based on the produced net quantities of electricity, pays only the operating support intended to compensate the production unit for the difference between the production costs and the market price, which the unit acquires over-the-counter. The production units which are eligible for this type of support must regulate the balancing of differences between the forecast and realised production and their balancing affiliation on their own behalf, or this can be done by the supplier with whom they concluded an open contract for the sale of electricity.

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



Type of power plant	Power in kW	Number
Biogas power plants	25,716	27
Other	1,035	2
Wood biomass power plants	22,876	42
Hydro power plants	23,159	93
Solar power plants	257,392	3,301
Fossil-fuelled CHP	78,970	388
Wind power plants	3,234	6
TOTAL	412,380	3,859

Table 17: Power plants in the new support system (as at 31 December 2018)

3.2.2 SUPPORT PAYMENTS

In 2018, the production and support payments decreased (a continuation of the decline from 2015), which is mainly due to the fact that some of the larger units stopped receiving support and, simultaneously, that there was a smaller intensity of unit entries to the new Support Scheme with considerably lower amounts of support payments. However, the intensity of the decline in production and payments is largely dependent on the weather conditions. Compared to 2017, the year 2018 was more hydrologically favourable and, on average, experienced more sunny days and, consequently, there was a smaller influence of solar power plants on the Support

Scheme, which is a relatively more expensive source. From the comparison of payments and electricity production in the Support Scheme, it can be concluded that the production of electricity in 2018 was 1 percent lower than the production in 2017, while 6 percent less payments were made.

Production that receives one of the types of support accounts for 7 percent of the Slovenian annual consumption. In recent years, this share has decreased slightly due to an increase in consumption and a standstill in production within the scheme.

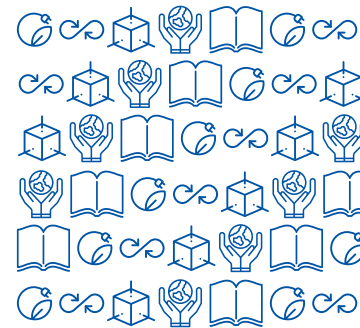
Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Quantity of electricity (in GWh)	937.9	944.9	1,003.5	980.8	905.9	802.9	654	943.3	995.5	934.2
Support payments under contracts (in million EUR, excl. VAT)	135.1	143.5	146.2	147.1	130.8	118.5	89.8	69.5	48.6	22.7
Average support (in EUR/MWh)	144.06	151.89	145.6	149.97	144.42	147.61	137.28	73.69	48.81	24.3

Table 18: Support payments from 2009 to 2018

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

² According to the Statistical Office of the Republic of Slovenia (Final consumption of electricity in Slovenia, Final consumption – total, year 2017; final data for 2018 are not yet available), the final consumption in 2017 totalled 13,622 GWh.

³ The data for 2018 are given as at 6 March 2019.



Production and support payments by year

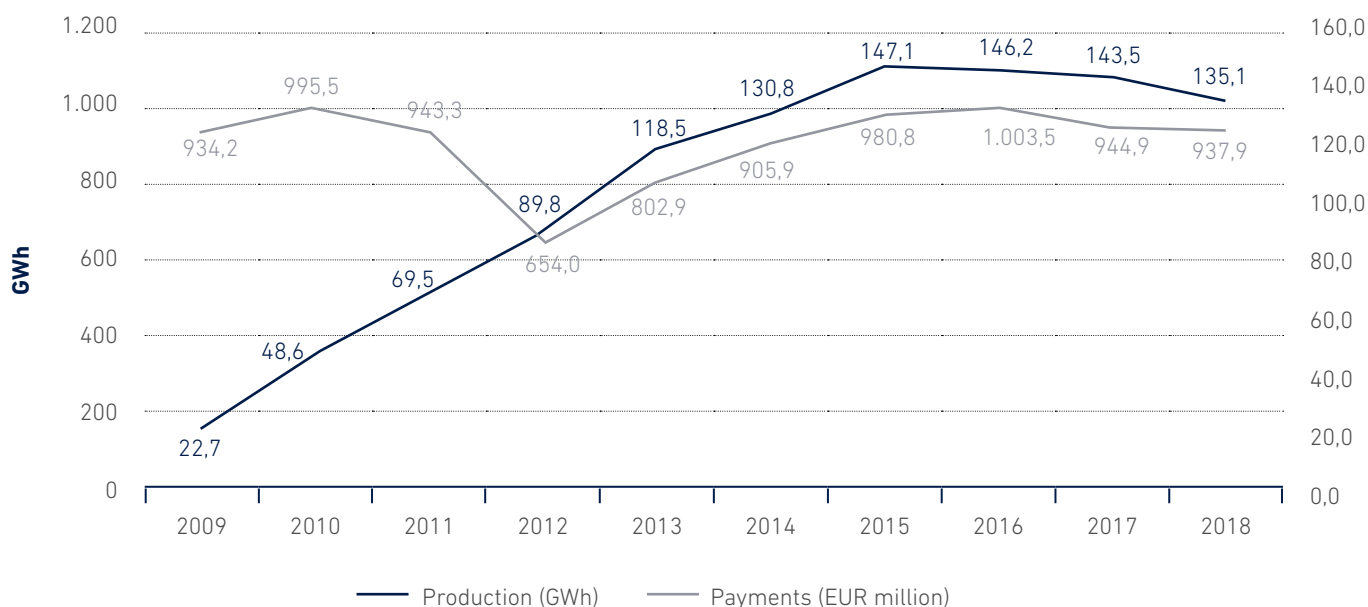


Figure 14: Production (green curve, GWh) and support payments (blue curve, EUR excl. VAT) by year (2009-2018)

Based on the share of produced electricity, fossil-fuelled CHP units (34 percent) and solar power plants (27 percent) stood out in 2018. The latter also received almost half (46 percent) of all support payments in 2018.

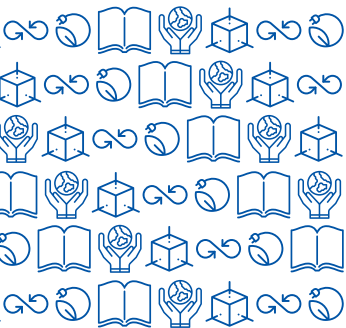
Type of power plant	Produced electricity (GWh)	Support payment (in million EUR, excl. VAT)	Share of energy (%)	Share of support (%)
Biogas power plants	112.3	15.0	11.97%	11.10%
Solar power plants	249.6	62.8	26.61%	46.49%
Other	6.3	1.7	0.67%	1.24%
Wind power plants	6.0	0.4	0.64%	0.27%
Hydro power plants	118.3	6.9	12.62%	5.09%
Wood biomass power plants	125.0	19.6	13.32%	14.51%
Fossil-fuelled CHP	320.5	28.8	34.17%	21.30%
TOTAL	937.90	135.12	1	1

Table 19: Support payments in 2018

Compared to 2017, no substantial change in terms of proportions of production and payments was recorded. It is worth noting that slight differences in the proportions of production were the result of different weather conditions, which more or less affected not only the production of an individual plant but also the aggregate production of a specific type of unit.

In 2018, the support payments slightly decreased compared to the previous two years for several reasons. The main reason is the withdrawal of production units from the Support Scheme (some of the units stopped receiving the support – including larger units), while the weather conditions in 2018, compared to 2017, contributed to the decrease in support payments (e.g. a relatively lower production of a more expensive energy source due to the reduced solar activity).

⁴ The data for 2018 are given as at 6 March 2019. Due to rounding, the sums in the table may not add up.



Type of power plant	Support share in 2018	Support share in 2017	Difference in support share (%)	Energy share in 2018	Energy share in 2017	Difference in energy share (%t)
Biogas power plants	11.10%	11.65%	-0.55%	11.97%	13.43%	-1.46%
Solar power plants	46.49%	49.42%	-2.93%	26.61%	29.53%	-2.93%
Other	1.24%	0.92%	0.31%	0.67%	0.53%	0.14%
Wind power plants	0.27%	0.25%	0.03%	0.64%	0.60%	0.04%
Hydro power plants	5.09%	4.20%	0.90%	12.62%	10.90%	1.71%
Wood biomass power plants	14.51%	13.25%	1.26%	13.32%	13.73%	-0.41%
Fossil-fuelled CHP	21.30%	20.32%	0.98%	34.17%	31.27%	2.90%

* Each individual share in the table is rounded to two decimal places, which can lead to a discrepancy in the addition of shares.

Table 20: Comparison of payments by power plant type between 2018 and 2017

Already in 2014, as a part of a comprehensive control of the scheme payments by the Centre for Support, which is regularly carried out, we introduced additional systematic monitoring of weather indices with respect to prior periods and the long-term average. The following parameters are monitored: temperature, solar radiation, rainfall and hydrology. The data are obtained from the database of the Slovenian Environment Agency. The preparation of the forecast takes into account several scenarios, also based on the realisation of a specific group of power plants. In addition to the monthly examination of trends in disbursements by using D-1 sample checks (measurements for the previous day) and regular financial reviews and recalculations, this is an additional piece in the mosaic of a more systematic monitoring of payments of the Centre for Support.

The actual comparison of production and payments in 2018 and 2017 is best evident from the figure below, which clearly shows the absolute difference in payments and the relative

change in the 2018 production compared to 2017. The figure shows that in 2018 the production of certain unit types fluctuated. Due to the specific weather conditions, a decrease in the production by solar power plants is notable (-10.6 percent compared to 2017) and by biogas power plants (-11.6 percent). On the other hand, the production increased in other groups, e.g. fossil-fuelled CHP (+8.5 percent compared to 2017, hydro power plants +14.9 percent, wind power plants +5.3 percent).

In 2018, the disbursed support payments and production were lower than the forecast limits, which is mainly due to the lower production of a relatively “more expensive” source, i.e. solar power plants. The exits from the scheme also caused an additional reduction in payments. The main counterweights that would stimulate higher payments at the annual level – new unit entries (a small No. of new entries) and the production of hydro power plants (favourable hydrological conditions) – had a smaller impact on production and support payments.

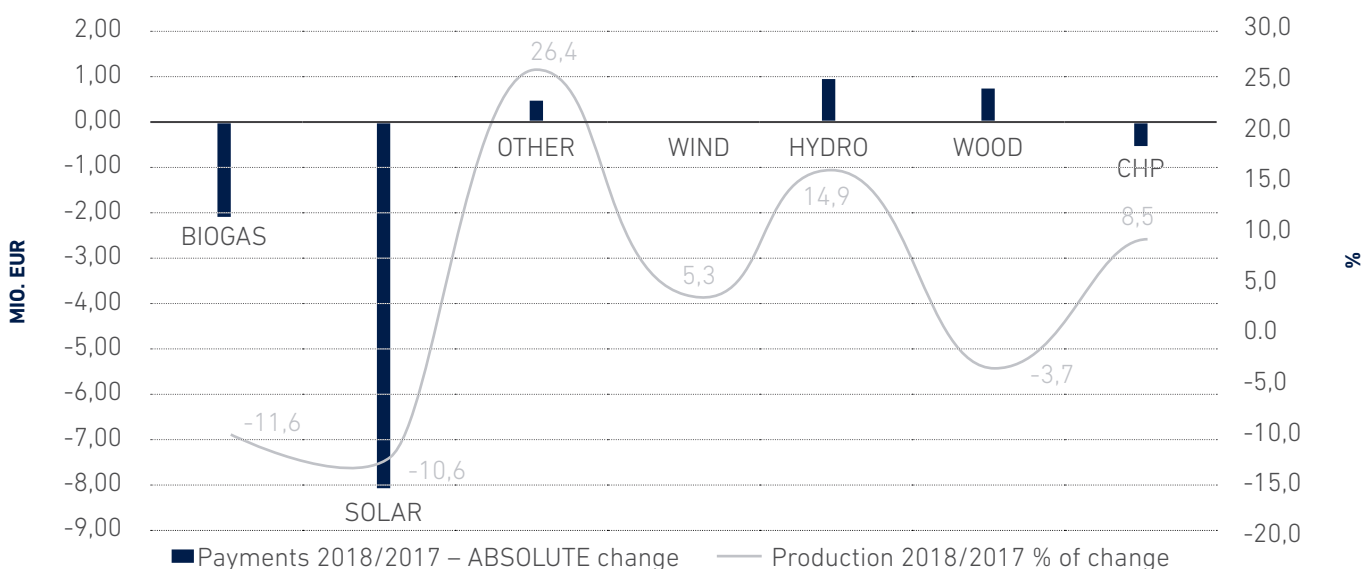
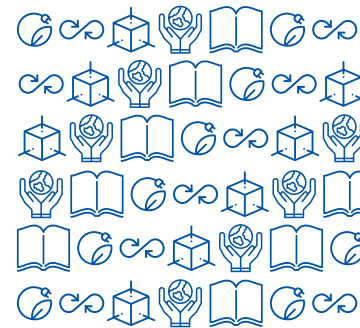


Figure 15: Comparison of support payments and production between 2018 and 2017



3.3 FINANCIAL DATA OF THE CENTRE FOR SUPPORT

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

The table below presents the revenues and expenses of the Centre for Support for 2018, namely the realised values in 2017 compared to the realised values in 2018 (as at 28 February 2019).

in EUR, excl. VAT

	Item	Realisation 2017	Realisation 2018
A	Opening balance	45,790,480	86,244,678
1	REVENUES	184,567,176	187,100,089
a	RES+CHP contribution	178,540,388	180,462,278
b	DES contribution	1	0
c	CS – EE sales	6,015,947	6,604,444
d	Default interests	10,840	33,366
2	EXPENSES	144,112,978	135,706,982
a	RES+CHP support	143,521,978	135,115,982
b	DES support	0	0
c	Operation of the CS	591,000	591,000
d	CS – EE purchase	0	0
3	TOTAL (1-2)	40,454,198	51,393,106
4	TOTAL (A+3)	86,244,678	137,637,785

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

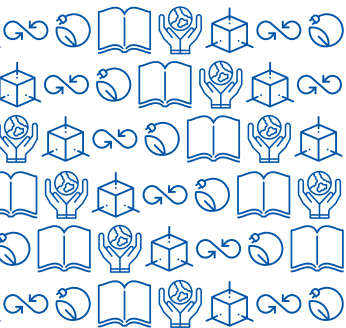
The table shows that in 2018 the Centre for Support collected EUR 180.46 million net of the RES/CHP contributions. The RES/CHP contributions also include the assets from the contribution for final consumers of district heating and buyers of fossil fuels, in the total amount of EUR 36.77 million net.

The revenues of the Centre for Support also disclose the received funds from the direct sale of electricity from the Eco Balance Group, which was, in 2018, sold indirectly in such a way that the Centre for Support transferred the Eco Balance Group into the balance group of another member. The revenues of the Centre for Support also include the default interests in the realisation of 2018. In 2018, we received a higher number of notifications from the Energy Agency regarding

detected violations by the support beneficiaries. This resulted in the default interest in the amount of EUR 33,336, which the beneficiaries were obliged to reimburse the Centre for Support, along with the unjustified support payments they had received.

In 2018, the payments of RES/CHP support amounted to EUR 135.12 million net. The contribution for the operation of the Centre for Support equalled EUR 591,000 and has remained unchanged since 2009.

After the disbursement of support payments in 2018, the Centre for Support recorded a surplus in the amount of EUR 137.64 million.



3.3.1 FINANCING OF THE SUPPORT SCHEME AND CONTRIBUTIONS

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

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

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

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

The Balance Group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. The Eco Group would also include power plants that have a concluded Eco contract or a contract on the sale of electricity through the Centre for Support. In 2018, none of these types of contracts were concluded.

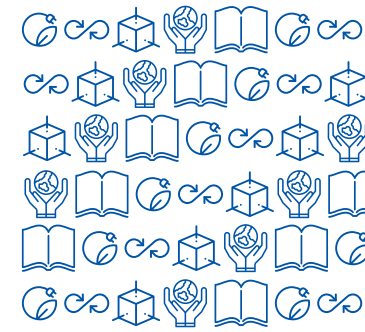
Compared to the situation at the end of 2017, the number of power plants in the Eco Group decreased by 41 units in 2018, namely to 1,129 units. The total rated capacity of units included in the Eco Group decreased by more than 12 percent and equalled 81.7 MW at the end of the year.

Despite the fact that in December 2018 the Energy Agency launched the fourth public call for power plants that generate electricity from RES and CHP, only two power plants select-

ed under the call entered the Eco Group by the end of 2018, both with less than 10 kW of output power. The dynamics of changes in the composition of the Eco Group were mainly caused by changes in the type of support, exits from the Support Scheme due to the age of power plants, withdrawal of the support due to the expiry of the declaration and change of ownership. Upon the occurrence of the latter, the Energy Agency first withdraws the support from the previous owner with a decision and then issues a new decision to the new owner. In the intermediate period (from the withdrawal of the support to the receipt of a new decision), such a power plant is usually not entitled to support and is, consequently, not included in the Eco Group. The Energy Agency acts in the same way in the case of the expiry of the declaration, if the beneficiary does not extend it on time. In this case as well, the beneficiary is deprived of support until the declaration and subsequent decision on granting support have been adequately regulated.

Type of power plant	As at 31/12/2014	As at 31/12/2015	As at 31/12/2016	As at 31/12/2017	As at 31/12/2018
Solar	1,111	1,092	1,094	1,084	1,048
Hydro energy	27	25	21	16	16
CHP	60	60	58	57	54
Biogas	10	9	7	7	6
Wind	5	5	5	5	4
Landfill gas	1	0	0	0	0
Gas from waste water sludge	1	1	1	1	1
TOTAL	1,215	1,192	1,186	1,170	1,129

Table 22: Number of power plants in the Eco Group from 2014 to 2018



Type of power plant	As at 31/12/2014	As at 31/12/2015	As at 31/12/2016	As at 31/12/2017	As at 31/12/2018
Solar	81,403	78,222	78,312	75,614	66,468
Hydro energy	6,309	6,104	5,289	4,555	4,555
CHP	7,043	6,682	6,420	6,370	4,795
Biogas	9,182	8,197	6,199	6,199	5,385
Wind	73	73	73	73.4	24
Landfill gas	2,702	0	0	0	0
Gas from waste water sludge	518	518	518	518	518
TOTAL	107,230	99,796	96,811	93,330	81,744

Table 23: The sum of the rated power of the power plants in the Eco Group (in KWh) from 2014 to 2018

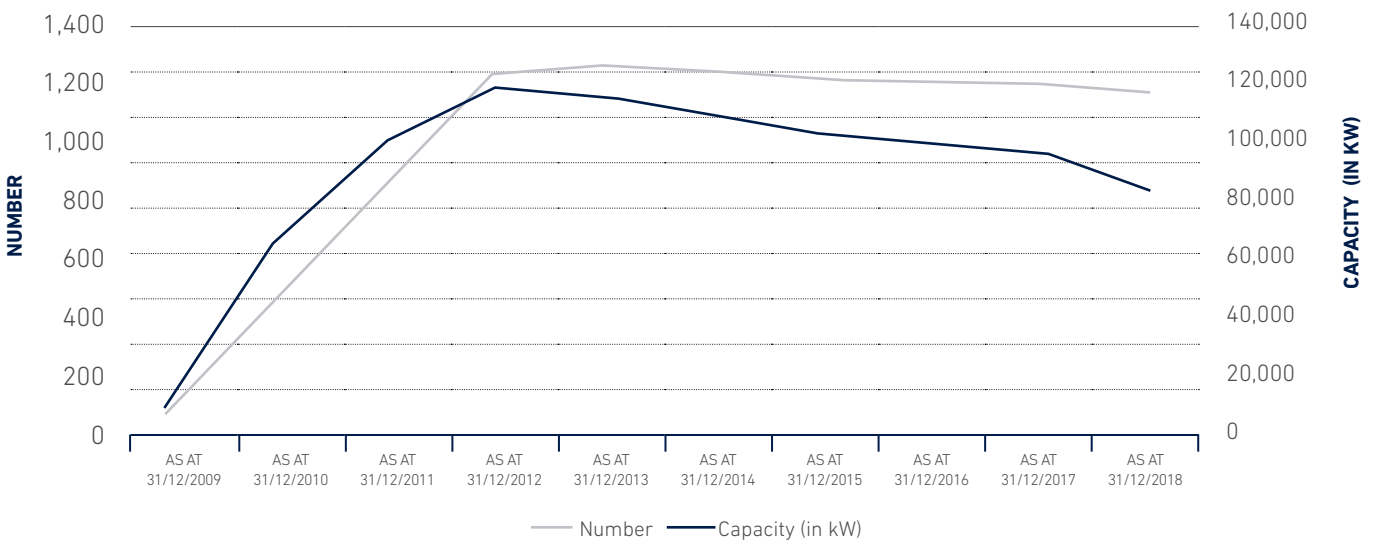


Figure 16: Overview of the movement of the total number and capacity of the power plants included in the Eco Group

The decrease in the number and total rated capacity of the power plants included in the Eco Group represented in the above figures did not significantly affect the composition and proportion of the representation of individual technologies compared to the previous years. The chart below, showing the amount of monthly electricity production by the Centre for Support Balance Group from 2009 to 2018, displays a

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

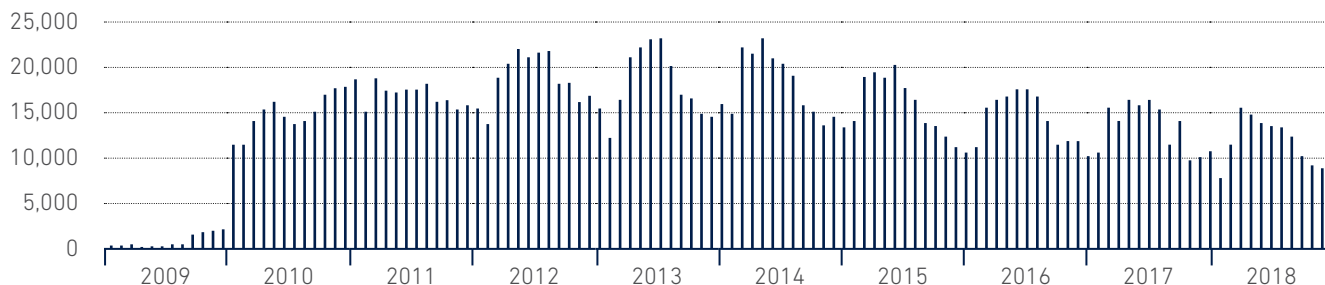
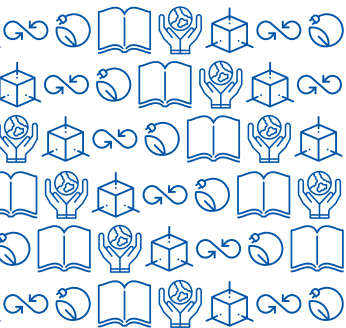


Figure 17: Monthly realisation of the Eco Group from 2009 to 2018 [in MWh]

The present graph also indicates a gradual decrease in the total production of the Eco Group. In 2018, the conditions for solar production and the hydrological conditions affecting the production of small hydro power plants were somewhat worse compared to 2017 in the segment of hydrology (in terms of rainfall) and in the segment of solar radiation. The average temperatures were compa-

rable to the previous year, which in turn meant a similar volume of production from CHP. As indicated in the chart below, which shows the average hourly production in the previous years, in 2018 less electricity was produced in all hourly intervals, and even less during the hours when solar power plants produce electricity.

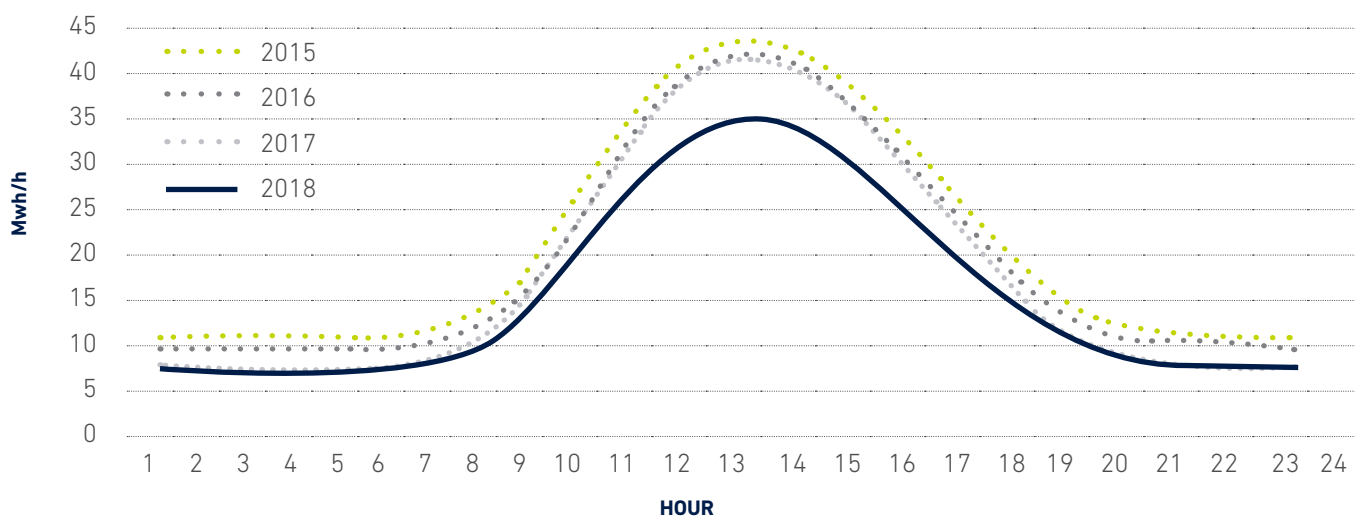
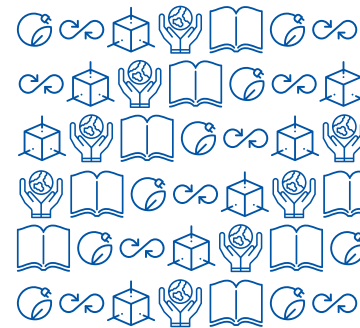


Figure 18: Average daily production profile (comparison of 2018 with respect to 2015-2017)

For the purpose of ensuring the highest possible degree of transparency in the implementation of the RRM – REMIT service, it was decided that the sale of electricity from the Eco Group in the following years was to be carried out in an indirect way. In accordance with the Rules on the Operation of the Centre for RES/CHP Support, this means the sale or transfer of the entire Eco Group to a balance group of a member of the Balance Scheme that offers the best conditions for the purchase of electricity. At the auction held in November 2017, a single purchase price of EUR

47.33 per MWh was achieved for electricity produced in 2018. The price included the balancing costs between the forecast and realised production. In 2018, EUR 6.60 million was collected from the electricity sold from the Eco Group.

In November 2018, the Centre for Support carried out an auction for the transfer of the Eco Group in 2019. The final auction price amounted to EUR 58.88 per MWh, which was, given the situation on the market, quite favourable.



Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total [in MWh]	9,908	176,902	201,482	212,840	201,955	202,499	181,083	169,427	157,295	139,543
Sales at auctions/transfer of the Eco Group [in MWh]	0	86,148	157,680	121,068	61,320	52,560	52,560	169,427	157,295	139,543
Sales at BSP Energy Exchange [in MWh]	0	34,962	35,533	82,493	142,521	151,656	122,107	0	0	0
Imbalances [in MWh]****	9,908	55,792	8,106	9,135	-1,902	-1,815	6,418	8,464	8,582	-3,216
Recalculation of imbalances*	0	0	163	144	16	98	-2	1	-39	NP
TOTAL (IN EUR MILLION)**	0.5	5.2	10.5	11.6	9.4	8.7	7.6	7.0	6.0	6.6
FINAL ACHIEVED PRICE (INCL. IMBALANCES, EUR/MWH***)	46.02	41.36	52.02	54.96	45.67	42.42	41.80	41.13	38.25	47.33
Achieved price at the auction (EUR/MWh***)	NP	40.27	51.15	58.53	51.02	44.32	43.50	41.13	38.25	47.33
Weighted price of the sale at BSP (EUR/MWh***)	NP	49.38	63.42	54.29	43.90	41.00	43.33	0.00	0.00	0.00
BSP MAX (EUR/MWh***)	NP	117.02	165.01	224.00	123.14	145.03	143.02	104.96	199.00	141.25
BSP MIN (EUR/MWh***)	NP	4.76	0.00	0.00	0.00	0.10	0.00	0.01	-42.93	-76.01

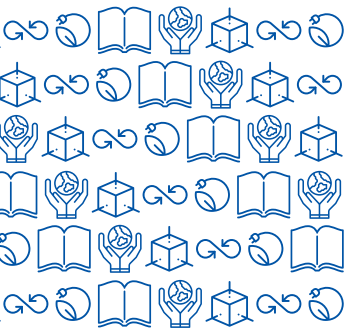
*The values are taken into account in the balance year in which they were incurred (and not in the year in which they were financially realised).

**Rounded to one decimal place.

***Rounded to two decimal places.

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

Table 24: Sale of electricity from the Eco Group from 2009 to 2018



3.5 OTHER ACTIVITIES OF THE CENTRE FOR SUPPORT

3.5.1 GUARANTEES OF ORIGIN REGISTRY

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

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

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

The GoO Registry, which is an upgrade of the central Guarantees of Origin Database, was established in coop-

eration with the Energy Agency. Borzen administers the application software, while the Energy Agency issues the Guarantees of Origin.

As at 31 December 2018, the GoO Registry included **1,408 users** and consisted of the administrator account (Borzen), the account of the issuer of Guarantees of Origin (Energy Agency), the account of the Centre for Support, 6 accounts of the System Operators, 15 trading accounts and 1,385 producer accounts. A total of **2,002 production units** with the total rated power of **1,381,531 kW** were registered in the registry.

In 2018, a total of **4,904,011 MWh of Guarantees of Origin** were issued, which is 17 percent more than in 2017. A total of 6,901,132 MWh was transferred among users' accounts, which is 16 percent more than in the same period last year, while the number of invalidations was 24 percent lower than the year before.

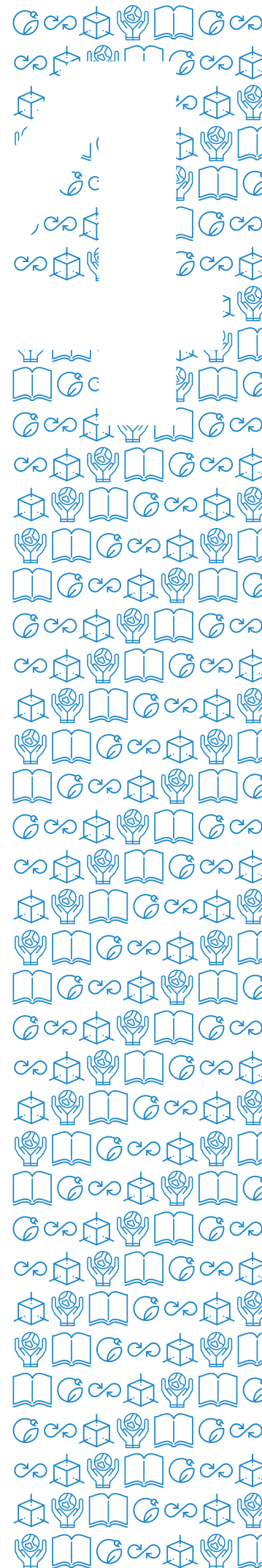
In 2018, international transactions were also carried out. The imports via AIB-HUB¹ into the Slovenian registry amounted to 631,971 MWh, while the Slovenian export of certificates via AIB-HUB increased by 50 percent compared to the year before and equalled 4,077,609 MWh.

Energy source	Issued	Cancelled	Imported	Exported	Transferred
Renewable	65,742,000	74,071,000	/	13,657,000	64,002,000
Renewable/solid/wood	111,282,000	111,282,000	/	/	64,380,000
Renewable/gaseous	14,208,000	14,367,000	/	19,898,000	14,208,000
Renewable/gaseous/landfill gas	258,000	258,000	/	/	258,000
Renewable/gaseous/landfill gas/ gas from treatment plants	486,000	486,000	/	/	486,000
Renewable/gaseous/gas from agriculture/energy crops	619,000	619,000	/	/	619,000
Renewable/thermal/solar	4,182,000	4,202,000	/	/	4,202,000
Renewable/mechanical source or other/wind	/	3,577,000	3,577,000	/	/
Renewable/mechanical source or other/hydro and marine	4,589,893,000	1,801,240,000	628,394,000	4,044,054,000	6,672,925,000
Fossil/gaseous/natural gas	117,341,000	117,341,000	/	/	80,052,000
TOTAL	4,904,011,000	2,127,443,000	631,971,000	4,077,609,000	6,901,132,000

Table 25: Activities of the GoO Registry in 2018 (in KWh)

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

¹ AIB-HUB is a special register/interface managed by the Association of Issuing Bodies (AIB), which enables international transfers between registries.



4. RRM – REMIT REPORTING SERVICES

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

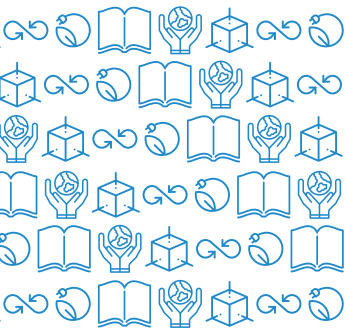
In accordance with the Energy Act and the Decree on the Method for the Implementation of Public Service Obligation Relating to the Organisation of the Electricity Market adopted by the Government of the Republic of Slovenia, Borzen started performing the RRM service after registering with the national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

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

In 2018, Borzen devoted special attention to preparing a system for a comprehensive approach to potential and existing clients and providing quality services at the highest security level with a suitable user experience via an application for REMIT reporting. 2018 was marked by various activities that were intended for users both in the field of knowledge-transfer and consulting, as well as in optimising the user service for the purpose of attaining the highest level of quality. In 2018, we also carried out the first satisfaction analysis among RRM – REMIT users; the results show a high level of satisfaction among service users, as more than 85% of users are very satisfied or satisfied.

At the end of 2018, more than 50 clients (mostly foreign companies) entrusted Borzen with the implementation of the RRM reporting services. The number of clients can be attributed to the fact that in previous years Borzen proved to be a reliable partner and thus managed to acquire a large number of new clients in the second phase of the REMIT reporting.

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

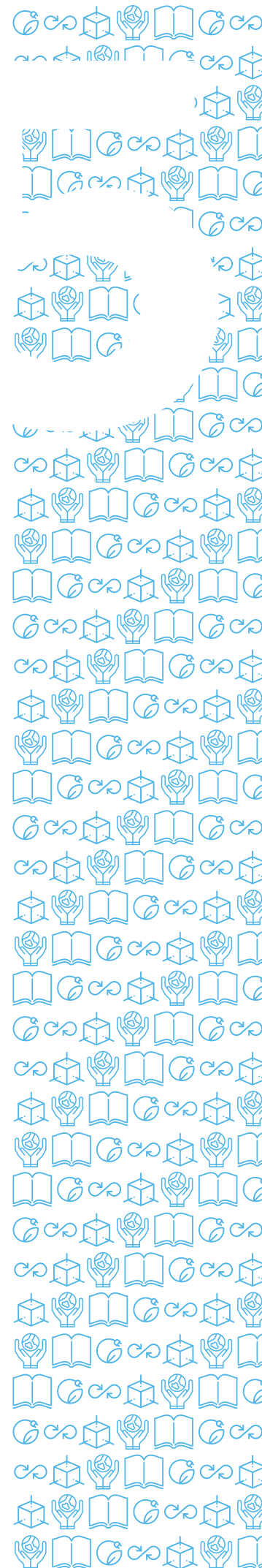


BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.



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

In accordance with Article 351 of the Energy Act (EA-1), Borzen performs a variety of activities in the field of information provision, raising public awareness and training on the efficient use of energy and renewable energy sources. The activities are carried out under our brand “TRAJNOSTNA ENERGIJA” (SUSTAINABLE ENERGY), through which we reach a wide range of different audiences.



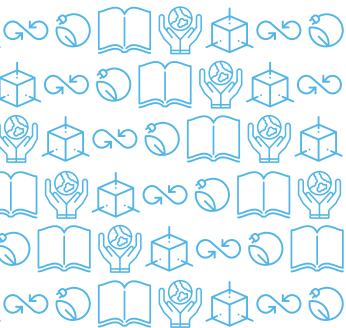
TRAJNOSTNA ENERGIJA

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

In 2018, we carried out a series of activities in the field of information provision, raising awareness and training on the efficient use

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

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



In mid-September 2018, we held the fourth expert meeting of the local energy managers entitled “SUSTAINABLE ENERGY LOCALLY 018: Financing and Implementing EE Measures by Connecting Municipalities”.

**Conference
SUSTAINABLE
ENERGY LOCALLY**

At the “Sustainable Energy Locally” meeting, all the participants (close to 100) agreed that the future of a successful local energy industry lay in the integration of a larger number of energy projects, which would facilitate their successful financing and the achievement of multiplier effects. Why the European Union is mainly promoting the financing of public projects through public-private partnerships with the Investment Plan for Europe and its driving force, i.e. the European Fund for Strategic Investments, was pointed out by Ulla Hudina Kmetič from the European Commission Representation in the Republic of Slovenia. How the assessment of concessions using a cash flow analysis improves the bargaining power of a public partner was discussed by Dejan Podhraški, MSc, from the company ROC. The leading successful examples of different types of comprehensive integrations of the energy projects of local communities were presented by the mayors of the Municipality of Novo mesto and the Municipality of Idrija, and by the director of the local energy agency from Nova Gorica. The meeting was concluded with an interactive debate among all participants using the World Café method – the challenges and benefits of integrating local energy projects – and with gathering the joint conclusions, which will be presented to the relevant public and the competent bodies.

**Content upgrade of
the portal
www.trajnostnaenergija.si**

The web portal www.trajnostnaenergija.si was regularly updated throughout 2018 with topical contents, and topical news were also published regularly. New contents were prepared, which will aid in spreading information about RES and EE; a minor technical optimisation of the portal was also carried out.

**Hackathon for
Students 018**

The first Student Sustainable Energy Hackathon, where students tackled solving a challenge – designing a demonstration park with playground equipment, which demonstrates the operation of power plants running on renewable energy sources, was held on 8 December at the Chamber of Commerce and Industry of Slovenia. Five teams took part or a total of twenty students. The group of students from the Faculty of Mechanical Engineering in Ljubljana won first place, impressing the jury with their innovativeness. The winners designed an outdoor park with playground equipment for children between the ages of 3 and 14, which they called ecoWorld. In the park, children get to know renewable energy sources and the principle of converting mechanical energy into electrical energy by playing on seven different play structures, i.e. ecoRace, ecoSlide, ecoRoundabout, ecoWindmills, ecoSwing, ecoOven and ecoWorld. The park would be placed near town centres, or existing parks could be modularly upgraded, introducing the modern design of children’s playgrounds into several towns.

**Atlas of Sustainable
Energy**

In 2018, the online application, i.e. the Atlas of Sustainable Energy with data on RES (production sources of electricity and potentials) and EE (measures implemented by households and legal entities) was updated with fresh data. We also actively promoted the portal, among other things by presenting a paper on the portal at the “Inovacije energetike” (Energy Innovations) conference.

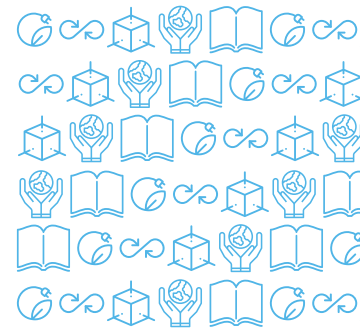
**Media campaign on
RES and EE**

With Radio 1 we carried out a comprehensive media campaign, which included the incorporation of RES-related topics into the radio programme, and the organisation of a prize contest entitled “Moja zelena dežela” (My Green Country); the following prizes were awarded: 5 electric kick scooters and 1 electric bicycle. We also organised an ad campaign for RES measures and the “TRAJNOSTNA ENERGIJA” (SUSTAINABLE ENERGY) brand. Besides being broadcast on the radio, the campaign was also promoted online. It received a positive response; 1,800 listeners entered the prize contest, while some 230,000 people listen to Radio 1 daily.

**Environmental
cartoon series “Lepši
svet” (A Better World)**

New episodes of the environmental cartoon series “Lepši svet 2” (A Better World 2) were recorded. They were created in cooperation with RTV Slovenia and address the youngest children, ages 4 to 10. The protagonists Tina and Rok, together with their little dog Edi and the all-knowing tablet Nik, go on exciting and interesting adventures, where they learn about:

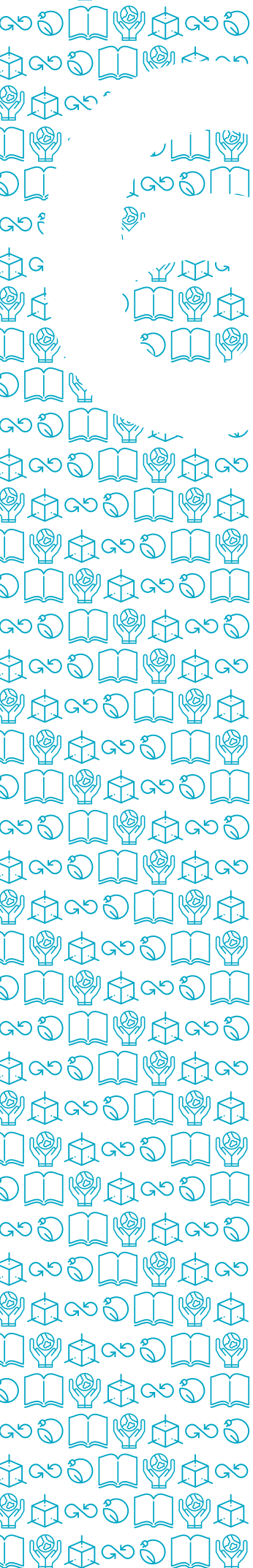
- Why we use batteries;
- Who invented electricity;
- What a day without electricity would look like;
- How to work with electricity carefully;
- How we harness the sun’s energy.



<p>Demonstration renovations</p>	<p>The essence of the activity that we started in 2016 was the empirical comparison of the data on energy consumption before and after the energy efficient renovation and the publication of the data on the web portal www.trajnostnaenergija.si. With this project, we aim to raise confidence in the calculations of theoretical savings and prove that the energy efficient renovation measures are economically justified. In 2018, Borzen obtained actual measurements for the 2017/2018 heating season of all three facilities in question and carried out an analysis comparing the previous years. The results are published on the portal www.trajnostnaenergija.si.</p>
<p>Primary and secondary school student competition</p>	<p>The competition entitled "TRAJNOSTNA ENERGIJA 018: Naša obljava za lepši svet" (SUSTAINABLE ENERGY 018: Our Promise for a Better World) was held in the spring of 2018 and was intended for primary school students (2nd and 3rd triennium) and secondary school students. They could take part in the competition by promising to do something to make the world a better place and to involve their family members too. They had to substantiate their promise with documentary evidence: a photograph (primary school students) and videos (secondary school students). More than 430 participants were counted.</p>
<p>Research on energy and fuel consumption in households</p>	<p>Borzen entered talks with the Statistical Office of the Republic of Slovenia regarding the survey (Survey on Energy and Fuel Consumption in Households – APEGG) which it conducts periodically. The Statistical Office of the Republic of Slovenia will prepare the data from previous surveys and submit them to Borzen to be published on the Sustainable Energy portal.</p>
<p>Call for Reimbursing Part of the Costs for the Implementation of Educational Projects for Young People</p>	<p>Borzen launched the Call for Reimbursing Part of the Costs for the Implementation of Educational Projects for Young People in the field of RES and EE. The subject of the call was the reimbursement of part of the costs for the implementation of educational projects in the field of RES and EE intended for children attending kindergarten and primary schools and for secondary school students in the Republic of Slovenia. The primary purpose of the notified project was to prepare a practical demonstration of performance or otherwise highlight the benefits of the efficient energy use and energy production from renewable sources. Four applicants were successful in the call, being granted the co-funding of their projects in the total amount of slightly over EUR 11,500 incl. VAT. More than 700 children took part in the co-funded projects.</p>
<p>Board game</p>	<p>We made a board game – two decks of playing cards, one on the topic of RES and the other on the topic of EE, which are intended mostly for young people. The cards are available on the website www.trajnostnaenergija.si in a digital version and have already been distributed in a printed version. Using the cards of one deck, the players learn about the efficiency of individual household appliances (refrigerators, computers, TV sets, washing machines, etc.) and compare them based on various attributes, such as the energy rating, annual energy consumption, service life, noise level and negative impact on the environment. The other deck of playing cards takes the players to the world of power plants, where they compare the generation of electricity from fossil fuels and from renewable energy sources. That way they discover that power plants differ from one another regarding capacity, the utilisation of capacity, service life, investment cost and emissions.</p>
<p>Pilot project – self-sustaining power plant</p>	<p>With the socially responsible project "Energy-Efficient and Self-Sustaining Surplus House", Borzen, Slovenian Philanthropy and the City of Ljubljana provided a suitable facility for the operation of the humanitarian organisation Slovenian Philanthropy, simultaneously establishing a model of an energy-efficient and self-sustaining house. This way, we have built a bridge between theory and practice, and deepened the trust in energy efficiency. The following works were performed on the 'Surplus House', in which Slovenian Philanthropy is based and which it has been entrusted to manage by the City of Ljubljana:</p> <ul style="list-style-type: none"> • Completion of the energy-efficient renovation of the house (the building's envelope, etc.); • Setup of a self-sustaining solar power plant with electricity storage (battery) and the integration of modern devices (IoT) to provide the option of adjusting the consumption of electricity; • Setup of a system for an advanced energy management service; • Setup of an electrical charging station. <p>The project involved the broader community, the users of the services of Slovenian Philanthropy – asylum seekers, and various companies from the energy, construction and other industries. From now on, it will be open to the interested public and its effects will be monitored.</p>

We are proud to have received a special recognition award at the 20th Energy Managers' Days conference, organised by Časnik Finance, in the category of 'Best Promotional RES and EE Project' for our quality and professional work in promoting renewable sources and the efficient use of energy in our environmental cartoon series "Lepši svet 1" (A Better World 1).

The field of information provision, awareness raising and training is a great opportunity to provide information on renewable energy sources and efficient use of energy to the widest possible range of people and thus contribute to raising awareness and knowledge on both topics, and empower various target audiences. In the future, we intend to implement new projects in this area and add new content to the existing ones.



6. COMMERCIAL ACTIVITIES

Within the framework of commercial activities in 2018, Borzen performed settlement and clearing services and IT services for BSP Energy Exchange.

As part of the clearing of transactions on the energy exchange, Borzen mainly performs the following services:

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

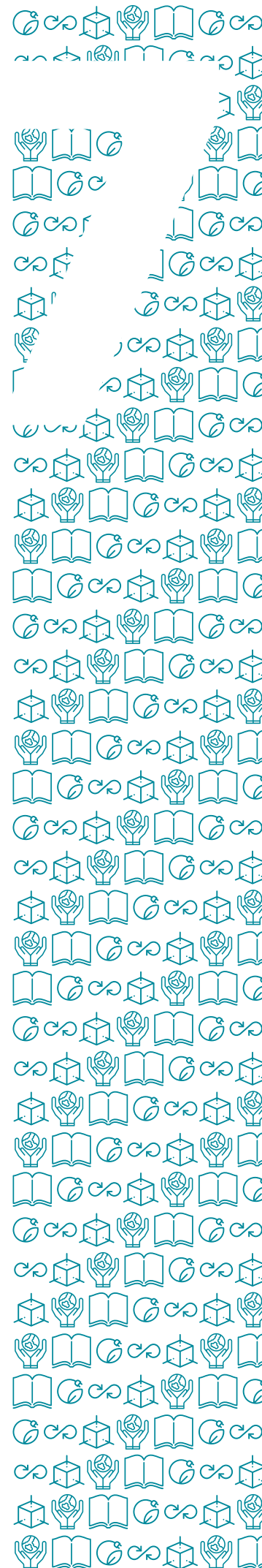
Within the commercial activities, the RRM – REMIT reporting service is also defined in the financial part, although it is already covered in the fourth chapter of this report.

In 2018, the company was awarded three advisory projects under the calls for applications of the Energy Community Secretariat, namely:

- Advisory agreement “Support to the Working Group for Monitoring the Reform of the Electricity Market in Ukraine. Capacity Building for the Ukrainian Electricity Market Operator”, under which it performed advisory services for the period of one year for the facilitation of a smooth transfer of the Third Energy Package in Ukraine and provided assistance to the Ukrainian Market Operator (Energoynok) with establishing a market. In the third quarter, the agreement was expanded to include advisory services for Georgia, i.e. “Capacity Building for ESCO in Georgia for the Establishment and Operation of Electricity Market Operator under the Third Energy Package”, under which it is performing advisory services for the facilitation of a smooth transfer of the

Third Energy Package in Georgia and provides assistance to the Georgian Market Operator (ESCO) with establishing an electricity market.

- Advisory agreement “Technical Assistance with Establishing Organised Day-Ahead Electricity Trading” in Northern Macedonia, with the aim of preparing a concept draft for establishing a national organised electricity market for the day-ahead time frame (energy exchange), which will be ready to be coupled with the neighbouring markets, including an analysis of legislation and support in making the necessary changes to the legislative framework.
- Advisory agreement in Northern Macedonia “Technical Assistance with Establishing an Electricity Balancing Market”, with the aim of preparing rules for balancing market services in North Macedonia, which will enable the establishment of a commercial, non-discriminatory and transparent balancing market for the purchase and provision of balancing services, for capacities and energy alike, by using a cost-effective, market-based and non-discriminatory mechanism of balancing imbalances.



7. SUSTAINABLE DEVELOPMENT

We are aware that we are leaving a sustainable footprint for the future. We are building it with small actions; today we are creating tomorrow. We understand the sustainable development as a commitment towards sustainable operations of our company, as well as the efforts of each of our employees to contribute to a better world through their work and in the service of society. Too ambitious? Maybe. Feasible? By all means.

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

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

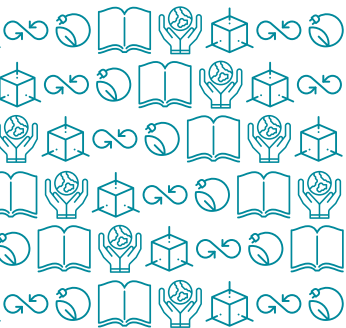
7.1 OUR EMPLOYEES

We are aware of how important people, the employees, are for the success of the company. Therefore, we take care of their personal and professional growth. We strive to create a working environment in which working demands and results are combined with our employees' satisfaction, motivation, commitment and good interpersonal relationships. In 2018, Borzen entered into the Collective

Borzen is one of the first companies in Slovenia and one of the first companies in the electricity sector to be the proud holder of the Corporate Social Responsibility Certificate, which represents a socially responsible concept of management. We obtained the certificate in the field of organisational management (level B) and community involvement and development (level A). On the overall level, Borzen achieved level B.



Agreement for Slovenian Electricity Industry. Consequently, specific harmonisations and changes have occurred in the company's internal acts, including changes to the pay policy, which are also reflected in increased labour costs, mostly on account of building up provisions for long-service bonuses and severance pays.



7.1.1 INTERNAL ORGANISATIONAL CHART OF THE COMPANY



Figure 20: Internal organisational chart of Borzen

7.1.2 HR INDICATORS

NUMBER OF EMPLOYEES

At the end of 2018, Borzen employed 30 employees. Compared to the end of 2017, the number of employees remained the same. The average number of employees in 2018 equalled 30 employees and remained the same in comparison with 2017.

At the end of 2018, the share of fixed-term employees accounted for 3 percent of all the employees and has not changed compared to the previous year.

AGE STRUCTURE

The average age of the employees was 40. The age structure displayed in the chart below shows that most of the employees belong to the 36-45 age group (57 percent), which is followed by the 26-35 age group, with 27 percent of all the employees.

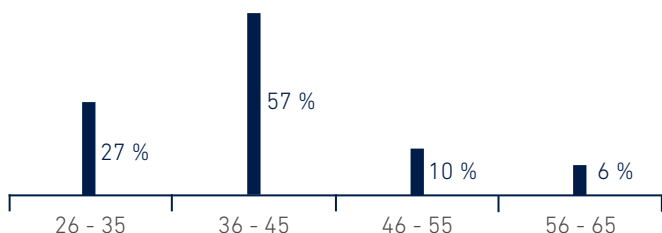


Figure 21: Age structure of the employees in percentage as at 31 December 2018

STRUCTURE BY GENDER

There were 17 men among the employees at Borzen, accounting for 57 percent of all the employees, and 13 women, which equals 43 percent of all the employees in the company. Compared to the previous year, the gender ratio remained the same.

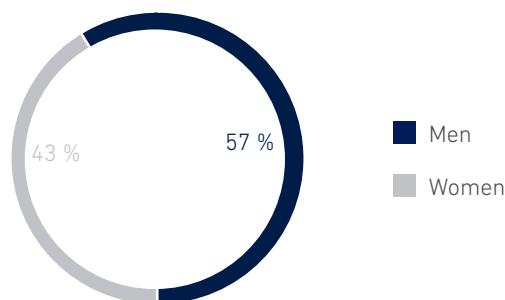
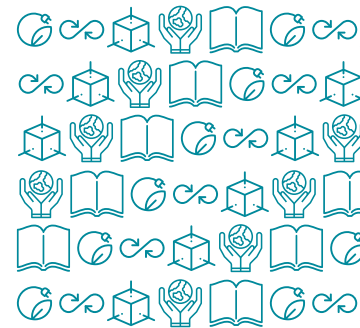


Figure 22: Gender structure of the employees as at 31 December 2018



EDUCATIONAL STRUCTURE

Level	Title of professional education	2017	Share in %	2018	Share in %
VIII/2	Doctorate	1	3	1	3
VIII/1	Master's degree	3	10	3	10
VII	University education	17	57	18	61
VI/2	Four-year tertiary professional education	6	20	6	20
VI/1	Two-year tertiary professional education	1	3	1	3
V	Secondary education	2	7	1	3
TOTAL		30	100	30	100

Table 26: Educational structure in shares as at 31 December 2017 and 31 December 2018

Most employees have the seventh level of education, namely 61 percent, which is followed by level VI/2 (20 percent) and VIII/1 (10 percent).

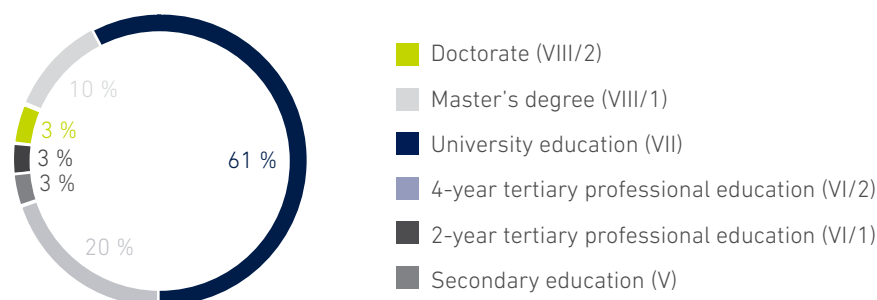


Figure 23: Educational structure of the employees as at 31 December 2018

7.1.3 EMPLOYEE DEVELOPMENT

MOTIVATION

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

Revision of the competence model for all posts

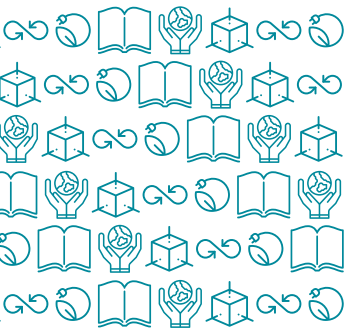
By revising the competence model in 2018, we wanted to ensure more efficient planning and management of staff development and recognition of the suitable development of the employees' potential. Competence profiles have been prepared for all posts within the company and serve as a basis for carrying out competence assessments once a year (assessment using the 360° method) and for preparing a development plan for each employee.

EDUCATION

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

Every year, an annual educational plan is elaborated covering the educational needs of the employees and following the strategic objectives of the company. Thus, throughout the year, all employees attended various seminars, courses, training sessions and conferences.

Employees can upgrade and improve their already acquired knowledge and education with in-service training. The employees are very interested in further schooling to acquire a higher formal educational level. Borzen supports this kind of personal growth with training leave. In 2018, there were three employees integrated into study programmes to obtain a higher educational level.



The company takes care of the internal knowledge and information transfer among the employees and of the presentations of new procedures in operations. In 2018, group educational programmes were organised in the fields that are important to the majority of employees.

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

7.1.4 COMMUNICATION WITH THE EMPLOYEES

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

The employees are promptly informed of the activities within Borzen via the Intranet, e-mail, and various formal and infor-

7.1.5 CARE FOR THE EMPLOYEES

OCCUPATIONAL HEALTH AND SAFETY

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

In 2018, we again organised regular periodical medical examinations in order to monitor the employees' health status and their ability to perform tasks. The company cares for the employees' health by carrying out preventive measures that help to resolve the employees' health and other problems.

FAMILY-FRIENDLY ENTERPRISE

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

SUCCESSION MANAGEMENT SYSTEM

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

mal meetings. They can take part in the formation of the company's objectives and can freely express their opinion; at the level of the company, an open-door policy has been applied.

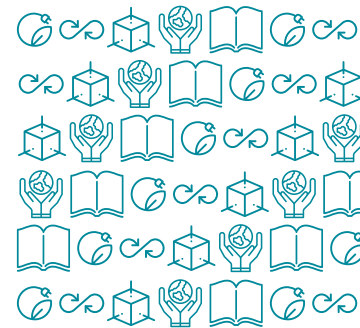
We believe that good communication is necessary between the levels in the company, as well as quality communication within the team. This is also the focus of our internal communication, which is also reflected in the regular team-building programmes.

the Family-Friendly Enterprise Certificate. In 2018, Borzen successfully passed the periodical assessment by the certifying authority, thus proving that we are consistently implementing all of the adopted measures.

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

HEALTH PROMOTION

As part of the health promotion at Borzen, we aim to raise awareness among our employees on the importance of health and encourage them to take an integrated approach towards improving and maintaining their health. We inform our employees about disease-prevention activities, while enabling them to take an active role in ensuring a healthy working environment for themselves. We implement and promote various activities, both at the workplace and outside the office. In 2018, we held a few workshops on the topic of mental and physical health; we prepared monthly newsletters with advice on improving health and the employees also received ergonomic devices that help them to maintain their health.



ADDITIONAL VOLUNTARY PENSION SCHEME AND ACCIDENT INSURANCE

Borzen provides all of its employees with voluntary additional pension insurance in order to increase their social security, especially after retirement. 97% of all employees are covered by voluntary pension insurance.

We also provide all employees with accident insurance which covers accidents both at work and outside of work

7.2 RESPONSIBILITY TOWARDS WIDER COMMUNITY

RELATIONS WITH STAKEHOLDERS

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

The general satisfaction of our stakeholders is regularly checked by satisfaction analyses. The results from 2018 show that the implementation of the activities of Market Operator (market organisation) is at a very high level, i.e. 87 percent of respondents were satisfied or completely satisfied, while the average satisfaction rating equalled 5.3 (with 6 being the highest value) and is statistically significantly higher than the values from 2016 (5.00). The results are remarkably positive and encouraging. In the future, we will continue to conduct satisfaction analyses.

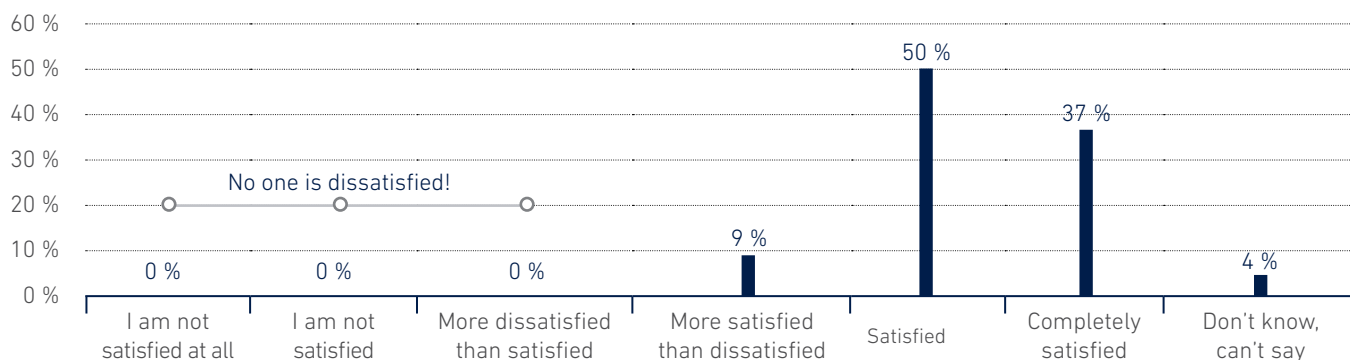
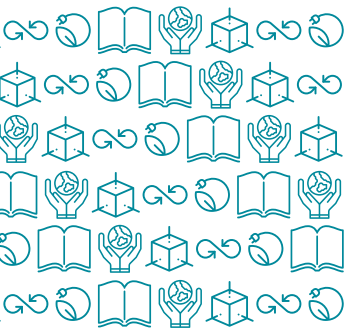


Figure 24: Overall satisfaction of our stakeholders

In 2018, the area of communication with stakeholders was primarily targeted at the following four key groups, namely the existing and potential members of the Balance Scheme, the existing and potential members of the Support Scheme, the existing and potential users of the RRM – REMIT service, and the general public that was targeted through our brand “Trajnostna energija” (Sustainable Energy). In addition, our attention was also focused on regularly communicating with the above-mentioned public and actively cooperating with the Slovenian media and other stakeholders. Regarding the latter, it is especially important to highlight the communication in the segment of public debates on rules that were in the phase of updating (i.e. the second public debate on the Rules on the Operation

of the Electricity Market), which means that all interested parties could present their observations and suggestions. Borzen strives to achieve an advanced energy market, which will, as such, represent the biggest added value for all existing and potential members of the Balance Scheme. The preparation and publication of additional information on the operation of the electricity market on our corporate website is one of the activities in the field of communications that were carried out in 2018; we began publishing the Price Index for the Slovenian Balancing Market. On a daily basis, we began preparing the forecast of the total electricity production and consumption in the territory of the Republic of Slovenia for the day-ahead time frame for members of the Balance Scheme.



In August 2018, we carried out a slightly larger upgrade of the Centre for Support web portal. In the context of the upgrade, we carried out certain adjustments that resulted from legislative changes and upgrades that improved the user experience. The excellent reception of the portal among the beneficiaries is witnessed by the fact that over 1,300 users were registered on the portal at the end of 2018 and that more than 45 percent of all support invoices were issued through the portal on a monthly basis.

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

Sharing knowledge and experience and simultaneously positioning Borzen as the hub of the energy market is the priority orientation of our company, which is why the representatives of Borzen regularly attend various professional conferences as lecturers in Slovenia and abroad.

TRANSPARENCY

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

At Borzen, we respect and appreciate the principle of transparency, which is an important guiding thread in the preparation of the company’s annual report every year. In the spirit of sustainable development and sustainable communication, we have been preparing a sustainability report in accordance with the “Global Reporting Initiative Standards” (GRI Standards) guidelines from 2012 onwards. In our sustainability reports we also cover the aspect of diversity, which is

implemented in connection with the composition of the governance bodies, although the company does not implement a diversity policy. In the spirit of sustainable development and sustainable communication, we prepared the company’s annual report and launched a call for the allocation of sponsorship and donor funds for 2018.

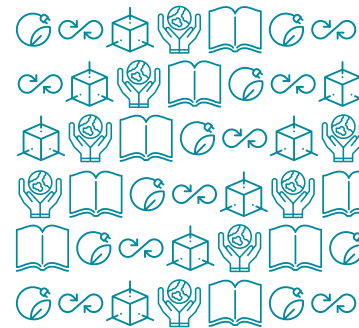
In 2018, we devoted special attention to the protection of personal data, in accordance with the General Data Protection Regulation (GDPR), conducting, among other things, an inventory of personal data, adopting legal acts and making them publicly available, appointing a data protection officer, and modifying the web portals and the General Terms and Conditions.

SOCIAL RESPONSIBILITY

Socially responsible conduct is contained in the core activity that we perform as the Market Operator, since we ensure reliable and stable functioning of the Slovenian electric power market, and promote and raise awareness on the use of green energy sources and energy efficiency as the Support Scheme Operator for RES and CHP. Our social responsibility is directed towards our employees and other stakeholders, which is also reported in our sustainability reports in accordance with the GRI guidelines. This is also confirmed by the obtained Corporate Social Responsibility Certificate. The certificate represents a socially responsible principle of corporate governance. The process of obtaining the certificate is based on an analysis of the gaps within the company by different stakeholders. With the aim to eliminate the gaps in the field of corporate social responsibility and, consequently, progress to a higher level of certification in 2018, Borzen carried out various activities. As a result of our efforts, we were awarded a certificate in the field of organisational management (level B) and in the field of community involvement and development (level A). On the overall level, Borzen achieved level B.

Borzen is a member of the Network of Socially Responsible Companies. The network that promotes and raises awareness of the importance of social responsibility is a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility. The activities of the Slovenian Network for Social Responsibility are based on providing information to and raising awareness of companies, organisations and the general public on the importance of socially responsible strategies in companies’ operations, on the positive effects of the participation, and on the good practices of a socially responsible business.

Dedicated and targeted sponsorships and donations are one way to connect with the community and thus contribute to the positive functioning of the society as a whole. We



support participation in different sports activities, work with young people, culture, education and humanitarianism.

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

In 2018, we traditionally carried out another corporate voluntary campaign. This time we joined forces with the Slovenian

Philanthropy on two projects. The employees participated in a charity campaign for collecting school supplies for migrant children from socially disadvantaged environments, and helped to spruce up the surroundings and perform minor finishing works under the pilot project “Energy-Efficient and Self-Sustaining House”, in which the humanitarian organisation is based. Excited about the results of our good work, we are already looking forward to the next year’s volunteer campaign.

7.3 ENVIRONMENTAL RESPONSIBILITY

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

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

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

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

7.4 COOPERATION AND DEVELOPMENT

7.4.1 COOPERATION IN PROFESSIONAL ASSOCIATIONS AND WORKING GROUPS

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

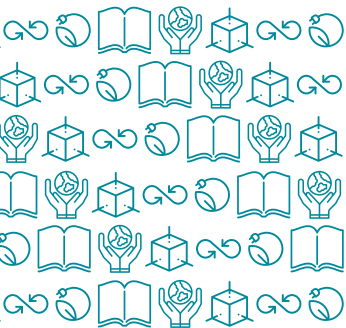
Among the more important ones, let us mention the cooperation in the association of the European energy exchanges **Europex**, in which our Director of Operations, Borut Rajer, MSc, occupies a responsible position on the management board. The **APEX** Association and cooperation within the section established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

Borzen has been also actively involved in the **Energy Market Data Exchange Section (IPET)**, which operates within

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

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

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



Borzen is also a long-time board member of the electricity industry journal **Naš stik** that plays an important role in the provision of information to the professional energy public and in the promotion of energy literacy among the general public. Borzen is also a member of the **Network of Socially Responsible Companies** which promotes and raises awareness on the importance of social responsibility and represents a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.

7.4.2 SIGNIFICANT PROJECTS AND ACTIVITIES OF THE COMPANY

RULES ON THE OPERATION OF THE ELECTRICITY MARKET

In 2018, we carried out quite a few activities related to the fundamental document of the electricity market, i.e. the Rules on the Operation of the Electricity Market. A year before, in March 2017, we organised a public consultation in which we gave all market participants the opportunity to comment on certain proposed changes, such as the shortening of the imbalance settlement process and changing the correction mode of the imbalance settlement prices in order to reduce the volatility. Based on the received comments and suggestions, we submitted the Amendment to the Rules to a public hearing at the end of 2017. In April 2018, another public hearing was held, since the Rules had been supplemented with the requirements of phase 1 of the harmonisation of the Commission Regulation (EU) 2017/2195 of 23 November 2017 Establishing a Guideline on Electricity Balancing. The Rules were then approved by the regulator and published in the Official Gazette of the RS in November 2018. The new Rules entered into force on 1 January 2019.

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

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

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

Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium with partial reimbursement of research and development costs. The project will last three years and was begun in 2017. Borzen's role is to establish and manage an aggregation trading platform.

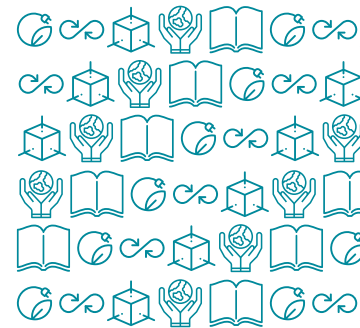
PROJECT SRIP PMIS – STRATEGIC DEVELOPMENT INNOVATION PARTNERSHIP 'SMART CITIES AND COMMUNITIES'

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

CERTIFICATION UNDER ISO/IEC 27001:2013

Due to a growing dependence on information technology, the openness of organisations and the increasing importance of information in modern business, the regular and suitable protection of information has become very important. The company can control risks by properly identifying and classifying IT goods and by systematically assessing and identifying the risks that endanger these IT goods. By selecting a suitable control mechanism, such as the international standard for information security management, the company has clearly shown that it protects the confidentiality, integrity and availability of all IT goods that are important for the stakeholders and for the company in general.

ISO 27001 is an international standard which specifies the requirements relating to the Information Security Management System. It enables the company to assess risks and introduce suitable control mechanisms, which maintain the



confidentiality, integrity and availability of IT goods. The main goal is to protect the company's information, and to prevent the loss or misuse of information.

We view information security management as a continuous process, which involves planning, implementing, controlling and taking action, thus continuously raising the level of information security. By doing so, we also ensure a continuous detection of vulnerabilities and security events (incidents), adapt to corporate needs, to the requirements of the applicable regulations, and to the external and internal environment.

In 2018, Borzen successfully passed an external assessment in accordance with the ISO/IEC 27001:2013 standard, thus entering a three-year certification period.

PROJECT EMI – USEA

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

operators of the aforementioned countries will strive towards optimising the transmission network and the operation of the electricity markets in the region. The initiative's mission is to improve the efficiency of the markets, increase competitiveness, and promote alternative energy sources.

PROJECT OF SUBSIDISING EE MEASURES FOR ELIMINATING ENERGY POVERTY

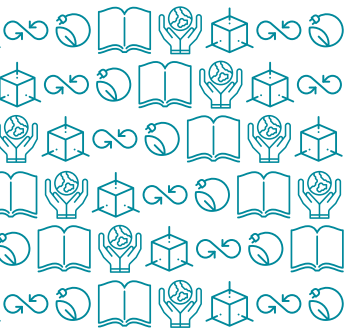
In the Operational Programme of the EU Cohesion Policy for 2014-2020, EUR 5 million have been allocated to eliminating energy poverty by subsidising measures addressing the efficient use of energy in 500 low-income households. The funds are earmarked for investments, advisory services and measures for changing behavioural patterns.

In the Amendment to the Long-Term Strategy for Mobilising Investments in the ENERGY RENOVATION OF BUILDINGS, the Ministry of Infrastructure chose Borzen as a contractor and beneficiary of cohesion funds for the implementation of the above-mentioned project. Borzen began preparing a project implementation concept, but in the process, it turned out that in relation to the tax legislation Borzen's status is hindering the project's implementation towards achieving the maximum added value for low-income households. Owing to this fact, the Ministry of Infrastructure decided at the end of 2018 to hand over the project's implementation to another entity; hence, Borzen stopped carrying out activities in the field of subsidising EE measures for eliminating energy poverty.

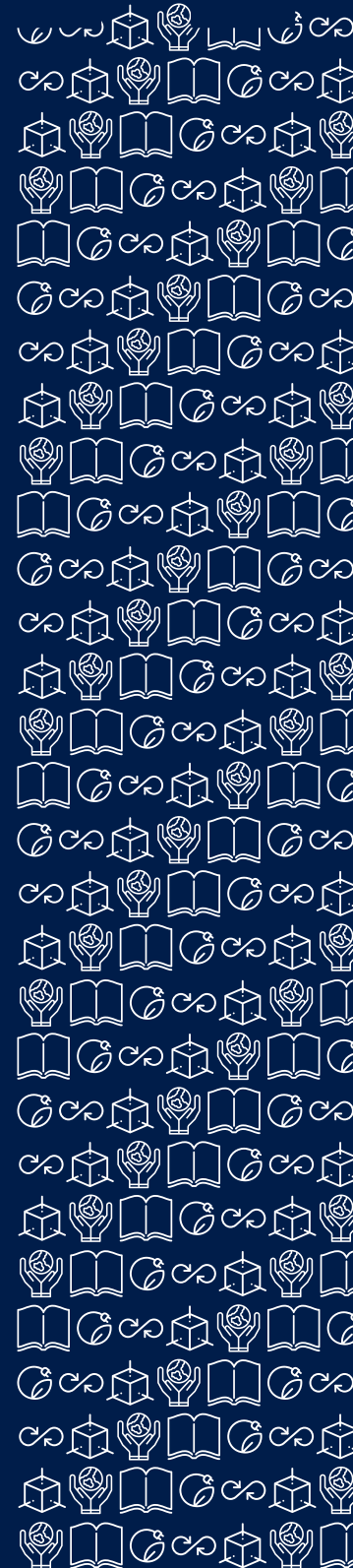
7.5 INVESTMENTS

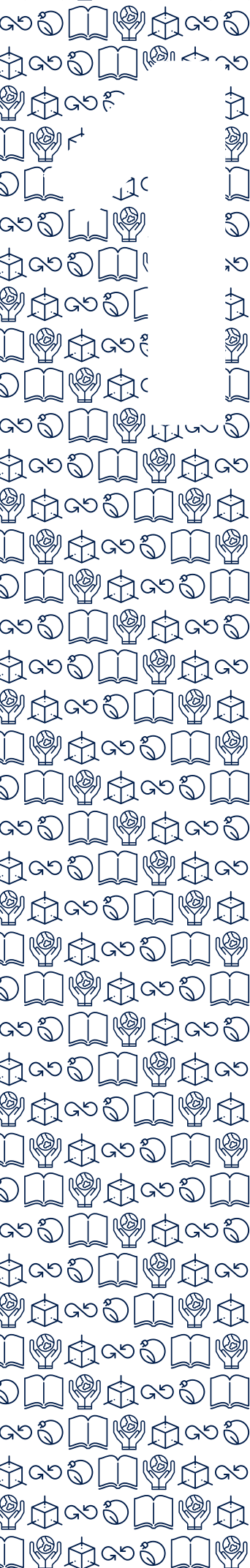
In accordance with the company's business plan, the majority of planned investments were carried out in 2018 and were mostly related to information technology. In the scope of hardware and software equipment, we made investments related to the maintenance of a high level of information security and high availability. The investments concerned the processes of backing up sensitive data, the advanced security of network connections between internal and external segments, and ensuring a suitable power supply and climatic conditions in the data centre.

The investments in the business segment were mainly directed towards improvements and protection of user environments and towards the purchase of software tools for optimising the business workflows. A portion of the investments was intended for upgrading the platform of our single information system. This will give the system an additional reliability and added value.



II. FINANCIAL REPORT





1. AUDITOR'S REPORT

RE-member

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the BORZEN, operater trga z elektriko, d.o.o. («the Company»), which comprise the statement of balance sheet as at December 31 2018, the income statement, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BORZEN, operater trga z elektriko, d.o.o. as at December 31 2018, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards

Basis for Opinion

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

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

Other information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

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

RE-member

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Re-member d.o.o.
Partizanska cesta 8, Grosuplje

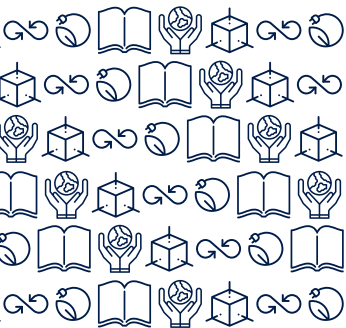
RE - member
revizija d.o.o. ¹

David Valenčič
Certified auditor

For signature please refer to the original Slovenian version

Grosuplje, 4 April 2019

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS



ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

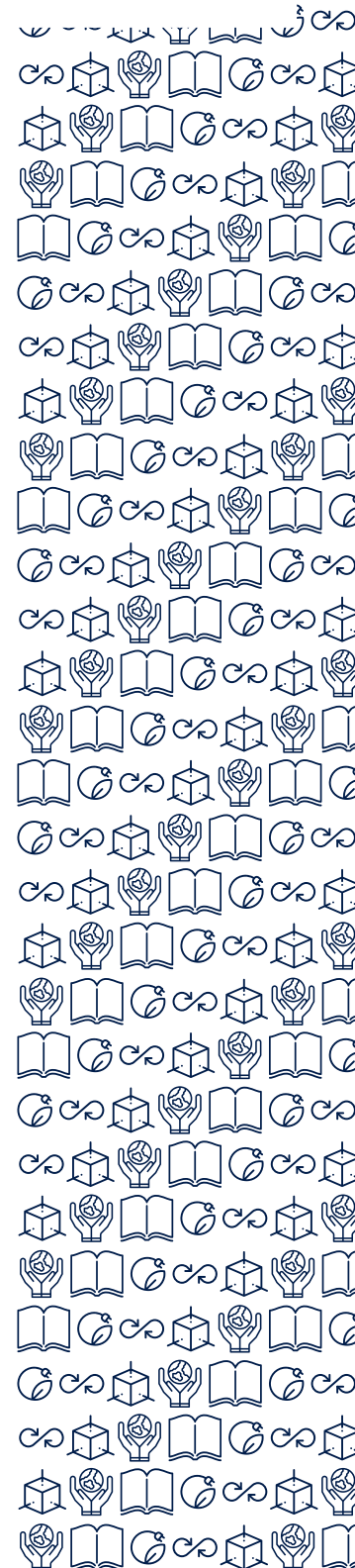


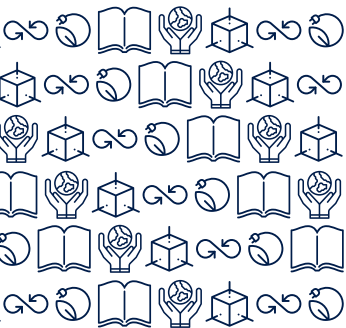
2. FINANCIAL STATEMENTS

2.1 BALANCE SHEET

DESCRIPTION			in EUR	
			31/12/2018	31/12/2017
ASSETS			172,339,210	122,433,365
A.	LONG-TERM ASSETS	EXPLANATION	8,966,372	2,373,599
I.	INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	4.1.1.	338,705	373,826
II.	TANGIBLE FIXED ASSETS	4.1.2.	1,580,525	1,461,147
	1. Business premises		1,249,783	1,214,404
	2. Equipment		330,742	246,743
III.	LONG-TERM FINANCIAL INVESTMENTS	4.1.3.	6,919,568	419,568
	1. Shares in associated companies		1,919,568	419,568
	2. Other long-term financial investments		5,000,000	0
IV.	DEFERRED TAX	4.1.4.	127,574	119,058
B.	SHORT-TERM ASSETS		163,339,143	120,030,734
I.	SHORT-TERM FINANCIAL INVESTMENTS	4.1.5.	90,000,000	30,000,000
II.	SHORT-TERM OPERATING RECEIVABLES	4.1.6.	24,315,250	26,524,330
	1. Short-term trade receivables		21,686,133	23,601,579
	2. Short-term receivables due from others		2,629,117	2,922,751
III.	CASH AND CASH EQUIVALENTS	4.1.7.	49,023,893	63,506,404
C.	SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	4.1.8.	33,695	29,032
	Off-balance sheet assets	4.1.12.	5,286,214	4,678,903
LIABILITIES			172,339,210	122,433,365
A.	EQUITY	4.1.9.	5,491,810	5,130,887
I.	CALLED-UP CAPITAL		1,963,279	1,963,279
	1. Share capital		1,963,279	1,963,279
II.	CAPITAL RESERVES		395	395
III.	PROFIT RESERVES		2,172,078	1,472,321
	1. Statutory reserves		196,328	196,328
	1. Other profit reserves		1,975,750	1,275,993
IV.	FAIR VALUE RESERVES		-9,643	-4,865
V.	NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD		0	0
VI.	NET PROFIT OR LOSS FOR THE PERIOD		1,365,701	1,699,757
B.	PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	4.1.10.	188,339	102,399
C.	SHORT-TERM LIABILITIES	4.1.11.	166,658,991	117,199,859
A.	SHORT-TERM OPERATING LIABILITIES		166,658,991	117,199,859
	1. Short-term liabilities to suppliers		25,313,815	26,110,131
	2. Other short-term operating liabilities		141,345,176	91,089,728
D.	SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES		70	220
	Off-balance sheet liabilities	4.1.12.	5,286,214	4,678,903

Table 27: Balance sheet as at 31 December 2018 and 31 December 2017



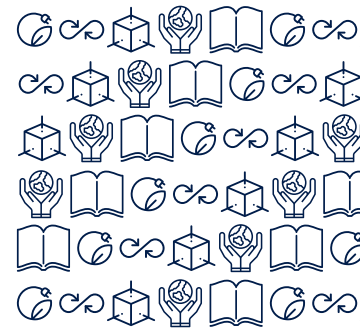


2.2 INCOME STATEMENT

in EUR

	DESCRIPTION	EXPLANATION	01/01/2018 - 31/12/2018	Business Plan 2018	01/01/2017 - 31/12/2017
1.	NET SALES REVENUES		4,344,433	4,486,500	4,393,812
a.	Revenues arising from the MO's operation		1,756,289	1,746,900	1,730,082
b.	Revenues arising from the recorded closed contracts		1,278,648	1,573,000	1,563,273
c.	Revenues arising from the Centre for Support		591,000	591,000	591,000
č.	Revenues arising from BSP		109,130	95,000	93,350
d.	Revenues arising from information provision and raising awareness		289,860	290,000	259,354
e.	Revenues arising from RRM – REMIT		152,391	169,900	155,014
f.	Other revenues		167,115	20,700	1,739
2.	OTHER OPERATING REVENUES		123	0	138,295
	TOTAL OPERATING REVENUES	4.2.1.	4,344,556	4,486,500	4,532,107
3.	MATERIAL AND SERVICE COSTS	4.2.3.	911,035	870,700	832,278
a.	Material costs		50,394	56,500	48,053
b.	Service costs		860,641	814,200	784,225
4.	LABOUR COSTS	4.2.4.	1,580,605	1,460,000	1,449,641
a.	Costs of wages and salaries		1,121,275	1,092,400	1,066,289
b.	Costs of pension insurance		147,374	145,300	140,698
c.	Costs of other social insurances		85,606	81,900	81,460
č.	Other labour costs		226,350	140,400	161,194
5.	WRITE-DOWNS	4.2.5.	302,507	329,600	350,088
a.	Depreciation		302,361	329,600	350,088
b.	Operating expenses from revaluation of operating current assets		146	0	0
6.	OTHER OPERATING EXPENSES	4.2.6.	16,512	17,000	19,071
	OPERATING PROFIT OR LOSS		1,533,897	1,809,200	1,881,029
7.	FINANCIAL REVENUES	4.2.7.	150,292	40,000	48,972
8.	FINANCIAL EXPENSES	4.2.8.	1,139	2,000	1,763
	NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES		1,683,050	1,847,200	1,928,238
9.	OTHER REVENUES	4.2.9.	0	0	20
10.	OTHER EXPENSES	4.2.9.	9,169	10,000	10,535
	NET PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES		-9,169	-10,000	-10,515
	TOTAL REVENUES		4,494,848	4,526,500	4,581,099
	TOTAL EXPENSES		2,820,967	2,689,300	2,663,376
	TOTAL PROFIT		1,673,881	1,837,200	1,917,723
11.	TAX ON PROFIT		315,581	349,068	219,048
12.	DEFERRED TAX		-7,504	0	-1,098
	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		1,365,804	1,488,132	1,699,773

Table 28: Income statement for the period from 1 January 2017 to 31 December 2018

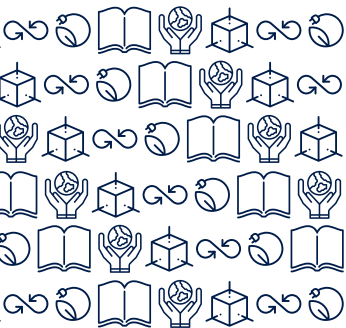


2.3 CASH FLOW STATEMENT

in EUR

Description	2018	2017
A. CASH FLOW FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	1,598,218	2,012,626
Operating revenues (except for revaluation) and financial revenues from operating receivables	4,344,433	4,531,132
Operating expenses without depreciation (excluding revaluation) and financial expenses from operating liabilities	-2,438,138	-2,300,556
Tax on profit and other taxes not included in operating expenses	-308,077	-217,950
b. Outflows from operating activities	51,655,643	41,220,752
Opening less closing operating receivables	2,209,080	-4,158,179
Opening less closing deferred costs and accrued revenues	-4,387	-6,436
Opening less closing deferred tax assets	-8,516	-1,098
Closing less opening operating liabilities	49,459,616	45,386,289
Closing less opening accrued expenses and deferred revenues and provisions	-150	176
c. Positive or negative cash flow from operating activities (a + b)	53,253,861	43,233,378
B. CASH FLOW FROM INVESTMENTS		
a. Inflows from investments	20,151,290	22,048,664
Inflows from interests arising from investment activities	150,275	48,664
Revenues from disposal of tangible fixed assets	1,015	0
Revenues from disposal of short-term financial investments	20,000,000	22,000,000
b. Outflows from investments	-86,887,662	-41,370,991
Outflows from acquisition of intangible assets	-108,742	-127,615
Outflows from acquisition of tangible fixed assets	-278,920	-243,376
Outflows from acquisition of short-term financial investments	-86,500,000	-41,000,000
c. Positive or negative cash flow from investments (a + b)	-66,736,372	-19,322,327
C. CASH FLOW FROM FINANCING ACTIVITIES		
a. Inflows from financing activities	0	0
Inflows from an increase in short-term financial liabilities	0	0
b. Outflows from financing activities	-1,000,000	-1,000,000
Outflows from interests pertaining to financing activities	0	0
Outflows from repayment of financial liabilities	0	0
Outflows from dividends paid and other profit-sharing	-1,000,000	-1,000,000
c. Positive or negative cash flow from financing activities (a + b)	-1,000,000	-1,000,000
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	49,023,893	63,506,404
Net cash flow	-14,482,511	22,911,051
Opening balance of cash and cash equivalents	63,506,404	40,595,353

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



2.4 ALLOCATION OF NET PROFIT FOR THE FINANCIAL YEAR

in EUR

DESCRIPTION	31/12/2018
Net profit from the preceding financial years	0
Net profit for the financial year	1,365,804
Portion of net profit from the financial year for the elimination of actuarial losses	103
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR	1,365,701

Table 30: Allocation of net profit for the financial year 2018

2.5 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

DESCRIPTION	01/01/ - 31/12/2018	01/01/ - 31/12/2017
NET PROFIT OR LOSS FOR THE PERIOD	1,365,804	1,699,773
Actuarial gains and losses on defined benefit plans	-4,881	-3,927
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	1,360,923	1,695,846

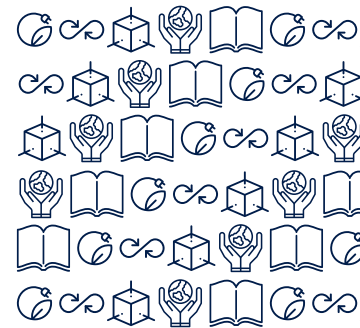
Table 31: Statement of other comprehensive income from 1 January 2017 to 31 December 2018

2.6 STATEMENT OF CHANGES IN EQUITY

in EUR

	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
CLOSING BALANCE 31/ 12/ 2016	1,963,279	395	196,328	851,231	-954	0	1,424,762	4,435,041
Changes in equity – transactions with owners								
- Dividend payment						-1,000,000		-1,000,000
Total comprehensive income								
- Change in fair value reserves					-3,927			-3,927
- Entry of net profit							1,699,773	1,699,773
Changes in equity								
- Allocation of the remaining part of net profit of the comparative period						1,424,762	-1,424,762	0
- Reserve transfer by decision of the general meeting				424,762		-424,762		0
- Other changes					16		-16	
CLOSING BALANCE 31/ 12/ 2017	1,963,279	395	196,328	1,275,993	-4,865	0	1,699,757	5,130,887

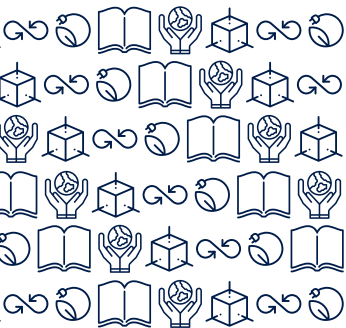
Table 32: Statement of changes in equity for 2017



in EUR

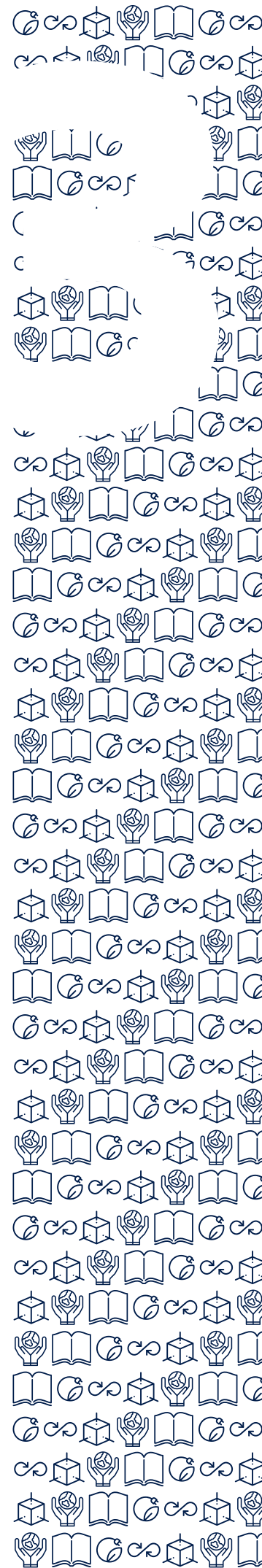
	Share capital	Capital reserves	Profit reserves		Fair value reserves	Retained profits	Net profit for the year	Total equity
			Statutory reserves	Other profit reserves				
CLOSING BALANCE 31/12/2017	1,963,279	395	196,328	1,275,993	-4,865	0	1,699,757	5,130,887
Changes in equity – transactions with owners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

Table 33: Statement of changes in equity for 2018



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



3. ACCOUNTING POLICIES

BASES FOR THE STRUCTURE OF FINANCIAL STATEMENTS

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

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

INTANGIBLE ASSETS

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

TANGIBLE FIXED ASSETS

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

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

LONG-TERM FINANCIAL INVESTMENTS

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

SHORT-TERM FINANCIAL INVESTMENTS

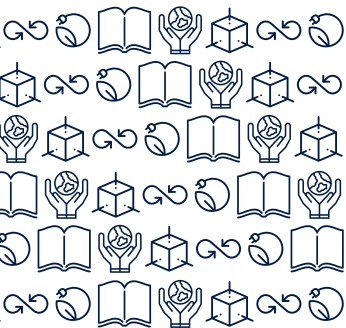
At origination, the short-term financial investments are disclosed at the acquisition cost that corresponds to the invested cash assets or other assets.

SHORT-TERM OPERATING RECEIVABLES

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

CASH ASSETS

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



ACCRUALS FOR FINANCIAL ASSETS AND LIABILITIES

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

EQUITY

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

SHORT-TERM LIABILITIES

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

THE INCOME STATEMENT

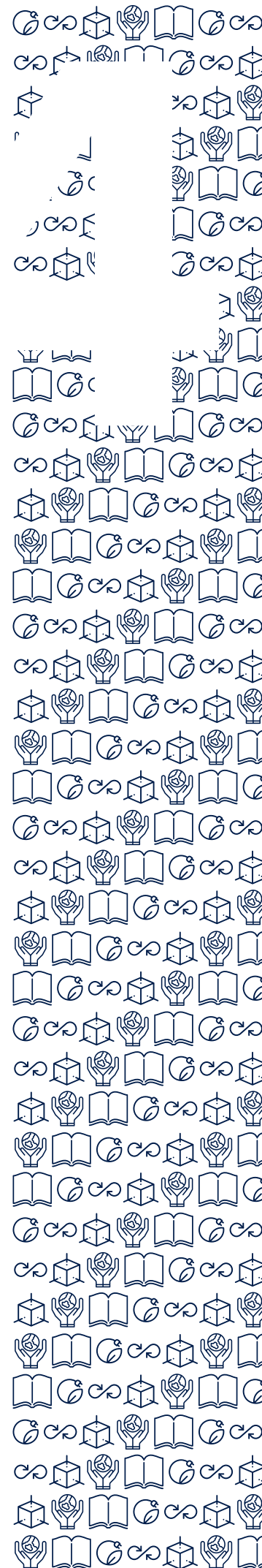
is compiled according to Version I.

REVENUES

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

EXPENSES

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



4. NOTES TO THE FINANCIAL STATEMENTS

4.1 NOTES TO THE BALANCE SHEET ITEMS

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

in EUR

	Software	Software in production	Total
PURCHASE PRICE			
01/01/2018	1,819,847	9,357	1,829,204
Direct increases – purchases	0	108,742	108,742
Transfer from the investments in progress	118,099	-118,099	0
Disposals	33,222	0	33,222
31/12/2018	1,904,724	0	1,904,724
WRITE-DOWN VALUE			
01/01/2018	1,461,572	0	1,461,572
Yearly depreciation	143,586	0	143,586
Disposals	33,222	0	33,222
31/12/2018	1,571,936	0	1,571,936
CURRENT VALUE			
01/01/2018	358,275	9,357	367,632
31/12/2018	332,788	0	332,788

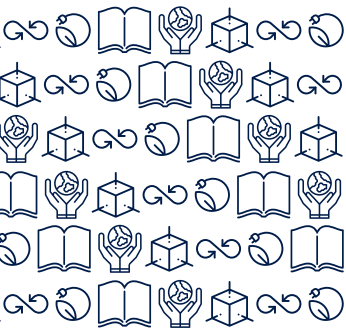
Table 34: Table of intangible assets

The investments in 2018 consist of software investments that include the upgrade of the company’s Guarantees of Origin (GoO) Registry, the single information system (EIS), the upgrade of the clearing and financial settlement application (ISOB) and new licenses necessary for the continuous functioning of the company’s business (Webcom, Kaspersky, etc.).

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

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

The long-term deferred expenses and accrued revenues represent reserve funds, which are collected by the manager of the business premises on a special account and amounted to EUR 5,917 at the end of 2018.



4.1.2 TANGIBLE FIXED ASSETS

in EUR

	Real estate	Information system equipment	Office equipment	Other equipment	Total
PURCHASE PRICE					
01/01/2018	1,549,663	634,757	141,725	177,022	2,503,167
Purchases	90,242	132,671	48,494	7,513	278,920
Disposals	0	214,471	0	11,398	225,869
31/12/2018	1,639,905	552,957	190,219	173,137	2,556,218
WRITE-DOWN VALUE					
01/01/2018	335,259	522,851	100,214	83,692	1,042,016
Depreciation	54,863	71,289	15,112	17,516	158,780
Disposals	0	213,891	0	11,212	225,103
31/12/2018	390,122	380,249	115,326	89,996	975,693
CURRENT VALUE					
01/01/2018	1,214,404	111,906	41,511	93,330	1,461,151
31/12/2018	1,249,783	172,708	74,893	83,141	1,580,525

Table 35: Table of tangible fixed assets

The investments in the real estate represent the renovation of additional business premises. The information system equipment purchases include a firewall, disk arrays (RAIDs), and an IBM library; all employees also received new monitors. The office equipment purchases include new furnishings, while the other equipment purchases include new air conditioners.

The disposals refer to the written-off obsolete equipment that has been replaced.

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

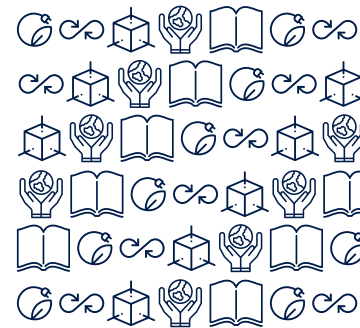
- Computer equipment 20.00 to 33.33%;
- Office furniture 11.00 to 12.00%;
- Other equipment 10.00 to 50.00%.

4.1.3 LONG-TERM FINANCIAL INVESTMENTS

in EUR

	31/12/2018	31/12/2017
Long-term financial investments in shares	1,919,568	419,568
Other long-term financial investments	5,000,000	0
TOTAL	6,919,568	419,568

Table 36: Table of long-term financial investments



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

amount of Borzen's share in the recapitalisation of BSP. In recent years, BSP has been operating profitably. Other long-term financial investments include the long-term (three-year) investment of liquid cash of the Centre for Support for the purpose of generating revenue.

4.1.4 DEFERRED TAX ASSETS

	in EUR	
	31/12/2018	31/12/2017
Deferred tax assets arising from:		
• impairment of the financial investment	109,682	109,682
• provisions	17,892	9,376
TOTAL	127,574	119,058

Table 37: Table of deferred tax assets

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

has disclosed this information in its financial statements. In addition, the company also discloses the information on the deferred tax provision for severance pay and long-service bonuses, which slightly increased in 2018 due to the increase in the provisions.

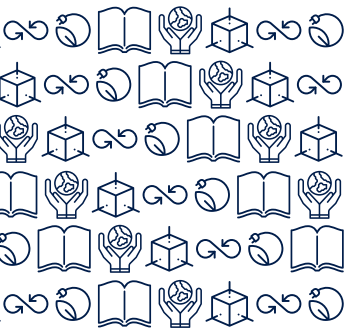
4.1.5 SHORT-TERM FINANCIAL INVESTMENTS

	in EUR	
	31/12/2018	31/12/2017
Short-term financial investments	90,000,000	30,000,000
TOTAL	90,000,000	30,000,000

Table 38: Table of short-term financial investments

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

represent the funds of the Centre for Support, which are liquid assets or the surplus of the funds of the Centre for Support, which are increasing.



4.1.6 SHORT-TERM OPERATING RECEIVABLES

in EUR

	31. 12. 2018	31. 12. 2017
Short-term trade receivables	21,686,133	23,601,579
a) Short-term domestic trade receivables	21,143,211	22,864,476
• receivables from the associated companies	10,309	10,138
b) Short-term foreign trade receivables	542,922	737,103
Short-term advances and securities	888	1,953
Short-term receivables for interests	42,153	15,910
Other short-term receivables	2,586,076	2,904,888
TOTAL	24,315,250	26,524,330

Table 39: Table of short-term operating receivables

As at 31 December 2018, the share of the short-term receivables amounted to EUR 21,686,133 and consisted of:

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

Short-term receivables by maturity:

- EUR 21,386,693 of the short-term trade receivables are not yet matured (98.6 percent);

- EUR 287,299 of the short-term trade receivables fell due (1.3 percent), of which EUR 257,215 has a 30-day delay in payment, EUR 23,059 has a 60-day delay in payment, and EUR 7,025 has a 90-day delay in payment;
- EUR 12,141 (0.1 percent) of the short-term receivables are the subject of enforcement proceedings.

Other short-term receivables relate to the input VAT from the invoices received in January 2019, which refer to December 2018.

4.1.7 CASH ASSETS

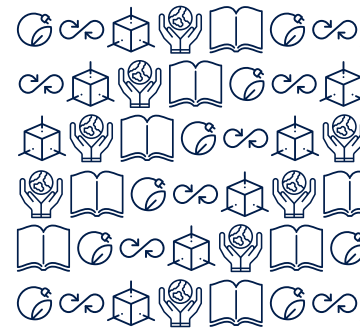
in EUR

	31/12/2018	31/12/2017
Cash and cash equivalents in banks	1,748,558	1,361,398
Cash assets in the commercial account	150,069	202,066
Cash assets in special accounts – Centre for Support	62,947	61,125
Cash assets in special accounts – Balance Scheme	1,535,542	1,098,207
Deposits held at call – total	47,275,335	62,145,006
Deposit held at call	1,500,000	2,500,000
Deposit held at call – Centre for Support	45,775,335	58,647,555
Deposit held at call – Balance Scheme	0	997,451
TOTAL	49,023,893	63,506,404

Table 40: Table of cash assets

In addition to regular resources, the assets of the Centre for Support and Balance Scheme are separately shown and are held in special accounts. The deposits held at call

with Unicredit Bank Slovenia, BKS Bank, Sberbank and Sparkasse bank are also kept separately.



4.1.8 SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES

in EUR

	31/12/2018	31/12/2017
Short-term deferred costs or expenses	33,695	29,032
TOTAL	33,695	29,032

Table 41: Table of short-term deferred expenses and accrued revenues

The costs that were charged in 2018 but which relate to the next financial year and will be charged as costs in 2019 are declared as the deferred expenses and accrued revenues.

4.1.9 EQUITY

in EUR

	31/12/2018	31/12/2017
Called-up capital	1,963,279	1,963,279
Share capital – equity investment	1,963,279	1,963,279
Capital reserves – general revaluation adjustment	395	395
Profit reserves	2,172,078	1,472,321
Statutory reserves	196,328	196,328
Other profit reserves	1,975,750	1,275,993
Fair value reserves	-9,643	-4,865
Profit from the previous years	0	0
Net profit for the financial year	1,365,701	1,699,757
TOTAL	5,491,810	5,130,887

Table 42: Table of equity

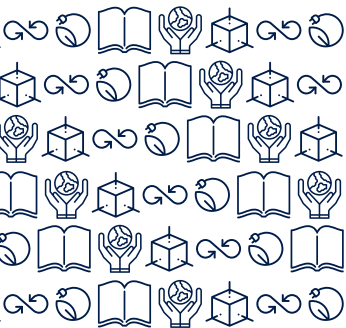
At the end of 2018, the total equity of the company equals EUR 5.49 million. The profit for the previous year was partly paid to the Shareholder (in the amount of EUR 1 million), while the rest of the amount increased the other profit reserves.

4.1.10 PROVISIONS

in EUR

	31/12/2018	31/12/2017
Provisions for long-service bonuses	62,588	54,000
Provisions for severance pays	125,751	48,399
TOTAL	188,339	102,399

Table 43: Table of provisions



Based on the actuarial calculations, the company built up the provisions for the retirement allowances and long-service bonuses. The use of provisions in 2018 amounted to EUR 1,449 (payment of a long-service bonus); after the reestablishment of the provisions at the end of 2018, the

provisions amounted to EUR 188,339. There was a large increase in the provisions for severance pays, which were built up based on new clauses in accordance with the Collective Agreement for Slovenian Electricity Industry (KPE), which Borzen had entered into in May 2018.

in EUR

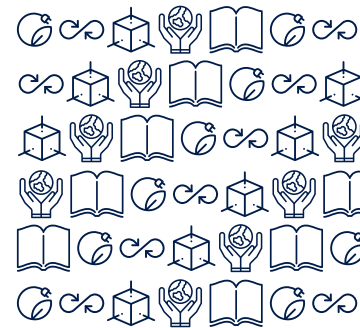
	Provisions for severance pays upon retirement	Provisions for long-service bonuses	Total
BALANCE AS AT 31 DEC 2017	48,399	54,000	102,399
Interest expenses	411	453	864
Past service costs	62,083	0	62,083
Current service costs	8,965	4,602	13,567
Benefit payments	0	-1,449	-1,449
Actuarial gains/losses (IPI)	/	4,982	4,982
Actuarial gains/losses through IFP	5,893	/	5,893
BALANCE AS AT 31 DEC 2018	125,751	62,588	188,339

Table 44: Table of the movement of provisions

in EUR

Parameters	Provisions for severance pays	Provisions for long-service bonuses
Reduction of disc. interest rate by 0.5%	12,283	3,703
Increase of disc. interest rate by 0.5%	-10,954	-3,401
Increase in wage growth by 0.5% per year	12,629	0
Reduction in wage growth by 0.5% per year	-11,378	0

Table 45: Sensitivity analysis



4.1.11 SHORT-TERM LIABILITIES

in EUR

	31/12/2018	31/12/2017
Short-term liabilities to suppliers	25,313,815	26,110,131
• Short-term liabilities to suppliers – regular suppliers	219,580	192,714
- liabilities to related parties	21,228	8,967
• Short-term liabilities to suppliers – Centre for Support	22,573,192	21,218,417
• Short-term liabilities to suppliers – Balance Scheme	2,521,043	4,699,000
Short-term liabilities from the Centre for Support	137,637,785	86,244,678
Liabilities for the deposits from the Centre for Support	0	650,000
Short-term liabilities from the Balance Scheme	1,972,611	2,099,871
Short-term liabilities to employees	184,753	220,110
• Liabilities for net salaries and wage compensations	89,862	90,809
• Liabilities for contributions from gross salaries and wage compensations	50,499	64,031
• Liabilities for taxes from gross salaries and wage compensations	19,784	23,338
• Liabilities for other remunerations from employment	24,608	41,932
Liabilities to state and other institutions	1,535,853	1,861,545
• Liabilities for charged VAT	1,420,125	1,860,641
• Liabilities for corporate income tax	114,788	0
• Other short-term liabilities to state and other institutions	940	904
Other short-term operating liabilities	14,174	13,524
TOTAL	166,658,991	117,199,859

Table 46: Table of short-term liabilities

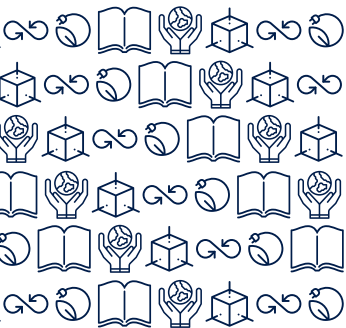
As at 31 December 2018, the liabilities consist of open commitments to regular suppliers, open commitments to the beneficiaries of the Centre for Support and open commitments to the Balance Scheme suppliers. In regard to the beneficiaries of the Centre for Support, the amount refers to the November and December invoices falling due in early January and February 2019. The company settles its obligations towards the suppliers within the agreed contractual terms.

The short-term liabilities to the Centre for Support represent the surplus of the RES/CHP funds, which again in-

creased in the course of 2018. This surplus is also evident and disclosed under the cash assets, short-term financial investments and long-term financial investments.

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

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



4.1.12 OFF-BALANCE SHEET ASSETS

In 2018, the company's off-balance sheet assets equalled EUR 5.29 million, of which the amount of EUR 1.89 million represented the funds of the Balance Scheme members deposited on the deposit sub-accounts, which are open in their names. The assets refer to the insurance for the fulfilment of the financial obligations arising from the imbalance settlement. The financial coverage must be submitted by the balance group's responsible party upon signing the balance agreement with the Market Operator in accordance with the applicable Rules on the Operation of the Electricity Market. The assets are disclosed as off-balance sheet items as they have no direct impact on the volume and composition of the assets or liabilities; they merely represent a guarantee for the fulfilment of the Balance Scheme members' liabilities.

In addition to cash deposits, the Balance Scheme members may also submit financial guarantees in the form of bank guarantees payable on first demand. As at 31 December 2018, the value of the bank guarantees submitted by the Balance Scheme members equalled EUR 3.40 million.

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

4.2 NOTES TO THE INCOME STATEMENTS

4.2.1 OPERATING REVENUES

	2018	Share in %	Business Plan 2018	Share in %	2017	Share in %
Revenues arising from the MO's operation	1,756,289	40.4	1,746,900	38.9	1,730,082	38.2
Revenues arising from recorded closed contracts	1,278,648	29.4	1,573,000	35.0	1,563,273	34.5
Revenues arising from the Centre for Support	591,000	13.6	591,000	13.2	591,000	13.0
Revenues arising from BSP	109,130	2.5	95,000	2.1	93,350	2.1
Revenues arising from information provision and raising awareness	289,860	6.7	290,000	6.5	259,354	5.7
Revenues arising from RRM – REMIT	152,391	3.5	169,900	3.8	155,014	3.4
Other revenues	167,115	3.9	20,700	0.5	1,739	0.0
TOTAL SALES REVENUES	4,344,433	100.0	4,486,500	100	4,393,812	96.9
Other operating revenues	123	0.0	0	0.0	138,295	3.1
TOTAL	4,344,556	100.0	4,486,500	100	4,532,107	100.0

Table 47: Table of operating revenues

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

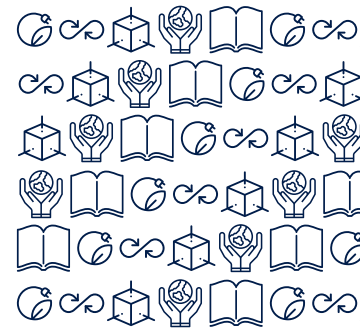
The second largest share of the revenues is represented by the revenues from the recording of closed contracts. The amount of the fee paid by the Balance Scheme members for the recording of closed contracts equals EUR 0.00005 per kWh for each individual recording of a closed contract, in

which the Balance Scheme member acts as a seller.

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

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

Of the total sales revenues, EUR 3,852,721 were charged to domestic buyers, while EUR 491,712 were charged to foreign buyers.



4.2.2 OPERATING EXPENSES

in EUR

	2018	Share in %	Business Plan 2018	Share in %	2017	Share in %
Material costs	50,394	1.8	56,500	2.1	48,053	1.8
Service costs	860,641	30.6	814,200	30.4	784,225	29.6
Labour costs	1,580,605	56.2	1,460,000	54.6	1,449,641	54.7
Depreciation	302,361	10.8	329,600	12.3	350,088	13.2
Operating expenses from revaluation of operating current assets	146	0.0	0	0.0	0	0.0
Other operating expenses	16,512	0.6	17,000	0.6	19,071	0.7
TOTAL	2,810,659	100	2,677,300	100	2,651,078	100

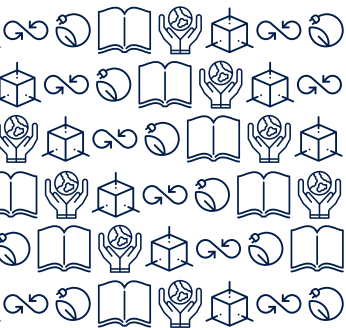
Table 48: Table of operating expenses

4.2.3 MATERIAL AND SERVICE COSTS

in EUR

Type of cost	2018	Share in %	Business Plan 2018	Share in %	2017	Share in %
Energy costs	19,538	38.8	18,500	32.7	14,280	29.7
Office supplies	5,521	11.0	13,000	23.0	6,373	13.3
Professional literature	18,628	37.0	16,000	28.3	17,760	37.0
Other material costs	6,707	13.3	9,000	15.9	9,640	20.1
TOTAL MATERIAL COSTS	50,394	100	56,500	100	48,053	100
Banking services	10,292	1.2	12,000	1.5	10,039	1.3
Membership fees	33,390	3.9	33,000	4.1	32,028	4.1
Other services	72,260	8.4	60,000	7.4	29,789	3.8
Education and training	36,571	4.2	40,000	4.9	42,881	5.5
Rental costs	49,635	5.8	55,000	6.8	49,853	6.4
Business premises costs	39,621	4.6	35,000	4.3	32,258	4.1
Public relations	149,013	17.3	150,000	18.4	147,466	18.8
Postal services	30,458	3.5	31,000	3.8	26,435	3.4
SLA costs	87,823	10.2	88,200	10.8	88,200	11.2
Insurance costs	15,854	1.8	19,500	2.4	14,723	1.9
Mission and duty travel costs	41,789	4.9	28,000	3.4	35,331	4.5
Supervisory Board costs	9,876	1.1	11,000	1.4	10,142	1.3
Advisory services and professional studies costs	180,683	21.0	145,000	17.8	162,471	20.7
Student work	0	0.0	2,500	0.3	4,247	0.5
Regular maintenance of fixed assets	103,376	12.0	104,000	12.8	98,362	12.5
TOTAL SERVICE COSTS	860,641	100	814,200	100	784,225	100

Table 49: Table of material and service costs



The total amounts of material and service costs are higher in comparison with the previous year and are also higher in relation to the planned items. The service costs also include the costs arising from the implementation of advisory services in the establishment of an electricity market in Ukraine, Georgia and North Macedonia, and the costs of setting up an information security system and of the acquisition of the ISO/

IEC 27001:2013 certificate, which were not planned. They also include the costs arising from the implementation of activities in the field of information provision and raising awareness on renewable energy sources and efficient energy use, which are reimbursed to the company by the Eco Fund. The costs of advisory services also include the costs of the audit of annual accounts totalling EUR 5,700 per year.

4.2.4 LABOUR COSTS

In 2018, the total labour costs equalled EUR 1,580,605. At the end of 2018, the company had 30 employees, while the average number of employees based on the working hours equalled 29.06. The labour costs are calculated in accordance with the Rules on Labour Relations and the clauses of the Collective Agreement for Slovenian Electricity Industry, which the company has been applying since 1 May 2018. Among other labour costs, the costs arising from the increase in provisions for long-service bonuses and severance pays in the total amount of EUR 80,631 were also

taken into account and were calculated based on the actuarial calculations. In 2018, the increase in provisions was influenced the most by the clauses of the Collective Agreement for Slovenian Electricity Industry, which had amended certain rights, especially those pertaining to severance pays, as has already been mentioned in the increase in provisions. In 2018, the increase in provisions was also influenced by the low discount rate due to the low interest rates, the higher total wage bill, additional year of work and low fluctuation.

4.2.5 WRITE-OFFS

In 2018, the depreciation equalled EUR 302,361. The company uses a straight-line depreciation method in its calculations.

4.2.6 OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 16,512 and refer to the construction land contribution, court fees and the contribution that the company pays to the Public Schol-

arship, Development, Disability and Maintenance Fund of the Republic of Slovenia due to non-compliance with the legislation on the employment of the disabled.

4.2.7 FINANCIAL REVENUES

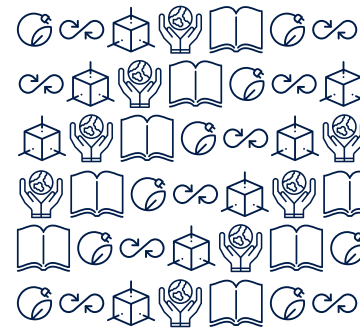
	2018	Share in %	Business Plan 2018	Share in %	2017	Share in %
Interest revenues	149,442	99.4	40,000	100	48,664	99.4
Other financial revenues including financial revenues from revaluation	850	0.6	0	0	308	0.6
TOTAL	150,292	100	40,000	100	48,972	100

in EUR

Table 50: Table of financial revenues

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

than the amount from the previous year, mainly due to the higher surplus of the Centre for Support and the consequently higher amount of liquid cash, whereas the interest rates on the market were very low.



4.2.8 FINANCIAL EXPENSES

	in EUR					
	2018	Share in %	Business Plan 2018	Share in %	2017	Share in %
Interest expenses	868	76.2	2,000	100	1,681	95.3
Other financial expenses including revaluation expenses	271	23.8	0	0	82	4.7
TOTAL	1,139	100	2,000	100	1,763	100

Table 51: Table of financial expenses

The interest expenses in the amount of EUR 868 arise from the interests on provisions (based on the actuarial calculation), while other financial expenses relate to the negative exchange differences.

4.2.9 OTHER REVENUES AND EXPENSES

There were no other revenues in 2018.

Other expenses relate to donations, for which the company allocated a total of EUR 9,164 in 2018. The funds were donated to the Slovenian Philanthropy Association, to the Jasa Society for the “Energy of the Future” project, to the Vipava Centre for Education, Rehabilitation and Training, and to various cultural and sport societies.

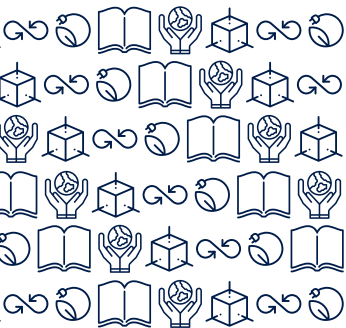
4.3 OTHER DISCLOSURES

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

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

	in EUR
	General Manager's gross remuneration
Salary in 2018	113,154
Performance-based bonus for 2015 (second half) and 2017 (first half)	23,203
Deferred payment – performance-based bonus (second half) for 2016 and 2017	27,446
Holiday pay	1,817
Bonuses	8,895

Table 52: General Manager's remuneration in 2018



The Supervisory Board consists of three members, all appointed by the Government of the Republic of Slovenia. In 2018, the members of the Supervisory Board were entitled to basic remuneration for the performance of their function and to session fees based on the applicable decision of the Stakeholder.

in EUR

	Gross remuneration of the Supervisory Board
Gorazd Ažman, MSc	3,407
Janez Černe	2,897
Alenka Kolar, PhD	2,748

Table 53: Remuneration of the Supervisory Board members in 2018

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

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

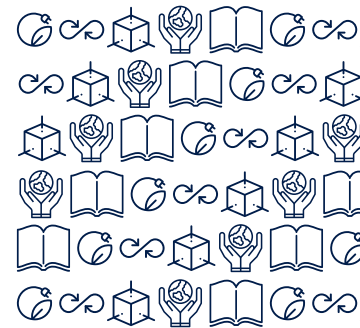
Individual activities performed by Borzen are governed by the Slovenian Accounting Standards (SRS 35).

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

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

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

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



The table of general keys specified and adopted for 2018 is presented below.

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

Table 54: Table of general keys for 2018

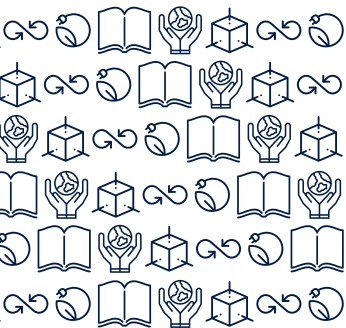
The **general expenses key** takes into account a distribution of balance items of a specified activity as referred to in cost centres that are indirectly charged to activities based on the workload of individual posts, which is measured by working time in hours needed for an individual activity.

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

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

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

In 2018, the company, as a whole, reports a net profit in the amount of EUR 1.37 million. The activity of the public service obligation relating to the Market Operator discloses a profit of EUR 1.45 million, the activity of the Centre for Support records a deficit in the amount of EUR 181,000, while the commercial activity reports a profit of EUR 94,000. The activity of information provision and awareness raising is managed on the principle of reimbursement by the Eco Fund.

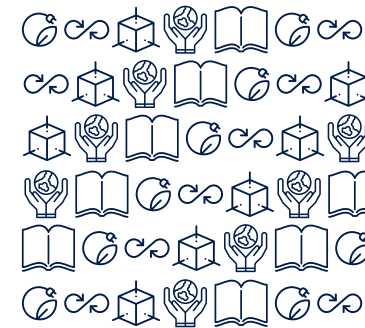


INCOME STATEMENT BY ACTIVITY FOR THE PERIOD BETWEEN 1 JANUARY 2018 AND 31 DECEMBER 2018

in EUR

Elements	BORZEN total	Market organisation	Centre for Support	Information provision and awareness raising	Commercial activity
1. NET SALES REVENUES	4,344,433	3,096,341	592,334	289,860	365,898
a. Revenues arising from the MO's operation	1,756,289	1,756,289	0	0	0
b. Revenues arising from the recorded closed contracts	1,278,648	1,278,648	0	0	0
c. Revenues arising from the Centre for Support	591,000	0	591,000	0	0
d. Revenues arising from BSP	109,130	0	0	0	109,130
e. Revenues arising from information provision and raising awareness	289,860	0	0	289,860	0
f. Revenues arising from RRM – REMIT	152,391	0	0	0	152,391
g. Other revenues	167,115	61,404	1,334	0	104,377
2. OTHER OPERATING REVENUES	123	86	33	0	4
TOTAL OPERATING REVENUES	4,344,556	3,096,427	592,367	289,860	365,902
3. MATERIAL AND SERVICE COSTS	911,035	391,436	218,622	176,524	124,453
a. Material costs	50,394	30,964	16,143	1,455	1,832
b. Service costs	860,641	360,472	202,479	175,069	122,621
4. LABOUR COSTS	1,580,605	791,536	592,785	103,962	92,322
a. Costs of wages and salaries	1,121,275	562,318	424,843	69,756	64,358
b. Costs of pension insurance	147,374	73,777	45,407	19,789	8,401
c. Costs of other social insurances	85,606	42,894	23,393	14,417	4,902
d. Other labour costs	226,350	112,547	99,142	0	14,661
5. WRITE-DOWNS	302,507	157,635	100,398	9,374	35,100
a. Depreciation	302,361	157,555	100,340	9,374	35,092
b. Operating expenses from revaluation of operating current assets	146	80	58	0	8
6. OTHER OPERATING EXPENSES	16,512	8,868	6,855	0	789
TOTAL OPERATING EXPENSES	2,810,659	1,349,475	918,660	289,860	252,664
OPERATING PROFIT OR LOSS	1,533,897	1,746,952	-326,293	0	113,238
7. FINANCIAL REVENUES	150,292	540	149,704	0	48
8. FINANCIAL EXPENSES	1,139	644	440	0	55
NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES	1,683,050	1,746,848	-177,029	0	113,231
9. OTHER REVENUES	0	0	0	0	0
10. OTHER EXPENSES	9,169	5,044	3,667	0	458
TOTAL REVENUES	4,494,848	3,096,967	742,071	289,860	365,950
TOTAL EXPENSES	2,820,967	1,355,163	922,767	289,860	253,177
TOTAL PROFIT	1,673,881	1,741,804	-180,696	0	112,773
11. TAX ON PROFIT	315,581	296,391	0	0	19,190
12. DEFERRED TAX	-7,504	-7,048	0	0	-456
NET PROFIT OR LOSS FOR THE PERIOD	1,365,804	1,452,461	-180,696	0	94,039

Table 55: Income statement for the period between 1 January 2018 to 31 December 2018



BALANCE SHEET AS AT 31 DECEMBER 2018 SHOWING THE ASSETS UNDER MANAGEMENT

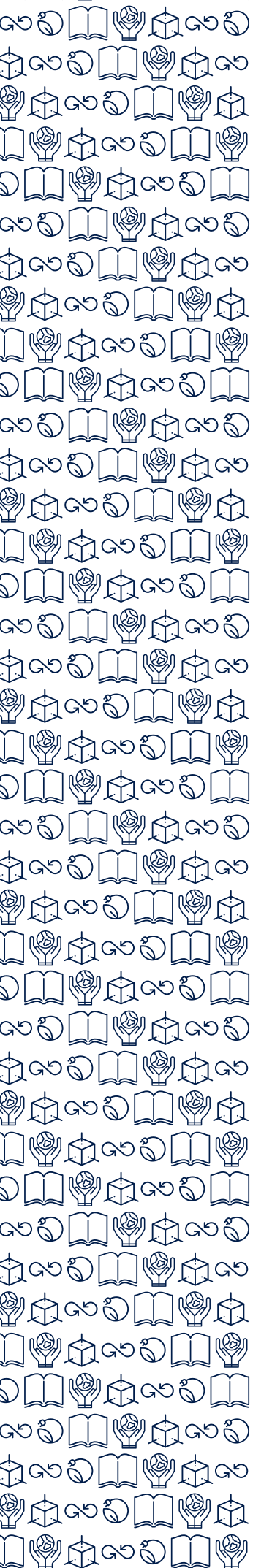
in EUR

DESCRIPTION	BORZEN total	Borzen excl. public utility service	Centre for Support	BALANCE SCHEME
ASSETS	172,339,210	6,263,965	161,376,927	4,698,318
A. LONG-TERM ASSETS	8,966,372	3,966,372	5,000,000	0
I. INTANGIBLE FIXED ASSETS, LONG-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	338,705	338,705	0	0
II. TANGIBLE FIXED ASSETS	1,580,525	1,580,525	0	0
1. Business premises	1,249,783	1,249,783	0	0
2. Equipment	330,742	330,742	0	0
III. LONG-TERM FINANCIAL INVESTMENTS	6,919,568	1,919,568	5,000,000	0
1. Shares in associated companies	1,919,568	1,919,568	0	0
2. Other long-term financial investments	5,000,000	0	5,000,000	0
IV. DEFERRED TAX	127,574	127,574	0	0
B. SHORT-TERM ASSETS	163,339,143	2,263,898	156,376,927	4,698,318
I. SHORT-TERM FINANCIAL INVESTMENTS	90,000,000	0	90,000,000	0
II. SHORT-TERM OPERATING RECEIVABLES	24,315,250	613,619	20,538,855	3,162,776
1. Short-term trade receivables	21,686,133	548,004	18,419,854	2,718,275
2. Short-term receivables due from others	2,629,117	65,615	2,119,001	444,501
III. CASH AND CASH EQUIVALENTS	49,023,893	1,650,279	45,838,072	1,535,542
C. SHORT-TERM DEFERRED EXPENSES AND ACCRUED REVENUES	33,695	33,695	0	0
Off-balance sheet assets	5,286,214	5,286,214	0	0
LIABILITIES	172,339,210	6,263,965	161,376,927	4,698,318
A. EQUITY	5,491,810	5,491,810	0	0
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0
1. Share capital	1,963,279	1,963,279	0	0
II. CAPITAL RESERVES	395	395	0	0
III. PROFIT RESERVES	2,172,078	2,172,078	0	0
1. Statutory reserves	196,328	196,328	0	0
1. Other profit reserves	1,975,750	1,975,750	0	0
IV. REVALUATION SURPLUS	-9,643	-9,643	0	0
V. NET PROFIT OR LOSS FROM THE PREVIOUS PERIOD	0	0	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD	1,365,701	1,365,701	0	0
B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	188,339	188,339	0	0
C. SHORT-TERM LIABILITIES	166,658,991	583,746	161,376,927	4,698,318
A. SHORT-TERM OPERATING LIABILITIES	166,658,991	583,746	161,376,927	4,698,318
1. Short-term liabilities to suppliers	25,313,815	219,580	22,573,192	2,521,043
2. Other short-term operating liabilities	141,345,176	364,166	138,803,735	2,177,275
D. SHORT-TERM ACCRUED EXPENSES AND DEFERRED REVENUES	70	70	0	0
Off-balance sheet liabilities	5,286,214	5,286,214	0	0

Table 56: Balance sheet as at 31 December 2018 with a separate overview of the assets under management

In the above table, the items that relate to assets and to the liabilities to assets managed by Borzen are disclosed separately and intended exclusively for performing the activities within an individual public utility service (PUS). It separately discloses the assets of the Centre for Support and the as-

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



STATEMENT BY THE MANAGEMENT

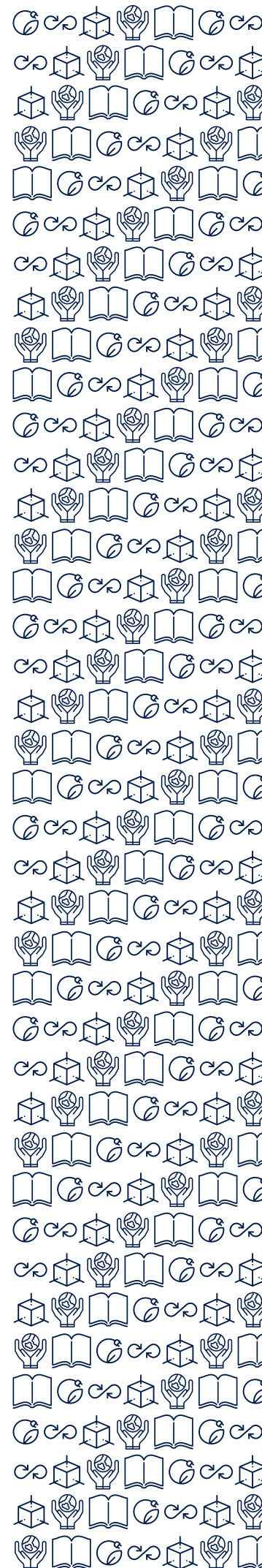
In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board hereby ensure that the annual report of Borzen, operater trga z elektriko, d.o. o. was compiled and published in accordance with the Companies Act and the Slovenian Accounting Standards.

The Management approves and confirms the financial statements of Borzen, operater trga z elektriko, d.o. o. for the year finishing on 31 December 2018 and the Notes on Financial Statements compiled on the assumption of the company's continued operation and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies were consistently applied in the preparation of the financial statements; that the accounting estimates were prepared on the basis of the precautionary principle and good governance; and that the financial statements represent a true and fair view of the company's assets and the results of the company's business operations in 2018.

Ljubljana, 5 April 2019

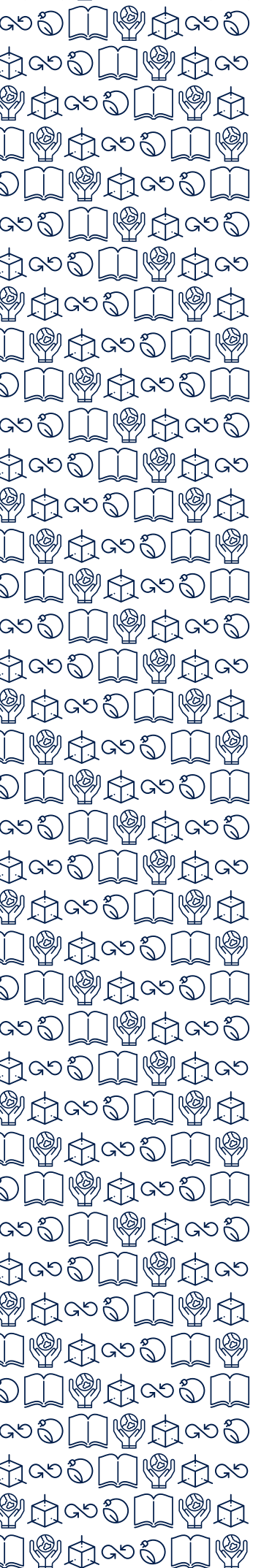
**Karol Peter Peršolja, PhD,
General Manager**



RELEVANT ENERGY REGULATIONS

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

- Energy Act (Official Gazette of the RS, No. 17/14 and 81/15);
- Decree on the Method of Provision of an Electricity Market Operator Service of General Economic Interest (Official Gazette of the RS, No. 39/15);
- Decree on Support for the Electricity Generated from Renewable Energy Sources and in Cogeneration with High Efficiency (Official Gazette of RS, No. 74/16);
- Regulation on Supports for the Electricity Generated from Renewable Energy Sources (Official Gazette of RS, No. 37/09, 53/09, 68/09, 76/09, 17/10, 94/10, 43/11, 105/11, 43/12 and 90/12, 17/14 – EA-1);
- Decree on Support for the Electricity Generated in Cogeneration with High Efficiency (Official Gazette of the RS, No. 37/09, 53/09, 68/09, 76/09, 17/10 and 81/10, 17/14 – EA-1 and 74/16);
- Decree on Energy Savings Requirements (Official Gazette of the RS, No.: 96/2014);
- Decree on the Method of Determining and Calculating the Contribution for Ensuring Support for the Generation of Electricity from High-Efficiency Cogeneration and Renewable Energy Sources (Official Gazette of the RS, No. 46/15 and 76/17);
- Rules on the Operation of the Electricity Market (Official Gazette of the RS, No. 105/15) – in force until 31 December 2018;
- Rules on the Operation of the Electricity Market (Official Gazette of the RS, No. 74/18) – entry into force on 1 January 2019;
- Rules on the Operation of the Centre for RES/CHP Support (Official Gazette of the RS, No. 88/16);
- Rules on the Operation of the Electricity Balancing Market (Official Gazette of the RS, No. 97/14 and 28/17);
- Act on the Methodology Determining the Regulatory Framework and the Methodology for Charging the Network Charge for the Electricity System Operators (Official Gazette of the RS, No. 66/15, 105/15 and 61/16).



CODES AND RECOMMENDATIONS

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

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

CONTACT DATA

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

+386 (0)1 620 76 00
* info@borzen.si

MANAGEMENT

Karol Peter Peršolja, PhD, General Manager

ENERGY DIVISION

Borut Rajer, MSc, Director of Operations
borut.rajer@borzen.si

ECONOMIC DIVISION

Valerija Štiblar, MSc, Director of Economic Division
valerija.stiblar@borzen.si

GENERAL AFFAIRS

Aleš Jurak, Director of General Affairs
ales.jurak@borzen.si

PUBLIC RELATIONS

Eva Činkole Kristan
eva.cinkole@borzen.si

CENTRE FOR SUPPORT

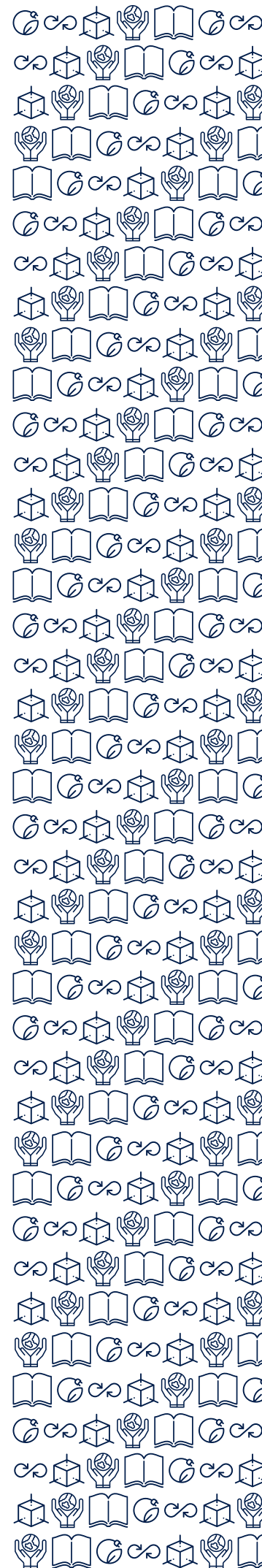
cp@borzen.si
cp.frs@borzen.si
+386 (0)1 620 76 55

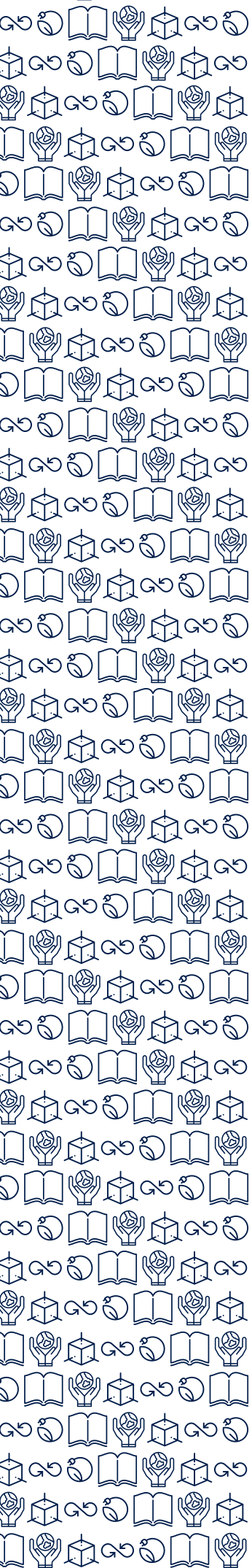
MARKET OPERATOR

evidentiranje@borzen.si
bilancni.obracun@borzen.si
+386 (0)1 620 76 35

RRM – REMIT

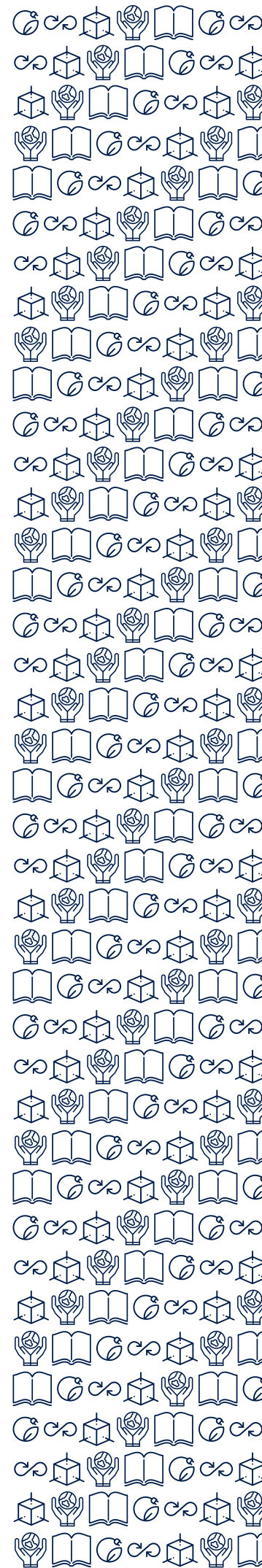
remit@borzen.si
+386 (0)1 620 76 38





GLOSSARY

- ACER – Agency for the Cooperation of Energy Regulators
- CS – Centre for Support
- DSE – domestic sources of primary energy
- EECS – European Energy Certificate System
- ENTSO-E – European Network of Transmission System Operators
- EA – Energy Act
- PUS – public utility service
- INC – Imbalance Netting Cooperation
- KPE – Collective Agreement for Slovenian Electricity Industry
- MZI – Ministry of Infrastructure
- MO – Market Operator
- RES – renewable energy sources
- GoO – Guarantee of Origin
- RECS – Renewable Energy Certificate System
- RRM – Registered Reporting Mechanism
- REMIT – Regulation on Wholesale Energy Market Integrity and Transparency
- SIPX – Slovenian Price Index
- CHP – cogeneration of heat and power
- EE – energy efficiency



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