Skupina hse

TERMOELEKTRARNA
ŠOŠTANJ

ANNUAL REPORT 2013

ENERGY GIANTS

ENERGY GIANTS.

WE ARE GREAT. OUR ACTIONS ARE GREAT AS WELL. WE DEDICATE A GREAT AMOUNT OF ENERGY FOR A BETTER TOMORROW AND THE PRESERVATION OF NATURE. WE INVEST GREATLY INTO OUR LOCAL ENVIRONMENT THAT GROWS AS WE GROW. OUR ABILITIES ARE GREAT AND SO IS OUR KNOWLEDGE. WE ALWAYS STRIVE HIGHER AND HIGHER. WE STRIVE FOR GREATER GOALS.

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GREAT RESPONSIBILITY TOWARDS ENVIRONMENT

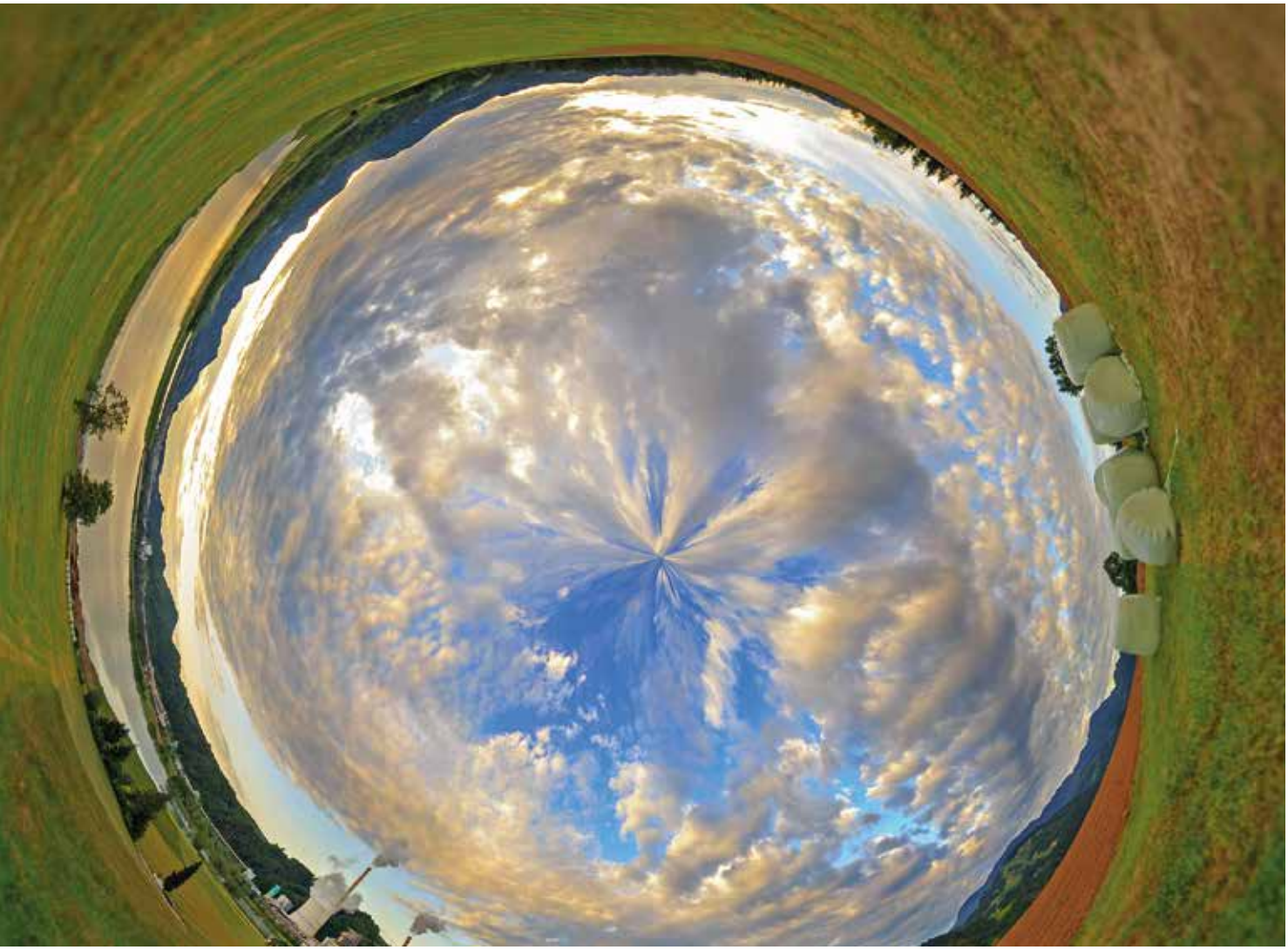
In the last 20 years the company invested a great amount of financial resources into preservation of water quality and substantial reduction of emissions through planned ecological redevelopment of the valley and in addition through the start-up of block 6 in TEŠ. The company's work is guided by the principles of sustainable development. The company enforces these principles through responsible environmental policy, which results in the acquisition of ISO 14001 certification.

1 INTRODUCTION

Termoelektrarna Šoštanj d.o.o. is the largest thermal production facility in the Holding Slovenske elektrarne Group. Its core activity is the electricity and thermal energy production for district heating. With an output of 662 MW, TEŠ produces approximately a third of the country's energy, and in critical periods it can meet more than half of the national demand. The average annual electricity production ranges between 3,500 and 3,800 GWh. The average annual production of thermal energy for district heating of Šalek Valley amounts to 300-400 GWh. The abovementioned annual electricity and thermal energy production requires between 3.5 and 4.2 million tonnes of coal and approximately 50 million Sm^3 of natural gas. In terms of its output, the operation of TEŠ is comparable to similar thermal power plants in Europe, but it exceeds their operating unit availability. The construction of the replacement Unit 6, a 600 MW production facility, will further contribute to TEŠ's efficiency.

The cornerstone of our activities is respect for past achievements, taking into account our experience and previous work. On the basis of experience and expertise acquired, TEŠ is oriented towards the future applying the latest discoveries in our field.

The operations of the company are based on adopted long-term development plans with a focus on the construction of Unit 6 with a rated power of 600 MW by 2015. In comparison with the existing units, replacement Unit 6 will emit approximately 30% less CO_2 for the same amount of electricity produced, thanks to which joint environmental emissions will also be considerably lower. The concept and operations of Unit 6 are or will be compliant with the EU directives and the requirements of the Best Available Techniques (BAT) reference documents.



1.1 LETTER FROM THE MANAGING DIRECTOR

Dear all,

The year of 2013 was a year of apprehension, trial, fighting and efforts both for Termoelektrarna Šoštanj and for our employees. In spite of the circumstances in which we operated, we can say that we had a successful year.

In April, May and at the beginning of June, we carried out an extensive and very demanding overhaul in Units 3 and 4. Distinctiveness of this overhaul is that for a timely and undisturbed launch of the Unit 6 operations it was necessary to perform complex reconstruction of common equipment, especially for coal transport. Taking into account the scope of work completed, we are happy to say that we managed to conclude the overhaul in record time and with minimum resources.

We were intensively engaged in realisation of the development plan set, the main goal of which is completion of the replacement Unit 6 construction. With this Unit, which will replace the current production facilities, TEŠ will continue to be one of the largest electricity producers in the country and at the same time provide stable and reliable electricity supply.

After the change of management in spring 2013, the state of the Unit 6 project was assessed, revealing financial and time non-compliance with the plans. Rather than sweeping problems under the rug, we immediately started to solve them. Furthermore, we carried out complex negotiations with the supplier of main technological equipment, the company Alstom, which helped us to shorten the time of project completion for more than five months and to include it back to the initially planned timeline.

In order to ensure stable operations of the company and realisation of business goals, we started to implement optimisation and streamlining of company operations, if possible, without interfering with social security of our staff. A demanding investment and extremely severe electricity market conditions, have forced us to take measures that are not always pleasant but are indispensable for the company's existence and efficient operation.

I believe that this direction and manner of work we set out guide us towards achieving of our goals, i.e. to finish the project of replacement Unit 6 construction and to maintain the planned scope of electricity and heat production. I am certain that with joint efforts, endeavour, belonging and sound management we will ensure further development of Termoelektrarna Šoštanj and maintain its role in the Slovenian electricity system.

Šoštanj, 30 June 2104

Peter Dermol
Managing Director

1.2 REPORT OF THE SUPERVISORY BOARD

Pursuant to the provisions of Article 282 of the Companies Act (ZGD-1), the Supervisory Board of Termoelektrarna Šoštanj d.o.o. hereby informs the founder of the following:

- the method and scope of supervision of the Company's management during the financial year 2013,
- the Supervisory Board's position on the Auditor's Report;
- the review and confirmation of the Annual Report of the Company for 2013;
- the review of the proposal for the allocation of accumulated profit.

In the 2013 financial year, the Supervisory Board included the following owner's representatives: from 1 January to 31 December 2013: Roman Šturm, PhD (Chairman), Janja Špiler (Deputy Chair), Marjan Ravnikar, MSc (until 20 July 2013) and Aljoša Tomaž (until 29 August 2013), and in the period from 1 October 2013 to 31 December 2013: Marijan Penšek, MSc, and Herman Janež.

Pursuant to the provisions of the Worker Participation in Management Act (ZSDU), as representatives of employees were: from 10 January to 31 December 2013 Janez Ramšak ml., Neca Čepelnik (from 10 January 2013 to 10 April 2013), Andrej Višnar (from 23 April 2013 to 31 December 2013).

In the 2013 financial year, the Committee for Active Supervision of the Investment Unit 6 by HSE at TEŠ was comprised of the following members: Marko Tandler, PhD (President), Matjaž Eberlinc, PhD, Stanislav Prevalnik and Matjaž Kodermac, and from TEŠ of Anton Urankar, Jože Lenart, Bojan Brešar and Ana Doberšek. The committee met regularly on a weekly basis, monitored the activities associated with the project and reported its findings to the Company's Supervisory Board and TEŠ's and HSE's management.

At the 72nd regular meeting held on 8 May 2013, a three-member Audit Committee of the Supervisory Board was appointed, consisting of the following members: Marjan Ravnikar, MSc, as Chairman, Janja Špiler and Janez Ramšak ml. as members. However, the Committee did not meet as the membership of the Supervisory Board changed.

On 25 November 2013, Franjo Mlinarič, PhD, was appointed external member of the Audit Committee of the Supervisory Board for a 4-year term according to Articles 279 and 280 of the Companies Act and the provisions of the Rules of Procedure of the Supervisory Board of TEŠ, and Janja Špiler was appointed Chairwoman. The Audit Committee started working in 2014.

In the financial year of 2013, the Company was represented and managed by Simon Tot, MSc (until 17 January 2013), appointed by the Supervisory Board at its 12th extraordinary meeting on 11 November 2010, Franc Rosec (from 18 January 2013 to 10 April 2013) as temporary director, appointed by the Supervisory Board at its 69th extraordinary meeting on 17 January 2013 according to the provisions of the Articles of Association of the limited liability company Termoelektrarna Šoštanj d.o.o. and from 11 April 2013 by Peter Dermol, appointed by the Supervisory Board at its 36th extraordinary meeting on 9 April 2013 based on a public vacancy announcement for a 4-year term of office with the possibility of re-appointment.

1.2.1 Monitoring and supervision of the company's operations

In the year under consideration the Supervisory Board monitored and supervised the management and performance of the Company by way of 10 regular and 10 extraordinary meetings and 4 correspondence meetings.

TEŠ is one of the key components of the HSE Group, which is why corporate governance is significantly affected by the fact that the company is 100% owned by HSE d.o.o. Considering the additional fact that TEŠ is the investor in the largest energy project in Slovenia – replacement Unit 6 – its operations are monitored also by the bodies of the controlling company, as its activities influence the whole HSE Group. With the issuance of the parent guarantee, the capital increases and the concluded agreements on debt assumption, HSE d.o.o., and indirectly the entire HSE Group, devoted a lot of attention to ensuring harmonised performance at the level of the HSE Group. Quick and uninterrupted exchange of key information within the HSE Group is enabled also by meetings of the HSE Group's managing directors, which are held on a regular basis and contribute significantly to prompt response to changes. With the purpose of strengthening supervision of the Unit 6 investment progress, HSE d.o.o and TEŠ established the Committee for Active Supervision of the Investment Unit 6 at TEŠ d.o.o., whose duty is regular reporting to the HSE management and the TEŠ Supervisory Board. The companies also established the Coordinating Team of HSE and TEŠ for the Optimisation of Financial Structure of Unit 6 and Minimisation of Financing Costs, which is responsible for coordination of demanding financial activities of the Unit 6 project, consisting of financial experts from both companies. Both bodies are composed of TEŠ d.o.o. and HSE d.o.o. representatives. In cooperation with governance, management and control bodies of both companies, such supervision and optimisation system ensures systematic and comprehensive control over the TEŠ's operations and performance of the investment in construction of 600 MW replacement Unit-6 at TEŠ d.o.o.

Throughout the period discussed, the Supervisory Board was regularly informed about the Company's operations and realisation of the Supervisory Board's resolutions. It discussed legal transactions that in accordance with the Articles of Association of the limited liability company Termoelektrarna Šoštanj d.o.o. require the Supervisory Board's approval, and other important business and strategic issues.

While performing its duties, the Supervisory Board considered the recommendations of the Committee for Active Supervision of the Investment. The latter reports to the Managing Director of HSE d.o.o.

The key issues regarding the Unit 6 project that the previous TEŠ Supervisory Board (from 1 January 2013 to and including 31 December 2013) discussed in 2013 were the following:

a) consent for conclusion of Amendment No. 4 to the Contract on the construction of the flue gas desulphurisation plant RDP-01 between TEŠ d.o.o. and the consortium Rudis-Esotech-Engineering Doberšek (69th RM, 17 January 2013);
b) consent for conclusion of Addendum to the Amendment to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o. and the consortium Alstom Power Systems (34th EM, 1 February 2013);
c) consent for conclusion of Amendment No. 8 to the Contract on execution of investment engineering in performing the construction of Unit 6 project, between TEŠ d.o.o. and HSE Invest d.o.o. (34th EM, 1 February 2013);
d) approval of the resolution of the contracting authority on the adoption of the Contract for coal transport system implementation, phase 2 for Unit 6 (35th corr., 21 February 2013);
e) consent for conclusion of Addendum No. 2 to Amendment No. 8 to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o. and the consortium Alstom Power Systems (36th corr., 28 February 2013);
f) consent for conclusion of Variation No. 17 to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o. and the consortium Alstom Power Systems (35th EM, 2 April 2013);
g) consent for conclusion of Variation No. 18 and Variation No. 19 Alstom Power Systems to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o. and the consortium Alstom Power Systems (35th EM, 2 April 2013);
h) consent for conclusion of Amendment No. 9 to the Contract on execution of investment engineering in performing the construction of Unit 6 project, between TEŠ d.o.o. and HSE Invest d.o.o. (34th EM, 17/04/2013);
i) consent for conclusion of Amendment No. 5 to the Contract on the construction of the flue gas desulphurisation plant RDP-01 between TEŠ d.o.o. and the consortium Rudis-Esotech-Engineering Doberšek (37th EM, 17 April 2013);
j) consent for conclusion of Amendment No. 1 to the Contract on extra supervision of the high- and medium-voltage electric equipment for Unit 6, between TEŠ d.o.o. and Milan Vidmar Electric Power Research Institute (38th EM, 21 June 2013);
k) consent for conclusion of Amendment No. 1 to the Contract on extra supervision of production and installation of boilers and steam pipelines for Unit 6, between TEŠ d.o.o. and TÜV SÜD Sava d.o.o. (38th EM, 21 June 2013);
l) approval of the concluded Contract on consulting on the supply of funds for Unit 6, between TEŠ d.o.o. and Arah Consulting d.o.o. (38th EM, 21 June 2013);
m) approval of the concluded Contract on legal consulting on the supply of funds for Unit 6, between TEŠ d.o.o. and Jurij Dovžan Law Firm (38th EM, 21 June 2013);
n) consent for conclusion of Addendum No. 1 to the Contract on the WT – Water Treatment System for Unit 6, between TEŠ d.o.o. and the consortium OVIVO Aqua Austria GmbH (74th RM, 26 July 2013);
o) consent for conclusion of Variation No. 20 to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o., Alstom Power Systems S.A. and Alstom Power Systems GmbH (39th EM, 21 August 2013);
p) consent for conclusion of Amendment No. 9 to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o., Alstom Power Systems S.A. and Alstom Power Systems GmbH (39th EM, 21 August 2013);
q) consent for conclusion of Addendum No. 1 to the Contract on CW RoP - Civil Works for Rest of Plants of Unit 6 at TEŠ, between TEŠ d.o.o. and the service provider RGP d.o.o. (39th EM, 21 August 2013);
r) consent for conclusion of the Contract on the provision of services in management and supervision of functioning of energy devices at Units 3, 4, 5 and 6, in water preparation, transport of coal and stabilisation material, the provision of maintenance services for dust-combustion system as well as other welding, piping and locksmith services at TE Šoštanj No. 195-13-VSS, between TEŠ d.o.o. and DBSS d.o.o. (76th RM, 22 October 2013);
s) consent for conclusion of Addendum No. 3 to the Contract on LOT GD - Civil Works for Main Technological Plant of Unit 6 in TE Šoštanj, between TEŠ d.o.o. and RGP d.o.o. (76th RM, 22 October 2013);
t) consent for conclusion of Variation No. 21 to the Contract on the supply of the core technological equipment for Unit 6, between TEŠ d.o.o., Alstom Power Systems S.A. and Alstom Power Systems GmbH (76th RM, 22 October 2013);
u) acknowledgement of NIP 6, October 2013, with presentation, explanations and clarifications of the Managing Director (76th RM, 22 October 2013);
v) consent for conclusion of Amendment No. 4 to the Contract on execution of land surveying services in the construction of Unit 6 project, between TEŠ d.o.o. and PV Invest d.o.o. (77th RM, 25 November 2013);
w) consent for conclusion of Amendment No. 1 to the Contract No. 78-12-VSO-B6 on height rescue at the construction site of Unit 6 project, between TEŠ d.o.o. and Višinski d.o.o. (77th RM, 25 November 2013);
x) consent for conclusion of Amendment No. 6 to the Contract on the construction of the flue gas desulphurisation plant for Unit 6 RDP-01, between TEŠ d.o.o. and the consortium Rudis-Esotech-Engineering Doberšek (77th RM, 25 November 2013);
y) consent for conclusion of Amendment No. 3 to the Contract on producing BPP and IP for Unit 6 at TEŠ with infrastructural arrangement, between TEŠ d.o.o. and HSE Invest d.o.o. (77th RM, 25 November 2013);
z) consent for conclusion of Addendum No. 2 to the Contract on the WT – Water Treatment System for Unit 6, between TEŠ d.o.o. and the consortium OVIVO Aqua Austria GmbH, Tobelbad, Austria & Esotech d.d., Velenje (77th RM, 25 November 2013);

aa) consent for conclusion of Addendum No. 1 to the Contract on legal consulting on the supply of funds for Unit 6, between TEŠ d.o.o. and the lawyer Jurij Dolžan (77th RM, 25 November 2013);
bb) consent for conclusion of Addendum No. 1 to the Contract on CT2 – Supply and Installation of Coal Transport System, Stage 2 for Unit 6, between TEŠ d.o.o. and the provider RUDIS d.o.o. Trbovlje (77th RM, 25 November 2013);
cc) consent for conclusion of Addendum No. 1 to the Contract on the AWS – Ammonia Water Storage for Unit 6, between TEŠ d.o.o. and the provider Esotech d.d. (77th RM, 25 November 2013);
dd) consent for the conclusion of the Agreement on debt assumption between TEŠ d.o.o. and HSE d.o.o. (37th corr., 24 December 2013);

In this period, the Supervisory Board also verified the Company's liquidity and solvency management. The Company's management regularly informed the Supervisory Board about the project status, the functioning of the Committee for Active Supervision of the Investment, the cash flow plan, the progress of NIP 6 preparation and the operations of the Coordinating Team for financing. It was also regularly informed on the projected measures to optimise and streamline operations as well as implementation of the projected measures.

In addition, it was also regularly notified about the effects of negotiations with the key supplier, the company Alstom. Special attention was also devoted to the verification of the management of risks, to which the Company is exposed in the course of performing its operations.

Other issues addressed by the Company's Supervisory Board (from 21 June 2013 to 31 December 2013) in 2013 were the following:

1. approval of short-term borrowing from HSE d.o.o. (34th corr., 4 January 2013);
2. approval of the conditions for drawing a loan from EIB (33rd EM, 10 January 2013);
3. approval of drawing the remaining funds of the EBRD loan (33rd EM, 10 January 2013);
4. consent for the conclusion of Addenda to contracts regarding the change of interest rates (69th RM, 17 January 2013);
5. consent for conclusion of Addendum No. 1 to the Contract 7/12/HSE/N on coal purchase, lease of power and purchase of electricity, between TEŠ d.o.o., HSE d.o.o. and PV d.d. (34th EM, 1 February 2013)
6. consent for conclusion of Contract on supply of fuel, lubricants and removal of oil, between Termoelektrarna Šoštanj d.o.o. and PETROL d.d. (70th RM, 11 March 2013);
7. consent for conclusion of Contract on the sale, purchase, transfer and assumption of emission coupons to cover the needs of additional electricity production for 2012, between TEŠ d.o.o. and HSE d.o.o. and consent for conclusion of Addendum No. 2 to the Contract on coal purchase, lease of power and purchase of electricity, between TEŠ d.o.o., PV d.d. and HSE d.o.o. (70th RM, 11 March 2013);
8. approval of the Business Plan of TEŠ d.o.o. for 2013 with additional plan for 2014 and 2015 (70th RM, 22 March 2013);
9. consent for conclusion of Contract No. 1/13/HSE/N on coal purchase, lease of power and purchase of electricity, between TEŠ d.o.o., HSE d.o.o. and PV d.d. (70th EM, 22 March 2013)
10. acknowledgement of the proposal for settlement with PRIMORJE D.D. (38th EM, 21 June 2013);
11. adoption of the amended Rules of Procedure of the Supervisory Board of Termoelektrarna Šoštanj d.o.o. (74th RM, 26 July 2013);
12. consent for conclusion of Agreement on damages with the Municipality of Šoštanj, the Municipality of Velenje and the Municipality of Šmartno ob Paki (74th RM, 26 July 2013);
13. acknowledgement of the Information on the accuracy of procedures for introducing new systemisation at TEŠ d.o.o. (74th RM, 26 July 2013);
14. adoption of the Annual Report of the Company for 2012 with the Auditor's Reports. The Supervisory Board had no comment to the Auditor's Report and it approved it (75th RM, 13 August 2013);
15. consent for conclusion of Addendum No. 3 to the Contract on maintenance of electricity devices at Units 3-5, between TEŠ d.o.o. and DBSS d.o.o. (75th RM, 13 August 2013);
16. consent for conclusion of Contract No. 140-13-VSO on the implementation of auxiliary works in the operation of Units 3-5, water preparation, transport of stabilisation material, between TEŠ d.o.o. and DBSS d.o.o. (75th RM, 13 August 2013);
17. consent for conclusion of Addendum No. 2 to the Contract on maintenance of electricity devices at Units 3-5, between TEŠ d.o.o. and Esotech d.o.o. (75th RM, 13 August 2013);
18. consent for conclusion of Addendum No. 1 to the Contract on utility, maintenance and auxiliary construction works No. 90-12-VGP, between TEŠ d.o.o. and Gradbeništvo in gostinstvo Krstanovski Gjorgjija s.p. (75th RM, 13 August 2013);
19. consent for conclusion of Amendment No. 2 to the Contract on maintenance of electricity devices at Units 3-5, between TEŠ d.o.o. and Metalvar d.o.o. (75th RM, 13 August 2013);
20. consent for conclusion of Contract No. 135-13-VSS on the provision of maintenance services for dust-combustion system for Units 3-5, between TEŠ d.o.o. and DBSS d.o.o. (75th RM, 13 August 2013);
21. acknowledgement of the Report on the progress of NIP 6 (75th RM, 13 August 2013);
22. approval of the submitted material for the General Meeting (39th EM, 21 August 2013);
23. consent for conclusion of Contract on business and technical cooperation in the provision of utility, maintenance and auxiliary construction works at TE Šoštanj d.o.o. No. 175-13-VGS, between TEŠ d.o.o. and Gradbeništvo in gostinstvo Krstanovski Gjorgjija s.p. (40th EM, 30 September 2013);
24. consent for conclusion of Contract on land lease – coal disposal site at Velenje (contract no. 0835/2013) (40th EM, 30 September 2013);
25. consent for conclusion of Addendum No. 1 to the Contract regulating mutual relations regarding the presence on the electricity market (40th EM, 30 September 2013);
26. consent for conclusion of Purchase and Sale Contract for natural gas: 277/2013-2015 and Addendum No. 1 to the said Contract between TEŠ d.o.o. and GEOPLIN d.o.o. Ljubljana (41st EM, 7 October 2013);

27. acknowledgement of the expert groundwork for optimal functioning of gas turbines (76th RM, 22 October 2013);
28. acknowledgement of performance projections for 2013 – 2027 with the included investment in Unit 6 based on input data NIP 6 of 30 October 2013 and the incorporated measures for optimisation and streamlining of operations (77th RM, 25 November 2013);
29. consent for conclusion of Contract on short-term borrowing from Holding Slovenske elektrarne d.o.o. (77th RM, 25 November 2013);
30. consent for conclusion of Contract on short-term borrowing from the commercial bank UniCredit Banka Slovenija (78th RM, 16 December 2013);
31. consent for conclusion of Contract on sale of real estate – apartment on Kajuhova 7 in Šoštanj, between TEŠ d.o.o. and the most favourable bidder (78th RM, 16 December 2013);
32. consent for conclusion of Contract on sale of real estate – apartment on Koroška 8a in Velenje, between TEŠ d.o.o. and the most favourable bidder (78th RM, 16 December 2013);
33. consent for conclusion of Contract on sale of real estate – apartment on Cankarjeva 17 in Šoštanj, between TEŠ d.o.o. and the most favourable bidder (78th RM, 16 December 2013);

In 2013, the Supervisory Board greatly focused its activities on the project for constructing the Replacement Unit 6 at Termoelektrarna Šoštanj d.o.o. as well as the optimisation and streamlining of the Company's operations. The Supervisory Board acted on the basis of the information and reports submitted by the management, in the scope of its authorisations and competencies defined by the law and the Company's Articles of Association as well as other regulations.

1.2.2 Position on the auditor's report and review of the company's annual report for 2013

The Supervisory Board of TEŠ was abolished before the review of the 2013 Annual Report. In line with the Articles of Association of the limited liability company Termoelektrarna Šoštanj d.o.o., the Annual Report for 2013 was together with the Auditor's Report reviewed by the founder and sole member Holding Slovenske elektrarne d.o.o.

The audit of the 2013 Annual Report of the company TEŠ was performed by Deloitte Revizija, d.o.o., which issued a qualified opinion in relation to the breach of bank commitments.

As stated in the report of the independent auditor, the Company did not fulfil bank commitments as at 31 December 2013 as stipulated in some long-term credit agreements. Pursuant to International Accounting Standard 1 – Presentation of Financial Statements, the value of the loans equalling EUR 750 million as at 31 December 2013 should have been transferred from the long-term part of financial liabilities to the short-term part.

According to the Independent Auditor's Report included in the Annual Report for 2013, with the exception of the effect of the breach of bank commitments, the financial statements provide a fair view, in all material aspects, of the Company's financial position and its profit or loss and cash flows for 2013, and the Business Report is consistent with the audited financial statements.

Based on the review of the Auditor's Report and explanations given, the member of TEŠ has no objections to the Auditor's Report. Within the scope of Annual Report examination, the member also reviewed the report on relations with related companies. Based on explanations received from the management and the auditor's findings that the information in the report is complete and correct, the member has no objections to the report of the Managing Director.

On the basis of careful examination of the Annual Report for 2013 and the explanations provided, the member assessed that the key development goals set by the founder have been met despite the unstable economic environment and that the Company's operations were in line with the TEŠ's Business Plan for 2013 as adopted by the founder.

Based on a qualified opinion, the achieved objectives from the 2013 Business Plan, and in line with its competences, the member of the company TEŠ d.o.o., after the final review, raises no objections to and approves the Annual Report of TEŠ for 2013.

1.2.3 Examination of the proposal on the allocation of accumulated profit

The Supervisory Board approved the proposal of the management that net profit for 2013, amounting to EUR 2,050,121.98 upon the compilation of the Annual Report for 2013 be allocated to other revenue reserves in the amount of EUR 973,807.94.

The Supervisory Board prepared this report in compliance with Article 282 of the Companies Act (ZGD-1). The Report of the Supervisory Board is intended for the Company's founder.

By authorisation of the Supervisory Board of the company Termoelektrarna Šoštanj d.o.o.,

Chairman of the Supervisory Board
Roman ŠTURM, PhD

Šoštanj, 21 August 2014

1.3 OPERATING HIGHLIGHTS IN 2013

In 2013, Termoelektrarna Šoštanj operated safely and reliably, ensured stability in the Slovenian energy system and was the main electricity supplier in the country. In addition to stable production and supply, the year was characterised also by a successful overhaul of Units 3 and 4 and of gas turbine PT 51. The operations were economically reasonable and in line with the business plan.

We could say that in 2013, TEŠ proved its importance for the Slovenian electricity system on several occasions. When natural sources fail (low water levels), TEŠ can respond immediately. This proved to be true also in the previous year, especially in August, when record daily production was reached so we could provide the country with as much as 57% of the required electricity supply. Despite very favourable water levels in the Slovenian rivers, low electricity prices and two-month suspension of the Unit 3 and 4 operations due to overhaul activities, we managed to produce 3,607 GWh of electricity in 2013.

The crisis did not spare Slovenia. But despite facing lower selling prices of electricity, we are decided to continue the path of development we have chosen. We will use our advantages in the best way possible, and prove that we have the knowledge and ability to continue to supply a third or even more electricity for the entire Slovenia, in a reliable, safe and environmentally sound manner.

ITEM	2013	2012	"RE 2013 / RE 2012"
Net sales revenue in EUR	243,665,466	258,550,639	94
Net profit or loss in EUR	2,050,122	32,460,877	6
Revenue in EUR	248,042,778	264,106,756	94
Expenses in EUR	246,175,093	231,530,767	106
Labour costs in EUR	19,012,973	19,757,070	96
EBIT = profit or loss in EUR	2,487,347	34,114,302	7
Assets in EUR	1,408,821,630	1,192,103,061	118
Equity in EUR	515,676,986	395,268,577	130
Debts with banks in EUR	754,861,310	217,518,358	347
Cash flows from operating activities in EUR	114,476,532	90,873,823	126
Investments in EUR	255,121,919	353,401,906	72
Number of employees at the end of the period	450	464	97
Electricity produced (in GWh)	3,607	3,743	96
Net return on equity ratio (ROE)	0.005	0.086	5
Net return on asset ratio (ROA)	0.002	0.032	5

In 2013, TEŠ generated EUR 243,665,466 in net sales revenue. In relation to 2012, the revenue was 6% lower, mostly due to lower amount and price of coal-based electricity sold.

In 2013, net profit or loss of the company (profit after tax) totalled EUR 2,050,122. The value was lower than in 2012 as a result of considerably lower selling price of electricity.

Assets in the amount of EUR 1,408,821,630 increased by 18% in 2013, predominantly due to investments in the construction of replacement Unit 6. In the reporting year, we completed construction works on the powerhouse. Alstom took over the facility and began with installation of secondary steel construction, equipment in the boiler room and on other secondary facilities. We started also with the installation of equipment for flue gas desulphurisation, electrostatic precipitators, cooling system, switchyard, water preparation facility and ammonia transfer unit will be fully performed, as well as coal and product transport.

February 2013

March 2013

May 2013

June 2013

August 2013

October 2013

November 2013

December 2013

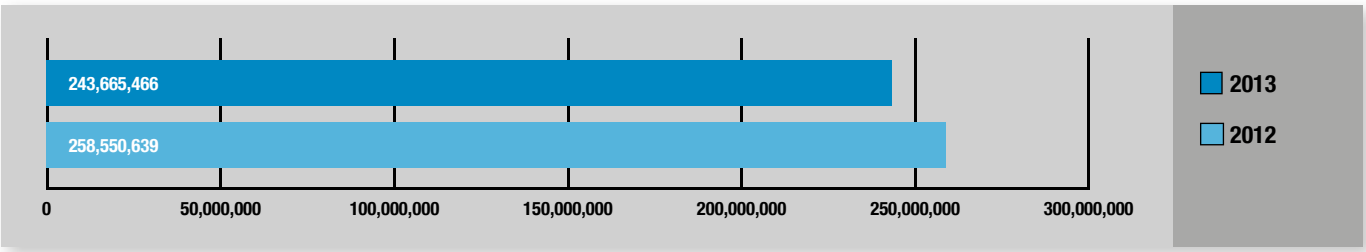
Due to optimisation of operation, in 2013, TEŠ carried out only the necessary investments planned in accordance with the adopted annual business plan. We continued with the activities regarding the construction of replacement Unit 6, within the scope of which installation of power-house and boiler room equipment, as well as connection to the electricity system are planned in the first half of in 2014. Moreover, the installation of equipment for product and coal transport will be finished. After the installation, trail runs will follow, first cold and then hot run test. The first use of the boiler is planned for the end of the second or the beginning of the third quarter, while the first synchronisation with the network is projected for the last quarter of 2014.

Liabilities to banks amount to EUR 754,861,310. In March 2013, after obtaining the government guarantee for collateralisation of the EIB loan of EUR 440 million and after having met all other conditions, the company drew the planned long-term loans for the replacement Unit 6 financing. With being able to draw all funds, TEŠ settled open liabilities to suppliers of equipment for replacement Unit 6 and bridge loans to the controlling company.

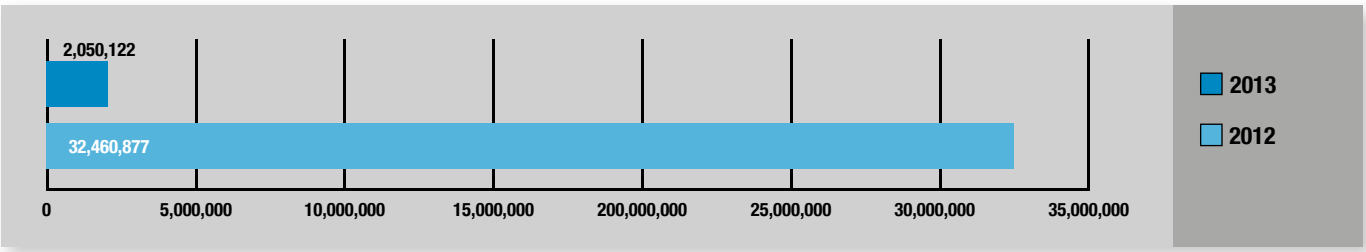
The number of employees as at 31 December 2013 amounted to 450, i.e. 14 employees less than in 2012.

In 2013, TEŠ generated and sold 3,607 GWh of electricity. Annual production was 4% lower than planned as a result of favourable hydrology in the first half of the year, multiple forced shutdowns of operations at Unit 4 due to boiler leakage, and reduced power of Unit 3 due to issues with high-pressure (HP) part of the turbine.

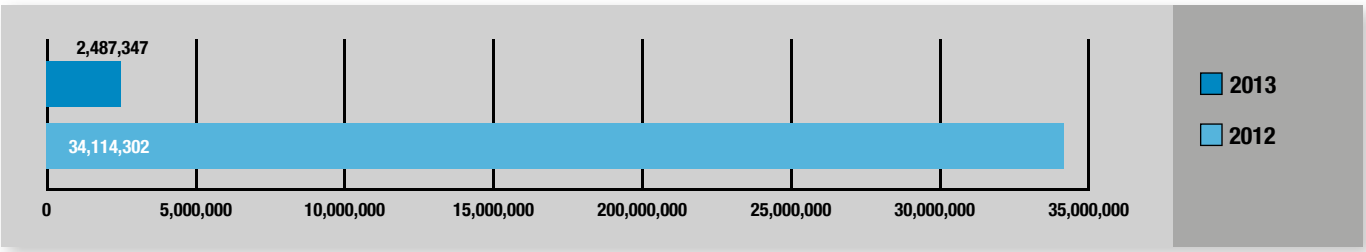
Net sales revenue in EUR



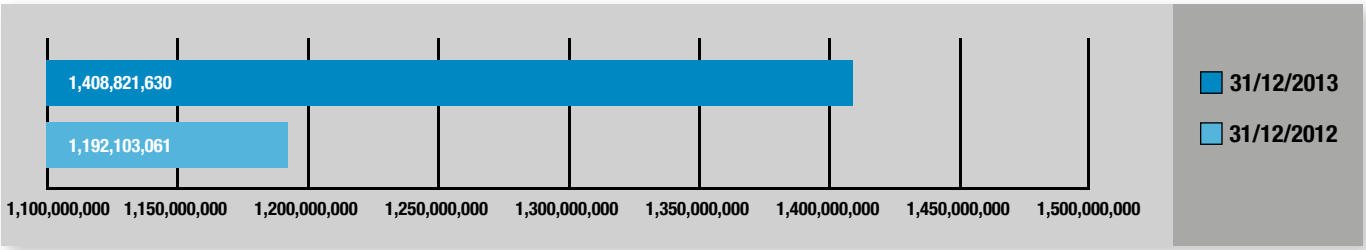
Net profit or loss in EUR



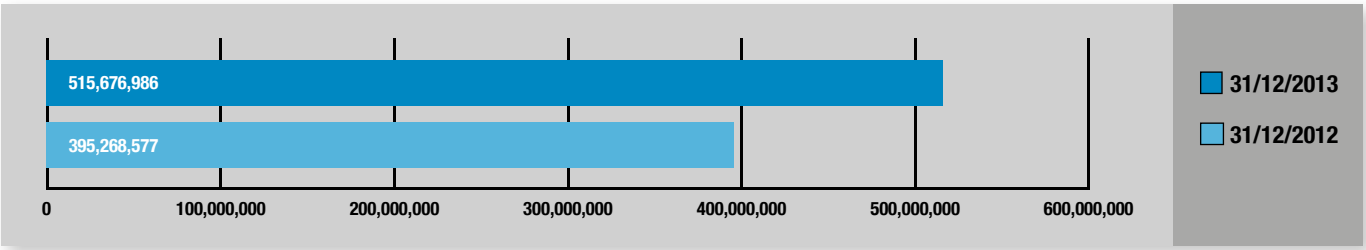
EBIT = profit or loss in EUR



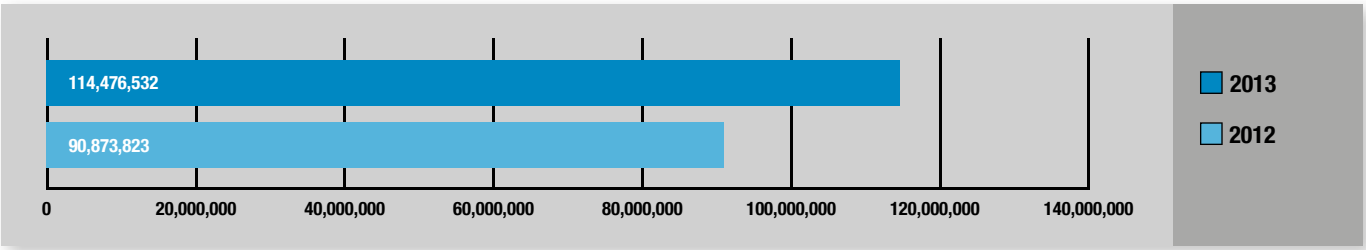
Assets in EUR



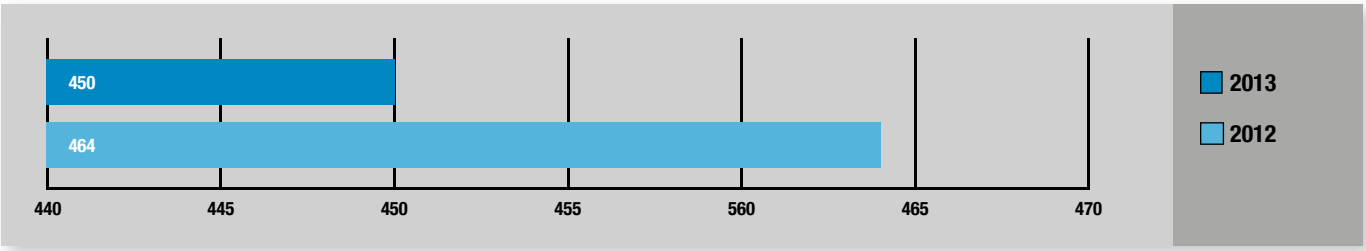
Equity in EUR



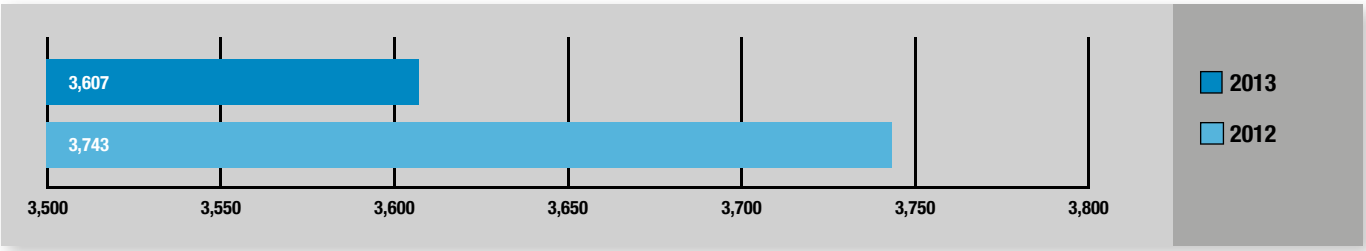
Cash flows from operating activities in EUR



Employees as at 31/12/2013



Electricity produced (in GWh)



1.4 OVERVIEW OF SIGNIFICANT EVENTS IN 2013

At the 69th regular meeting of the TEŠ Supervisory Board on 17 January 2013, Simon Tot, M. Sc., gave statement on his resignation as the director of the company TEŠ. On 18 January 2013, the Supervisory Board appointed Mr Franc Rosec as the managing director of the company for a 6-month period.

On 6 February 2013, the nominal capital of TEŠ was increased by its member HSE d.o.o. with a contribution of EUR 18,922,500.00, so the company's nominal capital amounted to EUR 230,574,959.00. The capital increase was planned in 2012.

On 14 March 2013, TEŠ drew the long-term EIB loan in the amount of EUR 440 million, while on 19 March 2013 the company drew the EBRD loan of EUR 117.5 million, in order to finance the construction of replacement Unit 6.

On 19 March, Alstom submitted to TEŠ a written notice on termination of the contract suspension from 1 November 2012 to 14 March 2013, after TEŠ had settled all the due liabilities to Alstom.

At its 70th meeting on 22 March 2013, the TEŠ's Supervisory Board approved the proposed Business plan of the company TEŠ for 2013 with an additional plan for 2014 and 2015.

On the basis of 1st paragraph of Article 526 of the Companies Act and Article 10 of TEŠ Articles of Incorporation and the previous approval by the TEŠ Supervisory Board, the company member adopted the Business plan of the company TEŠ for 2013, as at 2 April 2013, with an additional plan for the financial years of 2014 and 2015.

In accordance with the provisions of the Companies Act ant the TEŠ Articles of Incorporation, the Supervisory Board of TEŠ appointed Peter Dermol the Managing Director of TEŠ for a period of 4 (four) years, with the possibility of reappointment, at its 36th extraordinary meeting of 10 April 2013.

On 13 April 2013, Alstom's 710 MVA generator step-up transformer arrived in Šoštanj. This is one of the largest generator step-up transformers (GSU) ever manufactured by Alstom (710 MVA, 400/21 kV).

On 22 April 2013, Mr Gregor Črep was appointed Managing Director of the Unit 6 project.

Pursuant to the contract regulating relationships regarding the replacement Unit 6 project, between the Republic of Slovenia and TEŠ, as at 24 May 2013 the company's management informed the Ministry of Infrastructure and Spatial Planning and the Ministry of Finance about the assessment results regarding the Unit 6 project.

From April to the beginning of June 2013, overhaul of Units 3 and 4 was carried out at TEŠ. Works, performed by app. 500 people, were completed one week before the deadline, and the costs incurred were more than EUR 2 million lower than planned.

In June 2013, overhaul or B-servicing of gas turbine PLT 51 took place.

At its 34th correspondence meeting of 15 July 2013, the Slovenian Government received the information about the state of the TEŠ Unit 6 construction, and adopted relevant decisions, requesting that TEŠ prepare revision of the investment programme for the replacement Unit 6 project by 30 October.

On 31 July 2013, the nominal capital of TEŠ was increased by its member HSE d.o.o. with a contribution of EUR 25,000,000.00. Value of the company's nominal capital increased to EUR 255,574,959.00.

Two new activities were registered in August 2013, namely, distribution of fuel gas through gas pipeline network and trading of fuel gas through gas pipeline network.

On 21 August 2013, Annex no. 9 to the contract on the supply of main technological equipment (MTE) for unit 6 at TEŠ was signed with Alstom Power Systems SA and Alstom Power Systems GmbH, with which we defined the PAC date on 26 June 2015 and shortened the period for project completion, which resulted in a considerable change in the estimated value of the project.

In the period from August to September 2013, the TEŠ's nominal capital was increased with the controlling company HSE d.o.o. contribution of EUR 64,000,000.00. Value of the company's nominal capital increased to EUR 319,574,959.00.

Following the member's decision, Marijan Penšek, MSc, and Herman Janež were appointed members of the Supervisory Board of TEŠ. their term of office started on 1 October 2013.

On 30 October 2013, the nominal capital of TEŠ was increased by its member HSE d.o.o. with a contribution of EUR 10,452,101.00. So far, the member's interest in the company amounts to EUR 330,027,060.00. With this capital increase the recapitalisation of the company, projected in the TEŠ's 2013 Business Plan, was achieved.

At the end of October 2013, the TEŠ SB received the Revised Investment Programme for the Unit 6 project (RIP 6, October 2013 issue). As requested, the document was submitted to the Government, while TEŠ undertook to provide information on any potential changes in timely manner.

In line with the project timeline, the first pressure test was carried out on the Unit 6 boiler in November 2013.

1.5 IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Pursuant to the HSE d.o.o. management's request for alignment of Revised Investment Programme RIP 6 among the companies HSE d.o.o., Termoelektrarna Šoštanj d.o.o, and Premogovnikom Velenje d.d., which was issued based on the SOD's decision no. 7 of 21 January 2014 and changed key input data, i.e. electricity prices, prices of emission coupons and the scope of production, the company TEŠ prepared a new issue of Revised Investment Programme: RIP 6 – February 2014 issue.

In January 2014, the company and the main supplier of the equipment for replacement Unit 6, Alstom, concluded an agreement (Annex 11) postponing the planned payment of compensation for works performed in 2014 in 2015. The agreement was entered into due to changed possibilities of ensuring financing of the investment in 2014.

On 7 March 2014, the companies HSE d.o.o., TEŠ d.o.o. and Premogovnik Velenje d.d. entered into Contract no. 1/14/HSE/N on purchase of coal, lease of capacity and purchase of electricity for year 2014.

At its 81st meeting on 24 March 2014, the TEŠ's Supervisory Board approved the proposed Business Plan of the company for 2014 with an additional plan for 2015 and 2016.

The company's corporate governance was modified on 29 April 2014, due to amended Articles of Incorporation of the limited liability company Termoelektrarna Šoštanj d.o.o. The amendment dismisses the Supervisory Board of the company and foreseen up to three members of management.

PRUDENT GROWTH THROUGH STRATEGIC PLANNING

The company's development projects are the result of strategic planning and professional approach. The company is reaching the set objectives and stepping forward towards improvement with a long-term strategy, based on rich knowledge and experience. It draws the best from the past and grows for a better future.

2 BUSINESS REPORT

2.1 PRESENTATION OF THE COMPANY

Termoelektrarna Šoštanj is a limited liability company, in which the sole member is Holding Slovenske elektrarne.

2.1.1 Company's profile as at 31 December 2013

GENERAL INFORMATION			
Full company name	Termoelektrarna Šoštanj d.o.o.		
Legal form	Limited liability company with a single company member		
Address	Cesta Lole Ribarja 18, 3325 Šoštanj		
Telephone	03 8993 200		
Fax	03 8993 485		
Companies Register entry no.	10051100 - District Court of Celje		
Share capital in EUR	330,027,060		
Size	large		
Year of establishment	1956		
Tax number	92189903		
VAT ID no.	SI92189903		
Company registration number	5040388		
Website	www.te-sostanj.si		
E-mail	info@te-sostanj.si		
Activity code	35.112		
DATA ON TRANS. ACC.			
Bank	**TRA**		
BANKA KOPER	101000038312861		
NLB	024260017217937		
NOVA KBM	045150001707126		
UNI CREDIT	290000003080383		
DATA ON SUPERVISORY BOARD MEMBERS AS AT 31/12/2013			
Function	**Name and surname**	**Start**	**End**
Managing Director	Peter Dermol	11/4/2012	10/4/2017
DATA ON SUPERVISORY BOARD MEMBERS AS AT 31/12/2013			
FUNCTION	**Name and surname**	**Start**	**End**
Chairman of the SB	Roman Šturm, PhD (SB Chairman since 06/12/2012)	1/12/2012	30/11/2016
Member of the SB	Janja Špiler	1/12/2012	30/11/2016
Member of the SB	Herman Janež	1/10/2013	30/09/2017
Member of the SB	mag. Marjan Penšek	1/10/2013	30/09/2017
Member of the SB	Andrej Višnar	23/4/2013	22/04/2017
Member of the SB	Janez Ramšak	10/1/2013	9/1/2017
OWNERSHIP STRUCTURE			
Member/Shareholder	**Address**	**Share in EUR as at 31/12/2013**	**Share in % as at 31/12/2013**
Holding Slovenske elektrarne d.o.o.	Koprska 92, Ljubljana	330,027,060	100.00%

2.1.2 Company's business activities

The company has several registered activities. its core activity is production of electricity in thermal power plants.

2.1.3 Company bodies and representatives

The company has the following bodies:
- the Supervisory Board, and
- the Managing Director.

In accordance with the Articles of Incorporation and applicable legislation, the member has the function and all powers of a General Meeting provided that the legal form of a limited liability company with a single member is observed.

2.1.4 Corporate governance statement

The company Termoelektrarna Šoštanj, d.o.o., Cesta Lole Ribarja 18, 3325 Šoštanj, prepares Corporate Governance Statement in accordance with Paragraph 5 of Article 70 of the Companies Act (ZGD-1). The statement refers to the period from 1 January 2013 to 31 December 2013.

As the Managing Director of the company TEŠ, I hereby declare that the governance of the company is in line with acts and other regulations, applicable Articles of Incorporation of the limited liability company TEŠ, internal governing documents of the company and in accordance with good business practice.

As the Managing Director of the company TEŠ, I hereby declare in accordance with Article 60.a of the Companies Act that the annual report and all its integral parts, including the corporate governance statement, is prepared and published in accordance with the Companies Act and International Financial Reporting Standards.

THE STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE CAPITAL INVESTMENTS

As the Managing Director of the company TEŠ, I hereby declare that the governance of the company TEŠ in 2013 was in line with the Corporate Governance Code for Capital Assets of the Republic of Slovenia in with Recommendations of the Manager of Direct and Indirect Capital Assets of the Republic of Slovenia adopted by Slovenska odškodninska družba d.d. (Slovene Restitution Fund).

As the Managing Director of the company TEŠ, I declare, in accordance with point 72 of the Code, that the company TEŠ has opted to apply the Code on a voluntary basis.

COMPANY BODIES

In accordance with the Articles of Incorporation of TEŠ, the company member manages the company directly and through the company's bodies. The company's bodies are the Supervisory Board and the Managing Director.

Company member

The company member independently decides on the following matters:

- changes and amendments to the Articles of Incorporation;
- adoption of the fundamentals of corporate policy and development plan of the company;
- adoption of the annual report if the Supervisory Board does not approve it or if the Managing Director and the Supervisory Board leave the adoption of the annual report to the company member;
- the business plan of the company;
- allocation of accumulated profit;
- discharge from liability to the Managing Director and Supervisory Board;
- division and termination of ownership interests;
- changes in the company's nominal capital;
- status changes and dissolution of the company;
- appointment and dismissal of the Supervisory Board members;
- appointment of the company's auditor;
- appointment of the procurator and proxies;
- adoption of measures for improvement of company's operations and elimination of identified shortcomings and irregularities;
- other matters in accordance with regulations and the Articles of Association.

The company member cannot decide on questions related to the handling of transactions unless the Managing Director requires so in the event the Supervisory Board disagrees with a certain type of transaction.

Pursuant to Article 526 of the Companies Act, decisions adopted by the company member are entered into the register of decisions.

Managing Director

The company is managed and represented by the Managing Director, who is appointed and dismissed by the Supervisory Board. The Managing Director's term of office is 4 (four) years with the possibility of reappointment. As provided in the Articles of Incorporation, the Managing Director shall seek and obtain approval of the Supervisory Board for conclusion of certain business transactions and decision-making.

Supervisory Board

The Supervisory Board consists of six members, of which four members represent the interests of the owner and are appointed and dismissed by the owner, while two members represent the interests of employees and are appointed and dismissed in accordance with the Worker Participation in Management Ac. Supervisory Board members are appointed for a term of four years and can be re-appointed when their term of office expires. As provided in the Articles of Incorporation, the Supervisory Board's responsibility is to:

- it monitors the management of the company's business operations;
- verify the contents of the annual report and proposed allocation of accumulated profit;
- prepare a written report on findings relating to the verification of the annual report for the company member;
- it approves the annual report or raises objections to it;
- issue opinions on the fundamentals of corporate policy and company development plans;
- it approves company business plans;
- recommend the company member to adopt decisions within its field of competence and issue opinions on recommendations regarding the adoption of the company member's decisions proposed by the Managing Director;
- it appoints and dismisses the Managing Director;
- it approves business transactions entered into by the Managing Director in accordance with the Articles of Incorporation;
- conclude a contract of employment with the Managing Director;
- it adopts the Supervisory Board Rules of Procedure;
- it may request reports on other issues.

The Supervisory Board can manage also other tasks in accordance with regulations and decisions by the company's member. The Supervisory Board operates in accordance with the Supervisory Board Rules of Procedure.

INTERNAL CONTROLS AND RISK MANAGEMENT WITHIN THE COMPANY IN RELATION TO THE FINANCIAL REPORTING PROCEDURE

In view of ensuring accounting data, which comply with criteria of International Financial Reporting Standards, we have established internal controls that reduce risks related to accounting reporting that reduce risks related to accounting reporting.

By means of accounting controls, we ensure:
- credibility,
- correctness, and
- completeness of financial data.

We provide regular professional trainings for employees, which enables that they provide quality, accurate and timely accounting data with their work. The central IT system Kopa ERP has a significant role in providing quality accounting information.

Under the company's internal control system we understand planned and systematic establishment of procedures and methods which, in the course of their operation, assure punctuality, reliability and completeness of data and information, accurate and fair preparation of financial statements, prevent and detect deficiencies in the system and assure compliance with acts and other regulations and internal governing documents of the company.

With the intention of ensuring greater transparency, efficiency and responsible operations, the company established an operating system of internal controls and risk management through the company's organisational structure, standard of quality management ISO 9001, standard of occupational safety and health OHSAS 18001, information security management standard ISO/IEC 27001 and internal governing documents of the company with developed reporting system per individual organisational unit. The internal controls system is supported with IT control system which also ensures relevant limitations and control over the network as well as precise, up-to-date and complete data processing.

The company's Managing Director established an advisory body – Risk Management Committee, in order to establish a comprehensive risk management system in the company to guarantee a quality management and governance basis to its management and founder, and to achieve the goals set. Organisation, structure, method of work and its tasks are defined in the Rules governing the work of Risk Management Committee.

The Managing Director is responsible for establishment, operation, control and constant improvement of internal controls system and accuracy and completeness of data.

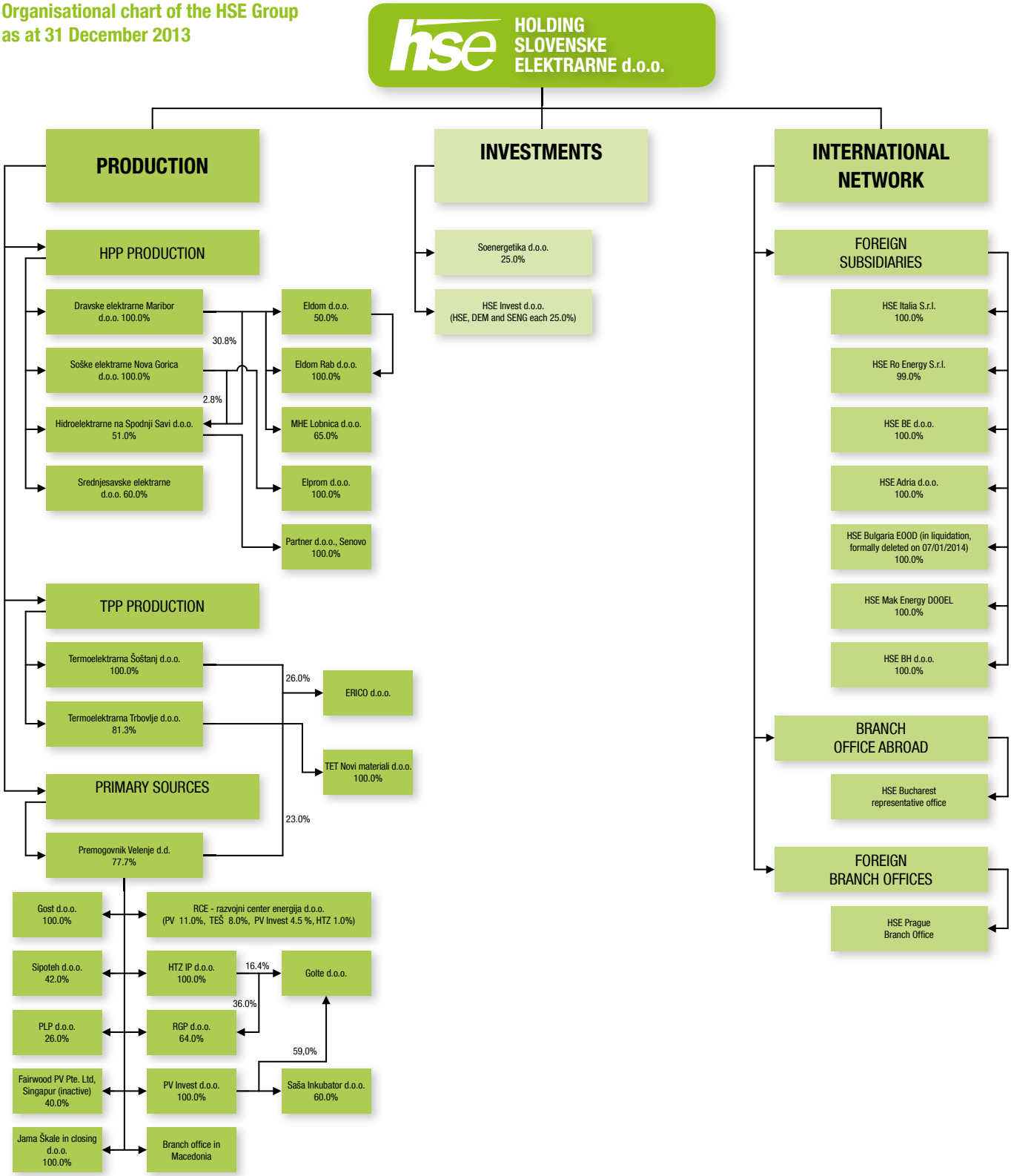
Šoštanj, 30 June

Peter Dermol
Managing Director

2.1.5 Relations with the controlling company

Termoelektrarna Šoštanj d.o.o. is part of the Holding Slovenske elektrarne Group. As at 31 December 2013, Holding Slovenske elektrarne d.o.o., with its registered office at Koprska 92 in Ljubljana, was the company's sole member, i.e. the controlling company, which prepared the 2013 consolidated annual report for the group companies under its control.

Organisational chart of the HSE Group as at 31 December 2013



In accordance with Articles 545 and 546 of the Companies Act, the company's management submitted a report on relations with the controlling company and other subsidiaries in the Group, establishing that given the circumstances known at the time of legal transactions, TEŠ d.o.o. estimates that it had not been disadvantaged in any such transaction with the controlling company and parties related to the controlling company and that in 2013 no legal transaction, act or omission that could be potentially damaging to the company had taken place as a result of influence exercised by Holding Slovenske elektrarne d.o.o.

2.1.6 Ownership links with other companies

Company	Subsidiary/ Associate	Comp. registration no.	Address	Year of establishment	Main activity	Total equity in EUR as at 31/12/2013	Share capital in EUR as at 31/12/2013	Controlling company's stake
SUBSIDIARIES								
Erico d.o.o.	associated	558305	Koroška cesta 58, Velenje	1.4.1992	74.900	1,330.,752	278,494	26.00%

Erico d.o.o. was established in 1992 as an institution for scientific research in the area of environmental studies focused on environmental protection. It was founded by RLV Velenje, TEŠ and ESO Velenje with the purpose of forming an institution in the Šalek Valley whose experts from various fields of environmental studies would prepare, manage, direct and verify environmental rehabilitation measures in the Šalek Valley.

In 2007, Erico was transformed into a limited liability company (d.o.o.) whose members are Gorenje GA d.o.o. (51%), Premogovnik Velenje (23%) and TEŠ (26%).

2.2 COMPANY'S BUSINESS POLICY

Mission

The mission of the company Termoelektrarna Šoštanj is to supply adequate quantities of energy at competitive prices through production of electricity and thermal energy, thus contributing to economic growth and quality of work and life of its customers. With provision of power, we allow the electricity system to operate reliably and safely.

Vision

Termoelektrarna Šoštanj is and strives to remain the largest thermal power system in Slovenia, which will provide reliable, safe, competitive and environmentally friendly production of electricity and thermal power for its customers. We want to be a socially responsible company, to maintain and develop our activity at the existing location in cooperation with local communities, as well as to become as flexible as possible in all areas of our operation.

Major long-term goals

Our goals are to maintain the production capacity and to ensure long-term, reliable, safe, competitive and environmentally friendly electricity and heat production based on the use of diverse primary sources, to increase utilisation rate of conversion of primary sources energy into electricity, to reduce adverse environmental impact, and to improve availability, safety and reliability.

In order to fulfil the above goals, we have set long-term specific area objectives, including annual goals.

With the help of the risk management system supporting our efforts to achieve these goals, we will ensure proper planning, execution and optimisation of all activities and therefore efficient use of all the required resources.

2.3 MANAGEMENT SYSTEM POLICY

2.3.1 Achievement of objectives in the area of quality, environmental management, occupational safety and health, and information security

TEŠ has established an integrated management system which is comprised of:

- the quality management system as required by SIST ISO 9001:2008 (since 5 April 2000);
- the environmental management system as required by SIST EN ISO 14001:2004 (since 25 February 2003);
- the occupational safety and health management system as required by OHSAS 18001:2007 (since 6 July 2005), and
- the information security management system as required by ISO/IEC 27001:2005 (since 1 September 2009).

The performance and efficiency of the management system is determined on the basis of integrated internal assessments, external assessments carried out by a certification body, independent examinations of certified institutions and through achievement of planned objectives. The external assessment was carried out in June 2013 and covered all four standards.

The external reviewers estimated that the reviewed management system, in particular with regard to:

- extent and policy;
- identification and regular risk monitoring/measurement (jeopardising buyers, information security, environmental safety, occupational health and safety), safety aspects of the organisation and legal or statutory requirements;
- qualification, experience and competences of employees in relation to the management system;
- selected and introduced safety controls;
- activities for informing employees about the management system;
- execution of internal assessments and managerial reviews; and
- promoting the permanent improvement process;

is effective and a basis has been provided in order to maintain and improve the management system.

2.3.2 Occupational safety and health and fire safety

Safe and healthy working environment is one of the principles of the company's operations. Our occupational health and safety system is managed systematically on the basis of standard OHSAS 18001 which we have been successfully certified with for several years.

Besides our legislation-compliant operations, we established also effective mechanisms for identification of negative aspects and risks, which allows us to develop measures, goals and improvements.

The company's department for occupational and fire safety has been carrying out regular preventive measures to ensure a higher level of safety and better health protection on all organisational levels.

In 2014, the company will continue to dedicate a considerable attention to occupational safety training of employees, arranging the fire safety and examination of the work equipment, and purchase of quality safety equipment.

In given economic conditions, we will be careful to select programmes and activities, which will contribute to the safety and health of the working environment in the largest extent possible.

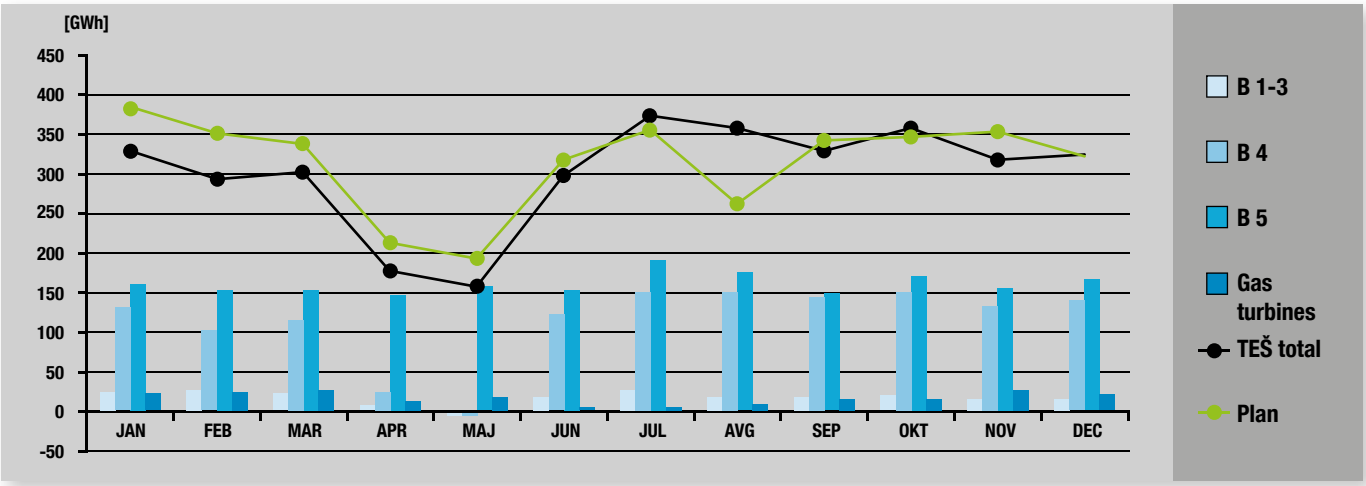
2.4 PRODUCTION

Production of electricity (net)

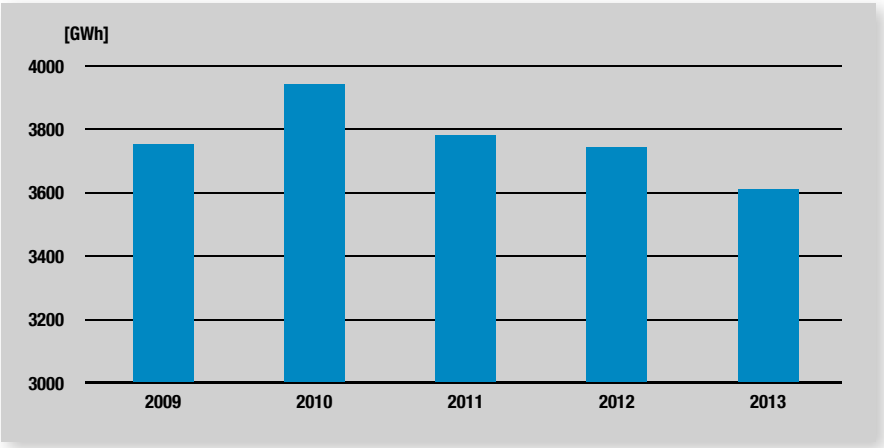
In 2013, TEŠ produced 3,607 GWh of electricity, which makes 163 GWh or 4% less than planned and 4% less compared with 2012. Lower production in relation to plans is a consequence of extraordinary hydrology at the beginning of the period, which considerably exceeded the average of the last years, as well as of several compulsory shutdowns of Unit 4 due to boiler leakage and reduction of the Unit 3 capacity due to issues with the HP part of turbine.

3,436 GWh of electricity was produced from coal and 171 GWh from gas.

Net electricity production per month in 2013



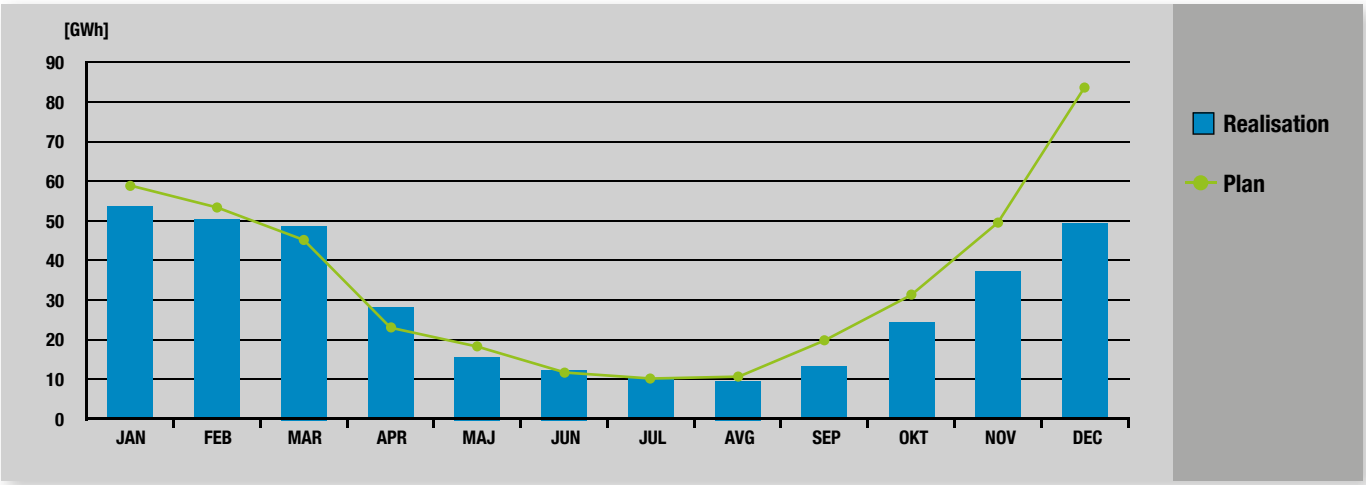
Net electricity production per year



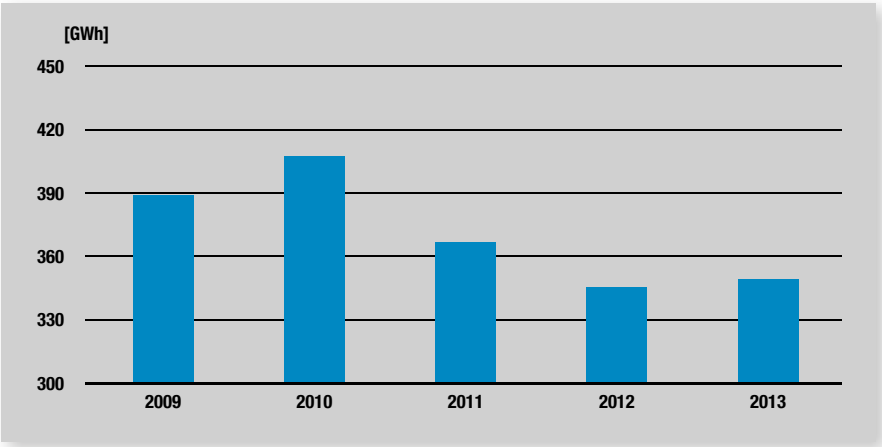
Thermal energy production

In 2013, TEŠ produced 349 GWh of thermal power for heating, which is 67 GWh or 16% less than planned. Nevertheless, we fulfilled all demands for thermal power and ensured undisturbed supply to customers. The reason for significantly lower production are external temperatures which are slightly higher than the annual average, particularly in the winter season.

Thermal energy production per month in 2012



Thermal production per year



Consumption of energy products

In 2013 we used 3,536 thousand tonnes of coal, 3,433 thousand tonnes of which were used for electricity production and 103 thousand tonnes for production of thermal energy. The average calorific value of coal supplied totalled 11,591 kJ/kg, which is more than in 2012, when the calorific value was 10,604 kJ/kg.

Emission coupons

Article 130(1) of the Environment Protection Act (ZVO-1) provides that on the basis of a national plan and at the request of the plant operator, the Ministry of the Environment and Spatial Planning shall determine the overall quantity of emission coupons attributable to the plant operator in a certain period. The decision on emission coupons allocation has not been issued yet; however, based on the National Allocation table for period 2013-2020 pursuant to Article 10a(7) of Directive 2003/87/EC (NIMs) for 2013, a total of 132,157 of free of charge CO_2 emission coupons were planned.

In 2013, TEŠ emitted app. 4,362,070 tonnes of CO_2 in the environment through electricity production. In accordance with the Environment Protection Act, the company was thus obligated to pay the environment pollution tax (1 coupon per tonne of CO_2). The company possesses 132,157 free of charge coupons and 6,527 unused coupons from the previous year to settle the tax. The difference in the amount of 4,223,221 emission coupons will be purchased from HSE.

The savings in CO_2 emissions on account of gas consumption amounted to 115,774 tonnes, which translates to EUR 1,077,856.

2.5 MAINTENANCE

The plant maintenance strategy is designed to enable the company to achieve its short-term and long-term objectives.

Short-term objectives include:
- ensuring occupational safety and health of employees at the workplace;
- economical use of materials;
- reasonable allocation of working hours;
- shorter deadlines for repairs of individual plants;
- prevention of occurrence and recurrence of identical failures through preventive measures;
- the best possible operational availability of the power plant as a whole;
- environment-friendly electricity and thermal energy production.

Long-term objectives include:
- decrease in our own prices of electricity and thermal energy produced;
- competitiveness in the electricity market;
- maintaining the status as producer of electricity and thermal energy based on processing of lignite;
- ensuring operation until the target service lives of individual units are met (Unit 3 until the end of 2014, Unit 4 presumably until the end of 2015; Unit 5 will most likely be designated as a backup facility from 2014 to 2027).

The strategy is based on our own and experience of others, and is adapted to modern trends in the industry. The maintenance system is supported by the MAKSIMO information system. For several years, we have been performing maintenance by considering the condition of plants and carrying out preventive maintenance (large-scale overhauls). Thanks to an optimal utilisation of funds allocated to maintenance activities, the maintenance strategy has been slowly changing in favour of maintenance carried out depending on the condition of plants. This is evident in the frequency of overhauls at individual units, which has changed from a rigid two-year interval to a four-year interval. It is also evident in major maintenance works on individual unit assemblies, which are carried out in addition to the planned overhauls. The precondition for efficient maintenance under this strategy and for achieving the above objectives is most of all good management of production plants and experience of technical and maintenance personnel.

Considering their age and hours of operation, TEŠ's plants already require fairly intensive maintenance. Maintenance is performed on the basis of monitoring of plant operation, operational events, assessment of the remaining service life through the use of demolition and non-demolition methods of material control, and in line with requirements for safe and reliable operation as well as accepted guidelines, i.e. strategy, for plant operation and maintenance.

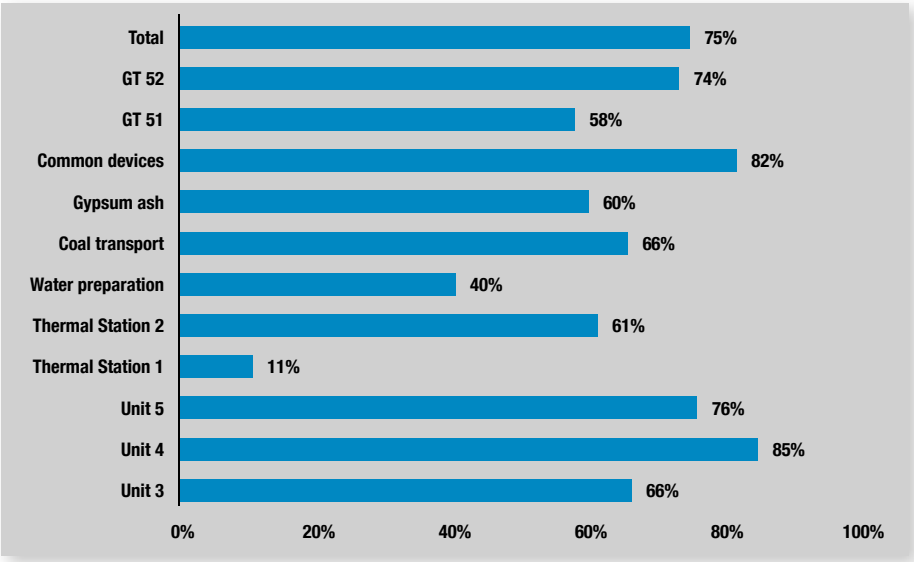
Regular maintenance, preventive maintenance included, consists of inspections, controls, analyses and interventions, which all ensure reliable operations of all plants. It also includes repairs and replacements of individual plant assemblies. Unavoidable work on plants is performed at the time of the shutdown of units, which is mainly at weekends.

This area comprises also maintenance activities, such as inspections, measurements, installing and dismantling, repairs and replacements of machines and plant spare parts, which require the elimination of machines and plants or of the entire production unit from the operation.

Overall, EUR 5,881,679 was spent for the maintenance of all drive units, other facilities and plants, which is 25% less than in 2012. We performed mostly the preventive maintenance that comprised the reviews, controls and procedures that enable reliable operation of all plants. In 2013, we reduced the number of external maintenance services provides. Based on priorities, some repairs have been postponed and will be performed in the future.

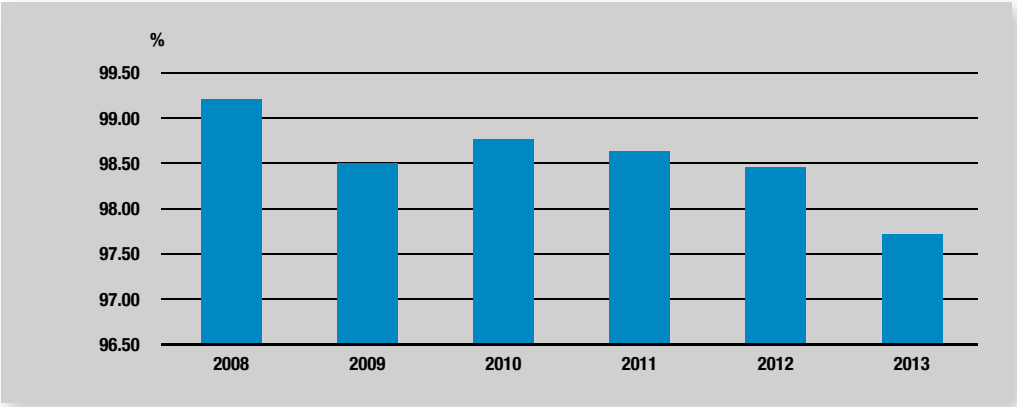
With regard to experience and predictions, we believe that sources intended for maintenance in the future will remain at the 2013 levels.

Maintenance costs by plant



Operating availability of units has slightly decreased, especially due to lesser capacity of Unit 3, which was a result of very poor turbine conditions.

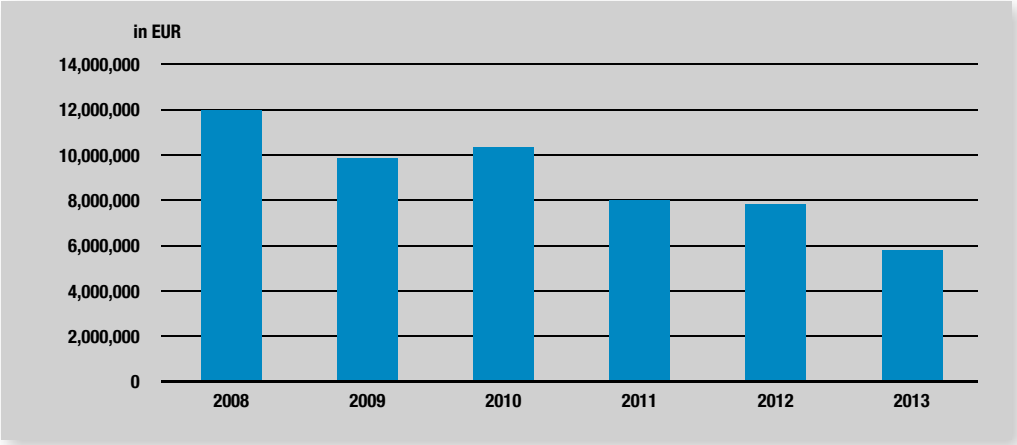
Unit operating availability



Based on the above facts, we can conclude that the maintenance strategy is solid. Of course, without proper support in the form of quality procurement activities this would not be possible. Despite the reduction in own maintenance staff, the trend of external providers had decreased as well.

We are confident that all repairs were performed economically and in accordance with the objective of bringing electricity prices to the optimum level.

Changes in maintenance costs in the period 2008-2013



2.6 MARKET POSITION

2.6.1 Economic environment in 2013

According to some indicators, the Eurozone economic activity slightly decreased in the at the beginning of the last quarter of 2013, while the economic climate and expectations have improved in November. In December, international institutions raised their economic growth forecast for 2014. Improved expectations regarding economic activity in the Eurozone are reflected in the forecasts of the European Central Bank, which raised its economic growth forecast for the year 2014, when real GDP is expected to increase by 1.1%. The moderate strengthening in economic activity is expected to be strengthened by a gradual recovery of the domestic and external demand; however, economic growth will continue to be obstructed by deleveraging in the private sector, fiscal consolidation in the public sector, and, of course, high unemployment.

Slovenia was in recession for two full years, from which it surprisingly sprang in the last quarter last year, when GDP rose by as much as 2.1%. Nevertheless, not enough competitiveness-impeding deficiencies were dealt with to keep up this rhythm.

Despite the fact that in the last quarter Slovenia ended the series of eight consecutive quarters of economic activity decline, and that with 1.1% GDP contraction it managed to 'beat' the European Commission forecasts by 0.5% and the forecasts of the Institute of Macroeconomic Analysis and Development by 1.3%, we still cannot expect a definitive economic renaissance. As a matter of fact, the Slovenian Government has several challenges to tackle. The first one is GDP balancing, the second one is restructuring of banks and economy, and the third one enhancement of competitiveness; therefore the 2.1% increase in GDP in the last quarter has to be taken with caution.

Although the contribution of foreign trade had a negative impact on the economic growth (0.7%) in the fourth quarter due to 4.9% increase in import, the country export remains the main driving force of the economy. In the last quarter of 2013, the export increased by annualised 3.7% or by 2.9% over the entire period. The level of export is already higher than before the crisis and its share in the Slovenian GDP has increased due to structural adjustments. Namely, austerity measures caused further decrease in government expenditure, this time by 2%, while the household consumption expenditure dropped by 2.7% in 2013.

Slovenia faces serious deflation, which could damage the economy in the long run. Namely, growth in consumer prices continues to decrease – in February, it was as low as 0.1% on the annual basis. In the same month last year, the average increase in prices was as much as 2.7%. Monthly inflation rate was also 0.1%.

The labour market conditions were severe also at the end of 2013. The unemployment rate increased. At the end of the year, it amounted to 13.5%, while the average number of registered unemployed amounted to 124,015. This increase was a result of expiry of fixed-term employment contracts and a small number of new employment contracts. On the annual basis, the unemployment rate was on average 8.8% higher than in 2012.

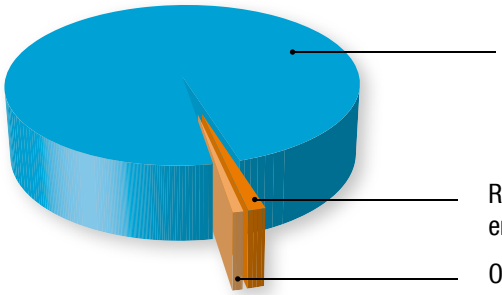
According to the exchange rate as at 31 December 2013, 1 euro was worth 1.3791 USD.

Total electricity produced by the Slovenian power plants in 2013 that was supplied to the grid amounted to 13,994 GWh, which is 302 GWh more than in 2012. The hydropower plants supplied 4,480 GWh of electricity, the thermal power plants supplied 4,381 GWh of electricity and the nuclear power plant Krško supplied 5,023 GWh of electricity (100%). Last year, the users of the transmission network imported 9,846 GWh of electricity and exported 10,975.6 GWh. Thus, for the sixth year in a row more electricity was exported than imported.

2.6.2 Sales and customers

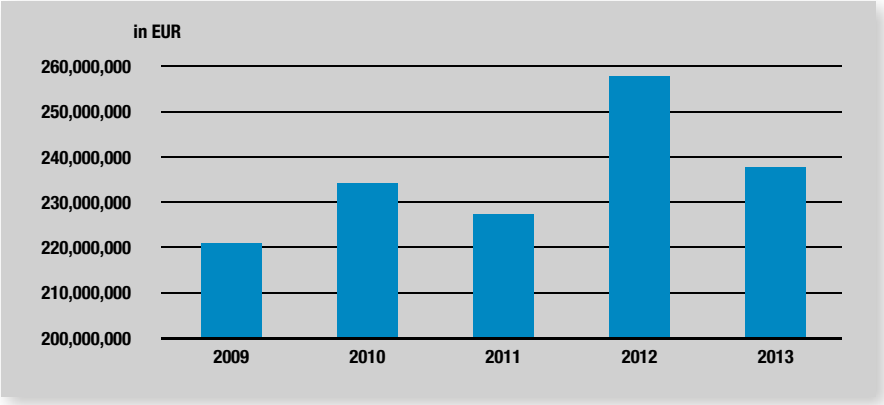
In 2013, Termoelektrarna Šoštanj generated EUR 243,665,466 of sales revenue, which is EUR 14,885,173 or 6% less than in 2012. The revenue is lower due to lower quantity and price of coal-based electricity sold. With the sales of electricity, we are present in the market as a part of our owner, the company Holding Slovenske elektrarne d.o.o., is the leading producer and electricity trader in Slovenia. TEŠ is the largest production facility in the HSE Group.

Sales revenue structure 1-12/2013:



Holding Slovenske elektrarne d.o.o. is the company's largest customer and purchases all of electricity produced, which accounts for 97.7% of total sales.

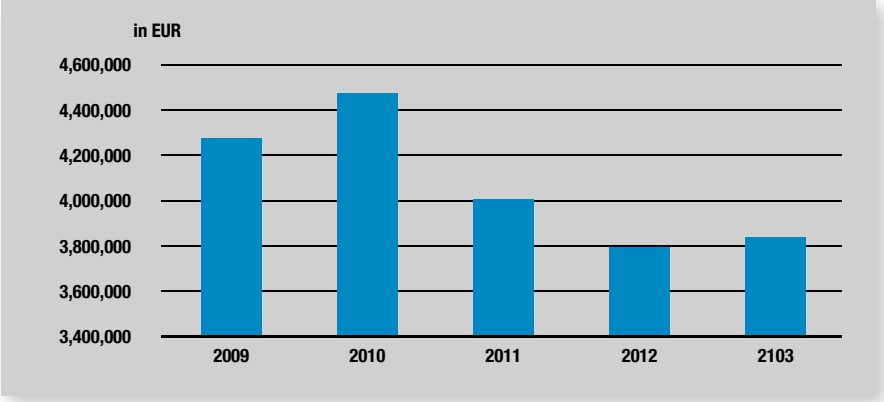
Revenue from electricity sales per year:



Sales of thermal energy

In 2013, we generated EUR 3,841,638 of revenue from the thermal energy sales, which is EUR 43,792 or 1% more than in 2012.

Revenue from the sales of thermal energy:



Other sales

Other revenues from sales of products and services comprise revenue from sales of fly ash and gypsum in Slovenia and abroad, sales of industrial water, leases (safe room, apartments, business premises), sales of waste material, and revenue from canteen services (lunch, meals, etc.).

2.6.3 Purchasing and suppliers

The main objective of purchasing is provision of raw materials, materials, spare parts, equipment and services required for regular operation and purchase of investment equipment at best possible prices, most favourable terms of payment and delivery, from most reliable sources and through optimal supply lines. Solely such approach enables the company to achieve its development and strategic goals.

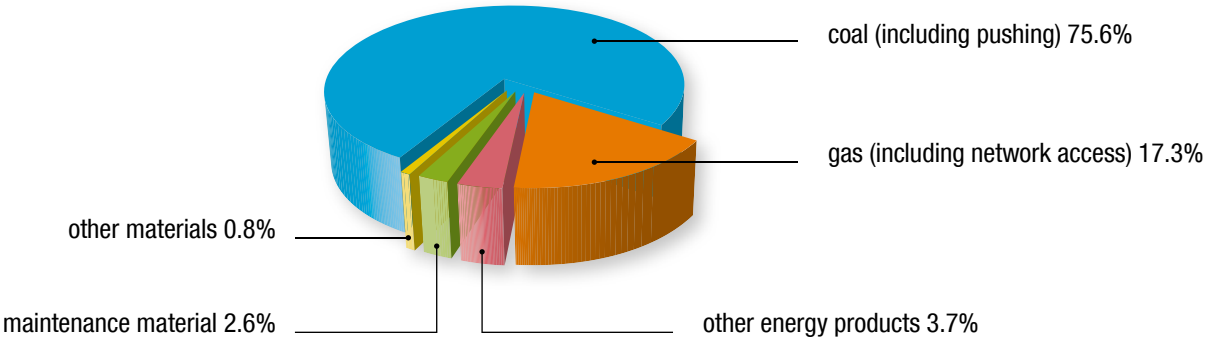
In 2013, the company became obliged to carry our procurement in line with the Public Procurement in Water Management, Energy, Transport and Postal Services Act (ZJNVETPS).

The most important company's strategic supplier is Premogovnik Velenje. Purchase of coal for electricity and thermal energy production accounts for 26% of all purchases. In 2013, 39,795 TJ of coal were used in electricity production and 1,194 TJ of coal in thermal energy production.

One of the primary raw materials for electricity production is also natural gas. In 2012, 49.7 million Sm^3 of gas was used for production of electricity.

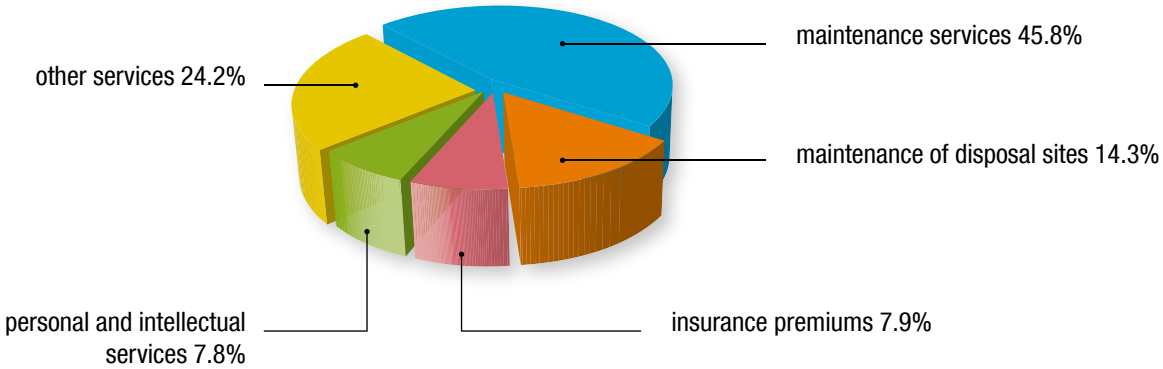
Purchases of materials account for 34% of all purchases.

The materials purchasing structure is as follows:



Purchases of services account for 3% of all purchases.

The services purchasing structure is as follows:



Other services comprise maintenance services, products disposal services, intellectual and personal services, insurance costs and other services.

The share of capital investment represents 63% of entire purchase and mainly refers to the purchase for the purposes of construction of replacement Unit 6. The main supplier of investment equipment is the company Alstom, with whom TEŠ concluded the contract for supply and installation of the main technological equipment.

2.7 INVESTMENTS

Useful life of the existing production facilities is about to expire. Some have been operating since 1956, when Units 1 and 2 were built, while the most recent have been in operation since 1977, when Unit 5 was constructed. Unit 2 was shut down in 2008 and Unit 1 at the end of March 2010. Units 3 is expected to operate until the end of 2014while Unit 4 will be shutdown in 2015. Unit 5 has been designated as a backup facility from 2015 to 2027.

In 2005, preliminary work began on the project concerning the replacement Unit 6 construction. Works will be completed with the launch of trial run in June 2015.

in EUR

Investments	Accomplished in January-December 2013 period				
	Depreciation/ amortisation	Other own funds	Loans	Recapitalisa-tion	TOTAL
NEW FACILITIES	**9,228,511**	**1,025,061**	**106,409,148**	**128,582,524**	**245,245,244**
Unit 6 (including advance payment for purchase of MTE)	9,228,511	1,025,061	106,409,148	128,582,524	245,245,244
INVESTMENTS IN PRODUCTION RELIABILITY	**24,835**				**24,835**
Overhaul of the deposit site machine	17,935				17,935
Renovation of the hydrogen plant	6,900				6,900
MINOR INVESTMENTS	**252,436**				**252,436**
BUSINESS INFORMATION SYSTEM	**233,802**				**233,802**
MAJOR MAINTENANCE	**9,365,602**				**9,365,602**
major maintenance of Unit 3	612,958				612,958
major maintenance of Unit 4	4,979,425				4,979,425
major maintenance of GT 51	3,773,219				3,773,219
TOTAL COMPANY	**19,105,186**	**1,025,061**	**106,409,148**	**128,582,524**	**255,121,919**

UNIT 6

Increased share of RES-based electricity, especially from photovoltaic power stations, has revealed deficiencies in the electricity market concept, which is based on electricity trading while disregarding electric power. Namely, energy is only a consequence of electric power available, which is crucial for reliable and safe supply, ensured by system power plants, as Termoelektrarna Šoštanj, which with their availability and provisions of systemic services still represent the backbone of electricity system. Taking into consideration unpredictability and randomness of RES energy, investments in such production units have to be followed by investments in reliable system power plants.

The main reason for the new replacement Unit 6 is in the wear and tear of existing production units, as they are operating with an obsolete technology that in a couple of years will no longer fulfil requirements for such plants. In terms of assessing the reasonableness of investment, a key role is played by the energy location with available coal and the infrastructure necessary for transport of electricity, as well as by the local community.

Termoelektrarna Šoštanj represents the largest power plant in the Slovenian electricity system (EES) with installed capacity amounting to approximately a quarter of available capacity of power units in the country. TEŠ provides about a third of the electricity produced in the Republic of Slovenia. Its role is almost irreplaceable due to the specific nature of operations being adapted to the needs of electricity system and consumers. Installed capacity of the existing coal units amounts to 662 MW, which exceeds the replacement Unit 6 capacity by more than 15%.

In the previous stages of the investment documentation preparation, the investor examined technologic possibilities for construction of a new coal production unit. Taking into consideration coal availability, required capacity, equipment verification and accessibility, as well as the best possible efficiency, the option with boiler on dust heating and electricity power of 600 MW was chosen as the most optimum.

By constructing the new replacement coal-fired unit (Unit 6), the CO_2 emissions and other emissions in the environment will essentially decrease due to the use of the latest (BAT) technology.

The key investment goals are:

- to maintain electricity production on the location of TEŠ using domestic coal;
- electricity production at app. 30% lower specific use of coal;

- reduction of emission factor (kg CO_2 / kWh) from 1.25 to 0.9;
- lower cost/own price of electricity;
- ensuring further existence of energy sector in the Šalek Valley in relation to the coalmine Premogovnik Velenje;
- meeting environmental commitments within the EU.

Unit 6 that should start its trial operation in 2015 ensures an evident economic effect, since it provides a lower price of electricity than it is currently reached in TEŠ as well as a significant ecological impact. After replacement Unit 6 is launched in 2015, we will decrease sulphur oxide emissions from 400 to 100 mg/Nm^3 and nitrogen oxide emissions from 500 to 150 mg/Nm^3 relative to achieved emission of both pollutants in 2008.

• Revision of investment programme in 2013

For the investment in construction of replacement Unit 6, in October 2013 TEŠ prepared a revised investment programme no. 6 (RIP 6, October 2013 issue). The investor decided for revision due to:

- findings provided in the 'Report on the state of the replacement Unit 6 project of 27 may 2013', and stating that the project does not meet financial or timeline provisions under the 'Contract regulating relationships regarding the construction of the 600 MW replacement Unit 6 in TEŠ' (due to deficiencies discrepancies between RIP 5 and actual state of the project) among TEŠ, Ministry of Finance and Ministry for Infrastructure and Spatial Planning;
- consideration of Government decision no. 35400-5/2013/11 of 15 July 2013, requesting that TEŠ prepare revision of the investment programme for the replacement Unit 6 project.

Moreover, at the beginning of 2014, due to the following reasons:

- the HSE d.o.o. management's request for alignment of the revised investment programme RIP 6 among the companies HSE d.o.o., TEŠ d.o.o. and Premogovnik Velenje d.d., issued on the basis of decision no. 7 of 21 January 2014 adopted by the Slovenian Restitution Fund (SOD); and
- changes in key input data, i.e. electricity price, emission coupons price and scope of production,

the investor prepared new issue of the revised investment programme, i.e. RIP 6, February 2014 issue, in line with the provisions of the Decree on the Uniform Methodology for the Preparation and Treatment of Investment Documentation in the Field of Public Finance (Official Gazette of RS, no. 60/06, 54/10).

• Activities in 2013

In 2013, project design and supply of the main technological equipment were carried out in line with the planned project timeline. At the end of the year, approximately 99% of all equipment was delivered to the replacement Unit 6 construction site, while the level of design realisation is estimated at approximately 88%.

Installation on the boiler plant had been carried out in accordance with the project timeline. The installation of the main steel construction and secondary steel construction as well as roofs and façade is completed. Installation of larger generating units of boiler plant (induced draft fans, forced draft fans, mills and coal transport) is in the final stage. Installation of the pressure part of the boiler is completed. Pressure tests were carried out and completed at the beginning of December 2013.

Finishing works are underway in the powerhouse on the condenser and pipeline systems of low, mid and high pressure. Installation of turbocharger and adjacent subsystems of the steam cycle and district heating is in the final stage.

In the area of electric systems, works have been carried out on transformers, generating unit and systems for measurement and management of the boiler and turbine plants. Relocation of rack cabinets for the management system and excitation system equipment was completed.

At the end of 2013, activities for trial runs were launched and have been carried out in accordance with the project timeline.

The following Annexes were added to the contract for the supply of the main technological equipment between TEŠ and Alstom in 2013:

- in July 2013, Annex no. 9 was concluded, based on which the deadline for completion of works and PAC was brought forward by 5 months, namely, from 27 November 2015 to 26 June 2015,
- in December 2013, Annex no. 10 was concluded, amending allocation of offshore and onshore supplies among subjects, while the contractual price remains the same,
- in January 2014, Annex no. 11 was concluded, postponing settlement of a portion of planned payments for the work performed in 2014 until 2015. The agreement was entered into due to changed possibilities of ensuring financing of the investment in 2014.

Works were performed on the following relevant plants:

Flue gas desulphurisation plant (FGD)
At the end of 2013, the facility for flue gas desulphurisation was preparing for launch of cool trial runs and ensuring conditions for trial run by Alstom. Works have been performed in line with the plan.

Cooling systems (CS)
Mechanical and electronic equipment, cooling system pipeline and cooling tower equipment were installed.

Coal transport (CT)
The works on the new coal transfer station were concluded and the existing coal transport path was reconstructed. Preparation of steel constructions for bridges and transfer points is underway.

Preparation of cooling water (WT)
Installation of equipment on all facilities is in the final stage, as set in the contract and annexes thereto.

400 kV switchyard (GIS)
Activities involving the contractor for the supply of the 400 kV switchyard are progressing according to the contract and the time schedule.

Preparation and transport of products
The installation is planned for March 2014. Technological equipment is in the supply phase and the project documentation is already prepared.

Ammonia water storage (AWS)
Construction of ammonia water reservoir is underway. All technological equipment has been delivered and works have been carried out in line with the plan.

Construction installation (CI)
In line with the contract and projects, installation works have been carried out on all facilities.

Technological connections
Technological connections in Unit 6 were carried out in 2013 (pipeline for decarbonised water, cooling tower bilges, heating oil, air compressor, oxygen and hydrogen pipeline, unprocessed water, emergency cooling, wastewaters, etc.). Foundations of energy bridge and trench drain were installed. We carried out also the installation of steel construction of energy bridge and of technological connections between the TEŠ's existing units and Unit 6 (pipelines for auxiliary steam, hot water and hydrogen).

• Project financing

The financing of the project is planned as a combination of equity and debt financing. Equity sources comprise TEŠ's own resources and a capital increase by the controlling company HSE d.o.o. For the investment, HSE d.o.o. provided EUR 248.7 million for recapitalisation by the end of 2013 (plus the payment under the debt transfer agreement in the amount of EUR 258.9 million).

Debt capital is planned in the form of long-term loans. In April 2010, a contract for a loan of EUR 440 million was signed with EIB and an annex to the contract from 2007, under which the amount of the loan was decreased from EUR 350 million to EUR 110 million. On 17 February 2011, after meeting all the conditions, TEŠ managed to draw EUR 110 million of loan collateralised with the bank guarantee by five guarantor banks (GFA agreement). Prior to drawing, cross-border effects with the Republic of Austria had to be arranged. On 14 March 2013, the loan of EUR 440 million, secured with the government guarantee,[1] was drawn. Realisation of the drawing of loans differs significantly from the loan utilisation planned RIP 5 because of delayed acquisition of the government guarantee, as well as complications that arose in the period between applying for loan drawing in January 2013 and confirmation of drawing in March 2013. Banks verified in detail all potential additional risks regarding the project quality, government guarantee reliability and corruption accusations.

The loan covered the deferred liabilities to Alstom, the supplier of the main technological equipment for Unit 6, and repayment of bridging loans from HSE.

In January 2011, a financial agreement was signed with EBRD for a EUR 200 million loan. The first instalment in the amount of EUR 82.5 million was drawn on 1 June 2011. The loan agreement includes a clause, based on which the bank limited the possibility of drawing in relation to drawing of other financing; therefore, the remaining portion of the EBRD loan was released only after successful drawing of the EIB loan.
The second instalment in the amount of EUR 117.5 million was drawn on 19 March 2013.

On the basis of the contract regulating relationships regarding the replacement Unit 6 project between the Republic of Slovenia and TEŠ, as at 24 May 2013 the company's management informed relevant Ministry of Infrastructure and Spatial Planning and Ministry of Finance about the assessment results regarding the Unit 6 project.
The management assessed that the final price of the project could amount to EUR 1.44 billion. This increase in the assessed value of the project is mostly a result of belated provision of long-term funding, consequential suspension and increased costs. The management also assessed that the company will not obtain the operating permit by the estimated date, i.e. 15 February 2016. TEŠ actively approached the negotiations with Alstom on the possibility of moving up the deadline for project completion; by concluding Annex 9 to the contract, the parties determined the construction deadline for 26 June 2015, instead of previously agreed 27 November 2015. PAC date for Unit 6 has an important influence on the assessed investment value and the necessary additional financing. Due to the lack of liquid funds, HSE settled a portion of the TEŠ's liabilities to Alstom at the end of 2013 based on the debt transfer agreement, while TEŠ started to arrange postponement of deadlines for repaying MTE suppliers and other relevant suppliers.

Pursuant to the HSE d.o.o. management's request for alignment of Revised Investment Programme RIP 6 among the companies HSE d.o.o., Termoelektrarna Šoštanj d.o.o, and Premogovnikom Velenje d.d., which was issued based on the SOD's decision no. 7 of 21 January 2014 and changed key input data, i.e. electricity prices, prices of emission coupons and the scope of production, the investor – TEŠ prepared a new issue of Revised Investment Programme: RIP 6 – February 2014 issue.

[1] TImmediately after signing the Loan Agreement, TEŠ and EIB started the procedures for adoption of the act regulating the guarantee of the Republic of Slovenia for loan raised with EIB. The respective Act Regulating the Guarantee of the Republic of Slovenia for obligations from the long-term loan amounting to EUR 440 millions raised by TEŠ d.o.o. with the EIB, for the purpose of financing the project of construction of 600 MW Unit 6 in TEŠ (ZPODPTEŠ), has been adopted by the National Assembly of the Republic of Slovenia on 18. 7. 2012 and entered into force as on 1. 8. 2012. On 30. 11. 2012 two agreements have been signed, as follows: TEŠ, MF an MZIP signed the agreement for regulation of mutual relationships referring to the project of construction of 600 MW Unit 6 in TEŠ; TEŠ and MF signed an agreement on the methods and terms and conditions for guarantee collateral of the Republic of Slovenia.

The Guarantee Agreement made between the Republic of Slovenia (RS) and EIB for the long-term loan amounting to EUR 440 millions has been signed on 7. 12. 2012. In accordance with standard procedures, the Guarantee Agreement made between RS and EIB had to be ratified by the National Assembly of the Republic of Slovenia. Act ratifying the Guarantee Agreement made between RS and EIB (TEŠ – Termoelektrarna Šoštanj/B) (MPEIBTEŠ) had been adopted by the National Assembly of the Republic of Slovenia on 21. 12. 2012 and entered into force as on 30. 12. 2012. In January 2013 EIB received from the Republic of Slovenia compete required documents for validity of the state guarantee for EUR 440 millions loan for the project Unit 6 in TEŠ.

• **Overview of investments in construction of replacement Unit 6**

in EUR

Investments in replacement Unit 6	Estimated value of amended investment plan – NIP, revision 6, issue of February 2014 - in the process of adoption	Estimated value of amended investment plan – NIP, revision 5	Concluded contracts as at 31/12/2013	Invoiced as at 31/12/2013	Paid as at 31/12/2013
Building works	79,026,900	67,589,700	69,662,514	61,419,344	54,716,898
Equipment	1,193,590,300	1,126,738,500	1,125,763,926	996,114,731	959,564,633
Other	31,481,200	26,067,900	27,573,201	25,470,442	22,675,702
Cost of financing	124,359,300	82,096,200	82,096,200	65,527,894	61,744,140
TOTAL	**1,428,457,700**	**1,302,492,300**	**1,305,095,841**	**1,148,532,411**	**1,098,701,373**

in EUR

The sources of financing the investment in Unit 6	Estimated value of amended investment plan – NIP, revision 6, issue of February 2014 - in the process of adoption	Estimated value of amended investment plan – NIP, revision 5	Paid as at 31/12/2013
HSE capital increase	489,502,300	324,927,700	258,871,224*
EIB loan	550,000,000	550,000,000	550,000,000
EBRD loan	200,000,000	200,000,000	200,000,000
HSE Group loans	83,000,000	83,000,000	
Own sources of TEŠ	105,955,400	144,564,600	89,830,149
TOTAL	**1,428,457,700**	**1,302,492,300**	**1,098,701,373**

** including the payment under the Contract on Debt Assumption EUR 10,207,923*

Investments in reliable production

Within investments in reliable production, TEŠ spent EUR 24,835 in 2013 for completion of works regarding reconstruction of disposal machine and hydrogen plant).

Large-scale overhauls

Overhaul of Units 3 and 4 was planned between 6 April and 9 June 2013. This was the last overhaul in useful life of the units. So far, Unit 3 has operated for 350,000 operating hours, while Unit 4 contributed with 280,000 operating hours, meaning that they surpassed their normal useful life considerably. Since both units will permanently cease to operate within two years, we reduced the overhaul only to the most necessary repairs, of which the largest one was performed on the boiler plants or on parts with signs of wear and tear and overheating due to exposure to high thermal burden.

The overhaul was terminated earlier (on 3 June 2013) and with lower costs than planned. The overhaul cost amounted to EUR 5,592,383 compared with EUR 8,700,000 planned.

Overhaul or B-service of gas turbine PLT 51 was carried out in July, as planned, and cost EUR 3,773,219.

Total amount of large-scale overhaul of production plant does not exceed the value planned in the company's Business Plan for 2013.

2.8 IT

IT department covers the needs of users and systems from various areas of operations and activities of the thermal power plant, and is engaged also in various areas of the Unit 6 project. The department is actively involved also in the management of joint IT services for the HSE Group companies.

Overview of relevant activities 2013 by areas

Processes and standardisation
We successfully completed the internal and external audit. The findings were integrated in the application Corrective measures. We participated in internal and external audit of HSE and in the audit of procedures of the HSE IT service. New IT source microfilm was identified and risk assessment was performed.

External audit of IT processes in line with standard ISO27001 was completed and no critical deficiencies in the performance of processes were identified.
Optimisation of internal procedures regarding procurement and other processes was done.

Communication infrastructure and system rooms
We carried out a partial upgrade of communication equipment for network connections on the technological network and updating and renovation of communication hub at Unit 5.

System equipment and services – Datacentre
Regular proactive management and maintenance of "datacentre" infrastructure at the TEŠ location are carried out. The TEŠ equipment for ensuring functional autonomy of the information system was upgraded, and projects of renewal TEŠ system infrastructure and joint HSE services in the areas of SQL base services, Lync and Office 365 Cloud services, Exchange 2013 hybrid solution, were launched.

Technological IS
We have been preparing procedures DR for the area of SCADA FIX systems, which will ensure faster recovery of the operating state in case of failure of the key elements of technological IS. We continue with upgrade of SCADA FIX systems with server elements at key locations at TEŠ.

The computer space at Unit 5 was rearranged. All SCADA systems are replaced or ready for replacement.

Ecological IS
In the area of monitoring, the equipment is maintained and updated on a regular basis, in to meet the applicable legislation requirements.
We installed temporary gauges for CO to provide the data needed for optimisation of operations We prepared the project EIR (measurement of U5 flow, measurement of temperature of Paka in front of TEŠ).

User equipment and services
Plan has been prepared and the first upgrades for transition to new operational systems for all TEŠ IS users have been launched.

Project TEŠ 6 support
We launched activities on the individual IT components for the TEŠ 6 purposes (plans regarding communication channels, audio-visual installations, maintenance systems, ecological components and areas of management through e-mail correspondence).

2.9 BUSINESS PERFORMANCE ANALYSIS

2.9.1 Business operations in 2013

The operations of TEŠ in 2013 were based on the Long-term contract for the purchase of coal, lease of capacity and purchase of electricity concluded between TEŠ d.o.o., HSE d.o.o. and Premogovnik Velenje d.d., the Contract for the purchase of coal, lease of capacity and purchase of electricity concluded between TEŠ, HSE and Premogovnik Velenje for 2013 that was signed in March 2013, and Annex no. 1 to this contract, as well as on the Business Plan of TEŠ for the year 2013, which was approved by the Supervisory Board on 22 March 2013. Pursuant to the provisions of Articles of Incorporation, the company's sole member approved the Business Plan for 2013 with additional plan for 2014 and 2015 on 2 April 2013.

In 2013, the company achieved net profit in the amount of EUR 2,050,122 which is significantly lower compared with the profit or loss in 2012. The decrease was a result of lower selling price of electricity.

Operating results	REALISATION 2013 in EUR	REALISATION 2012 in EUR	RE 2013 / RE 2012
Operating profit or loss	2,487,347	34,114,302	7
Net cash	(619,662)	(1,538,313)	40
PROFIT OR LOSS BEFORE TAX	**1,867,685**	**32,575,989**	**6**
Corporate income tax	0	0	
Deferred tax	(182,437)	115,112	-158
NET PROFIT OR LOSS	**2,050,122**	**32,460,877**	**6**

In spite of lower production and lower selling price of electricity, the company's operations in 2013 were better, especially as a result of the adopted measures for optimisation of operations, which helped us to control operating costs and to achieve the results planned.

Revenue	REALISATION 2013 in EUR	%	REALISATION 2012 in EUR	RE 2013 / RE 2012
OPERATING REVENUES	247,996,581	99.98	264,046,986	93.92
FINANCIAL REVENUE	46,197	0.02	59,770	77.29
REVENUE	**248,042,778**	**100.00**	**264,106,756**	**93.92**

In 2013, the company achieved EUR 248,042,778 of revenue. The 2013 revenue was 6% lower than in 2012. The most important decrease in revenue was recorded in net sales revenue, in particular from electricity sales, due to lower selling price and quantities of electricity sold.

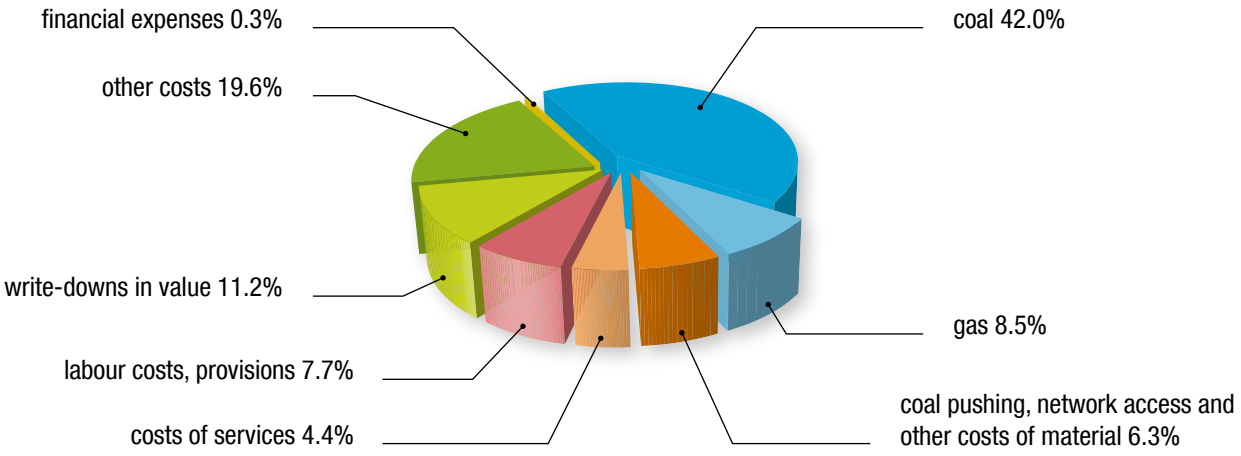
Expenses	REALISATION 2013 in EUR	%	REALISATION 2012 in EUR	RE 2013 / RE 2012
OPERATING EXPENSES	245,509,234	99.73	229,932,684	106.77
FINANCIAL EXPENSES	665,859	0.27	1,598,083	41.67
EXPENSES	**246,175,093**	**100.00**	**231,530,767**	**106.33**

In 2013, expenses amounted to EUR 246,175,093, which is 6.3% more than in 2012.

Operating expenses increased in 2013, due to higher disbursements for environment protection (higher price of emission coupons).

All other operating expenses categories were lower in relation to 2012.

Expense structure in 2013:



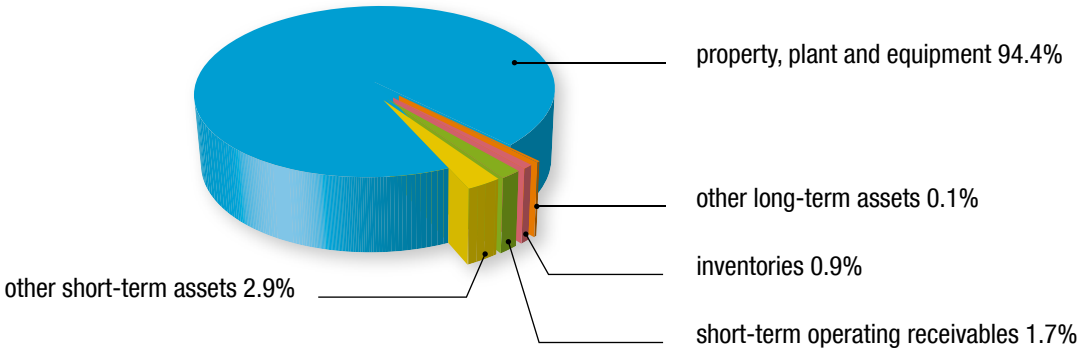
Assets, equity and liabilities

As at the balance sheet date, total assets amount to EUR 1,408,821,630, which is 18% or EUR 216,718,569 more than on 31 December 2012.
Taking into account the inflation rate (December 2013/December 2012), which stood at 0.7%, the assets increased by 17% in real terms.

Assets

As at 31 December 2013, the company's assets amounted to EUR 1,408,821,630 (31 December 2012: EUR 1,192,103,061), which represents 18% increase from the beginning of the year. The amount of long-term assets increased by 20%, while current assets decreased by 8%.
In terms of long-term assets, property, plant and equipment presented the most important increase thanks to investment in replacement Unit 6 construction. Among short-term assets, receivables arising from electricity sold decreased, while short-term accrued revenue from lease of capacity for emission coupons increased.

Structure of assets as at 31 December 2013:

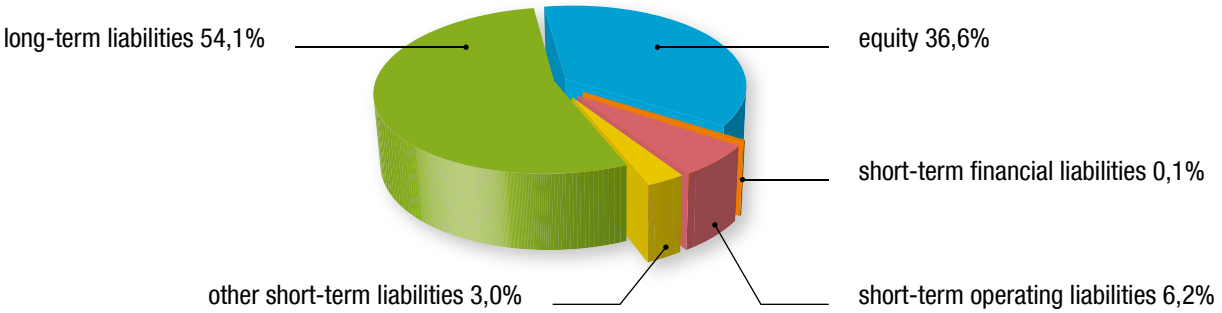


Equity and liabilities

As at 31 December 2013, the equity/debt ratio of the company stood at 1:2, which is similar to the previous year ratio.

In terms of liabilities to creditors, equity represents 37%, which is slightly better compared with 2012 (33%). In 2013, equity increased by 31% or EUR 120,408,409, of which EUR 118,374,601 derive from recapitalisation of the company. Long-term liabilities, mostly consisting of long-term loans from banks, represent 54% of total liabilities. In 2013, long-term liabilities increased by 268% due to drawing of the long-term loans from EIB and EBRD in total amount of EUR 557,500,000. Short-term liabilities account for 9% of total liabilities and were EUR 457,951,346 lower than in 2012, as a result of repayment of bridge loans from HSE and settlement of liabilities to suppliers of the Unit 6 equipment from the drawing of long-term loans.

Structure of liabilities as at 31 December 2013:



Business segments

In 2013, all business segments (electricity production, steam and hot water supply, canteen and social standard) operated with a profit.

2.9.2 Main activities and goals achieved

In its business plan for 2013, the company set specific annual targets, which were predominantly realised.

Production of electricity and thermal energy (net)

In 2013, the company's net electricity production reached 3,607 GWh, which is 4% or 163 GWh less than planned. Lower production is a consequence of incredible hydrological conditions in the first half of the year, which exceeded the average of the last years significantly, several compulsory shutdowns of Unit 4, boiler leakage, and lower capacity of Unit 3 due to issues with the HP part of the turbine.

The quantity of electricity produced in 2013 represents 44% of the total HSE Group output and 31% of Slovenia's total electricity production. The company's share is comparable with the value reached in the previous year. Productivity remained at the same level, i.e. 8 GWh per employee.

In 2013, thermal energy production was slightly lower and it reflects the demand for such energy. We produced 349 GWh of thermal energy, which is 67 GWh less than planned for 2013.

Sales of electricity and thermal energy

The measurable target of electricity sale was slightly lower than planned. The amounts of electricity sold were 4% lower, as well as the revenue from the sale of such energy.

The measurable target for the sale of thermal energy has not been achieved due to lower demands for such energy. The amounts of thermal energy sold were 16% lower than planned, whereas the revenue from its sales was 22% lower due to lower thermal energy selling prices.

Ensuring appropriate structure, skills, efficiency and availability of human resources

According to measurable indicators, the target of ensuring appropriate structure, skills, efficiency and availability of human resources has been achieved. The trend of decrease in the number of employees continued in 2013, not only in the segment of permanent employees, but also in the total number of employees which decreased by 14 compared with 2012. As at 31 December 2013, the company employed 450 people, with almost all remaining measurable characteristics in relation to this objective being met. Thus, more than 30 hours of training and education were performed per employee, while cost of labour as a share of processing costs was not higher than 22%. The share of sick leave absence was not exceeded either, as it stood 5.16%.

Purchase of primary resources, spare parts, materials and services

The business target was achieved by successfully negotiating the most favourable purchase conditions with suppliers. Purchasing criteria are determined by assessing supplier competitiveness, quality of products from various suppliers, executing business analyses of selected and potential suppliers and negotiating the best possible terms and conditions of purchase.

2.9.3 Ensuring solvency

TEŠ operates in accordance with business and financial standards and rules laid down in the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act and the Act on prevention of late payments.

The basic task of financial management is to ensure long-term and short-term solvency, which in turn enables uninterrupted business operations of other business functions.

Several measures needed to be carried out, in order to overcome the issues and ensure liquidity:

- streamlining of daily operations,
- bridge loans from the HSE Group ion the first months of the year, and repayment to HSE based on the debt transfer agreement,
- daily planning of inflows and outflows,
- negotiations with the MTE suppliers about repayments deferral,
- disinvestment from collectibles.

In 2013, financial operations were focused on provision of planned long-term funds for capital investments. By meeting the drawing conditions, both long term loans were utilised in the first quarter of 2013. The loans were used for repayment of short-term bridge loans to HSE and outstanding liabilities to the suppliers of equipment for replacement Unit 6.

In order to manage daily liquidity in 2013, we have used a short-term framework loan from the commercial bank. The loan was repaid by the end of the year.

2.9.4 Ensuring necessary financial sources

The cash flow statement is prepared using the direct method. In 2013, the revenues realised amounted to EUR 1,143,691,443, while the expenses totalled EUR 1,143,686,346.

The cash flow statement analysis determined that receipts from activities generated 30.9% of total receipts (76.7% of which derive from electricity trading, 1.3% from thermal energy trading, 4.8% from temporary sale of emission coupons, 13.5% from duties payable to the state, 0.2 % from reimbursement of corporate income tax, 0.2% from sales of services and 3.3 % from other operations). Receipts from financial activities account for 69.1% (of which 15% are receipts arising from recapitalisation by HSE, 70.5% receipts from long-term loans from EBDR and EIB, and 14.5% receipts from drawing of short-term loans).

The company made 20.9% of disbursements to maintain its operating capacity (54.4% for purchase of coal for electricity production, 12.1% for maintenance, material and services, 11.9% for gas, 7.7% for labour costs, 2.3% for duties payable to the state, 2.4% for other operating costs, 7.8% for purchase of emission coupons, and 1.4% for purchase of coal for thermal energy.

Disbursement for investments, which account for 41%, predominantly refer to disbursements for property, plant and equipment (96.3%), and capitalised interest (3.7%) – Unit 6. Most of disbursements for property, plant and equipment were spent for Unit 6 (97.6%), large-scale overhaul (2.2%), production reliability investments (0.1%), and purchase of fixed assets (0.1%).

Disbursements for financial activities, which represent 38.1% of total disbursements, refer to repayment of long-term loans (1.9%), payment of interest (0.1%), and repayment of short-term loans (98.0%). Disbursements for short-term loans refer to repayment of short-term bridge loans to the HSE Group, as well as repayment of the framework loan to the commercial bank.

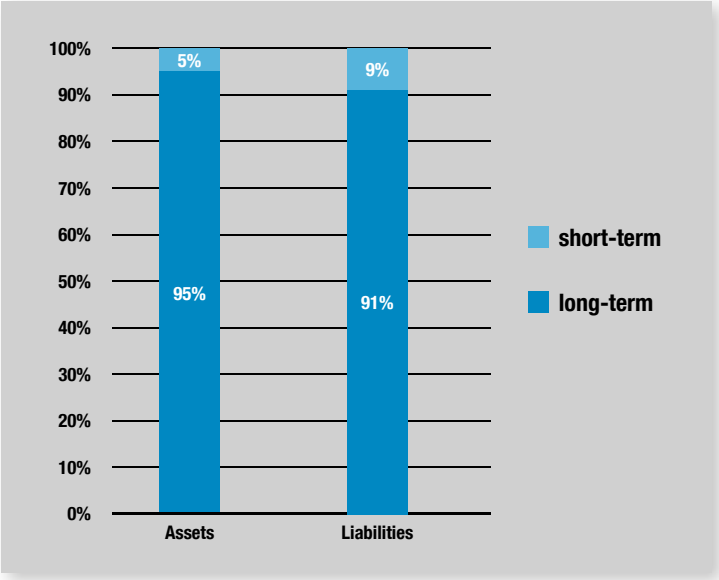
2.9.5 Capital adequacy

The company's goal is to secure enough capital with regard to the extent and type of transactions it enters and the risks it is exposed to. Capital adequacy is a condition for borrowing and investing capacity and also a consequence of previous business decisions.

From the horizontal analysis of the structure of assets and liabilities as at 31 December 2013 it is evident that the company's assets are financed:

- with long-term sources – 91% (of which 37% refers to the capital and 54% to long-term liabilities), and
- with short-term sources – 9%.

The structure of the statement of financial position as at 31 December 2013:



After the capital increase and EIB and EBRD long-term loans drawing, the financing structure normalised in the first quarter of 2013, and it has been assessed that the company possesses adequate sources based on their maturity.

2.9.6 Debt ratio

As at 31 December 2013, the company's financial liabilities (short- and long-term) total EUR 754,861,310 and accounted for 54% of total liabilities. Most of the debt arises from long-term loans.

In 2013, the company realised the drawing of the long-term loan from EIB in the amount of EUR 440 million and the long-term loan from EBRD in the amount of EUR 117,500,000 million. The EIB loan was used to repay short-term bridge loans from HSE in 2011 and 2012.

2.10 COMPANY'S RATIOS

The company supervised its business performance from the financial evaluation perspective with the following indicators:

- Financing and investing ratios

in EUR

Equity financing rate	31/12/2013	31/12/2012
1. Equity and liabilities	1,408,821,630	1,192,103,061
2. Equity	515,676,986	395,268,577
Equity financing rate = 2 / 1	**36.60**	**33.16**

At the end of 2013, the company's equity accounted for 37% of its total liabilities. As a result of recapitalisation by the HSE Group in the amount of EUR 118.3 million, the company's equity was higher at the end of the year, while equity financing rate improved as well.

in EUR

Long-term financing rate	31/12/2013	31/12/2012
1. Equity	515,676,986	395,268,577
2. Long-term liabilities	761,437,880	207,176,374
3. Total (1 + 2)	1,277,114,866	602,444,951
4. Equity and liabilities	1,408,821,630	1,192,103,061
Long-term financing rate = 3 / 4	**90.65**	**50.54**

The company financed 91% of its assets from long-term sources and 9% from short-term sources. Long-term financing rate was higher than in 2012, as long-term financial liabilities increased due to drawing of long-term loans from EIB and EBRD (in total amount of EUR 557.5 million). The above resulted in the reduction of short-term liabilities, short-term bridge loans received from HSE for financing the construction of replacement Unit 6, and liabilities to suppliers involved in this investment.

in EUR

Operating fixed assets rate	31/12/2013	31/12/2012
1. Property, plant and equipment	1,330,475,280	1,102,630,004
2. Intangible assets	410,847	4,745,043
3. Total fixed assets at carrying amount (1 + 2)	1,330,886,127	1,107,375,047
4. Assets	1,408,821,630	1,192,103,061
Operating fixed assets rate = 3 / 4	**94.47**	**92.89**

The ratio shows the share of fixed assets in all company's assets. Property, plant and equipment and intangible fixed assets represent 94% of the company's assets. The increase in the rate in comparison with 2012 is the result of continued investment in replacement Unit 6. A high operating fixed assets rate is expected, since the sector in which the company operates is very intensive in terms of technology.

- Horizontal financial structure ratios

in EUR

Equity to fixed assets ratio	31/12/2013	31/12/2012
1. Equity	515,676,986	395,268,577
2. Property, plant and equipment	1,330,475,280	1,102,630,004
3. Intangible assets	410,847	4,745,043
4. Total fixed assets at carrying amount (2 + 3)	1,330,886,127	1,107,375,047
Equity to fixed assets ratio = 1 / 4	**0.39**	**0.36**

The equity to fixed assets ratio stood at 0.39 at the end of 2013, meaning that less than a half of the most illiquid assets was financed from equity. Compared with the balance at the end of 2012, the ratio is slightly higher. The increase in equity exceeds the increase in long- and short-term liabilities with respect to the increase in fixed assets.

in EUR

Quick ratio	31/12/2013	31/12/2012
1. Cash and cash equivalents	10,758	5,661
2. Short-term financial assets	0	0
3. Short-term operating receivables	23,464,900	64,232,251
4. Total (1 + 2 + 3)	23,475,658	64,237,912
5. Short-term liabilities	131,706,764	589,658,110
Quick ratio = 4 / 5	**0.18**	**0.11**

The quick ratio stood at 0.18 at the end of 2013, meaning that TEŠ finances 18% of all short-term liabilities from current assets. Compared with the previous period, the ratio improved as a result of the decrease in short-term operating liabilities to the replacement Unit 6 equipment suppliers.

in EUR

Current ratio	31/12/2013	31/12/2012
1. Current assets	76,789,946	83,804,482
2. Short-term liabilities	131,706,764	589,658,110
Current ratio (short-term liabilities) = 1 / 2	**0.58**	**0.14**

Current ratio amounted to 0.58 at the end of 2013, meaning that TEŠ finances 58% of all short-term liabilities from its current assets. In relation to the end of 2012, the ratio improved due to already mentioned lower short-term operating liabilities to the suppliers of equipment for replacement Unit 6.

- Operating efficiency and profitability ratios

in EUR

Operating efficiency ratio	2013	2012
1. Operating revenue	247,996,581	264,046,986
2. Operating expenses	245,509,234	229,932,684
Operating efficiency ratio = 1 / 2	**1.01**	**1.15**

The company's operating revenue exceeded its operating expenses by 1% in 2013. The ratio dropped by 14% compared with the 2012 ratio, due to deteriorated profit or loss.

in EUR

Net return on equity ratio (ROE)	2013	2012
1. Net profit or loss	2,050,122	32,460,877
2. Average equity	455,472,782	379,038,139
ROE = 1 / 2	**0.005**	**0.086**

Net return on equity ratio – ROE in 2013 amounts to 0.5%, which is less than in 2012 when it amounted to 8.6%. The reason for this decrease is lower net profit in 2013.

- Financial ratios by contracts with banks

in EUR

EBITDA / Financial expenses from loans received	2013	2012
1. EBIT – Operating profit or loss	2,487,347	34,114,302
2. Depreciation/amortisation	27,436,065	27,924,057
3. EBITDA (1+2)	29,923,412	62,038,359
4. Financial expenses from loans received	432,767	763,133
EBITDA / Financial expenses from loans received = 3 / 4	**69.14**	**81.29**

The ratio decreased compared with 2012 due to higher operating profit or loss of the company. The ratio complies with conditions determined by the banks involved in the financing of the Unit 6 investment.

in EUR

Total financial liabilities / Assets	31/12/2013	31/12/2012
1. Long-term financial liabilities	753,472,223	197,361,112
2. Short-term financial liabilities	1,389,087	321,610,753
3. Total financial liabilities (1+2)	754,861,310	518,971,865
4. Assets	1,408,821,630	1,192,103,061
Total financial liabilities / Assets = 3 / 4	**0.54**	**0.44**

The ratio showing the relationship between the company's indebtedness and assets slightly increased in comparison with 2012, mostly due to the increased indebtedness. The ratio complies with conditions determined by the banks involved in the financing of investments.

2.11 RISK MANAGEMENT

By implementing a comprehensive risk management system in all its activities, the company ensures a systematic approach for timely risk identification and management. This comprehensive risk management is carried out via adequate management strategies, consistent criteria for dealing with risks, monitoring and identification of risk levels, and with prompt information and actions.

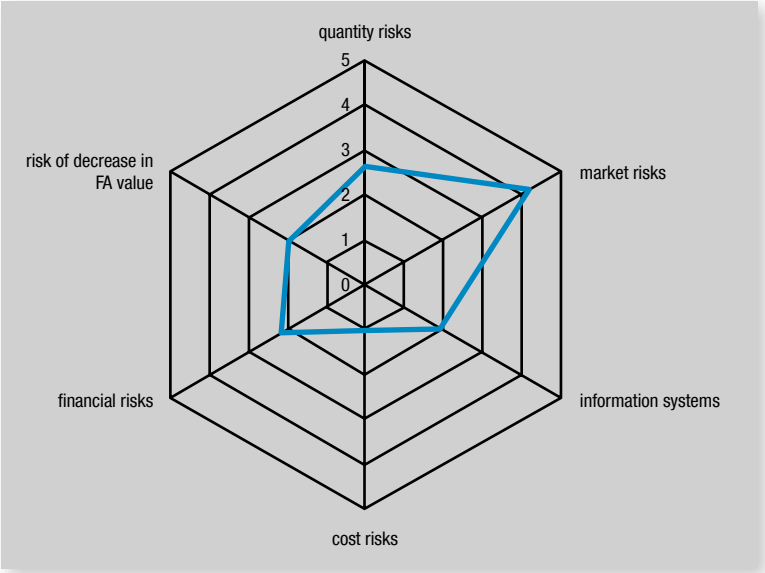
When preparing the lists and assessing risks in individual areas of operations, it was taken into account that the company operates within the HSE Group and is therefore less exposed to some risks, while it can increase the quantity risk within the HSE by deteriorated risk management, mainly of quantity and human resources risk.

The construction of replacement Unit 6 is in the final phase. Due to intensive investment cycle, the company deals with regular operations risks and investment activities risks separately.

Risks associated with regular operations:

- **business risks**, which relate to the ability to generate revenue and contain costs as well as to the ability to maintain the value of the operating assets. This group includes quantity risks, market risks, risks of decrease in operating assets, risks of IT system functioning, and risks regarding management of costs and investments within the scope of regular operations;
- **financial risks**, relate to the company's ability to generate financial revenue, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure long-term solvency. This group includes liquidity, borrowing, interest rate and inflation risks;
- **HR risks** are associated with ensuring of proper staff structure and qualification of employees.

Regular operations risk profile



The company was predominantly focused on management of quantity risk and cost management. TEŠ defined the primary in secondary critical components and created risk matrices. This set the basis for improvement of identification and management of the key quantity risks, which had already been successfully managed in the previous period, thanks to quality and professional performance of regular maintenance, quick repairs in case of compulsory shutdowns and adequate plant management. Other plants will be subjected to similar procedure in 2014.

Management of costs and investments in regular operations is of key importance for successful operations and an indispensable condition for providing necessary own sources for the construction of Unit 6. The risks were managed by consistent realisation of the plan, change in costs, deviation analysis and immediate actions in the event of deviations. The group of market risks includes prices of coal, gas, raw materials, emission permits, prices of external services and selling prices of electricity and thermal energy, which are managed by concluding adequate long-term and annual agreements, regular examination of market conditions and performance of professional analysis and propositions of measures. Risks of information system functioning were managed by ensuring availability of backup systems and functioning of security systems.

Financial risks include liquidity, borrowing, interest rate and inflation risks. Credit risks were managed by concluding an annual contract with the largest buyer, which includes the elements of insuring receivables, regular monitoring of all unpaid receivables overdue and the use of adequate collection procedures. Liquidity risks were managed with careful planning of cash flows and time coordination of receivables and liabilities and cash management within the HSE Group. Financial risks are described in section 4.11.

HR risks comprise possible late and inadequate provision of the necessary structure and professional qualification of the staff. They were managed with consistent pursuing of prescribed system procedures and upgrades on the basis of regularly performed analysis.

Operational risks were managed with consistent performance of quality management system ISO 9001, environment management system ISO 14001, the OHSAS 18001:2007 occupational health and safety system and information management system ISO 27001. These systems define the performance of business activities and processes as well as liabilities and authorisations. The appropriateness of their implementation is assessed through regular internal and external audits.

Investing activities risks regarding the construction of replacement Unit 6

For the purpose of the Unit 6 investment, TEŠ and the controlling company HSE prepared years ago comprehensive documents addressing and assessing all risks associated with this project. Due to different roles of the companies in this project, definitions of risks are relatively different as well. While TEŠ emphasised technical and environmental aspects, HSE focused on financial and economic ones.

In the second half of the year, the 6th revision of the revised investment programme – Construction of 600 MW Unit 6 (RIP 6) was prepared. The chapter Risk Analysis in the February 2014 issue of RIP 6 includes detailed risk definitions and matrices. It includes description of individual risks and their consequences, an assessment of probability of their occurrence and impact, as well as instruments for management of identified risks. On these bases, matrices were created that classify risks in four levels: low, medium, high and very high.

Risk analysis in RIP 6 is based on the following:

- 90% project realisation, meaning that most project-related risks has already been managed.
- By the end of 2013, EUR 750 million of loans and EUR 348 million of own funds of TEŠ and HSE had been spent already. In order to complete the project, TEŠ and HSE will have to provide additional EUR 330, mostly from proper assets.
- Conditions on the electricity markets deteriorated further in the last period, and forecasts for the future development of electricity markets on the short run have not been optimistic either. At the same time, ensuring of adequate economics for the initial stages of the replacement Unit 6 operations seems more demanding.
- TEŠ and HSE will make sure to achieve on time all necessary approvals for obtaining proper sources and for launching Unit 6 operations.

During the risks analysis, contracts were reviewed and levels of realisation were assessed. Premogovnik Veljenje sent us information on heat value of coal for each year throughout the exploitation period of Unit 6. All other issues that the investor assessed as potentially risky were examined as well. In this context, we considered the fact that the level of the entire investment realisation was already at 90% and that most of contracts were already concluded, namely in the amount of 94% of the project value. This means that unknowns have reduced, while reliability of evaluations continues to increase.

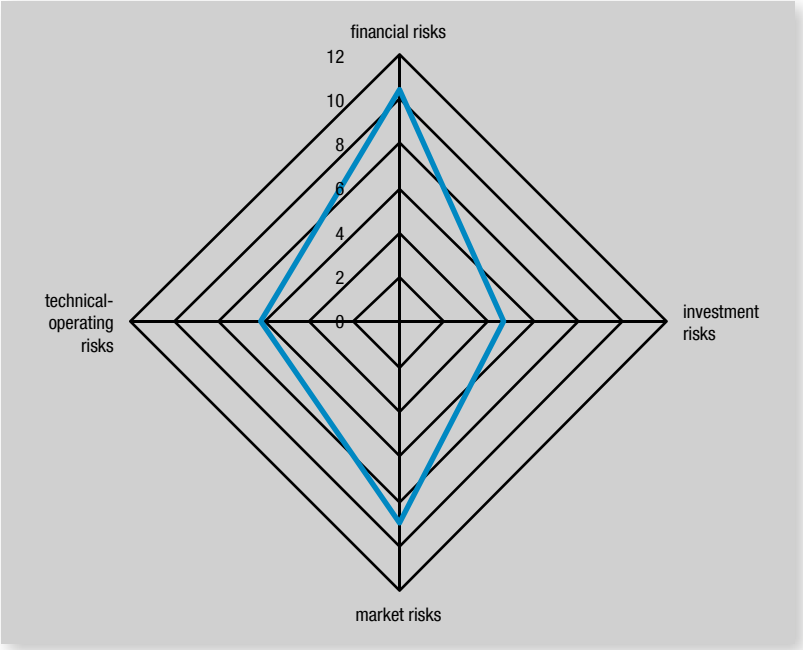
For identification of risks, we used the matrix of categories of potential risks by the following areas and categories of the degree of influence, likelihood, risk and estimates of risk manageability.

FS	Financial risks
IV	Investment risks
MR	Market risks
TO	Technical and operational risks

Risk profile

All key risks detected have been examined and their probability has been determined.

The potential emerging risks have been managed with the risk analysis and its consistent monitoring.



2.12 PUBLIC RELATIONS

The construction of Unit 6 has been in full swing; accordingly, the activities in the communication area were intensified. As the situation required immediate feedback, the public relations activities were performed in accordance with the communication plans and coordinated at the HSE Group level.

We continue to follow the guidelines set on the basis of meetings on environmental and social adequacy of TEŠ by the European Bank for Reconstruction and Development. In 2013, we reported on our PR activities to the EBRD on a quarter basis, as previously agreed.

The basic PR tools for communication with external and internal public remain TEŠ's website, press releases, answers to journalists, press conferences, articles and interviews in various local and national media, the electricity sector newspaper Naš stik and the HSE Group publication HSE Energija. We also pursued with the meetings of the Project Council TEŠ 6, the members of which are the representatives of the local community, non-governmental organisations and other interested public.

Besides all general information about the company, the TEŠ website comprises also a special sub-site Unit 6, which includes the information on the project, current documents and publication in connection with Unit 6. In the section 'Ask us', our website users can post any question to which we answer regularly.

The abovementioned communication tools will be used to inform the target public on current developments at TEŠ and our development strategy, which includes the construction of replacement Unit 6, and the course of Unit 6 construction.

2.13 RESEARCH AND DEVELOPMENT

The TEŠ's R&D activities in 2013 were projected towards achieving target useful lives of the existing production units, implementation of new technologies and searching for new development opportunities.

Based on the expected target useful life of Unit 5 until 2027 and stricter environmental protection requirements with respect to emissions of nitrogen oxides after 1 January 2016, in 2013 we prepared a document with the title 'Document on identification of investment project for construction of a plant for elimination of nitrogen oxides from the Unit 5 flue gases'. Integration of DeNOx appliance for reduction of nitrogen oxides in Unit 5 would allow uninterrupted operation of this production unit also after 2015.

Limits for emissions of sulphur dioxide (SO_2) from the existing heating plants will be stricter after 2015. Last year, we conducted research on possible ways of solving the problem of reducing SO_2 emissions, i.e. optimisation of the Unit 5 gas desulphurisation plant operations.

In 2013, we continued with the projects 'Use of ventilator air from the ventilator station Šoštanj in the TEŠ's combustion plants' and the 'Improvement device for green surfaces'. The projects are carried out within the scope of Razvojni center energija d.o.o. (RCE), and are partially financed with non-refundable funds from the Ministry of Economic Development and Technology.

In the context of implementation of measures in the area of rationalisation of business processes and finding new opportunities, our activities in 2013 were focused on the analysis of the situation for construction of a plasterboard factory. International practices show that factories for manufacturing of industrial plaster are often located near thermal power plants that use wet limestone process for desulphurisation. In order to build such factory, TEŠ should find a strategic partner with already developed market for sales of plaster products. In this partnership, TEŠ would act as supplier of dehydrated gypsum and steam, while the facility and technology would be by the and financed strategic partner. Construction of such factory would ensure new jobs.

2.14 PLANS FOR THE FUTURE

In the future, the company intends to further pursue the following long-term goals:

Production of electricity and thermal energy

- Net production of electricity from coal: more than 4,000 GWh in 2015;
- Thermal energy production: more than 300 GWh per year;
- Provision of necessary system services (secondary reserve 32 MW in favourable hydrologic conditions, possible up to 50 MW);
- Ensuring tertiary reserve (36 MW);
- Optimisation of coal consumption;
- Ensuring high operational availability K > 98%;
- Providing high reliability.

Sales of electricity and other services:

- Net sales of electricity from coal: more than 4,000 GWh in 2015;
- Sales of thermal energy: more than 300 GWh per year;
- Marketing of services on the basis of own knowledge and capabilities;
- Marketing of other TEŠ products (ash, gypsum, demineralised water, hydrogen, oxygen).

Capital investments:

- Priority is finishing the construction of 600 MW Unit 6 by June 2015;
- Decrease in nitrogen oxides emissions at Unit 5 by optimising combustion processes and, if necessary, by building additional plants for reduction of nitrogen oxides emissions.

Management of financial assets:

- Optimum financial policy with the strategy of ensuring liquidity and solvency;
- Optimum financial assets and capital structure based with the financial risk management strategy;
- Positive cash flow on the long run based on streamlining of business processes.

Purchasing of primary resources, spare parts, materials and services:

- Coal for electricity production; less than 1 t/MWh in 2015 (Hi=10,47 MJ/kg);
- Purchase of energy products, emission coupons, spare parts, materials and services under most favourable terms.

Ensuring appropriate structure, skills, efficiency and availability of human resources:

- Employment – gradual reduction of the number of employees;
- Staff training for control, management and maintenance of the new technology unit Unit 6.

REACHING FOR HIGH OBJECTIVES OF THE TECHNOLOGICAL PROGRESS

The company is improving all levels of its operations with system updates and investments into modern technology. The construction of block 6 in TEŠ will not only reduce the level of environmental pollution and improve the quality and energy efficiency, but also enable the power plant to achieve compliance with the international standards of the best available technologies (BAT).

3 SOCIAL RESPONSIBILITY REPORT

3.1 RESPONSIBILITY TO EMPLOYEES

We are a successful company with more than 50 years of tradition. We have faced numerous challenges and impacts that, among other, require different measures. Of course, these are not focused and founded on power, but on trust, and also allow us, at the same time, to efficiently adapt to constantly changing environment.

As success can only derive from people – the employees, which are of the same importance as financial assets, modern technology etc. It is the people that manage the effectiveness of technology and other resources. We can say that Termoelektrarna Šoštanj is a responsible employer, because we give all our employees the opportunity to grow professionally and personally.

We strive to provide new challenges, we encourage self-initiative, promotion, target education and professional training for our employees.

3.2 HUMAN RESOURCES

As at 31 December 2013, TEŠ employed 450 employees, 447 of which were full-time employees, while 3 had a fixed-term contract. In comparison to 31 December 2012, the number of employees decreased by 14. In 2013, 30 work contracts were terminated and 16 were newly concluded.

	31/12/2013	01/01/2013	PN 31/12/2013	31/12/2012
* without trainees	448	461	465	463
* trainees	2	1	5	1
TOTAL	**450**	**462**	**470**	**464**

	31/12/2013	01/01/2013	PN 31/12/2013	31/12/2012
* fixed term	3	18	15	18
* permanent term	447	444	455	446
TOTAL	**450**	**462**	**470**	**464**

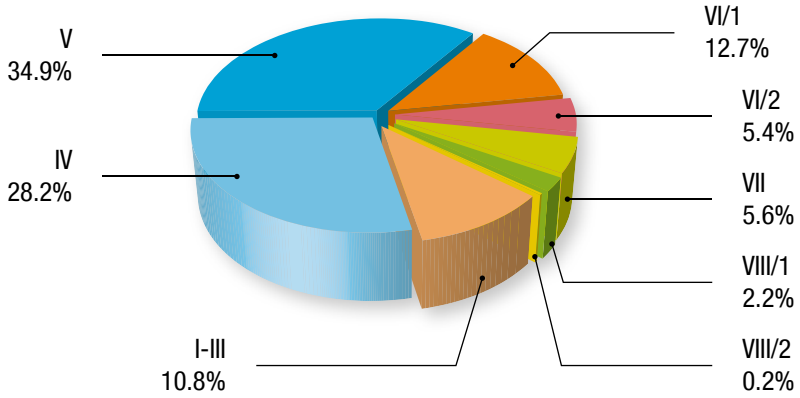
	31/12/2013	01/01/2013	PN 31/12/2013	31/12/2012
* CA - collective agreement	445	459	466	461
* MC - management contract	5	3	4	3
- of these: no. of management (board) members	1	1	1	
TOTAL	**450**	**462**	**470**	**464**

At the end of 2013, there were 89% male and 11% female employees, which is comparable to previous periods and strongly reflects the main activity of the company.

As at 31 December 2013, the average age structure of permanent staff was 45 years and 7 months, whereas their average period of service was 24 years and 11 months.

The year of 2013 was a very dynamic one. In the light of ensuring the most efficient adapting to changed economic conditions and reorganisation projections, several measures were implemented with the goal to ensure stability and rationality of the company's operations, to implement synergy effects within the company, to strengthen decentralised management and responsible attitude at all management levels, to optimise processes, and to encourage team work and integrity. Diverse actions for labour costs optimisation were carried out, i.e. we hired app. 5% less employees than initially planned, we introduced new method of monitoring and managing sick leaves, we reduced the commute costs, etc.

Educational structure of employees as at 31 December 2013:



3.3 EDUCATION AND TRAINING

The investments in knowledge are investments in future. Therefore, we devote a great deal of attention to appropriate staff development. By offering the possibilities of education and other forms of training, we are establishing a devoted relationship with our employees.

In the academic year 2013/2014, 20 or 4.4% of employees participated in part-time education. The average age of employees who are included in part-time education is 37 years and 5 months. In 2013, five employees completed their studies and acquired a higher level of professional education.

160 employees participated in internal trainings in 2013. External trainings involved 290 employees. They attended 78 different seminars. In this view, 95 employees attended individual trainings, while 195 employees were trained within group training programmes.

3.4 RESPONSIBILITY TO THE ENVIRONMENT

The responsibility towards the environment has been for years a central element of the TEŠ policy and has been carried out mostly through constant controls, warnings, measures and improvements. We perform regular controls of emissions and air quality of the surroundings, and analysis of number of hours when 2XMEV was exceeded. Thanks to such control and measures, we managed to keep annual and monthly averages of pollutants, such as NOx, CO, SO_2 and dust, under emission thresholds at all large combustion plants. All large combustion plants operated within the tolerance margin of 120 hours (the so-called purification plant shutdown status). Also the 24-hour tolerance margin of SO_2 emission concentrations in the air has not been exceeded at any of the locations for several years. For better control and reporting to the Ministry of Agriculture and the Environment and the Inspectorate of RS for Agriculture and the Environment, the excess during switching of boilers 3/1 and 3/2 from the purification plant to chimney 1 was added to the water treatment plant journal LCP2.

Despite the compliance with legally prescribed amounts, we are facing an increase in dust concentrations on the shutdown of LCP 2 and 3. It is a fact that electrostatic precipitators perform worse when flue gases do not contain SO_3, which is the case when a boiler is cooled forcibly, as a prerequisite for safe maintenance work. In the current year, the situation slightly improved, as only 27 hours of dust particle removal plant shutdown were recorded at LCP2. Due to different approach for LCP3, we do not have the information on shutdowns and; however, we assess the situation as similar.

In terms of efficient use of combustion residue, a more detailed analysis of stabilisation material production was performed in 2013. Due to unfinished installation of automated and alarm devices, problems of unbalanced sales of aches and gypsum have occurred.

In the scope of Unit 6 construction site, we dedicated a special attention to the balance between produced waste and excavated material, as well as to supervision of dust and draining of construction rainwater. Excess of PM10 particles decreased significantly at both stations.

Exceeded pH value and, occasionally, solid particles and iron at the outflow of canalisation into Paka due to spreading of concreted surfaces at the construction site are still present, but did not cause any apparent deterioration in the Paka River.

In the context of the Unit 6 construction, we dedicated more attention to handy outdoor storage of hazardous substances and informed the supervisors about deficiencies. At the beginning of July, the company carried out verification, which identified several inadequate storages of hazardous substances (missing catchers and roofs at handy storages).

Performance of non-continued and continued measurements at the construction site did not show any noise excess. However, level of noise at the site is exceeded occasionally, especially the night levels. Excessive noise of Cooling Tower 4 was partially limited with noise barrier at the western side of the tower.

Due to direct purchases of equipment abroad without a Slovenian supplier we are obliged to pay environmental tax for waste packaging and to enter into contract with so-called packaging waste management companies (PWMC). By March, we managed to register with and to send the first quarter report to the Custom Administration. On their request, we assessed the supply of packaging for the last four and a half years. Results showed that without Unit 6 TEŠ would not be liable to pay packaging waste tax. We became subject to this contribution in 2012, when the packaging amounts exceeded the legally prescribed limit.

For the purposes of public tender, we obtained the information on the expected amount of packaging in the next period from the main contractor at Unit 6 in the middle of July, while the TEŠ construction service informed us about the quantities of containers needed and other potential requirements for PWMC. The procedure of PWMC selection was not completed by the end of the year. Therefore, in the area of packaging waste, the next tasks are registration at the Slovenian Environment Agency (ARSO) and conclusion of waste management contract with a PWMC.

In line with the EBRD requirements and form sheet, we prepared an overview of environmental matters for the previous year. In June, we were paid a visit by the EIB representatives, also in connection with recourse mechanism and TEŠ's cooperation with non-governmental organisations (NGO). We informed the EIB about the fact that we invited several NGOs to participate in the project council in 2011. Some of them refused to cooperate with us, others did not provide any feedback, while two NGOs became involved in the project council.

As for separate collection of maintenance waste, we monitored the trends regarding the generation of mixed construction and municipal waste and their disposal. The results regarding municipal waste still have not improved, since the waste quantity decreased minimally. Improvement was identified in the area of construction waste in 2013. The majority of construction waste is recorded at the Unit 6 site, which points to the fact that poor separation of waste can be attributed particularly to external providers of construction works.

By March, we prepared all environmental record for the past year, namely the record of raw and waste waters, record of close water circuit, record of combustion products and the overview of generated waste. We prepared data also on hourly level for the pumping station for unprocessed water from Topolščica. We obtained the necessary reports by the monitoring authorities for the purpose of annual reporting on the environment - the reports were analysed and, if necessary, amendments were requested, so we could report to the Slovenian Environment Agency on time. For the purposes of the Statistical Office, we prepared the statistics for water and environmental expenditures. For the Agency, we also prepared the data according to the required margins for the purposes of the European pollutant emission register.

In terms of water permit extension, we submitted the application for extension in May and additional data in June. ARSO did not send us any reply in this regard by the end of the year.

Within the scope of ISO 14001, we renewed the environmental aspects and revised the environmental programmes, completed the internal audits and successfully passed the external audit.

In the context of ecology, we planned 14 related projects. Unfortunately, we did not manage to invest in any other ecological project but the Unit 6. Accordingly, in 2013, we did not complete the interception device for rainwater canalisation and the decarbonisation centrifuge for muddy water, which would contribute to improving of the balance of the closed water circuit and indirectly result in faster decrease in high concentrations of sulphate and molybdenum in the Velenje Lake. We needed to postpone the project regarding humidification of stabilisation material on the intermediate storage facility and environment friendly exploitation of the Družimirje Lake.

In the framework of the Environmental Management Systems (SRO) programmes, we managed to realise only the goals that are less connected to the need for investment sources, amongst which we have to mention the maintenance of the annual quantity of NOx below 7692 tonnes and partial replacement of ordinary hydrocyclon nozzles with ceramic ones. Additionally, we reached a remarkable success with the reduction of drawing of the water from Topolščica below 80 m^3/h, which means saving with quality drinkable water.

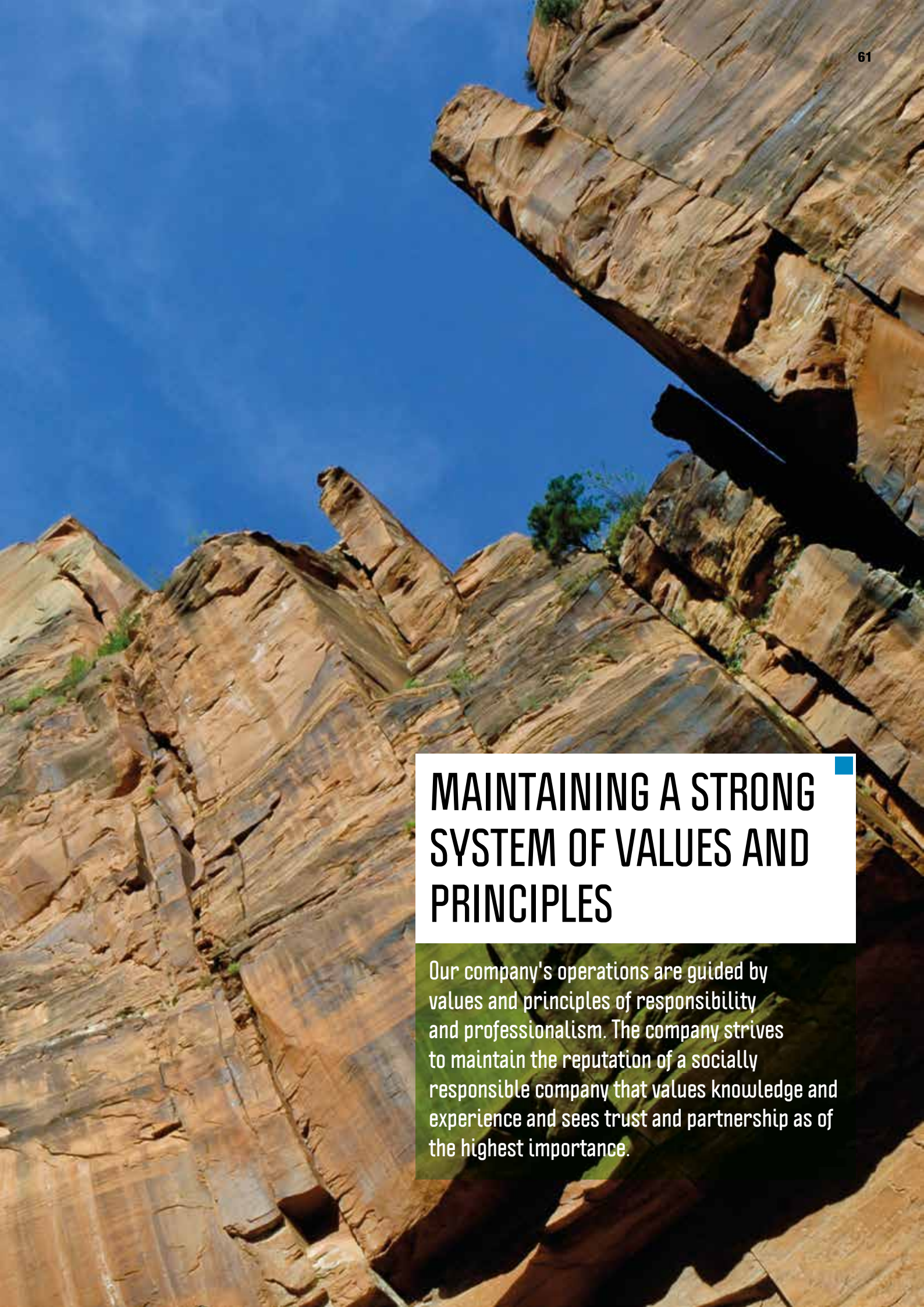
In line with the EID directive, we sent a statement to the Ministry of Agriculture and the Environment in December, that we would use Unit 4 for a max of 17500 operating hours in the period from 1 January 2016 to 31 December 2023 by the latest.

3.5 RESPONSIBILITY TOWARDS THE WIDER COMMUNITY

With its location and activities, TEŠ is significantly included not only in wider, but also in the local environment. At the company we are aware of the significance of the environment, in which we operate and which we actively shape. We are particularly aware of this due to the environmental impact of our electricity production and in 2013 additionally with the construction of replacement Unit 6. Therefore, we have adopted an active role in the development of the location by participating in various projects and providing financial support. We cooperate with numerous educational institutions and professional organisations; we donate to cultural associations, comprising the mixed choir Svoboda from Šoštanj, TEŠ Octet, and brass band 'Zarja' from Šoštanj. We sponsor various sport clubs, such as the Elektra basketball team and the Šoštanj – Topolšica volleyball team and the Šoštanj football team.

We sponsor the international research camps for students, which is organised in the summer by ERICO Institute for ecological research Velenje.

We will continue to do our best in the form of targeted sponsorships and donations, to help organisations, associations and individuals who particularly need help and support.



MAINTAINING A STRONG SYSTEM OF VALUES AND PRINCIPLES

Our company's operations are guided by values and principles of responsibility and professionalism. The company strives to maintain the reputation of a socially responsible company that values knowledge and experience and sees trust and partnership as of the highest importance.

4 FINANCIAL REPORT

4.1 AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of TERMOELEKTRARNA ŠOŠTANJ d.o.o.

Report on the Financial Statements

We have audited the accompanying financial statements of the company Termoelektrarna Šoštanj d.o.o. (hereinafter: the "Company"), which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion - Breach of Bank Covenants

As discussed in Note *16 Long-term financial liabilities* to the statement of financial position, as at 31 December 2013 the Company does not comply with bank covenants stipulated in some of long-term loan agreements. As at 31 December 2013, the value of loans totalling EUR 750,000 thousand should have been transferred from long-term financial liabilities to short-term financial liabilities, in accordance with IAS 1 - *Presentation of financial statements.*

Qualified Opinion

In our opinion, except for the potential effect of the matter referred to in the *Basis for Qualified Opinion – Breach of Bank Covenants* paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its other comprehensive income for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

a) Going Concern

The financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note *4.11.2 Liquidity risk* to the financial statements, the Company's short-term liabilities exceed its current assets by EUR 54,917 thousand. The Company is exposed also to the risk arising from its great dependence on one supplier of coal as the main energy product, and, as presented in Note *4.11.4 Price risk* to the financial statements, to the risk arising from the amount of the selling price of electricity in relation to the cost price of electricity production. The abovementioned circumstances indicate the existence of a material uncertainty that may raise substantial doubt about the Company's ability to continue as a going concern. The management's plans with regard to these matters are also discussed in the note. The financial statements do not include potential adjustments that may have been the consequence of this uncertainty.

b) Valuation of Assets

As discussed in Note *2 Property, plant and equipment* to the statement of financial position, as at 31 December 2013 the Company discloses property, plant and equipment being acquired in relation to construction of replacement Unit 6 at TEŠ in the amount of EUR 1,137,463 thousand. Due to the risk that the planned price of coal as primary energy product purchased from the company Premogovnik Velenje d.d. will not be achieved and the relevant high uncertainty of future development of the Company's operations, a risk exists in relation to valuation of the discussed assets in the future. The planned coal price arises from the long-term contract among the Company, HSE d.o.o. and Premogovnik Velenje d.d. and is projected also in the 'Revised Investment Programme for the Construction of Replacement Unit 6 at TEŠ'. The management's plans regarding this matter are discussed in the mentioned note and note *4.11.4 Price risk* to the financial statements. The financial statements do not include potential adjustments that may have been the consequence of this uncertainty.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Kristian Milošič
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 30 June 2014

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

4.2 STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management is responsible to prepare the financial statements for each individual financial year in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the applicable law in a manner that they give a true and fair view of the financial position of the company Termoelektrarne Šoštanj d.o.o.

The management reasonably expects that in the foreseeable future the company will have sufficient assets to continue its operations and therefore the financial statements are prepared on a going concern basis.

The management's responsibility in preparation of the financial statements includes the following:

- accounting policies are appropriately selected and consistently used,
- judgements and assessments are reasonable and wise;
- financial statements are prepared in accordance with IFRS as adopted by the EU.

The management is responsible for keeping relevant records, which in each moment represent the company's financial position with a reasonable precision, and for ensuring that the company's financial statements are consistent with IFRS. The management is also responsible for protecting company's property and preventing and discovering abuses and other irregularities.

The management confirms that the financial statements are prepared in accordance with the provisions of IFRS without reservation when used.

The management adopted the company's financial statements for the financial year ended 31 December 2013 as at 30 June 2014.

Šoštanj, 30 June 2014

Peter Dermol
Managing Director

4.3 INTRODUCTORY NOTES TO THE PREPARATION OF FINANCIAL STATEMENTS

On the basis of the General Meeting decision of the owner of the company Termoelektrarna Šoštanj as at 20 August 2011, the financial statements and explanatory notes after 1 January 2011 are prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the EU.

The audit firm Deloitte revizija d.o.o. has audited the financial statements with explanatory notes and prepared the Independent Auditor's Report included in the beginning of the section.

4.3.1 Reporting company

Termoelektrarna Šoštanj d.o.o. (hereinafter: the 'company') is a company with its registered office in Slovenia. Its registered office is located at Cesta Lole Ribarja 18, Šoštanj. The separate financial statements of the company for the year ended 31 December 2013 are presented below.

The consolidated financial statements for the HSE Group are prepared by the company Holding Slovenske elektrarne d.o.o.. The consolidated annual report for the HSE Group is available at the company's registered office at Koprska ulica 92, Ljubljana.

4.3.2 Basis for preparation

In the preparation of financial statements as at 31 December 2013, the company considered:

- IFRS, which include International Accounting Standards (IAS), Interpretations issued by the Standing Interpretations Committee (SIC), International Financial Reporting Standards (IFRS) and Interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (hereinafter: the EU);
- the Companies Act;
- Energy Act;
- Corporate Income Tax Act and its implementing regulations;
- Accounting Rules of Termoelektrarna Šoštanj d.o.o., and
- other applicable legislation.

a) Currently applicable standards and interpretations

In the current period, the following standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- **Amendments to IAS 1 'Presentation of financial statements' – Presentation of items of other comprehensive income**, adopted by the EU on 5 June 2012 (applicable to the annual periods starting on or after 1 July 2012).
  The change requires separate disclosure of the other comprehensive income items, namely to those the company will transfer to the income statement in the future periods, and to those that will never be recognised in profit or loss. The amendments also confirm the existing requirements about items being presented as single statement or two consecutive statements within other comprehensive income or profit or loss. The amendment affects the presentation of the other comprehensive income items, but has no influence on the company's financial position or performance.

- **Amendments to IAS 12 'Income taxes' - Deferred tax**: Recovery of underlying assets, adopted by the EU on 11 December 2012 (applicable to the annual periods starting on or after 1 January 2013).
  The amendment requires that the company measures deferred tax asset depending on whether it expects to recover the carrying amount of the asset through use or sale. If an asset is measured using the fair value model from IAS 40 'Investment property', the estimation of its recovery based on use or sales could not be objective. The amendments provide practical solution to issues regarding the introduction of assumption that carrying amount recovery will usually occur with sale.
  The revised standard has no influence on the financial position or performance of the company, since it does not disclose the investment property.

- **Amendment to IAS 19 'Employee Benefits' - Improvements to the accounting for post-employment benefits**, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013).
  The amendments will bring the following significant improvements: (1) dismissal of the option regarding deferral of gains or loss recognition, which improves the comparability and reliability of presentation; (2) rationalisation of presentation in connection with changes in assets or liabilities arising from defined benefit plans, including the requirement for presentation of revaluation in other comprehensive income, and consequently, their distinction from the changes that are largely considered as the result of day-to-day operations of entities; (3) betterment of requirements regarding disclosure of defined benefit plans, which enables better data on the nature of such plans and the risks entities are exposed to due to their involvement with these plans.
  The amendment affects the disclosure of adjustments of the company's liabilities to employees arising from termination and jubilee benefits in 2013; namely, adjustments are not recognised in full in the income statement, i.e. one part of adjustments (unrealised actuarial gain or loss) is recognised in the statement of other comprehensive income. Considering the amount of the discussed liabilities, the effect on profit or loss for the year is immaterial.

- **IFRS 13 'Fair value measurement'**, adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2013).
  IFRS 13 defines fair value, gives guidelines on determining it, and requires disclosures regarding fair value measurements. Nevertheless, IFRS 13 does not change any requirement concerning which items should be disclosed or measured at fair value.
  The definition of fair value under IFRS 13: as the amount received from disposal of an asset or paid for transfer of liabilities in regular transaction between market participants (seller and buyer) on the measurement day.
  The revised standard has no influence on the financial position or performance of the company.

- **Amendments to IFRS 7 'Financial instruments: Disclosures' - Offsetting financial assets and financial liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods starting on or after 1 January 2013).
  The amendments require the information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32. They also determine disclosure of the information about recognised financial instruments subjected to executable master contracts on offsetting and similar agreements, even if not offset according to IAS 32.
  The revised standard has no influence on the financial position or performance of the company.

- **Amendments to various standards – 'Improvements to IFRSs (2009-2011)'**, resulting from the annual project for improvement of IFRSs (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 27 March 2013 (the amendments will need to be applied for annual periods beginning on or after 1 January 2013).
  The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) reuse of IFRS 1, (ii) borrowing costs under IFRS 1, (iii) interpretations of requirements for comparable data, (iv) classification of maintenance equipment, (v) interim financial reporting and segments of information for all assets and liabilities.
  The adoption of these amendments to the existing standards has not led to any changes in the company's accounting policies.

- **IFRIC 20 'Stripping costs in the production phase of a surface mine'**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).
  The interpretation determines that the costs in connection with 'activities of stripping' must be accounted for as an addition to the existing asset or its improvement, and that this component be depreciated or amortised during the expected useful life of the recognised ore body, which becomes more accessible due to the stripping activities (with use of production method units, unless another method is more appropriate).
  The revised standard has no influence on the financial position or performance of the company.

b) Standards and interpretations issued by IFRIC and adopted by the EU but not yet effective

The company has not adopted any standards or interpretations that will come into effect on or after 1 January 2014.

At the date of authorisation of these financial statements, the following standards, amendments of the existing standards and interpretations issued by IASB and adopted by the EU were published but not yet effective:

- **IFRS 10 'Consolidated financial statements'**, adopted by the EU on 11 December 2012 (applicable to the annual periods starting on or after 1 January 2014).
  IFRS 10 replaces the requirements regarding consolidation in IAS 27 'Consolidated and separate financial statements' and SIC – 12 'Consolidation – Special purpose entities', with introduction of unified consolidation model for all companies, which is based on controlling regardless of characteristics of the investee (i.e. whether an entity is controlled by voting rights of the investors or by other contractual agreements, as is usual for the special purpose entities). According to IFRS 10, controlling depends on the investor's (i) control of the investee, (ii) exposure and rights to variable return from its operations with the investee, and (iii) possibility to use its power over the investee to influence the return amount.
  Since the company does have any such investments, this standard will have no influence on its financial position or performance.

- **IFRS 11 'Joint arrangements'**, adopted by the EU on 11 December 2012 (applicable to the annual periods starting on or after 1 January 2014).
  IFRS 11 introduces new accounting requirements for joint arrangements which replace IAS 31 Interests in joint ventures. The option of using the proportionate consolidation method when accounting for jointly controlled companies was removed. Additionally, IFRS 11 currently reverses jointly controlled assets and defines inly the distinction between joint operations and joint ventures. Joint operation is a joint arrangement in which the parties with joint control have the right to assets and are bound by liabilities. Joint venture is a joint arrangement in which the parties with joint control have the right to net assets.
  Since the company does have any such investments, this standard will have no influence on its financial position or performance.

- **IFRS 12 'Disclosure of interests in other entities'**, adopted by the EU on 11 December 2012 (applicable to the annual periods starting on or after 1 January 2014).
  IFRS 12 requires better disclosures for controlled consolidated as well as unconsolidated entities. The aim of IFRS 12 is to require information so that the financial statements users can evaluate the controlling base, any limits to consolidated assets and liabilities, risk exposures arising from controlling of unconsolidated structured entities and involvement of non-controlling equity owners with the activities of consolidated companies.
  It is estimated that this standard will have no influence on the financial position or performance of the company.

- **IAS 27 (revised in 2011) 'Separate financial statements'**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
  Requirements regarding separate financial statements remain unchanged and are included in the amendment to IAS 27. The other parts of IAS 27 were replaced by IFRS 10.
  It is estimated that the revised standard will have no influence on the company's financial position or performance.

- **IAS 28 (revised in 2011) 'Investments in associates and joint ventures'**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
  IAS 28 was amended in accordance with the issuance of IFRS 10, 11 and 12.
  The revised standard will not affect the financial position or performance of the company.

- **Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities' - Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014).
  The aim of amendments is to make the transition to IFRS 10, IFRS 11 and IFRS 12 easier with 'limiting the requirement for providing adjusted comparable data to only comparable transition period'.
  IFRS 11 and IFRS 12 were also amended to remove the requirement to provide comparable data for the periods prior to the current transition period.
  The revised standard will not affect the financial position or performance of the company.

- **Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 (revised in 2011) 'Separate financial statements' – Investment entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014).
  The amendments bring an exception in relation to the consolidation requirement in IFRS 10 and require that investment entities carry out fair value measurements for individual subsidiaries through profit or loss, and not through consolidation. The amendments include also disclosure requirements for investment entities.
  It is estimated that the revised standard will have no influence on the company's financial position or performance.

- **Amendments to IAS 32 'Financial instruments: Presentation' – Offsetting financial assets and financial liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods starting on or after 1 January 2014).
  The amendments provide explanations of the use of offsetting rules and focus on four major areas: (a) the meaning of 'currently has a legally enforceable right to set-off'; (b) use of simultaneous realisation and settlement; (c) offsetting guarantee amounts; (d) unit of account for offsetting requirements.
  The revised standard will not affect the financial position or performance of the company.

- **Amendments to IAS 36 'Impairment of assets' – Recoverable amount disclosures for non-financial assets**, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014).
  The amendments of IAS 36 refer to disclosure of information on recoverable amount of impaired assets, if the value is based on fair value, less the cost of disposal. When preparing IFRS 13 'Fair value measurement', IASB decided to revise IAS 36 by requiring disclosure of recoverable amount of impaired assets. Current changes explain the IASB's initial purpose to limit the scope of such disclosures to recoverable amount of impaired assets, which is based on fair value, less the cost of disposal.
  The company assesses that the revised standard will have no influence on its financial position or performance.

- **Amendments to IAS 39 'Financial Instruments: Recognition and measurement' – Novation of derivatives and continuation of hedge accounting**, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014).
  The discussed amendments allow continued hedge accounting in cases when a derivative, previously defined as a hedging instrument, is redefined for the purpose of clearing with the central counterparty pursuant to laws and regulations, if certain conditions are met (in this case, novation requires all contracting parties to agree that the previous counterparty be replaced with a new one).
  The company assesses that the revised standard will have no influence on its financial position or performance.

4.3.3 Basis of measurement

The financial statements are prepared based on the going concern assumption and taking into account occurrence of business event.

The financial statements of the company are prepared on the basis of historical values of balance sheet items.

4.3.4 Currency reports

4.3.4.1 Functional and presentation currency

The financial statements contained in this Report are presented in euro (EUR) without cents. The euro has been the functional and presentation currency of the company.

Due to the rounding of amounts, minor but insignificant deviations exist in the tables.

4.3.4.2 Prevedba tujih valut

Transactions expressed in a foreign currency are converted into the relevant functional currency at the exchange rate applicable at the date of transaction. Cash and liabilities expressed in a foreign currency at the end of the reporting period are converted into functional currency at then applicable exchange rate.

Positive or negative foreign exchange differences are differences between amortised cost in the functional currency at the beginning of the period, which is repaired for the amount of effective interest and payments during the period, as well as amortised cost in foreign currency converted at the exchange rate at the end of the period.

Non-cash assets and liabilities expressed in a foreign currency and measured at fair value are converted in the functional currency at the exchange rate on the date when the amount of fair value is determined.

Foreign exchange differences are recognised in the income statement, namely according the net principle (difference between positive and negative foreign exchange differences among revenue or difference between negative and positive foreign exchange differences and expenses).

4.3.5 Use of estimates and judgements

The preparation of financial statements requires that the management forms certain assessments and assumptions which affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and expenses in the reporting period.

Assessments and assumptions are based on past experience and other factors that are considered reasonable in given circumstances and on the basis of which the judgements on the carrying amount of assets and liabilities are expressed.

Since the assessments and assumptions are subject to subjective judgement and certain level of uncertainty, subsequent actual results can differ from assessments. The assessments are examined on regular basis. Changes in accounting estimates are recognised in the period in which the assessments were changed if the change affects only that period or in the period of change and in future periods in case the change affects future periods.

Assessments and assumptions are present at least at the following judgements:

- assessment of useful life of depreciable/ amortisable assets;
- test of impairment of assets;
- assessment of net realisable value of inventories;
- assessment of realisable value of receivables;
- assessment of provisions for jubilee and termination benefits;
- assessment of other provisions,
- assessment of contingent liabilities and assets.

4.3.6 Events after the balance sheet date

There were no significant events after the date of the statement of financial position that would affect financial statements.

4.3.7 Significant accounting policies

The company's financial statements are prepared on the basis of accounting policies presented below. The abovementioned accounting policies are used for both years presented, unless otherwise indicated.

The comparative data was adopted when needed so that they are in accordance with the presentation of data in the current year.

4.3.7.1 Intangible assets

Intangible assets are long-term assets enabling the performance of the company's registered activities, whereas physically they do not exist. Company's intangible assets include licences, software and emission coupons.

Upon initial recognition, an intangible asset is measured at cost. The cost also includes import and non-refundable purchase taxes after the commercial and other discounts have been deducted and all costs directly attributable to preparation of an asset for the intended use. Borrowing costs that are directly allocated to the purchase, construction or production of a qualifying asset, i.e. until the capitalisation of an asset, are recognised as a part of cost of such an asset.

Intangible assets are subsequently measured using the cost model.

Emission coupons are long-term property rights with an indefinite useful life and are measured in accordance with the interpretations by the Slovene Institute of Auditors

Amortisation is calculated using the straight-line amortisation method, taking into account the useful life of individual (integral) part of an intangible asset. The amortisation begins to be calculated from the cost when an asset is available for use. Intangible assets with indefinite useful life are not amortised, but impaired.

The residual value of an intangible asset is an estimated amount the company would receive upon disposal of such asset, after the reduction by estimated costs of disposal, if such asset were old enough and if its state reflected the end of its useful life. The company has no intangible assets, for which it would record the residual value when purchased.

Intangible assets with indefinite useful life are not amortised, but impaired.

Amortisation methods, useful lives and other values of groups of intangible assets are examined at the end of each financial year and adapted if needed.

If the useful life of an asset is extended, the cost of amortisation for the financial year decreases. If, on the other hand, the useful life of an asset is reduced, the amortisation cost increases. The adjustment of useful life has to be calculated in a manner that the asset will be amortised in the new predicted useful life. The change in useful life is considered as a change in accounting estimate and it affects solely the period in which the accounting estimate was changed and every following period of the remaining useful life.

Amortisation rates used for individual intangible assets are:

Amortisation categories of intangible assets

INTANGIBLE ASSETS	AMORTISATION RATE (%)
Software	7.6% - 50.0%
Licences	12.5% - 50.0%

Ulterior costs in relation to intangible assets are capitalised only in cases when they increase future economic benefits arising from an asset to which the costs refer. All other costs are recognised in profit or loss as expenses as soon as they are incurred.

4.3.7.2 Property, plant and equipment

Property, plant and equipment are long-term assets owned by the company and used for the performance of its registered activities. Property, plant and equipment comprise land, buildings, production equipment, other equipment and assets in the course of construction.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated losses from impairments, except land and other assets that are not amortised and are presented at its cost less all impairments. Cost includes costs that can be directly attributed to the acquisition of an item of property, plant and equipment.

The parts of items of plant and equipment with different useful lives are accounted for as individual assets.

The anticipated costs of major regular inspections and repairs (overhauls) of plant and equipment are considered as parts. They include repairs that are usually carried out every few years (periodically) and require substantial resources.
The company has no item of property, plant and equipment acquired free of charge.

Borrowing costs that are directly allocated to the purchase, construction or production of a qualifying asset, i.e. until the capitalisation of an asset, are recognised as a part of cost of such an asset.

For subsequent measurement of property, plant and equipment the cost model is used.

Depreciation is calculated using the straight-line amortisation method, taking into account the useful life of each individual (integral) part of an asset and residual value. Depreciation is calculated on the basis of cost, when an asset is available for use. Assets that are in the process of production or construction are not depreciated.

Depreciation rates of property, plant and equipment are defined on the basis of the management's assessment with regard to estimated useful lives of individual production units.

The depreciation rates which significantly affect the amount of depreciation charge per production unit are:

Amortisation categories of production units

PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION RATE for real estate in %	DEPRECIATION RATE for production equipment in %	DEPRECIATION RATE for parts of production equipment (repairs) in %
Unit 3			19.0 % - 63.2 %
Unit 4	1.9 % - 5.1 %	0.9 % - 10.0 %	16 % - 38.7 %
Unit 5	0.3 % - 3.1 %	0.3 % - 6.0 %	25.0 %
Gas unit 1 and 2	4.0 %	4.0 % - 6.8 %	20.0 % - 25.0 %

The depreciation rates of other property, plant and equipment purchased in the current and comparable period are as follows:

Amortisation categories of property, plant and equipment - other

PROPERTY, PLANT AND EQUIPMENT	AMORTISATION RATE (%)
Buildings - other	2.1 % - 2.9 %
Parts of buildings	2.5 % - 20.0 %
Computer equipment	20.0 % -50.0 %
Furniture	10.0 % -20.0 %
Cars	10.0 % - 20.0 %
Other vehicles	4.0 %- 20.0 %
Other devices and equipment	12.5 % - 33.3 %

Depreciation methods, useful life and other values of groups of assets are examined at the end of each financial year and adapted if needed.
In case useful life is extended, the company decreases accrued depreciation costs in the discussed financial year, while in case the useful life is shortened, it increases them. The adjustment of useful life has to be calculated in a manner that the asset will be depreciated in the new predicted useful life. The change in useful life is considered as a change in accounting estimate and it affects solely the period in which the accounting estimate was changed and every following period of the remaining useful life.

The costs of replacement of a part of an asset are attributed to the carrying amount of this asset if it is possible that future economic benefits related to a part of this asset will flow to the company and if cost can be reliably measured. All other costs (e.g. regular maintenance) are recognised in profit or loss as expenses as soon as they are incurred.

The residual value of an asset is an estimated amount the company would receive upon disposal of such asset, after the reduction by estimated costs of disposal, if such asset were old enough and if its state reflected the end of its useful life. The company has no property, plant or equipment, for which it would record the residual value when purchased.

Gains and losses that occur in disposal of property, plant and equipment are recognised as a difference between the net sales value and carrying amount of a disposed asset and are recognised among other operating revenue or write-downs in value.

4.3.7.3 Long-term investments in associates

Investments in associates are investments in which the company has an important influence; usually, its stake in such company ranges between 20 and 50%.

In the company's financial statements investments in associates are carried at cost.

4.3.7.4 Financial instruments

Financial instruments include the following assumptions:
- non-derivative financial assets; and
- non-derivative financial liabilities.

4.3.7.4.1 Non-derivative financial assets

Non-derivative financial assets comprise investments, receivables, loans, cash and cash equivalents.

Financial asset is derecognised when contractual rights to cash flows from this asset are discontinued or when the rights to contractual cash flows from the financial asset are transferred on the basis of a transaction in which all risks and benefits from the ownership of financial asset are transferred.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale (including other long-term financial investments) or are not classified as loans and receivables or financial assets at fair value through profit or loss.

Financial assets are measured at cost, in the event their fair value cannot be reliably measured. Potential signs of impairment are verified at least once a year.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At initial recognition, loans and receivables are disclosed at fair value, increased by direct costs of transaction. After initial recognition, loans and receivables are measured at amortised cost and decreased by the loss due to impairment. Loans and receivables are recorded in the statement of financial position as financial and business assets and include loans granted, deposits, receivables due from buyers and others.

In the books of account, loans are recognised according to the settlement date, while receivables are recognised in accordance with trading date.

Loans and receivables are recorded as current assets, unless their maturity exceeds 12 months after the balance sheet date. In such case they are classified under long-term assets.

Receivables for advances given are disclosed in the statement of financial position at cost, less VAT.

Cash and cash equivalents
Cash and cash equivalents comprise cash, bank deposits up to three months and other short-term quickly realisable investments with original maturity of three months or less. They are carried at cost.

4.3.7.4.2 Non-derivative financial liabilities

Non-derivative financial liabilities comprise operating and financial liabilities. Financial liabilities are initially carried at fair value, increased by the costs directly attributable to the transaction. After the initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Loans received are initially recognised on the date of their settlement (payment), while other non-derivative financial liabilities are recognised on the trade date.

The portion of long-term financial liabilities that falls due within less than a year after the cash flow statement date is disclosed under short-term financial liabilities.

4.3.7.5 Assets held for sale

Asset or group of assets held for sale are those assets for which it can be reasonably expected that their value will be settled through sales in the following 12 months and not with further use.

Asset or group of assets held for sale are measured at the lower of the two: their carrying amount or fair value less costs of sale.

4.3.7.6 Inventories

Inventories are carried at the lower of the two: historical cost or net realisable value. The historical cost includes cost that is composed of purchase price, import duties and direct costs of purchase. The purchase price is reduced by discounts received. Direct costs of purchase are costs of transport services, costs of loading, cargo handling and unloading, costs of monitoring of goods and other costs that can be attributed to directly obtained merchandise and materials. Purchase price discounts comprise discounts indicated in the invoice as well as discounts that are received later and refer to individual purchase.

The company uses the weighted average cost formula to assess the value of materials and small tools inventories and to record costs or expenses.

The first-in first-out (FIFO) method is only used to assess the value of coal and gas used, since coal and gas that are purchased first are also used first. The company does not record any coal and gas inventories.

Net realisable value is assessed on the basis of selling price in the normal course of operations reduced by the estimated costs of completion and sales. The write-downs of damaged, expired and useless inventories are regularly performed during the year per individual items;

At least once per year, namely as at the date of preparation of annual financial statements, the evidence on impairment of inventories is assessed. The impairment of inventories is assessed for each individual type of inventories. Individual types of inventories are classified as groups of inventories with similar characteristics on the basis of time component of changes in inventories. In the assessment of impairment for an individual group, the criteria of professional assessment, further utilisation or sale are used.

4.3.7.7 Impairment of assets

4.3.7.7.1 Financial assets

A financial asset is considered impaired, if there is objective evidence from which it is evident that, due to one or more events, the expected future cash flows arising from this asset that can be reliably measured have been decreased.

Objective evidence on the impairment of financial assets can be: non-compliance or violation by the debtor, deterioration of borrowers' solvency, signs that the debtor will go bankrupt or disappearance of active market for such instrument.

Impairment of receivables
The company individually assesses the evidence on impairment of receivables. If assessed that the carrying amount of receivable exceeds its fair value (realisable value), the receivable is impaired.

Receivables assumed not to be settled by their due date or in their full amount are considered doubtful receivables; if they result in legal action, they are considered disputed receivables.

For subsequent write-offs of receivables relevant documents of proof are needed: legally enforceable decisions of enforced settlement, bankruptcy proceeding, court ruling or other relevant document.

In case all actions were performed in accordance with the due diligence principle, with the intention to repay certain unsettled receivables and in case that due to the amount of receivables it would not be economical for the company to enter the collection procedure through court, the receivables are filly written-off, on the basis the management's decision.

Losses arising from impairment in relation to financial assets are recognised in profit or loss.

4.3.7.7.2 Non-financial assets

On each reporting date the company verifies the carrying amount of significant non-financial assets with the purpose to establish whether there are any signs of impairment. If such signs exist, the recoverable amount of the asset is estimated.

The recoverable amount of an asset or cash-generating unit is the higher of the two: value in use or fair value less costs of disposal. When determining the value of an asset in use, the expected future cash flows are discounted to their current value by using the discount rate before tax that reflects regular market assessments of the time value of money and risks that typically occur in relation to the asset. For the purpose of impairment test, the assets that cannot be individually tested are classified in the smallest possible group of assets that generate cash flows from further use and are mostly independent from receipts of other assets and groups of assets (cash-generating unit).

The impairment of an asset or cash-generating unit is recognised in case its carrying amount exceeds its recoverable amount. Impairment is disclosed in the income statement.

At the end of the reporting period, the company evaluates losses due to impairment in previous periods and thus establishes whether the loss has decreased or even disappeared. Loss due to impairment is reversed in case there has been a change in assessments, on the basis of which the company defines the recoverable amount of an asset. Impairment loss is reversed to such an extent that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in respect of the asset in prior years.
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4.3.7.8 Equity

Total equity of the company represents its liability to owners which falls due if the company ceases to operate, whereby the amount of equity is adjusted with respect to the then attainable price for the company's net assets. It is determined by both the amounts invested by owners and the amounts generated in the course of operation that belong to the owners. It is decreased by the loss incurred in the course of operations and increased by the profit in the period.

Nominal capital and capital surplus represent the owner's cash contributions and in-kind contributions.

Capital surplus comprises the general equity revaluation adjustments. The amount can only be used for increase in share capital.

Legal and other reserves are amounts that are intentionally retained from the previous years' revenue. They are created on the basis of the decision by relevant management and supervisory body.

Fair value reserve represents the revaluation amounts of individual categories of assets.

Retained earnings include the profit from the previous periods, as well as of the current year.

4.3.7.9 Provisions for jubilee and termination benefits

In accordance with legal regulations, collective agreement and internal rules, the company is obliged to pay jubilee benefits to employees and termination benefits on their retirement for which long-term provisions are created. There are no other existing pension liabilities.

Provisions are created in the amount of estimated future payments for termination and jubilee benefits discounted at the end of the financial year. The calculation is prepared for each employee by taking into account the costs of termination benefits on retirement and costs of all expected jubilee benefits until retirement. The calculation is prepared by the actuary using the projected unit. The actuary is selected at the level of the group. Payments for termination benefits on retirement and jubilee benefits decrease the created provisions.

4.3.7.10 Other provisions

Provisions are recognised when the company has a legal or constructive obligations arising from past event, which can be reliably assessed, and when it is likely that that an outflow of resources embodying economic benefits will be required to settle the liability.

The amount of the provision must be equal to the present value of the expenditure expected to be required to settle the liability.

Since provisions are intended for covering probable, but not certain obligations, the amount recognised as a provision is merely the best estimate of the expenditure needed for the settlement of obligation existing on the date of the statement of financial position. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Provisions are directly decreased by costs or expenses, for which they were created to cover. This means that in the financial year such costs or expenses do not appear in the profit or loss anymore.

If the expected liabilities do not occur, the reversal of created provisions is carried out and recognised under other operating revenue.

4.3.7.11 Other assets and liabilities

Other assets include long-term and short-term deferred costs and accrued revenue.

Deferred costs or expenses are amounts incurred but not yet charged against the profit or loss. Accrued revenue is revenue that is taken into account in the profit or loss, although they have not been charged yet.

Other liabilities include long-term and short-term accrued costs and deferred revenue.

Accrued costs are amounts that have not occurred yet, but they will in the future and are already influencing the profit or loss.

Deferred revenue is the revenue that will cover estimated expenses during a period of more than one year. They also include received state aids and aids connected with assets.

4.3.7.12 Contingent liabilities and assets

Contingent liability is:

- A possible liability arising from past events and whose existence is confirmed solely by the occurrence or non-occurrence of one or more uncertain future events that the company does not fully control; or
- A present obligation arising from past events, which is not recognised, since it is not probable that the outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be reliably measured.

Contingent asset is an asset that could arise from past events and the existence of which is confirmed solely by the occurrence or non-occurrence of one or more uncertain future events that the company does not fully control.
The company does not recognise contingent assets and liabilities in the statement of financial position.

4.3.7.13 Revenue

Sales revenue is recognised at fair value of the received repayment or receivable arising from this repayment decreased by repayments and discounts, rebates for further sale and quantity discounts. The revenue is disclosed when the buyer assumes all significant types of risks and benefits related to the ownership of the asset, when there is a certainty in relation to recoverability of a fee and related costs or possibility of repayment of products and when the company stops deciding on products sold.

Sale of goods is recognised when the company delivers the products to the client. The client accepts the products, while the collectability of associated receivables is reasonably ensured. In case the company has more positive than negative foreign exchange differences from operations,

such differences are recorded as net revenue from the sales of merchandise.

Sale of services is recognised in the accounting period in which the services are performed as regards the conclusion of the transaction estimated on the basis of actually performed service as the proportional portion of all services.

Revenue arising from **default interest** charges and related receivables are recognised upon occurrence if it is probable that the economic benefits related to transaction will inflow to the company. On the contrary, default interest charges are recorded as contingent assets and are recognised in the company's books of account upon payments. Recording of default interest is considered individually.

Other operating revenue related to products and services is revenue from the reversal of provisions, revenue from utilisation of deferred revenue, gains arising from sales of fixed assets, reversal of impairment of receivables, received compensations and contractual penalties and similar revenue (ex. government grants).

Government grant is considered as deferred revenue that the company strictly consistently and reasonably recognises as other operating revenue over the useful life of the relevant asset (on the other hand, the company discloses the amortisation cost for the asset among operating expenses).

Financial revenues comprise revenue from investment shares, interest on loans granted and deposits, positive difference of exchange rates from financing activities and revenue of associates.

4.3.7.14 Expenses

Expenses are recognised if a decrease in economic benefits in the accounting period gives rise to a decrease in assets or increase in debt and this decrease can be reliably measured. Operating expenses are recognised once costs are no longer held in inventories of products and work in progress or once merchandise has been sold. Costs that cannot be held in inventories of products and work in progress are recognised as operating expenses upon its occurrence.

Costs of materials are historical costs of materials purchased that are directly used for creating products and services (direct costs of material) as well as costs of material that do not have such nature and are included in relevant purpose (functional) groups of indirect operating costs. The first subgroup includes costs of raw materials, other materials and purchased parts and semi-finished products whose consumption can be related to creating products and services. The second subgroup includes costs of auxiliary materials for maintenance of property, plant and equipment, small tools the useful life of which does not exceed one year, office supplies, specialised literature and other items. Costs of materials cover also the accrued costs of shrinkage, wasting, breakage and failure. In case the company has more negative than positive operating foreign exchange differences, such differences are recorded as costs of materials.

Costs of services are historical costs of purchased services that are directly used for creating products and services (costs of direct services) as well as costs of services that do not have such nature and are included in adequate purpose (functional) groups of indirect operating costs. The first group mostly includes the costs of services for production of goods, while the second group includes mainly the costs of transport services, maintenance services, services of fairs, marketing and entertainment, costs of insurance premiums, payment transactions and other banking services (except interest), rents, advisory services, business travels and similar services.

Write-downs in value include amortisation/depreciation costs related to consistent transfer of value of amortisable intangible assets and depreciable property, plant and equipment. Write-downs in value comprise also impairments, write-downs and losses from the sales of intangible assets and property, plant and equipment, as well as impairments or write-downs of receivables and inventories.

Labour costs are historical costs that refer to salaries and other payments to employees in gross amounts, as well as duties that are calculated from this basis and are not an integral part of gross amounts. These costs can be directly charged against creation of products and services (costs of direct work) or they have the nature of indirect costs and are comprised in relevant purpose (functional) groups of indirect costs.

Other operating expenses occur in relation to creation of provisions, environmental taxes, donations and other duties.

Financial expenses comprise borrowing costs (if they are not capitalised), negative foreign exchange differences that occur in financing and investment activities, changes in fair value of financial assets at fair value through profit or loss and losses due to impairment of value of financial assets recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

4.3.7.15 Tax

Taxes include current and deferred tax liabilities. Current tax is included in the income statement. Deferred tax in recognised in the income statement and in the statement of financial position.

Current tax liabilities are based on taxable profit for the financial period. The taxable profit defers from net profit reported in the profit or loss, since it excludes the items of revenue or expenses that are taxable or deductible in other years as well as items that are never taxable or deductible. The company's current tax liabilities are calculated with tax rates that are applicable on the reporting date.

Deferred tax is completely disclosed using the liabilities method after the statement of financial position for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in financial statements. Deferred tax is defined using tax rates (and legislation) applicable on the date of the statement of financial position and for which it is expected to be in use when the receivable for deferred tax is realised or the liability for deferred tax is settled.

A deferred tax asset is recognised if there is a possibility that a taxable profit will be available in the future, from which it will be possible to utilise temporary differences. It represents the amount of the calculated corporate income tax on deductible temporary differences.

4.3.8 Statement of other comprehensive income

Statement of other comprehensive income comprises items of revenue and expenses that are not recognised in profit or loss, but they affect the amount of equity.

4.3.9 Cash flow statement

Cash flow statement represents changes in cash and cash equivalents of the financial year, for which it is prepared. The cash flow statement is prepared using the direct method.

4.3.10 Fair value measurement

Financial instruments are carried at fair value. Fair value is the amount by which an asset can be sold, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When determining fair value of financial instruments, the following hierarchy of fair value defining levels is considered:

- First level comprises quoted prices (unmodified) in active markets for equal assets or liabilities;
- Second level comprises inputs in addition to quoted prices included in the first level that are directly (i.e. as prices) or indirectly (i.e. as derived from prices) evident for an asset or liability;
- Third level comprises input data for an asset or liability that are not based on evident market data.

The company determined the fair value of individual groups of assets for the purposes of measuring or reporting according to the methods described in the section 4.11.5 Fair value.

4.3.11 Financial risk management

The company is exposed to the following types of financial risk: credit, liquidity and interest rate risk. Financial risks are described in more detail in section 2.11 on the risks in the business report. In terms of value, financial risks are disclosed in section 4.11.

4.4 STATEMENT OF FINANCIAL POSITION

in EUR

no.	Item	Note	31/12/2013	31/12/2012
	ASSETS		**1,408,821,630**	**1,192,103,061**
A.	**LONG-TERM ASSETS**		**1,332,031,684**	**1,108,298,579**
I.	Intangible assets	1	410,847	4,745,043
II.	Property, plant and equipment	2	1,330,475,280	1,102,630,004
V.	Other long-term financial assets and loans	3	260,003	260,003
VI.	Long-term operating receivables	4	141,170	103,280
VII.	Other long-term assets	5	34,266	32,568
VIII.	Deferred tax assets	6	710,118	527,681
B.	**SHORT-TERM ASSETS**		**76,789,946**	**83,804,482**
I.	Assets held for sale	7	201,723	201,723
II.	Inventories	8	12,572,280	12,774,188
IV.	Short-term operating receivables	9	23,464,900	64,232,251
V.	Current tax assets		0	808,169
VI.	Other short-term assets	10	40,540,285	5,782,490
VII.	Cash and cash equivalents	11	10,758	5,661
	EQUITY AND LIABILITIES		**1,408,821,630**	**1,192,103,061**
A.	**EQUITY**	**12**	**515,676,986**	**395,268,577**
I.	Called-up capital		330,027,060	211,652,459
II.	Capital surplus		116,883,008	116,883,008
III.	Revenue reserves		67,797,859	51,302,628
IV.	Fair value reserve		(4,749)	11,565
V.	Retained earnings		973,808	15,418,917
B.	**LONG-TERM LIABILITIES**		**761,437,880**	**207,176,374**
I.	Provisions for termination and jubilee benefits	13	2,784,182	2,692,003
II.	Other provisions	14	2,309,390	1,590,577
III.	Other long-term liabilities	15	2,872,085	3,840,397
IV.	Long-term financial liabilities	16	753,472,223	197,361,112
V.	Long-term operating liabilities		0	1,692,285
C.	**SHORT-TERM LIABILITIES**		**131,706,764**	**589,658,110**
II.	Short-term financial liabilities	17	11,597,010	321,610,753
III.	Short-term operating liabilities	18	77,155,838	264,098,938
V.	Other short-term liabilities	19	42,953,916	3,948,419

* The accompanying notes are an integral part of financial statements and should be read in conjunction with the statements.

4.5 INCOME STATEMENT

in EUR

no.	Item	Note	2013	2012
	OPERATING REVENUES		**247,996,581**	**264,046,986**
1.	NET SALES REVENUE	1	243,665,466	258,550,639
3.	CAPITALISED OWN PRODUCTS AND OWN SERVICES	2	2,826,106	51,852
4.	OTHER OPERATING REVENUE	3	1,505,009	5,444,495
	GROSS OPERATING INCOME		**247,996,581**	**264,046,986**
	OPERATING EXPENSES		**245,509,234**	**229,932,684**
5.	COSTS OF GOODS, MATERIAL AND SERVICES	4	150,578,686	163,910,845
6.	LABOUR COSTS	5	19,012,973	19,445,666
7.	WRITE-DOWNS IN VALUE	6	27,655,354	31,598,702
8.	OTHER OPERATING EXPENSES	7	48,262,221	14,977,471
	OPERATING PROFIT OR LOSS		**2,487,347**	**34,114,302**
9.	FINANCIAL REVENUE	8	46,197	59,770
10.	FINANCIAL EXPENSES	9	665,859	1,598,083
	TOTAL PROFIT OR LOSS		**(619,662)**	**(1,538,313)**
	PROFIT OR LOSS BEFORE TAX		**1,867,685**	**32,575,989**
	TAX		**(182,437)**	**115,112**
12.	Deferred taxes	10	(182,437)	115,112
	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		**2,050,122**	**32,460,877**
	Majority stakeholder	11	2,050,122	32,460,877

* The accompanying notes are an integral part of financial statements and should be read in conjunction with the statements.

4.6 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

no.	Item	2013	2012
13.	**Net profit or loss for the period**	**2.050.122**	**32.460.877**
17.	Actuarial gains and losses of employee defined benefit plans	(16.314)	0
	Items that will not be transferred to profit or loss	(16.314)	0
	Items that could be later transferred to profit or loss	0	0
23.	**Total comprehensive income for the period**	**2.033.808**	**32.460.877**
	Majority owner's total comprehensive income for the reporting period	2.033.808	32.460.877

* The accompanying notes are an integral part of financial statements and should be read in conjunction with the statements.

4.7 STATEMENT OF CHANGES IN EQUITY

in EUR

no.	Item	Called-up capital	Capital surplus	Revenue reserves		Fair value reserves	Retained earnings		Total
		Equity		Statutory reserves	Other revenue reserves		Profit or loss from previous periods	Net profit or loss for the period	
	As at 01/01/2012	211,652,459	116,883,008	1,903,033	29,478,809	11,565	2,878,826		362,807,700
B.2.	**Changes in total comprehensive income**	**0**	**0**	**0**	**0**	**0**	**0**	**32,460,877**	**32,460,877**
	Net profit or loss for the period	**0**	**0**	**0**	**0**	**0**	**0**	**32,460,877**	**32,460,877**
B.3.	**Changes in equity**	**0**	**0**	**1,623,044**	**18,297,742**	**0**	**(2,878,826)**	**(17,041,960)**	**0**
	Allocation of portion of net profit for the period to other components of equity under the decision of management and supervisory bodies	0	0	1,623,044	15,418,916	0	0	(17,041,960)	0
	Allocation of a portion of net profit to additional reserves in accordance with a General Meeting resolution	0	0	0	2,878,826	0	(2,878,826)	0	0
	As at 31/12/2012	211,652,459	116,883,008	3,526,077	47,776,551	11,565	0	15,418,917	395,268,577
	As at 01/01/2013	211,652,459	116,883,008	3,526,077	47,776,551	11,565	15,418,917		395,268,577
B.1.	**Transactions with owners**	**118,374,601**	**0**	**0**	**0**	**0**	**0**	**0**	**118,374,601**
	Subscription of called-up equity	118,374,601	0	0	0	0	0	0	118,374,601
B.2.	**Changes in total comprehensive income**	**0**	**0**	**0**	**0**	**(16,314)**	**0**	**2,050,122**	**2,033,808**
	Net profit or loss for the period	**0**	**0**	**0**	**0**	**0**	**0**	**2,050,122**	**2,050,122**
	Items that will not be transferred to profit or loss	**0**	**0**	**0**	**0**	**(16,314)**	**0**	**0**	**(16,314)**
	Actuarial gains and losses of employee defined benefit plans	0	0	0	0	(16,314)	0	0	(16,314)
B.3.	**Changes in equity**	**0**	**0**	**102,506**	**16,392,725**	**0**	**(15,418,917)**	**(1,076,314)**	**0**
	Allocation of portion of net profit for the period to other components of equity under the decision of management and supervisory bodies	0	0	102,506	973,808	0	0	(1,076,314)	0
	Allocation of a portion of net profit to additional reserves in accordance with a General Meeting resolution	0	0	0	15,418,917	0	(15,418,917)	0	0
	As at 31/12/2013	330,027,060	116,883,008	3,628,583	64,169,276	(4,749)	0	973,808	515,676,986
	Accumulated profit							973,808	973,808

* The accompanying notes are an integral part of financial statements and should be read in conjunction with the statements.

4.8 CASH FLOW STATEMENT AT DIRECT METHOD

in EUR

no.	Item	2013	2012
	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	**Cash receipts from operating activities**	**353,153,972**	**359,443,651**
1.	Cash receipts from electricity operations	270,753,337	299,915,364
a)	Domestic market	270,753,337	299,915,364
2.	Cash receipts from thermal energy operations	4,703,021	4,885,650
3.	Cash receipts from premiums, subsidies, donations etc.	18,370	26,025
6.	Cash receipts from the sale of emission coupons	17,001,359	28,329,065
8.	Cash receipts from duties payable to the state, except for corporate income tax	47,553,887	18,307,971
9.	Cash receipts from corporate income tax refund	808,169	0
10.	Cash receipts from sale of services	618,205	455,119
11.	Other cash receipts from operating activities	11,697,624	7,524,457
b)	**Cash disbursements from operating activities**	**(238,677,440)**	**(268,569,828)**
2.	Cash disbursements for thermal energy operations	(3,327,372)	(3,342,151)
4.	Cash disbursements for coal	(129,892,247)	(129,897,307)
5.	Cash disbursements for gas	(28,305,429)	(30,301,959)
6.	Cash disbursements for purchase of emission coupons	(18,493,108)	(31,799,545)
8.	Cash disbursements for duties payable to the state, except for corporate income tax	(5,586,247)	(9,667,916)
9.	Cash disbursements for corporate income tax	0	(1,568,435)
10.	Cash disbursements for other duties	0	(18,706)
11.	Cash disbursements for maintenance, materials and services	(28,936,931)	(31,405,977)
12.	Cash disbursements for labour costs	(18,367,574)	(19,548,084)
13.	Other cash disbursements for operating activities	(5,768,532)	(11,019,748)
c)	**Net cash from operating activities**	**114,476,532**	**90,873,823**
	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	**Cash receipts from investing activities**	**31,870**	**563,430**
1.	Cash receipts from interest	29,659	45,487
4.	Cash receipts from property, plant and equipment	2,211	517,943
b)	**Cash disbursements from investing activities**	**(469,171,138)**	**(291,857,747)**
1.	Disbursements from acquisition of intangible assets	(11,946)	(98,816)
2.	Cash disbursements to acquire property, plant and equipment (including advances)	(451,632,837)	(278,776,377)
3.	Cash disbursements for capitalised interest	(17,526,355)	(12,982,554)
c)	**Net cash from investing activities**	**(469,139,268)**	**(291,294,317)**
	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	**Cash receipts from financing activities**	**790,505,601**	**276,642,800**
1.	Cash receipts from paid-in capital	118,374,601	0
2.	Cash receipts from long-term loans and other long-term financial liabilities	557,500,000	0
3.	Cash receipts from short-term loans and other short-term financial liabilities	114,631,000	276,642,800
b)	**Cash disbursements from financing activities**	**(435,837,768)**	**(78,250,861)**
1.	Cash disbursements for interest on loans received	(455,889)	(741,150)
2.	Cash disbursements for repayment of equity	0	(713,742)
2.	Cash disbursements from long-term loans and other long-term financial liabilities	(8,330,879)	(10,273,169)
3.	Cash disbursements from short-term loans and other short-term financial liabilities	(427,051,000)	(66,522,800)
c)	**Net cash from financing activities**	**354,667,833**	**198,391,939**
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5,661	2,034,216
	Increase/(decrease) of cash and cash equivalents	5,097	(2,028,555)
	CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	10,758	5,661

* The accompanying notes are an integral part of financial statements and should be read in conjunction with the statements.

4.9 NOTES TO THE FINANCIAL STATEMENTS

4.9.1 Notes to the statement of financial position

Note 1

Intangible assets EUR 410,847

in EUR

Intangible assets	31 Dec 2013	31 Dec 2012
CO_2 emissions coupons	138,684	4,301,696
Other long-term property rights	272,163	443,347
Total	**410,847**	**4,745,043**

The predominant share the company's intangible assets at the end of 2012 was comprised of emission coupons. Pursuant to the Environment Protection Act, Ordinance on the National Plan for the Allocation of Emission Coupons for the period 2008-2012 and Decision on Emission Coupons, the state allocated to the company 21,504,120 emission coupons free of charge. The quantity of emission coupons divided proportionately by year amounted to 4,300,824 coupons.

In April 2013, TEŠ purchased from HSE 252,652 emission coupons on order to meet the obligation arising from emission generated in 2012. In April 2013, the amount of coupons decreased by 4,547,821 (Report on assessment of the report on greenhouse gas emissions for 2012) that were handed over for emissions produced in 2012. As at 31 December 2013, the company recorded among its long-term property rights 6,527 of emission coupons from the previous periods and 132,157 coupons it will receive free of charge from the government for the year of 2013. The decision was issued on 31 March 2014.

Intangible assets include EUR 272,163 worth of licences and other software which are, depending on their useful lives, amortised at a rate of between 7.6% and 50%.

The company does not have any intangible fixed assets under finance lease or mortgage.

in EUR

Changes in intangible assets	Emissions coupons	Other long-term rights	Total
Cost as at 01/01/2012	**8,601,781**	**1,526,093**	**10,127,874**
Acquisitions	376,000	37,260	413,260
Disposals	(4,676,085)	(3,351)	(4,679,436)
Cost as at 31/12/2012	**4,301,696**	**1,560,002**	**5,861,698**
Written-down value as at 01/01/2012	**0**	**914,246**	**914,246**
Disposals	0	(3,351)	(3,351)
Amortisation expense	0	205,760	205,760
Written-down value as at 31/12/2012	**0**	**1,116,655**	**1,116,655**
Carrying amount as at 01/01/2012	**8,601,781**	**611,847**	**9,213,628**
Carrying amount as at 31/12/2012	**4,301,696**	**443,347**	**4,745,043**

in EUR

Changes in intangible assets	Emissions coupons	Other long-term rights	Total
Cost as at 01/01/2013	**4,301,696**	**1,560,002**	**5,861,698**
Acquisitions	384,809	18,317	403,126
Disposals	(4,547,821)		(4,547,821)
Cost as at 31/12/2013	**138,684**	**1,578,319**	**1,717,003**
Written-down value as at 01/01/2013	**0**	**1,116,655**	**1,116,655**
Amortisation expense	0	189,501	189,501
Written-down value as at 31/12/2013	**0**	**1,306,156**	**1,306,156**
Carrying amount as at 01/01/2013	**4,301,696**	**443,347**	**4,745,043**
Carrying amount as at 31/12/2013	**138,684**	**272,163**	**410,847**

Note 2

Property, plant and equipment EUR 1,330,475,280

in EUR

Property, plant and equipment	31 Dec 2013	31 Dec 2012
Land	3,711,949	3,711,949
Buildings	27,987,463	31,362,121
Production equipment	151,668,938	165,019,585
Other equipment	6,948,287	7,588,610
Property, plant and equipment being acquired	1,140,158,643	894,947,739
Total	**1,330,475,280**	**1,102,630,004**

For the assets in the process of construction that mainly refer to replacement Unit 6, the Revised Investment Programme, RIP 5 (September 2012 issue) stipulates that at a 7% discount rate the net present value of the investment is positive and that internal rate of return amounts to 7.75%; in the Revised Investment Programme, RIP 6 (February 2014), the net present value using 7% discount rate is positive and IRR stands at 7.77%.

The company verified for potential signs of impairment of property, plant and equipment, and established there were none. The company establishes that due to the risk of coal price increase, the investment in replacement Unit 6 does not show any signs of overestimation, i.e. is not overestimated, since based on the sensitivity analysis (RIP 6 – February 2014) and taking into account a 20% increase in coal price and use of 5.89% discount rate (WACC) net present value is still positive. With a 7% discount rate, net present value of the investment is positive, if coal price increases by max. 14.5%.

Required yield for projects in the energy industry or energy supply is considerably lower, especially due to stable and relatively regulated sector where governments have an important role in creating final price of a product, which is its result. For calculation of net present value in the financial and market analysis in RIP 6 (February 2014), individual discount rate of 5.89% is used and is calculated in the amount of weighted average cost of capital (WACC). The calculation of WACC is performed on the basis of required yield amounting to 9%, determined in the guarantee contract between TEŠ and the Republic of Slovenia, and on the basis of actually achieved or estimated interest rate on loans received. As already discussed, the calculation of net present value applies an individual discount rate, while the 7% discount rate determined in the Decree on the Uniform Methodology for the Preparation and Treatment of Investment Documentation in the Field of Public Finance is used only for comparison of this project with others.

Operational and Financial Restructuring Plan of the Premogovnik Velenje Group was drafted in May 2014, which besides stipulating measures for cost streamlining, operational and financial restructuring and divestment of non-core assets, confirms that the average selling price during the period from 2014 to 2027 will not exceed 14% increase compared with the average price during the same period provided in the Revised Investment Plan RIP 6 - February 2014 issue. Estimation of coal price, i.e. its projected maximum value, is confirmed also by the HSE and PV managements and currently represents the best estimation of coal price.

Electricity prices are determined on the basis of futures contracts until the end of 2016. In the subsequent years, when the liquidity in the electricity markets will be low, the model-based forecasts of future electricity prices at the middle scenario in the study prepared by Poyry Management Consulting Austria GmbH are taken into account.

The company does not have any item of property, plant and equipment under mortgage or finance lease.

in EUR

Changes in property, plant and equipment	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Cost as at 01/01/2012	**3,711,949**	**207,469,614**	**1,036,375,565**	**17,219,163**	**542,610,514**	**1,807,386,805**
Acquisitions	0	0	0	0	353,364,646	353,364,646
Disposals	0	(1,605,218)	(971,848)	(1,729,583)	0	(4,306,649)
Transfers from investments	0	0	818,696	208,725	(1,027,421)	0
Cost as at 31/12/2012	**3,711,949**	**205,864,396**	**1,036,222,413**	**15,698,305**	**894,947,739**	**2,156,444,802**
Written-down value as at 01/01/2012	**0**	**172,602,700**	**849,038,739**	**8,516,411**	**0**	**1,030,157,850**
Disposals	0	(1,571,907)	(930,443)	(1,558,999)	0	(4,061,349)
Transfers - re-entries	0	0	(121)	121	0	0
Depreciation expense	0	3,471,482	23,094,653	1,152,162	0	27,718,297
Written-down value as at 31/12/2012	**0**	**174,502,275**	**871,202,828**	**8,109,695**	**0**	**1,053,814,798**
Carrying amount as at 01/01/2012	**3,711,949**	**34,866,914**	**187,336,826**	**8,702,752**	**542,610,514**	**777,228,955**
Carrying amount as at 31/12/2012	**3,711,949**	**31,362,121**	**165,019,585**	**7,588,610**	**894,947,739**	**1,102,630,004**

in EUR

Changes in property, plant and equipment	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Cost as at 01/01/2013	**3,711,949**	**205,864,396**	**1,036,222,413**	**15,698,305**	**894,947,739**	**2,156,444,802**
Acquisitions	0	0	0	0	255,103,602	255,103,602
Disposals	0	(42,199)	(7,690,135)	(204,037)	0	(7,936,371)
Transfers from investments	0	59,468	9,433,908	399,322	(9,892,698)	0
Cost as at 31/12/2013	**3,711,949**	**205,881,665**	**1,037,966,186**	**15,893,590**	**1,140,158,643**	**2,403,612,033**
Written-down value as at 01/01/2013	**0**	**174,502,275**	**871,202,828**	**8,109,695**	**0**	**1,053,814,798**
Disposals	0	(39,602)	(7,685,541)	(199,466)	0	(7,924,609)
Depreciation expense	0	3,431,529	22,779,961	1,035,074	0	27,246,564
Written-down value as at 31/12/2013	**0**	**177,894,202**	**886,297,248**	**8,945,303**	**0**	**1,073,136,753**
Carrying amount as at 01/01/2013	**3,711,949**	**31,362,121**	**165,019,585**	**7,588,610**	**894,947,739**	**1,102,630,004**
Carrying amount as at 31/12/2013	**3,711,949**	**27,987,463**	**151,668,938**	**6,948,287**	**1,140,158,643**	**1,330,475,280**

Investments in property, plant and equipment in the period from January to December 2013 were financed through drawing of short-term bridge loans totalling EUR 35,000,000 granted by HSE, through capital increase by the controlling company HSE in the amount of EUR 118,374,600, free cash flow from unused depreciation, profit and other proper assets.

In March 2013, after obtaining the government guarantee for collateralisation of the EIB loan of EUR 440 million and after having met all other conditions, the company drew the planned long-term loans for the replacement Unit 6 financing in total amount of EUR 557.5 million (the EIB loan of EUR 440 million was received on 14 March 2013, while the second portion of EUR 117.5 million of the EBRD loan was received on 19 March 2013). Thanks to long-term financing, the company managed to repay all short-term bridge granted by the HSE Group in 2011, 2012 and 2013 in total amount of EUR 335,600,000, as well as all outstanding deferred liabilities to suppliers.

Land EUR 3,711,949

The value of land as at 31 December 2013 is the same as at the end of 2012.

Buildings EUR 27,987,463

In relation to the previous year, the value of buildings decreased by the amount of depreciation.

Production plant, machinery and other equipment EUR 158,617,225
The value of production plants, machinery and other equipment decreased by the amount of the depreciation charge and write-down in equipment (mostly large-scale overhauls). Acquisitions in the amount of EUR 9,365,605 refer to the launch of large-scale overhaul at Units 3 and 4 and gas turbine PT51. Other acquisitions in the amount of EUR regard realisation of the plan for purchase of small plants, machines and equipment, such as rotation compressor, computer equipment and other.

Property, plant and equipment being acquired EUR 1,140,158,643

The major part of the increase in property, plant and equipment in the course of construction relates to investments in the construction of Unit 6 in the amount of EUR 245,245,244. EUR 93,997,140 were used for the construction and EUR 68,444,624 for installation of the main technology equipment. EUR 6,874,121 were used for the cooling system construction, EUR 16,756,879 for the construction of desulphurisation plant, EUR 6,104,079 for water preparation facility, EUR 4,176,638 for products processing, and EUR 4,826,533 for the construction of the main drive facility, while in the scope of other construction works and other equipment EUR 4,865,753 and EUR 4,530,187 were spent respectively. Financing costs incurred totalled EUR 31,366,363, comprising EUR 16,689,450 of capitalised interest expense, EUR 516,478 of interest on non-drawn portion of loan, EUR 4,520,548 of costs of the government guarantee, EUR 4,778,096 of interest on deferred payments, EUR 2,145,306 of costs of guarantees, EUR 2,799,866 of costs of the company HSE guarantees, and EUR 50,130 of other costs. However, the costs of financing are reduced by the amount of recognised interest on tied-up assets from subsequent utilisation of the long-term loan in the amount of EUR 133,489. Other investments were realised in the amount of EUR 3,302,927 (counselling, geodetic services, preparation of DOBP and IP documentation, and other).

The estimated value of construction of replacement Unit 6 is EUR 1,302,492,300 (RIP 5 -Revised Investment Programme, 5th revision). In RIP 6 (October 2013), the estimated value amounted to EUR 1,428,544,300. IN RIP 6 (February 2014 issue), the amount was estimated at EUR 1,428,457,694. The latter increased due to certain costs arising from delays in provision of funds and issuing of permits or due to bankruptcy of contractors and previously underestimated, missed or omitted certain costs.

Until 31 December 2013, the company concluded EUR 1,222,999,641 (financial costs excluded) worth of contracts for the supply of main technological equipment, flue gas desulphurisation plant, for the construction of cooling system and main drive facility and other items. By the end of the year, the company received EUR 1,083,004,517 (financial costs excluded) worth of invoices for the above contractual liabilities. Deferred liabilities arising from acquisition of fixed assets (financial costs excluded), therefore, amount to EUR 139,995,124.

Larger increases include investments in overhauls of Units 3 and 4 and gas turbine PT51 in total amount of EUR 9,365,602 and investments in reliable production in the amount of EUR 24,835 through which TEŠ manages the risks related to production shortfalls and electricity supply.

In 2013, the amount of activated capital investments totalled EUR 9,892,698. The total value of unfinished capital investments is EUR 1,140,158,643.

in EUR

Changes in investments in property, plant and equipment under construction	Investments in production reliability	Investment documentation	Investments in Unit 6	Major maintenance	Other property, plant and equipment being acquired	Total
Cost as at 01/01/2013	**2,242,225**	**487,598**	**892,217,916**	**0**	**0**	**894,947,739**
Acquisitions	24,835	0	245,245,244	9,365,602	467,921	255,103,602
Transfer from construction in progress	(77,404)	0	0	(9,365,602)	(449,692)	(9,892,698)
Cost as at 31/12/2013	**2,189,656**	**487,598**	**1,137,463,160**	**0**	**18,229**	**1,140,158,643**

Note 3

Other long-term financial investments and investments in associates EUR 260,003

in EUR

Other long-term financial assets	31 Dec 2013	31 Dec 2012
Long-term investments in associated companies	59,503	59,503
Available-for-sale long-term financial assets	200,000	200,000
Other long-term financial assets	500	500
Total	**260,003**	**260,003**

Long-term investments are classified as available-for-sale financial assets. The value of long-term investments recorded in the statement of financial position represents their cost.

Investments in interests of associates include a 26% ownership interest in the company Erico d.o.o.

Other interests in the amount of EUR 500 represent investments in the Centre of Excellence Low-carbon Technologies (Center odličnosti nizkoogljične tehnologije - CO NOT). In August 2011, TEŠ invested EUR 200,000 in the establishment of the company RCE Razvojni center energije d.o.o., a centre for research and development. The stake in the company amounts to 8%.

The company has invested its assets in holiday homes (Krvavec, Rab, Portorož) in the amount of EUR 154,133. On 31 December 2010, these assets were impaired in the total amount of invested assets due to formally unresolved ownership and management relations and unexpected future cash flows.

Investments in associates EUR 59,503

Data on associates as at 31/12/2013

Company	Address	Activity	Co-owner company	% co-ownership
Erico d.o.o.	Koroška 58, 3320 Velenje	74.900	Premogovnik Velenje d.d. in Gorenje GA d.d.	26

Significant amounts from statements of associates for 2013

in EUR

Company	Assets	Liabilities (without equity)	Revenue	Net profit or loss for the period	Total equity
ERICO d.o.o.	1,737,171	406,419	2,280,256	20,451	1,330,752
Total	**1,737,171**	**406,419**	**2,280,256**	**20,451**	**1,330,752**

Amounts of long-term investments in associates

in EUR

Associate	31 Dec 2013	31 Dec 2012
Erico d.o.o.	59,503	59,503
Total	**59,503**	**59,503**

Other long-term financial liabilities EUR 200,500

in EUR

Other long-term financial assets	31 Dec 2013	31 Dec 2012
Centre of Excellence Low-Carbon Technologies	500	500
Energy Development Centre - RCE	200,000	200,000
Total	**200,500**	**200,500**

Note 4

Long-term operating receivables EUR 141,170

in EUR

Long-term operating receivables	31 Dec 2013	31 Dec 2012
Long-term advances	131,090	93,465
Long-term operating receivables due from others	10,080	9,815
Total	**141,170**	**103,280**

Among its long-term operating receivables, the company discloses EUR 131,090 of long-term advances given and EUR 10,080 of long-term receivables from buyers of apartments that were sold pursuant to the Housing Act (OG RS 18/91).

Advances include long-term advances given for the purposes of the Unit 6 construction in the amount of EUR 38,625, which are collateralised with bank guarantee, long-term advance given in the amount of EUR 91,465 for a 10-year compensation for damages related to the servitude right arising from the contract with the Parish of St. Martin from Velenje, which is insured with the entry of the servitude right (right in rem) on the land plot, and long-term advance given in the amount of EUR 1,000 for compensation for damages as set out by the notarial record and the underlying agreement on the establishment of such a servitude right.

Note 5

Other long-term assets EUR 34,266

in EUR

Other long-term assets	31 Dec 2013	31 Dec 2012
Other long-term assets	34,266	32,568
TOTAL	**34,266**	**32,568**

Other long-term assets include payments made by the company as floor owner of apartments, which will be used for to cover the costs of future maintenance under the Housing Act.

Note 6

Deferred tax assets EUR 710,118

in EUR

Deferred tax assets	31 Dec 2013	31 Dec 2012
Provisions	319,228	286,924
Impairments	30,827	30,827
Depreciation and amortisation expense	360,063	209,930
Total	**710,118**	**527,681**

Deferred tax assets are recorded in connection with the creation of long-term provisions for jubilee and termination benefits upon retirement, amortisation/depreciation exceeding the rates determined by the Corporate Income Tax Act (ZDDPO-2), and impairment of long-term investments.

As at 31 December 2013, the company discloses unused investment reliefs in the amount of EUR 93,432,934 from 2012, which can be used in the next four tax periods. The unutilised investment reliefs in 2013 increased further by EUR 84,368,557, which can be used by the company in the next five tax periods. As the future taxable profits are uncertain, the company did not create deferred tax assets from unutilised investment reliefs.

in EUR

Changes in deferred tax assets	Provisions	Impairment	Amortisation/ depreciation	Total
As at 01/01/2012	**396,547**	**30,827**	**215,419**	**642,793**
To debit/(credit) of profit or loss	(109,623)	0	(5,489)	(115,112)
As at 31/12/2012	**286,924**	**30,827**	**209,930**	**527,681**
As at 01/01/2013	**286,924**	**30,827**	**209,930**	**527,681**
To debit/(credit) of profit or loss	32,304	0	150,133	182,437
As at 31/12/2013	**319,228**	**30,827**	**360,063**	**710,118**

Note 7

Assets held for sale EUR 201,723

in EUR

Held-for-sale assets	31 Dec 2013	31 Dec 2012
Held-for-sale assets	201,723	201,723
Total	**201,723**	**201,723**

Assets held for sale include a part of the 'Crikvenica' holiday complex. More than a half of the complex was sold to a Croatian buyer in 2006. The sale of the remaining part of the complex has not been realised yet.

Note 8

Inventories EUR 12,572,280

in EUR

Inventories	31 Dec 2013	31 Dec 2012
Material	12,572,280	12,774,188
Total	**12,572,280**	**12,774,188**

Inventories are mostly comprised of spare parts in the amount of EUR 9,557,343 and maintenance materials in the amount of EUR 2,244,025, which are needed for immediate repairs of production equipment and, thus, for ensuring reliable operation.

After the inventory count of materials, surpluses of EUR 5 and shortages of EUR 177 were determined.

in EUR

Inventory surpluses and deficits	31 Dec 2013	31 Dec 2012
Surpluses in year-end count	5	29
Deficits in year-end count	177	107
Total	**(172)**	**(78)**

Note 9

Short-term operating receivables EUR 23,464,900

in EUR

Short-term operating receivables	31 Dec 2013	31 Dec 2012
Short-term operating receivables due from the Group companies	10,308,356	34,903,158
Short-term operating receivables due from associated companies	140	67
Short-term operating receivables due from customers	1,634,143	1,458,859
Short-term advances	1,525,219	895,210
Short-term operating receivables due from government and other institutions	9,988,962	26,961,431
Short-term operating receivables due from others	8,080	13,526
Total	**23,464,900**	**64,232,251**

On the balance sheet date, the fair value of operating receivables was equal to their carrying amount.

in EUR

Short-term operating receivables due from the Group companies	31 Dec 2013	31 Dec 2012
HOLDING SLOVENSKE ELEKTRARNE d.o.o., Ljubljana, Slovenia	10,219,669	34,897,711
PREMOGOVNIK VELENJE d.d., Velenje, Slovenia	1,213	2,387
RGP d.o.o., Slovenia	84,355	0
HSE INVEST d.o.o., Maribor, Slovenia	3,119	3,060
Total	**10,308,356**	**34,903,158**

The major part of receivables from group companies consists of receivables from Holding Slovenske elektrarne d.o.o. in the amount of EUR 10,190,256 for the electricity sold in the period from 16 November to 31 December 2013.

Receivables for thermal energy sold are secured with a blank bill of exchange. Receivables for advances given in the amount of EUR 881,146 are also secured with a bank guarantee. For other receivables insurance is not required due to their specific nature.

Receivables for advances given mostly refer to the receivables from the company Primorje, which is in receivership. Among the receivables from Primorje in receivership proceedings, the company discloses receivables for advances in the amount of EUR 630,366. These receivables arise from the difference identified between the invoiced works and the book of accounting rates in the amount of EUR 4,202,444. The company declared these receivables in the Primorje's bankruptcy estate and impaired them to the amount of actual payments (without retained amounts), i.e. EUR 3,572,078, due to high uncertainty of repayment. Also declared in bankruptcy estate is EUR 20,731 of receivables for advances given, which were impaired in 2013.

The main part of overdue receivables refers to the receivables declared in the bankruptcy estate of Primorje.

Overdue and outstanding trade receivables represent receivables from a buyer of thermal energy, from the sale of fly ash and from apartment leases.

Note 10

Other short-term assets EUR 40,540,285

in EUR

Other short-term assets	31 Dec 2013	31 Dec 2012
Short-term deferred costs and expenses	109,033	78,538
Accrued revenues	40,431,252	5,703,952
Total	**40,540,285**	**5,782,490**

The majority of short-term accrued revenue in the amount of EUR 39,318,188 consists of revenue from Annex 1 to the Contract for the purchase of coal, lease of capacity and purchase of electricity, in which the contracting parties agreed to change the amount for the leased capacity in 2013 in order to settle the costs related to the purchase of insufficient CO_2 emission coupons in 2013. A part of accrued revenue from Annex 1 in the amount of EUR 1,113,064, however, arises from the Agreement on changed price of delivered and supplied coal.

Other short-term assets include deferred costs related to services that were invoiced but not provided in 2013 in the amount of EUR 109,033. Short-term deferred costs refer to the costs of one-year licences, scholarships, subscriptions and other for the year of 2014, which so far have no effect on the profit or loss. The amounts of short-term deferred costs are justified and evident from relevant documents containing information on their inception.

Note 11

Cash and cash equivalents EUR 10,758

in EUR

Cash and cash equivalents	31 Dec 2013	31 Dec 2012
Cash in hand and cheques received	252	339
Cash in banks	10,506	5,322
Total	**10,758**	**5,661**

Cash and cash equivalents include cash on the company's accounts, deposit redeemable at notice in the system of cash-pooling and cash on hand.

Note 12

Equity EUR 515,676,986

in EUR

Equity	31 Dec 2013	31 Dec 2012
Called-up capital	330,027,060	211,652,459
Capital surplus	116,883,008	116,883,008
Revenue reserves	67,797,859	51,302,628
Fair value reserve	(4,749)	11,565
Retained earnings	973,808	15,418,917
Total	**515,676,986**	**395,268,577**

The company's total equity consists of share capital, capital surplus, revenue reserves, fair value reserves, retained earnings from the previous period and temporarily undistributed net profit for the financial year.

The accounting amount of the company's share capital is determined in the Articles of Incorporation and has been duly registered with the Court. It totals EUR 330,027,060. In 2013 it was increased by an additional contribution of the company member HSE in the amount of EUR 118,374,601.

in EUR

Capital surplus	31 Dec 2013	31 Dec 2012
Paid-in capital surplus	116,883,008	116,883,008
Total	**116,883,008**	**116,883,008**

Capital surplus totals EUR 116,883,008 and is a result of reversal of the general equity revaluation adjustment.

Based on the member's decision of 1 October 2013, the company allocated the entire 2012 accumulated profit of EUR 15,418,917 into other revenue reserves intended for realisation of development projects.

Revenue reserves in the amount of EUR 67,797,859 comprise legal reserves in the amount of EUR 3,628,583 and other revenue reserves in the amount of EUR 64,169,276.

Reserves increased by EUR 16,495,231 during the year, with the increase consisting of:

- other revenue reserves in the amount of EUR 15,418,917 under the decision of the company member regarding the retained earnings for 2012;
- legal reserves in the amount of EUR 102,506 and other revenue reserves in the amount of EUR 973,808 under the decision of the Supervisory Board and in accordance with the provisions of the Companies Act (ZGD-1) for the part of net profit of the financial year of 2013.

in EUR

Change in fair value reserve	Actuarial gains/losses in severance upon retirement	Other	Total
As at 01/01/2012	**0**	**11,565**	**11,565**
As at 31/12/2012	**0**	**11,565**	**11,565**
As at 01/01/2013	**0**	**0**	**11,565**
Decrease	(16,314)	0	(16,314)
As at 31/12/2013	**(16,314)**	**0**	**(4,749)**

Fair value reserve composes a specific equity revaluation adjustment in relation to land and actuarial loss. In 2013, the fair value reserve was decreased by the actuarial loss from severance pay in the amount of EUR 16,314.

Note 13

Provisions for termination and jubilee benefits EUR 2,784,182

in EUR

Severance pay and jubilee benefits provisions	31 Dec 2013	31 Dec 2012
Provisions for severance	1,835,190	1,666,106
Provisions for jubilee benefits	948,992	1,025,897
Total	**2,784,182**	**2,692,003**

Long-term provisions represent provisions for jubilee benefits and termination benefits on retirement as determined by the actuarial calculation on 31 December 2013.

The actuarial calculation was based on the following assumptions:

- average salary growth of 1.4% in 2014, 1.3% in 2015 and 2016 and 3.0% per year in the following years; and
- discount interest rate of 4.5% p

In 2013, the company paid EUR 132,860 of jubilee benefits and EUR 29,352 of termination benefits.

in EUR

Changes in provisions for termination and jubilee benefits	Provisions for severance	Provisions for jubilee benefits	Total
As at 01/01/2012	**1,668,858**	**937,350**	**2,606,208**
Establishment - increase	84,194	227,210	311,404
Decrease - drawing	(86,946)	(138,663)	(225,609)
As at 31/12/2012	**1,666,106**	**1,025,897**	**2,692,003**
As at 01/01/2013	**1,666,106**	**1,025,897**	**2,692,003**
Establishment - increase	198,436	55,955	254,391
Decrease - drawing	(29,352)	(132,860)	(162,212)
As at 31/12/2013	**1,835,190**	**948,992**	**2,784,182**

Note 14

Other provisions EUR 2,309,390

in EUR

Other provisions	31 Dec 2013	31 Dec 2012
For lawsuits	1,225,810	941,101
Other provisions	1,083,580	649,476
Total	**2,309,390**	**1,590,577**

in EUR

Changes in other provisions	For lawsuits	Other provisions	Total
As at 01/01/2012	**941,101**	**0**	**941,101**
Establishment - increase	0	649,476	649,476
As at 31/12/2012	**941,101**	**649,476**	**1,590,577**
As at 01/01/2013	**941,101**	**649,476**	**1,590,577**
Establishment - increase	284,709	740,081	1,024,790
Decrease - drawing	0	(284,698)	(284,698)
Decrease - reversal	0	(21,279)	(21,279)
As at 31/12/2013	**1,225,810**	**1,083,580**	**2,309,390**

In 2012, the employees were paid annual leave and the Christmas bonus in the amount that was lower to the value projected in the enterprise collective agreement. Consequently, the company created provisions for the unpaid portion. In 2013, the company paid one part of the created provisions for the unpaid annual leave for 2012, and created provisions for the unpaid 2013 Christmas bonus in the amount of EUR 740,081.

Provisions for legal actions were created in 2011 on the basis of the adopted decision regarding the enforcement of the creditor Elektro Slovenija d.o.o. of 15 February 2012. The company (debtor) received creditor's proposal of the Contract on accessing transmission network in 2011 for the purpose of electricity consumption ('network access contract'). With the contract on accessing network, the creditor and debtor shall, in accordance with the Act on methodology for determining network charges and criteria for identifying eligible costs for electricity networks and methodology for calculation of network charges (Official Gazette of the Republic of Slovenia, no. 59/2010) ('Act'), settle the relations in terms of payment network utilisation costs for the purpose of energy consumption from the transmission network. Although the contract between the creditor and debtor has never been reconciled and signed, the creditor sent the debtor invoices for the payment of network charges for the period between January and June 2011. The company rejected all the abovementioned invoices, since in its opinion they were not in accordance with the Act's provisions.

The company reasonably and on solid grounds contradicts the creditor's receivable and has filed an objection against the decision on enforcement. The lawsuit was not finalised in 2013.

At the end of the year, three labour disputes filed in 2013 remained open. The company created EUR 284,709 of provisions for these legal actions.

Note 15

Other long-term liabilities EUR 2,872,085

in EUR

Other long-term liabilities	31 Dec 2013	31 Dec 2012
Quotas for the disabled	159,546	192,225
Other state aid received	2,712,539	3,648,172
Total	**2,872,085**	**3,840,397**

Other long-term liabilities in the amount of EUR 2,712,539 relate to government grants received for acquisition of property, plant and equipment. They are used in proportion to the accumulated depreciation.

Based on the decision on emission coupons issued by the Ministry of Agriculture and the Environment - Slovenian Environment Agency on 31 March 2014, the company is entitled to 132,157 emission coupons at EUR 1 for 2013. The amount of emission coupons in 2013 decreased by 132,157, which the company took into account in fulfilling its obligations for handing over the coupons for emission generated in 2013.

Deferrals arising from exemption from payment of contributions were created in accordance with the Employment of Disabled Persons Act. They are used to settle costs indicated in the Act.

in EUR

Changes in other long-term liabilities	Emissions coupons	Quotas for the disabled	Others state aid received	Total
As at 01/01/2012	**4,300,824**	**224,946**	**4,583,804**	**9,109,574**
Acquisitions	0	11,884	0	11,884
Disposals	(4,300,824)	(44,605)	(935,632)	(5,281,061)
As at 31/12/2012	**0**	**192,225**	**3,648,172**	**3,840,397**
As at 01/01/2013	**0**	**192,225**	**3,648,172**	**3,840,397**
Acquisitions	132,157	3,632		135,789
Disposals	(132,157)	(36,311)	(935,633)	(1,104,101)
As at 31/12/2013	**0**	**159,546**	**2,712,539**	**2,872,085**

Note 16

Long-term financial liabilities EUR 753,472,223

in EUR

Long-term financial liabilities	31 Dec 2013	31 Dec 2012
Long-term financial liabilities to banks	753,472,223	197,361,112
Total	**753,472,223**	**197,361,112**

Long-term loans are denominated in EUR. Nominal interest rates for loans ranged between 1.07% and 6.06%.

in EUR

Changes in long-term financial liabilities	Long-term financial liabilities to banks	Total
As at 01/01/2013	**197,361,112**	**197,361,112**
Acquisitions	557,500,000	557,500,000
Transfers to short-term liabilities	(1,388,889)	(1,388,889)
As at 31/12/2013	**753,472,223**	**753,472,223**

Changes in long-term financial liabilities **in EUR**

no.	Creditor	Contractual value	Purpose	As at 31 December 2012	Repayment of the principal	As at 31 December 2013		
						Total	Short-term part	Long-term part
1.1	Kreditanstalt	DEM 92 million	fin.RDP 5	1,941,990	1,941,990	0	0	0
1.2	EIB	EUR 110 million	fin.B6	110,000,000	0	110,000,000	0	110,000,000
1.3	EIB	EUR 440 million	fin.B6	0	0	440,000,000		440,000,000
1.4	EBRD	EUR 200 million	fin.B6	82,500,000	0	200,000,000	0	200,000,000
	TOTAL long-term loans of foreign banks	**211,652,459**	**116,883,008**	**194,441,990**	**1,941,990**	**750,000,000**	**0**	**750,000,000**
2.1	NLB d.d. Ljubljana	EUR 12.5 million	invest. - GCS	6,250,000	1,388,888	4,861,112	1,388,889	3,472,223
2.2	Unicredit SID 1967/07	EUR 30 million	fin. B6-refin. short-t. loan	5,000,000	5,000,000	0	0	0
	TOTAL long-term loans of domestic banks			**11,250,000**	**6,388,888**	**4,861,112**	**1,388,889**	**3,472,223**
	TOTAL LONG-TERM LOANS OF BANKS			**205,691,991**	**8,330,878**	**754,861,112**	**1,388,889**	**753,472,223**

Note: The table includes also short-term portions of long-term loans

In 2013, the repayments of principal amounts and interest were made according to maturity dates and in accordance with existing depreciation/amortisation plans. The portion of long-term financial liabilities in the amount of EUR 1,388,889, which falls due in 12 months, was recorded under short-term financial liabilities.

Drawing of funds, which depended on meeting all criteria under the adopted Act Regulating Guarantee of Republic of Slovenia for Liabilities under Long-Term Loan of 440 Million Euros Made to Termoelektrarna Šoštanj, d.o.o. by European Investment Bank for Financing Termoelektrarna Šoštanj 600 MW Replacement Unit-6 Installation Project (ZPODPTEŠ), was realised in March 2013. Drawing of the remaining part of the EBRD loan was also realised in March 2013.

The company is fully compliant with IFRS, except for the disclosure of a part of long-term financial liabilities according to IAS 1 Presentation of financial statements, because the management expects that, within a twelve-month period of from the date of statement of financial position, there will be no actual requirement to repay the long-term financial liabilities under the loan agreements with EIB (EUR 440 million and EUR 110 million) and EBRD (EUR 200 million) despite the fact that TEŠ notes that certain provisions of the loan agreements were breached as at 31 December 2013.

IAS 1.74 stipulates that long-term loans recognised under long-term financial liabilities should be classified as short-term financial liabilities, if before the end of the reporting period the company violates a provision of the long-term loan agreement, due to which the liability should be settled on demand and, as this is applicable also for TEŠ, the company should not have unlimited right to defer settlement of the liability for at least twelve months from the date of the statement of financial position.

The company regularly reported to both banks about derogations; however, the banks did not start any actions or procedures to withdraw the long-term loans. Derogations from the loan agreements are the following:

1. The loan agreement between the EIB and TEŠ for EUR 110 million and EUR 440 million:
   - Increase in costs of the project. In line with the loan agreement, in case of cost increase for more than 10% TEŠ should submit the financial plan to the bank in a timely manner. TEŠ informed the bank on the increased project costs and submitted the RIP 6 draft including the financing plan. The final version of RIP 6 has not been submitted to the bank.
   - Loss of the qualified guarantor status. Due to decreased credit rating of the Intesa Sanpaolo bank, the bank no longer meets the criteria of qualified guarantor. The EIB was informed about this fact, but did not exercise the contractual right to request that TEŠ find another guarantor by a certain deadline or ensure that HSE or the discussed guarantor provide cash deposit or another adequate insurance. Procedures to correct this breach are underway. A concrete agreement has been reached regarding the bank's status, which the EIB finds acceptable.

2. The loan agreement between TEŠ and the EBRD for EUR 200 million:
   - Compliance with relevant contracts. TEŠ committed to respect or fulfil all relevant contracts the company is a party to or which are binding for its assets. Based on the loan agreement, TEŠ has a possibility to repair such breach in additional 30 days from the date of the EBRD request. As breach in this case is especially considered non-settlement of liabilities to suppliers in November and December 2013, of which the bank was informed already in 2013. Officially, the bank did not send any request for repair of such breaches. The liabilities to Alstom were settled in February 2014 on the basis of the debt transfer agreement.

- Borrowing limit. TEŠ committed not to borrow, assume or allow existence of any financial debt, except of, among other, shareholder loan (any TEŠ debt to HSE or other HSE Group company). TEŠ and HSE concluded the Contract on Transfer of Liabilities to Alstom which arise from issued invoices, whereas TEŠ is obliged to repay such payments HSE along with interest. TEŠ has the possibility to repair such breach in additional 30 days from the date of the EBRD request, provided that such breach can be repaired. The company has not yet received the EBRD's request; however, such breach can be repaired through conversion of liabilities into capital or on the basis of a mutual agreement of the contractual parties.

in EUR

Collateral for long-term financial liabilities (together with the short-term part)	**31 Dec 2013**	**31 Dec 2012**
Government guarantees	440,000,000	1,941,991
Assignments, pledge of receivables	40,000,000	17,500,000
Bills of exchange	4,861,112	6,250,000
HSE warranty	160,000,000	70,000,000
Bank guarantee	110,000,000	110,000,000
Total	**754,861,112**	**205,691,991**

As at 31 December 2014, TEŠ has 58.3% of financial liabilities insured with the government guarantee, 21.2% with the HSE guarantee, 14.6% with bank guarantee, 5.3% with assignments or pledge of receivables, and 0.6% with bills of exchange. For insuring the liabilities from the loan agreement – TEŠ Power Plant Šoštanj/B Finance Contract, FI No 25.541 SI, concluded with the European Investment Bank for financing Unit 6 (22 April 2010) in the amount of EUR 440 million, on 6 December 2012 the Republic of Slovenia and the European Investment Bank concluded Guarantee Contract in the amount of EUR 440 million. The contract became effective on 6 March 2013 (OG of RS, no. 4/15. 3. 2013).

On 24.11.10 an Agreement on the issue of a bank guarantee for EUR 110 million was concluded between TEŠ, HSE and five guarantor banks (The bank of Tokyo- Mitshubishi UFJ, Caja Madrid, Intesa SanPaolo, Societe Generale and UniCredit Bank); the agreement was concluded in order to provide a guarantee to the European Investment Bank in accordance with the provisions of the loan agreement with EIB for a loan in the amount of EUR 110 million. The issue date of the guarantee was 28 January 2011.

The guarantees tied to this agreement are:

- Assignment of receivables to collateral in the maximum amount of the principal, i.e. EUR 110 million, including interest, default interest and other considerations, costs and expenditures payable under the Guarantee Agreement and the Agreement on assignment of receivables to collateral dated 24 November 2010 and concluded between TEŠ and guarantor banks for the period of 5 years.
- Pledge of bank accounts and cash as collateral for the settlement of all secured liabilities in the maximum amount of EUR 110 million, including interest, default interest and other considerations, costs and expenditures payable under the Guarantee Agreement and the Agreement on assignment of receivables to collateral dated 24 November 2010 and concluded between TEŠ and guarantor banks.

HSE guarantee by which HSE d.o.o. guarantees for the pledge of TEŠ's liabilities in accordance with the loan agreement for the loan of EUR 200 million.
HSE guarantees for 80% of loan value (EUR 160 million) from the day when the contract was signed (12 January 2011) and for the period of the loan agreement (15 years). As at 31 December 2013, the loan drawn from EBRD amounts to EUR 200 million. As additional collateral:

- TEŠ pledged bank accounts and cash as collateral that will secure existing and future, actual and conditional liabilities of the pledger under the loan agreement of EBRD or in accordance with it, namely by pledging each of Insurance accounts and cash, including all interest. The agreement was concluded as at 3 February 2011 and is effective for the period of applicability of the loan agreement.
- Assigned receivables as collateral for total payment of all insurance liabilities in the total amount of EUR 200 million with interest, including default interest that TEŠ signed with EBRD bank. The agreement on receivable assignment was concluded as at 3 February 2011 and is effective for the period of applicability of the loan agreement.

Due to new arrangements regarding collateral between banks taking part in the financing of the Unit 6 investment, the collateral under the loan agreement that TEŠ concluded with Unicredit and SID bank on 21 December 2007 was amended by inclusion of Annex no.1, under which HSE d.o.o. entered in the loan agreement as a guarantor. Under this agreement, HSE d.o.o.'s guarantee covers 80% of the loan. As at 31 December 2013, the loan was fully repaid, while the contractual liabilities expired in 2013.

Other guarantees tied to the said loan agreement are:

- Assignment of receivables to collateral in the maximum amount of the principal, i.e. EUR 30 million, including interest and default interest and any other considerations, costs and expenditures payable under the loan agreement that TEŠ concluded with the banks UniCredit and SID banka. The agreement on assignment of receivables was concluded as at 24 November 2010 and is valid until 31 December 2013.
- Pledge of bank accounts and cash as collateral for full repayment and settlement of secured liabilities in the maximum amount of the principal, i.e. EUR 30 million, including interest and default interest and any other considerations, costs and expenditures payable under the loan agreement TEŠ concluded with the banks UniCredit and SIB banka. The agreement on pledge of bank accounts and cash was signed on 24 November 2010 and is valid until 31 December 2013.

Note 17

Short-term financial liabilities EUR 11,597,010

in EUR

Short-term financial liabilitie	31 Dec 2013	31 Dec 2012
Short-term financial liabilities to Group companies	10,207,923	301,453,507
Short-term financial liabilities to banks	1,389,087	20,157,246
Total	**11,597,010**	**321,610,753**

At the end of 2013, the company concluded the agreement on transfer of debt with HSE, on the basis of which the controlling company directly settled the TEŠ's liabilities to the supplier of equipment for replacement Unit 6 in total amount of EUR 10,207,923. With the debt transfer agreement between HSE and TEŠ a financial liability of TEŠ to HSE was created. This liability bears interest at the interest rate for loans among related parties (6-month EURIBOR + 1.00% p.a.)

The debt transfer agreement was concluded to prevent economic loss and to avoid suspension of works by Alstom and other suppliers for replacement Unit 6 at TEŠ. The liability will be settled once the issues regarding TEŠ recapitalisation (state aid) will be solved. It is therefore projected that the liability will be converted into the TEŠ's equity.

To solve the question of conversion of the liability into equity of TEŠ, Private Investor Test (PIT) has to be carried out within the scope of an independent review. A successful PIT would mean that the recapitalisation of TEŠ as projected above would be allowed, as it would not represent an unlawful state aid.

Short-term financial liabilities to group companies at the end of 2012 represented liabilities for principals in the amount of EUR 300,600,000 and liabilities for interest in the amount of EUR 853,507 which fell due in 2013.

Short-term financial liabilities to banks as at 31 December 2013 comprise the principals arising from long-term debts in the amount of EUR 1,388,889 which under loan agreements fall due in the next 12 months and interest on short-term revolving loans from the UniCredit bank for 2013.

In 2013, interest rates under contracts concluded for short-term loans ranged between the lowest agreed-upon fixed annual rate (3.50%) to the highest, 1-m Euribor + 5.8% (6.05%).

in EUR

Changes in short-term financial liabilities	Short-term financial liabilities to Group companies	Short-term financial liabilities to banks	Total
As at 01/01/2013	**301,453,507**	**20,157,246**	**321,610,753**
Increase	45,207,923	79,631,198	124,839,121
Transfers from long-term liabilities	0	1,388,889	1,388,889
Repayments	(336,453,507)	(99,788,246)	(436,241,753)
As at 31/12/2013	**10,207,923**	**1,389,087**	**11,597,010**

Note 18

Short-term operating liabilities EUR 77,155,838

in EUR

Short-term operating liabilities	31 Dec 2013	31 Dec 2012
Short-term operating liabilities to Group companies	17,995,307	24,612,471
Short-term operating liabilities to associated companies	261,363	264,124
Short-term operating liabilities to suppliers	52,966,772	229,328,169
Short-term operating liabilities from advances	287	381
Short-term operating liabilities to employees	1,410,015	1,432,299
Short-term operating liabilities to government and other institutions	4,515,559	8,034,306
Short-term operating liabilities to others	6,535	427,188
Total	**77,155,838**	**264,098,938**

in EUR

Short-term operating liabilities to Group companies	31 Dec 2013	31 Dec 2012
HOLDING SLOVENSKE ELEKTRARNE d.o.o., Ljubljana, Slovenia	3,095,816	1,915,209
PREMOGOVNIK VELENJE d.d., Velenje, Slovenia	9,109,787	18,502,971
HTZ IP d.o.o., Slovenia	320,975	340,350
GOST d.o.o., Slovenia	1,139	0
PV INVEST d.o.o., Slovenia	33,155	47,444
RGP d.o.o., Slovenia	4,443,161	3,192,630
HSE INVEST d.o.o., Maribor, Slovenia	991,274	613,867
Total	**17,995,307**	**24,612,471**

The largest share of liabilities to group companies consists of liabilities to Premogovnik Velenje d.d. in the amount of EUR 9,078,699 for the coal supplied for production of electricity and thermal energy. The liabilities were not yet due on the balance sheet date. The main share of liabilities to suppliers is represented by investments in property, plant and equipment in the amount of EUR 43,818,226. Other liabilities in the amount of EUR 9,148,546 are disclosed among purchased material and services.

As at 31 December 2013, the company discloses EUR 20,177,382 of overdue and outstanding liabilities to suppliers, the main part of which is in connection with the suppliers for investment in the amount of EUR 19,609,452, while EUR 567,930 represent liabilities to other suppliers. By 7 February 2014, all overdue liabilities were settled.

Other short-term operating liabilities:

- Liabilities to employees for salaries and other employment-related receipts for December 2013 in the amount of EUR 1,410,015 which were settled as at 14 January 2014.
- Liabilities to government and other institutions in the amount of EUR 4,515,559; Here, the carbon tax liability (for CO_2 emissions) accounts for the largest part of liabilities. In 2013 the liability totalled EUR 4,362,070 (1 coupon per tonne of CO_2) and has to be settled by 30 April 2014. Disclosed liabilities are compliant with the plan.
- And other long-term liabilities in the amount of EUR 6,535.

The company generally settles all its liabilities in due time.

Note 19

Other short-term liabilities EUR 42,953,916

in EUR

Other short-term liabilities	31 Dec 2013	31 Dec 2012
Short-term accrued costs and expenses	42,953,916	3,948,419
Total	**42,953,916**	**3,948,419**

The predominant share of other short-term liabilities relates to accrued costs of emissions coupons. At the end of the year, the company is short of 4,223,386 coupons to settle the liability to the government regarding CO_2 emissions generated in 2013.

Costs in the amount of EUR 35,096,338 are accrued at the price set in the CO_2 emission coupons sales/purchase contract, less the portion disclosed in the liabilities to the government.

The accrued costs comprise also the costs of suppliers in the amount of EUR 7,364,898 on the basis of accrued costs of suppliers, mostly for the Unit 6 construction, and accrued costs of unutilised annual leave at the end of 2013, which amount to EUR 492,681.

Note 20

Contingent liabilities and assets

in EUR

Contingent liabilities	31 Dec 2013	31 Dec 2012
Bank guarantees issued (electricity)	179,147	70,000
Other	17,847	26,993
Total	**196,994**	**96,993**

in EUR

Contingent assets	31 Dec 2013	31 Dec 2012
Bank guarantees received (electricity)	611,716	1,831,920
Bank guarantees received (investments)	117,576,071	108,019,153
Other	0	183,639
Total	**118,187,787**	**110,034,712**

Among its contingent liabilities, the company discloses the bank guarantee given for quality performance of contractual obligations to Razvojni center energija d.o.o. (RCE) in the amount of EUR 179,147 and liabilities to NLB for business card in the amount of EUR 8,700.

Contingent assets include bank guarantees received (Alstom, Rudis d.o.o. and others) for quality performance of works that mostly refer to the construction of Unit 6. At the end of 2012, the company's contingent assets included receivables from employee debts in relation to small tools, tools, protective equipment in the amount of EUR 1,147,447 and bank guarantees received for advances given in the amount of EUR 1,253,996, which is now disclosed as credit risk.

4.9.2 Notes to the income statement

Note 1

Net sales revenue EUR 243,665,466

in EUR

Net sales revenues	2013	2012
On the domestic market	**243,622,653**	**258,511,195**
Electricity	238,021,580	253,084,382
Heat energy	3,841,638	3,797,846
Other products	92,731	76,173
Other merchandise and material	630,584	732,511
Other services	1,036,120	820,283
On the foreign market	**42,813**	**39,444**
Other merchandise and material	42,813	39,444
Total	**243,665,466**	**258,550,639**

Net sales revenue in the amount of EUR 243,665,466 was carried at invoiced amounts. The predominant share of revenue (99.3%) was generated through electricity and thermal energy sales.

Note 2

Capitalised own products and own service EUR 2,826,106

in EUR

Capitalised own products and services	2013	2012
Capitalised own products and services	2,826,106	51,852
Total	**2,826,106**	**51,852**

Capitalised own services in 2013 included the material used and internal work performed during the overhaul of Units 3 and 4 and gas turbine PLT51 and in other investments. There were no overhauls of the units in 2012.

Note 3

Other operating revenue EUR 1,505,009

in EUR

Other operating revenue	2013	2012
Revenue from the reversal of provisions	64,890	0
Drawing of deferred revenue	935,633	5,236,457
Profit from sales of fixed assets and reversed impairment of receivables	134,535	42,584
Revenue from compensations and contractual penalties	29,595	2,971
Other operating revenue	340,356	162,483
Total	**1,505,009**	**5,444,495**

One part of other revenue represents revenue relating to emission coupons in the amount of EUR 132,157, which are recognised in the amount of proportional share for 2013.

Revenue arising from subsidies and other state aids are revenue from subsidies, grants for property, plant and equipment in the amount of EUR 935,633 for drawing long-term liabilities in accordance with the amount of depreciation charge.

Revenue from sales of fixed assets in the amount of EUR 128,837 represents the profit from sales of apartments and equipment. Revenue from reversal of impairment of receivables in the amount of EUR 5,698 refers to payments of disputed receivables from apartment rentals created in past year.

Note 4

Costs of goods, materials and services EUR 150,578,686

in EUR

Costs of goods, material and services	2013	2012
Total costs of material	139,729,374	152,280,459
Total costs of services	10,849,312	11,630,386
Total	**150,578,686**	**163,910,845**

in EUR

Costs of goods, material and services	2013	2012
Costs of materials	135,020,905	148,990,400
Costs of auxiliary material	171,107	210,517
Costs of energy	141,107	137,792
Costs of spare parts	3,613,377	2,167,423
Costs of small tools	155,756	173,924
Other costs of material	627,122	600,403
Total costs of material	**139,729,374**	**152,280,459**
Costs of services in creating products	352,155	359,453
Cost of transport services	260,139	367,570
Maintenance services	4,975,067	5,918,002
Costs of rent	674,842	327,795
Reimbursements of work-related costs to employees	108,546	148,960
Costs of insurance and bank services	977,019	917,030
Cost of intellectual and personal services	728,906	800,869
Costs for research and development	115,540	110,808
Costs of trade fairs, advertising and entertainment	288,227	208,054
Cost of services rendered by natural persons	114,368	237,462
Costs of disposal site management	1,552,849	1,679,975
Other costs of services	701,654	554,408
Total costs of services	**10,849,312**	**11,630,386**
Total	**150,578,686**	**163,910,845**

Costs of material for 2013 include net positive effect of foreign exchange differences in the amount of EUR 140 and EUR 49 for 2012.

The predominant share of costs of materials relates to the consumption of coal as an energy product used for the production of electricity and thermal energy, and contingent costs of coal. In addition to coal, the company also used gas to produce electricity.

Costs of spare parts and materials for maintenance of property, plant and equipment amount to EUR 3,613,377. Details are disclosed in the chapter in maintenance.

After the inventory count of materials, surpluses of EUR 5 and shortages of EUR 177 were determined.

Costs of services related to maintenance of fixed assets comprise costs of regular maintenance in the amount of EUR 4,975,067.

Costs of intellectual and personal services include auditing costs in the amount of EUR 20,226 and costs of other services in the amount of EUR 5,058.

in EUR

Audit fees	2013	2012
Audit of the Annual Report	20,226	23,403
Other non-audit services	5,058	3,720
Total	**25,284**	**27,123**

Note 5

Labour costs EUR 19,012,973

in EUR

Labour costs	2013	2012
Salaries	13,907,931	13,922,204
Pension insurance costs	1,967,954	1,931,624
Other insurance costs	1,084,430	1,103,967
Other labour costs	2,052,658	2,487,871
Total	**19,012,973**	**19,445,666**

The number of employees and the average number of employees by education structure	As at 01/01/2013	As at 31/12/2013	Average no. of employees
1	7	6	7
2	31	30	31
3	12	12	12
4	129	124	127
5	163	158	161
6/1	58	57	58
6/2	25	23	24
7	26	29	28
8/1	10	10	10
8/2	1	1	1
Total	**462**	**450**	**456**

Labour costs are based on the collective labour agreement and employment contracts. Salaries are comprised of the fixed pay, allowances (for less favourable working hours, environment impacts, etc.) and the variable pay which reflects performance.

Salary compensations include compensations for absence resulting from illness, annual leave, training and other. Employees are entitled to compensation either on the basis of the Employment Relationship Act, collective labour agreement or employment contract.

The costs of supplementary pension insurance relate to the co-funding of the pension scheme by the employer under the contract for establishment of voluntary supplementary pension insurance scheme entered into by Termoelektrarna Šoštanj d.o.o. and TPP Šoštanj trade union. The pension scheme labelled PN1 is managed by the insurance company Modra zavarovalnica d.d., Ljubljana.

Other employee compensation, benefits and refunds represent annual leave allowances, termination benefits and other.

Labour costs for 2013 include also the costs of provisioning in the amount of EUR 161,586. In 2012, these costs totalled EUR 311,404 and were recorded under costs of provisions.

Labour costs do not include costs for meal allowance in the amount of EUR 593,120. In books of account costs and revenue are recorded on internal realisation accounts and are not included in the income statement.

Note 6

Write-downs in value EUR 27,655,354

in EUR

Write-downs in value	2013	2012
Amortisation of intangible assets	189,501	205,760
Depreciation of property, plant and equipment	27,246,564	27,718,297
Allowance for or write-down in receivables	210,171	3,583,329
Sale and write-down in property, plant and equipment and intangible assets	9,118	91,316
Total	**27,655,354**	**31,598,702**

The depreciation/amortisation charge in 2013 totals EUR 27,436,065 and is accounted for at depreciation/amortisation rates based on the assessment or impairment of property, plant and equipment in 2001, or at rates applicable to new purchases determined by the internal contracting person.

Revaluation operating expenses in the amount of EUR 219,289 refer to:

- write-down of unusable goods in the amount corresponding to their net carrying amount EUR 9,118. The assets were written down because they were worn out, and technologically and economically obsolete. The assets were discontinued or disposed of;
- impairment of receivables by EUR 210,171 due to doubts as to their collection. The main part of impaired receivables refers to the receivables declared in the bankruptcy estate of Primorje.

Note 7

Other operating expenses EUR 48,262,221

in EUR

Other operating expenses	2013	2012
Provisions		311,404
Fee for building site use	4,379,079	3,939,195
Environmental charges	40,583,529	7,081,265
Donations	209,399	240,280
Other operating expenses	3,090,214	3,405,327
Total	**48,262,221**	**14,977,471**

Costs of provisions in the amount of EUR 311,404 in 2012 referred to creation of provisions for jubilee benefits and severance pay, which were recorded under labour costs in 2013 and amount to EUR 161,586.

The predominant share of charges relates to the liability arising from payment of the building site fee in the amount of EUR 4,379,079.

The majority of environmental protection expenditures refer to emission coupon costs of EUR 39,472,663. According to estimates, the company produced 4,362,070 tonnes of CO_2 during the year. In accordance with the Environment Protection Act, the company is obligated to hand over 4,362,070 emission coupons to the government.

Note 8

Financial revenue EUR 46,197

in EUR

Financial revenue	2013	2012
Financial revenue from loans granted and deposits	28,414	42,483
Other financial revenue	17,783	17,287
Total	**46,197**	**59,770**

Revenue from loans given regards the interest on time deposits with the bank in which HSE holds a treasury account.

Note 9

Financial expenses EUR 665,859

in EUR

Financial expenses	2013	2012
Financial expenses from loans received	432,767	763,133
Other financial expenses	233,092	834,950
Total	**665,859**	**1,598,083**

The main share of financial liabilities is comprised of interest expense arising from long-term and short-term loans. Interest was accounted for in accordance with the contract entered into by the lender and the borrower.

Note 10

Tax EUR 182,437

in EUR

Taxes	2013	2012
Deferred taxes	182,437	(115,112)
Total	**182,437**	**(115,112)**

in EUR

Effective tax rate calculation	2013	2012
Profit or loss before tax	1,867,685	32,575,989
Tax calculated at applicable tax rate (20%)	317,506	5,863,678
Tax from revenue reducing tax base	(969)	(1,531)
Tax from tax breaks	(642,318)	(6,770,656)
Tax from non-deductible expenses	361,234	955,715
Tax from other changes in tax calculation	(35,453)	(47,206)
TAX	**0**	**0**
Effective tax rate	**0.00%**	**0.00%**

The bases for creation of deferred tax assets represent the amount of long-term provisions created for jubilee and termination benefits on retirement, revaluation of long-term investments and depreciation/amortisation rates exceeding the rates determined by the ZDDPO-2.

In compliance with the Corporate Income Tax Act, the company prepared a corporate income tax return for the period 1 January to 31 January 2013 and determined that tax liabilities will not be disclosed due to utilisation of reliefs for investment in equipment. As at 31 December 2013, the company discloses unused investment reliefs in the amount of EUR 93,432,934, from 2012, which can be used in the next four tax periods. The unutilised investment reliefs in 2013 increased further by EUR 84,368,557, which can be used by the company in the next five tax periods. As the future taxable profits are uncertain, the company did not create deferred tax assets.

Note 11

Net profit or loss EUR 2,050,122

in EUR

Net profit or loss	2013	2012
Gross operating income	247,996,581	264,046,986
Operating profit or loss	2,487,347	34,114,302
Net cash	(619,662)	(1,538,313)
Profit or loss before tax	1,867,685	32,575,989
Net profit or loss	**2,050,122**	**32,460,877**

4.9.3 Notes to the statement of other comprehensive income

In its statement of other comprehensive income, the company discloses actuarial losses from termination benefits on retirement based on the actuarial calculation of provisions of jubilee benefits and termination benefits upon retirement.

4.9.4 Notes to the cash flow statement

The cash flow statement for 2013 is prepared on the basis of direct method and comprises all cash receipts and disbursements in the period from 1 January to 31 December 2013.

Cash flows broken down by subgroups:

in EUR

Cash flows	2013	2012
Cash flows from operating activities	114,476,532	90,873,823
Cash flows from investing activities	(469,139,268)	(291,294,317)
Cash flows from financing activities	354,667,833	198,391,939
Net cash for the period	**5,097**	**(2,028,555)**

The cash flow statement shows that in 2013 the company realised EUR 114,476,532 of net cash from operating activities and EUR 354,667,833 of net cash from financial activities, which were used entirely to cover the investments expenses.

4.9.5 Statement of changes in equity

The statement of changes in equity shows changes in equity components during the financial year.

The statement of changes in equity is prepared in the form of a composite spreadsheet.

Total comprehensive income of the reporting period increased by EUR 2,033,808, with the changes consisting of:

- increase by EUR 2,050,122 of net profit for the year, and
- decrease by EUR 16,314 of actuarial loss from creation of provisions for jubilee and termination benefit on retirement.

Retained earnings from 2012 of EUR 15,418,917 were allocated to other revenue reserves under the decision of the company member.

The net profit or loss for 2013 in the amount of EUR 2,050,122 has been, in accordance with the provisions of the Companies Act (ZGD-1) and the decision of the managing director and Supervisory Board, allocated to legal revenue reserves in the amount of EUR 102,506 and other revenue reserves in the amount of EUR 973,808; the remaining portion in the amount of EUR 973,808 remained unallocated. The remaining net profit of the financial year represents the accumulated profit.

in EUR

Accumulated profit or loss	2013	2012
Net profit or loss for the period	2,050,122	32,460,877
Increase (additional establishment) of revenue reserves	(1,076,314)	(17,041,960)
Accumulated profit or loss	**973,808**	**15,418,917**

4.10 OTHER DISCLOSURES

4.10.1 Related companies

in EUR

Data on associated companies	Disposals	Acquisitions
HOLDING SLOVENSKE ELEKTRARNE d.o.o., Ljubljana	238,458,451	6,135,640
PREMOGOVNIK VELENJE d.d., Velenje	1,469	103,443,745
HTZ IP d.o.o.	5,888	3,162,709
GOST d.o.o.	0	8,154
PV INVEST d.o.o.	0	72,852
RGP d.o.o.	33	7,338,476
HSE INVEST d.o.o., Maribor	15,337	2,477,908
Total 2013	**238,481,178**	**122,639,484**

4.10.2 Remuneration

Information about management, Supervisory Board and employees on the basis of contracts that are not subject to the tariff part of the collective labour agreement.

in EUR

Receipts	Salary	Other receipts	Bonuses	Cost reimbursement	Total
Members of the Management Board	112,140	4,778	1,996	2,517	121,431
members of the Supervisory Board	0	51,800	492	2,727	55,019
Employees under management contracts	332,024	16,709	6,758	1,142	356,633
Total 2013	**444,164**	**73,287**	**9,246**	**6,386**	**533,083**

Remuneration of management and employees who are not subject to the tariff part of the collective labour agreement comprises:

- gross receipts, according to the method of payment;
- other receipts,
- premiums paid for voluntary additional pension insurance, and
- reimbursements.

The receipts of Supervisory Board members relate to gross amounts of meeting fees and travel costs.

4.11 FINANCIAL INSTRUMENTS AND RISKS

This section is connected with section 2.11 in the business part of this report regarding financial risks.

4.11.1 Credit risk

Credit risk is the risk of failure of the counterparty to settle its liabilities. In addition to failure to pay, we also risk the failure of settling non-financial liabilities. The consequence of risk is the lack of liquid assets.

With regard to business credit risk, the company assesses that the risk probability is low, while the impact on company's operations is medium. Risk management instruments comprise verification of credit ratings of business partners, conclusion of long-term contracts and annual contracts with elements of insuring receivables such as blank of bills of exchange.

Receivables for thermal energy sold are secured with a blank bill of exchange. Receivables for advances given in the amount of EUR 881,146 are also secured with a bank guarantee.

The majority of overdue receivables for advances given refers to the receivables due from Primorje in receivership proceeding, for which the company created allowances.

Other overdue and outstanding trade receivables represent receivables from a buyer of thermal energy, from the sale of fly ash, from apartment leases and other.

in EUR

Long-term receivables by maturity	Due date			Total
	Up to 2 years after the date of the balance sheet	From 3 to 5 years after the date of the balance sheet	Over 5 years after the date of the balance sheet	
Long-term advances given	2,000	9,147	82,318	93,465
Long-term operating receivables from others	4,307	4,063	1,445	9,815
Total 31/12/2012	**6,307**	**13,210**	**83,763**	**103,280**

in EUR

Long-term receivables by maturity	Due date			Total
	Up to 2 years after the date of the balance sheet	From 3 to 5 years after the date of the balance sheet	Over 5 years after the date of the balance sheet	
Long-term advances given	39,625	9,147	82,318	131,090
Long-term operating receivables from others	4,154	4,063	1,863	10,080
Total 31/12/2013	**43,779**	**13,210**	**84,181**	**141,170**

in EUR

Short-term receivables by maturity date	Due date						Total
	Not yet due	Overdue up to 3 months (90 days)	Overdue from 3 to 6 months (from 91 days to 180 days)	Overdue from 6 to 9 months (from 181 days to 270 days)	Overdue from 9 to 12 months (from 271 days to 360 days)	Overdue more than one year (more than 361 days)	
Short-term operating receivables due from the Group companies	34,903,158	0	0	0	0	0	34,903,158
Short-term operating receivables due from the associated companies	67	0	0	0	0	0	67
Short-term operating receivables due from customers	1,347,775	91,999	17,535	5,767	5,044	34,341	1,502,461
Short-term advances	58,112	0	4,409,175	0	0	0	4,467,287
Short-term operating receivables due from government and other institutions	26,961,431	0	0	0	0	0	26,961,431
Short-term operating receivables due from others	13,526	0	0	0	0	0	13,526
Total as at 31/12/2012	**63,284,069**	**91,999**	**4,426,710**	**5,767**	**5,044**	**34,341**	**67,847,930**

in EUR

Short-term receivables by maturity date	Due date						Total
	Not yet due	Overdue up to 3 months (90 days)	Overdue from 3 to 6 months (from 91 days to 180 days)	Overdue from 6 to 9 months (from 181 days to 270 days)	Overdue from 9 to 12 months (from 271 days to 360 days)	Overdue more than one year (more than 361 days)	
Short-term operating receivables due from the Group companies	10,308,315	41	0	0	0	0	10,308,356
Short-term operating receivables due from the associated companies	140	0	0	0	0	0	140
Short-term operating receivables due from customers	1,562,572	37,915	5,891	6,372	5,521	57,215	1,675,486
Short-term advances	894,768	0	0	85	0	4,409,175	5,304,028
Short-term operating receivables due from government and other institutions	9,988,849	113	0	0	0	0	9,988,962
Short-term operating receivables due from others	8,080	0	0	0	0	0	8,080
Total as at 31/12/2013	**22,762,724**	**38,069**	**5,891**	**6,457**	**5,521**	**4,466,390**	**27,285,052**

in EUR

Changes in allowances for short-term operating receivables	2013	2012
As at	**3,615,679**	**40,859**
Collected receivables written off	(5,698)	(8,509)
Formation of value adjustments for receivables	210,171	3,583,329
As at	**3,820,152**	**3,615,679**

4.11.2 Liquidity risk

Liquidity is the condition for company's solvency and at the same time the ability for the timely settlement of overdue liabilities. By providing optimal financial structure or operations in the framework of financial leverage, we ensure safe operations and the lowest costs of financial structure. The deficit of liquidity assets results in unpaid overdue liabilities. The probability that the company would face liquidity problems is medium, while the impact of company's illiquidity is high. Liquidity risk management instrument is careful planning of cash flows on a daily, monthly and annual basis. The appropriate timing of receivables and liabilities and, particularly, ensuring adequate sources of financing investments is of key importance. As regards the current liquidity, the company has established appropriate credit lines for short-term liquidity management.

Under the investment activity the liquidity risk is determined in relation to ensuring own sources for financing of the investment. The consequences would be large, while the probability that the company does not provide own sources of investment financing is medium.

Measures for liquidity risk reduction are predominantly refer to operational streamlining in terms of ensuring safe and reliable operations, for which the programme for streamlining of operations and disinvestment of non-core property has been prepared, and dynamics of providing own and parent company's sources has been adopted.

As at 31 December 2013, the company discloses EUR 20,177,382 of overdue and outstanding liabilities to suppliers, the main part of which is in connection with the suppliers for investment in the amount of EUR 19,609,452, while EUR 567,930 represent liabilities to other suppliers. All overdue liabilities were settled by 7 February 2014.

Surplus of short-term liabilities over short-term assets as at 31 December 2013 amounts to EUR 54,916,818. The company expects to cover this difference through capital increase (conversion into capital based on the debt transfer agreement).

in EUR

Long-term liabilities by maturity	Due date			Total
	Up to 2 years after the date of the balance sheet	From 3 to 5 years after the date of the balance sheet	Over 5 years after the date of the balance sheet	
Long-term financial liabilities to banks	5,867,460	31,423,771	160,069,881	197,361,112
Dolg. poslovne obveznosti do dobaviteljev	1,692,285	0	0	1,692,285
Total as at 31/12/2012	**7,559,745**	**31,423,771**	**160,069,881**	**199,053,397**

in EUR

Long-term liabilities by maturity	Due date			Total
	Up to 2 years after the date of the balance sheet	From 3 to 5 years after the date of the balance sheet	Over 5 years after the date of the balance sheet	
Long-term financial liabilities to banks	40,715,058	95,784,959	616,972,206	753,472,223
Total as at 31/12/2013	**40,715,058**	**95,784,959**	**616,972,206**	**753,472,223**

in EUR

Short-term liabilities by maturity date	Due date		Total
	Not yet due	Overdue up to 3 months (90 days)	
Short-term operating liabilities to Group companies	24,612,471	0	24,612,471
Short-term operating liabilities to associated companies	264,124	0	264,124
Short-term operating liabilities to suppliers	224,424,223	4,903,946	229,328,169
Short-term operating liabilities from advances	381	0	381
Short-term operating liabilities to employees	1,432,299	0	1,432,299
Short-term operating liabilities to government and other institutions	8,034,306	0	8,034,306
Other short-term operating liabilities	427,188	0	427,188
Short-term financial liabilities to Group companies	301,453,507	0	301,453,507
Short-term financial liabilities to banks	20,157,246	0	20,157,246
Total as at 31/12/2012	**580,805,745**	**4,903,946**	**585,709,691**

in EUR

Short-term liabilities by maturity date	Due date		Total
	Not yet due	Overdue up to 3 months (90 days)	
Short-term operating liabilities to Group companies	17,864,675	130,632	17,995,307
Short-term operating liabilities to associated companies	261,363	0	261,363
Short-term operating liabilities to suppliers	32,920,022	20,046,750	52,966,772
Short-term operating liabilities from advances	287	0	287
Short-term operating liabilities to employees	1,410,015	0	1,410,015
Short-term operating liabilities to government and other institutions	4,515,559	0	4,515,559
Other short-term operating liabilities	6,535	0	6,535
Short-term financial liabilities to Group companies	10,207,923	0	10,207,923
Short-term financial liabilities to banks	1,389,087	0	1,389,087
Total as at 31/12/2013	**68,575,466**	**20,177,382**	**88,752,848**

The risk of delay in drawing long-term loans was managed through up-to-date alternative scenarios, short-term borrowing and optimisation of liquidity and operations. The risk was estimated as being adequately managed in 2013.

Risk of non-drawing the long-term loans was managed by performing scenarios of alternative financing of replacement Unit 6 in TEŠ. The risk was estimated as being adequately managed in 2013.

4.11.3 Interest rate risk

Interest rate risk is a risk that the movement in interest rate will be unfavourable for the company. It occurs mainly in borrowing as the price of the money depends on the level of market interest rate. The growth of interest rate results in the risk of failure to settle annuities due to inadequate liquidity reserves. The risk is assessed as very low and manageable, since the company has established the policy of hedging against interest rate, based on which the risk of interest rate changes is dispersed. Accordingly, 69% of loans with fixed interest rate and 31% variable interest rate has been drawn so far. We estimate that the loans are hedged against these risks adequately. We will inform the banks about any potential deviations and try to obtain their consent for potential deviations under the same financial conditions.

Possible interest rate hedging instruments are fixed interest are at the creditor and interest rate swap.

The company was exposed to the following interest rate risk (only instruments that effect profit or loss are taken into account):

in EUR

Financial instruments - balance	2013	2012
Fixed rate instruments		
Financial liabilities	0	1,941,990
Financial instruments at variable interest rate		
Financial liabilities	4,861,111	11,250,000
TOTAL	**4,861,111**	**13,191,990**

Sensitivity analysis of fair value of financial instruments at fixed interest rate

The company does not have financial instruments at fixed interest rate determined at fair value through the profit or loss nor derivatives determined for hedging fair value. Thus the change in fair value will not affect net profit or loss on the reporting date.

Sensitivity analysis of cash flow at financial instruments with a variable interest rate

The change in interest rate for 50 basis points on the reporting date would increase (decrease) the net profit or loss for the values stated below.

in EUR

Financial instruments at variable interest rate	Net profit/loss 2013		Net profit/loss 2012	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Financial instruments at variable interest rate	(68,248)	68,248	(78,962)	78,962
Financial liabilities	(68,248)	68,248	(78,962)	78,962

4.11.4 Price risk

The risk that prices of electricity projected in the investment programme will not be reached.
A high risk in relation to decrease in electricity price exists. The probability of decrease in electricity price is estimated as medium, while the effect on the company's operation is estimated as high.

Electricity prices are determined on the basis of futures contracts until the end of 2016. We believe that liquid futures markets reflect the traders' expectations about electricity prices in the best possible way. In the subsequent years, when the liquidity in the electricity markets will be low, the model-based forecasts of future electricity prices at the middle scenario in the study prepared by Poyry. The risks can be partially reduced with monitoring of developments on the market and regulatory changes and with appropriate strategy for long-term sale of electricity produced.

The risk that the price of coal projected in the investment programme will not be reached.
A high risk exists that the coal prices set in the investment programme will rise. The probability of increase in coal price and its effect on the company's operation are estimated as high.

This risk can be limited through streamlining of operations in terms of cost efficiency at Premogovnik Velenje, optimisation of the PV Group operations and disinvestment of non-core assets. We need to ensure that the coal price will be in line with the concluded trilateral contract among HSE, PV and TEŠ. Financial, operational, HE and organisational restructuring of the PV Group needs to be carried out.

The purchase of basic energy product from one supplier exposes the company to certain risks. These risks were managed through careful planning of the PV's production and TEŠ's operations, which is coordinated within the scope of 5-year planning of coal extraction and production at PV. Minor interruptions in coal supply are taken care of with adequate amount of security reserve at the disposal site.

The risk that selling price of electricity will not exceed its purchase price
The risk of difference between the selling and purchase price exists; however, the company manages it through entering into long-term contracts on sales of electricity with the parent company.

4.11.5 Capital management

The main purpose of capital management is to ensure the best credit rating possible and capital adequacy for the purposes of financing operations and investments. An adequate volume of capital enables the company the trust of creditors and market as well as maintains the future development of activities.

The company monitors changes in equity using the financial leverage ratio calculated by splitting net liabilities with the total amount of net liabilities and total amount of equity. In terms of net liabilities, the company includes received notices and other financial liabilities less cash.

in EUR

Capital management	31 Dec 2013	31 Dec 2012
Long-term financial liabilities	753,472,223	197,361,112
Short-term financial liabilities	1,389,087	321,610,753
Total financial liabilities	754,861,310	518,971,865
Equity	515,676,986	395,268,577
Financial liabilities/capital	**1,464**	**1,313**
Cash and cash equivalents	10,758	5,661
Net financial liability	754,850,552	518,966,204
Net debt/equity	**(1,464)**	**(1,313)**

4.11.6 Fair value

The company assesses that the fair values of financial assets and liabilities do not differ from the carrying amount.

Carrying amounts and fair values of financial instruments in EUR

Financial instruments	31 Dec 2013		31 Dec 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value	**260,003**	**260,003**	**260,003**	**260,003**
Available-for-sale financial assets	260,003	260,003	260,003	260,003
Non-derivative financial assets at amortised cost	**23,616,798**	**23,616,798**	**64,341,192**	**64,341,192**
Operating receivables	23,606,040	23,606,040	64,335,531	64,335,531
Cash	10,758	10,758	5,661	5,661
Total	**23,876,801**	**23,876,801**	**64,601,195**	**64,601,195**
Non-derivative financial liabilities at amortised cost	842,225,071	842,225,071	784,763,522	784,763,522
Bank loans	754,861,310	754,861,310	217,518,792	217,518,792
Other financial liabilities	0	0	301,453,507	301,453,507
Operating liabilities	87,363,761	87,363,761	265,791,223	265,791,223
Total	**842,225,071**	**842,225,071**	**784,763,522**	**784,763,522**

in EUR

‘Financial assets carried at fair value by hierarchy	31 Dec 2013	31 Dec 2012
Financial assets at third-level fair value	260,003	260,003
Total	**260,003**	**260,003**

Short-term receivables and liabilities are disclosed at carrying amount which is considered as amortised cost.

CARING FOR A LARGE FAMILY OF EMPLOYEES

The company believes in its employees. It takes care of their professional development through continuing education and training. The company provides a safe and stimulating work environment that enables strengthening of mutual relations and bonds and creates opportunities for personal growth.

5 APPENDICES TO THE ANNUAL REPORT

5.1 BUSINESS SEGMENT REPORTING

Accounting information on operations is presented by business segments.

A business segment is an autonomous organisational unit which is responsible for the achievement of operating results. It is a market-oriented part of the company's organisational structure and generates profit or loss through its operations. Information used for reporting by business segments is based on data collected for external reporting purposes and additionally on data collected by the company for internal reporting purposes.

The company has the following business segments:

Business segment	Significant products and services of business segment
Electricity production	electricity
Steam and hot water supply	thermal energy, industrial water
Canteen	lunches, hospitality services
Social standard	rents of apartments and holiday facilities

Criteria for allocation of revenue and expenses are as follows:

- Revenue is normally allocated directly;
- Expenses are always allocated directly; Indirect expenses (general costs of production and specialist departments are allocated to business segments on the basis of a key).

The assets and liabilities allocated to segments contain items that are directly attributable to the segment as well as items that can be attributed to the segment on justifiable grounds.

5.1.1 Statement of financial position by business segments

31.12.2013 **in EUR**

	TOTAL TEŠ	Electricity production	Steam and hot water supply	Other business segments
TOTAL ASSETS	1,408,821,630	1,405,768,706	1,783,047	1,269,877
Non-current assets	1,332,031,684	1,330,647,692	529,492	854,500
Current assets	76,789,946	75,121,014	1,253,555	415,377
TOTAL LIABILITIES	1,408,821,630	1,400,699,715	4,498,729	3,623,186
Equity	515,676,986	508,885,342	3,474,041	3,317,603
Long-term liabilities	761,437,880	761,346,838	11,972	79,070
Short-term liabilities	131,706,764	130,467,535	1,012,716	226,513
Receivables/liabilities to business segments		5,068,991	(2,715,682)	(2,353,309)

5.1.2 Income statement by business segments

Leto 2013 **in EUR**

	TOTAL TEŠ	Electricity production	Steam and hot water supply	Other business segments
Prihodki od prodaje	243,665,762	239,095,057	3,935,251	635,454
Ostali prihodki	5,123,146	4,106,086	134,170	882,890
SKUPAJ PRIHODKI	**248,788,908**	**243,201,143**	**4,069,421**	**1,518,344**
SKUPAJ ODHODKI	**246,921,224**	**241,893,515**	**3,843,876**	**1,183,833**
Skupaj davki	182,438	178,908	3,084	446
ČISTI POSLOVNI IZID	**2,050,122**	**1,486,536**	**228,629**	**334,957**

Note: In the income statement presented by business segment, revenue and expenses also include internal realisation.

ABBREVIATIONS

ARSO – Slovenian Environment Agency
GDP – Gross domestic product
CCS – Capture and storage of CO_2
CO NOT – Centre of Excellence Low-carbon Technologies
VAT – Value added tax
NA – National Assembly
EBRD – European Bank for Reconstruction and Development
EIB – European Investment Bank
ERP – Information System KOPA
MTE – Main technology equipment
HESS – Hidroelektrarne na spodnji Savi d.o.o.
HSE – Holding Slovenske elektrarne d.o.o.
MF – Ministry of Finance
IFRS – International Financial Reporting Standards.
RIP – Revised Investment Programme
SB – Supervisory Board
ODOS – Electronic document system
PAC – Provisional Acceptance Certificate
PLT – Gas turbines
PV – Premogovnik Velenje d.d.
FDG – Flue gas desulphurisation
RLV – Lignite mine Velenje
RS – Republic of Slovenia
SOD – Slovene Restitution Fund
SIC – Standing Interpretations Committee
SRO – Environmental Management System
STA – Slovene Technical Approval
TEŠ – Termoelektrarna Šoštanj d.o.o.
LCP – Large combustion plant
OSH – Occupational Safety and Health
ZDDPO – Corporate Income Tax Act
ZFPPIPP – Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act
ZGD – Companies Act

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