

Plinovodi

Connected through energy

ANNUAL REPORT 2015

HIGHLIGHTS



Co-financed by the European Union

European Energy Programme for Recovery
Trans-European Energy Network
Connecting Europe Facility

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Report of the Management Board

In the year 2015, the operation of the company Plinovodi d.o.o. (hereinafter: company or Plinovodi) as an independent legal entity has reached its second decade. The completion of the parallel pipeline from Ceršak to Vodice with the upgrade of the compressor station in Kidričevo at the end of 2014 has steered us in the direction of a marketing oriented company in terms of marketing of transmission capacities. A company that takes into account its role in the area of infrastructure and actively engages in promoting the use of natural gas and obtaining new system users (hereinafter: users). We have used this turning point to verify our values, mission and vision, and outline the strategic guidelines of our operation.

The new Network code (hereinafter: NC) comprehensively regulate the use of the transmission system and integrate the requirements of the Energy Act (hereinafter: EZ-1) and the network codes into our work. We have successfully established the virtual point and the trading platform and introduced the market approach of balancing.

Despite the challenging business environment, we have maintained stable and successful business operations through the efforts of all employees. The reported net profit amounted to EUR 5.7 million, which accounted for around 10 percent of total net sales revenue. The entire profit was generated from operations and it surpassed the plan for 2015. It is a result of increased revenue, further optimisation of business processes and human resources and efficient cost management.

We allow all interested users to book transmission capacities in a transparent and unbiased manner. The allocation of transmission capacities at cross-border interconnection points via online auctions has been fully established. Additionally we also introduced within a day products and joint capacities. The total average booked transmission capacities for the transmission of natural gas in 2015 at the exit points in Slovenia amounted to 61.8 GWh/day, which is roughly what was planned and what was achieved in the previous years. At the cross-border interconnection points they have increased and reached 58.6 GWh/day.

After the transmitted quantities of natural gas have been declining for several years, the year 2015 was a turning point. We transmitted 8.4 percent more natural gas to Slovenian users and 3.8 percent more in transit. For the first time in history, natural gas has been transmitted in the direction of Italy. Despite the last year's booked transmission capacities were comparable to those in 2014, the utilisation rate of the transmission system has changed along all transmission lines in 2015 due to increased technical capacities. Compressor stations ensure stable pressure conditions regardless of input pressures and user off-take and also enable the transmission of natural gas towards Italy. There were no disturbances in the natural gas supply in 2015.

After a successfully completed ten-year investment cycle, due to lengthy procedures necessary for the spatial placement of transmission lines and facilities, we continued to prepare project and spatial documentation for national spatial plans for various pipeline routes to make them available to users in due time. All studies in the context of previous

actions on projects for which co-financing from the Trans-European Energy Networks (TEN-E 2013) programme was granted were completed. We optimised the conditions of existing long-term financing and used our own resources to finance all investments made in 2015.

Each year, we publish a ten-year development plan and check it with the stakeholders through public consultation. The Ten-Year Gas Transmission Network Development Plan for the 2016-2025 Period (hereinafter: Development Plan) was approved by the Energy Agency and contains new transmission lines and facilities based on the known demands for natural gas transmission to domestic users and cross-border transmission, and the estimated demand according to the movements of the use of natural gas and market opportunities. We have actively joined the preparation of cost and benefit analyses in the ENTSOG ten-year network development plan. Many activities were aimed at identification and inclusion of planned pipelines into priority projects of common interest (hereinafter: PCI) approved by the European Commission, which has put Slovenia on the map of regionally and Europe-wide significant states for cross-border transmission of natural gas.

Employees represent an important factor for development and business activities. We maintain a high qualification structure, ensure continuous education and training for high-quality performance of tasks, and optimise business processes and organisation. Every year we also participate in the survey called *Zlata nit* in which the quality of the relationship between employees and the organisation is analysed; in the last years our company has always ranked among the finalists, which places us in the very top of Slovenian companies. We also implemented measures in accordance with the basic Family-Friendly Company Certificate that we have obtained. To enhance the personal development of employees and further improve a successful, effective and creative mutual cooperation of employees, we have been implementing a project called the School of Internal Communication. A project intended for the exchange of best HR practices called »Even better!« (*Še boljši!*) has continued on the company's initiative as well. We have also joined the social responsibility project called »We will be engineers!« (*Inženirji bomo!*), which encourages students to choose engineering jobs. These projects have further improved the good reputation and recognisability of Plinovodi.

Our commitment to sustainable development is reflected through safety at work and protection of the natural environment. Quality assurance is not dictated solely by the nature of our activity connected with risks posed by natural gas, but we consider it as our commitment to respect the environment. Much effort is invested in managing all types of risks, especially in detailed analyses of the selected types of risks by assessing the dangers and preparing measures to mitigate or prevent potential consequences. As part of our social responsibility we support socially vulnerable groups, especially children, as well as culture and sport.

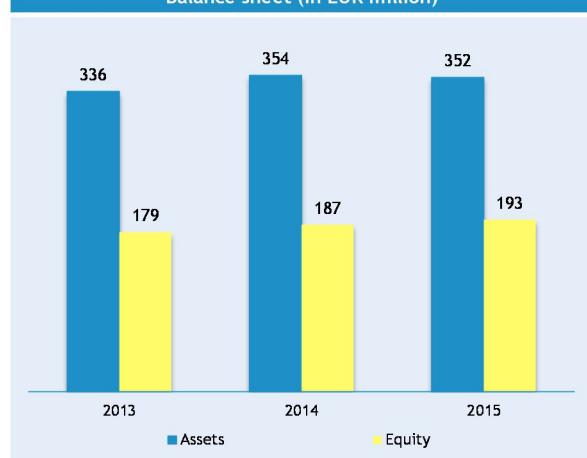
We have begun implementing the concept of strategically-oriented human resources management that leads to increased dedication from employees and greater business efficiency. Plinovodi is a stable and successful company whose employees are committed and dedicated colleagues boasting excellent knowledge about natural gas transmission and the preparation and implementation of infrastructure projects. With our bold vision and through the pursuit of our set strategy we will further enhance our mission and achieve all realistic goals in the coming years.



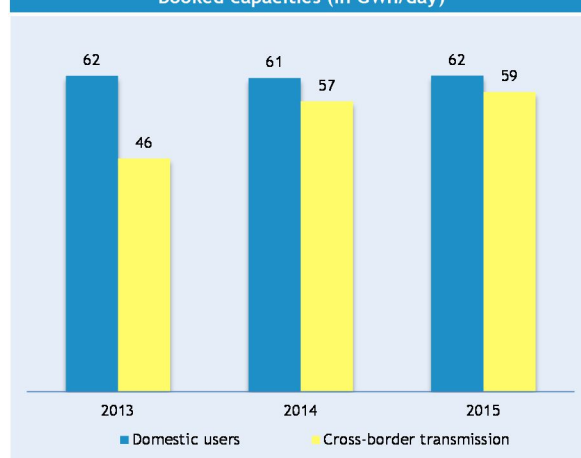
Financial Highlights

Data / Indicator	Unit / Criterion	2013	2014	2015
Booked border entry capacities	mio Sm ³ /day	10,592.0	10,080.0	8,903.0
	MWh/day	113,123.0	107,650.0	95,071.0
Booked exit capacities in Slovenia	mio Sm ³ /day	5,781.0	5,742.0	5,785.0
	MWh/day	61,741.0	61,320.0	61,780.0
Transmitted quantities	mio Sm ³	1,905.5	1,769.5	1,871.7
	GWh	20,350.7	18,898.3	20,132.2
- of which domestic transmission	%	44.3	43.0	44.1
Net sales revenue	EUR million	51.5	55.2	61.3
Depreciation	EUR million	16.2	14.8	16.0
Net profit	EUR million	7.0	8.2	5.7
Investments in intangible assets/tangible fixed assets	EUR million	52.0	30.4	4.4
Total assets at the end of the period	EUR million	336.3	354.4	352.1
Regulatory asset base	EUR million	219.2	257.2	277.6
Employees at the end of the period	number	156	159	156
Value added per employee	EUR thousand	235.7	233.1	234.4
EBIT	EUR million	10.3	12.9	11.9
EBITDA	EUR million	27.8	27.7	27.9
Net debt/EBITDA	< 6,0	3.1	3.7	3.4
EBITDA/interest	> 3,0	8.0	6.1	5.9
Debt/assets	< 60 %	27.1	30.6	30.0

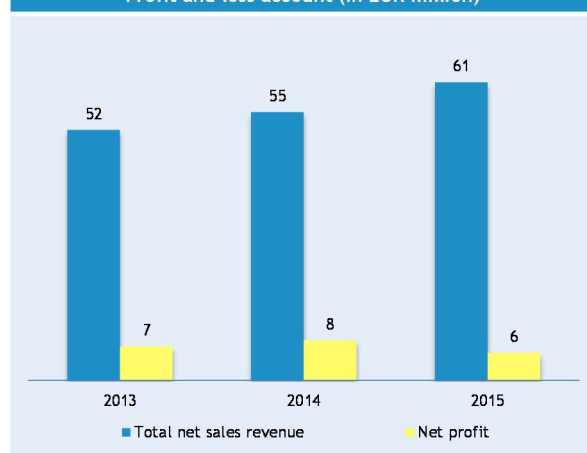
Balance sheet (in EUR million)



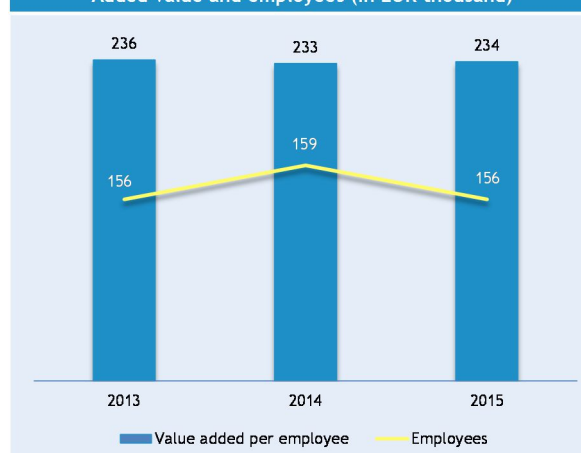
Booked capacities (in GWh/day)



Profit and loss account (in EUR million)



Added value and employees (in EUR thousand)



Significant Events in the Ten-Year Period

2005

- The company starts operating under the name Geoplin plinovodi d.o.o. This completes the legal unbundling of the natural gas transmission activity. 127 employees are transferred to the newly established company and the company becomes the owner of the natural gas transmission infrastructure.
- The network charge for the year 2005 is established for the company for the first time.
- The company creates the 10-year gas transmission network development plan for the first time.
- The redundant control centre at the backup location is established.

2006

- The company confirms the ISO 14001 environmental certificate.
- The supervisory board confirms the investment plan for the "Upgrade of the gas transmission network". A more than 100 percent increase in transmission capacities is envisaged.
- The company starts to participate in an international project with its first activities.

2007

- The final opening of the natural gas and electricity market - all consumers become eligible consumers and can freely choose their supplier.
- The Regulation on the functioning of the natural gas market becomes effective.
- The European Commission investigates the internal energy market in the EU, providing the basis for establishment of the Third Energy Package.
- Upgrade of the information system with content regarding contracts (connections, access), nominations and allocations, and capacities. Development of the applicative module for the transmission of natural gas invoicing (OPZP).

2008

- Construction of the Šentrupert-Šoštanj pipeline allows natural gas to be used for the production of electricity in Šoštanj.
- A new supplier enters the Slovenian natural gas market. The first actual changes of suppliers on the wholesale natural gas market take place.
- Introduction of a document management system within the company.
- The company conducts annual appraisal interviews with all employees for the first time.

2009

- The company constructs the Ceršak-Rogatec parallel pipeline, thereby increasing transmission capacities between Austria and Croatia.
- A new compressor station in Ajdovščina is constructed and it significantly increases the reliability of natural gas supply in Slovenia.
- The EU issues the Third Energy Package of Directives to eliminate obstacles on the energy market.
- Introduction of possibilities for short-term booking of transmission capacities.
- Introduction of a secondary market.
- The company participates in the establishment of the European Network of Transmission System Operators for Gas (ENTSOG).
- The governments of the Russian Federation and the Republic of Slovenia conclude a bilateral agreement on cooperation in the international project on the territory of the Republic of Slovenia.

2010

- The company obtains grants from the EEPR in the amount of EUR 40 million and secures funding from the European Investment Bank.
- The European 10-year transmission network development plan is created within the ENTSOG association for the first time.
- The company is ranked among the finalists in the *Zlata nit* project in the medium-sized enterprises category for the first time.



- The General Manager of the company becomes the president of the Management Board of the Chamber of Energy of Slovenia.

2011

- The company is renamed to Plinovodi d.o.o.
- The company secures a bank guarantee for financial resources from the European Investment Bank.
- The company members sign an agreement to establish a company that will be included in an international project.
- Participation in the regional market analysis »Five Gas-Markets Link - 5GL Market Survey«.
- Creation of the marketing strategy for natural gas transmission capacities.
- The first multiannual regulatory period (2011-2013) becomes effective.
- The Third Energy Package of EU Directives is partially implemented into Slovenian national legislation.
- Development and implementation of the NUS platform with web applications for electronic entry into consumption log (DOO) and access to data on natural gas consumption (DDP).
- The company obtains European Commission grants from TEN-E sources in the amount of EUR 552,500 for the first time.

2012

- The company obtains a certificate and is appointed an independent transmission system operator.
- Restoration of the MSO building and relocation of the dispatch centre.
- Construction of the Rogaška Slatina-Podlog parallel pipeline.
- A new supplier enters the Slovenian wholesale and retail market.
- Liberalisation of the natural gas market results in a significant price reduction for end users.
- Establishment of a company for the purpose of implementation of an international project.

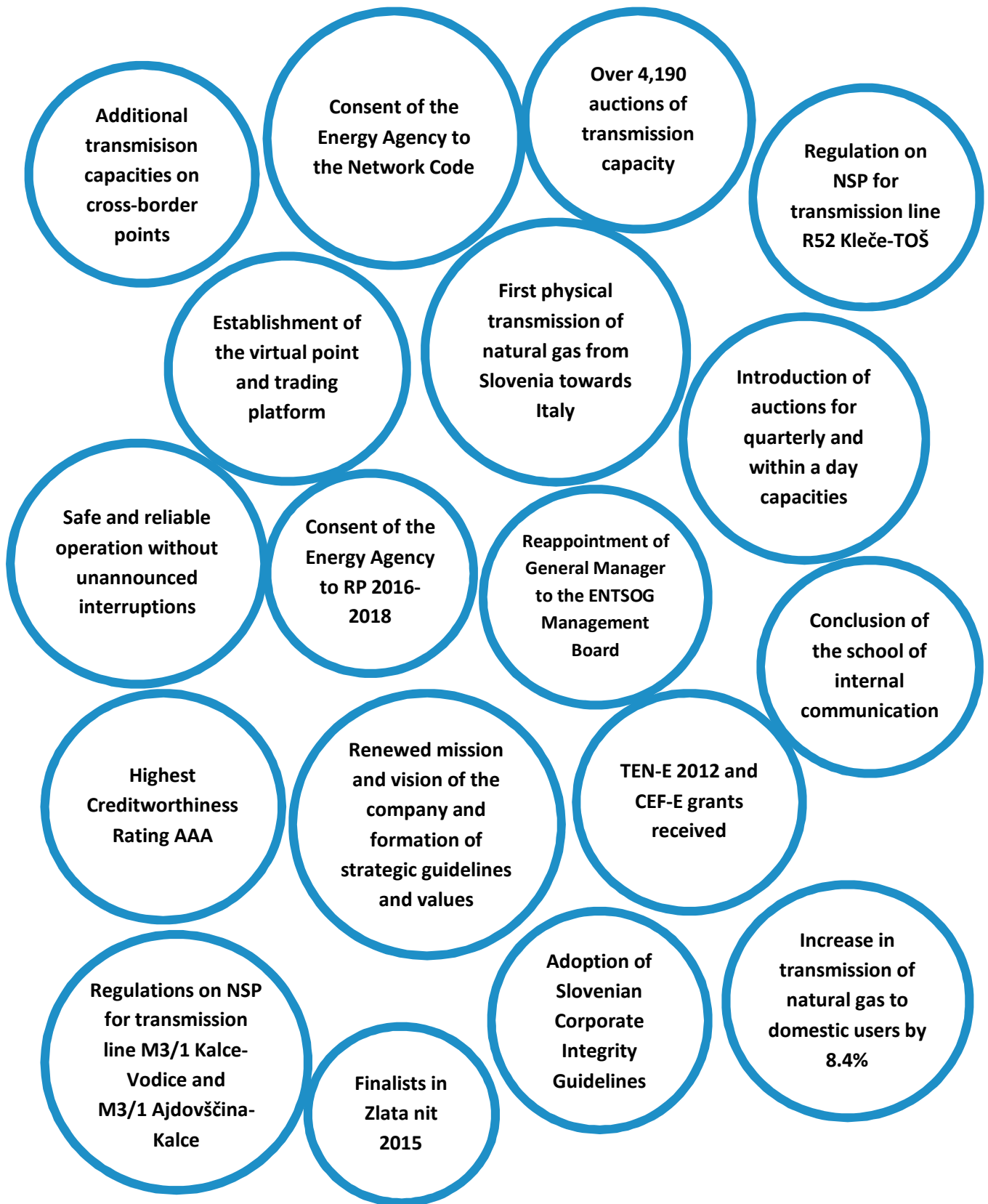
2013

- Construction of the Podlog-Trojane parallel pipeline.
- Introduction of the booking of transmission capacities by the principle of entry-exit points.
- Several new balancing groups enter with the opening of the market.
- Implementation of procedures for the management of contractual congestion.
- The Energy Agency of the Republic of Slovenia confirms the 10-year gas transmission network development plan for the first time.
- Adoption of the Code of Conduct of the company Plinovodi.

2014

- By upgrading the Trojane-Vodice parallel pipeline and the third unit in the compressor station in Kidričevo, the company completes the "Upgrade of the gas transmission network" investment cycle.
- The company becomes the national licensor/presenter of the uniform European Energy Identification Codes (EIC).
- The company organises the first transmission capacity auctions.
- Development of the company's own capacity management system (sistem za upravljanje z zmogljivostmi - SUZ) and its integration into the online capacity booking platform.
- The operation of the company established for the purposes of an international project becomes dormant.
- The General Manager of the company becomes a member of the ENTSOG Management Board.
- The company obtains the Family-Friendly Enterprise Certificate.
- Formation of a new strategic plan of the company and its guidelines.
- The company is ranked among the *Zlata nit* finalists for the fourth time.

Business Achievements in 2015



Audited Balance Sheet

in EUR

	Item	Notes	As at 31 Dec 2015	As at 31 Dec 2014
ASSETS			352,095,020	354,386,932
A.	Long-term assets		326,320,767	338,326,074
I.	Intangible assets and long-term deferred costs and accrued revenue	2.1.1	26,554,681	27,361,985
1.	Long-term property rights		25,358,879	26,051,076
2.	Other long-term deferred costs and accrued revenue		1,195,802	1,310,909
II.	Tangible fixed assets	2.1.2	298,828,954	309,589,668
1.	Land and buildings		235,741,495	243,361,751
a.	Land		6,801,333	6,771,875
b.	Buildings (and other real estate)		228,940,162	236,589,877
2.	Other plant and machinery		49,254,114	54,293,902
3.	Tangible fixed assets being acquired		13,833,345	11,934,015
a.	Tangible fixed assets in the course of construction		13,833,345	11,934,015
III.	Long-term financial investments	2.1.3	586,725	950,000
1.	Long-term financial investments, excluding loans		586,725	950,000
a.	Interest in joint undertakings		572,457	950,000
b.	Other long-term financial investments		14,268	0
V.	Deferred tax assets	2.1.4	350,407	424,421
B.	Current assets		25,527,918	15,880,737
II.	Inventories	2.1.5	1,531,535	2,037,527
1.	Material		1,156,563	1,198,784
2.	Merchandise		374,972	838,743
III.	Short-term financial investments	2.1.6	9,300,000	2,480,000
1.	Short-term loans		9,300,000	2,480,000
a.	Short-term loans to others		9,300,000	2,480,000
IV.	Short-term operating receivables	2.1.7	7,181,755	7,911,600
1.	Short-term operating receivables due from Group companies		1,075,037	2,870,995
2.	Short-term accounts receivable		5,258,777	3,983,846
3.	Short-term operating receivables due from others		847,941	1,056,759
IV.	Cash	2.1.8	7,514,627	3,451,610
C.	Deferred costs and accrued revenue	2.1.9	246,335	180,121
	Off-balance-sheet assets	2.1.17	30,880,685	26,819,315

Audited Balance Sheet

in EUR

	Item	Notes	As at 31 Dec 2015	As at 31 Dec 2014
	EQUITY AND LIABILITIES		352,095,20	354,386,932
A.	Equity	2.1.10	192,864,089	187,069,764
I.	Called-up capital		98,733,790	98,733,790
1.	Share capital		98,733,790	98,733,790
II.	Capital surplus		8,151,515	8,151,515
III.	Revenue reserves		66,986,767	66,986,767
1.	Statutory reserves		1,933,169	1,933,169
2.	Other revenue reserves		65,053,598	65,053,598
IV.	Revaluation surplus		56,676	-42,616
V.	Retained earnings		13,238,687	5,000,000
VII.	Net profit or loss for the period		5,696,655	8,240,309
B.	Provisions and LTM accrued costs and def. revenue	2.1.11	37,753,121	38,136,535
1.	Provisions for jubilee awards and severance pays		669,884	760,555
2.	Other provisions		492,934	496,462
3.	Long-term accrued costs and deferred revenue		36,590,303	36,879,517
C.	Long-term liabilities		102,422,961	105,704,532
I.	Long-term financial liabilities	2.1.12	102,217,528	105,704,532
1.	Long-term financial liabilities to Group companies		21,368,386	22,533,801
2.	Long-term financial liabilities to banks		80,849,142	83,170,731
II.	Long-term operating liabilities	2.1.13	205,433	0
1.	Other long-term operating liabilities		205,433	0
D.	Short-term liabilities		17,429,816	21,551,455
II.	Short-term financial liabilities	2.1.14	3,321,590	2,785,805
1.	Short-term financial liabilities to Group companies		1,000,000	834,585
2.	Short-term financial liabilities to banks		2,321,590	1,951,220
III.	Short-term operating liabilities	2.1.15	14,108,227	18,765,650
1.	Short-term operating liabilities to Group companies		4,569,607	2,438,004
2.	Short-term accounts payable		4,883,772	13,913,039
3.	Short-term operating liabilities for advances		40,770	6,924
4.	Other short-term operating liabilities		4,614,078	2,407,683
E.	Short-term accrued costs and deferred revenue	2.1.16	1,625,032	1,924,646
	Off-balance-sheet liabilities	2.1.17	30,880,685	26,819,315

Audited Profit and Loss Account

in EUR

	Item	Notes	2015	2014
1.	Net sales revenue	2.2.1	61,311,545	55,198,765
2.	Other operating revenue	2.2.2	2,220,498	2,414,954
3.	Costs of goods, material and services	2.2.3	-25,896,938	-20,356,579
a.	Cost of goods sold		-20,762,043	-15,255,430
b.	Costs of material		-1,657,699	-1,476,810
c.	Costs of services		-3,477,197	-3,624,340
4.	Labour costs	2.2.4	-8,273,788	-8,582,588
a.	Costs of wages and salaries		-6,312,207	-6,549,191
b.	Costs of social security		-1,226,324	-1,259,047
c.	Other labour costs		-735,257	-774,349
5.	Write-downs	2.2.5	-16,022,390	-14,765,056
a.	Amortisation and depreciation		-15,978,854	-14,757,750
b.	Impairment of intangible assets and tangible fixed assets		-20,701	-1,172
c.	Impairment of current assets		-22,834	-6,134
6.	Other operating expenses	2.2.6	-1,412,249	-969,219
7.	Financial revenue from loans granted		7,283	25,719
b.	Financial revenue from loans to others		7,283	25,719
8.	Financial revenue from operating receivables		33,518	23,177
b.	Financial revenue from operating rec. due from others		33,518	23,177
9.	Financial expenses from impairment and write-downs of financial investments		-377,543	0
10.	Financial expenses for financial liabilities	2.2.8	-4,702,042	-3,805,953
a.	Financial expenses for loans from Group companies		-650,139	-642,819
b.	Financial expenses for loans from banks		-4,038,510	-3,138,930
č.	Financial expenses for other financial liabilities		-13,393	-24,204
11.	Financial expenses for operating liabilities			-1,519
b.	Financial expenses for accounts payable and bills payable		-1,519	-2,210
12.	Other revenue		2,505	173
13.	Other expenses		-23,807	-30,574
14.	Income tax	2.2.9	-1,094,406	-921,248
15.	Deferred taxes	2.1.4	-74,015	10,949
16.	NET PROFIT FOR THE ACCOUNTING PERIOD	2.2.10	5,696,655	8,240,309
17.	Retained earnings		13,238,687	8,534,444
18.	Decrease in (reversal of) capital surplus		0	0
19.	Decrease in (reversal of) revenue reserves		0	0
20.	Increase in (additional formation of) revenue reserves		0	-3,534,444
21.	PROFIT FOR DISTRIBUTION		18,935,342	13,240,309

Who is Who

MANAGEMENT

Deputy General Manager
Sarah Jezernik

General Manager
Marjan Eberlinc

Assistant to the General Manager
Franc Cimerman

Secretarial office
+386 (0)1 5820 702; info@plinovodi.si



INVESTMENT DEPARTMENT

Head of Investment Department
Zoran Crnjak

Secretarial office
+386 (0)1 5820 777; renata.klancic@plinovodi.si

TECHNICAL SECTOR

Manager of Technical Sector
Oton Gortnar

Secretarial office
+386 (0)1 5820 628; manca.gale@plinovodi.si



ECONOMIC DIVISION

Deputy Manager of Economic Division
Matjaž Sušnik

Manager of Economic Division
Marija Marot

Secretarial office
+386 (0)1 5820 680; milka.koncan@plinovodi.si



COMMERCIAL AND REGULATION DEPARTMENT

Head of Commercial and Regulation Department
Jošt Štrukelj

Secretarial office
+386 (0)1 5820 680; milka.koncan@plinovodi.si