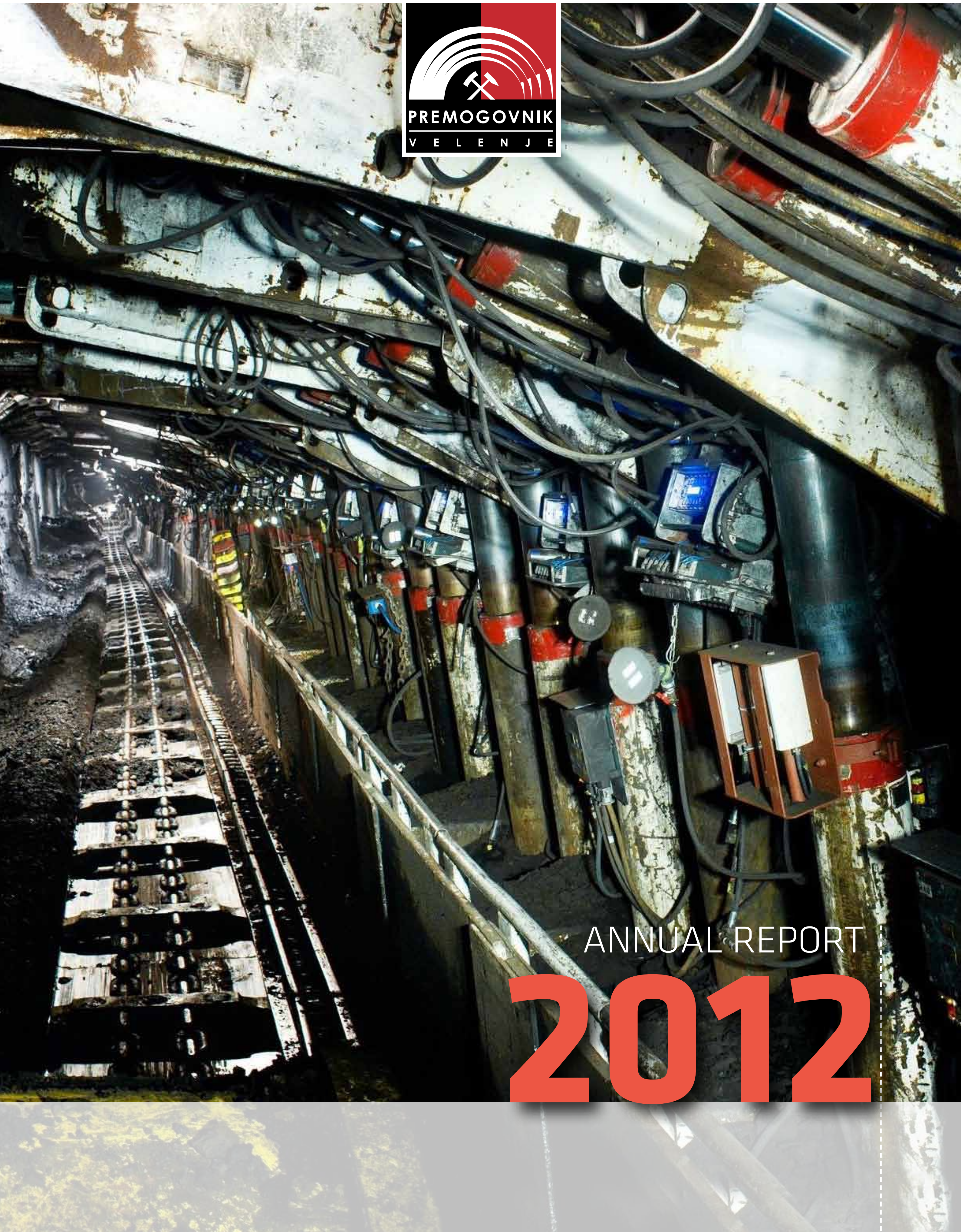
Skupina hse

PREMOGOVNIK VELENJE



ANNUAL REPORT 2012

Skupina hse

PREMOGOVNIK VELENJE

ANNUAL REPORT 2012

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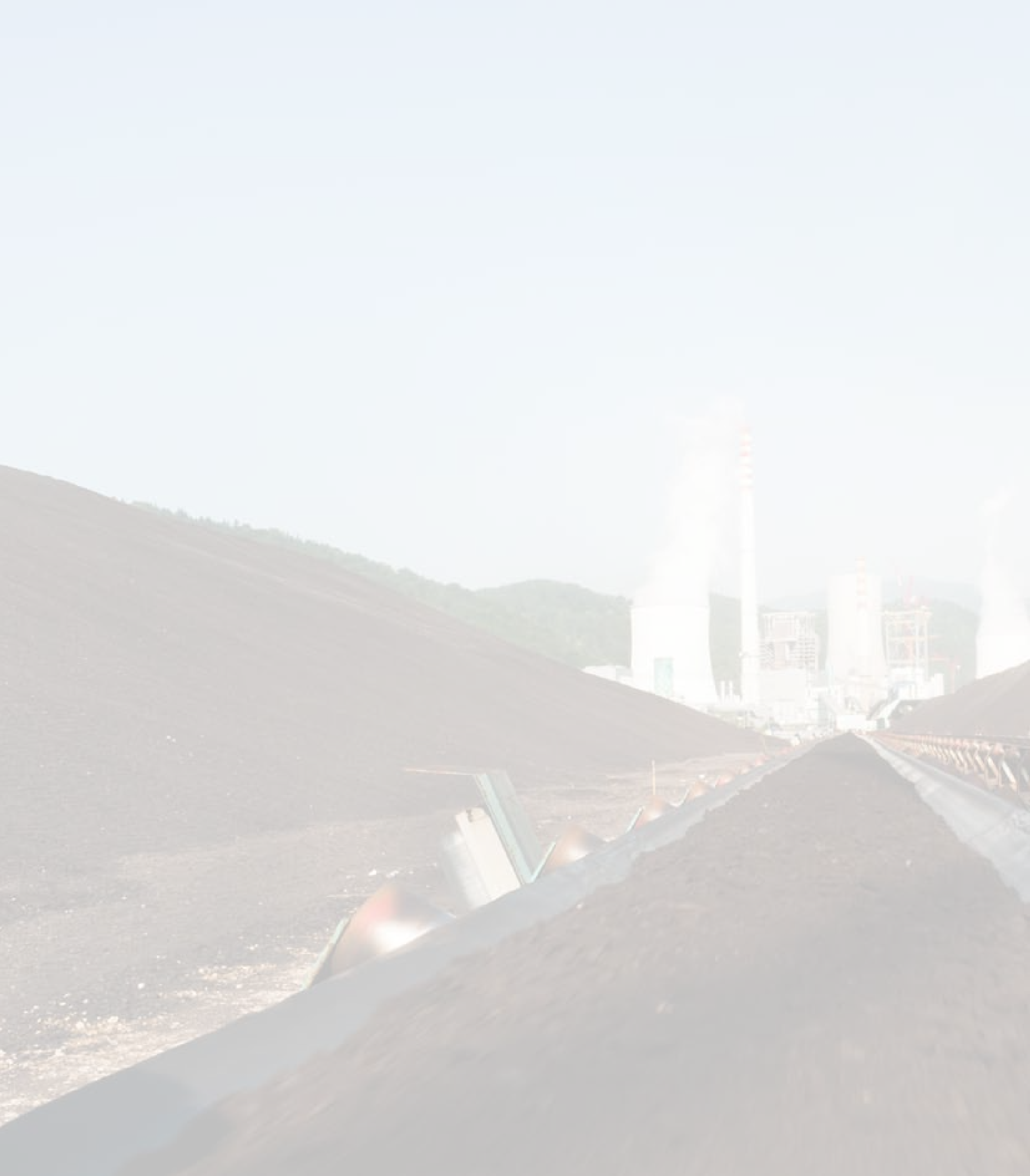


ANNUAL REPORT

2012

PREMOGOVNIK VELENJE

INTRODUCTION

01

1.1 LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

In 2012, Premogovnik Velenje celebrated 137 years of its operation, and continues building on solid present-day performance while focusing all its energy on the future. Lignite production is inseparably connected to reliable electricity supply in Slovenia as well as current and future development of the Šalek Valley. The company's most important objectives are sustainable aspect of coal production and thus environmental protection and improving the quality of life of people that are directly or indirectly related to the company since Premogovnik is an important employer and a socially responsible company.

Premogovnik Velenje produces approximately 4 million tonnes of lignite each year, most of which is used by Termoelektrarna Šoštanj (Šoštanj Thermal Power Plant - TEŠ) for production of electricity and heat, and in recent years also by Termoelektrarna Trbovlje (Trbovlje Power Station). Premogovnik Velenje remains an important energy pillar of Slovenia as it accounts, together with Termoelektrarna Šoštanj, for more than a third of national electricity production and represents an important and reliable link in Slovenia's electricity supply chain.

Despite the manufacturing issues, fire in the Mining Museum of Slovenia and demanding geo-mechanical conditions of the Pesje mine area, the financial year of 2012 in Premogovnik Veljenje was concluded with success, as we managed to realise all our goals and the business plan through additional working days. In order to provide a reliable supply of electricity in Slovenia, in 2012 we produced 3,967,064 tonnes of coal and sold 42,389 TJ of energy. Considering higher estimates of calorific value for 2013, we plan to produce 3,776,999 tonnes of lignite.
Fire destroyed the underground part of the museum and we can only thank the mine rescue team and the fire intervention team for their rapid response and for localising the fire successfully, so it did not spread to the operating part of mine, causing even greater damage. In the following days and months, we carried out an efficient and thorough rehabilitation of the museum, in which our employees were also involved as volunteers. The repairs will enable a reliable and long-lasting operation of the museum. The programme is now enriched with additional scenes, which will make the museum even more interesting and engaging. The museum has been covered by an adequate insurance, and we can say that a fast feedback and compensation of damages by the insurance company were truly commendable.

Despite issues and demanding circumstances in the production area, we reached some excellent results in 2012. On 31 May 2012, a record daily extraction was achieved with almost 25,000 tonnes (24,749 t) of coal. The most important increase in daily extraction (8.6 m) was reached on 16 January 2012, at the extraction area G3/B. The best daily progress of 16.8 m/day within the scope of preparation works was achieved on 14 February, during a four-shift construction of conveyor track k.-130/B. The team was composed of three shifts at number 13 and one shift at number 9. The largest general daily progress of preparation works (49.8 m) was made on 7 March, while the most important daily extraction production with 13,470 tonnes of coal was achieved on 24 May at mining site –65/A. Also extraordinary was our achievement during the installation at extraction site G3/C, where the employees managed to install 100 sections in 13 days or almost 8 sections per day - without any accidents.

During harsh winter conditions in predominant part of Europe at the beginning of 2012, having a proper source of coal proved to be an advantage, once again. Despite delays in coal production, we provided a satisfactory amount of coal for normal course of operation in TEŠ, thus, enabling an uninterrupted supply of electricity for Slovenia, which is of key importance in ensuring safe and reliable electricity supply in the country for the next decades.

For Premogovnik Velenje, 2012 was extremely important and challenging – and so will be 2014 and 2015. In this three-year period, before 2015, when Unit 6 will start to operate and when the long-term agreement on coal supply to Termoelektrarna Šoštanj for the needs of TEŠ 6 in 2015-2054 enters into force, Premogovnik Velenje has to build some strategic underground structures for transport of coal, ventilation and turbine drainage. The construction is encumbering for the current year operating costs, although the purpose of these projects is significantly far-reaching. The effects will start to show only in the period after 2015.

In 2012, the construction of a new export shaft NOP II was launched, which undoubtedly represents one of the Premogovnik Velenje's key projects in the next couple of decades. It will significantly shorten distances for the transport of coal from mine working sites to surface and ensure possibility for further decrease in the volume of necessary pit areas. The shaft will be located in the middle of repository, thus it will be completely remote from the urban area. In this way, we will decrease the negative coal export effects on the near Pesje and Stara vas and improve the quality of life in the two villages.

In addition to coal production process, operations of Premogovnik Velenje Group increasingly involve also the sale of expertise, services and products. The basic goal of all related and associated companies of PV is gradual decrease in dependence from the parent company. The projects that increase revenues outside our primary activity are good assurance of creation of new jobs; therefore, we are happy for the increasing success of the subsidiaries HTZ Velenje, RGP, PV Invest, Gost and PV Zimzelen on the competitive markets. Five years ago, we set the goal to realise 30% of our revenues on the markets concerning our secondary activities. In 2012, we managed to achieve it with almost EUR 60 million of revenue within the Premogovnik Velenje Group.

With development of new technologies, we are becoming increasingly important also on foreign markets. Our highly qualified design and operational staff, technological equipment and superb expertise are the guarantee for extraordinary production results. Our Velenje coal extraction method is becoming renowned among foreign partners as one of the most productive extraction methods for thick coal layers. Since the method can be used in an environment-friendly manner, we trade it also on the European and other markets and we plan to additionally protect it as an international brand.

In June 2012, we supplied road-heading machines GPK-PV to the Slovakian mine. The GPK-PV machine is the product of our engineering expertise, and this transaction is especially important for us, since it represents the first transfer of modern mining technological equipment within the EU markets. In 2012, we also concluded the first two contracts for the Turkish market, referring to the supply of 80 assemblies of hydraulic support for a Turkish mine in order to modernise its production with more advanced and technologically complete equipment. Discussions on new cooperation possibilities are already under way. Our design engineers and other experts prepared project documentation (mining project in the amount of almost EUR 800 thousand, including 15 books) related to the opening of Marijevo mine near Prilep, Macedonia. The references Premogovnik Velenje obtained with this project brought us the opportunity to expand our operations on the Macedonian market also through other services, performed by the PV Group companies.

Good international connections and cooperation of Premogovnik Velenje reflect also in our membership in EURACOAL (European Association for Coal and Lignite), representatives of which participated at the meeting with the experts of the international coal technical group, organised by the European Union Research Fund for Coal and Steel.

We are about to face one of the most important challenges in the last ten years, i.e. achieving EUR 2.25/GJ by 2015, which is one of the conditions for economic justifiability of the TEŠ Unit 6 construction we are capable of meeting. We are aware that the current circumstances are very demanding. Economic conditions in Slovenia are not promising, yet there is a bulk of engagements that need to be carried out, which will be entirely financed from the coal sales revenue, along with the current closing-down activities. I am certain that with our ideas and effective and highly innovative development projects we will continue to pursue our story of success also in the future.

President of the Board:
Milan Medved, PhD

1.2 REPORT BY THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD OF PREMOGOVNIK VELENJE d.d. ON ACTIVITIES IN 2012, REVIEW OF THE 2012 ANNUAL REPORTS OF THE COMPANY AND THE GROUP INCLUDING POSITION ON AUDITOR'S REPORTS, AND PROPOSAL ON ALLOCATION OF THE COMPANY'S ACCUMULATED PROFIT

Pursuant to the provisions of the Companies Act, the Supervisory Board of the company Premogovnik Velenje d.d. hereby submits the following report on the method and extent of examination of the company's management in 2012, on the review of the 2012 Annual Report of the company and the 2012 Annual Report of the PV Group, and on its position regarding both Auditor's Reports and the proposal on allocation of accumulated profit of the company.

1. Report on the work of the company's Supervisory Board in 2012

In the period from 1 January 2012 to 29 August 2012, the company's Supervisory Board was composed of the following three members:

1. Matjaž Janežič, MSc - president
2. Irena Stare – SB member, vice-president
3. Miran Božič – SB member, employee representative

From 30 August 2012 to 31 December 2012, the Supervisory Board was composed of six members listed below:

1. Matjaž Janežič, MSc – president
2. Marko Štrigl – SB member, vice-president
3. Jana Vrtovec – Trček, MSc – SB member
4. Verbič Kristjan, MSc – SB member
5. Bojan Brcar – SB member, employee representative
6. Rajko Arlič – SB member, employee representative

In 2012, the work of the Supervisory Board in the abovementioned structure was carried out in accordance with its fundamental function of overseeing the conduct of the company's operations and its duty of ensuring compliance with the principle of prudence and good management in accordance with the powers stipulated by laws, applicable regulations and the company's Articles of Association.

The Supervisory Board reviewed the company's operations during the year on the basis of periodic reports on operations filed by the Management Board. It was also acquainted with all areas that have a significant impact on the financial and operating position of the company Premogovnik Velenje d.d. as the controlling company in the PV Group, on its long-term interests and implementation of development strategies. At three of its regular meetings, the Supervisory Board was acquainted with the compliance of the company's operations with provisions of the Companies Act (ZGD-1), the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP) and other applicable legislation, and on the basis of the Management Board reports at regular meetings of 23 August 2012 and 19 December 2012 the company was not bound to carry out the procedures in line with Article 14 of ZFPPIPP.

In 2012, the work of the company's Supervisory Board was oriented towards comprehensive monitoring of the company's operations, addressing of operational and strategic issues in the operating and production process, performance of the financial function and provision of adequate working conditions. In so doing, it took into account the vision, objectives and strategy of the company as well as the objectives of the coal mining programme. The Supervisory Board emphasised the importance of upgrade of the reporting system for the PV Group with the purpose of comprehensive examination of the controlling company's operations.

In 2012, the Supervisory Board held 7 regular meetings and 4 correspondence meetings.

At its meetings held between 1 January 2012 and 31 December 2012, the Supervisory Board adopted a number of decisions, the most important of which were:

- it was acquainted with periodic reports on operating results of the company;
- it adopted - confirmed the Annual Report and Consolidated Annual Report for the financial year of 2011; it adopted the SB's report on review and approval of the PV 2011 Annual Report and position on the auditor's report; it proposed to the General Meeting to grant the Managing Director and Supervisory Board members a discharge from liability for the year of 2011;
- it approved the propositions of decisions for the 19^{th} regular Shareholders' Meeting,
- it discussed and approved the company's Business Plan for 2013 with additional plan for 2014 and 2015, as well as the PV Group Business Plan for 2013, including additional plan for 2014 and 2015;
- it was acquainted with the reports on level of indebtedness and with the report on loan contracts concluded within the framework of the HSE Group cash management system and gave its approval to the Managing Director regarding relative contracts;
- it was acquainted with the reports on work activities regarding the construction of shaft NOP II;
- it approved capital raising for the company HTZ Velenje I.P. d.o.o.;
- it discussed the report on damages of fire in the Mining Museum and the report of internal commission for event analysis on the cause of fire and damage assessment;
- it was acquainted with the Management Board's opinion, i.e. position on the special auditor's report and on the issue of damages actually incurred by minority shareholders (according to the Management Board, the minority shareholders did not incur any damages);
- it was acquainted with preparation of the PV strategic development plan for a 10-year period;
- it discussed the PV Group's debt management strategy;
- it gave the Management Board its approval for conclusion of legal transactions and signing of agreements in accordance with the provisions of company's Articles of Association;
- it was acquainted with the Management Board's position on the Project 2.25 findings and implementation of measures for attaining the target price of 2.25 EUR/GJ.

2. Review and position on the Auditor's Reports to the 2012 Annual Reports

The audit of the 2012 Annual Report of the company and the 2012 Annual Report of the PV Group was performed by the audit company Deloitte revizija d.o.o., Ljubljana. In both

reports, the audit company determined that the financial statements presented fairly, in all material respects, the financial position of the company PV and the PV Group and their financial performance, other comprehensive income and cash flows for the year 2012, in accordance with International Financial Reporting Standards as adopted by the EU.
The audit company issued its unqualified opinion. The Supervisory Board was subsequently acquainted with the Management Letter on the findings of preliminary audit of financial statements for the year ended 31 December 2012 and determined that the Management Board takes into account the auditor's recommendations.

The Supervisory Board examined both auditor's opinions on the 2012 Annual Reports and determined they had been prepared in accordance with the law and on the basis of due and comprehensive diligence of operations of the company and the Group in 2012. **The Supervisory Board therefore raised no objections to the auditor's reports for 2012**.

3. Review and confirmation of the annual reports of the company and the Group for 2012

On 21 June 2013, the company's Management Board submitted to the Supervisory Board the audited 2012 Annual Report of Premogovnik Velenje d.d. and the audited 2012 Annual Report of the PV Group for the purposes of approval. At its meeting of 9 June 2012, the Supervisory Board reviewed both annual reports and determined that in 2012 the company and PV Group operated in unfavourable conditions and estimates that the operating results realised in 2012 are satisfying.
Furthermore, the SB examined the Report on Relations with the Controlling Company and its Related Companies, from which it is evident that in 2012 the company received appropriate compensation for each legal transaction with the controlling company or its related companies. The report was submitted for review to the auditor who raised no objections to it; the SB had no objections to the report either.

After final review, the company's Supervisory Board, based on regular supervision of the company's operations, unqualified auditor's reports, and its competences, raised no objections to the audited 2012 Annual Report of Premogovnik Velenje d.d. and the audited 2012 Annual Report of the PV Group, and approved both reports on 9 July 2013.

4. Determination of accumulated profit for 2012

The company concluded the 2012 financial year with a n
was, during the period in which the annual report was bei
retained loss from previous years. **The company recorded**

Predsednik Nadzornega sveta
Premogovnika Velenje d.d.
mag. Marjan RAVNIKAR

5. Proposal for grant of a discharge from liability

The company's Supervisory Board estimates that the company's operations in 2012 were satisfactory with regard to circumstances. The company's Supervisory Board estimates that in

2012 the Management Board managed the company in a due manner and in accordance with good business practice. **Therefore, it proposes to the Shareholders' Meeting that the Premogovnik Velenje d.d Management Board and Supervisory Board be granted a discharge from liability for 2012.**

This report of the Supervisory Board has been prepared in accordance with Article 282 of the Companies Act and is intended for the company's General Meeting of Shareholders.

Velenje, 9 July 2013

Marjan RAVNIKAR, MSc
President of the Supervisory Board
of Premogovnik Velenje d.d.

1.3 OPERATING HIGHLIGHTS OF THE COMPANY FOR 2012

In 2012, the production of coal amounted to **3,967,064 tonnes**, which is **2.4% less** than in 2011, when it amounted to **4,066,278** tonnes;

The sales of coal in GJ totalled **42,388,637**, which is **3.6% less** than in the previous year;

Total revenue of Premogovnik Velenje amounted to **EUR 131,720,698** or **6.4% more** than in 2011;

Total expenses in 2012 amounted to **EUR 131,902,366**, which is **6.4%** more, compared to the previous period; in real terms, the expenses were higher by **3.7%**;

Change in value of coal stocks in 2012 had a positive impact on net profit or loss that amounted to **EUR 1,688,462**;

The company closed the year of 2012 with a net profit of **EUR 19,741**;

The amount of its equity as at 31 December 2012 was **EUR 111,307,106**;

As at 31 December 2012, the value of Premogovnik Velenje's assets totalled **EUR 219,462,672**;

The average invoice price of coal for TEŠ amounted to **EUR 2.657/GJ**, while the average price of coal used for electricity production amounted to **EUR 2.667/GJ**;

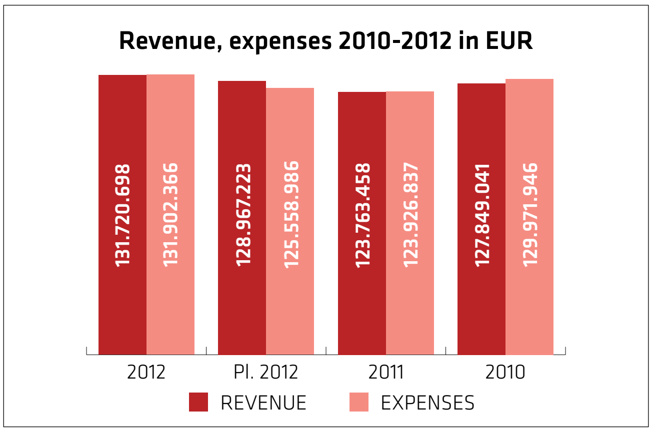
In 2012, added value per employee amounted to **EUR 55,624**, which is **1% less** compared to 2011;

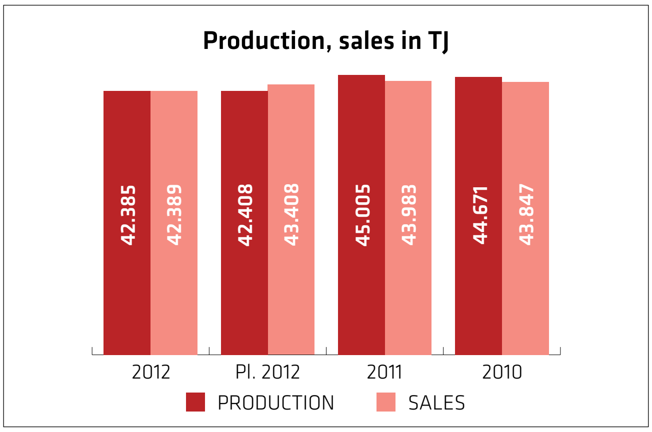
As at 31 December 2012, the company had **1,333** employees, which is **102** employees or **8.3% more** compared to the previous year, due to partial transfer of activity from HTZ, I.P. to PV, as the result of changes in legislation in connection with disability.

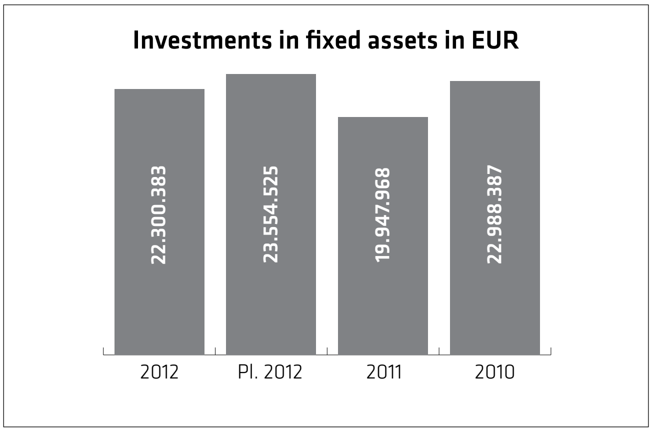
The book value of shares as at 31 December 2012 was **EUR 40,82** per share;

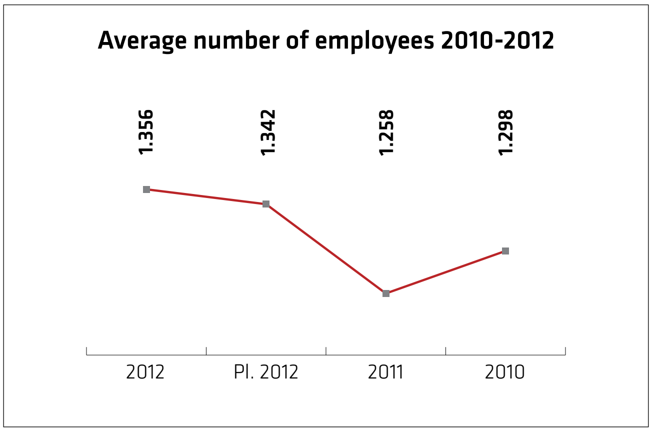
The amount allocated to capital investments totalled **EUR 22,300,383**;

ITEM	2012	Pl. 2012	2011	IND. 2012 / Pl. 2012	IND. 2012/2011
Net sales revenue (in EUR)	118.143.876	119.798.010	118.291.420	98,6	99,9
Net sales revenue in domestic market (in EUR)	115.148.921	116.798.010	118.184.668	98,6	97,4
Net sales revenue in foreign market (in EUR)	2.994.955	3.000.000	106.752	99,8	2.805,5
Net profit or loss (in EUR)	19.741	140.057	1.010.389	14,1	2,0
Revenue (in EUR)	131.720.698	128.967.223	123.763.458	102,1	106,4
Expenses (in EUR)	131.902.366	125.558.986	123.926.837	105,1	106,4
Labour costs	56.827.530	56.971.632	52.516.015	99,7	108,2
EBIT = operating profit or loss (in EUR)	2.829.367	2.372.960	2.312.250	119,2	122,4
EBITDA = EBIT + AM in EUR	18.478.936	17.764.960	17.935.952	104,0	103,0
Assets (in EUR)	219.462.672	219.313.343	215.489.400	100,1	101,8
Equity (in EUR)	111.307.106	110.793.046	111.436.464	100,5	99,9
Indebtedness to banks (in EUR)	50.275.387	50.000.793	42.946.168	100,5	117,1
Investments (in EUR)	22.300.383	23.554.525	19.947.968	94,7	111,8
Added value (in EUR)	75.426.279	77.547.869	70.681.846	97,3	106,7
Added value per employee (in EUR)	55.624	57.785	56.186	96,3	99,0
Net return on equity ratio (ROE)	0,0002	0,0013	0,0091	14,1	1,9
Net return on asset ratio (ROA)	0,0001	0,0006	0,0047	14,1	1,9
Number of employees at the end of period	1.333	1.333	1.231	100,0	108,3
Average number of employees	1.356	1.342	1.258	101,0	107,8
Coal production in TJ	42.385	42.408	45.005	99,9	94,2
Sales of coal in TJ	42.389	43.408	43.983	97,7	96,4


Revenue, expenses 2010-2012 in EUR
131.720.698
131.902.366
128.967.223
125.558.986
123.763.458
123.926.837
127.849.041
129.971.946
2012
Pl. 2012
2011
2010
REVENUE
EXPENSES


Production, sales in TJ
42.385
42.389
42.408
43.408
45.005
43.983
44.671
43.847
2012
Pl. 2012
2011
2010
PRODUCTION
SALES


Investments in fixed assets in EUR
22.300.383
23.554.525
19.947.968
22.988.387
2012
Pl. 2012
2011
2010


Average number of employees 2010-2012
1.356
1.342
1.258
1.298
2012
Pl. 2012
2011
2010

1.4 IMPORTANT EVENTS IN 2012

JANUARY

On 4 January 2012, **a fire burst out** in the old part of underground segment of the **Mining Museum**. The Museum has been closed since 23 December 2011, due to maintenance work.

Despite challenging production condition, on 16 January we achieved the most significant daily extraction progress in 2012 with 8.6 metres, at **extraction site G3/B**.

FEBRUARY

In February, Premogovnik Velenje became one of the first coal mines in Europe and worldwide **to have mobile phones coverage underground**. The connection with aboveground was established directly from extraction site **G3/B** in the pit Preloge, **410 metres underground**. The launch of underground mobile phone utilisation is a part of the European development project OPTI-MINE.

FEBRUARY

On 14 February, we achieved the most important daily progress at the construction site, as we excavated **16.8 metres** during a 4-shift work at k.-130/B site for haulage roadway.

Upon opening the new coal mine **in Mariovo, Macedonia**, the contract on design and preparation of technical documentation was signed.

MARCH

On 7 March, the most important general progress was reached with **49,8 metres** excavated, within pit roadways construction.

APRIL

In April, the **the Mining Museum** was reopened.

MAY

On 24 May, we achieved the largest daily production in one extraction with **13,470 tonnes** of coal at site -65/A.

On 31 May, we reached the 2012 record general extraction with **24,749 tonnes** of coal.

Within the framework of the European Union Research Fund for Coal and Steel and in cooperation with the PV representatives, a meeting for the **experts of international coal technical group** was organised on Golte.

JUNE

52nd 'Skok čez kožo' event.

Bojan Brcar was appointed new president of the Worker's Council.

In June, **the blessing of the St. Barbara shrine** took place at the location of new NOP II export shaft.

JUNE

We hosted an event for **EURACOAL** - European Association for Coal and Lignite, a member of which is also Premogovnik Velenje.

We entered into contract with **a Turkish mine** regarding a supply of **80 assemblies** of hydraulic support system, type DBT.

We successfully accomplished the installation of the **GPK-PV road-header** in the **Slovakian mine**.

AUGUST

On 29 August, the **19th Premogovnik Velenje General Meeting** took place;

SEPTEMBER

Premogovnik Velenje handed over the construction of NOP II shaft to the main contractor, the subsidiary **RGP Velenje**.

SEPTEMBER

Premogovnik Velenje won the **golden award** for the **GPK-PV road-header** and the **silver award** for the drilling machine **Diamec U4 PHC-HTZ**, at the contest for the best innovations in the Savinja and Šalek region (SAŠA).

OCTOBER

With the **Laibach group concert**, we officially opened the underground part of the Mining Museum.

For our **GPK/PV road-header machine**, we won the Slovenian Chamber of Commerce **silver award** for the best innovations.

The **15th Strategic Conference** of the Premogovnik Velenje Group took place.

NOVEMBER

During installation works at G3/C extraction site, our miners achieved another important milestone by **installing 100 sections in 13 days**, which is almost **8 sections per day** - without any accidents.

DECEMBER

In the last days of December, the physical part of production plan was reached with **42,385 TJ** or **3,967,064 tonnes** of coal extracted and **7,475 metres** of roadways excavated.

As at its 4th meeting of 28 December 2012, the Supervisory Board **approved the 2013 Premogovnik Velenje Business Plan**, along with the additional plan for 2014 and 2015.

BUSINESS REPORT

02

2.1 GENERAL INFORMATION ABOUT THE COMPANY

2.1.1 COMPANY PROFILE

Premogovnik Velenje is a joint-stock company which has been entered into the Companies Register of the District Court in Celje under entry no. 10051000.

The company's details are as follows:

Company name:	**Premogovnik Velenje, d.d.**	
Registered office:	Partizanska cesta 78, 3320 Velenje	
Country:	Republika Slovenija	
Telephone:	03) 89 96 100	
Fax:	(03) 5875007	
Registration number:	5040361	
Activity code:	05.200 - mining and agglomeration of lignite	
Tax number:	SI92231217	
Bank accounts:	NLB d.d.	SI56 0242 6001 8871 981
	NLB d.d.	SI56 0294 3025 9440 210
	Abanka Vipa d.d.	SI56 0510 0801 1710 996
	SKB banka d.d.	SI56 0317 6100 0149 505
	Raiffeisen banka	SI56 2430 2900 3212 018
	Banka Celje d.d.	SI56 0600 0006 8898 332
	UniCredit Banka d.d.	SI56 2900 0000 1883 209
	Deželna banka Slo.	SI56 1910 0001 0269 347
	Nova KBM d.d.	SI56 0451 5000 1706 738
Number of employees as at 31/12/2012:	1.333	
E-mail:	info@rlv.si	
Website:	www.rlv.si	

2.1.2 THE OWNERSHIP STRUCTURE OF THE COMPANY as at 31/12/2012

SHAREHOLDER	ADDRESS	NO. of shares	Stake in EUR	Stake in %
HSE d.o.o.	Koprska 92, Ljubljana	2.119.598	88.449.257	77,73%
RADENSKA d.d.	Boračeva 37, Radenci	193.237	8.063.637	7,09%
MP NALOŽBE d.d.	Gradnikove brigade 11, Ljubljana	187.665	7.831.122	6,88%
NFD HOLDING d.d.	Trdinova 4, Ljubljana	94.126	3.927.808	3,45%
TOWRA S.A. LUXEMBOURG	Prešernova 7, Ljubljana	50.806	2.120.097	1,86%
INTERTRADE ITC d.d.	Kolodvorska 9, Ljubljana	16.912	705.725	0,62%
MODRA ZAVAROVALNICA D.D.	Dunajska 119, Ljubljana	13.526	564.430	0,50%
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	Dunajska 119, Ljubljana	9.709	405.149	0,36%
KINOPODJETJE, KRANJ d.o.o.	Stritarjeva 1, Kranj	7.230	301.703	0,27%
PETRINA BOJAN	Žlebe 3e, Medvode	5.510	229.928	0,20%
ADRIATIC SLOVENICA d.d.	Ljubljanska 3a, Koper	4.000	166.917	0,15%
AKUSTIKA GROUP d.o.o.	Vojkova 58. Ljubljana	3.687	153.856	0,14%
KD KAPITAL d.o.o.	Celovška 206, Ljubljana	2.350	98.064	0,09%
ŠTERN BLAŽ	36 Avenue Marie-Therese Luxembourg	445	18.570	0,02%
LAMUT MITJA	Goriče 2, Golnik	290	12.101	0,01%
MALI DELNIČARJI	Štihova ulica 18, Ljubljana	17.844	744.617	0,65%
Skupaj		2.726.935	113.792.981	100,00%

The share capital of Premogovnik Velenje is divided into 2,726,935 freely transferrable no-par value shares. The book value of shares as at 31 December 2012 was EUR 40.82 per share.

The shares of Premogovnik Velenje d.d. are not listed on the regulated market of the Ljubljana Stock Exchange.

Premogovnik Velenje d.d. is a related company of Holding Slovenske elektrarne (HSE, d.o.o.). The consolidated annual report of Holding Slovenske elektrarne can be obtained at its registered office at Koprska ulica 92, Ljubljana.

2.1.3 SUMMARY OF REPORT ON THE RELATIONSHIP WITH THE CONTROLLING COMPANY

In 2012, Holding Slovenske elektrarne d.o.o. Ljubljana (hereinafter: the 'controlling company') had a stake in the company Premogovnik Velenje d.d. (hereinafter: the 'subsidiary') representing 77.73 % of the subsidiary's share capital.

The controlling company enforced its controlling rights arising from the ownership of the stake in the susbidiary through the company's General Meeting. On the basis of the decisions the General Meeting adopted in 2012, it is evident that the controlling company did not influence the subsidiary with the purpose of the subsidiary would perform a detrimental legal transaction or to carry out or omit something to its own damage.

We declare that all legal transactions with the controlling company and related companies concluded and/or realised in 2012 were concluded and realised under conditions and in a manner which is effective in the subsidiary in case of conclusion and realisation of legal transactions with third independent parties and in accordance with market conditions. In accordance with the abovementioned, we state that the subsidiary was not deprived in legal transactions concluded and/or realised in financial year 2012 and therefore we did not request nor receive any compensations by the controlling company or its related companies.

The Report on relations to related companies includes transactions for legal transactions with the controlling company Holding Slovenske elektrarne d.o.o, Ljubljana (HSE) and its related entities: Termoelektrarna Šoštanj d.o.o (TEŠ), Termoelektrarna Trbovlje d.o.o.. It had no legal or other transactions with other related entities of the controlling company Premogovnik Velenje d.d., which it should report on the basis of Article 545 of the Companies Act (ZGD-1).

All contracts and other documentation on legal transactions are available at the company's registered office.

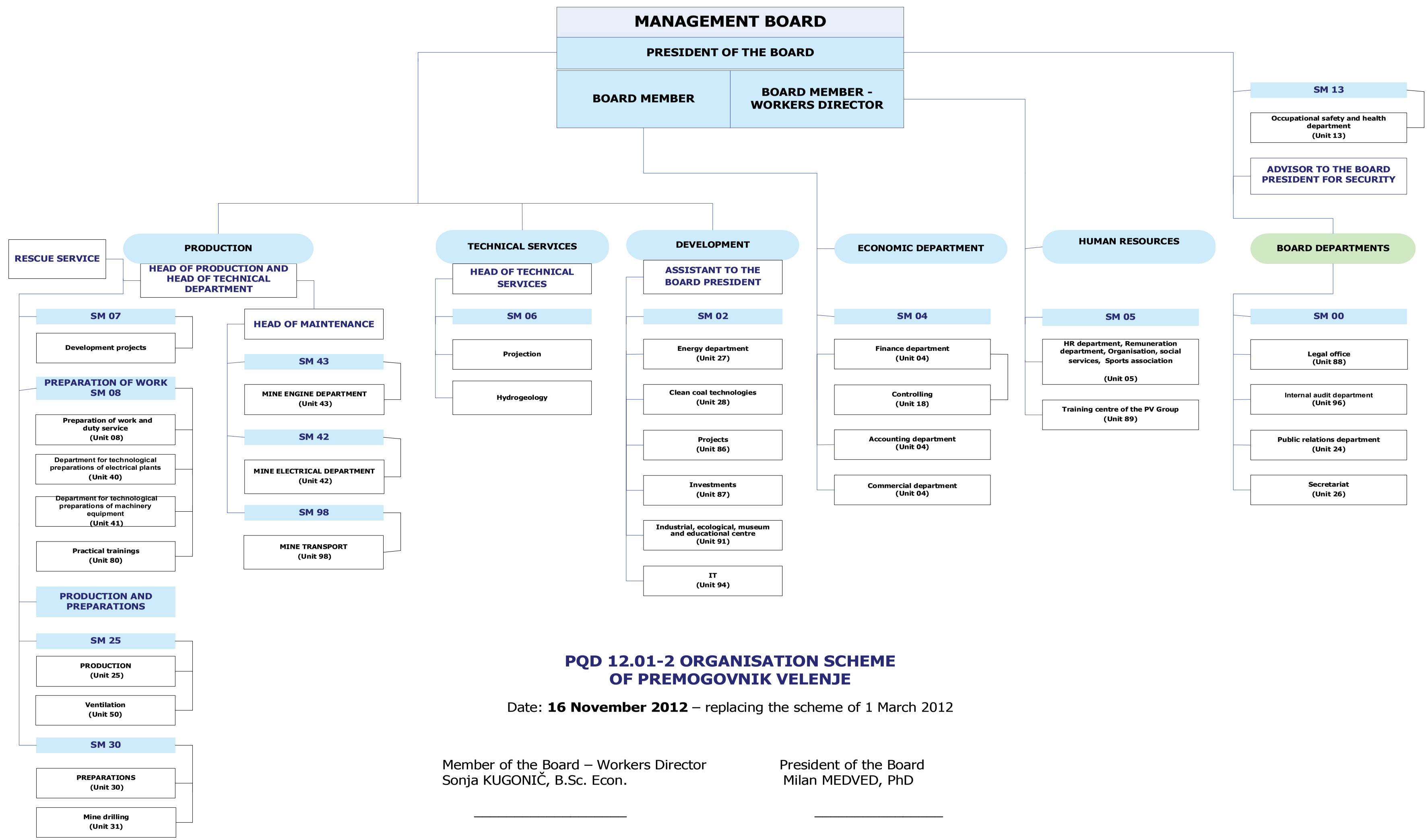
2.1.4 OPERATING ACTIVITIES

The company's main activity is the mining of lignite.
The company registers and performs a number of other activities, which are actually accompanying activities and are necessary for the performance of main activity.
Other activities: underground and aboveground extraction planning for mining, machinery and electricity purposes, construction of all types of underground structures, drilling, geomechanical research, cave surveying, hydrogeological and technological services, training services, etc.

2.1.5 COMPANY BODIES AND REPRESENTATIVES

Premogovnik Velenje has a three-member Management Board appointed by the Supervisory Board as at 21 November 2011. The Management Board started its five-year term of office as at 1 December 2011. It includes Dr Milan Medved, the President, Dr Vladimir Malenković, Member, and Sonja Kugonič, Board Member and Worker director.
Until August 2012, the Supervisory Board was composed of 3 members. Matjaž Janežič, MSc, and Irena Stare were the owner representatives, while Miran Božič represented the employees. At the 19th meeting of 29 August 2012, a 6-member Supervisory Board was formed. As at 31 December 2012, Matjaž Janežič, MSc, Marko Štrigl, Jana Vrtovec-Trček, MSc, and Kristjan Verbič acted as the owner representatives in the Supervisory Board, while Bojan Brcar and Rajko Arlič were the staff representatives.

2.1.6 ORGANISATIONAL STRUCTURE



PQD 12.01-2 ORGANISATION SCHEME OF PREMOGOVNIK VELENJE

Date: **16 November 2012** – replacing the scheme of 1 March 2012

Member of the Board – Workers Director
Sonja KUGONIČ, B.Sc. Econ.

President of the Board
Milan MEDVED, PhD

2.1.7 TRADE UNION

SPESS (Union of Colaminers) is the representative trade union of the company, which comprises 1856 members of the PV Group. The president of the Trade Union is Mr Ferdo Žerak, who was re-elected for a five-year term of office on 11 March 2011.

2.1.8 WORKER'S COUNCIL

The company's Workers' Council, established in 1996, has 13 members. Until July 2012, the president of the Council was Mr Miran Božič. After the expiry of his office term, Mr Bojan Brcar was appointed new president of the Workers' Council, for a period of 4 years.

Regular cooperation with Trade Union and Workers' Council is a practice introduced already with the company's establishment. In this manner, we guarantee dialogue of various interests, consensus about development plans and solving of current issues.

2.1.9 OWNERSHIP LINKS WITH OTHER COMPANIES

Together with its subsidiary companies, in which it exercises dominant control, and its associated companies, the company Premogovnik Velenje forms the Premogovnik Velenje Group.

As at 31 December 2012, the company had interests in the following companies:

Interests in group companies:
- HTZ IP, d.o.o. - 100 %
- Gost, d.o.o. - 100 %
- PV Invest, d.o.o. - 100 %
- PV Zimzelen d.o.o. - 100 %
- Jama Škale v zapiranju, d.o.o. - 100 %
- RGP, d.o.o. - 64 %

Interests in associates:
- Sipoteh d.o.o. - 42 %
- PLP d.o.o. - 26 %
- ERICO d.o.o. – 23 %
- Fairwood PV d.o.o. – 40 % (dormant company, no operating costs)

Deleži v drugih družbah:
- Karbon d.o.o. - 11 %
- RCE d.o.o. - 11 %

Together with its subsidiary companies, Premogovnik Velenje forms a group of companies for which it prepares consolidated annual report that can be obtained at the company's registered office.

2.1.10 HISTORICAL OVERVIEW OF THE COMPANY'S DEVELOPMENT

Premogovnik Velenje operates at the largest Slovenian coal site and on one of the thickest known coal layers in the world. First coal sites were mentioned as early as in the 18th century, first drillings took place in 1875 and first pit was opened in 1887. In 1927, the first thermal power plant was built in the vicinity of the coal-mine, which was operating on the basis of lignite. Coal production in Šalek Valley mostly developed after the World War II when the needs for coal rapidly increased.
The quantities of coal extracted were increasing until the middle of nineties. In this period Velenje coal-mine ensured three thirds of all Slovenian coal. Modern mechanisation and own extraction method were barely sufficient to cover all the needs for coal. In the middle of the eighties, we achieved the summit of extracted coal per year, which is 5 million tonnes of coal.
In Premogovnik Velenje we currently produce 4 million tonnes of coal per year, while the majority is used for operations of Termoelektrarna Šoštanj, which produces one third of electricity used in Slovenia.
Premogovnik Velenje, d.d. has been a jointed-stock company since 11 December 1997. It was reorganised in accordance with provisions of the Ownership Transformation of Companies Act and Companies Act. Before, the status or organisational forms of the company were settled on the basis of current legislation provisions. Articles of Association are adopted at the General Meeting as the fundamental governing document of the company. In accordance with legislation, the changes and amendments of the Articles of Association are adopted at the General Meeting. Last changes and amendments of Articles of Association were adopted at the General Meeting on 31 August 2011. Pursuant to these changes, the company's organisational form and share capital remained unchanged.

2.2 COMPANY'S BUSINESS POLICY

As a highly developed company in terms of technology, Premogovnik Velenje among its strategic goals defines and realises the modernisation of coal production, which will contribute to better working conditions and larger economic and ecological acceptability, also due to adaptation to environmental requests to which Slovenia is subdued within the framework of European Community and which require new and comprehensive strategic consideration in the area of energy sector - from the perspective of energy production and consumption.
Due to this fact, the production is performed in accordance with the principles of sustainable development, where we comply with and operate in accordance with four quality standards: for quality management system, environment management system, occupational safety and health system and energy management system according to the requirements of standards ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001. With the acquisition of the latter, we became the first coal-mine and one of the first energy companies in the world that holds such standard.
Our operations include guidelines for company's operations from the Corporate Governance Code for Companies with State Capital Investments issued by the Capital Assets Management Agency of the Republic of Slovenia.

Mission

The mission of Premogovnik Velenje, the leading Slovene company in the field of coal mining, is long-term extraction of coal for the needs of electricity production in the Šalek Valley in accordance with the principles of sustainable development, and maintenance and development of knowledge related to underground extraction.

Strategic goals

- to adjust coal production to the conditions in the competitive market,
- to ensure safety and humanisation of the working process,
- to ensure socially responsible behaviour of Premogovnik Velenje in line with environmental requirements,
- to enable growth of the PV Group through sale of know-how and services in markets outside our primary activity.

Vision

Through long-term operations and a modern production process, PV will, together with ensuring the safety and humanisation of the process, provide for economical exploitation of the only strategic energy source in Slovenia – lignite from the Šalek Valley.

Values

Our core value is satisfaction of key stakeholders: i.e. owners, employees, customers and the local community. We need to provide for creative balance among all of the above using the following principles:

- owners need to be guaranteed appropriate return on invested capital,
- employees need to be provided with quality employment and be able to develop their personal potential,
- regular fulfilment of contractual obligations associated with coal supplies is a prerequisite for creating long-term economic success,
- good relations with the local community need to follow the principles of sustainable development,
- occupational safety, the humanisation of working procedures and continued training will remain the focus of our attention,
- above all things, we will strive to promote knowledge, professional attitude and innovations.

Objectives of the coal mining programme

- to optimise the core process of coal production,
- to balance the production and sale of coal with the requirements of production at TEŠ,
- to provide coal to TET,
- to optimise the costs of coal extraction in order to achieve a competitive starting price of coal by the beginning of Unit 6 operation in 2015 (EUR 2.25 per GJ),
- to construct a new NOP II export shaft in an accelerated manner,
- to continue to decrease the energy consumption in the pit, on external working sites and in all related companies with the goal of continuing the policy of energy-efficient operations,
- to decrease the number of employees to match the productivity growth by 3% p.a. at Premogovnik and HTZ Velenje; employing new staff in productive working positions,
- to maintain the trend of reducing the number of days lost due to accidents at work and absence from work due to illness by 3% p.a.,
- to modernise work at preparatory sites.

2.3 MANAGEMENT SYSTEM POLICY

2.3.1 ACHIEVING GOALS WITH REGARD TO QUALITY AND ENVIRONMENTAL MANAGEMENT

Management system activities are based on the company's development orientations, business vision and rules of management system. Activities refer to changing and managing company's processes in accordance with the requirements of quality management system, environmental management system, occupational health and safety system and energy management system.

Permanent activities of the management system are the following:
- monitoring, measuring and improving processes in management systems,
- maintenance and optimisation of documents in accordance with management system requirements,
- monitoring of legislative and other requirements by responsible persons,
- fulfilment of contractual requests to buyers,
- action implementation monitoring (conclusions of management review and management system audits).

Report on management system requirements

Results of internal and external assessments and independent system reviews:
- training for internal auditors (2 February 2012),
- internal assessment of Premogovnik Velenje and of the subsidiary HTZ (February-March 2012), external assessment in PV and the subsidiary HTZ according to standards ISO 9001:2008, OHSAS 18001:2007 and ISO14001:2004 (28-30 March 2012),

Implementation of legal and other requirements and assessment of operational compliance:
- preparation of registers of legislative and other requirements by persons in charge,
- detection and implementation of changes in legislative and other requirements relevant for the company.

Achievement of goals, programmes and controls:
- preparation of annual reports on management systems for 2011 by organisational units of PV and HTZ (February-March 2012); the goals of management systems have been achieved,
- review of management system programme tasks.

Complaints and satisfaction of customers, information and complaints of interested clients, inspection visits:
- no complaints were determined (January-December 2012),
- contractual requirements have been met,
- current topics have been discussed at coordination meetings of technical managers of the HSE companies.

Results of cooperation and consultation (risk and danger assessment, goals and programmes of occupational safety, incidents and controls) (employees, visitors, subcontractors ...):
- internal and external communication has been carried out in line with the Communication plan and Rules on communication among the Management Board, Trade Union and the Workers' Committee (minutes).

Effects of the management system:
- performance of a management review at PV (20 March 2012). The management system is effective.

Preventive and correctional measures – efficiency, implemented improvements and their assessment – efficiency
- PV 2012 internal assessment measures: 7 correctional measures, 30 corrections, 20 recommendations and 6 improvements,
- PV 2012 external assessment measures: 1 correctional measure, 10 corrections and 6 recommendations,
- PV 2012 management review measures: 10 recommendations,
- measures and the efficiency of their implementation are evident in the reports by relevant persons responsible, assessment reports and register PQD14.01. The measures have been implemented adequately.

Assessment of changes that could affect the management system
- Changes that could influence the management systems are controlled through committees, innovation activities, programme tasks, reports, management systems assessments and the PV strategic conference,
- The management system policy was upgraded in terms of energy management system and guidelines for information security management.

Emergency situation and environmental incidents, occupational safety and health and SUVI – efficiency of performed activities planned:
- monitoring of events in PV (204 dangerous events and 2 emergency situations),
- simulations of environmental emergencies (15 simulations under the Emergency Measures Plan),
- performance of testing evacuations in accordance with Plan of Defence and Saving and Fire Protection Plan.

2.3.2 OCCUPATIONAL SAFETY AND HEALTH AND FIRE SAFETY

In 2012, 76 employees were absent from work due to work incidents, which is 18 employees or 31% more than in 2011. The majority of cases (70) were minor accidents, 6 were severe, while 6 occurred on the way to or from work. 3510 working days were lost due to injuries, which is 1327 more than in 2011. The number of working days lost includes the days lost due to accidents in the period January-December 2012, excluding reappearance of the same injuries. The number is higher than in the previous period due to 6 severe injuries in 2012, while in 2011 only two such injuries occurred. Five of severe accidents took place in the first half of 2012; therefore, the injured workers were absent from work for most of the year, which affected the number of days lost, considerably.
Statistical data shows that the frequency of injuries increased by 21.6%, while the severity of accidents increased by 23%.
The number of accidents leading to absence from work is 76; however, the number of causes amounts to 125, since some accidents may have more than one cause (two, three or even more).

2.4 PRODUCTION

In 2012, 3,967,064 tonnes of coal were produced in 259 working days, while in 240 working days in 2011 4,066,278 tonnes were extracted. In order to achieve the mentioned amount, we applied twenty days more than panned and nineteen days more compared to 2011.
The average production in 2012, thus, totalled 15,317 tonnes per day, in comparison to daily 16,943 tonnes in 2011.

In 2012, the length of the face line was 276.3 metres or 36.7 metres more than planned or 49.6% less than in the previous year.
The operations comprised 6 extraction sites, in average 1.99 sites, or 0.07 less than in 2011.

7,475.0 metres of roadways were created or 5.47% more than in 2011.

2.5 MARKET POSITION

2.5.1 ECONOMIC CLIMATE IN 2012

Changes in prices in EU and Slovenia

Average annual inflation rate in 2012 stood at 2.6%. According to the European harmonised index of consumer prices, the inflation rate in Slovenia amounted to 2.8%, while on the Economic and Monetary Union level it reached 2.2%.

In 2012, the consumer prices increased by 2.7%, while the average price of goods and services were higher by 2.7% and 2.6%, respectively.

The categories of consumer prices that, on average, increased the most in 2012 included food and non-alcoholic beverages.

Growth of industrial products at producers amounted to 0.4%, on year-on-year basis.

2012 deflators

For nominal to real values conversion, we used the index showing an average increase in consumer prices, which amounts to 102.6.

Salaries

The average monthly gross salary in the Republic of Slovenia for 2012 increased by 0.1%, compared to 2011, and amounted to EUR 1,525.47, while the average monthly net salary amounted to EUR 991.44.

In real terms, i.e. considering the increase in consumer prices, the average monthly gross salary in 2012 decreased by 2.4%, while the net salary decreased by 2.1% in relation to 2011.

2.5.2 MARKET ENVIRONMENT

The main buyer of PV's coal is TEŠ, which used 97.2% of coal for electricity production and 2.8% for production of thermal energy.
The sales and, subsequently, the production of coal depend significantly on developments in electricity markets.

2.5.3 SALES AND CUSTOMERS

Coal

In 2012, Premogovnik Velenje generated 86.2% of its total revenue from the sale of coal.

The following table shows production, sales, and the quantity of coal stocks:

opis	unit	Plan 2012	2012	2011	Index	Index
	1	2	3	4	5=3/2	6=3/4
Coal production :						
Inventory at the beginning of the period:	**GJ**	**4.187.970**	**4.553.425**	**3.988.543**	**108,7**	**114,2**
TEŠ - for electricity	GJ	40.975.000	41.204.272	43.748.374	100,6	94,2
TEŠ - for thermal energy	GJ	1.433.000	1.180.779	1.256.674	82,4	94,0
TET - for electricity	GJ			0		
Total	**GJ**	**42.408.000**	**42.385.051**	**45.005.048**	**99,9**	**94,2**
Together with inventory	**GJ**	**46.595.970**	**46.938.476**	**48.993.591**	**100,7**	**95,8**
Sales of coal:						
TEŠ - for electricity	GJ	41.975.000	40.618.063	41.862.310	96,8	97,0
TEŠ - for thermal energy	GJ	1.433.000	1.180.779	1.256.674	82,4	94,0
TET - for electricity	GJ		589.795	864.423		68,2
Total	**GJ**	**43.408.000**	**42.388.637**	**43.983.407**	**97,7**	**96,4**
Inventory measurement			**-271.012**	**-456.760**		
Inventory at the end of period	**GJ**	**3.187.970**	**4.278.827**	**4.553.424**	**134,2**	**94,0**
Change in inventory	GJ	-1.000.000	-274.598	564.881		
CALORIFIC VALUE OF COAL	GJ/t	10,300	10,684	11,068	103,7	96,5

Sales of coal reached 42,388,637 GJ, which is 3,586 GJ more than produced. Compared to 2011, sales in GJ were lower by 3.6%.

The overall coal stocks decreased by 274,598 GJ compared to the end of 2011. As at 31 December 2012, coal stocks totalled 4,278,827 GJ.
The average calorific value of coal was 10.684 GJ/t.

Services

In 2012, 2% of total revenue was generated through provision of services. Revenue from services provided to related companies and from leasing of business premises to related and other companies accounts for the largest share of services revenue.
A more detailed presentation of revenue from the sale of services and other sources has been provided as part of the analysis of business performance.

2.5.4 PURCHASING AND SUPPLIERS

Basic characteristics of purchase process

With regard to purchase of equipment, materials and services, Premogovnik Velenje is subject to Public Procurement Act with regard to water, energy, transport and post services (ZJNVETPS – Official Gazette of the Republic of Slovenia, no. 128/2006 et seq.). The purchase of all resources is performed in compliance with procedures stipulated in internal governing documents in accordance with ISO standards. All procedures of purchase, procurement and liquidation of accounting records are performed using electronic documentation system ODOS. In this manner, clarity, documentary quality and transparency of the whole purchase procedure are provided. Besides complying with the Public Procurement Act and procedures, the economic efficiency of purchase is extremely important in terms of achieving favourable prices and other purchase conditions, which also contributes to better profit or loss.

Primary energy

Undisturbed operations of all systems necessary for the production process require the use of following primary energy sources: electricity (HSE own consumption), heat, compressed air and diesel transport system fuel. In 2012, we continued with implemented measures for rational energy use. Decreased consumption is recorded in consumption of water and heat, while the consumption of electricity and compressed air is somewhat higher. The cost of electricity and fuels in 2012 exceeded the consumption quantity also due to increased prices.

Equipment, spare parts, other items and services

The technological process of coal production includes more than 60,000 different items that are used in various technological systems and in the system of management and control. Specific mining equipment, operational experience, technological procedures of equipment maintenance and policy of decreasing costs formed a certain circle of suppliers.

Foreign market

Natural geological conditions, mining technologies and special security requirements largely affect the choice of equipment and spare parts. Except some smaller exceptions, there are almost no equipment producers in Slovenia and therefore we significantly depend on foreign producers or suppliers.
The dynamics of equipment imports vary significantly during the year. They are mostly subject to our requirements regarding the purchase of strategic equipment, such as extraction supports, conveyors, extraction machinery, electric equipment, equipment for coal transport and removal. Investments in equipment for basic procedures such as production, construction of underground structures, underground transport and some others are regularly repeated. In most cases the old outdated equipment is replaced. Investments in underground structures mostly depend on pit development and are a result of opening extraction floors at lower levels and in other areas of the pit.

Domestic market

A large share of imported items, spare parts and equipment is delivered through local suppliers who act as authorised representatives of foreign companies.
The majority of general items are supplied by local companies. Subject to agreement with equipment suppliers (where necessary), some spare parts for the imported equipment are manufactured and supplied by local suppliers that have achieved an appropriate level of technological development, quality and prices. Price wise, such purchasing policy is considerably more favourable as far as PV's operations are concerned. In the area of manufacturing and supply of machinery - constructions in particular - local market is sufficiently developed in terms of competition.
In the area of services, activities are predominantly related to the maintenance of machinery and electrical equipment, which is performed by the subsidiary HTZ VELENJE, I.P. d.o.o. The company specialises in the maintenance of mining equipment and meets all legislative requirements applicable to this field.

2.6 INVESTMENTS

In 2012, EUR 22,300,383 was used for investments.

A major investment, started in the previous period, comprises establishment of connections to the opening parts of the pit centre and connections for extraction of the pillar of central part. We continued with the construction of NOP II shaft and carried out the necessary maintenance of external facilities.

The main investments regarded modernisation of mining equipment, especially purchase of extraction and directional chain conveyor, as well as of the equipment for maintenance of the existing extraction plants, comprising hydraulic supports, extraction machines equipment and control and energy equipment.

Acquisition of steel arch supports and maintenance road-header account for the largest share of investments in equipment for construction of pit roadways. We also upgraded the coal export from construction sites, i.e. the pit roadways construction process. For the purposes of the main part of coal transport, we invested in new band conveyors and in overhaul of the existing conveyors.

Other major investments regarded renovation and maintenance of infrastructure and of other equipment in the pit, as well as aboveground. This comprises modernisation of electrical equipment, equipment for telephony and communication in the pit, alarming system, upgrade of video-surveillance system and optical equipment, equipment for transport of material and devices, machinery, software and networks, safety and protection equipment, working tools and tools for implementation of co-financed development projects.

2.7 IT

System support

The monitoring system within the computer environment was upgraded. For the lessees, we carried out an automatized monitoring of the functioning parameters of the air-conditioning appliances and the electricity supply for the preparation of reports on the leased property functioning.
Due to hardware obsoleteness, most of physical servers were transferred to the virtual environment. At the same time, we carried out the transition of servers from older operational systems to the version of Windows Server 2008 R2. For the purpose of operational systems for users, we installed Windows 7. Due to issues arising from incompatibility of some applications with the new operational system, we continued with the virtualisation of users and of individual applications. Virtualisation contributes to money saving, environment protection and better efficiency of computer equipment.
On the level of external accesses to the Premogovnik Velenje local network, we implemented an alternative to the VPN technology, i.e. Microsoft Forefront Unified Access Gateway (UAG), which enables a better monitoring over the external accesses to the corporate resources.
In the area of wireless accesses to the local network, the company adopted a special security policy, which was necessary due to the increasing number of work and private mobile devices. In accordance with the new policy, an infrastructure for monitored wireless access to the local network was installed in the office building of Premogovnik Velenje.
Based on the agreement with HSE on IT contracts optimisation, at the end of the year we replaced the antivirus programme Sophos Antivirus with the Microsoft' System Center Endpoint Protection (SCEP).
At the year-end, we acquired active network equipment for update of the central switcher, the network equipment in the office building and of remote hubs. Within the IT project, we implemented the Quest Fooglight software for monitoring of applications and local network performance.

Applications

In 2012, we continued with the implementation of IT system for HR management and salary calculation – Kopa HRM. The HR part and integrations with other IT systems in the company were completed, while implementation of the IT system for salary calculation will be finalised in 2013.
In the system for electronic management of processes ODOS, we introduced the module for training programmes management. We prepared a platform for exchange of e-documents with our business partners, which also supports the exchange of e-accounts between the company and the subsidiaries. In the area of purchases, we introduced monitoring of the plan realisation for purchase procedures, as well as blockages in the event the planned amounts are exceeded.In the ERP system QAD we implemented a new version of FIFO evaluation of materials transactions.
By means of a tool for reporting on operations, we additionally improved the reporting on material costs and monitoring of realisation of the plan for fixed assets acquisition. Within the IT system for plant maintenance MAXIMO, we updated the input centre with key indicators for various user levels. A module for monitoring and controlling of methane measuring devices was created.

Our development department continued to carry out the transition from the internal specific applications to new technologies and the three-level architecture. The old payment orders and salary deposits (ZBICE) were replaced by new SEPA UPN (universal payment orders).

2.8 FINANCIAL OPERATIONS

2.8.1 OPERATIONS IN 2012

In 2012, Premogovnik Velenje realised the revenue of EUR 131,720,698, while its expenses totalled EUR 131,902,366. The change in value of coal stocks in the amount of EUR 1,668,462 had a positive effect on profit, and deferred taxes amounted to EUR 1,467,053. The financial year was closed with a net profit of EUR 19,741.

2.8.2 MAIN ACTIVITIES AND GOALS ACHIEVED

Business activities in 2012 were directed towards ensuring solvency. Through appropriate financial policy we managed to maintain sufficient solvency at all times.
Numerous activities were also devoted to streamlining of operations. By adopting measures directed at management of operations we were successful in this respect as well.

2.8.3 ENSURING SOLVENCY

In accordance with Article 14 of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, the company Premogovnik Velenje d.d. is not permanently illiquid or insolvent on a long-term basis.
Ensuring short-term and long-term solvency is one of the major tasks of the company. In Premogovnik Velenje, we have established an efficient system of long-term and short-term financial planning. The principal documents pertaining to financial planning are the planned cash flow statement as a financial statement and the operating cash flow plan. The first one indicates the difference between receipts and disbursements in operating, investing and financing activities, while the other plans and monitors solvency and short-term liquidity on an annual, monthly and daily basis.

Within the HSE Group, the cash management system and cash pooling are implemented. This system contributes to lower costs of financing activities and higher revenue from financing activities as they enable streamlining of operations involving cash. The funds were not utilised in 2012, due to issues regarding the financing of the TEŠ's Unit 6 project.

2.8.4 ENSURING NECESSARY FINANCIAL SOURCES

In 2012, long-term sources in the company decreased by 20.1%. The share of long-term sources among all sources amounts to 75.22%, which is 7.84 p.p. less than in 2011. Long-term assets increased by 1.9%. Commercial banks assured us short-term revolving loans, while in terms of long-term borrowing in the amount of EUR 10 million we received a number of negative responses by the banks with regard to financing of our company's operations, particularly due to group exposure of an individual commercial bank to the HSE Group's related entities. Therefore, in 2012 we have not realised the long-term loan planned. Despite this fact, the company continues to dispose of adequate financing sources.

2.8.5 CAPITAL ADEQUACY

In addition to compliance with the provisions of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, the main purpose of assuring capital adequacy is decrease in financial risks. When planning and monitoring of financial policy implementation, Premogovnik considers operating and financial principles and standards, the most important of which is financing of long-term assets with long-term sources. The financing to assets ratio amounts to 91.7%; therefore, the determined negative working capital amounts to EUR 14.9 million.

The company complies with capital adequacy requirements since it disposes of adequate capital with regard to the volume and types of transactions, which it performs, and with regard to risks, to which it is exposed while performing these transactions.

2.8.6 DEBT RATIO

The basic indicator of indebtedness is the ratio between foreign sources and total liabilities, or the equity financing ratio. Premogovnik Velenje concluded the year of 2012 with a self-financing rate of 50.7%. In case that long-term provisions are also considered as own assets, the equity financing ratio stands at 65.1% and the debt ratio stands at 34.9%, while it was at 29.8% in 2011. With regard to the debt ratio of the Slovenian economy, which amounts to 58.9%, the debt ratio of the company still remains favourable.

2.8.7 COMPANY'S RATIOS

in EUR

EQUITY FINANCING RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity and liabilities	219.462.673	215.489.400	101,8
2. Equity	111.307.106	111.436.464	99,9
Equity financing rate = 2 / 1	**50,72**	**51,71**	**98,1**

in EUR

LONG-TERM FINANCING RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity	111.307.106	111.436.464	99,9
2. Long-term liabilities	53.548.816	67.551.158	79,3
3. Total (1 + 2)	164.855.922	178.987.622	92,1
4. Equity and liabilities	219.462.673	215.489.400	101,8
Long-term financing rate = 3 / 4	**75,12**	**83,06**	**90,4**

in EUR

OPERATING FIXED ASSETS RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Property, plant and equipment	130.909.767	136.832.461	95,7
2. Intangible assets	944.023	1.039.438	90,8
3. Total fixed assets at carrying amount (1+2)	131.853.789	137.871.899	95,6
4. Assets	219.462.673	215.489.400	101,8
Operating fixed assets rate = 3 / 4	**60,08**	**63,98**	**93,9**

in EUR

LONG-TERM ASSETS RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Property, plant and equipment	130.909.767	136.832.461	95,7
2. Intangible assets	944.023	1.039.438	90,8
3. Investment property	6.265.183	0	0,0
4. Long-term investments in subsidiaries	31.423.251	25.472.827	123,4
5. Other long-term investments and loans	3.065.943	589.684	519,9
6. Long-term operating receivables	730.478	1.844.200	39,6
7. Other long-term assets	128.785	453.837	28,4
8. Total (1 + 2 + 3 + 4 + 5 +6 + 7)	173.467.429	166.232.448	104,4
9. Assets	219.462.673	215.489.400	101,8
Long-term assets rate = 8 / 9	**79,04**	**77,14**	**102,5**

in EUR

EQUITY TO FIXED ASSETS RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity	111.307.106	111.436.464	99,9
2. Property, plant and equipment	130.909.767	136.832.461	95,7
3. Intangible assets	944.023	1.039.438	90,8
4. Total fixed assets at carrying amount (2+3)	131.853.789	137.871.899	95,6
Equity to fixed assets ratio = 1 / 4	**0,84**	**0,81**	**104,4**

in EUR

ACID TEST RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Cash and cash equivalents	16.048	562.077	2,9
2. Short-term investments	1.081.914	1.328.999	81,4
3. Total liquidity assets (1 + 2)	1.097.963	1.891.075	58,1
4. Short-term liabilities	54.606.751	36.501.778	149,6
Acid test ratio = 3 / 4	**0,02**	**0,05**	**38,8**

in EUR

QUICK RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Cash and cash equivalents	16.048	562.077	2,9
2. Short-term investments	1.081.914	1.328.999	81,4
3. Short-term operating receivables	23.144.976	24.929.431	92,8
4. Total (1 + 2 + 3)	24.242.939	26.820.506	90,4
5. Short-term liabilities	54.606.751	36.501.778	149,6
Quick ratio = 4 / 5	**0,44**	**0,73**	**60,4**

in EUR

CURRENT RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Current assets	39.696.945	41.499.670	95,7
2. Short-term liabilities	54.606.751	36.501.778	149,6
Current ratio = 1 / 2	**0,73**	**1,14**	**63,9**

in EUR

OPERATING EFFICIENCY RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Operating revenue	131.407.703	123.369.517	106,5
2. Operating expenses	130.246.799	122.728.878	106,1
Operating efficiency ratio = 1 / 2	**1,01**	**1,01**	**100,4**

in EUR

NET RETURN ON EQUITY RATIO (ROE)	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Net profit for the period	19.741	1.010.389	2,0
2. Average equity	111.371.785	111.179.912	100,2
Net return on equity ratio = 1 / 2	**0,00018**	**0,009**	**2,0**

in EUR

NET RETURN ON ASSET RATIO (ROA)	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Net profit for the period	19.741	1.010.389	2,0
2. Average assets	217.476.036	214.380.445	101,4
Net return on asset ratio = 1 / 2	**0,00009**	**0,005**	**1,9**

in EUR

ADDED VALUE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Operating revenue	131.407.703	123.369.517	106,5
2. Costs of goods, materials and services	52.450.949	49.818.485	105,3
3. Other operating expenses	3.530.475	2.869.186	123,0
Added value = 1-2-3	**75.426.279**	**70.681.847**	**106,7**

in EUR

ADDED VALUE / EMPLOYEE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Added value	75.426.279	70.681.847	106,7
2. Average number of employees	1.356	1.258	107,8
Added value/employee = 1/2	**55.624**	**56.186**	**99,0**

A. Basic financing balance ratios (investments)

Compared to 2011, the equity financing ratio in 2012 decreased by 1.9% and amounts to 50.7%. It decreased due to increase in total assets, which exceeds the equity increase.

The long-term financing rate amounts to 75.1% and it decreased by 9.6% compared to the previous year. The reason for this are decreased long-term financial liabilities due to unrealised long-term borrowing.

B. Basic investment ratios (investing activities)

Operating fixed assets rate amounts to 62.9% and it decreased by 1.6% compared to 2011. This is the result of the increase in total assets exceeding the increase in fixed assets due to capital raising in a subsidiary.

As at 31 December 2012, the long-term assets rate amounted to 79.04%, which means an increase by 2.5% compared to 2011, mostly due to long-term investments in the subsidiaries.

C. Basic horizontal financial structure ratios

The quick ratio amounts to 0.44 and it decreased by 40%. The decrease is mostly the result of considerably increased short-term financial and operating liabilities due to decrease in liquid assets and operating receivables.

Compared to 2011, the current ratio decreased by 36.0% and amounts to 0.73. The decrease is mostly the result of increase in short-term liabilities due to decrease in current assets.

D. Basic efficiency ratio

Operating efficiency ratio remained the same as in 2011 and amounts to 1.01.

E. Basic profitability ratios

Due to decrease in revenue in 2012, net return on equity ratio (ROE) is 98% lower and amounts to 0.0002. Due to decreased revenue in 2012, net return on assets ratio (ROA) is 98.1% lower and amounts to 0.0001.

F. Other ratios

Added value amounts to EUR 75,426,279 and is 6.7% higher than in 2011, mostly due to a significant increase in operating revenue.

The added value per employee decreased by 1% compared to 2011 and amounts to EUR 55,624. The decrease is a result of higher average number of employees by 7.8%, which exceeds a 6.7% increase in added value.

2.9 RISK MANAGEMENT

Premogovnik Velenje has an established risk management system. Risk management involves identification, measurement or assessment, controlling and monitoring of risks the company is or might be exposed to. PV is exposed to different kinds of risks, especially to the risk connected with coal production and financial risk. The exposure monitoring and the risk management activities are performed regularly. We guarantee that all risks have been managed efficiently.

In support of activities for a transparent business risk management and in accordance with the Constitutional Act on Internal Audit Operations within the HSE Group companies of 22 November 2011 and compliant to the Constitutional Act on Internal Audit Operations within the PV Group companies, the Premogovnik Velenje Management Board appointed a Risk Management Committee in January 2012.

Premogovnik Velenje, therefore, uses established guidelines and methodology for risk management. The Risk Management Committee operates in accordance with the adopted Rules of Procedure.
Premogovnik Velenje ensures that the risks are identified and that the consequences are determined. The company has also established procedures for management of risks and appointed the persons in charge of risk management.

During the financial year of 2012, we encountered the risks that can be roughly classified as follows:

- operational risk of the production – quantity risk, safety and operational reliability risk,
- financial risk,
- market risk
- credit risk,
- price risk,
- human resources risk, and
- IT system risk.

2.9.1 OPERATIONAL RISK

Operational risk of the production – quantity risk, safety and operational reliability risk
Production risk is represented by the risk of ensuring safety of employees, the risk of operational reliability and, consequently, the risk of coal supply sufficiency for the electricity production in TEŠ, i.e. the quantity risk.

Quantity risk comprises risks arising from uncertainties related to coal production and consumption. In 2012, we faced challenging conditions in coal extraction; however, we managed to overcome these issues successfully, through faster sites inclusion, adaptation of working programme to needs, as well as through technical measures for ensuring proper production conditions and operational reliability of plants and equipment.
The adaptation of our production to the TEŠ's needs of coal represents a very challenging task for us, due to

the nature of coal extraction. Circumstances arise during the year, when the extracted coal lays at the disposal site due to decreased consumption in TEŠ, which influences the current assets of Premogovnik Velenje and represents an additional risk for liquidity management. That risk was decreased with selling of coal to TET. However, a substantial, long-term decrease in demand for coal would most certainly have a very negative effect on the volume of sales and, subsequently, on the company's financial position. The quantity risks were effectively managed.

The demanding work circumstances influenced the safety conditions for our employees, but were, nevertheless, under control thanks to our safety-technical information system and the measures concerning operational safety and health.
Operational reliability of plants and equipment was satisfactory in 2012, thanks to maintenance of high-tech equipment, establishment of an IT system for plant maintenance and of an up-to-date communication controlling system in the pit and monitoring.

Production operational risk comprising the quantity risk, safety and operational reliability risks, that can have an important impact with a medium probability of occurrence, was successfully managed.

2.9.2 FINANCIAL RISK

The management of Premogovnik Velenje d.d. estimates that there are certain forms of financial risk present in the company. With the measures consisting of cash flows planning, searching for additional financing sources, the HSE Group cash management and working capital management in 2012, the financial risk was successfully managed.

Insolvency risk is the risk of lack of liquid assets required for timely settlement of current liabilities. It can be defined as liquidity risk or the risk of uncoordinated liquidity, i.e. a maturity mismatch between assets and liabilities in the company. Furthermore, liquidity risk is also partially dependant on the management of operating and operational risks. Liquidity risk is also present due to the continued global financial crisis, the implications of which are evident in tightened borrowing conditions of banks, especially with regard to long-term borrowing, with additional guarantees, higher margins and other costs.
As the government has not issued the guarantee for the EIB loan for the construction of Unit 6 in TEŠ and the loan drawing was, consequently, impossible, liquidity issues arose within the HSE Group.

The risk of non-issuing of the government guarantee and time delay in acquisition of government guarantee is managed on the level of the HSE Group, namely with the performance of up-to-date alternative scenarios, short-term loans and through optimising liquidity and operations.
In order to manage solvency risk, Premogovnik Velenje has established an effective system for monitoring and coordination of requirements for liquid assets. Here, the most important instrument is cash flow planning which is initially prepared on an annual basis and followed by monthly planning of cash flows. An important factor in liquidity management in 2012 was the management of costs, purchase system and relationships with our suppliers. We manage our policy of short-term and long-term borrowing with banks on the basis of the cash flow plan, fixed assets procurement plan and other elements of the business process. The volume of long-term loans did not increase in 2012, while we managed to extend the short-term loans and utilised short-term revolving loans. The risk of decrease in possibility to obtain loans, particularly long-term loans, was extensive due to the abovementioned exposure of the HSE Group; however, the risk was efficiently managed.

Currency Risk
The majority of purchases from outside Slovenia are taking place in countries that are part of the Euro zone; therefore, no significant currency risk exists.
Interest rate risk
Interest rate risk is as a risk of unfavourable or hazardous changes in interest rates assessed as medium since our short-term and long-term bank loans received are partly related to changeable interest rates. These risks are managed through controlling of indebtedness within the framework of the plan, hedging approximately 50 % of loan potential and establishment of cash management system and cash pooling within the HSE Group.

2.9.3 MARKET RISK

Premogovnik Velenje generates 94% of net revenue with sales of coal to TEŠ and is, therefore, significantly exposed to market risks. An important risk would arise, if TEŠ changed the basic energy product; however, according to our assessment the probability of such risk is low. An important factor related to management of market risks is the long-term three-party agreement between HSE, TEŠ and PV for the purchase of coal and electricity.
Premogovnik Velenje is aware of its risk exposure to one large client; therefore, the strategy aims at increase of other revenues, within Slovenia as well as from the international markets. With the sales of mining design services and mining equipment, we are present in the Macedonian, Turkish and Slovakian markets and we are penetrating also the Middle East markets. The PV Group strategy is orientated towards increasing the revenue that is not based on coal.
According to our estimates, the influence of market risk is relevant; however, the probability of its occurrence is small. Market risk is controlled within the company.

2.9.4 CREDIT RISK

The credit risk of Premogovnik Velenje, which arises from relations with the clients, is predominantly connected with realisation of contractual relations regarding coal sales to TEŠ under the TEŠ-HSE-PV three-party agreement. Such risk is relevant and the probability of payments not being settled increased in 2012, due to a demanding liquidity situation in the HSE Group; nevertheless, the risk was managed within the company.
The risk is higher also due to increased sales outside the coal range. Nonetheless, the company's credit risk is managed through verification of the clients' credit ratings and through an adequate payment collateralisation.

2.9.5 PRICE RISK

Price risk is the risk arising from fluctuation of our suppliers' market prices. The prices of materials and equipment went up, which importantly influenced the cost of coal production. The price risk in the company was successfully managed, thanks to our measures for conclusion of annual contracts, which result in more favourable prices, and negotiations with suppliers.

2.9.6 HR RISK

The HR function, i.e. human resources management, is an important part of risk management. Our goal is sufficient number, proper structure, and appropriate qualification and satisfaction of employees. Human resources risks are managed through good communication with employees, improvement of working conditions, proper organisation of work, and education and training, appropriate remuneration and compliance with all employment-related legislation. By ensuring appropriate structure and number of employees, we are pursuing the strategic goals of the company.

Consequences of HR risks, which could result in non-achievement of work results and the company's goals, as well as in increased labour costs and dissatisfaction, were managed with implementation of a long-term HR plan, monitoring of changes in human resources, timely introduction of competent staff, adequate rewarding and taking care of the staff's health.
According to our estimates, HR risk has a significant influence on the company's goals achievement; however, the probability of its occurrence is low. All human resources risks were managed.

2.9.7 IT SYSTEM RISKS

The company's IT system risk refers to fire outbursts, errors on hardware and software, malicious software code, hacking via the internet, unauthorised data access, power outages or air-conditioning malfunction.
A fire can destroy hardware, as well as software and data that are installed or stored on the hardware. Fire outburst probability is low, but its consequences can be extensive.
We are protected against the risk with a fire safety system and back-up copies of data and software. In addition, the main servers and relevant data are duplicated at the TEŠ location. Back-up copies are stored in a fireproof safe. Once a week, a back-up copy is made at the TEŠ location.
Errors on hardware and software can result in inaccessibility of data and IT services or even in loss of data. The risk probability is low and its consequences are estimated as medium.
We protect ourselves against this risk by producing back-up copies of data and software. In addition, the main servers and relevant data are duplicated at the TEŠ location. The system is checked occasionaly. Back-up copies are stored in a fireproof safe. Once a week, a back-up copy is made at the TEŠ location.
A malicious program code can result in inaccessibility or loss of data and unavailability of services. The risk probability is low and its consequences are estimated as medium.
Computers are protected against malicious codes with security software.
Hacking of the system via the internet can result in loss or unauthorised disclosure of data and unavailability of services. The risk probability is low and its consequences are estimated as medium.
The local network is protected against the external network with firewalls and software for monitoring traffic between the local and external network.
Unauthorised access to data can lead to disclosure of confidential information to unauthorised users, its destruction or incompleteness.
The risk probability is low and its consequences are estimated as medium.
Security mechanisms and policies enable access to the information system only to authorised users. We have also implemented a programme for tracking of audit trails when sensitive information is being accessed.
Power outages or defective air-conditioning devices can result in unavailability of the system, hardware failures. The risk probability is low and its consequences are considered as less important.
The power to the system hardware is supplied through two separate electricity branches and stand-alone UPS devices with a back-up capacity of one hour. Additionally, in the event of a blackout, the power to the system room is supplied by a diesel generator. The system room is cooled by two double air-conditioning devices. The company manages its information system risk successfully.

2.9.8 MANAGING THE CRISIS IN 2012

As in most of other companies, the economic crisis also affected operations and risk management policies in Premogovnik Velenje. In 2012, we continued implementing measures for management of operations. The coal sales price in the Business plan for 2012 was lower compared to the previous year. As a result, we increased the control over costs with the purpose to achieve the goals set. We introduced monthly monitoring of costs in the context of commercial committee. Numerous measures for cost management were adopted in all areas. The measures were monitored on monthly basis. The measures performed comprised the entire process of coal production. The majority of adopted measures were implemented in full. Measures that also affect management of operations are also being implemented in the current year. We monitor performance indicators on monthly basis, which enables us to measure the effects of adopted measures.

In light of the changed operating conditions, we attempted to reduce effects of decreased sales of coal on solvency. Due to financial crisis and thus the crisis of banking sector, in 2012 we did not manage to realise the planned long-term investment in the amount of EUR 10 million. However, we were provided with the necessary amount of short-term loans. Total amount of long- and short-term loans utilised remained within the volume of loans planed, which guaranteed the company's solvency. An extremely important instrument of solvency and financial risk management is the Cash Flow Plan which is prepared for various periods and was also discussed at the meetings of the HSE Group financiers.

2.10 PUBLIC RELATIONS

At Premogovnik Velenje, the public relations department handles external communication for the entire Group. The deportment is in charge of successful relations with the public and of maintaining the public trust in the company. One of its main tasks is to prepare and design communications which aim to reach relevant audiences (employees, media, local community, professional and general public etc.), as well as raise or maintain the reputation of Premogovnik Velenje.
For the purposes of better creation of contents and efficient implementation of improvements, in 2012 the department carried out a communication survey, which comprised our printed and electronic media: the newspaper Rudar, internal radio, teletext pages, news, website, web pages and the Premogovnik Velenje Facebook and Twiter profiles.
In 2012, 11 regular issues of internal journal Rudar (Miner) were prepared within the framework of public relations department. Each issue was published in 4000 copies, which is 536 pages. The department also prepared 255 regular programmes for internal radio, daily announcements for teletext pages (234), while important announcements were published on the portal (550) and on the internet (270 announcements, 57 photo galleries) The department also prepared 173 public releases, participated in preparation of 4 issues of Športne novice (Sports news) and prepared 5 issues of Novice PV (PV news). A profile was created on two of the largest social media networks, Facebook (542 news) and Twitter (333 tweets).
In 2012, 2298 publications on Premogovnik Velenje were published in media, which is 2.3% more than in 2011. 1897 publications (81.8%) were assessed as positive, 197 publications (8.6%) as negative and 222 publications (9.7%) as neutral. The basis of positive publicity is formed by the following subjects: Mining Museum of Slovenia, Premogovnik Velenje brass band, the event Skok čez kožo, 2013 calendar Knapi (Miners), fashion event and the GKP-PV roadheader machine.
1347 publications were planned, which represents 58.6% of total publicity. Most of publications in 2012 took place in the months of June, May, October and November.
In 2012, the public relations department organised numerous events. The most attention catching were the Módeo brand fashion event, blessing of the St. Barbara shrine at shaft NOP 2, the 52th Skok čez kožo event (where participants jump over a piece of animal hide), the 80th anniversary of PIGD PV and 15th anniversary of the accordion orchestra Barbara Premogovnik Velenje, celebration on the St. Barbara day, gathering of relocated in Gaberke and events in the Mining Museum in the context of the Europen Capital of Culture – Maribor 2012 (exhibitions Lost places in a new perspective and Laibach kunst-Glűck auf ter koncert skupine Laibach Kohle ist brot).
The department also issued the 2013 calendar Knapi (Miners) and prepared the PV Group presentational video for the housing fair Tevel. We upgraded our website www.rlv.si with English version and the virtual presentation of the aboveground sites.

2.11 RESEARCH AND DEVELOPMENT

R&D processes were carried out through programme engagements, classified according to the following areas:

- quality
- environment
- energy
- safety

The main development areas are:

Extraction and transport of coal, and ecology – ventilation and the struggle with coal dust

On the basis of flammability and explosiveness parameters, as well as on the basis of regular measurements of coal dust in the pit, we monitored the consumption of water for dust removing via the InTouch system, thus the humidity level of coal dust at shafts and haulage roadways. We carried out upgrades, i.e. implemented new technological solutions for coal dust dumping at shafts and haulage roadways. Optimisation measures were implemented in the ventilation area.

Optimisation and automation of coal transport

We continued with the automation of the main coal transport system and provided for ongoing centralised control, easier maintenance of the system, quicker elimination of failures and hold-ups, optimal load of the transport line, the possibility of upgrading the system with a centralised coal loading system on the main transport line, and optimised transport costs. We enabled schematic overview and remote controlling of the whole transport process via the security technology information system (VTIS).

Roadways

During development of roadway constructions, we were focused on the technological process, optimisation and humanisation of working stages, roadway substructures, isolation hull of the roadway, and transport of coal from preparatory sites as well as organisational structure. We were engaged in the following activities: automation of coal removal from preparation sites, trial installation of arches and connecting links (JLP, type K29), injection of two-component glue and introduction and development of new equipment (shredders, road-header, arch feeders, plastering machines).

Electricity area

We upgraded the STIS and the security-monitoring system (SMS). In the area of the development of mine gas measuring instruments, we are looking for solutions that are based on the IR principle. We also started with designs for the project for the automation and remote controlling of the Nove Preloge DTS and the VoIP telecommunication project.

Energy area

With regard to efficient energy use (EEU) we were engaged in development activities in the area of energy (electricity and thermal energy), compressed air, process and drinkable water, fuel and light pollution. We continued the upgrade of the Central Energy Monitoring System (CEMS) which provides for effective energy management and targeted use of energy.

Clean coal technologies (CCT)

Within the scope of Clean coal technologies, we continued with the activities for lignite degasification, the CCS technologies (capture and storage of CO2) and underground coal gasification. In the context of the first activity, we are carrying out two international projects, i.e. CogasOUT and GHG2E. In this view, we are monitoring various extraction parameters on the wide faces and comparing them to gas, atmospheric and geo-mechanical measurements, which will serve as a basis for the lignite degasification model. The system of degasification test was established at the end of 2012. The other two activities are carried out through the RCE operation (Energy development centre), which comprises the project Methodology of CO2 fixation on fly ash and the project Underground coal gasification. In 2012, we co-financed the following applied projects of the Slovenian Research Agency: Structural model of the Velenje lignite and Petrology of lignite - referring to lignite types that are extracted and used in Slovenia, lignite gases and their gas-sorption properties.
We participated also in the ZETePO project for capture and storage of CO2 (CCS). Two of our students are enrolled in postgraduate studies and participate in a programme for young researchers in the area of economy. Our results were presented at a number of local and international conferences and workshops.

Geological and geo-mechanical surveys and hydro-geological research in the mine and on the surface

We continued with our research of

geological and hydro-geological conditions on the western edge of the coal layer. Piezometer borehole PH-13/12 was designed. We also carried out studies of the stress state in front of the mining site and in the longwall pillars in the mine (installation of measuring equipment, measurements, processing of data etc.).

Development and research activities were performed within the framework of co-financed EU projects, where we cooperate with various international experts:

- CogasOUT (RFCS tender) – New technologies for anticipation of gas outbursts and emissions in thick coal layers.
- LOWCARB (RFCS tender) – 'low-carb' initiatives - Optimisation of ventilation and water extraction and capture of CH_4 from the air in the mines.
- OPTI-MINE (RFCS tender) – Demonstration of possibilities for optimisation of processes for better efficiency and safety in coal mines by using the latest IT and communication technologies.
- GHG2E (7. OP tender) – Efficient use of coal gases from coal mines and layers and their conversion into energy.
- RCE – (Ministry of Economy tender, ERDF fund), Energy research centre (Methodology of CO_2 fixation on fly ash, Underground coal gasification and EKO wind power plants.

Research activities are performed also through our cooperation with the Jožef Stefan International Postgraduate School, within the framework of postgraduate studies curricula regarding:

- research on gas dynamics (methane – CO_2) in wide faces area,
- assessment and management of unpleasant odours in connection with coal gases emissions in the environment,
- research on innovative methods for degasification of coal seams.

The company also prepared applications for new tenders – six project applications regarded tenders for activity co-financing (two to RFCS, two to the Slovene Human Resources and Scholarship Fund, one to the Slovenian Research Agency and one to the Ministry of Education, Science and Sport - development of e-services).

2.12 PLANS FOR THE FUTURE

The modernisation of Termoelektrarna Šoštanj thermal power plant through the construction of a new 600 MW Unit is a solid basis for another 50 years of electricity production in the Šalek Valley. The new Unit is by all means of crucial importance for reliable and safe electricity supply of Slovenia. By complying with all environmental requirements it is also important for environment-friendly production of electricity. The new Unit 6 is also crucial for the further development of Premogovnik Velenje. Over 170 million tonnes of coal for the production of energy are deposited in the depths of the Šalek Valley (of which as at 1 January 2012 over 120 tonnes of extraction coal), which can be used for energy production and will be fully used until the end of operations at Unit 6. The unit will be built according to the most up-to-date environmental principles and will ensure – provided that the price of coal remains competitive – competitive electricity production.

Premogovnik Velenje is inextricably linked to the Slovene energy sector as it will, through supply of a local energy product and in connection with construction of Unit 6, provide for reliable and safe electricity supply to Slovenia up until 2054. Due to constant growth in demand for coal, the company will remain an important link in supply of electricity not only in Slovenia, but also in Europe and globally. The production of electricity from coal is also burdened by pollution charges and duties. That is why we need to purchase CO2 quotas, which are known to exceed the value of the energy product itself in certain periods of the year. Conditions will deteriorate particularly after 2012, when all the required quotas for electricity production in thermal energy facilities in Slovenia will have to be purchased in auctions. These additional costs, which burden our product, require that we ensure maximum efficiency of our core process of coal production so that in these competitive circumstances we can produce electricity at competitive prices. In our future development, the main projects will include optimisation of face dimensions (length, height, speed), modernisation of the technological process used in construction of underground workings, and automation of all work operations that can be used in the above processes. The company believes that substantial savings can be achieved through rationalisation of coal transport, as part of which coal transport lines will be considerably shortened thanks to the new NOP II export shaft, thus decreasing the number of underground workings required, reducing the number of employees and the necessary capacity of the ventilation system. In addition to all these efforts, we will continue to focus on occupational health and safety, working conditions and the humanisation of working procedures.

Next to coal production, the operations of Premogovnik Velenje increasingly involve the sale of expertise, services and products. The basic goal of all related and associated companies of PV is gradual decrease in dependence from the parent company. In addition to reliable and competitive supply of domestic coal for electricity production, we will seek for development and international positioning opportunities also within the transfer of our highly professional engineering expertise, technology or know-how outside Slovenia. This represents an exceptional opportunity for the whole Group and the future of Premogovnik Velenje in the following decades.

2.13 IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- At its extraordinary session in January 2013, the General Meeting appointed two new members of the Supervisory Board.
- There were no significant events after the balance sheet date that could affect the financial statements for 2012.

03

3.1 RESPONSIBILITY TOWARDS EMPLOYEES

3.1.1 HR POLICY

As at 31 December 2012, Premogovnik Velenje had 1333 employees, as planned. 68 employees had fixed-term contract, 5 of which were trainees. From the beginning of the year, the number of employees increased by 102. The most important increase includes deployment of 136 employees from our subsidiary HTZ (due to changes in the legislation regarding disabled), 30 trainees or scholarship holders and 21 employees under fixed-term contract, meanwhile 84 employees left the company. The average number of the PV staff amounted to 1356 employees.

3.1.2 EDUCATIONAL STRUCTURE

In Premogovnik Velenje, we support realisation of our strategic goals, business and development plans also by taking care of education, training and development of our personnel. Through constant trainings, knowledge upgrades and improvements, we provide an adequate professional qualification and offer the possibility to acquire competences and skills that our employees need for a quality and safe performance of their work activities, as well as for their personal development.
Education and training of staff was targeted and in accordance with the plan for 2012. Trainings were organised on the basis of management's policies, interviews with heads of departments, introduction of new technological processes, equipment and programmes, statutory requirements, analyses of previous training and education programmes and actual requirements for additional training.

The trainings performed were subsequently analysed and evaluated.

Our employees were able to attend internal or external trainings regarding various professional areas.
In 2012, 63% (24,709 hours) of training were carried out by external institutions (external education and part-time studies), whereas 37% (14,312 hours) were carried out internally.
The following courses, workshops and seminars were organised for diverse target groups: production process and operational safety and health, environment management, management of integrated quality systems, leadership and communications, foreign languages, IT systems, economics, marketing, innovations and other topics. The majority of internal trainings regarded production processes and safety at work.
Our Premogovnik Velenje library is a specialised library – the services of book purchasing and lending, informing and administration of the researchers' bibliography were intended for the employees of the PV Group.

3.1.3 SCHOLARSHIPS

In order to ensure an adequate human resources structure, as a socially responsible company we cooperate with young people systematically, before they enter on the labour market. We actively cooperated with educational institutions in preparing education programmes, mandatory practical training programmed and promotion of the mining profession. In 2012/2013 academic year, we offered 32 and awarded 28 company scholarships. At the end of 2012, there were 100 PV scholarship holders, especially within the programmes regarding mining, mechanical and electrical engineering.

3.1.4 PART-TIME STUDIES

In 2012/13 academic year, 31 employees were involved in part-time studies in accordance with HR requirements, while 9 employees successfully finished their studies. The company entered into two new agreements on co-financing part-time studies. Most of our part-time students are enrolled in study programmes in the area of mining, mechanical and electrical engineering, economics and management.

3.2 RESPONSIBILITY TOWARDS NATURAL ENVIRONMENT

Preservation of nature and satisfaction of the local community is our principal value and relations with the local community need to be well managed and follow the principles of sustainable development.

The work area of competent departments involves activities concerning preparation, maintenance and restoration of the extraction area at Premogovnik Velenje. The surface of the extraction area amounts to 1104 hectares according to the effective concession contract. Of the said surface, 532 hectares (48.3 %) are located within the boundaries of the Municipality of Velenje and 572 hectares (51.7 %) on the territory of the Municipality of Šoštanj. In 2012, 348 ha of territory were exposed to direct effects of extraction (open surface).

The work was performed on the basis of annual working plan, which was prepared on the basis of projects and predictions:

- RP – 159/98 LF Reclamation of

the extraction site above the Škale mine,

- RP – 153/98 MT Reclamation of extraction site above the Pesje mine and the north section of the Preloge mine,
- RP – 136/97 FL Impact assessment of extraction and the reclamation of the extraction site above the southern section of the Preloge mine,
- RP – 209/2001 FL Assessment of the effect of extraction and reclamation of the extraction site above the north-western section of the Preloge mine,
- Annual and medium-term forecasts of vertical displacements of surface terrain.

The extraction area is divided into three zones:

- extraction preparation area,
- immediate impact area during the time of extraction, and
- the area where extraction was finished and restoration and recultivation are taking place.

In each of the specific areas, the following activities were pursued in 2012:

- **preparation for extraction**
  Before extraction began, we had performed activities for implementation of purchases (property – land) and procedures of territory preparation in sense of cleaning surfaces (cutting down trees and removal of humus) in the areas where changes in surface were envisaged (Gaberke and Gorice area).

- **rehabilitation during extraction**
  During extraction, most activities were carried out in the area of subsidence restoration between Velenje Lake and Družmirje Lake. The area is situated above the Pesje mine and North-Eastern part of the Preloge mine. In this area, production activities and subsidence are extremely intensive. We performed procedures of protecting the area for maintenance of watercourses and roads, restoration and maintenance of public infrastructure and facilities. In the areas that will not be subject to direct effects of extraction for several years, we carry out temporary recultivation. Damage brought about by crop failures was assessed and compensation was paid to affected farmers on the basis of appraisals.

- **rehabilitation and replanting after extraction**
  In the areas that will no longer be affected by mining, the maintenance of forests and plantations was carried out as part of site reutilisation together with complete reclamation of degraded surfaces and reconstruction of damaged buildings. The sites were thus prepared for new activities.

3.3 RESPONSIBILITY TOWARDS WIDER COMMUNITY

Since the beginning of its existence, Premogovnik Velenje has been dedicated to spatial planning and aware of its responsibility towards the employees and local community. The Šalek Valley, where the company operates, has changed significantly over these years and we would like to restore its previous shape at least partially, by means of new activities that are interesting and attractive for the community. In the last years, we unified what seemed to be irreconcilable. In the recultivated locations of industrial environment, we have developed tourist activities. We rehabilitate the degraded spaces that have been modified due to coal extraction. Today, the Šalek Valley does not give the impression of a mining landscape and is becoming increasingly more appealing and interesting as a location for tourist and recreational activities. Great amount of attention is dedicated also to spatial planning on the surface, as well as in the mine.

Socially responsible attitude of the company reflects in our cooperation with the local community and in the activities concerning elderlies and youth. We are aware that good interpersonal relationships are of key importance for a healthy organisation. We build them intentionally and on the basis of tradition. We are a relevant employer in the local environment – we provide scholarships, in order to give employment subsequently. We carry out practical trainings for our part-time students and other students.

Premogovnik Velenje has incised its strategy with operational sustainability, which is also being realised. For this reason, our production has been carried out in line with the principles of sustainable development, taking into account the systems of quality management, environment management and operational safety and health, required by standards ISO 9001, ISO 14001 and OHSAS 18001. In order to further enhance the energy management efficiency, in 2011 we introduced the energy management system in accordance with international standard ISO 5001, by means of which we additionally confirmed our energetic efficiency.

Through pro-active employment strategy, consistent development projects in the fields of energy and economy, and investments in the development of cultural and social life and of the local infrastructure, Premogovnik Velenje has been contributing to economic and general development of the Šalek Valley and the entire region.

FINANCIAL REPORT

04

4.1 AUDITOR'S REPORT

Deloitte.

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Dunajska cesta 165
1000 Ljubljana
Slovenija

Tel: + 386 (0)1 3072 800
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www.deloitte.si

20 let v Sloveniji

INDEPENDENT AUDITOR'S REPORT
to the owners of Premogovnik Velenje d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company Premogovnik Velenje d.d. (the Company), which comprise the statement of financial position as at 31 December 2012, 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 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 procedures selected 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 entity'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 entity'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 audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by EU.

Emphasis of Matter

The company Premogovnik Velenje d.d. is the controlling company in the Premogovnik Velenje Group and the consolidated financial statements of the Group, prepared in accordance with International Financial Reporting Standards, as adopted by EU, are presented separately. We have audited the consolidated financial statements of the Group and issued an unqualified opinion on 20 June 2013.

Our opinion is not modified in respect of this matter.

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.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 20 June 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

4.2 INTRODUCTORY NOTES TO THE PREPARATION OF FINANCIAL STATEMENTS

The financial report represents financial statements with the notes by the company Premogovnik Velenje d.d. (hereinafter: the company).

On the basis of the 17th Premogovnik Velenje d.d. General Meeting decision as at 30 August 2010, 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.

The annual report of Premogovnik Velenje d.d. for 2012 financial year is available at the company's registered office (Partizanska cesta 78, Velenje) and on the website www.rlv.si.

4.3 MANAGEMENT BOARD STATEMENT

The Management Board 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 in a manner that they give a true and fair view of the financial position of the company Premogovnik Velenje d.d.

The Management Board 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 Board'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,*
- *the financial statements are prepared in accordance with IFRS adopted by the EU; all possible significant deviations are disclosed and explained in the Report.*

The Management Board 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 adopted by the EU. The Management Board is also responsible for protecting company's property and preventing and discovering abuses and other irregularities.

The Management Board confirms that the financial statements are prepared in accordance with the provisions of IFRS without reservations when being used.

The Management Board adopted the financial statements of the company Premogovnik Velenje d.d. for the financial year ended 31 December 2012 as 20 June 2013.

Velenje, 20 June 2013

Member of the Management Board:
Vladimir Malenković, PhD

President of the Management Board:
Milan Medved, PhD

Member of the Management Board – Worker Director:
Sonja Kugonič

4.4 FINANCIAL STATEMENTS

4.4.1 STATEMENT OF FINANCIAL POSITION

in EUR

No.	Item	Note	31 December 2012	31 December 2011
	ASSETS		**219.462.673**	**215.489.400**
A.	**LONG-TERM ASSETS**		**179.765.728**	**173.989.729**
I.	Intangible assets	4.5.10.1	944.023	1.039.438
II.	Property, plant and equipment	4.5.10.2	130.909.767	136.832.461
III.	Investment property	4.5.10.1	6.265.183	0
IV.	Long-term investments in subsidiaries	4.5.10.3	31.423.251	25.472.827
V.	Other long-term investments and loans		3.065.942	589.684
1.	Other long-term investments	4.5.10.4	571.004	568.804
2.	Long-term financial receivables and loans	4.5.10.5	2.494.938	20.880
VI.	Long-term operating receivables	4.5.10.6	730.478	1.844.200
VII.	Other long-term assets	4.5.10.7	128.785	453.837
VIII.	Deferred tax assets	4.5.10.8	6.298.299	7.757.282
B.	**CURRENT ASSETS**		**39.696.945**	**41.499.671**
II.	Inventories	4.5.10.9	14.805.406	14.678.683
III.	Short-term investments and loans		1.081.914	1.328.999
1.	Short-term financial investments	4.5.10.1	0	0
2.	Short-term financial receivables and loans	4.5.10.10	1.081.914	1.328.999
IV.	Short-term operating receivables	4.5.10.11	23.144.976	24.929.431
V.	Current tax assets	4.5.10.1	0	0
VI.	Other short-term assets	4.5.10.12	648.600	481
VII.	Cash and cash equivalents	4.5.10.13	16.049	562.077
	EQUITY AND LIABILITIES		**219.462.673**	**215.489.400**
A.	**EQUITY**	4.5.10.14	**111.307.106**	**111.436.464**
I.	Called-up capital		113.792.981	113.792.981
IV.	Fair value reserve		(646.385)	(497.286)
V.	Retained earnings		(1.839.490)	(1.859.231)
B.	**LONG-TERM LIABILITIES**		**53.548.816**	**67.551.157**
I.	Provisions for termination and jubilee benefits	4.5.10.15	2.879.278	2.460.833
II.	Other provisions	4.5.10.16	28.716.337	37.331.284
III.	Other long-term liabilities	4.5.10.17	52.498	203.478
IV.	Long-term financial liabilities	4.5.10.18	21.694.945	27.141.400
V.	Long-term operating liabilities	4.5.10.19	205.758	414.162

in EUR

C.	**SHORT-TERM LIABILITIES**		**54.606.751**	**36.501.779**
II.	Short-term financial liabilities	4.5.10.20	29.359.219	16.437.005
III.	Short-term operating liabilities	4.5.10.21	24.260.644	19.183.994
IV.	Current tax liabilities	4.5.10.1	0	0
V.	Other short-term liabilities	4.5.10.22	986.888	880.780

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

4.4.2 INCOME STATEMENT

in EUR

No.	Item	Note	2012	2011
1.	Net sales revenue	4.5.10.24	118.143.876	118.291.420
2.	Changes in inventories of products and work in progress	4.5.10.25	1.668.462	1.671.612
3.	Capitalised own products and services	4.5.10.26	2.496.203	2.004.915
4.	Other operating revenue	4.5.10.27	10.767.624	3.073.182
	GROSS RETURN ON OPERATIONS		**133.076.165**	**125.041.129**
5.	Costs of goods, materials and services	4.5.10.28	52.450.949	49.818.485
6.	Labour costs	4.5.10.29	56.827.530	52.516.015
7.	Write-downs in value	4.5.10.30	17.437.845	17.525.192
8.	Other operating expenses	4.5.10.31	3.530.474	2.869.187
	OPERATING PROFIT OR LOSS		**2.829.367**	**2.312.250**
9.	Financial revenue	4.5.10.32	312.995	393.942
10.	Financial expenses	4.5.10.33	1.655.568	1.197.959
	FINANCIAL PROFIT OR LOSS		**-1.342.573**	**-804.017**
	PROFIT OR LOSS BEFORE TAX		**1.486.794**	**1.508.233**
12.	Deferred taxes		1.467.053	497.844
	TAX	**4.5.10.34**	**1.467.053**	**497.844**
13.	**NET PROFIT OR LOSS FOR THE PERIOD**		**19.741**	**1.010.389**

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

4.4.3 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR

No.	Item	Note	2012	2011
13.	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		19.741	1.010.389
18.	Net effects of changes in fair value of hedges against changeability of cash flows	4.5.13.1	-149.099	-497.286
19.	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-129.358	513.103

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

4.4.4 STATEMENT OF CHANGES IN EQUITY

ISTATEMENT OF CHANGES IN EQUTY in EUR

No.	Item	Called-up capital		Fair value reserve	Retained earnings		TOTAL
		Share capital	Uncalled capital		Retained net profit or loss	Net profit or loss for the finan-cial year	
A.1.	1 January 2011	113.792.981	0	0	(2.869.621)	0	110.923.360
B.1.	Transactions with owners	0	0	0	0	0	0
B.2.	Changes in total com-prehensive income	0	0	(497.286)	0	1.010.389	513.103
a)	net profit or loss for the period					1.010.389	1.010.389
b)	other changes in other com-prehensive income			(497.286)			(497.286)
B.3.	Changes in equity	0	0	0	1.010.390	(1.010.389)	1
d)	settlement of loss as a deduc-tion component of equity				1.010.389	(1.010.389)	0
g)	other changes in equity				1		1
C.	31 December 2011	113.792.981	0	(497.286)	(1.859.231)	0	111.436.464
A.1.	31 December 2011	113.792.981	0	(497.286)	(1.859.231)	0	111.436.464

in EUR

No.	Item	Called-up capital		Fair value reserve	Retained earnings		TOTAL
		Share capital	Uncalled capital		Retained net profit or loss	Net profit or loss for the financial year	
A.2.	**1 January 2012**	**113.792.981**	**0**	**(497.286)**	**(1.859.231)**	**0**	**111.436.464**
B.1.	**Transactions with owners**	**0**	**0**	**0**	**0**	**0**	**0**
B.2.	**Changes in total comprehensive income**	**0**	**0**	**(149.099)**	**0**	**19.741**	**(129.358)**
a)	net profit or loss for the period					19.741	19.741
b)	other changes in other comprehensive income			(149.099)			(149.099)
B.3.	**Changes in equity**	**0**	**0**	**0**	**19.741**	**(19.741)**	**0**
d)	settlement of loss as a deduction component of equity				19.741	(19.741)	0
	31 December 2012	**113.792.981**	**0**	**(646.385)**	**(1.839.490)**	**0**	**111.307.106**
	ACCUMULATED PROFIT	**0**	**0**	**0**	**0**	**0**	**0**

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

4.4.5 CASH FLOW STATEMENT

in EUR

A.	CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
a)	**Cash receipts from operating activities**	**146.411.338**	**151.238.284**
3.	Cash receipts from premiums, subsidies, donations etc.	421.833	647.667
4.	Cash receipts from coal sales	135.468.817	142.517.447
5.	Cash receipts from interest associated with operating activities	4.652	19.305
10.	Cash receipts from sale of services	7.323.018	
11.	Other cash receipts from operating activities	3.193.018	8.053.865
b)	**Cash disbursements for operating activities**	**132.294.339**	**137.068.018**
3.	Cash disbursements for interest associated with operating activities	2.757	5.791
8.	Cash disbursements from duties payable to state, except income tax	10.959.635	14.242.935
10.	Cash disbursements for other duties	232.780	169.433
11.	Cash disbursements for maintenance, materials and services	62.375.971	66.960.369
12.	Cash disbursements for labour costs	57.269.830	52.997.990
13.	Other cash disbursements for operating activities	1.453.366	2.691.500
c)	**Net cash receipts/disbursements from operating activities**	**14.116.999**	**14.170.266**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Cash from investing activities**	**3.035.745**	**23.523.408**
1.	Cash receipts from interest	20.128	199.895
2.	Cash receipts from dividends and other profit participation	64.540	
4.	Cash receipts from property, plant and equipment	150.443	307.910
8.	Cash receipts from short-term loans given and other short-term investments	2.800.634	23.015.603
a)	Recovery of deposits of above 3 months	55.200	
b)	Repayment of short-term loans	2.745.434	23.015.603
b)	**Disbursements from investing activities**	**23.369.167**	**46.385.537**
1.	Cash disbursements from intangible assets	142.403	0
2.	Cash disbursements from property, plant and equipment	18.678.834	25.381.205
5.	Cash disbursements from investments in subsidiaries, associates and jointly controlled companies	0	275.000
6.	Cash disbursements from long-term loans given and other long-term investments	0	20.880
7.	Cash disbursements from short-term loans given and other short-term investments	4.547.930	20.708.452

			in EUR
B.	**DENARNI TOKOVI PRI NALOŽBENJU**	**2012**	**2011**
a)	Deposits of above 3 months	82.800	
b)	Short-term loans given	4.465.130	20.708.452
c)	**Net cash receipts/disbursements from investing activities**	**(20.333.422)**	**(22.862.129)**
C)	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Cash receipts from financing activities**	**113.828.636**	**80.824.769**
3.	Cash receipts from short-term loans and other short-term financial liabilities	113.560.500	80.824.769
4.	Cash receipts to cover negative balances in bank accounts	268.136	
b)	**Cash disbursements from financing activities**	**108.158.241**	**74.325.387**
1.	Cash disbursements for interest on loans received	1.635.594	1.197.893
3.	Cash disbursements from long-term loans and other long-term financial liabilities	4.802.378	3.656.545
4.	Cash disbursements from short-term loans and other short-term financial liabilities	101.720.269	69.470.949
c)	**Net cash receipts/disbursements from financing activities**	**5.670.395**	**6.499.382**
D.	**NET CASH FOR THE PERIOD**	**(546.028)**	**(2.192.481)**
E.	**Effects of foreign exchange rate changes on cash and cash equivalents**		
F.	**CLOSING BALANCE OF CASH ASSETS**	**16.049**	**562.077**
1.	Bank account	15.221	139.075
4.	Cash on hand	826	963
6.	Treasury account	2	422.039
G.	**OPENING BALANCE OF CASH ASSETS**	**562.077**	**2.754.558**
1.	Bank account	139.075	5.608
4.	Cash on hand	963	594
6.	Treasury account	422.039	2.748.356

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

4.5 NOTES TO THE FINANCIAL STATEMENTS

4.5.1 REPORTING COMPANY

Premogovnik Velenje d.d. (hereinafter: the company) is a company with its registered office in Slovenia. Its registered office is located at Partizanska cesta 78, Velenje. The separate financial statements of the company for the year ended 31 December 2012 are presented below.

Together with its subsidiary companies, Premogovnik Velenje forms a group of companies for which it prepares consolidated annual report that can be obtained at the company's registered office. Consolidated financial statements for the HSE Group are prepared by the company Holding Slovenske elektrarne d.o.o. (hereinafter: HSE). The consolidated annual report for the HSE Group is available at the registered office of HSE.

The company's main activity is the extraction of lignite. In addition to its main activity, the company pursues numerous other activities, such as underground and aboveground extraction planning for mining, machinery and electricity purposes, construction of all types of underground structures, drilling, geo-mechanical research, cave surveying, hydro-geological and technological services, educational services, etc.

4.5.2 BASIS FOR PREPARATION

In the preparation of financial statements as at 31 December 2012, the company Premogovnik Velenje d.d. 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,
- the Corporate Income Tax Act,
- Implementing regulations of Corporate Income Tax Act,
- Implementing regulations of the company Premogovnik Velenje d.d.,
- the Mining Act,
- the Energy Act, and
- other relevant legislation.

a) Standards and interpretations effective in the current period

- Amendments to IFRS 7 'Financial instruments: Disclosures' - Transfer of assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these amendments to the existing standards has not led to any changes in the company's accounting policies.

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

- IFRS 10 'Consolidated financial statements', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- IFRS 11 'Joint arrangements', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- IFRS 12 'Disclosure of interests in other entities', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- 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),
- 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),
- 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),
- Amendments to IFRS 1 'First-time adoption of IFRS - Severe hyperinflation and removal of fixed dates for first-time adopters', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- 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),
- Amendments to IAS 1 'Presentation of financial statements – Presentation of items of other comprehensive income', adopted by the EU on 5 June 2012 (effective for annual periods starting on or after 1 July 2012),
- Amendments to IAS 12 'Income taxes - Deferred tax: Recovery of underlying assets', adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2013),
- 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),
- 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),
- 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 company decided not to adopt these standards, revisions and interpretations in advance of their effective dates. The company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements in the period of initial application.

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

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 1 'First-time adoption of IFRS - Government loans' (effective for the annual periods starting on or after 1 January 2013),
- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments: Disclosures - Mandatory effective date and transition disclosures',
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities - Transition guidance' (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements – Investments' (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards – 'Improvements to IFRSs (2012)', resulting from the annual project for improvement of IFRSs published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), primarily with a view to remove inconsistencies and to clarify wording (changes will need to be applied for annual periods beginning on or after 1 January 2013).

The company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the company's estimates, application of hedge accounting for the portfolio of financial assets and liabilities pursuant to IAS 39: 'Financial instruments: Recognition and measurement', would not significantly impact the financial statements, if applied as at the balance sheet date.

4.5.3 BASIS OF MEASURMENT

The company's financial statements are prepared on the basis of historical values of balance sheet items, except the following assets and liabilities carried at fair value:

- derivatives,
- financial assets measured at fair value through profit and loss,
- available-for-sale financial assets (in case the fair value can be determined).

4.5.4 CURRENCY REPORTINGS

a) 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.

b) Foreign currency translation

Transactions expressed in a foreign currency are translated into the relevant functional currency at the exchange rate applicable on 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).

4.5.5 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires that the Management Board 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 judgements are based on past experience and other factors that are considered reasonable in the 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 amortisable assets,
- test of impairment of assets,
- assessment of fair value of available-for-sale financial assets,
- assessment of fair values of derivatives,
- assessment of net realisable value of inventories,
- assessment of realisable values of receivables,
- assessment of provisions for jubilee and termination benefits,
- assessment of other provisions,
- assessment of contingent liabilities and assets.

4.5.6 BRANCHES AND REPRESENTATIVE OFFICES

As at 20 October 2011, the company Premogovnik Velenje established a branch office in the Republic of Macedonia. The title of subsidiary is Premogovnik Velenje d.d. – Velenje Branch Office in the Republic Macedonia Skopje with its registered office at Ul. Volgogradska no. 12/2-2 Skopje – Karpoš.

In 2012, the company operated through the branch office to a minimum degree.

4.5.7 IMPORTANT ACCOUNTING POLICIES

The financial statements of the company Premogovnik Velenje are prepared on the basis of accounting policies presented below. The above-mentioned accounting policies are used for all years presented, unless otherwise indicated.

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

4.5.7.1 INTANGIBLE ASSETS

Intangible assets are long-term assets enabling performance of the company's registered activities, whereas physically they do not exist. Among intangible assets, the company records long-term property rights.

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.
Intangible assets are subsequently measured using the cost model.

Amortisation is accounted for on a straight-line basis, taking into account the useful life of each 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 useful right of property right is 10 to 15 years, depending on contractual provisions.

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

Subsequent 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.

4.5.7.2 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. 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 later measurement of property, plant and equipment the cost model is used.

Amortisation is calculated on a straight-line basis, taking into account the useful life of individual (integral) part of a fixed asset and residual value. Land and certain other assets are not depreciated. Depreciation begins when an asset is available for use. Constructions and productions in progress are not depreciated.

ASSETS	Depreciation rate (in %)
Buildings	0,01 to 6,67
Parts of buildings	0,01 to 6,67
Production and other equipment	0,12 to 20,00
Parts of production equipments	0,12 to 20,00
Computers	6,45 to 50,00
Personal vehicles	10,64 to 20,00

Depreciation methods, useful lives and other asset group values 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 fixed 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.

Costs that occur in relation to a fixed asset increase its carrying amount when they increase its future economic benefits in comparison with the originally assessed future economic benefits.

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. The company has no fixed assets and finance lease acquired free-of-charge.

4.5.7.3 INVESTMENT PROPERTY

Investment property includes real estate (land and buildings) owned by the company with the purpose to acquire rents and to increase the property value. Investment property is not used for production and sales of goods or services and it is not used for administrative purposes or regular operations. After initial recognition, investment property is carried at cost. For subsequent measurements of investment property, the cost model is used, which means that an asset is measured at cost, less accumulated depreciation and accumulated impairment loss.

The company considers depreciation rates and calculations in the same manner as with regard to real estate.

4.5.7.4 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are those where the company has the controlling influence and it usually also performs consolidated financial statements for this group of companies.
In financial statements, investments in subsidiaries are valued at cost.
The company recognises revenue from investment in the period when the decision on payment of profit shares was adopted. Additional pay-ins in subsidiaries increase the value of investments.

Any indications of impairment of investments in subsidiaries are determined on an annual basis. In the event impartial evidence exists that a loss due to impairment was incurred, the amount of loss is measured as the difference between the carrying amount of a financial asset and the present value of estimated future cash flows discounted at the market interest rate for similar financial assets, and recognised as revaluation operating expense.

4.5.7.5 INVESTMENTS IN ASSOCIATES

Investments in associates are investments in which the company has an important influence and usually its stake in such company ranges between 20 and 50%.
In the company's financial statements investments in associates are carried at cost.
The company recognises income from the investment in the extent that the company receives distributions from accumulated profit arising after the date of acquisition.
Any indications of impairment of investments in associates are determined on an annual basis.
In case of objective evidence that the loss due to impairment occurred, the amount of loss is measured as a difference between the carrying amount of financial asset and value in use.

4.5.7.6 FINANCIAL INSTRUMENTS

Financial instruments include the following assumptions:
- non-derivative financial assets,
- non-derivative financial liabilities,
- derivatives.

a) Non-derivative financial assets

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

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 designated as available-for-sale.

They are valued at fair value in case the latter can be determined and whether profit or loss is recognised directly in the comprehensive income or equity, except losses due to impairment and profit and loss from the conversion of foreign exchange differences until the financial asset is recognised. At derecognition of investment, the accumulated profit and loss recorded in the comprehensive income are transferred to profit or loss.

In case the fair value cannot be reliably measured since the range of justified fair value assessments is of significant importance and the probability of various assessments is difficult to be assessed, but it assesses the signs of impairment, the company measures the financial asset at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included under current assets, except in case of maturities of more than 12 months after the date of the statement of financial position. In such case they are classified under long-term assets. Loans and receivables are carried in the statement of financial position under operating, financial and other receivables at amortised cost taking into account the applicable interest rate.

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. Overdrafts on bank accounts are included under short-term financial liabilities.

b) Non-derivative financial liabilities

Non-derivative financial liabilities comprise operating, financial and other liabilities. Financial liabilities are initially carried at fair value increased by the costs that are directly attributable to the transaction. After the initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The portion of long-term financial liabilities that falls due within less than a year after the income statement date is disclosed under short-term liabilities.

c) Derivatives

Derivatives are used for the hedging of company's exposure against interest rate risks.
They are financial instruments that do not require initial financial investment, while their value is changing due to change in interest rate, prices of goods, currency rate etc.
Derivatives are initially recognised at fair value.
After the initial recognition, derivatives are measured at fair value, while the corresponding changes are considered in the following manner:

- when a derivative is defined as hedging in case of exposure to changeability of cash flows that may be attributed to an individual risk related to recognised asset, liability or very probable envisaged transactions, which can affect the profit or loss, the successful portion of changes in fair value of derivative is recognised in comprehensive income and disclosed in risk hedging reserve. Unsuccessful portion of changes in the fair value of financial instrument is directly recognised in the income statement. The company shall discontinue prospectively the hedge accounting if the hedge no longer meets the criteria for hedge accounting, if the hedging instrument is sold, terminated or exercised. The accumulated profit or loss recognised in comprehensive income remains recorded in the hedging reserve until the envisaged transaction impacts the profit or loss. In case the envisaged transaction cannot be expected any longer, the amount in comprehensive income shall be recognised directly in profit or loss. In other cases, the amount recognised as comprehensive income is transferred to profit or loss for the same period in which the protected item affects the profit or loss,
- effects of other derivatives, which are not determined as risk hedges in case of exposure to cash flow changeability or cannot be attributed to individual risk related to recognised asset or liability, are recognised in profit or loss.

4.5.7.7 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, materials and services. Purchase price discounts comprise discounts indicated in the invoice as well as discounts that are received later and refer to individual purchase.

The value of finished products and work in progress includes total production costs in the narrow sense, which comprise costs of materials, direct costs of services, direct labour costs, direct depreciation/amortisation costs and general production costs.
General production costs are costs of materials, services, salaries and amortisation/depreciation, which are charged in the framework of production process, but cannot be directly connected to products or services being produced or rendered. A part of production costs in purchased costs (materials, services, labour costs and amortisation) are established once per year on the basis of data from the previous year.

If the prices of the items that are purchased anew in the accounting period differ from the prices of inventory items of the same class, the first-in first-out (FIFO) method is applied to decrease (use) the quantities of inventories during the year.

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

4.5.7.8 IMPAIRMENT OF ASSETS

a) 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 assets 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; restructuring of the amount that others owe to the company in case the latter agrees; signs that the debtor will face bankruptcy; disappearance of active market for such instrument.

Impairment of receivables and loans
The company individually assesses the evidence on impairment of receivables. All significant receivables are individually measured for the purpose of special impairment.

Receivables, for which it is established that they have not been settled by their regular due date are recorded as doubtful. If legal proceedings began in connection with them, the receivables are recorded as disputed and an allowance is made for them against other operating expenses, taking into account that the receivables have to be presented at justifiable collectable amounts.

Doubtful receivables from others are those which are not settled within 180 days after their due date. Doubtful receivables to group companies are considered those for which the management adopts decision on extraordinary collection procedure.

Disputed receivables are those which comply with one of the following conditions:

- the legal collection procedure began at the court,
- the proposal for initiation of enforcement settlement or bankruptcy is filed at the court,
- the decision on beginning of enforcement settlement, liquidation or bankruptcy is published.

The company assesses evidence on loan impairment for each significant loan.

Loss due to impairment related to financial asset carried at amortised cost is calculated as difference between the carrying amount of an asset and expected cash flows discounted at historical interest rate. Loss is recognised in profit or loss.

Impairment of available-for-sale financial assets

Loss of investment securities available-for-sale due to impairment is recognised by transferring the possible accumulated loss, which was previously recognised in other comprehensive income of the period and recorded in fair value reserve, to profit or loss. Subsequent increase in fair value of impaired available-for-sale equity security is recognised under other comprehensive income for the period or fair value reserve.

b) 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 sale. 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 the cash-generating unit is recognised when 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. The impairment loss is reversed to the amount up to which the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognised for the asset in prior periods.

4.5.7.9 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 represents cash and in-kind contributions by the owners.

Fair value reserve represents the revaluation amounts of individual categories of assets.
Retained earnings include profit from the previous periods.

4.5.7.10 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.

4.5.7.11 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, reversal of created provisions is carried out to the benefit of operating revenue.

4.5.7.12 OTHER ASSETS AND LIABILITIES

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

4.5.7.13 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 liability 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.

A contingent asset is a possible asset 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.
The company does not recognise contingent assets and liabilities in the statement of financial position.

4.5.7.14 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.
Operating revenue is recognised as follows:

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.

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 performed.

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, subsidies, grants, recourses, premiums and similar revenue.
State aid is considered as deferred revenue that the company strictly consistently and wisely recognises as other operating revenue over the useful life of the relevant asset (on the other hand, the company discloses the amortisation/depreciation cost of this asset among operating expenses).

Financial revenue comprises revenue from interest on investments, interest from loans granted and deposits, revenue from the disposal of available-for-sale financial assets, positive foreign exchange differences from financing and investing activities and profits from derivative instruments for cash-flow hedging that are recognised in the income statement.

4.5.7.15 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.

The **cost of goods sold** includes expenses related to sales of goods when the costs of goods are not held in inventories since this is a trading activity.

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 group includes costs of auxiliary materials for maintenance of property, plant and equipment, small tools whose useful life does not exceed one year, spare parts for servicing of products after their sale, office supplies, specialised literature and other items. Costs of materials cover also the accrued costs of shrinkage, spilling, breakage and failure.

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.

Depreciation/amortisation costs are historical costs related to strictly consistent transfer of value of amortisable property, plant and equipment, amortisable intangible assets and investment property.

Write-downs in value also include impairments, write-downs and losses from the sales of intangible assets and property, plant and equipment and impairments or write-downs in receivables and inventories.

Labour costs are historical costs that refer to salaries and similar values 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, concessions, environmental charges and other duties. Operating expenses also include donations.

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 and loss from hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

4.5.7.16 TAX

Taxes include current and deferred tax liabilities. The company does not disclose current tax, while deferred tax is recorded in the income statement.

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. The company does not disclose current tax for 2012, since it has no taxable profit.

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 income tax is defined using tax rates (and legislation) applicable on the date 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 corporate income tax, deductible temporary differences, unused tax losses and unused tax credits. Deferred tax liability represents the assessed amount of corporate income tax on taxable temporary differences that the company will be liable to pay in the coming years.

4.5.7.17 STATEMENT OF OTHER COMPREHENSIVE INCOME

When a derivative is defined as hedging in case of exposure to changeability of cash flows that may be attributed to an individual risk related to recognised asset, liability or very probable envisaged transactions, which can affect the profit or loss, the successful portion of changes in fair value of derivative is recognised in comprehensive income and disclosed in risk hedging reserve.

Unsuccessful portion of changes in the fair value of financial instrument is directly recognised in the income statement.

The accumulated profit or loss recognised in other comprehensive income remains recorded in the hedging reserve until the envisaged transaction impacts the profit or loss. In case the envisaged transaction cannot be expected any longer, the amount in other comprehensive income shall be recognised directly in profit or loss. In other cases, the amount recognised as comprehensive income is transferred to profit or loss for the same period in which the protected item affects the profit or loss.

4.5.7.18 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.

4.5.7.19 REPORTING BY SEGMENTS

The company does not disclose operations by segments in the annual report. Segment reporting must be disclosed by the companies whose treasury or debt securities are traded in the market and companies which are issuing treasury or debt securities in public security markets.

4.5.8 DETERMINING FAIR VALUE

Financial instruments are disclosed at their 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 besides quoted prices included in the first level that are directly (i.e. as prices) or indirectly (i.e. as derived from prices) evident for asset or liability,
- third level comprises input data for an asset or liability that are not based on evident market data.

Quoted prices are used as a basis for determining fair value of financial instruments. In case the financial instrument is not quoted in the regulated market or the market is assessed as inactive, the second and third level input data is used to assess the fair value of financial instrument.
In order to determine fair value of individual type of assets and liabilities, the following measures apply:

- the following items are carried at cost: Intangible assets, property, plant and equipment, investments in subsidiaries and associates, available-for-sale financial assets, cash and cash equivalents;
- held-to-maturity financial assets are carried at amortised cost using the effective interest method;
- loans, receivables and liabilities are carried at amortised cost using the applicable interest rate;
- hedging derivatives are carried at fair value (effective part of changes is recognised in comprehensive income and disclosed in hedging reserve, while the ineffective part of change in fair value of derivative is recognised in profit or loss);
- inventories are carried at historical or net realisable value.

4.5.9 FINANCIAL RISK MANAGEMENT

The company identified the following types of risks: market, quantity, financial, HR, IT and regulatory risk. Risks are defined in detail in Section 2.9 Risk management in the Business Report. Qualitative and quantitative criteria and the table of levels are presented in section 4.5.13 Financial instruments and risks in the Financial Report.

4.5.10 NOTES TO THE FINANCIAL STATEMENTS

4.5.10.1 INTANGIBLE ASSETS

in EUR

INTANGIBLE ASSETS	31. december 2012	31. december 2011
Other long-term property right	944.023	1.039.438
Intangible assets	**944.023**	**1.039.438**

in EUR

CHANGES IN INTANGIBLE ASSETS	OTHER LONG-TERM PROPERTY RIGHTS	OTHER INTANGI-BLE ASSETS	TOTAL
Cost as at 1/1/2011	**1.541.676**	**52.060**	**1.593.736**
Acquisitions	50.746		50.746
Disposals		-52.060	-52.060
Cost as at 31/12/2011	**1.592.422**	**0**	**1.592.422**
Written-down value as at 1/1/2011	**398.708**	**0**	**398.708**
Amortisation	154.277		154.277
Transfers - re-entries	-1		-1
Written-down value as at 31/12/2011	**552.984**	**0**	**552.984**
Carrying amount as at 1/1/2011	**1.142.968**	**52.060**	**1.195.028**
Carrying amount as at 31/12/2011	**1.039.438**	**0**	**1.039.438**

in EUR

CHANGES IN INTANGIBLE ASSETS	OTHER LONG-TERM PROPERTY RIGHTS	OTHER INTANGI-BLE ASSETS	TOTAL
Cost as at 1/1/2012	**1.592.422**	**0**	**1.592.422**
Acquisitions	66.558		66.558
Disposals		0	0
Cost as at 31/12/2012	**1.658.980**	**0**	**1.658.980**
Written-down value as at 1/1/2012	**552.984**	**0**	**552.984**
Amortisation	161.973		161.973
Written-down value as at 31/12/2012	**714.957**	**0**	**714.957**
Carrying amount as at 1/1/2012	**1.039.438**	**0**	**1.039.438**
Carrying amount as at 31/12/2012	**944.023**	**0**	**944.023**

In 2012 the company reviewed the useful lives of major intangible assets, determining that the useful lives were appropriate given the current expectations regarding the usability of these assets. The company has no intangible assets pledged as collateral.

4.5.10.2 PROPERTY, PLANT AND EQUIPMENT

in EUR

PROPERTY, PLANT AND EQUIPMENT	31 December 2012	31 December 2011
Land	8.787.013	11.539.742
Buildings	51.255.766	60.170.403
Production equipment	65.492.649	61.707.060
Other equipment	1.084.749	1.008.514
Property, plant and equipment in process of acquisition	4.289.590	2.406.742
Property, plant and equipment	**130.909.767**	**136.832.461**

in EUR

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	PRODUCTION EQUIPMENT	OTHER EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT IN ACQUISITION	TOTAL
Cost as at 1/1/2011	**11.517.176**	**236.720.905**	**225.736.857**	**3.127.468**	**1.837.673**	**478.940.079**
Acquisitions				198.279	19.749.689	19.947.968
Disposals	-558	-39.102	-5.952.713	-58.363	0	-6.050.736
Transfers from ongoing investments	23.124	4.919.171	8.507.707	5.679.872	-19.129.874	0
Other transfers		1			-50.746	-50.745
Cost as at 31/12/2011	**11.539.742**	**241.600.975**	**228.291.851**	**8.947.256**	**2.406.742**	**492.786.566**
Written-down value as at 1/1/2011	**0**	**178.502.862**	**165.601.951**	**2.346.604**	**0**	**346.451.417**
Depreciation		2.954.796	11.866.518	648.111		15.469.425
Acquisitions		1.835	11.192	-11.192		1.835
Disposals		-28.921	-5.877.486	-57.462		-5.963.869
Impairments			-4.703			-4.703
Written-down value as at 31/12/2011	**0**	**181.430.572**	**171.597.472**	**2.926.061**	**0**	**355.954.105**
Carrying amount as at 1/1/2011	**11.517.176**	**58.218.043**	**60.134.906**	**780.864**	**1.837.673**	**132.488.662**
Carrying amount as at 31/12/2011	**11.539.742**	**60.170.403**	**56.694.379**	**6.021.195**	**2.406.742**	**136.832.461**

in EUR

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	PRODUCTION EQUIPMENT	OTHER EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT IN ACQUISITION	TOTAL
Cost as at 1/1/2012	**11.539.742**	**241.600.975**	**228.291.851**	**8.947.256**	**2.406.742**	**492.786.566**
Acquisitions				0	22.365.725	22.365.725
Disposals	-596	-11.847.617	-11.353.934	-209.549	-55.881	-23.467.577
Transfers from ongoing investments	65.342	3.944.000	12.720.677	3.630.418	-20.426.996	-66.559
Other transfers	-2.817.476	-8.674.904			0	-11.492.380
Cost as at 31/12/2012	**8.787.012**	**225.022.454**	**229.658.594**	**12.368.125**	**4.289.590**	**480.125.775**
Written-down value as at 1/1/2012	**0**	**181.430.572**	**171.597.472**	**2.926.061**	**0**	**355.954.105**
Depreciation		3.011.192	10.809.240	1.667.164		15.487.596
Acquisitions		1.834				1.834
Disposals		-5.695.542	-11.338.611	-207.068		-17.241.221
Other transfers		-5.227.197				-5.227.197
Impairments		245.828	-4.937			240.891
Written-down value as at 31/12/2012	**0**	**173.766.687**	**171.063.164**	**4.386.157**	**0**	**349.216.008**
Carrying amount as at 1/1/2012	**11.539.742**	**60.170.403**	**56.694.379**	**6.021.195**	**2.406.742**	**136.832.461**
Carrying amount as at 31/12/2012	**8.787.012**	**51.255.767**	**58.595.430**	**7.981.968**	**4.289.590**	**130.909.767**

In 2012, the company reviewed the useful lives of major equipment, determining that the useful lives were appropriate given the current expectations regarding the usability of these assets. In 2012, the company did not perform increases or impairments.

The company mortgaged its property up to EUR 10.4 million (of which EUR 1,698,300 on land and EUR 8,701,700 on buildings). Precise balance of mortgages depends on the current balance of loan exposure and conditions of banks with regard to mortgage. The company issued also a guarantee for a mortgage on property of up to EUR 565,000 in order to collateralise a loan of its subsidiary.

Premogovnik Velenje has no property, plant and equipment under financial lease

4.5.10.3 INVESTMENT PROPERTY

in EUR

INVESTMENT PROPERTY	31 December 2012	31 December 2011
Land	2.817.475	0
Buildings	3.447.708	0
Investment property	**6.265.183**	**0**

in EUR

CHANGES IN INVESTMENT PROPERTY	LAND	BUILDINGS	TOTAL
Cost as at 1/1/2012	**0**	**0**	**0**
Transfers	2.817.476	8.674.904	11.492.380
Cost as at 31/12/2012	**2.817.476**	**8.674.904**	**11.492.380**
Written-down value as at 1/1/2012	**0**	**0**	**0**
Transfers	0	5.227.197	5.227.197
Written-down value as at 31/12/2012	**0**	**5.227.197**	**5.227.197**
Carrying amount as at 1/1/2012	**0**	**0**	**0**
Carrying amount as at 31/12/2012	**2.817.476**	**3.447.707**	**6.265.183**

As at 31 December 2012, the following buildings were recorded as investment property: Hotel Barbara, Vila Široko and Rudarska 6 with adjacent land.

4.5.10.4 INVESTMENTS IN SUBSIDIARIES

INFORMATION ON SUBSIDIARIES AS AT 31/12/2012

SUBSIDIARY	ADDRESS	ACTIVITY	OWNERSHIP (%)
GOST d.o.o.	Koroška 60, Velenje	Restaurants and bars	100
HTZ I.P. d.o.o.	Partizanska 78, Velenje	Repairs of machines and plants	100
JAMA ŠKALE V ZAPIRANJU d.o.o.	Partizanska 78, Velenje	Preparatory construction works	100
PV INVEST d.o.o.	Koroška c. 64b,Velenje	Preparatory construction works	100
PV ZIMZELEN d.o.o.	Topolšica78/a, Topolšica	Housing facility for senior citizens	100
RGP d.o.o.	Rudarska 6, Velenje	Specialised construction works	64

Investments in subsidiaries are not pledged.

SIGNIFICANT AMOUNTS FROM FINANCIAL STATEMENTS OF SUBSIDIARIES FOR 2012 in EUR

SUBSIDIARY	ASSETS	LIABILITIES (without equity)	REVENUE	NET PROFIT OR LOSS FOR THE YEAR	TOTAL EQUITY
GOST d.o.o.	7.639.818	6.308.613	5.276.986	-761.169	1.331.205
HTZ I.P. d.o.o.	40.769.324	27.883.120	47.533.062	10.546	12.886.204
JAMA ŠKALE V ZAPIRANJU d.o.o.	7.978	6	0	-104	7.972
PV INVEST d.o.o.	19.444.999	8.692.495	4.513.854	-933.334	10.752.504
PV ZIMZELEN d.o.o.	8.285.926	3.909.595	2.561.112	48.344	4.376.331
RGP d.o.o.	16.805.104	12.595.046	24.754.929	84.444	4.210.058

LONG-TERM FINANCIAL INVESTMENTS IN SUBSIDIARIES in EUR

SUBSIDIARY	31 December 2012	31 December 2011
GOST d.o.o.	0	0
HTZ I.P. d.o.o.	12.832.313	6.881.889
JAMA ŠKALE V ZAPIRANJU d.o.o.	0	0
PV INVEST d.o.o.	12.818.692	12.818.692
PV ZIMZELEN d.o.o.	4.175.273	4.175.273
RGP d.o.o.	1.596.973	1.596.973
TOTAL	**31.423.251**	**25.472.827**

CHANGES IN LONG-TERM FINANCIAL INVESTMENTS IN SUBSIDIARIES in EUR

CHANGES IN LONG-TERM FINANCIAL INVESTMENTS IN SUBSIDIARIES	2012	2011
Balance as at 1 January	25.472.827	25.472.827
Acquisitions	5.950.424	
Balance as at 31 December	**31.423.251**	**25.472.827**

In 2012, the company Premogovnik Velenje increased the share capital of its subsidiary HTZ with an in-kind contribution, including three business premises in total amount of EUR 5,950,424.

The subsidiaries of Premogovnik Velenje are consolidated using the full consolidation method. Jama Škale v zapiranju d.o.o. is an exception, since it is a dormant company.

Subsidiaries are audited. The only exception is Jama Škale v zapiranju d.o.o. (a dormant company).

4.5.10.5 OTHER LONG-TERM FINANCIAL INVESTMENTS

in EUR

OTHER LONG-TERM FINANCIAL INVESTMENTS	31 December 2012	31 December 2011
In associates	225.827	223.628
Available-for-sale financial assets	345.177	345.176
TOTAL	**571.004**	**568.804**

v EUR

CHANGES IN LONG-TERM INVESTMENTS	2012	2011
Balance as at 1 January	568.804	293.804
New acquisitions	2.200	275.000
Balance as at 31 December	**571.004**	**568.804**

a) Investments in associates

INFORMATION ON ASSOCIATES AS AT 31/12/2012

ASSOCIATE	ADDRESS	ACTIVITY	OWNERSHIP (%)
ERICO d.o.o.	Koroška c.58, Velenje	Research activities	23
PLP d.o.o.	Partizanska 78, Velenje	Sawing, peeling and cutting of wood	26
SIPOTEH d.o.o.	Partizanska 78, Velenje	Production of metal con-structions	42
Fairwood PV	Singapur	Modernisation of coal mines	40

SIGNIFICANT AMOUNTS FROM FINANCIAL STATEMENTS OF ASSOCIATES FOR 2012 in EUR

ASSOCIATE	ASSETS	LIABILITIES (without equity)	REVENUE	NET PROFIT OR LOSS FOR THE YEAR	TOTAL EQUITY
ERICO d.o.o.	1.749.981	439.680	2.193.542	42.490	1.310.301
PLP d.o.o.	1.854.336	1.092.269	3.018.393	89.655	762.067
SIPOTEH d.o.o.	2.717.391	2.372.918	5.050.520	1.995	344.473
Fairwood PV					

The company Fairwood PV was founded in 2012 and is a dormant company.

LONG-TERM FINANCIAL INVESTMENTS IN ASSOCIATES		in EUR
ASSOCIATE	**31 December 2012**	**31 December 2011**
ERICO d.o.o.	59.503	59.503
PLP d.o.o.	160.444	160.444
SIPOTEH d.o.o.	3.680	3.681
Fairwood PV	2.200	0
TOTAL	**225.827**	**223.628**

		in EUR
CHANGES IN LONG-TERM FINANCIAL INVESTMENTS IN ASSOCIATES	**2012**	**2011**
Balance as at 1 January	225.827	223.628
Balance as at 31 December	**225.827**	**223.628**

Associates are not audited.

b) Available-for-sale financial assets

		in EUR
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**31 December 2012**	**31 December 2011**
Company shares	21.891	21.891
Company stakes	275.965	275.964
Bank shares	47.321	47.321
TOTAL	**345.177**	**345.176**

		in EUR
CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS	**2012**	**2011**
Balance as at 1 January	345.177	70.176
Acquisitions	0	275.000
Balance as at 31 December	**345.177**	**345.176**

Available-for-sale financial assets are carried at cost. Investments in associates are not pledged.

4.5.10.6 LONG-TERM FINANCIAL RECEIVABLES AND LOANS

in EUR

LONG-TERM FINANCIAL RECEIVABLES AND LOANS	31 December 2012	31 December 2011
To Group companies	2.473.189	0
To others	21.749	20.880
TOTAL	**2.494.938**	**20.880**

v EUR

CHANGES IN LONG-TERM FINANCIAL RECEIVABLES AND LOANS	LOANS GIVEN	DEPOSITS GIVEN	TOTAL
Balance as at 1 January		20.880	20.880
Acquisitions	2.473.189	869	2.474.058
Balance as at 31 December	**2.473.189**	**21.749**	**2.494.938**

Short-term loans to the subsidiaries PV Invest and RGP were transferred under long-term loans granted. Conditions governing long-term loans are the following: 5-year maturity, 2- or 3-year moratorium for repayment of principal, 6-month Euribor interest rate + markup, collateralisation of 5 bills of exchange. The company has no allowances for receivables and loans.

4.5.10.7 LONG-TERM OPERATING RECEIVABLES

in EUR

LONG-TERM OPERATING RECEIVABLES	31 December 2012	31 December 2011
To group companies*	714.381	1.706.098
Advances given	0	98.000
To others	16.097	40.102
TOTAL	**730.478**	**1.844.200**

Note: *information includes receivables from the PV Group and the HSE Group

The company has no allowances for long-term operating receivables.

In 2012, the company discloses long-term operating receivables to group companies arising from the advance payment for property, plant and equipment in the amount of EUR 714,381 given to the subsidiary RGP for the purposes of shaft NOP II project.

in EUR

LONG-TERM OPERATING RECEIVABLES	MATURITY DATES		
	Until 31/12/2014	From 1/1/2015 to 31/12/2015	TOTAL
From group companies	714.381	0	714.381
From others	8.048	8.049	16.097
TOTAL	**722.429**	**8.049**	**730.478**

4.5.10.8 OTHER LONG-TERM ASSETS

in EUR

OTHER LONG-TERM ASSETS	31 December 2012	31 December 2011
Reserve fund for apartments	7.102	3.837
Deferred operating costs	121.683	450.000
TOTAL	**128.785**	**453.837**

Other long-term assets represent long-term accrued revenue and deferred costs.

4.5.10.9 DEFERRED TAX ASSETS

in EUR

DEFERRED TAX ASSETS	PROVISIONS	IMPAIRMENT	OTHER	TOTAL
Balance as at 1/1/2011	**4.943.455**	**450.985**	**2.736.364**	**8.130.804**
In debit/(credit) of profit or loss	-497.844	0	124.322	-373.522
Balance as at 31/12/2011	**4.445.611**	**450.985**	**2.860.686**	**7.757.282**
Balance as at 1/1/2012	**4.445.611**	**450.985**	**2.860.686**	**7.757.282**
In debit/(credit) of profit or loss	-1.997.681	-179.537	718.235	-1.458.983
Balance as at 31/12/2012	**2.447.930**	**271.448**	**3.578.921**	**6.298.299**

Other deferred tax assets comprise deferred tax assets from unutilised tax losses in the amount of EUR 2,466,753, deferred tax assets from carried-forward tax credits (investment in equipment) in the amount of EUR 979,776 and deferred tax assets from derivatives (interest rate hedging) in the amount of EUR 132,392.
For unused tax losses, deferred tax assets from tax credits and provisions for closing down activities, a 15% tax rate is used, while a 17% tax rate is used for the other categories. Negative effect of deferred taxes conversion to 15% tax rate in profit or loss amounts to EUR 1,610,530, while in case of conversion to 17% tax rate it amounts to EUR 178,231.

4.5.10.10 INVENTORIES

in EUR

INVENTORIES	31 December 2012	31 December 2011
Inventory of spare parts and materials	4.108.343	4.365.315
Inventory of finished products and merchandise	10.697.063	10.313.368
TOTAL	**14.805.406**	**14.678.683**

in EUR

INVENTORY SURPLUSES AND SHORTAGES	31 December 2012	31 December 2011
Inventory surpluses	5.989	16.072
Inventory shortages	12.263	12.449
TOTAL	**18.252**	**28.521**

The company does not disclose any inventories pledged as collateral among inventories.

The value of materials inventories was the same as their net realisable value because the materials are carried at their most recent cost. The net realisable value of coal inventories was EUR 10,697,063 and it was lower than the carrying amount by EUR 1,284,768, for which the coal inventory was impaired.

INVENTORY IN GJ 31/12/2012	CARRYING AMOUNT OF COAL INVENTORY IN EUR BEFORE IMPAIRMENT	REALISABLE VALUE OF COAL INVENTORY IN EUR
4.278.825	11.981.830	10.697.063

4.5.10.11 SHORT-TERM FINANCIAL INVESTMENTS

in EUR

SHORT-TERM FINANCIAL INVESTMENTS	31 December 2012	31 December 2011
In subsidiaries	599.838	1.209.758
In associates	452.529	69.893
Other short-term financial investments	29.547	49.348
TOTAL	**1.081.914**	**1.328.999**

in EUR

CHANGES IN SHORT-TERM FINANCIAL RECEIVABLES AND LOANS	LOANS GIVEN	DEPOSITS GIVEN	TOTAL
Balance as at 1 January	1.328.711	288	1.328.999
Increase	4.133.527	82.800	4.216.327
Payments	-4.407.924	-55.488	-4.463.412
Balance as at 31 December	**1.054.314**	**27.600**	**1.081.914**

in EUR

CHANGES IN ALLOWANCES FOR SHORT-TERM FINANCIAL RECEIVABLES AND LOANS	2012	2011
Balance as at 1 January	449.655	449.655
Creation of allowances for receivables and loans	-449.655	
Balance as at 31 December	**0**	**449.655**

In 2012, the company carried out a reversal of an allowance for receivables arising from the loan to an associate. A new contract setting the repayment deadline in June 2013 was concluded, by means of which the previous loan was entirely settled. In 2013, the company started with the loan repayment.

4.5.10.12 SHORT-TERM OPERATING RECEIVABLES

in EUR

SHORT-TERM OPERATING RECEIVABLES	31 December 2012	31 December 2011
From Group companies*	19.737.126	19.345.220
From associates	45.647	36.298
From buyers	595.274	815.150
Allowance for receivables from buyers	-58.126	-48.459
Advances given	1.665.927	3.572.546
From government and other institutions	328.372	177.879
From others	830.756	1.030.797
TOTAL	**23.144.976**	**24.929.431**

Note: *information refers to receivables from the PV Group and the HSE Group

in EUR

CHANGES IN ALLOWANCES FOR SHORT-TERM RECEIVABLES	2012	2011
Balance as at 1 January	48.459	45.282
Written-off receivables collected	-30.813	-10.001
Creation of allowances for receivables	41.478	13.483
Final write-off of receivables	-998	-305
Balance as at 31 December	**58.126**	**48.459**

in EUR

BREAKDOWN OF SHORT-TERM RECEIVABLES BY MATURITY DATE	31.12.2012
Receivables not yet due	22.609.013
Receivables overdue up to 3 months	382.846
Receivables overdue from 3 to 6 months	62.223
Receivables overdue over 6 months	90.894
TOTAL SHORT-TERM OPERATING RECEIVABLES	**23.144.976**

Receivables are not collateralised. For the loan obtained from a Slovenian bank, the company pledged its receivables of up to EUR 10,562,500.

4.5.10.13 OTHER CURRENT ASSETS

in EUR

OTHER CURRENT ASSETS	31 December 2012	31 December 2011
Accrued revenue	648.600	0
TOTAL	**648.600**	**481**

Other short-term assets comprise short-term deferred revenue, depending on the phase of the support system reconstruction in 2012. The equipment supply to the partner SOMA KU Turkey was entirely carried out in accordance with the contract, in January 2013.

4.5.10.14 CASH AND CASH EQUIVALENTS

in EUR

CASH AND CASH EQUIVALENTS	31 December 2012	31 December 2011
Cash on hand	826	836
Cash in bank accounts	15.221	139.200
Deposits redeemable at notice	2	422.041
TOTAL	**16.049**	**562.077**

4.5.10.15 EQUITY

in EUR

FAIR VALUE RESERVE	INTEREST RATE SWAPS	TOTAL
Balance as at 1/1/2011	**-497.286**	**-497.286**
Balance as at 31/12/2011	**-497.286**	**-497.286**
Balance as at 1/1/2012	**-497.286**	**-497.286**
Creation, increase	-149.099	-149.099
Decrease	0	0
Balance as at 31/12/2012	**-646.385**	**-646.385**

Fair value reserve is created on the basis of valuation of derivatives (interest rate hedging) in the amount of EUR -646,385.

in EUR

ACCUMULATED PROFIT	2012	2011
Net profit or loss for the current year	19.741	1.010.389
Retained net profit or loss	-1.859.231	-2.869.620
Accumulated profit	**-1.839.490**	**-1.859.231**

The weighted average number of ordinary shares outstanding during the period:
2,726,935 × 12/12 = 2,726,935

Net earnings per share:

EARNINGS AS AT 31/12/2012 (in EUR)	NO. OF SHARES	EARNING PER SHARE (in EUR per share)
19.741,08	**2.726.935**	**0,0072**

The total net profit for the year is attributable to holders of ordinary shares, but it has been allocated to the settlement of retained loss already during the preparation of the annual report. Diluted earnings (net of dividends) are the same as earnings per share.

4.5.10.16 PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS

in EUR

CHANGES IN PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS	PROVISIONS FOR TERMINATION BENEFITS	PROVISIONS FOR JUBILEE BENEFITS	TOTAL
Balance as at 1/1/2011	**1.988.221**	**595.420**	**2.583.641**
Creation, increase	168.777	75.740	244.517
Decrease - drawing	-256.125	-111.200	-367.325
Balance as at 31/12/2011	**1.900.873**	**559.960**	**2.460.833**
Balance as at 1/1/2012	**1.900.873**	**559.960**	**2.460.833**
Creation, increase	387.171	255.360	642.531
Decrease - drawing	-115.401	-108.685	-224.086
Balance as at 31/12/2012	**2.172.643**	**706.635**	**2.879.278**

Provisions for termination and jubilee benefits were created based on an actuarial calculation as at 31 December 2012 taking into account:

- • the number of employees (gender, age total and pension period of service, average net and gross salary),
- • the method for calculating termination and jubilee benefits in an individual group company,
- • increase in salary by 1.9% in 2013, by 1.5% in 2014 and 2015, 3.0% per year in the next years
- • employee turnover by age category,
- • the chosen discount rate amounts to 4.60% p.a.

Additional creation of provisions is based on a report on the valuation of provisions arising from termination and jubilee benefits as at 31 December 2012, which was prepared in December 2012 by the company 3sigma d.o.o., Ljubljana.

4.5.10.17 OTHER PROVISIONS

in EUR

OTHER PROVISIONS	31 December 2012	31 December 2011
For closing down of Škale pit and other extraction site	28.716.337	37.331.284
TOTAL	**28.716.337**	**37.331.284**

in EUR

CHANGES IN OTHER PROVISIONS	FOR CLOSING OF ŠKALE PIT AND OTHER EXTRACTION SITE	FOR COMPENSATIONS	TOTAL
Balance as at 1/1/2011	**38.811.345**	**973.609**	**39.784.954**
Creation, increase	554.576	0	554.576
Decrease - drawing	0	-973.609	-973.609
Decrease - reversal	-2.034.637	0	-2.034.637
Balance as at 31/12/2011	**37.331.284**	**0**	**37.331.284**
Balance as at 1/1/2012	**37.331.284**	**0**	**37.331.284**
Decrease - reversal	-8.614.947	0	-8.614.947
Balance as at 31/12/2012	**28.716.337**	**0**	**28.716.337**

Provisions for closing down the remaining Velenje coal mining site are created on the basis of closing down in the expert report 'Valuation of closing activities of Premogovnik Velenje Mines after omission of Velenje part of site', which was prepared by a team from the company. In 2012, the team reassessed the evaluation of activities and prepared a new assessment of mine closing costs after the extraction, which was inferior to the 2008 assessment; therefore, in 2012, the company carried out reversal of provisions in the amount of EUR 4,756,994. The current value of provisions is presented in the expert report of February 2013.

Provisions from closing-down of Škale pit were created on the basis of assessment of closing-down activities in the document 'Plan and valuation of closing-down activities of Škale pit from 2006 to 2014' prepared in March 2006 the company team. The basis for drawing provisions is the overview of actual activities of the programme 'Closing-down the Škale pit' for 2012 (mining activities, hydro-geological activities and ecological restoration). In 2012, the provisions for closing down the Škale pit in the amount of EUR 3,857,953 were transferred to revenue. The assets for closing-down activities are provided solely by the company, since no government funds were obtained, as was the case in other mines in Slovenia. In 2012, all provisions for closing-down Škale pit were spent. No other provisions have been created. As Škale pit is no longer in operation, no other costs are expected.

4.5.10.18 OTHER LONG-TERM LIABILITIES

OTHER LONG-TERM LIABILITIES in EUR

OTHER LONG-TERM LIABILITIES	31 December 2012	31 December 2011
Other government aids received	520	20.256
Other	51.978	183.222
TOTAL	**52.498**	**203.478**

CHANGES IN OTHER LONG-TERM LIABILITIES in EUR

CHANGES IN OTHER LONG-TERM LIABILITIES	OTHER GOVERN-MENT AIDS RECEIVED	OTHER	TOTAL
Balance as at 1/1/2011	**10.446**	**55.646**	**66.092**
Creation, increase	29.400	164.000	193.400
Decrease - drawing	-19.590	-36.424	-56.014
Balance as at 31/12/2011	**20.256**	**183.222**	**203.478**
Balance as at 1/1/2012	**20.256**	**183.222**	**203.478**
Decrease - drawing	-19.736	-131.244	-150.980
Balance as at 31/12/2012	**520**	**51.978**	**52.498**

4.5.10.19 LONG-TERM FINANCIAL LIABILITIES

v EUR

DOLGOROČNE FINANČNE OBVEZNOSTI	31 December 2012	31 December 2011
To banks	20.916.168	26.519.792
Other	778.777	621.608
TOTAL	**21.694.945**	**27.141.400**

CHANGES IN LONG-TERM FINANCIAL LIABILITIES v EUR

CHANGES IN LONG-TERM FINANCIAL LIABILITIES	INCOMING LOANS	OTHER	TOTAL
Balance as at 1 January	31.322.170	621.608	31.943.778
Acquisitions	0	157.169	157.169
Transfer to short-term liabilities	-5.603.623	0	-5.603.623
Repayments	-4.802.379	0	-4.802.379
Balance as at 31 December	**20.916.168**	**778.777**	**21.694.945**

CREDITOR	SLOVENIAN BANK					
YEAR OF LEASE	2006	2006	2007	2008	2009	2010
PRINCIPALS OVERDUE	quarterly	quarterly	quarterly	quarterly	quarterly	quarterly
INTEREST RATE	3M EURIBOR + min.bonus %	3M EURIBOR + min.bonus %	3M EURIBOR + min.bonus %	3M EURIBOR + min.bonus %	3M EURIBOR + min.bonus %	3M EURIBOR + min.bonus %
INSURANCE	bills of exchange	bills of exchange	bills of exchange	bills of exchange	bills of exchange and receiva-bles to TEŠ	bills of exchange
END OF PAYMENT	31/8/2013	30/11/2013	1/7/2014	31/7/2015	31/7/2016	20/12/2020

The values of loan principals due in 2013 are recorded as short-term liabilities to banks.

Interest on the loans received is paid on a monthly or quarterly basis, while the not yet due and accounted for portion payable in 2013 is recorded as a short-term operating liability.

The company settles instalments on principal that are due and attributable interest on time.

As at 31 December 2012, the unpaid portion of long-term loans amounts to EUR 26,519,791, while EUR 5,603,623 is recorded under short-term loans. Thus, the amount of EUR 20,916,168 is disclosed under long-term liabilities to banks.

MATURITY DATES OF LONG-TERM FINANCIAL LIABILITIES in EUR

	UNTIL 31/12/2017	FROM 31/12/2017	TOTAL
Long-term financial liabilities to banks	**16.916.168**	**4.000.000**	**20.916.168**

In 2011, an interest rate swap was concluded for the loan received in the amount of EUR 11,781,250. The repayment of loan started as at 1 April 2012.

4.5.10.20 LONG-TERM OPERATING LIABILITIES

in EUR

LONG-TERM OPERATING LIABILITIES	31 December 2012	31 December 2011
Advances	5.758	14.162
Long-term operating liabilities	200.000	400.000
TOTAL	**205.758**	**414.162**

The values of long-term operating liabilities that fall due in 2013 are recorded as short-term operating liabilities.

The carrying amount of long-term liabilities is estimated to equal their amortised cost.

The company does not disclose long-term debts to the Management and Supervisory Board members.

4.5.10.21 SHORT-TERM FINANCIAL LIABILITIES

in EUR

SHORT-TERM FINANCIAL LIABILITIES	31 December 2012	31 December 2011
To Group companies*	0	851
To banks	29.359.219	16.426.375
Other	0	9.779
TOTAL	**29.359.219**	**16.437.005**

Note: *information refers to liabilities to the PV Group and the HSE Group

in EUR

CHANGES IN SHORT-TERM FINANCIAL LIABILITIES	LOANS RECEIVED	OTHER	TOTAL
Balance as at 1 January	11.509.769	123.998	11.633.767
Acquisitions	131.560.500	1.914.894	133.475.394
Transfer to short-term liabilities	5.603.623	0	5.603.623
Repayments	-119.720.269	-1.633.296	-121.353.565
Balance as at 31 December	**28.953.623**	**405.596**	**29.359.219**

CREDITOR	slovenian bank									
YEAR OF OBTAINING LOAN	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
MATURITY OF PRINCIPAL	Short-term loan	Short-term loan	Current account	Current account tokorent	Current account	Current account	Current account	Current account	Limit	Limit
INTEREST RATE	7,40%	3M + 4,1 %	3M + 3,2 %	3M + 3,2 %	1M + 4,9 %	1M + 4,9%	1M + 5,4%	5,70%	7,85%	6,75%
COLLATERAL	Bills of exchange	Bills of exchange	Bills of exchange	Bills of exchange	Mortgage, Bills of exchange	Mortgage, Bills of exchange	Bills of exchange	Bills of exchange	Bills of exchange	Mortgage, Bills of exchange
END OF REPAYMENT	19/12/2013	30/6/2013	18/12/2013	18/12/2013	20/12/2013	20/12/2013	27/12/2013	20/6/2013	18/12/2013	19/12/2013

4.5.10.22 SHORT-TERM OPERATING LIABILITIES

in EUR

SHORT-TERM OPERATING LIABILITIES	31 December 2012	31 December 2011
To Group companies*	6.290.698	6.111.908
To associates	484.172	249.091
To suppliers	9.479.204	6.385.033
Advances	232.000	119.600
To employees	3.517.652	3.583.301
To government and other institutions	2.968.168	2.274.953
Other	1.288.750	460.108
TOTAL	**24.260.644**	**19.183.994**

Note: *information refers to liabilities to the PV Group and the HSE Group

in EUR

BREAK-DOWN OF SHORT-TERM OPERATING LIABILITIES BY MATURITY	31.12.2012
Liabilities not yet due	20.825.908
Liabilities overdue up to 3 months	3.434.736
Liabilities overdue from 3 to 6 months	-
Liabilities overdue over 6 months	-
TOTAL SHORT-TERM OPERATING LIABILITIES	**24.260.644**

4.5.10.23 OTHER SHORT-TERM LIABILITIES

in EUR

OTHER SHORT-TERM LIABILITIES	31 December 2012	31 December 2011
Accrued costs	986.888	880.780
TOTAL	**986.888**	**880.780**

4.5.10.24 CONTINGENT LIABILITIES AND ASSETS

in EUR

CONTINGENT LIABILITIES	31 December 2012	31 December 2011
Guarantees for repair of defects, good work performance	2.662.437	2.619.403
Total contingent liabilities	**2.662.437**	**2.619.403**

GUARANTEES AND PARENT GUARANTEES GRANTED

BENEFI-CIARY	DEBTOR	GUARAN-TEE TYPE	BASIC LEGAL TRANSACTION	FROM	TO	VALUE in EUR million as at 31/12/2011
bank	subsidiary	guarantee given	guarantee to insure banking guarantee	28/12/2011	22/11/2015	5,11
insurance company	subsidiary	guarantee given	surety insurance	14/08/2012	until cancellation	0,40

in EUR

CONTINGENT ASSETS	31 December 2012	31 December 2011
Bank guarantees received for investments	2.134.743	4.333.785
Total contingent assets	**2.134.743**	**4.333.785**

4.5.10.25 NET SALES REVENUE

in EUR

Net sales revenue	2012	2011
a) in domestic market	**115.148.921**	**118.184.668**
Coal	112.703.511	115.554.253
Other merchandise and materials	486.356	614.644
Other services	1.959.054	2.015.771
b) in foreign market	**2.994.955**	**106.752**
Other merchandise and materials	2.373.600	0
Services	621.355	106.752
Total net sales revenue	**118.143.876**	**118.291.420**

Net revenue from the sales to the companies within the PV Group and the HSE Group amounts to EUR 114,016,151. The largest part is represented by the sales of coal to TEŠ.

4.5.10.26 CHANGES IN INVENTORIES OF PRODUCTS AND WORK-IN-PROGRESS

Change in value of company inventories represents increase of EUR 1,668,462. The increase in coal inventories in 2012 had a positive effect on the result.

4.5.10.27 CAPITALISED OWN PRODUCTS AND OWN SERVICES

Capitalised own products and services in the amount of EUR 2,496,203 relate to establishment of connections referring to opening activities in the central pit and connections for extraction of the pillar in the central part.

4.5.10.28 OTHER OPERATING REVENUE

in EUR

Other operating revenue	2012	2011
Revenue from reversal of provisions	8.164.947	2.034.637
Profit at sales of fixed assets and reversed impairment of receivables	592.591	141.841
Revenue from compensations and contractual penalties	1.397.178	12.492
Other operating revenue	612.908	884.212
Total other operating revenue	**10.767.624**	**3.073.182**

For the damages caused by the fire in the Coal Mining Museum of Slovenia in 2012, the company received compensation in the amount of EUR 1,373,737. The majority of other operating revenue is represented by subsidies in total amount od EUR 570,979. Explanation for reversal of provisions is presented in section 4.5.10.17 Other provisions.

4.5.10.29 COSTS OF GOODS, MATERIALS AND SERVICES

in EUR

COSTS OF GOODS, MATERIALS AND SERVICES	2012	2011
Cost of merchandise sold	116.832	122.680
Contingent costs of merchandise sold	0	21.996
Total cost of merchandise sold	**116.832**	**144.676**
Costs of materials	5.862.034	4.799.173
Costs of auxiliary materials	1.092.124	1.071.796
Costs of energy	3.758.838	3.297.812
Costs of spare parts and maintenance materials	4.338.915	2.625.368
Costs of small tools	103.254	95.509
Other costs of materials	128.365	124.035
Total costs of materials	**15.283.530**	**12.013.693**
Costs of services in creating products	18.208.279	19.435.857
Costs of transport services	566.676	689.453
Maintenance costs	7.308.259	5.852.154
Costs of rents	660.261	867.857
Reimbursements of work-related costs to employees	58.874	72.203
Costs of insurance and bank services	1.058.554	918.745
Costs of intellectual and personal services	1.064.833	865.534
Costs of research and development	1.093.937	790.599
Costs of trade fairs, advertising and entertainment	410.948	512.425
Costs of services provided by natural persons	703.672	548.271
Other costs of services	5.916.294	7.107.018
Total costs of services	**37.050.587**	**37.660.116**
Total costs of goods, materials and services	**52.450.949**	**49.818.485**

in EUR

AUDITING COSTS	2012	2011
Audit of annual reports	19.811	20.710
Other assurance engagements	0	11.000
Total costs of auditor	**19.811**	**31.710**

4.5.10.30 LABOUR COSTS

in EUR

LABOUR COSTS	2012	2011
Salaries	40.204.412	36.118.460
Pension insurance costs	8.835.966	7.982.489
Other insurance costs	2.913.849	2.686.421
Other labour costs	4.873.303	5.728.645
Total labour costs	**56.827.530**	**52.516.015**

AVERAGE NUMBER OF EMPLOYEES BY LEVEL OF EDUCATION

	2012	2011
Level I	30	27
Level II	23	25
Level IV	647	594
Level V	392	378
Level VI	136	120
Level VII	124	111
Level VIII	4	3
TOTAL	**1.356**	**1.258**

4.5.10.31 WRITE-DOWNS IN VALUE

in EUR

Write-downs in value	2012	2011
Amortisation of intangible assets	161.974	154.277
Depreciation of property, plant and equipment	15.487.595	15.469.424
Sales and write-downs in property, plant and equipment and intangible assets	464.645	53.159
Impairments of inventories	1.284.768	1.828.169
Sales and write-downs in inventories/receivables	38.863	20.163
Total amortisation/depreciation	**17.437.845**	**17.525.192**

4.5.10.32 OTHER OPERATING EXPENSES

in EUR

OTHER OPERATING EXPENSES	2012	2011
Provisions	642.532	799.093
Fee for building site use	735.172	383.677
Concessions	142.404	140.654
Environmental charges	126.746	111.598
Donations	159.359	214.655
Compensations - accidents	64.506	167.610
Compensations - mining damage	671.019	153.223
Annuities	175.025	161.966
Scholarships and grants to students	201.556	252.091
Other costs or expenses	612.155	484.620
Total other costs	**3.530.474**	**2.869.187**

4.5.10.33 FINANCIAL REVENUE

in EUR

FINANCIAL REVENUE	2012	2011
From dividends and other shares of profit	64.540	8.940
Interest on loans granted and deposits	170.349	231.070
Other	78.106	153.932
Total financial revenue	**312.995**	**393.942**

4.5.10.34 FINANCIAL EXPENSES

in EUR

FINANCIAL EXPENSES	2012	2011
From loans received	1.646.786	1.191.476
Change in fair value of investments through profit or loss	0	0
Other	8.782	6.483
Total financial expenses	**1.655.568**	**1.197.959**

4.5.10.35 TAX

in EUR

TAX CALCULATION	2012	2011
Profit or loss before tax	1.486.794	1.508.233
Tax calculated at applicable tax rate (18%)	267.623	301.647
Tax from revenue reducing tax base	-1.134.116	-406.927
Tax from tax breaks	497.375	-274.837
Tax from expenses reducing tax base	489.873	550.944
Tax from other changes in tax calculation	-120.755	-170.827
Tax	**0**	**0**
Effective tax rate	**0,00%**	**0,00%**

4.5.11 RELATED ENTITIES

in EUR

GROUP COMPANY	SALES	PURCHASES	RECEIVABLES AS AT 31/12/2012	LIABILITIES AS AT 31/12/2012	LOANS GIVEN	GUARANTEES GIVEN
HSE d.o.o. Ljubljana	139.255	5.039.506	22.933	662.711	0	0
TEŠ d.o.o. Šoštanj	133.490.953	6.572	18.502.972	2.387	0	0
TET d.o.o. Trbovlje	1.981.721	0	301.822	0	0	0
HTZ I.P. d.o.o. Velenje	1.321.452	29.969.506	664.862	3.789.977	0	4.064.867
RGP d.o.o. Velenje	262.571	3.790.825	62.211	1.271.157	2.350.000	1.360.746
GOST d.o.o. Velenje	227.227	1.709.544	122.525	178.385	1.089.976	84.000
PV Invest d.o.o. Velenje	173.370	3.536.630	69.161	548.675	2.098.689	0
Pv Zimzelen d.o.o. Velenje	24.991	6.853	0	0	0	0
GOLTE d.o.o. Mozirje	20.484	31.723	20.484	8.880	0	0
SAŠA inkubator d.o.o. Velenje	5.418	0	3.167	0	0	0
PLP d.o.o. Velenje	161.029	2.707.805	22.986	280.350	449.655	0
Sipoteh d.o.o. Velenje	93.039	19.176	451.825	109.505	0	0

GROUP COMPANY	SALES	PURCHASES	RECEIVABLES AS AT 31/12/2012	LIABILITIES AS AT 31/12/2012	LOANS GIVEN	GUARANTEES GIVEN
ERICo d.o.o. Velenje	72.683	274.799	6.359	94.317	0	0
Total Group companies	**137.647.442**	**44.091.158**	**19.770.136**	**6.462.172**	**5.538.665**	**5.509.613**
Total associates	**326.751**	**3.001.780**	**481.170**	**484.172**	**449.655**	**0**
TOTAL	**137.974.193**	**47.092.938**	**20.251.306**	**6.946.344**	**5.988.320**	**5.509.613**

4.5.12 RECEIPTS

in EUR

RECEIPTS OF SUPERVISORY BOARD MEMBERS, COMPANY'S MANAGEMENT AND EMPLOYEES WHO ARE NOT SUBJECT TO THE TARIFF PART OF THE COLLECTIVE AGREEMENT	SALARY	OTHER RECEIPTS	BONUSES	COST REIMBURSEMENT	TOTAL
MB President Milan Medved, PhD	103.210	6.745	0	4.083	**114.039**
MB Member Vladimir Malenković, PhD	97.937	3.386	9.116	1.425	**111.863**
Mb Member - Worker Director Sonja Kugonič	82.474	3.259	118	1.901	**87.752**
SB President Matjaž Janežič, MSc		4.719	79		**4.798**
SB Member Irena Stare		2.310			**2.310**
SB Member Rajko Arlič since September 2012)		1.373	79		**1.452**
SB Member Marko Štrigl (since September 2012)		1.373	79		**1.452**
SB Member Kristjan Verbič (since September 2012)		1.373	79		**1.452**
SB Member Janja Vrtovec Trček (since September 2012)		1.030	79		**1.109**
SB Member - staff representative Miran Božič (until July 2012)		1.716			**1.716**
SB Member - staff representative Bojan Brcar(since July 2012)		1.967	79		**2.046**
Employess who are not subject to the tariff part of the collective agreement	151.800	14.260	11.579	4.919	**182.558**
Total receipts	**435.421**	**43.512**	**21.286**	**12.328**	**512.547**

Other receipts of the Management Board and employees under individual contract comprise gross values of recourse, jubilee benefits, supplementary pension insurance and payments under contractor agreement for engagements in rescue team. Cost reimbursements include reimbursements of meal allowance, transportation allowance and per diems. Other receipts of the Supervisory Board members comprise attendance fees and compensation for travel costs.

Employees from the above categories did not receive any advances or loans, and the company did not issue any guarantees in connection with the liabilities of these persons, operating receivables or debts to these persons. These persons did not receive any shares of expanded profit either.

4.5.13 FINANCIAL INSTRUMENTS AND RISKS

This section is connected with section 4.5.9 of the financial report, as well as with section 2.9.2 on financial risks in the business report.

4.5.13.1 INTEREST RATE RISK

in EUR

CONTRACTS CONCLUDED FOR INTEREST RATE SWAPS BY MATURITY	2012	2011
From 1 to 5 years	10.562.500	11.781.250
TOTAL	**10.562.500**	**11.781.250**

in EUR

INTEREST RATE SWAPS EFFECT	2012	2011
Unrealised loss of effective transactions	-778.777	-621.608

In 2011, the company concluded an interest rate swap agreement which expires in 2016. The company performed the efficiency test of the derivative and established that interest rate hedging is effective.

in EUR

FINANCIAL INSTRUMENTS	Net profit or loss 2012		Net profit or loss 2011	
	Increase by 50 b.p.	Decrease by 50 b.p.	Increase by 50 b.p.	Decrease by 50 b.p.
Financial instruments at variable interest rate	**-203.077**	**203.077**	**-179.585**	**179.585**
Financial assets	21.866	-21.866	26.835	-26.835
Financial liabilities	-224.943	224.943	-206.420	206.420

4.5.13.2 CAPITAL MANAGEMENT

in EUR

	2012	2011
Long-term financial liabilities	21.694.945	27.141.400
Short-term financial liabilities	29.359.219	16.437.005
Total financial liabilities	**51.054.164**	**43.578.405**
Total equity	111.307.106	111.436.464
Financial liabilities/equity	**0,46**	**0,39**
Net financial liability	51.038.115	43.016.328
Net debt/equity	**0,46**	**0,39**

4.5.13.3 FAIR VALUES

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS — in EUR

FINANCIAL INSTRUMENTS	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Available-for-sale financial assets	345.177	345.177	345.176	345.176
Non-derivative financial assets at amortised cost				
Financial receivables	3.576.852	3.576.852	1.349.879	1.349.879
Operating receivables	23.875.454	23.875.454	26.773.631	26.773.631
Cash	16.049	16.049	562.077	562.077
Total non-derivative financial assets	**27.813.532**	**27.813.532**	**29.030.763**	**29.030.763**
Non-derivative financial liabilities at amortised cost				
Loans from banks	50.276.388	50.276.388	42.946.167	42.946.167
Other financial liabilities	778.777	778.777	632.238	632.238
Operating liabilities	24.466.402	24.466.402	19.598.155	19.598.155
Total non-derivative liabilities	**75.521.567**	**75.521.567**	**63.176.560**	**63.176.560**

in EUR

FINANCIAL ASSETS MEASURED AT FAIR VALUE ACCORDING TO HIERARCHY	31 December 2012	31 December 2011
Financial assets at fair value – level I	0	0
Financial assets at fair value – level II	0	0
Financial assets at fair value – level III	345.177	345.176
Total financial assets at fair value	**345.177**	**345.176**

4.5.14 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Up to the date of this financial report, no business events took place that would affect the financial statements and their disclosures in the financial report.

ANNUAL REPORT 2012

PV GROUP

INTRODUCTION

01

1.1 OPERATING HIGHLIGHTS OF THE PV GROUP IN 2012

The average number of employees in 2012 amounted to **2,579**, which is 2.9% more than in 2011;

On the last day of 2012, the equity amounted to **EUR 115,506,745**, which is **EUR 1,480,476** or **1.3%** more in comparison with the end of 2011;

The change in value of coal stocks in 2012 was positive and amounted to **EUR 1,633,416**, as was in the previous year, when it amounted to **EUR 1,714,941**;

At the end of 2012, total assets amounted to **EUR 275,473,542**, which is **3.7%** more than in the previous year;

On the last day of 2012, provisions totalled **EUR 36,109,798** , which is **15.3%** less than at the end of 2011;

Expenses amounted to **EUR 197,095,162**, which is **12.1%** more than in the previous year;

As at 31 December 2012, long-term assets totalled **EUR 221,858,199**, i.e. **7.8%** more than in the previous period;

As at 31 December 2012, liabilities and provisions amounted to **EUR 159,966,797** and are by **5.6%** higher than at the end of 2011;

In 2012, the tax payable amounted to **EUR 11,273**, while deferred tax totalled **EUR 1,399,835**;

As at 31 December 2012, short-term assets amounted to **EUR 53,615,343**, which is **10.2%** less than at the end of 2011;

The 2012 revenue amounted to **EUR 195,691,433**, which is **12.6%** more than in 2011;

In 2012, the PV Group disclosed a negative net profit or loss in the amount of **EUR 1,181,421**; the 2011 net profit or loss was also negative and amounted to **EUR 553,155**.

KEY INFORMATION FOR THE PV GROUP

ITEM	YEAR 2012	YEAR 2011	INDEX 2012/2011
Net sales revenue (in EUR)	**166.159.547**	149.111.006	111,4
Net sales revenue in domestic market (in EUR)	**162.780.918**	148.832.460	109,4
Net sales revenue in foreign market (in EUR)	**3.378.629**	278.546	1.213,0
Net profit or loss (in EUR)	**(1.181.421)**	(553.155)	0,0
Revenue (in EUR)	**195.691.433**	173.719.321	112,6
Expenses (in EUR)	**197.095.162**	175.757.448	112,1
Labour costs (in EUR)	**88.585.694**	87.275.776	101,5
EBIT = operating profit or loss (in EUR)	**2.820.202**	3.902.023	72,3
EBITDA = EBIT + AM (in EUR)	**24.208.151**	24.237.653	99,9
Assets (in EUR)	**275.473.542**	265.557.470	103,7
Equity (in EUR)	**115.506.745**	114.026.269	101,3
Indebtedness to banks (in EUR)	**78.904.497**	71.453.465	110,4
Investments (in EUR)	**30.931.376**	25.760.567	120,1
Number of employees at the end of period	**2.582**	2.482	104,0
Coal production (in TJ)	**42.385**	45.005	94,2
Sales of coal (in TJ)	**42.389**	43.983	96,4
Net return on equity ratio (ROE)	**(0,010)**	(0,005)	0,0
Net return on asset ratio (ROA)	**(0,004)**	(0,002)	0,0
Added value (in EUR)	**114.590.007**	112.532.133	101,8
Added value/employee (in EUR)	**44.432**	44.941	98,9

1.2 IMPORTANT EVENTS IN 2012

JANUARY

On 4 January 2012, **a fire took place** in the old part of underground segment of the **Mining Museum**. The Museum was closed since 23 December 2011 due to maintenance works.

Despite challenging production conditions, on 16 January we achieved the most significant daily extraction progress in 2012 with 8.6 meters, at **extraction site G3/B**.

FEBRUARY

In February, Premogovnik Velenje became one of the first coal mines in Europe and worldwide **to have mobile phones coverage underground**. The connection with aboveground was established directly from extraction site **G3/B** in the pit Preloge, **410 metres underground**. The launch of underground mobile phone utilisation is a part of the European development project OPTI-MINE.

FEBRUARY

On 14 February, we achieved the most important daily progress at the construction site, as we excavated **16.8 metres** during a 4-shift work at k.-130/B site for haulage roadway.

Upon opening the new coal mine in **Mariovo, Macedonia**, the contract on design and preparation of technical documentation was signed.

MARCH

On 7 March, the most important general progress was reached with **49.8 metres** excavated, within pit roadways construction.

RGP installed **the first builders hardware for extraction** at the coal export shaft.

APRIL

In April, the **Mining Museum** was reopened.

With the programme AquaVallis, HTZ won at another contest for the best innovation in the SAŠA region. The company received a prize for the innovation **Preparation of filtered water for milk pipelines**.

MAY

On 24 May, we achieved the largest daily production in one extraction with **13,470 tonnes** of coal at site -65/A.

On 31 May, we reached the 2012 record general extraction with **24,749 tonnes** of coal.

Within the framework of the European Union Research Fund for Coal and Steel and in cooperation with the PV representatives, a meeting for the **experts of international coal technical group** was organised on Golte.

JUNE

52th event of 'Skok čez kožo' (where participants jump over a piece of animal hide).

Bojan Brcar was appointed new president of the Worker's Council.

In June, **the blessing of the St. Barbara shrine** took place at the location of new NOP II export shaft.

We hosted an event for **EURACOAL** - European Association for Coal and Lignite, a member of which is also Premogovnik Velenje.

JUNE

We entered into contract with **a Turkish mine** regarding a sale of **80 assemblies** of hydraulic support system, type DBT.

We successfully accomplished the installation of leased **GPK-PV road-header in the Slovakian mine**.

HTZ acquired the Ministry of the Interior **licence for transport and protection of cash and other insured items**, which enabled the company to expand its range of services.

AUGUST

On 29 August, **the 19th Premogovnik Velenje General Meeting** took place.

RGP concluded the works on the facility 'Ribja steza' at **HPP Krško**.

SEPTEMBER

Premogovnik Velenje handed over the construction of NOP II shaft to the main contractor, the subsidiary **RGP Velenje**.

Premogovnik Velenje won the **golden award** for the **GPK-PV road-header** and the **silver award** for the drilling machine **Diamec U4 PHC-HTZ**, at the contest for the best innovations in the Savinja and Šalek region (SAŠA).

SEPTEMBER

RGP launched the **reconstruction of the Slovenian Railways tunnels** in the Divača area.

OCTOBER

With **the Laibach group concert**, we officially opened the underground part of the Mining Museum.

For our **GPK/PV road-header machine**, we won the Slovenian Chamber of Commerce **silver award** for the best innovations.

The **15th Strategic Conference** of the Premogovnik Velenje Group took place.

In May 2012, **HTZ Velenje** and its partner carried out the presentation of technologies for electricity production on the basis of alternative sources and the Aqua-Vallis drinkable water filtration programme at the Ministry of Investment and Trade of Nigeria. HTZ was invited to deliver its presentation at **the investment conference of the Akwa Ibom State**, which took place on 12 and 13 October 2012 in London.

RGP was successful with concreting the flag of turbine table at the powerhouse of **TEŠ 6** project and reached a singular Slovenian record. Within 30 hours, the company managed to produce and pour **2,400 m³** of concrete in the foundation. The concrete was produced in one concrete mixing plant.

NOVEMBER

During installation works at G3/C extraction site, our miners achieved another important milestone by installing **100 sections** of hydraulic support system in **13 days**, which is almost 8 **sections per day** - without any accidents.

At the fashion show for its business partners, HTZ presented the new collection of the brand **MÓDEO**.

DECEMBER

In the last days of December, the physical part of production plan was reached with **42,385 TJ** or **3,967,064 tonnes** of coal extracted and **7,475 metres** of roadways excavated.

As at its 4th meeting of 28 December 2012, **the Supervisory Board approved the 2013 Premogovnik Velenje Business Plan**, along with the additional plan for 2014 and 2015.

HTZ (Elektro remont) successfully passed the qualification test for explosion protection by the **accredited company SIQ**, in accordance with three currently applicable standards: SIST EN 60079-14:2009 for integration of EX-apparatus, SIST EN 60079-17:2008 for maintenance of Ex-apparatus and SIST EN 60079-19:2011 for servicing and repairing of the Ex-apparatus.


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BUSINESS REPORT

02

2.1 PRESENTATION OF THE GROUP COMPANIES

The controlling company Premogovnik Velenje and its subsidiaries and associates form a group of companies, for which Premogovnik Velenje prepares consolidated financial statements, which are available at the registered office of the controlling company.

The consolidated financial statements of the Group are prepared as if the Group were a single company.

Profile of the controlling company:

Name:	**PREMOGOVNIK VELENJE, d.d.**
Registered office:	Partizanska 78, 3320 VELENJE
Country:	Republic of Slovenia
Registration Number:	5040361
VAT ID:	SI92231217
Main activity:	Lignite extraction

Premogovnik Velenje was entered into the Companies Register of the District Court in Celje under entry no. 1/00510/00 on 20 May 1998 as a public undertaking for lignite extraction. On 18 April 2002, an amendment was entered registering Premogovnik Velenje as a joint-stock company. On 29 November 2006, an amendment to the Articles of Association was registered, providing that the company's nominal capital is divided into ordinary, freely transferrable no-par value shares.

Other activities: underground and aboveground extraction planning for mining, machinery and electricity purposes, construction of all types of underground structures, drilling, geo-mechanical research, cave surveying, hydrogeological and technological services, training services.

Premogovnik Velenje is a large company. Its financial year ends on 31 December.

Subsidiaries of Premogovnikk Velenje are:

Name:	**GOST, podjetje za gostinstvo, turizem in trgovino d.o.o.**
Registered office:	Koroška cesta 60, 3320 Velenje
Registration Number:	5099633
VAT ID:	SI40632881
Ownership:	**Premogovnik Velenje d.d. 100%**

Registered activity: Retail sale in non-specialised stores, mainly with food, retail sale with alcohol and non-alcohol drinks, campsite service, operation of restaurants and cafés, snack bar activities, serving drinks and beverages in bars, serving drinks and beverages in discos and night clubs, serving drinks and beverages in other pubs, canteens, catering, services of travel agencies and travel organisers, touristic activities, fair and amusement park activities, other entertainment activities, sport facilities, other sporting activities, other leisure activities, activity of hotel accommodation and similar facilities, other short-term accommodations, activity of confectioneries and cafes, activity of movable restaurant establishments, activity of other food establishments.

Name:	**HTZ, Harmonija tehnologije in znanja, invalidsko podjetje, d.o.o.**
Registered office:	Partizanska 78, 3320 Velenje
Registration Number:	1470647
VAT ID:	SI66669413
Ownership:	**Premogovnik Velenje d.d. 100%**

Registered activity: Electro services, repairing and production of equipment, construction material production, rescue and servicing activities, insurance, studio for design and copying, construction activity, manufacture of protective equipment, washing facility, bathrooms and maintenance.

Name:	**Jama Škale v zapiranju d.o.o.**
Registered office:	Partizanska 78, 3320 Velenje
Registration Number:	2039206000
VAT ID:	94256730
Ownership:	**Premogovnik Velenje d.d. 100%**

Registered activity: General mechanical engineering, demolition and wrecking of buildings, earth moving, test drilling and boring, installation of electrical wiring and fittings, wholesale of metals and metal ores, waste, freight transport by road, storage, other supporting land transport activities, development and selling of real estate, buying and selling of own real estate, leasing-out own facilities, research and experimental development, technical testing and analysing, photographic activities, museum activities.

Name:	**PV Invest, Naložbe urejanje okolja, geodetske storitve, d.o.o.**
Registered office:	Koroška cesta 64b, 3320 Velenje
Registration Number:	3699927
VAT ID:	SI64099849
Ownership:	**Premogovnik Velenje d.d. 100%**

Registered activity: investments, landscaping, geodetic services.

Name:	**PV Center starejših Zimzelen d.o.o.**
Registered office:	Topolšica 78/a, 3326 Topolšica
Registration Number:	2187647000
VAT ID:	SI56425465
Ownership:	**Premogovnik Velenje d.d. 100%**

The company's primary activity is management of establishments for care of elder and handicapped persons and other welfare-based residential facilities. The company has also registered ancillary activities required for support of the primary activity and marketing activities.

Name:	**RGP, rudarski gradbeni programi, d.o.o.**
Registered office:	Rudarska 6, 3320 Velenje
Registration Number:	5513065
VAT ID:	SI81182791
Ownership:	**Premogovnik Velenje d.d. 64%**

Registered activity: operation of gravel and sand pits, mining of clays and kaolin, manufacture of ready-mixed concrete, manufacture of metal structures, demolition and wrecking of buildings, earth moving, test drilling and boring, wholesale of wood, construction materials and sanitary equipment, freight transport by road, engineering activities and related technical consultancy, technical and vocational secondary education.

Name:	**GOLTE d.o.o., zimsko letni turistični center**
Registered office:	Radegunda 19 c, 3330 Mozirje
Registration Number:	1884166
VAT ID:	SI81050984
Ownership:	**PV Invest 61,24%, HTZ Velenje, I.P., d.o.o. 16,55%**

The company's primary activities are: ski centre with ensuring operations of cable car facilities and management of ski runs (skiing, snowboarding, cross-country skiing), restaurant, accommodation and boarding house services.

Name:	**SAŠA inkubator, družba za podjetniško in poslovno svetovanje d.o.o.**
Registered office:	Koroška cesta 62 b, 3320 Velenje
Registration Number:	2332655
VAT ID:	SI16705327
Ownership:	**PV Invest 60 %**

Main activity: SAŠA inkubator d.o.o. is a networking business incubator of the Savinja and Šalek region (SAŠA), which as a formation of innovative environment is registered in a special record managed by Public Agency of the RS for Entrepreneurship and Foreign Investments (JAPTI).
SAŠA Inkubator d.o.o. provides an environment that supports growth of new and innovative businesses in the SAŠA region. Through its operations, the company promotes business, innovations and transfer of knowledge from research level to practice.

In 2012, Premogovnik Velenje had a 100% stake in 5 subsidiaries and a 64%stake in another company, in which HTZ holds the remaining 36% share. In one of the companies, the subsidiaries PV Invest and HTZ have 61.24% and 16.55% share, respectively.

The subsidiaries of Premogovnik Velenje are consolidated using the full consolidation method. Exceptions are the company Jama Škale v zapiranju d.o.o. (dormant company – fully owned by the company PV) and the company SAŠA inkubator (PV Invest holds a 60% share), which are not consolidated because of their immateriality in terms of revenue and the number of employees.

An **associated company** of Premogovnik Velenje is a company in which Premogovnik Velenje has at least a 20% share, but not higher than 50%. In these companies the owner has a significant, but not controlling impact:
- ERICO VELENJE, Inštitut za ekološke raziskave d.o.o., Koroška cesta 58, Velenje (23% share),
- PLP, lesna industrija, d.o.o., Partizanska 78, Velenje (26% ownership),
- Sipoteh d.o.o., strojna in proizvodna oprema, Partizanska 78, Velenje (42% share)
- PV Fairwood, v mirovanju (dormant company - 40% share)

Associates are consolidated using the equity method.

Key information on related and associated companies:

in EUR

COMPANY	Equity share %	Total equity 31/12/2012	Profit or loss 2012	Investment value 31/12/2012
HTZ I.P.	100	12.886.204	10.546	12.832.313
RGP	100	4.210.058	84.444	2.619.765
GOST	100	1.331.205	-761.169	0
PV INVEST	100	10.752.504	-933.334	12.818.692
PV ZIMZELEN	100	4.376.331	48.344	4.175.273
JAMA ŠKALE V ZAPIRANJU	100	7.972	-104	0
GOLTE *	77,79	5.957.350	-761.276	2.811.847
SAŠA inkubator	60	1.715	-10.777	6.000
ERICO	23	1.310.301	42.490	59.503
PLP	26	762.067	89.655	160.444
SIPOTEH	42	344.473	1.995	3.680
RCE	16,5	3.006.332	424.487	412.500
Fairwood PV (v mirovanju)	40			2.200

* Financial year for the company GOLTE is the period from 1 May 2012 to 31 December 2012. The profit or loss in the table refers to the calendar year (adjusted for consolidation purposes).

Other information about the Group:

Company size:
- large companies: Premogovnik Velenje in HTZ I.P.
- medium-sized companies: Gost, RGP, PV Zimzelen
- small companies: PV Invest, Jama Škale v zapiranju, Golte, SAŠA inkubator

The financial year of all group companies ends on 31 December. The company Golte also ended its financial year on 31 December 2012, although it had begun on 1 May 2012 (exceptionally).

The average number of employees in the Premogovnik Velenje Group in 2012:

Company	Average number of employees
PREMOGOVNIK	1.356
HTZ I.P.	867
GOST	104
GOLTE	22
PV ZIMZELEN	70
RGP	100
PV INVEST	60
TOTAL	**2.579**

Number of employees by educational structure:

COMPANY	Average educational structure of the PV Group in 2012								total
	VIII	VII/2	VII/1	VI	V	IV	II	I	
PREMOGOVNIK	4	16	108	136	392	647	23	30	**1356**
HTZ		4	48	51	181	377	72	134	**867**
RGP		1	10	12	19	35	8	15	**100**
GOST		2	9	3	34	41	4	11	**104**
PV INVEST	1	2	18	5	22	10	1	1	**60**
PV ZIMZELEN			9	4	28	20	2	7	**70**
GOLTE			5		8	6	1	2	**22**
TOTAL	**5**	**25**	**207**	**211**	**684**	**1136**	**111**	**200**	**2579**
%	0,2	1,0	8,0	8,2	26,5	44,0	4,3	7,8	100,0

Premogovnik Velenje d.d. is a related company of Holding Slovenske elektrarne.

Name:	**Holding Slovenske elektrarne d.o.o.**
Abbreviated name:	HSE d.o.o.
Registered office:	Koprska ulica 92, 1000 Ljubljana
VAT ID:	SI99666189

Holding Slovenske elektrarne d.o.o.

HSE is a group of related companies whose main activity and competences include production, sale and electricity trading and the development of various forms of electricity and electricity-related activities.

The consolidated annual report of Holding Slovenske elektrarne can be obtained at the company's registered office in Ljubljana.

2.2 BUSINESS POLICY

Next to coal production, operations of the PV Group increasingly involve the sale of expertise, services and products. The main objective of all our subsidiaries is to progressively reduce their dependence on the parent company. We are increasingly interested in the SE European market where we see many excellent opportunities and where we are already present with our know-how and our experts, while new possibilities arise every day.

Values

Satisfaction of key people, i.e. owners, employees, customers and the local community. We need to provide for creative balance among all of the above using the following principles:

- owners need to be guaranteed appropriate return on invested capital,
- employees need to be provided with quality employment and be able to develop their personal potential,
- regular fulfilment of contractual obligations associated with coal supplies is a prerequisite for creating long-term economic success,
- good relations with the local community need to follow the principles of sustainable development,
- occupational safety, the humanisation of working procedures and continued training will remain the focus of our attention,
- above all things, we will strive to promote knowledge, professional attitude and innovations.

Objectives of the coal mining programme

- to optimise the core process of coal production,
- to balance the production and sale of coal with the requirements of production at TEŠ,
- to provide coal to TET,
- to optimise the costs of coal extraction in order to achieve a competitive starting price of coal by the beginning of Unit 6 operation in 2015 (EUR 2.25 per GJ),
- to construct a new NOP II export shaft in an accelerated manner,
- to continue to decrease the energy consumption in the pit, on external working sites and in all related companies with the goal of continuing the policy of energy-efficient operations,
- to decrease the number of employees to match the productivity growth by 3% p.a. at Premogovnik and HTZ Velenje; employing new staff in productive working positions,
- to maintain the trend of reducing the number of days lost due to accidents at work and absence from work due to illness by 3% p.a.,
- to modernise work at preparatory sites.

Strategic goals

- to adjust coal production to the conditions in the competitive market,
- to ensure safety and humanisation of the working process,
- to ensure socially responsible behaviour of Premogovnik Velenje in line with environmental requirements,
- to enable growth of the PV Group through sale of know-how and services in markets outside our primary activity.

2.3 INVESTMENTS

The following table presents the values of investment in fixed assets in 2012 by the companies of PV Group.

COMPANY	Investments (in EUR)	Structure (in %)
PV	22.300.383	72,1
HTZ I.P.	2.382.792	7,7
RGP	5.649.989	18,3
GOST	34.172	0,1
PV INVEST	292.234	0,9
PV ZIMZELEN	18.952	0,1
GOLTE	252.854	0,8
PV GROUP	**30.931.376**	**100,0**

The investments in fixed assets by the companies Premogovnik Velenje and RGP represent 90.4% of total investments of the PV Group.

The main investments regarded modernisation of mining equipment, especially purchase of extraction and directional chain conveyor, as well as of the equipment for maintenance of the existing extraction plants (hydraulic supports, extraction machines equipment and control and energy equipment).

The investment, started in the previous period, comprises establishment of connections to the opening parts of the pit centre and connections for extraction of the pillar of central part. The Group continued with the construction of NOP II shaft.

Acquisition of steel arch supports and maintenance road-header account for the largest share of investments in equipment for construction of pit roadways. We also upgraded the coal export from construction sites, i.e. the pit roadways construction process. For the purposes of the main part of coal transport, we invested in new band conveyors and in overhaul of the existing conveyors.

Other major investments regarded renovation and maintenance of infrastructure and of other equipment in the pit, as well as aboveground. This comprises modernisation of electrical equipment, equipment for telephony and communication in the pit, alarming system, upgrade of video-surveillance system and optical equipment, equipment for transport of material and devices, machinery, software and networks, safety and protection equipment, working tools and tools for implementation of co-financed development projects.

Most of investment in HTZ comprised modernisation of production equipment.

In RGP, most assets were intended for investments in production equipment and machines.

2.4 FINANCIAL OPERATIONS

2.4.1 OPERATIONS IN 2012

In 2012, the PV Group's revenue reached EUR 195,691,433, while its expenses totalled EUR 197,095,162. The change in value of product inventories in the amount of EUR 1,633,416 (of which EUR 1,668,462 of change in the value of coal inventories) had a positive effect on the operating profit. Deferred taxes amounted to EUR 1,399,835 and tax payable to EUR 11,273. Net profit or loss of the PV Group was negative and totalled EUR 1,181,421.

2.4.2 MAIN ACTIVITIES AND GOALS ACHIEVED

Business activities in 2012 were directed towards ensuring solvency. Through appropriate financial policy we managed to maintain sufficient solvency at all times.
Numerous activities were also devoted to streamlining of operations. By adopting measures directed at management of operations we were successful in this respect as well.

2.4.3 ENSURING SOLVENCY

Ensuring short-term and long-term solvency or solvency in accordance with the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act is one of the most important functions of the PV Group companies since it significantly affects long-term operations and existence of companies.

In Premogovnik Velenje Group, we have established an efficient system of short-term and long-term financial planning. The principal documents pertaining to financial planning are the planned cash flow statement as a financial statement and the operating cash flow plan. The first one shows the difference between receipts and disbursements in operating, investing and financing activities, while the other plans and monitors solvency on monthly and annual basis. The most important sources of financing are inflows from operating activities, which are secured through timely and efficient collection. In the event of shortages of cash from operating activities, we have at our disposal approved credit facilities with the option of daily drawing.

Within the HSE Group, the cash management system and cash pooling are implemented. This system contributes to lower costs of financing activities and higher revenue from financing activities as they enable streamlining of operations involving cash. The funds were not utilised in 2012, due to issues regarding the financing of the TEŠ's Unit 6 project.

2.4.4 ENSURING NECESSARY FINANCIAL SOURCES

The statement of financial position and cash flow statement indicate necessary maturities of financial sources. Similar to previous years, the net cash inflows from operating activities in 2012 were again exceeding outflows; however, they were not sufficient to cover disbursements for investing activities. Therefore, in 2012 we had to use other financing sources which comprised short-term loans. In the process of long-term borrowing in the amount of EUR 10 million, we received numerous negative responses from banks, mostly due to general exposure of individual bank to the HSE Group related parties. Compared with the 31 December 2011 balance, as at 31 December 2012 long-term financing sources decreased by EUR 8.5 million, while short-term sources increased by EUR 18.4 million. Long-term sources of the Group represent 72.8% of all sources. We estimate that the financial structure of the Group is adequate given the type of activities.

2.4.5 CAPITAL ADEQUACY

In terms of securing capital adequacy, the activities of Premogovnik Velenje Group are focused on management of financial risks (liquidity risk and solvency, interest rate risk, currency risk…) and compliance with the provisions of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act.

Both, planning and monitoring of financial policy implementation take into account business and financial principles and standards, the most important of which is availability of sufficient long-term financing sources with regard to the extent and type of operations we are engaged in, which, however, was limited in 2012, due to individual bank's exposure to the HSE Group. As at 31 December 2012, the Group identified that long-term sources were inferior to long-term assets by EUR 21.2 million. The Group identified a negative working capital and financed 9.6% of all long-term assets with the short-term sources.

The Group complies with capital adequacy requirements since it disposes of adequate capital with regard to the volume and types of transactions, which it performs, and with regard to risks, to which it is exposed while performing these transactions.

2.4.6 DEBT RATIO

In 2012, both the controlling company and the whole Premogovnik Velenje Group were active in the area of financing, mostly in terms of ensuring the required financial sources for funding of development projects. In doing so, we focus on carefully examining various financing possibilities and selecting the most favourable suppliers in order to provide for optimum financing sources.

The basic indicator of the level of debt is the ratio between own sources and total liabilities, or the equity financing rate. The Group ended the 2012 financial year with a self-financing rate of 41.9%. Had we added long-term provisions to equity, the rate would have amounted to 55%. This means that the debt ratio stands at 45%. In the structure of all foreign sources, long-term financial liabilities account for 53.7% and short-term for 46.3%. All of the above indicates that the debt ratio does not exceed the designated thresholds.

2.4.7 PERFORMANCE INDICATORS

in EUR

EQUITY FINANCING RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity and liabilities	275.473.542	265.557.470	103,7
2. Equity	115.506.745	114.026.269	101,3
Equity financing rate = 2 / 1	**41,93**	**42,94**	**97,7**

in EUR

LONG-TERM FINANCING RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity	115.506.745	114.026.269	101,3
2. Log-term liabilities	85.126.036	95.076.995	89,5
3. Total (1 + 2)	200.632.781	209.103.264	95,9
4. Equity and liabilities	275.473.542	265.557.470	103,7
Long-term financing rate = 3 / 4	**72,83**	**78,74**	**92,5**

in EUR

OPEATING FIXED ASSETS RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Property, plant and equipment	211.805.973	189.896.786	111,5
2. Intangible assets	1.223.830	1.330.804	92,0
3. Total fixed assets at carrying amount (1 + 2)	213.029.803	191.227.590	111,4
4. Assets	275.473.542	265.557.470	103,7
Operating fixed assets rate = 3 / 4	**77,33**	**72,01**	**107,4**

in EUR

LONG- TERM ASSETS RATE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Property, plant and equipment	211.805.973	189.896.786	111,5
2. Intangible assets	1.223.830	1.330.804	92,0
3. Investments property	0	0	0,0
4. Long-term investments in subsidiaries	6.000	3.995.292	0,2
5. Other long-term investments and loans	1.131.124	1.230.979	91,9
6. Long-term operating receivables	430.150	690.770	62,3
7. Other long-term assets	471.123	593.365	79,4
8. Total (1 + 2 + 3 + 4 + 5 +6 + 7)	215.068.200	197.737.996	108,8
9. Assets	275.473.542	265.557.470	103,7
Long-term assets rate = 8 / 9	**78,07**	**74,46**	**104,8**

in EUR

EQUITY TO FIXED ASSETS RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Equity	115.506.745	114.026.269	101,3
2. Property, plant and equipment	211.805.973	189.896.786	111,5
3. Intangible assets	1.223.830	1.330.804	92,0
4. Total fixed assets at carrying amount (2 + 3)	213.029.803	191.227.590	111,4
Equity to fixed assets ratio= 1 / 4	**0,54**	**0,60**	**90,9**

in EUR

ACID TEST RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Cash and cash equivalents	217.356	4.544.546	4,8
2. Short-term investments	1.087.700	1.762.678	61,7
3. Total liquidity assets (1 + 2)	1.305.056	6.307.224	20,7
4. Short-term liabilities	74.840.761	56.454.206	132,6
Acid test ratio = 3 / 4	**0,02**	**0,11**	**15,6**

in EUR

QUICK RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Cash and cash equivalents	217.356	4.544.546	4,8
2. Short-term investments	1.087.700	1.762.678	61,7
3. Short-term operating receivables	35.236.518	37.287.205	94,5
4. Total (1 + 2 + 3)	36.541.574	43.594.429	83,8
5. Short-term liabilities	74.840.761	56.454.206	132,6
Quick ratio= 4 / 5	**0,49**	**0,77**	**63,2**

in EUR

CURRENT RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Current assets	53.615.343	59.725.931	89,8
2. Short-term liabilities	74.840.761	56.454.206	132,6
Current ratio = 1 / 2	**0,72**	**1,06**	**67,7**

in EUR

OPERATING EFFICIENCY RATIO	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Operating revenue	195.362.707	173.249.065	112,8
2. Operating expenses	194.175.921	171.061.983	113,5
Operating efficiency ratio = 1 / 2	**1,01**	**1,01**	**99,3**

in EUR

NET RETURN ON EQUITY RATIO (ROE)	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Net profit for the period	(1.181.421)	(553.155)	0,0
2. Average equity	114.766.507	114.572.215	100,2
Net return on equity ratio = 1 / 2	**-0,010**	**-0,005**	**0,0**

in EUR

NET RETURN ON ASSETS RATIO (ROA)	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Net profit for the period	(1.181.421)	(553.155)	0,0
2. Average assets	270.515.506	261.475.122	103,5
Net return on assets ratio = 1 / 2	**-0,004**	**-0,002**	**0,0**

in EUR

ADDED VALUE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Operating value	195.362.707	173.249.065	112,8
2. Costs of goods, materials and services	76.525.986	57.264.669	133,6
3. Other operating expenses	4.246.714	3.452.263	123,0
Added value = 1-2-3	**114.590.007**	**112.532.133**	**101,8**

in EUR

ADDED VALUE / EMPLOYEE	REALISATION 31/12/2012	REALISATION 31/12/2011	RE 2012 / RE 2011
1. Added value	114.590.007	112.532.133	101,8
2. Average number of employees	2.579	2.504	103,0
Added value / employee = 1/2	**44.432**	**44.941**	**98,9**

A. Basic financing state ratios (investments)

Compared with 2011, the equity financing rate of the PV Group in 2012 decreased by 2.3% and it amounts to 41.9%. The equity financing rate decreased due to increase in total assets exceeding the equity increase.

The long-term financing rate amounts to 72.8% and it decreased by 7.5% compared with the previous year. The decrease is a reason of lower long-term financial liabilities

B. Basic investment ratios (investing activities)

The operating fixed assets rate in the PV Group amounts to 77.3% and is higher by 7.4% compared with 2011. The rate increased due to better increase in fixed assets than increase in total assets.

The long-term financing rate on the last day of 2012 amounts to 78.1% and has increased by 4.8% compared with 2011. The reason for the long-term financing rate increase is excess of the long-term assets increase over the total assets increase.

C. Basic horizontal financial structure ratios

The equity to fixed assets ratio in the PV Group decreased by 9.1%, compared with 2011, and it amounts to 0.54%. The ratio decreased due to lower increase in equity than increase in fixed assets.

The acid test ratio has decreased by 84.4% and amounts to 0.02. The decrease is a result of increased short-term liabilities and decreased liquid assets.

The quick ratio decreased by 36.8% and amounts to 0.49, due to increase in short-term liabilities.

Compared with 2011, also the current ratio decreased by 32.3% and amounts to 0.72, due to increase in short-term liabilities.

D. Basic efficiency ratios

The efficient ratio of the PV Group operations amounts to 1.01 and it decreased by 0.7% compared with 2011.

E. Basic profitability ratios

The net return on equity ratio (ROE) and net return on assets ratio (ROA) are negative due to negative net profit or loss.

F. Other ratios

Added value of the PV Group amounts to EUR 114,590,007 and is by 1.8% higher than in 2011. The reason is increase in operating revenue compared with 2011.

The added value per employee decreased by 1.1%, compared with 2011, and amounts to EUR 44,432. The decrease is a result of 3% lower number of employees at 1.8% higher added value compared with 2011.

2.5 RISK MANAGEMENT IN THE PV GROUP

Risk management comprises detection, assessment, management and monitoring of risks, including reporting on risks, to which the company or group of companies was or could be exposed in its operations. Risk management is also a manner of understanding operations, which has a long-term effect on the company's efficiency. The risk can represent an opportunity to assure competitive advantage. Risk management is of key importance for successful operations. In support of activities for a transparent business risk management and in accordance with the Constitutional Act on Internal Audit Operations within the HSE Group companies of 22 November 2011 and compliant to the Constitutional Act on Internal Audit Operations within the PV Group companies, the Premogovnik Velenje Management Board appointed a Risk Management Committee in January 2012.

The controlling company uses established guidelines and methodology for risk management.

The PV Group ensures that the risks are identified and that the consequences are determined. The Group has also established procedures for management of risks and appointed the persons in charge of risk management.

During the financial year of 2012, we encountered the risks that can be roughly classified as follows:

- operational risks
  - *operational risk of the production – quantity risk, safety and operational reliability risk,*
  - *operational risk arising from performance of projects on the market*
  - *operational risk arising from performance of other activities of the Group,*
- financial risk,
- market risk
- credit risk,
- price risk,
- human resources risk, and
- IT system risk.

2.5.1 OPERATIONAL RISK

Operational risk of the production – quantity risk, safety and operational reliability risk

Production risk is represented by the risk of ensuring safety of employees, the risk of operational reliability and, consequently, the risk of coal supply sufficiency for the electricity production in TEŠ, i.e. the quantity risk.

Quantity risk of the controlling company comprises risks arising from uncertainties related to coal production and consumption. In 2012, we faced challenging conditions in coal extraction; however, we managed to overcome these issues successfully, through faster sites inclusion, adaptation of working programme to needs, as well as through technical measures for ensuring proper production conditions and operational reliability of plants and equipment.

The adaptation of our production to the TEŠ's needs of coal represents a very challenging task for us, due to the nature of coal extraction. Circumstances arise during the year, when the

extracted coal lays at the disposal site due to decreased consumption in TEŠ, which influences the current assets of Premogovnik Velenje and represents an additional risk for liquidity management. That risk was decreased with selling of coal to TET. However, a substantial, long-term decrease in demand for coal would most certainly have a very negative effect on the volume of sales and, subsequently, on the financial position of the company and the Group.
The quantity risks were effectively managed.

The demanding work circumstances influenced the safety conditions for the controlling company's employees, but were, nevertheless, under control thanks to our safety-technical information system and the measures concerning operational safety and health.
Operational reliability of plants and equipment was satisfactory in 2012, thanks to maintenance of high-tech equipment, establishment of an IT system for plant maintenance and of an up-to-date communication controlling system in the pit and monitoring.

Operational risk arising from performance of projects on the market
The PV Group strategy is orientated towards increasing the revenue that is not based on coal. The PV Group companies encounter operational risk arising from performance of projects on the market in the construction area, as well as in the area of engineering operations. Nevertheless, the risk is managed through effective planning, qualified staff and functional coordination.

Operational risk arising from performance of other activities of the Group
Due to its performance of service activities, such as restaurant services, hotel services and accommodation in the home of the elderly, the Group is exposed to the risk arising from reliability of care, safety and timely adjustment. This risk was also successfully managed, thanks to our measures for ensuring functional safety and constant monitoring of the service quality.

Operational risks in the PV Group were managed effectively.

2.5.2 FINANCIAL RISK

The PV Group was exposed to financial risks throughout 2012. With the measures consisting of cash flows planning, searching for additional financing sources, the HSE Group cash management and working capital management in 2012, the financial risk was successfully managed.

Insolvency risk is the risk of lack of liquid assets required for timely settlement of current liabilities. It can be defined as liquidity risk or the risk of uncoordinated liquidity, i.e. a maturity mismatch between assets and liabilities in a company. Furthermore, liquidity risk is also partially dependant on the management of operating and operational risks. Liquidity risk is also present due to the continued global financial crisis, the implications of which are evident in tightened borrowing conditions of banks, especially with regard to long-term borrowing, with additional guarantees, higher margins and other costs.
As the government has not issued the guarantee for the EIB loan for the construction of Unit 6 in TEŠ and the loan drawing was, consequently, impossible, liquidity issues arose within the HSE Group.
The risk of non-issuing of the government guarantee and time delay in acquisition of government guarantee is managed on the level of the HSE Group, namely with the performance of up-to-date alternative scenarios, short-term loans and through optimising liquidity and operations.
In order to manage solvency risk, the PV Group has established an effective system for monitoring and coordination of requirements for liquid assets. Here, the most important instrument is cash flow planning which is initially prepared on an annual basis and followed by monthly planning of cash flows. An important factor in liquidity management in 2012 was the management of costs, purchase system and relationships with our suppliers. We manage our policy of short-term and long-term borrowing with banks on the basis of the cash flow plan, fixed assets procurement plan and other elements of the business process. The PV Group could not increase the volume of long-term loans in 2012; however, the Group managed to extend its short-term loans and to utilise the short-term revolving loans. The risk of decrease in possibility to obtain loans, particularly long-term loans, was extensive due to the abovementioned exposure of the HSE Group. Nevertheless, the risk in the PV Group was efficiently managed.

Currency Risk
The majority of purchases from outside Slovenia are taking place in countries that are part of the Euro zone; therefore, no significant currency risk exists.

Interest rate risk
Interest rate risk is as a risk of unfavourable or hazardous changes in interest rates assessed as medium since our short-term and long-term bank loans received are partly related to changeable interest rates. These risks are managed through controlling of indebtedness within the framework of the plan, hedging 23% of long-term loans and establishment of cash management system and cash pooling within the HSE Group.

2.5.3 MARKET RISK

Premogovnik Velenje Group is exposed to various market risks, such as great exposure to a single buyer, changing and unfavourable conditions in the area of construction-related investments, uncertain fluctuation of prices in markets for input materials and services, strong competition in the market, lack of demands for restaurant and hotel services and non-achievement of sales targets or projects.

Premogovnik Velenje generates 94% of net revenue with sales of coal to

TEŠ and is, therefore, significantly exposed to market risks. An important risk would arise, if TEŠ changed the basic energy product; however, according to our assessment, the probability of such risk is low. An important factor related to management of market risks is the long-term three-party agreement between HSE, TEŠ and PV for the purchase of coal and electricity.
Premogovnik Velenje is aware of its risk exposure to one large client; therefore, the strategy aims at increase of other revenues, within Slovenia as well as from the international markets. With the sales of mining design services and mining equipment, we are present in the Macedonian, Turkish and Slovakian markets and we are penetrating also the Middle East markets.
PV's strategy is aimed at increase of revenue that is not based on coal, therefore, the strong exposure to one buyer is reduced in line with strategic policies and corrections of development plans of Premogovnik Velenje, as well as of other related entities.

Unstable and unfavourable conditions in the fields of construction-related investments in all branches of the economy continued also in 2012. This phenomenon could be seen in postponing the launch or continuing of some large projects in the energy sector that the PV Group is tied to. These trends are expected also in 2013. In order to manage the market risks, the PV Group companies strive to gain or to participate in performance of various technological and regional projects.

Decreased demands for restaurant and hotel services marked also the financial year of 2012. The Group carried out numerous activities for expansion and diversification of the product range in the way that the market risks were managed as well.
According to our estimates, the influence of market risk is relevant, while the probability of its occurrence is medium. The PV Group's market risk is managed effectively.

2.5.4 CREDIT RISK

The credit risk, which arises from relations with the clients, is predominantly connected with realisation of contractual relations regarding coal sales to TEŠ under the TEŠ-HSE-PV three-party agreement. Such risk is relevant and the probability of payments not being settled increased in 2012, due to a demanding liquidity situation in the HSE Group; nevertheless, the risk was managed within the PV Group.

The risk for the Group increased also due to increased sales outside the coal range. Nonetheless, the Group's credit risk is managed through verification of the clients' credit ratings and through an adequate payment collateralisation.

2.5.5 PRICE RISK

Price risk is the risk arising from fluctuation of our suppliers' market prices. The prices of materials and equipment went up, which importantly influenced the cost of coal production, as well as of other products and services the Group provides. The price risk in the Group was successfully managed, thanks to our measures for conclusion of annual contracts, which result in more favourable prices, and negotiations with suppliers.

2.5.6 HR RISK

The HR function, i.e. human resources management, is an important part of risk management. Our goal is sufficient number, proper structure, and appropriate qualification and satisfaction of employees. Human resources risks are managed through good communication with employees, improvement of working conditions, proper organisation of work, and education and training, appropriate remuneration and compliance with all employment-related legislation. By ensuring appropriate structure and number of employees, we are pursuing the strategic goals of the Group.

Consequences of HR risks, which could result in non-achievement of work results and the Group's goals, as well as in increased labour costs and dissatisfaction, were managed with implementation of a long-term HR plan, monitoring of changes in human resources, timely introduction of competent staff, adequate rewarding and taking care of the staff's health.
According to our estimates, HR risk has a significant influence on the PV Group's goals achievement; however, the probability of its occurrence is low. All human resources risks were managed.

2.5.7 IT SYSTEM RISKS

The Group's IT system risk refers to fire outbursts, errors on hardware and software, malicious software code, hacking via the internet, unauthorised data access, power outages or air-conditioning malfunction.
A fire can destroy hardware, as well as software and data that are installed or stored on the hardware. Fire outburst probability is low, but its consequences can be extensive.
We are protected against the risk with a fire safety system and back-up copies of data and software. In addition, the main servers and relevant data are duplicated at the TEŠ location. Back-up copies are stored in a fireproof safe. Once a week, a back-up copy is made at the TEŠ location.
Errors on hardware and software can result in inaccessibility of data and IT services or even in loss of data. The risk probability is low and its consequences are estimated as medium.
We protect ourselves against this risk by producing back-up copies of data and software. In addition, the main servers and relevant data are duplicated at the TEŠ location. The system is checked occasionally. Back-up copies are stored in a fireproof safe. Once a week, a back-up copy is made at the TEŠ location.
A malicious program code can result in inaccessibility or loss of data and unavailability of services. The risk probability is low and its consequences

are estimated as medium.
Computers are protected against malicious codes with security software. Hacking of the system via the internet can result in loss or unauthorised disclosure of data and unavailability of services. The risk probability is low and its consequences are estimated as medium.
The local network is protected against the external network with firewalls and software for monitoring traffic between the local and external network. Unauthorised access to data can lead to disclosure of confidential information to unauthorised users, its destruction or incompleteness.
The risk probability is low and its consequences are estimated as medium.
Security mechanisms and policies enable access to the information system only to authorised users. We have also implemented a programme for tracking of audit trails when sensitive information is being accessed.
Power outages or defective air-conditioning devices can result in unavailability of the system, hardware failures. The risk probability is low and its consequences are considered as less important.
The power to the system hardware is supplied through two separate electricity branches and stand-alone UPS devices with a back-up capacity of one hour. Additionally, in the event of a blackout, the power to the system room is supplied by a diesel generator. The system room is cooled by two double air-conditioning devices.
The Group manages its information system risk successfully.

2.5.8 MANAGING THE CRISIS IN 2012

As in the majority of other companies, the economic crisis also affected operations and risk management policies in the PV Group. In 2012, we continued implementing measures for management of operations of our companies. The coal sales price in the Business plan for 2012 was lower compared with the previous year. Due to lower selling price of coal, we increased the control over costs with the purpose to achieve the goals set. A monthly monitoring of costs within the scope of Cost management committee was implemented. Measures for management of costs, that were monitored on monthly basis, were adopted in all related companies of the Group and in all areas. The majority of adopted measures were implemented in full, while the measures that affect management of operations for a longer period will be carried out also in the future. Performance ratios are monitored monthly and at the Group level, which enables us to measure the effects of adopted measures.

In light of the changed operating conditions, we attempted to reduce effects of decreased sales of coal and difficult market circumstances on solvency. Due to financial crisis and, consequently, the banking sector crisis, we were unsuccessful with achieving the planned long-term borrowing also in 2012; however, we did manage to ensure uninterrupted operations and solvency.

2.6 RESEARCH AND DEVELOPMENT

In 2012, the following research and development activities were carried out in Premogovnik Velenje Group:

Extraction and transport of coal, and ecology – ventilation and the struggle with coal dust

On the basis of flammability and explosiveness parameters, as well as on the basis of regular measurements of coal dust in the pit, we monitored the consumption of water for dust removing via the InTouch system, thus the humidity level of coal dust at shafts and haulage roadways. We carried out upgrades, i.e. implemented new technological solutions for coal dust dumping at shafts and haulage roadways.
Optimisation measures were implemented in the ventilation area.

Optimisation and automation of coal transport

We continued with the automation of the main coal transport system and provided for ongoing centralised control, easier maintenance of the system, quicker elimination of failures and hold-ups, optimal load of the transport line, the possibility of upgrading the system with a centralised coal loading system on the main transport line, and optimised transport costs. We enabled schematic overview and remote controlling of the whole transport process via the security technology information system (VTIS).

Pit roadways

During development of roadway constructions, we were focused on the technological process, optimisation and humanisation of working stages, roadway substructures, isolation

hull of the roadway, and transport of coal from preparatory sites as well as organisational structure. We were engaged in the following activities: automation of coal removal from preparation sites, trial installation of arches and connecting links (JLP, type K29), injection of two-component glue and introduction and development of new equipment (shredders, road-header, arch feeders, plastering machines).

Electricity area

We upgraded the STIS and the security-monitoring system (SMS). In the area of the development of mine gas measuring instruments, we are looking for solutions that are based on the IR principle. We also started with designs for the project for the automation and remote controlling of the Nove Preloge DTS and the VoIP telecommunication project.

Energy area

With regard to efficient energy use (EEU) we were engaged in development activities in the area of energy (electricity and thermal energy), compressed air, process and drinkable water, fuel and light pollution. We continued the upgrade of the Central Energy Monitoring System (CEMS) which provides for effective energy management and targeted use of energy.

Clean coal technologies (CCT)

Within the scope of Clean coal technologies, we continued with the activities for lignite degasification, the CCS technologies (capture and storage of CO_2) and underground coal gasification. In the context of the first activity, we are carrying out two international projects, i.e. CogasOUT and GHG2E. In this view, we are monitoring various extraction parameters on the wide faces and comparing them to gas, atmospheric and geo-mechanical measurements, which will serve as a basis for the lignite degasification model. The system of degasification test was established at the end of 2012. The other two activities are carried out through the RCE operation (Energy development centre), which comprises the project Methodology of CO_2 fixation on fly ash and the project Underground coal gasification. In 2012, we co-financed the following applied projects of the Slovenian Research Agency: Structural model of the Velenje lignite and Petrology of lignite - referring to lignite types that are extracted and used in Slovenia, lignite gases and their gas-sorption properties.
We participated also in the ZETePO project for capture and storage of CO_2 (CCS). Two of our students are enrolled in postgraduate studies and participate in a programme for young researchers in the area of economy. Our results were presented at a number of local and international conferences and workshops.

Geological and geo-mechanical surveys and hydro-geological research in the mine and on the surface

We continued with our research of geological and hydro-geological conditions on the western edge of the coal layer. Piezometer borehole PH-13/12 was designed. We also carried out studies of the stress state in front of the mining site and in the long-wall pillars in the mine (installation of measuring equipment, measurements, processing of data etc.).
Development and research activities were performed within the framework of co-financed EU projects, where we cooperate with various international experts:

- CogasOUT (RFCS tender) – New technologies for anticipation of gas outbursts and emissions in thick coal layers.
- LOWCARB (RFCS tender) – 'low-carb' initiatives - Optimisation of ventilation and water extraction and capture of CH_4 from the air in the mines.
- OPTI-MINE (RFCS tender) – Demonstration of possibilities for optimisation of processes for better efficiency and safety in coal mines by using the latest IT and communication technologies.
- GHG2E (7. OP tender) – Efficient use of coal gases from coal mines and layers and their conversion into energy.
- RCE – (Ministry of Economy tender, ERDF fund), Energy research centre (Methodology of CO_2 fixation on fly ash, Underground coal gasification and EKO wind power plants.

Research activities are performed also through our cooperation with the Jožef Stefan International Postgraduate School, within the framework of postgraduate studies curricula regarding:

- research on gas dynamics (methane – CO_2) in wide faces area,
- assessment and management of unpleasant odours in connection with coal gases emissions in the environment,
- research on innovative methods for degasification of coal seams.

The Group also prepared applications for new tenders – six project applica-

tions regarded tenders for activity co-financing (two to RFCS, two to the Slovene Human Resources and Scholarship Fund, one to the Slovenian Research Agency and one to the Ministry of Education, Science and Sport - development of e-services).

Other research activities

HTZ:

- successfully completed the assessment of qualification in accordance with the ATEX directive and the new standard under the IECEx scheme. At the public tender 'Research voucher', which is co-financed by the EU, the company obtained sources for performance of research and development of measurement system for testing explosion proof equipment.

- The company entered in cooperation with the Centre for International Cooperation and Development (CMRS) that co-finances development projects. Opportunities in this area especially regard development of pit areas, preparation sites and establishment of safety and information system.

- Research and development within the programme AquaVallis are aimed at searching for new technologies for purification and processing of drinkable water. With the Institute of Chemistry, the company HTZ cooperates also in the project RCE 031 - Membrane bioreactor for elimination of nitrates, for development of the bioreactor.

RGP:

- The company performed operational research activities in accordance with technology policies in the area of comprehensive technological solutions in geo-technology (construction and renovation of underground workings, drilling and blasting works, and landslide restoration), reinforcement and sealing of dams, concrete work in construction of vertical underground areas.

2.7 PLANS FOR THE FUTURE

The modernisation of Termoelektrarna Šoštanj thermal power plant through the construction of a new 600 MW Unit is a solid basis for another 50 years of electricity production in the Šalek Valley. The new Unit is by all means of crucial importance for reliable and safe electricity supply of Slovenia. By complying with all environmental requirements it is also important for environment-friendly production of electricity. The new Unit 6 is also crucial for the further development of Premogovnik Velenje. Over 170 million tonnes of coal for the production of energy are deposited in the depths of the Šalek Valley (of which as at 1 January 2012 over 120 tonnes of extraction coal), which can be used for energy production and will be fully used until the end of operations at Unit 6. The unit will be built according to the most up-to-date environmental principles and will ensure – provided that the price of coal remains competitive – competitive electricity production.

Premogovnik Velenje is inextricably linked to the Slovene energy sector as it will, through supply of a local energy product and in connection with construction of Unit 6, provide for reliable and safe electricity supply to Slovenia up until 2054. Due to constant growth in demand for energy, the coal will remain an important link in supply of electricity not only in Slovenia, but also in Europe and globally.

The production of electricity from coal is also burdened by pollution charges and duties. That is why we need to purchase CO2 quotas, which are known to exceed the value of the energy product itself in certain periods of the year. Conditions will deteriorate particularly after 2012, when all the required quotas for electricity production in thermal energy facilities in Slovenia will have to be purchased in auctions. These additional costs, which burden our product, require that we ensure maximum efficiency of our core process of coal production so that in these competitive circumstances we can produce electricity at competitive prices. In our future development, the main projects will include optimisation of face dimensions (length, height, speed), modernisation of the technological process used in construction of underground workings, and automation of all work operations that can be used in the above processes. The Group believes that substantial savings can be achieved through rationalisation of coal transport, as part of which coal transport lines will be considerably shortened thanks to the new NOP II export shaft, thus decreasing the number of underground workings required, reducing the number of employees and the necessary capacity of the ventilation system. In addition to all these efforts, we will continue to focus on occupational health and safety, working conditions and the humanisation of working procedures.

Next to coal production, the operations of Premogovnik Velenje Group increasingly involve the sale of expertise, services and products. The basic goal of all related and associated companies of PV is gradual decrease in dependence from the parent company. In addition to reliable and competitive supply of domestic coal for electricity production, we will seek for development and international positioning opportunities also within the transfer of our highly professional engineering expertise, technology or know-how outside Slovenia. This represents an exceptional opportunity for the whole Group and the future of Premogovnik Velenje in the following decades.

2.8 IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- At its extraordinary session in January 2013, the PV General Meeting appointed two new members of the Supervisory Board.
- There were no significant events after the balance sheet date that could affect the financial statements for 2012.
- In January, Business plans for 2013 (2014-2015) of all the PV Group companies were adopted.

FINANCIAL REPORT

03

3.1 AUDITOR'S REPORT FOR THE PV GROUP

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INDEPENDENT AUDITOR'S REPORT
to the owners of Premogovnik Velenje d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Group Premogovnik Velenje d.d. (the Group), which comprise the statement of financial position as at 31 December 2012, 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 consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by 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 procedures selected 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 entity'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 entity'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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by EU.

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.

Tina Kolenc Praznik
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

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

Ljubljana, 20 June 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

3.2 INTRODUCTORY NOTES TO THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial report represents financial statements with the notes by the Premogovnik Velenje Group (hereinafter: the 'PV Group').

On the basis of the decision reached at the 17th regular General Meeting of Premogovnik Velenje d.d. of 30 August 2010, the PV Group consolidated 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 consolidated financial statements with explanatory notes and prepared the Independent Auditor's Report included at the beginning of the section.

Statement of management's responsibility published below includes responsibility for financial statements of the PV Group.

The annual report of Premogovnik Velenje Group for 2012 financial year is available at the company's registered office (Partizanska cesta 78, Velenje) and on the website www.rlv.si.

3.3 STATEMENT BY THE PV GROUP MANAGEMENT

The Management Board of the parent company Premogovnik Velenje d.d. is responsible to prepare the consolidated financial statements for each individual financial year in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union in a manner that they give a true and fair view of the financial position of the Premogovnik Velenje Group.

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

The Management Board's responsibility in preparation of the consolidated financial statements includes the following:
- *accounting policies are appropriately selected and consistently used,*
- *judgements and assessments are reasonable and wise,*
- *the consolidated financial statements are prepared in accordance with IFRS adopted by the EU; all possible significant deviations are disclosed and explained in the report.*

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

The Management Board confirms that the consolidated financial statements are prepared in accordance with the provisions of IFRS without reservations when being used.

The Management Board adopted the consolidated financial statements of the Premogovnik Velenje Group for the financial year ended 31 December 2012 as at 20 June 2013.

Velenje, 20 June 2013

Member of the Management Board:
Vladimir Malenković, PhD

Member of the Management Board – Worker Director:
Sonja Kugonič

President of the Management Board:
Milan Medved, PhD

3.4 FINANCIAL STATEMENTS OF THE PV GROUP

3.4.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE PV GROUP

in EUR

No.	Item	Note	31 December 2012	31 December 2011
	ASSETS		**275.473.542**	**265.557.470**
A.	**LONG-TERM ASSETS**		**221.858.199**	**205.831.539**
I.	Intangible assets	3.5.10.1	1.223.830	1.330.804
II.	Property, plant and equipment	3.5.10.2	211.805.973	189.896.786
III.	Investment property	3.5.10.3	0	0
IV.	Long-term investments in subsidiaries	3.5.10.4	6.000	3.995.292
V.	Other long-term investments and loans		1.131.124	1.230.979
1.	Other long-term investments	3.5.10.5	1.018.679	982.558
2.	Long-term financial receivables and loans	3.5.10.6	112.445	248.421
VI.	Long-term operating receivables	3.5.10.7	430.150	690.770
VII.	Other long-term assets	3.5.10.8	471.123	593.365
VIII.	Deferred tax assets	3.5.10.9	6.789.999	8.093.543
B.	**SHORT-TERM ASSETS**		**53.615.343**	**59.725.931**
II.	Inventories	3.5.10.10	16.260.234	16.038.251
III.	Short-term investments and loans		1.087.700	1.762.678
2.	Short-term financial receivables and loans	3.5.10.11	1.087.700	1.762.678
IV.	Short-term operating receivables	3.5.10.12	35.236.518	37.287.205
V.	Current tax assets	3.5.10.13	58.862	81.199
VI.	Other current assets	3.5.10.14	754.673	12.052
VII.	Cash and cash equivalents	3.5.10.15	217.356	4.544.546
	EQUITY AND LIABILITIES		**275.473.542**	**265.557.470**
A.	**EQUITY**	**3.5.10.16**	**115.506.745**	**114.026.269**
I.	Called-up capital		113.792.981	113.792.981
IV.	Fair value reserve		(646.385)	(218.193)
V.	Retained earnings		1.037.022	451.481
VIII.	Minority interest		1.323.127	
B.	**LONG-TERM LIABILITIES**		**85.126.036**	**95.076.995**
I.	Provisions for termination and jubilee benefits	3.5.10.17	5.253.774	5.128.637
II.	Other provisions	3.5.10.18	28.900.951	37.509.992
III.	Other long-term liabilities	3.5.10.19	7.720.832	6.205.743

in EUR

B.	**LONG-TERM LIABILITIES**		**85.126.036**	**95.076.995**
IV.	Long-term financial liabilities	3.5.10.20	42.804.682	45.659.642
V.	Long-term operating liabilities	3.5.10.21	445.797	572.981
C.	**SHORT-TERM LIABILITIES**		**74.840.761**	**56.454.206**
II.	Short-term financial liabilities	3.5.10.22	36.968.963	26.612.124
III.	Short-term operating liabilities	3.5.10.23	36.277.532	28.268.227
IV.	Current tax liabilities		9.138	16.701
V.	Other short-term liabilities	3.5.10.24	1.585.128	1.557.154

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

3.4.2 CONSOLIDATED INCOME STATEMENT OF THE PV GROUP

in EUR

No.	Item	Note	2012	2011
1.	Net sales revenue	3.5.10.26	166.159.547	149.111.006
2.	Changes in inventories of products and work-in-progress	3.5.10.27	1.633.416	1.714.941
3.	Capitalised own products and own services	3.5.10.28	9.211.383	9.130.571
4.	Other operating revenue	3.5.10.29	19.991.777	15.007.488
	GROSS RETURN ON OPERATIONS		**196.996.123**	**174.964.006**
5.	Costs of goods, materials and services	3.5.10.30	76.525.986	57.264.669
6.	Labour costs	3.5.10.31	88.585.694	87.275.776
7.	Write-downs in value	3.5.10.32	24.817.527	23.069.275
8.	Other operating expenses	3.5.10.33	4.246.714	3.452.263
	OPERATING PROFIT OR LOSS		**2.820.202**	**3.902.023**
9.	Financial revenue	3.5.10.34	328.726	470.256
10.	Financial expenses	3.5.10.35	2.919.241	4.695.465
	FINANCIAL PROFIT OR LOSS		**-2.590.515**	**-4.225.209**
	PROFIT OR LOSS BEFORE TAX		**229.687**	**-323.186**
11.	Current tax		11.273	78.377
12.	Deferred taxes		1.399.835	151.592
	TAX	**3.5.10.36**	**1.411.108**	**229.969**
13.	**NET PROFIT OR LOSS FOR THE YEAR**		**-1.181.421**	**-553.155**
	NET PROFIT OR LOSS OF THE CONTROLLING OWNER		**-1.012.342**	
	NET PROFIT OR LOSS OF MINORITY SHAREHOLDERS		**-169.079**	

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

3.4.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE PV GROUP

in EUR

No.	Item	Note	2012	2011
13.	**NET PROFIT OR LOSS FOR THE FINANCIAL YEAR**		**-1.181.421**	**-553.155**
18.	Net effects of changes in fair value of hedges against changeability of cash flows	3.5.10.16	-149.099	-497.286
19.	Share of other comprehensive income of associates and joint ventures calculated using equity method	3.5.10.16	0	-41.451
20.	**TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR**		**-1.330.520**	**-1.091.892**
21.	Net profit or loss of the controlling owner		-1.012.342	-553.155
22.	Net profit or loss of minority owners		-169.079	0

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

3.4.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE PV GROUP

in EUR

No.	Item	Called-up capital		Fair value reserves	Retained earnings			TOTAL
		Share capital	Uncalled capital		Retained net profit or loss	Net operating profit or loss of the financial year	Minority interest	
A.1.	**Balance as at 31/12/2010**	**113.792.981**	**0**	**320.544**	**0**	**1.004.636**	**0**	**115.118.161**
A.2.	**Balance as at 1/1/2011**	**113.792.981**	**0**	**320.544**	**1.004.636**	**0**	**0**	**115.118.161**
B.1.	**Transactions with owners**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.2.	**Changes in total comprehensive income**	**0**	**0**	**(538.737)**	**0**	**(553.155)**	**0**	**(1.091.892)**
a)	Net profit or loss for the period					(553.155)	0	(553.155)
b)	Other changes in comprehensive income			(538.737)				(538.737)
B.3.	**Changes in equity**	**0**	**0**	**0**	**(553.155)**	**553.155**	**0**	**0**
d)	Settlement of loss as a deduction component of equity				(553.155)	553.155	0	0

in EUR

No.	Item	Called-up capital		Fair value reserves	Retained earnings			TOTAL
		Share capital	Uncalled capital		Retained net profit or loss	Net operating profit or loss of the financial year	Minority interest	
C.	**Balance as at 31/12/2011**	**113.792.981**	**0**	**(218.193)**	**451.481**	**0**	**0**	**114.026.269**
A.1.	**Balance as at 31/12/2011**	**113.792.981**	**0**	**(218.193)**	**451.481**	**0**	**0**	**114.026.269**
A.2.	**Balance as at 1/1/2012**	**113.792.981**	**0**	**(218.193)**	**451.481**	**0**	**0**	**114.026.269**
B.1.	**Transactions with owners**	**0**	**0**	**0**	**1.318.790**	**0**	**1.492.206**	**2.810.996**
j)	Other changes in equity				81.663			81.663
k)	Effect of inclusion of the company Golte d.o.o. in consolidated financial statements				1.237.127		1.492.206	2.729.333
B.2.	**Changes in total comprehensive income**	**0**	**0**	**(149.099)**	**0**	**(1.012.342)**	**(169.079)**	**(1.330.520)**
a)	Net profit or loss for the period			0	0	(1.012.342)	(169.079)	(1.181.421)
b)	Other changes in comprehensive income			(149.099)	0			(149.099)
B.3.	**Changes in equity**	**0**	**0**	**(279.093)**	**(733.249)**	**1.012.342**	**0**	**0**
d)	Settlement of loss as a deduction component of equity			0	(1.012.342)	1.012.342	0	0
g)	Other changes in equity			(279.093)	279.093			0
	Balance as at 31/12/2012	**113.792.981**	**0**	**(646.385)**	**1.037.022**	**0**	**1.323.127**	**115.506.745**
	ACCUMULATED PROFIT	**0**	**0**	**0**	**1.037.022**	**0**	**0**	**1.037.022**

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

3.4.5 CASH FLOW STATEMENT OF THE PV GROUP

in EUR

No.	Item	2012	2011
A.	**Cash flows from operating activities**		
a)	**Items of income statement**	**7.373.756**	**15.148.566**
	Operating (except from revaluation) and financial revenue from operating receivables	176.509.848	161.656.302
	Operating (except from revaluation and amortisation/depreciation) and financial expenses for operating liabilities	(167.724.984)	(146.277.767)
	Income tax and other taxes not included in operating expenses	(1.411.108)	(229.969)
b)	**Changes in operating items of the cash flow statement**	**10.257.682**	**(7.026.830)**
	Opening less closing operating receivables	2.171.826	(1.753.631)
	Opening less closing other assets	(620.379)	(420.839)
	Opening less closing deferred tax assets	1.303.544	27.271
	Opening less closing inventories	(1.771.330)	(2.985.370)
	Closing less opening operating liabilities	7.849.079	1.359.426
	Closing less opening provisions for other liabilities and provisions	1.324.942	(3.253.687)
c)	**Net cash from financing activities**	**17.631.438**	**8.121.736**
B.	**Cash flows from investing activities**		
a)	**Cash receipts from investing activities**	**9.442.123**	**26.394.361**
	Cash receipts from interest	4.095	0
	Cash receipts from property, plant and equipment (including advances)	1.211.176	998.737
	Cash receipts from investment property (including advances)	11.700	1.377
	Cash receipts from other long-term investments	138.173	23.533
	Cash receipts from other short-term investments	8.076.979	25.370.714
b)	**Cash disbursements from investing activities**	**(29.493.270)**	**(51.515.125)**
	Cash disbursements from intangible assets (including advances)	(142.403)	0
	Cash disbursements from property, plant and equipment (including advances)	(24.346.723)	(27.554.151)
	Cash disbursements from long-term loans given and other long-term investments	(34.323)	(544.354)
	Cash disbursements from short-term loans given and other short-term investments	(4.969.821)	(23.416.620)
c)	**Net cash from investing activities**	**(20.051.147)**	**(25.120.764)**

in EUR

C.	**Cash flows from financing activities**		
a)	**Cash receipts from financing activities**	**121.238.359**	**92.897.190**
	Cash receipts from long-term loans received and other long-term financial liabilities	562.144	4.714.363
	PCash receipts from short-term loans received and other short-term financial liabilities	120.508.079	88.182.827
	Cash receipts to cover negative balances in bank accounts	168.136	0
b)	**Cash disbursements from financing activities**	**(123.145.840)**	**(74.845.102)**
	Interest paid on loans received	(2.968.825)	(2.369.243)
	Cash disbursements from long-term loans received and other long-term financial liabilities	(9.031.248)	(6.487.487)
	Cash disbursements from short-term loans received and other short-term financial liabilities	(111.145.767)	(65.988.372)
c)	**Net cash from financing activities**	**(1.907.481)**	**18.052.088**
D.	**Cash and cash equivalents at the beginning of period**	**4.544.546**	**3.491.486**
	Increase/(decrease) of cash and cash equivalents	(4.327.190)	1.053.060
E.	**Cash and cash equivalents at the end of period**	**217.356**	**4.544.546**

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

3.5 NOTES TO THE FINANCIAL STATEMENTS OF PV GROUP

3.5.1 REPORTING PV GROUP

Together with its subsidiary companies, Premogovnik Velenje (hereinafter: the 'Group') forms a group of companies for which it prepares consolidated annual report that can be obtained at the parent company's registered office at Partizanska cesta 78, Velenje. In the report the consolidated financial statements are presented for the year ended 31 December 2012. Consolidated financial statements for the HSE Group are prepared by the company Holding slovenske elektrarne d.o.o. (hereinafter: HSE). The consolidated annual report for the HSE Group is available at the registered office of HSE.

The Group's main activity is the extraction of lignite. In addition to its main activity, the Group performs a number of other activities such as mining, mechanical and electro design of underground facilities and surface mines, construction of underground facilities, drilling, geo-mechanical research, cave surveying, hydro-geological and technological services, educational services, ski run services, restaurant services, hotel activities, electro services, service and production of equipment, construction activity, investments, landscaping and land survey services, care of the elderly and disabled, etc.

3.5.2 BASIS FOR PREPARATION

In the preparation of consolidated financial statements as at 31 December 2012, the Premogovnik Velenje Group 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,
- the Corporate Income Tax Act,
- Implementing regulations of Corporate Income Tax Act,
- Implementing regulations of the company Premogovnik Velenje d.d.,
- the Mining Act,
- the Energy Act, and
- other relevant legislation.

a) Standards and interpretations effective in the current period

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

- Amendments to IFRS 7 'Financial instruments: Disclosures' - Transfer of assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these amendments to the existing standards has not led to any changes in the PV Group's accounting policies.

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

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 10 'Consolidated financial statements', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- IFRS 11 'Joint arrangements', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- IFRS 12 'Disclosure of interests in other entities', adopted by the EU on 11 December 2012 (effective for the annual periods starting on or after 1 January 2014),
- 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),
- 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),
- 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),
- Amendments to IFRS 1 'First-time adoption of IFRS - Severe hyperinflation and removal of fixed dates for first-time adopters', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- 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),
- Amendments to IAS 1 'Presentation of financial statements – Presentation of items of other comprehensive income', adopted by the EU on 5 June 2012 (effective for annual periods starting on or after 1 July 2012),
- Amendments to IAS 12 'Income taxes - Deferred tax: Recovery of underlying assets', adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2013),

- 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),
- 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),
- 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 Group decided not to adopt these standards, amendments and interpretations before they enter into force. The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated financial statements in the period of initial application.

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

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 1 'First-time adoption of IFRS - Government loans' (effective for the annual periods starting on or after 1 January 2013),
- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments: Disclosures - Mandatory effective date and transition disclosures',
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities - Transition guidance' (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements – Investments' (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards – 'Improvements to IFRSs (2012)', resulting from the annual project for improvement of IFRSs published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), primarily with a view to remove inconsistencies and to clarify wording (changes will need to be applied for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the consolidated financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group's estimates, application of hedge accounting for the portfolio of financial assets and liabilities pursuant to IAS 39: 'Financial instruments: Recognition and measurement', would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

3.5.3 BASIS OF MEASURMENT

The Group's consolidated financial statements are prepared on the basis of historical values of balance sheet items except the assets and liabilities carried at fair value, among which the Group discloses derivatives.

3.5.4 CURRENCY REPORTINGS

a) Functional and presentation currency

The consolidated financial statements contained in this Report are presented in euro (EUR) without cents. The euro has been the functional and presentation currency of the Group. Due to the rounding of amounts, minor but insignificant deviations exist in the tables.

b) Foreign currency translation

Transactions expressed in a foreign currency are translated into the relevant functional currency at the exchange rate applicable on 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 consolidated income statement.

3.5.5 USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires that the Management Board 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 judgements are based on past experience and other factors that are considered reasonable in the 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 amortisable assets,
- test of impairment of assets,
- assessment of fair value of available-for-sale financial assets,
- assessment of fair values of derivatives,
- assessment of net realisable value of inventories,
- assessment of realisable values of receivables,
- assessment of provisions for jubilee and termination benefits,
- assessment of other provisions,
- assessment of contingent liabilities and receivables.

3.5.6 BRANCHES AND REPRESENTATIVE OFFICES

As at 20 October 2011, the controlling company Premogovnik Velenje established a branch office in the Republic of Macedonia. The title of subsidiary is Premogovnik Velenje d.d. – Velenje Branch Office in the Republic Macedonia Skopje with its registered office at Ul. Volgogradska no. 12/2-2 Skopje – Karpoš.
In 2012, the Group operated through the branch office to a minimum degree.

3.5.7 IMPORTANT ACCOUNTING POLICIES

The Premogovnik Velenje Group's consolidated financial statements are prepared on the basis of accounting policies presented below. The above-mentioned accounting policies are used for all years presented, unless otherwise indicated.
Comparative data is compliant with the presentation of data in the current year. The comparative data was adopted when needed so that they are in accordance with the presentation of data in the current year.

3.5.7.1 INTANGIBLE ASSETS

Intangible assets are long-term assets enabling performance of the Group's registered activities, whereas physically they do not exist. Among intangible assets, the Group records long-term property rights and other intangible assets (deferred costs of development).

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.
Intangible assets are subsequently measured using the cost model.

Amortisation is accounted for on a straight-line basis, taking into account the useful life of each individual (integral) part of an intangible asset. The

amortisation begins to be calculated from the cost when an asset is available for use.
Goodwill appears in consolidation and it represents a surplus of cost over the company's share in fair value of acquired recognisable assets, liabilities and contingent liabilities of the subsidiary on the date of acquisition. Good will is not amortised; however, a verification of potential impairment signs is carried out at least once a year. Each impairment is immediately recognised in the consolidated income statement and is not subsequently reversed. In case of disposal of subsidiary, relevant amount of goodwill is included in the establishment of profit/loss in sales and effect on the Group's profit or loss.

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

The useful right of property right is 10 years, while for other intangible assets it expires in 5 years.
Amortisation methods, useful lives and other asset groups values are examined at the end of each financial year and adapted if needed.

Subsequent 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.

3.5.7.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are long-term assets owned by the Group 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. 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 later measurement of property, plant and equipment the cost model is used.

Depreciation is calculated on a straight-line basis, taking into account the useful life of individual (integral) part of a fixed asset and residual value. Land and certain other assets are not depreciated. Depreciation begins when an asset is available for use. Constructions in progress are not depreciated.

ASSETS	Depreciation rate (in %)
Buildings	0.01 to 6.67
Parts of buildings	0.01 to 6.67
Production and other equipment	0.12 to 20.0
Parts of production equipment	0.12 to 20.0
Computers	6.45 to 50.00
Personal vehicles	10.64 to 20.0

Depreciation methods, useful lives and other asset groups values are examined at the end of each financial year and adapted if needed.
In case useful life is extended, the Group 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 fixed 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 Group 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.

Costs that occur in relation to a fixed asset increase its carrying amount when they increase its future economic benefits in comparison with the originally assessed future economic benefits.

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.

The Groups has fixed assets under financial lease, while it has no fixed assets that would be acquired free of charge.

3.5.7.3 INVESTMENT PROPERTY

Investment property includes land and buildings under the Group's ownership or financial lease with the purpose to acquire rents and increase in property value. Investment property is not used for production and sales of goods or services and administrative purposes or for regular operations.
Investment property is measured using cost model. After recognition, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The Group considers depreciation rates and calculation of depreciation in the same manner as with regard to property.

3.5.7.4 INVESTMENTS IN SUBSIDIARIES

A consloidated subsidiary is a company where the controlling company holds a majority stake or has dominant control due to other reasons, and which is a part of the group for which the consolidated financial statements are prepared.

Consolidated financial statements do not include investments in subsidiaries, except in case of companies, which are not important from the Group's perspective. These are carried at cost.

The subsidiaries are consolidated using the full consolidation method. Exceptions are the companies Jama Škale v zapiranju (dormant company – fully owned by the company PV) and SAŠA Inkubator (PV Invest holds a 60% share), which in 2012 were not consolidated because of their immateriality. As at 31 December 2012, the subsidiary Golte d.o.o., which in the previous years was excluded from consolidation due to its immateriality, was consolidated for the first time.

In the procedure of full consolidation, the mutual receivables and debts, mutual revenue and expenses and equity consolidation are eliminated.

3.5.7.5 INVESTMENTS IN ASSOCIATES

Associates are companies, in which the company has between 20% and 50% of voting rights and in which it has significant influence over their operations, but does not control them.

Associates are consolidated using the equity method. This means that after the initial recognition, the investment increases or decreases according to the investor's share in profit or loss of the associate.
Here, a proportional part of profit or loss of accounting period is included in the income statement of the Group, while the effects of the previous years are disclosed in transferred profit or loss.

3.5.7.6 FINANCIAL INSTRUMENTS

Financial instruments include the following assumptions:

- non-derivative financial assets,
- non-derivative financial liabilities,
- derivatives.

a) Non-derivative financial assets

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

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 designated as available-for-sale.

They are valued at fair value in case the latter can be determined and whether profit or loss is recognised directly in the comprehensive income or equity, except losses due to impairment and profit and loss from the conversion of foreign exchange differences until the financial asset is recognised. At derecognition of investment, the accumulated profit and loss recorded in the comprehensive income are transferred to profit or loss.

In case the fair value cannot be reliably measured since the range of justified fair value assessments is of significant importance and the probability of various assessments is difficult to be assessed, but it assesses the signs of impairment, the Group measures the financial asset at cost.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included under current assets, except in case of maturities of more than 12 months after the date of the statement of financial position. In such case they are classified under long-term assets. Loans and receivables are carried in the statement of financial position under operating, financial and other receivables at amortised cost taking into account the applicable interest rate.

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. Overdrafts on bank accounts are included under short-term financial liabilities.

b) Non-derivative financial liabilities

Non-derivative financial liabilities comprise operating, financial and other liabilities. Financial liabilities are initially carried at fair value increased by the costs that are directly attributable to the transaction. After the initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The portion of long-term financial liabilities that falls due within less than a year after the income statement date is disclosed under short-term liabilities.

c) Derivatives

Derivatives are used for the hedging of Group's exposure against interest rate risks.
They are financial instruments that do not require initial financial investment, while their value is changing due to change in interest rate, prices of goods, currency rate etc.
Derivatives are initially recognised at fair value.
After the initial recognition, derivatives are measured at fair value, while the corresponding changes are considered in the following manner:

- when a derivative is defined as hedging in case of exposure to changeability of cash flows that may be attributed to an individual risk related to recognised asset, liability or very probable envisaged transactions, which can affect the profit or loss, the successful portion of changes in fair value of derivative is recognised in comprehensive income and disclosed in risk hedging reserve. Unsuccessful portion of changes in the fair value of financial instrument is directly recognised in the income statement. The Group shall discontinue prospectively the hedge accounting if the hedge no longer meets the criteria for hedge accounting, if the hedging instrument is sold, terminated or exercised. The accumulated profit or loss recognised in comprehensive income remains recorded in the hedging reserve until the envisaged transaction impacts the profit or loss. In case the envisaged transaction cannot be expected any longer, the amount in comprehensive income shall be recognised directly in profit or loss. In other cases, the amount recognised as comprehensive income is transferred to profit or loss for the same period in which the protected item affects the profit or loss.
- effects of other derivatives, which are not determined as risk hedges in case of exposure to cash flow changeability or cannot be attributed to individual risk related to recognised asset or liability, are recognised in profit or loss.

3.5.7.7 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, materials and services. Purchase price discounts comprise discounts indicated in the invoice as well as discounts that are received later and refer to individual purchase.

The value of finished products and work in progress includes total production costs in the narrow sense, which comprise costs of materials, direct costs of services, direct labour costs, direct depreciation/amortisation costs and general production costs. General production costs are costs of materials, services, salaries and amortisation/depreciation, which are charged in the framework of production process, but cannot be directly connected to products or services being produced or rendered. A part of production costs in purchased costs (materials, services, labour costs and amortisation) are established once per year on the basis of data from the previous year.

If the prices of the items that are purchased anew in the accounting period differ from the prices of inventory items of the same class, the first-in first-out (FIFO) method is applied to decrease (use) the quantities of inventories during the year.

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

3.5.7.8 IMPAIRMENT OF ASSETS

a) 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 assets that can be reliably measured have been decreased.

Objective evidence on the impairment of financial assets can be: noncompliance or violation by the debtor; restructuring of the amount that others owe to the Group in case the latter agrees; signs that the debtor will face bankruptcy; disappearance of active market for such instrument.

Impairment of receivables and loans
The Group individually assesses the evidence on impairment of receivables. All significant receivables are

individually measured for the purpose of special impairment.

Receivables, for which it is established that they have not been settled by their regular due date are recorded as doubtful. If legal proceedings began in connection with them, the receivables are recorded as disputed and an allowance is made for them against other operating expenses, taking into account that the receivables have to be presented at justifiable collectable amounts.

Doubtful receivables from others are those which are not settled within 180 days after their due date. Doubtful receivables to group companies are considered those for which the management adopts decision on extraordinary collection procedure.

Disputed receivables are those which comply with one of the following conditions:

- the legal collection procedure began at the court,
- the proposal for initiation of enforcement settlement or bankruptcy is filed at the court,
- the decision on beginning of enforcement settlement, liquidation or bankruptcy is published.

The Group assesses evidence on loan impairment for each significant loan.

Loss due to impairment related to financial asset carried at amortised cost is calculated as difference between the carrying amount of an asset and expected cash flows discounted at historical interest rate. Loss is recognised in profit or loss.

Impairment of available-for-sale financial assets

Loss of investment securities available-for-sale due to impairment is recognised by transferring the possible accumulated loss, which was previously recognised in other comprehensive income of the period and recorded in fair value reserve, to profit or loss. Subsequent increase in fair value of impaired available-for-sale equity security is recognised under other comprehensive income for the period or fair value reserve.

b) Non-financial assets

On each reporting date, the Group 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.

Recoverable amount of an asset or cash-generating unit is the higher of the two: value in use or fair value less costs of sale. 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).

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

At the end of the reporting period, the Group 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 Group defines the recoverable amount of an asset. The impairment loss is reversed to the amount up to which the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognised for the asset in prior periods.

3.5.7.9 EQUITY

Total equity of the Group represents its liability to owners which falls due, if the Group ceases to operate, whereby the amount of equity is adjusted with respect to the then attainable price for its 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.

Fair value reserve represents the revaluation amounts of individual categories of assets.
Retained earnings also include unallocated profits from the previous years and the current year.

3.5.7.10 PROVISIONS FOR JUBILEE AND TERMINATION BENEFITS

In accordance with legal regulations, collective agreement and internal rules, the Group 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.

3.5.7.11 OTHER PROVISIONS

Provisions are recognised when the Group 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, reversal of created provisions is carried out in debit of operating expenses.

3.5.7.12 OTHER ASSETS AND LIABILITIES

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

3.5.7.13 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 Group does not fully control; or
- a present liability 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.

A contingent asset is a possible asset 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 Group does not fully control.
The Group does not recognise contingent assets and liabilities in the statement of financial position.

3.5.7.14 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 Group stops deciding on products sold.
Operating revenue is recognised as follows:

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.

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 performed.

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, subsidies, grants, recourses, premiums and similar revenue.
State aid is considered as deferred revenue that the company strictly consistently and wisely recognises as other operating revenue over the useful life of the relevant asset (on the other hand, the company discloses the amortisation/depreciation cost of this asset among operating expenses).

Financial revenue comprises revenue from interest on investments, revenue from the disposal of available-for-sale financial assets, positive foreign exchange differences incurred in financing and investing activities and profits from derivative instruments for cash-flow hedging that are recognised in the income statement.

3.5.7.15 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.

The **cost of goods sold** includes expenses related to sales of goods when the costs of goods are not held in inventories since this is a trading activity.

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 group includes costs of auxiliary materials for maintenance of property, plant and equipment, small tools whose useful life does not exceed one year, spare parts for servicing of products after their sale, office supplies, specialised literature and other items. Costs of materials cover also the accrued costs of shrinkage, spilling, breakage and failure.

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.

Depreciation/amortisation costs are historical costs related to strictly consistent transfer of value of amortisable property, plant and equipment, amortisable intangible assets and investment property.
Write-downs in value also include impairments, write-downs and losses from the sales of intangible assets and property, plant and equipment and impairments or write-downs in receivables and inventories.

Labour costs are historical costs that refer to salaries and similar values 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, concessions, environmental charges and other duties. Operating expenses also include donations.

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 and loss from hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

3.5.7.16 TAX

Taxes include current and deferred tax liabilities. The Group discloses deferred and current tax in the income statement.

Current tax assets are based on taxable profit of individual company for the 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 income tax is defined using tax rates (and legislation) applicable on the date 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 corporate income tax, deductible temporary differences, unused tax losses and unused tax credits. Deferred tax liability represents the assessed amount of corporate income tax on taxable temporary differences that a company will be liable to pay in the coming years.

3.5.7.17 STATEMENT OF OTHER COMPREHENSIVE INCOME

When a derivative is defined as hedging in case of exposure to changeability of cash flows that may be attributed to an individual risk related to recognised asset, liability or very probable envisaged transactions, which can affect the profit or loss, the successful portion of changes in fair value of derivative is recognised in comprehensive income and disclosed in risk hedging reserve.

Unsuccessful portion of changes in the fair value of financial instrument is directly recognised in the income statement.

The accumulated profit or loss recognised in other comprehensive income remains recorded in the hedging reserve until the envisaged transaction impacts the profit or loss. In case the envisaged transaction cannot be expected any longer, the amount in other comprehensive income shall be recognised directly in profit or loss. In other cases, the amount recognised as comprehensive income is transferred to profit or loss for the same period in which the protected item affects the profit or loss.

3.5.7.18 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.

3.5.7.19 REPORTING BY SEGMENTS

In the annual report, the Group discloses operations by segments, i.e. net revenue from the sale in domestic market and abroad.

3.5.8 DETERMINING FAIR VALUE

Financial instruments are disclosed at their 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 besides quoted prices included in the first level that are directly (i.e. as prices) or indirectly (i.e. as derived from prices) evident for asset or liability,
- third level comprises input data for an asset or liability that are not based on evident market data.

Quoted prices are used as a basis for determining fair value of financial instruments. In case the financial instrument is not quoted in the regulated market or the market is assessed as inactive, the second and third level input data is used to assess the fair value of financial instrument.

In order to determine fair value of individual type of assets and liabilities, the following measures apply:

- the following items are carried at cost: Intangible assets, property, plant and equipment, investments in subsidiaries and associates, available-for-sale financial assets, cash and cash equivalents;
- held-to-maturity financial assets are carried at amortised cost using the effective interest method;
- loans, receivables and liabilities are carried at amortised cost using the applicable interest rate;
- hedging derivatives are carried at fair value (effective part of changes is recognised in comprehensive income and disclosed in hedging reserve, while the ineffective part of change in fair value of derivative is recognised in profit or loss);
- inventories are carried at historical or net realisable value.

3.5.9 FINANCIAL RISK MANAGEMENT

The Group identified the following types of risks: market, quantity, financial, HR, IT and regulatory risk. Risks are defined in detail in Section 2.5 Risk management in the PV Group in the business report of the consolidated annual report. Qualitative and quantitative criteria and the table of levels are presented in Section 3.5.13 Financial instruments and risks in the financial report.

3.5.10 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3.5.10.1 INTANGIBLE ASSETS

in EUR

INTANGIBLE ASSETS	31 December 2012	31 December 2011
Other long-term property rights	1.217.975	1.324.949
Other intangible assets	5.855	5.855
Intangible assets	**1.223.830**	**1.330.804**

in EUR

CHANGES IN INTANGIBLE ASSETS	OTHER LONG-TERM PROPERTY RIGHTS	OTHER INTANGIBLE ASSETS	TOTAL
Cost as at 1/1/2011	**1.992.614**	**64.063**	**2.056.677**
Acquisitions	106.927	0	106.927
Disposals	-8.799	-52.060	-60.859
Cost as at 31/12/2011	**2.090.742**	**12.003**	**2.102.745**
Written-down value as at 1/1/2011	**578.244**	**5.534**	**583.778**
Amortisation	195.335	615	195.950
Disposals	-7.753		-7.753
Transfers - re-entries	-33	-1	-34
Written-down value as at 31/12/2011	**765.793**	**6.148**	**771.941**
Carrying amount as at 1/1/2011	**1.414.370**	**58.529**	**1.472.899**
Carrying amount as at 31/12/2011	**1.324.949**	**5.855**	**1.330.804**

in EUR

CHANGES IN INTANGIBLE ASSETS	OTHER LONG-TERM PROPERTY RIGHTS	OTHER INTANGIBLE ASSETS	TOTAL
Cost as at 1/1/2012	**2.090.742**	**12.003**	**2.102.745**
Acquisitions	100.007	0	100.007
Cost as at 31/12/2012	**2.190.749**	**12.003**	**2.202.752**
Written-down value as at 1/1/2012	**765.793**	**6.148**	**771.941**
Amortisation	206.981		206.981
Written-down value as at 31/12/2012	**972.774**	**6.148**	**978.922**
Carrying amount as at 1/1/2012	**1.324.949**	**5.855**	**1.330.804**
Carrying amount as at 31/12/2012	**1.217.975**	**5.855**	**1.223.830**

In 2012, the Group reviewed the useful lives of major intangible assets, determining that the useful lives were appropriate given the current expectations regarding the usability of these assets. Other intangible assets represent deferred cost of development. The Group has no intangible assets pledged as collateral.

3.5.10.2 PROPERTY, PLANT AND EQUIPMENT

in EUR

PROPERTY, PLANT AND EQUIPMENT	31 December 2012	31 December 2011
Land	16.797.663	16.824.890
Buildings	93.906.438	86.020.577
Production equipment	90.069.223	73.916.785
Other equipment	2.971.331	7.296.174
Property, plant and equipment in acquisition	8.061.318	5.838.360
Property, plant and equipment	**211.805.973**	**189.896.786**

in EUR

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	PRODUCTION EQUIPMENT	OTHER EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT IN ACQUISITION	TOTAL
Cost as at 1/1/2011	**16.802.324**	**275.319.912**	**264.419.498**	**5.584.730**	**4.588.704**	**566.715.168**
Acquisitions					25.745.539	25.745.539
Disposals	-558	-306.157	-7.175.717	-98.725	-125.908	-7.707.065
Transfers from ongoing investments	23.124	5.645.406	12.915.678	5.735.022	-24.319.230	0
Other transfers		4.451	108.049	276.591	-50.745	338.346
Cost as at 31/12/2011	**16.824.890**	**280.663.612**	**270.267.508**	**11.497.618**	**5.838.360**	**585.091.988**
Written-down value as at 1/1/2011	**0**	**190.846.139**	**187.993.577**	**3.370.867**	**0**	**382.210.583**
Depreciation		3.886.021	15.323.666	929.993		20.139.680
Disposals		-90.960	-6.971.598	-87.624		-7.150.182
Other transfers		1.835	5.078	-11.792		-4.879
Written-down value as at 31/12/2011	**0**	**194.643.035**	**196.350.723**	**4.201.444**	**0**	**395.195.202**
Carrying amount as at 1/1/2011	**16.802.324**	**84.473.773**	**76.425.921**	**2.213.863**	**4.588.704**	**184.504.585**
Carrying amount as at 31/12/2011	**16.824.890**	**86.020.577**	**73.916.785**	**7.296.174**	**5.838.360**	**189.896.786**

in EUR

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	PRODUCTION EQUIPMENT	OTHER EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT IN ACQUISITION	TOTAL
Cost as at 1/1/2012	**16.824.890**	**280.663.612**	**270.267.508**	**11.497.618**	**5.838.360**	**585.091.988**
Acquisitions	211.082	9.007.786	6.214.248	583.347	31.651.760	47.668.223
Disposals	-5.912	-779.320	-12.135.308	-391.015	-159.064	-13.470.619
Transfers from ongoing investments	65.342	4.582.793	19.768.774	4.206.293	-28.689.761	-66.559
Impairments		-59.482			-579.975	-639.457
Other transfers			-41.225	41.225		0
Cost as at 31/12/2012	**17.095.402**	**293.415.389**	**284.073.997**	**15.937.468**	**8.061.320**	**618.583.576**
Written-down value as at 1/1/2012	**0**	**194.643.035**	**196.350.723**	**4.201.444**	**0**	**395.195.202**
Depreciation		4.145.667	15.037.736	1.997.567		21.180.970
Acquisitions	17.907	50.327	4			68.238
Impairments	279.833	412.513	-4.937		0	687.409
Disposals		-228.672	-12.091.898	-328.846		-12.649.416
Other transfers		486.081	1.610.368	198.751		2.295.200
Written-down value as at 31/12/2012	**297.740**	**199.508.951**	**200.901.996**	**6.068.916**	**0**	**406.777.603**
Carrying amount as at 1/1/2012	**16.824.890**	**86.020.577**	**73.916.785**	**7.296.174**	**5.838.360**	**189.896.786**
Carrying amount as at 31/12/2012	**16.797.662**	**93.906.438**	**83.172.001**	**9.868.552**	**8.061.320**	**211.805.973**

In 2012, the Group reviewed the useful lives of major property, plant and equipment and determined that their useful lives were appropriate given the current expectations regarding the usability of these assets.

On the basis of appraisals in the property, plant and equipment group, an impairment of the building and land of hotel Oleander in total value of EUR 446,518 was carried out, as well as an EUR 245,828 impairment of the facility NOP, and reversal of impairment of equipment in total amount of EUR 4,937. Also on the basis of appraisal in the group of property, plant and equipment in acquisition, impairments of the facility 'Stara elektrarna' (old power plant) and of the business and sales building 'Mercator Šmartno ob Paki' were performed, which amounted to EUR 579,975 and EUR 59,482, respectively.

Due to inclusion of the company Golte d.o.o. in consolidation, as at 31 December 2012 the Group's property, plant and equipment increased by EUR 13,853,781, the majority of which (EUR 8,251,595) regards buildings and production equipment (EUR 4,335,460).

The Group's property and equipment are mortgaged in total amount of up to EUR 38,636,111. Precise balance of mortgages depends on the current balance of loan exposure and conditions of banks with regard to collateral with mortgage.

The Group has equipment under financial lease in the amount of EUR 269,276; none of its property is under financial lease.

3.5.10.3 INVESTMENT PROPERTY

The Group has no investment property.

3.5.10.4 INVESTMENTS IN SUBSIDIARIES

Investment in subsidiaries in amount of EUR 6,000 refer to the investment in the company SAŠA Inkubator, in which the PV Group holds a 60% share. The discussed investment is not included in consolidation due to its immateriality (Article 56 of the applicable Companies Act).

in EUR

SUBSIDIARY	31 December 2012	31 December 2011
GOLTE d.o.o.	0	3.989.292
SAŠA INKUBATOR d.o.o.	6.000	6.000
TOTAL	**6.000**	**3.995.292**

in EUR

CHANGES IN LONG-TERM INVESTMENTS IN SUBSIDIARIES	2012	2011
Balance as at 1 January	3.995.292	6.452.689
Transfers	-3.989.292	
Impairments	0	-2.457.397
Balance as at 31 December	**6.000**	**3.995.292**

In 2012, the subsidiary Golte was consolidated within the PV Group for the first time.

The investments of the controlling company in subsidiaries in the amount of EUR 39,964,182 were excluded from the consolidation process.

Long-term investments are carried at cost.

3.5.10.5 OTHER LONG-TERM INVESTMENTS

in EUR

OTHER LONG-TERM INVESTMENTS	31 December 2012	31 December 2011
In associates	534.451	498.330
Available-for-sale financial assets	484.228	484.228
TOTAL	**1.018.679**	**982.558**

in EUR

CHANGES IN LONG-TERM INVESTMENTS	2012	2011
Balance as at 1 January	982.558	650.994
Restatement to fair value	33.921	31.728
New acquisitions	2.200	412.500
Disposals	0	-67.993
Transfers	0	-44.671
Balance as at 31 Decembra	**1.018.679**	**982.558**

a) Investments in associates

ASSOCIATE	ADDRESS	% OWNERSHIP
ERICO d.o.o.	Koroška c. 58, Velenje	23
PLP d.o.o.	Partizanska 78, Velenje	26
SIPOTEH d.o.o.	Partizanska 78, Velenje	42
Fairwood PV	Singapur	40

in EUR

ASSOCIATE	31 December 2012	31 December 2011
ERICO d.o.o.	188.566	178.793
PLP d.o.o.	158.790	135.480
SIPOTEH d.o.o.	184.895	184.057
Fairwood PV	2.200	0
TOTAL	**534.451**	**498.330**

in EUR

CHANGES IN LONG-TERM INVESTMENTS IN ASSOCIATES	2012	2011
Balance as at 1 January	498.330	433.532
Acquisitions	36.121	31.728
Disposals	0	33.070
Balance as at 31 December	**534.451**	**498.330**

Associates are not audited. The investments in subsidiaries amount to EUR 534,451. The value already includes the effect of revaluation of investments under equity method in the amount of EUR 308,624.

b) Available-for-sale financial assets

in EUR

AVAILABLE-FOR-SALE FINANCIAL ASSETS	31 December 2012	31 December 2011
Company shares	21.891	21.891
Company interests	413.464	413.464
Bank shares	47.321	47.321
Other	1.552	1.552
TOTAL	**484.228**	**484.228**

Available-for-sale financial assets are carried at cost.

in EUR

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS	2012	2011
Balance as at 1 January	484.228	217.462
Acquisitions	0	412.500
Transfers	0	-108.928
Disposals	0	-36.806
Balance as at 31 December	**484.228**	**484.228**

3.5.10.6 LONG-TERM FINANCIAL RECEIVABLES AND LOANS

in EUR

LONG-TERM FINANCIAL RECEIVABLES AND LOANS	31 December 2012	31 December 2011
To others	112.445	248.421
TOTAL	**112.445**	**248.421**

in EUR

CHANGES IN LONG-TERM FINANCIAL RECEIVABLES AND LOANS	DEPOSITS GIVEN	TOTAL
Balance as at 1 January	248.421	248.421
Repayments	-135.976	-135.976
Balance as at 31 December	**112.445**	**112.445**

The Group has no allowances for receivables and loans.

3.5.10.7 LONG-TERM OPERATING RECEIVABLES

in EUR

LONG-TERM OPERATING RECEIVABLES	31 December 2012	31 December 2011
To associates	413.687	551.582
Advances given	0	98.000
To others	16.463	41.188
TOTAL	**430.150**	**690.770**

The Group has no allowances for long-term operating receivables.

In the consolidation process, the Group eliminated long-term operating receivables to group companies arising from advance payment for fixed assets in the amount of EUR 714,381.

in EUR

LONG-TERM OPERATING RECEIVABLES	MATURITY DATES			
	until 31.12.2014	from 1/1/2015 to 31/12/2015	from 1/1/2016	TOTAL
From associates	137.895	137.896	137.896	413.687
From others	8.231	8.232	0	16.463
TOTAL	**146.126**	**146.128**	**137.896**	**430.150**

3.5.10.8 OTHER LONG-TERM ASSETS

in EUR

OTHER LONG-TERM ASSETS	31 December 2012	31 December 2011
Reserve fund for apartments	155.106	143.365
Deferred operating costs	316.017	450.000
TOTAL	**471.123**	**593.365**

Other long-term assets represent long-term accrued revenue and deferred costs.

3.5.10.9 DEFERRED TAX ASSETS

in EUR

DEFERRED TAX ASSETS	PROVISIONS	IMPAIRMENT	OTHER	TOTAL
Balance as at 1/1/2011	**5.286.349**	**98.101**	**2.736.364**	**8.120.814**
In debit/(credit) of profit or loss	-198.667	47.075	0	-151.592
In debit/(credit) of other comprehensive income			124.321	124.321
Balance as at 31/12/2011	**5.087.682**	**145.176**	**2.860.685**	**8.093.543**
Balance as at 1/1/2012	**5.087.682**	**145.176**	**2.860.685**	**8.093.543**
In debit/(credit) of profit or loss	-1.967.234	-97.613	753.233	-1.311.614
In debit/(credit) of other comprehensive income			8.070	8.070
Balance as at 31/12/2012	**3.120.448**	**47.563**	**3.621.988**	**6.789.999**

Other deferred tax assets comprise deferred tax assets from unutilised tax losses in the amount of EUR 2,466,753, deferred tax assets from carried-forward tax credits (investment in equipment) in the amount of EUR 979,776 and deferred tax assets from derivatives (interest rate hedging) in the amount of EUR 132,392. Based to expectations regarding the time when the group companies will be able to utilise the decrease in tax base from temporary differences, tax losses and unutilised tax credits, 15% and 17% tax bases were used. The negative effect of rebasing deferred tax assets to the discussed base amounts to EUR 1,903,371.

3.5.10.10 INVENTORIES

in EUR

INVENTORIES	31 December 2012	31 December 2011
Inventory of spare parts and materials	5.348.447	5.475.115
Inventory of unfinished production	52.536	59.922
Inventory of finished products and merchandise	10.859.251	10.503.214
TOTAL	**16.260.234**	**16.038.251**

The Group does not disclose any inventories pledged as collateral among inventories.

The value of inventories of materials was approximately the same as their net realisable value because the materials are carried at their most recent cost. The net realisable value of coal inventories was EUR 10,697,063 and it was lower than the carrying amount by EUR 1,284,767, for which the coal inventory was impaired.

Inventory in GJ 31/12/2012	Carrying amount of coal inventory in EUR before impairment	Realisable value of coal inventory in EUR
4.278.825	11.981.830	10.697.063

in EUR

INVENTORY SURPLUSES AND SHORTAGES	31 December 2012	31 December 2011
Inventory surpluses	9.059	17.654
Inventory shortages	5.928	-21.395
TOTAL	**14.987**	**-3.741**

3.5.10.11 SHORT-TERM FINANCIAL RECEIVABLES AND LOANS

in EUR

SHORT-TERM INVESTMENTS	31 December 2012	31 December 2011
In associates	452.529	69.893
Other short-term investmenst	635.171	1.692.785
TOTAL	**1.087.700**	**1.762.678**

in EUR

CHANGES IN SHORT-TERM FINANCIAL RECEIVABLES AND LOANS	LOANS GIVEN	DEPOSITS GIVEN	TOTAL
Balance as at 1 January	1.054.314	113.061	1.167.375
Increase	4.376.413	1.725.515	6.101.928
Payments	-4.698.426	-1.511.033	-6.209.459
Transfers from long-term receivables		27.856	27.856
Balance as at 31 December	**732.301**	**355.399**	**1.087.700**

in EUR

CHANGES IN ALLOWANCES FOR SHORT-TERM FINANCIAL RECEIVABLES AND LOANS	2012	2011
Balance as at 1 January	449.655	449.655
Creating allowances for receivables and loans	-449.655	0
Balance as at 31 December	**0**	**449.655**

In 2012, the Group carried out reversal of an allowance for receivables arising from the loan to an associate.
A new contract setting the repayment deadline in June 2013 was concluded by means of which the previous loan was entirely settled. In 2013, the associate started with the loan repayment.

In the consolidation process, the Group eliminated short-term financial investments to group companies arising from loans given in the amount of EUR 2,244,569.

3.5.10.12 SHORT-TERM OPERATING RECEIVABLES

in EUR

SHORT-TERM OPERATING RECEIVABLES	31 December 2012	31 December 2011
From group companies*	23.852.083	23.052.628
From associates	227.336	200.333
Allowance for receivables due from associates	-7.256	0
From buyers	10.668.388	8.655.834
Allowance for receivables from buyers	-2.000.390	-1.836.793
Advances given	111.409	4.519.083
From government and other institutions	1.785.849	2.586.829
From others	599.099	109.291
TOTAL	**35.236.518**	**37.287.205**

Note: *information contains receivables from HSE Group

In the consolidation process, short-term operating receivables from the PV Group companies in the amount of EUR 10,422,721 were eliminated.

in EUR

CHANGES IN ALLOWANCES FOR SHORT-TERM RECEIVABLES	2012	2011
Balance as at 1 January	1.836.793	1.153.952
Written-off receivables collected	-343.331	-370.631
Creation of allowances for receivables	639.848	1.113.766
Final write-off of receivables	-125.664	-60.294
Balance as at 31 December	**2.007.646**	**1.836.793**

in EUR

CLASSIFICATION OF SHORT-TERM RECEIVABLES BY MATURITY	31/12/2012
Receivables not yet due	32.415.734
Receivables overdue up to 3 months	1.628.406
Receivables overdue from 3 to 6 months	401.118
Receivables overdue from 6 to 12 months	602.597
Receivables overdue more than 1 year	188.663
TOTAL SHORT-TERM OPERATING RECEIVABLES	**35.236.518**

3.5.10.13 CURRENT TAX

The PV Group discloses current tax assets arising from prepaid advances of corporate income tax in the amount of EUR 58,862.

3.5.10.14 OTHER SHORT-TERM ASSETS

in EUR

OTHER SHORT-TERM ASSETS	31 December 2012	31 December 2011
Deferred costs	106.073	12.052
Accrued revenue	648.600	
TOTAL	**754.673**	**12.052**

Other short-term assets comprise deferred costs of insurance premiums for 2013 and short-term deferred revenue, depending on the phase of the support system reconstruction in 2012. The equipment supply to the partner SOMA KUMOR Turkey was entirely carried out in accordance with the contract, in January 2013.

3.5.10.15 CASH AND CASH EQUIVALENTS

in EUR

CASH AND CASH EQUIVALENTS	31 December 2012	31 December 2011
Cash on hand	15.644	17.604
Cash in bank accounts	201.700	304.659
Deposits redeemable at notice	12	4.222.041
Risk-free readily realisable debt securities	0	242
TOTAL	**217.356**	**4.544.546**

3.5.10.16 EQUITY

The equity of the PV Group as at 31 December 2012 amounts to EUR 115,506,745.
In consolidation, we adjusted the investments in subsidiaries and their equity. The total elimination in the amount of EUR 39,513,652 in equity represents interests in the group companies, of which an amount of EUR 1,323,127 is transferred to the equity of minor shareholders, accounting for 22.21% of the company Golte share.
As at 31 December 2012, the PV Group records no capital surplus.

in EUR

FAIR VALUE RESERVE	INTEREST RATE SWAPS	COORDINATION OF CAPITAL AND INVESTMENTS OF SUBSIDIARIES	TOTAL
Balance as at 1/1/2011	**0**	**320.544**	**320.544**
Creation, increase	124.322	0	124.322
Decrease	-621.608	-41.451	-663.059
Balance as at 31/12/2011	**-497.286**	**279.093**	**-218.193**
Balance as at 1/1/2012	**-497.286**	**279.093**	**-218.193**
Creation, increase	-149.099	0	-149.099
Decrease		-279.093	-279.093
Balance as at 31/12/2012	**-646.385**	**0**	**-646.385**

Fair value reserve in the amount of EUR -646,385 is created on the basis of revaluation of derivatives (interest rate hedging) in the amount of EUR -149,099.

in EUR

ACCUMULATED PROFIT	2012	2011
Net profit or loss for the current year	-1.181.421	-553.155
Retained net profit or loss	2.218.443	1.004.636
Accumulated profit	**1.037.022**	**451.481**

Relevant information about the balance and changes in equity components have been presented in the consolidated statement of changes in equity.

3.5.10.17 PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS

in EUR

CHANGES IN PROVISIONS FOR TERMINATION AND JUBILEE BENEFITS	PROVISIONS FOR TERMINATION BENEFITS	PROVISIONS FOR JUBILEE BENEFITS	TOTAL
Balance as at 1/1/2011	**4.160.599**	**1.112.599**	**5.273.198**
Creation, increase	389.836	121.580	511.416
Decrease - drawing	-466.383	-189.594	-655.977
Balance as at 31/12/2011	**4.084.052**	**1.044.585**	**5.128.637**
Balance as at 1/1/2012	**4.084.052**	**1.044.585**	**5.128.637**
Creation, increase	401.803	299.100	700.903
Decrease - drawing	-292.047	-181.751	-473.798
Decrease - disposal	-101.968		-101.968
Balance as at 31/12/2012	**4.091.840**	**1.161.934**	**5.253.774**

Provisions for termination and jubilee benefits were created based on an actuarial calculation as at 31 December 2012 taking into account:

- the number of employees (gender, age total and pension period of service, average net and gross salary),
- the method for calculating termination and jubilee benefits in an individual company,
- increase in salary by 1.9% in 2013, by 1.5% in 2014 and 2015, 3.0% per year in the next years,
- employee turnover by age category,
- the chosen discount rate amounts to 4.60% p.a.

The additional creation of provisions is based on a report on the valuation of contingent liabilities arising from termination and jubilee benefits as at 31 December 2012, which was prepared in December 2012 by the company 3sigma d.o.o., Ljubljana.

3.5.10.18 OTHER PROVISIONS

OTHER PROVISIONS

in EUR

OTHER PROVISIONS	31 December 2012	31 December 2011
For closing-down activities	28.857.658	37.466.699
For compensations	43.293	43.293
Other		
TOTAL	**28.900.951**	**37.509.992**

CHANGES IN OTHER PROVISIONS in EUR

CHANGES IN OTHER PROVISIONS	FOR CLOSING-DOWN ACTIVITIES	FOR COMPENSA-TIONS	TOTAL
Balance as at 1/1/2011	**38.940.633**	**1.016.903**	**39.957.536**
Creation, increase	560.702	0	560.702
Decrease - drawing	-2.034.637	-973.609	-3.008.246
Balance as at 31/12/2011	**37.466.698**	**43.294**	**37.509.992**
Balance as at 1/1/2012	**37.466.698**	**43.294**	**37.509.992**
Creation, increase	5.906	0	5.906
Decrease - disposal	-8.614.947	0	-8.614.947
Balance as at 31/12/2012	**28.857.657**	**43.294**	**28.900.951**

Provisions for closing down the remaining Velenje coal mining site are created on the basis of an assessment of the closing down activities in the expert report 'Valuation of closing-down activities of Premogovnik Velenje pits after the omission of exploiting the Velenje part of the site', which was prepared by a team within the company. In 2012, the company PV carried out a reversal of provisions in the amount of EUR 4,756,994. The current value of provisions is presented in the expert report of February 2013.

Provisions from closing-down of Škale pit are created on the basis of assessment of closing-down activities in the document Plan and valuation of closing-down activities of Škale pit from 2006 to 2014' prepared in March 2006 by the company team. The basis for recording provisions is the overview of actual activities of the programme 'Closing-Down the Škale pit' for 2012 (mining activities, hydro-geological activities and ecological restoration). In 2012, the provisions for closing down the Škale pit in the amount of EUR 3,857,953 were reversed. The assets for closing-down activities are provided solely by the company, since no government funds were obtained, as was the case in other mines in Slovenia. In 2012, all provisions for closing-down Škale pit were spent. No other provisions have been created. As Škale pit is no longer in operation, no other costs are expected.

The basis for creation of provision for closing down of Quarry is the expert report 'Rehabilitation and recultivation of Paka Quarry after the end of production work' prepared
by the team from the company. The basic assumptions on provisions are presented in expert report.

Provisions formed for the purposes of unsettled compensation issues are based on easement agreements for long-term exploitation of Quarry. These provisions were not utilised in 2012.

3.5.10.19 DRUGE DOLGOROČNE OBVEZNOSTI

in EUR

OTHER LONG-TERM LIABILITIES	31 December 2012	31 December 2011
Quotas for the disabled	14.147	8.003
Other government aids received	5.698.974	6.013.528
EU funds received	1.953.844	0
Other government aids received	53.867	184.212
TOTAL	**7.720.832**	**6.205.743**

in EUR

CHANGES IN OTHER LONG-TERM LIABILITIES	EU FUNDS RECEIVED	QUOTAS FOR THE DISABLED	OTHER GOVERN-MENT AIDS RECEIVED	OTHER	TOTAL
Balance as at 1/1/2011	**0**	**5.892**	**8.231.098**	**56.966**	**8.293.956**
Creation, increase		2.361	8.407.289	164.000	8.573.650
Decrease - drawing		-250	-10.624.859	-36.754	-10.661.863
Balance as at 31/12/2011	**0**	**8,003**	**6.013.528**	**184.212**	**6.205.743**
Balance as at 1/1/2012	**0**	**8,003**	**6.013.528**	**184.212**	**6.205.743**
Creation, increase	1.953.844	6.144	7.035.570	1.229	8.996.787
Decrease - drawing			-7.350.124	-131.574	-7.481.698
Balance as at 31/12/2012	**1.953.844**	**14.147**	**5.698.974**	**53.867**	**7.720.832**

The majority of other long-term operating liabilities comprise the government aids received, followed by contributions for disability and pension insurance, health insurance, contribution for parental protection and contributions for ZPIZ (Slovenian Institute for pension and invalidity insurance) for bonus period. Contributions of sheltered workshop were used for:

- covering amortisation in the amount of EUR 769,771,
- covering 75% gross salaries of disabled in the amount of EUR 6,560,617

The EU funds that were obtained for construction of a new hotel owned by the company Golte are used in accordance with the accounted for depreciation.

3.5.10.20 LONG-TERM FINANCIAL LIABILITIES

in EUR

Long-term financial liabilities	31 December 2012	31 December 2011
To banks	41.973.931	45.029.533
Other	830.751	630.109
TOTAL	**42.804.682**	**45.659.642**

in EUR

CHANGES IN LONG-TERM FINANCIAL LIABILITIES	LOANS RECEIVED	LIABILITIES FROM FINANCIAL LEASE	OTHER	TOTAL
Balance as at 1 January	45.029.533	8.501	621.608	45.659.642
Acquisitions	5.114.945	217.824	157.169	5.489.938
Transfer from short-term liabilities	1.210.535	3.701	0	1.214.236
Transfer to short-term liabilities	-1.403.372	-13.826	0	-1.417.198
Repayments	-8.022.680	-119.256	0	-8.141.936
Balance as at 31 December	**41.928.961**	**96.944**	**778.777**	**42.804.682**

The values of loan principals due in 2013 are recorded as short-term liabilities to banks.

Interest on the loans received is paid on a monthly or quarterly basis, while the not yet due and accounted for portion payable in 2012 is recorded as a short-term financial liability.

The Group settles instalments on principal that are due and attributable interest on time.

As at 31 December 2012, the unpaid portion of long-term loans amounts to EUR 50,643,069, while EUR 8,714,108 is recorded under short-term loans. Thus, an amount of EUR 41,928,961 is disclosed under long-term loans from banks in the statement of financial position.

MATURITY DATES OF LONG-TERM FINANCIAL LIABILITIES in EUR

	Until 31/12/2014	From 1/1/2015 to 31/12/2017	After 31/12/2017	TOTAL
Long-term financial liabilities to banks	8.212.872	23.793.613	9.922.476	41.928.961

They are secured by bills of exchange, receivables and mortgages. Interest rates depend on the type of loan, maturity and the period of lease and they amount to 3-month EURIBOR + mark-up in the range between 0.3 % and 4.76%.

3.5.10.21 LONG-TERM OPERATING LIABILITIES

in EUR

LONG-TERM OPERATING LIABILITIES	31 December 2012	31 December 2011
Advances	5.758	24.907
Other	440.039	548.074
TOTAL	445.797	572.981

The majority of long-term liabilities disclosed under other long-term operating liabilities is represented by liabilities arising from compensations and co-participation for apartments.
The values of long-term operating liabilities that fall due in 2013 are recorded as short-term operating liabilities.

The carrying amount of long-term liabilities is estimated to equal their amortised cost.

The Group does not disclose long-term debts to the Management and Supervisory Board members.

In the consolidation process, the Group eliminated long-term operating liabilities to group companies arising from advance payment for fixed assets in the amount of EUR 714,381.

3.5.10.22 SHORT-TERM FINANCIAL LIABILITIES

in EUR

SHORT-TERM FINANCIAL LIABILITIES	31 December 2012	31 December 2011
To banks	36.930.566	26.423.932
Other	38.397	188.192
TOTAL	36.968.963	26.612.124

Short-term financial liabilities to banks comprise short-term liabilities arising from interest in the amount of EUR 256,878.

Short-term financial liabilities to group companies in the amount of EUR 2,244,569 were excluded from the consolidation process.

in EUR

CHANGES IN SHORT-TERM FINANCIAL LIABILITIES	LOANS RECEIVED	LIABILITIES FROM FINANCIAL LEASE	TOTAL
Balance as at 1 January	26.423.932	188.192	26.612.124
Acquisitions	147.998.975	0	147.998.975
Transfer from long-term liabilities	2.950.257	13.826	2.964.083
Repayments	-137.199.133	0	-137.199.133
Transfer to long-term liabilities	-3.218.894	-3.701	-3.222.595
Other	0	-184.491	-184.491
Balance as at 31 December	**36.955.137**	**13.826**	**36.968.963**

3.5.10.23 SHORT-TERM OPERATING LIABILITIES

in EUR

SHORT-TERM OPERATING LIABILITIES	31 December 2012	31 December 2011
To group companies*	665.830	888.734
To associates	1.312.149	480.158
To suppliers	22.793.598	16.891.493
Advances	288.560	146.643
To employees	5.549.598	5.881.253
To government and other institutions	3.721.862	3.190.589
Other	1.945.935	789.357
TOTAL	**36.277.532**	**28.268.227**

Note: *information contains liabilities to HSE Group

Short-term operating liabilities to group companies in the amount of EUR 10,422,721 were excluded from the consolidation process.

in EUR

SHORT-TERM OPERATING LIABILITIES BY MATURITY	31/12/2012
Not yet due liabilities	32.842.796
Liabilities overdue - up to 3 months	3.434.736
TOTAL SHORT-TERM OPERATING LIABILITIES	**36.277.532**

3.5.10.24 OTHER SHORT-TERM LIABILITIES

in EUR

OTHER SHORT-TERM LIABILITIES	31 December 2012	31 December 2011
Accrued costs	1.585.128	1.557.154
TOTAL	**1.585.128**	**1.557.154**

Other short-term liabilities represent unutilised leaves.

3.5.10.25 CONTINGENT LIABILITIES AND ASSETS

in EUR

CONTINGENT LIABILITIES	31 December 2012	31 December 2011
Approved banking overdrafts	1.569.000	1.569.000
Guarantees for repairing defects, good performance of work	4.387.598	2.619.403
Total contingent liabilities	**5.956.598**	**4.188.403**

in EUR

CONTINGENT ASSETS	31 December 2012	31 December 2011
Bank guarantees received for loans given	258.023	0
Bank guarantees received for investments	2.134.743	4.416.105
Other	0	517.931
Total contingent assets	**2.392.766**	**4.934.036**

GUARANTEES GIVEN AND PARENT GUARANTEES

BENEFI-CIARY	DEBTOR	GUARAN-TEE TYPE	BASIC LEGAL TRANSACTION	FROM	TO	VALUE in EUR million as at 31/12/2012
bank	subsidiary	loan insur-ance				5,69
bank	subsidiary	guarantee given	guarantee to insure banking guarantee	28/12/2011	22/11/2015	5,11
insurance company	subsidiary	guarantee given	suretyship insur-ance	14/8/2012	*until can-cellation	0,40

As at 31 December 2012, the Group discloses EUR 5 million of guarantees to collateralise long-term loan at the bank and a guarantee to insure banking guarantee in the amount of EUR 6.2 million.

3.5.10.26 NET SALES REVENUE

in EUR

NET SALES REVENUE	2012	2011
a) in domestic market	**162.780.918**	**148.832.460**
Coal	112.703.511	115.554.253
Other products and services	21.263.981	31.810.398
Other merchandise and materials	2.596.323	1.467.809
Other services	26.217.103	0
b) in foreign market	**3.378.629**	**278.546**
Other products	134.097	50.395
Other merchandise and materials	2.373.600	0
Services	870.932	228.151
Total net sales revenue	**166.159.547**	**149.111.006**

In the consolidation process, revenues within the Group in the amount of EUR 38,085,426 EUR were eliminated.

3.5.10.27 CHANGES IN INVENTORIES OF PRODUCTS AND WORK-IN-PROGRESS

Change in value of the Group's inventories represents an increase by EUR 1,633,416. The most important part of this increase is a result of larger coal inventories in 2012 that amounted to EUR 1,668,462, which had a positive effect on results. Moreover, the change in value of inventories was negatively affected by the change in inventories of other finished products in the amount of EUR 35,046.

3.5.10.28 CAPITALISED OWN PRODUCTS AND OWN SERVICES

Capitalised own products and services in total amount of EUR 9,211,383 refer to:
izdelavo navezav povezanih z odpiralnimi deli centralnega dela jame in navezav za odkopavanje stebra centralnega dela v višini 2.496.203 EUR,

- establishment of connections to the opening parts of the pit centre and connections for extraction of the pillar of the central part in the amount of EUR 2,496,203,
- works on the project 'Bases of winches in the NOP II shaft' in the amount of EUR 172,851,
- other fixing of property and equipment in the amount of EUR 1,118,387,
- work in the amount of EUR 5,417,074 is represented by capitalisations by the Group (construction works related to the investment shaft NOP II),
- set-up of ticket vending machines at the Golte ski run in the amount of EUR 6,868.

3.5.10.29 OTHER OPERATING REVENUE

in EUR

OTHER OPERATING REVENUE	2012	2011
Revenue from reversal of provisions	8.265.783	2.034.637
Drawing of deferred revenue	7.899.209	11.155.125
Profit at sales of fixed assets and reversed impairment of receivables	1.356.159	331.557
Revenue from compensations and contractual penalties	1.463.339	145.008
Other operating revenue	1.007.287	1.341.161
Total other operating revenue	**19.991.777**	**15.007.488**

3.5.10.30 COSTS OF GOODS, MATERIALS AND SERVICES

in EUR

COSTS OF GOODS, MATERIALS AND SERVICES	2012	2011
Historical cost of merchandise sold	1.407.184	1.016.855
Contingent costs of merchandise sold		21.996
Total cost of merchandise sold	**1.407.184**	**1.038.851**
Costs of materials	17.266.870	15.200.627
Costs of auxiliary materials	3.472.874	2.760.661
Costs of energy	5.509.629	3.071.484
Costs of spare parts and maintenance materials	5.111.843	3.463.875
Costs of small tools	137.088	154.540
Other costs of materials	324.166	363.066
Total costs of materials	**31.822.470**	**25.014.253**
Costs of services in creating products	22.194.731	13.046.567
Costs of transport services	1.800.531	1.654.591
Maintenance costs	3.323.938	2.875.380
Costs of rents	2.662.758	1.662.082
Reimbursements of work-related costs to employees	144.992	158.995
Costs of insurance and bank services	1.635.792	1.390.553
Costs of intellectual and personal services	2.421.687	2.335.699
Costs of research and development	665.725	790.599
Costs of trade fairs, advertising and entertainment	818.122	1.302.815
Costs of services provided by natural persons	906.219	741.416
Other costs of services	6.721.837	5.252.868
Total costs of services	**43.296.332**	**31.211.565**
Total costs of goods, materials and services	**76.525.986**	**57.264.669**

As a result of business connections within the Group, costs of material consumption in the amount of EUR 2,414,870 and costs of services in the amount of EUR 27,805,242 are excluded from the consolidation process.

in EUR

AUDITING COSTS	2012	2011
Audit of annual reports	36.672	38.760
Other assurance engagements	0	11.000
Total costs of auditor	**36.672**	**49.760**

3.5.10.31 LABOUR COSTS

in EUR

LABOUR COSTS	2012	2011
Salaries	64.951.177	62.256.676
Pension insurance costs	12.520.971	12.190.047
Other insurance costs	4.866.330	4.789.490
Other labour costs	6.247.216	8.039.563
Total labour costs	**88.585.694**	**87.275.776**

From the item 'other labour costs', we eliminated EUR 2,254,980 of mutual relations arising from meal allowance costs.

AVERAGE NUMBER OF EMPLOYEES ACCORDING TO THE LEVEL OF FORMAL EDUCATION	2012	2011
Level I	200	187
Level II	111	107
Level III	0	0
Level VI	1.136	1,118
Level V	684	668
Level VI	211	203
Level VII	232	209
VIII	5	4
TOTAL	**2.579**	**2.496**

3.5.10.32 WRITE-DOWNS IN VALUE

in EUR

WRITE-DOWNS IN VALUE	2012	2011
Amortisation of intangible assets	206.983	195.950
Depreciation of property, plant and equipment	21.180.966	20.139.680
Impairments of property, plant and equipment and intangible assets	1.098.978	0
Sales and write-downs in property, plant and equipment and intangible assets	599.901	116.393
Impairments of inventories	1.412.590	1.828.169
Sales and write-downs in inventories/receivables	318.109	789.083
Total write-downs in value	**24.817.527**	**23.069.275**

3.5.10.33 OTHER OPERATING EXPENSES

in EUR

OTHER OPERATING EXPENSES	2012	2011
Provisions	712.745	1.059.319
Fee for building site use	871.000	484.786
Concessions	212.814	196.981
Environmental charges	197.557	204.438
Donations	241.389	282.722
Compensations - accidents	64.506	167.610
Compensations - mining damage	671.019	161.966
Annuities	175.025	153.223
Scholarship and awards to secondary and university students	201.556	339.468
Other costs or expenses	899.103	401.750
Total other costs	**4.246.714**	**3.452.263**

In 2012, the building site fee increased, due to additionally charged fees that had not been included in previous annual assessments. In consolidation process, we eliminated EUR 247,608 of other costs, i.e. the costs within the Group.

3.5.10.34 FINANCIAL REVENUE

in EUR

FINANCIAL REVENUE	2012	2011
From dividends and other shares in profit	64.540	8.940
Share of revenue from investments, measured at equity method	33.921	64.798
Interest on loans and deposits given	59.409	119.833
Other	170.856	276.685
Total financial revenue	**328.726**	**470.256**

V postopku konsolidiranja smo izločili finančne prihodke od obresti iz danih posojil znotraj skupine v višini 211.202 EUR in druge finančne prihodke v višini 14.736 ER.

3.5.10.35 FINANCIAL EXPENSES

in EUR

FINANCIAL EXPENSES	2012	2011
From loans received	2.882.095	2.223.695
Change in fair value of investments through profit or loss	0	2.457.397
From the sales of available-for-sale financial assets	0	12.945
Other	37.146	1.428
Total financial expenses	**2.919.241**	**4.695.465**

Financial revenue from interest on loans received within the Group in the amount of EUR 173,157 and the expenses of impairment of the investment in the company Golte of EUR 1,177,445 were excluded from the consolidation process.

3.5.10.36 TAX

All group companies calculate the corporate income tax in accordance with the Corporate Income Tax Act. In 2012, the income tax was calculated by two subsidiaries and totalled EUR 11,273.

3.5.11 RELATED PARTIES

in EUR

GROUP COMPANY	SALES	PURCHASES	RECEIVABLES AS AT 31/12/2012	LIABILITIES AS AT 31/12/2012
HSE d.o.o. Ljubljana	182.724	5.040.624	28.115	662.711
TEŠ d.o.o. Šoštanj	149.188.413	10.244	23.026.221	2.387
TET d.o.o. Trbovlje	1.983.284	0	302.028	0
DEM d.o.o. Maribor	1.221.002	0	276.444	0
HSE INVEST d.o.o.	4.616	0	171	0
SENG do.o. Nova Gorica	68.571	120	26.725	0
HESS d.o.o.	703.402	0	196.275	0
PLP d.o.o. Velenje	161.029	2.707.805	22.986	280.350
Sipoteh d.o.o. Velenje	93.039	19.176	451.825	109.505
ERICo d.o.o. Velenje	72.683	274.799	6.359	94.317
Total group companies	**153.352.012**	**5.050.988**	**23.855.979**	**665.098**
Total associates	**326.751**	**3.001.780**	**481.170**	**484.172**
TOTAL	**153.678.763**	**8.052.768**	**24.149**	**1.149.270**

3.5.12 RECEIPTS

in EUR

Receipts of the management, Supervisory Board members and employees who are not subject to the tariff part of the collective agreement	SALARY	OTHER RECEIPTS	BONUSES	COST RE-IMBURSE-MENT	TOTAL
Management Board members/management	647.172	26.308	33.702	15.765	722.947
SB members	2.876	23.733	474	0	27.083
Employees who are not subject to the tariff part of the collective agreement	151.800	14.260	11.579	4.919	182.558
Total receipts	**801.848**	**64.301**	**45.755**	**20.684**	**932.588**

Other receipts of the Management Board and employees under individual contract comprise gross values of recourse, jubilee benefits, supplementary pension insurance and payments under contractor agreement for work in rescue team. Cost reimbursements include reimbursements of meal allowance, transportation allowance and per diems.

Other receipts of the Supervisory Board members comprise attendance fees and contractor agreements for work in rescue team.

Employees from the above categories did not receive any advances or loans, and the company did not issue any guarantees in connection with the liabilities of these entities, operating receivables from or liabilities to them. The discussed entities did not receive any shares of expanded profit.

3.5.13 FINANCIAL INSTRUMENTS AND RISKS

This section is connected with section 3.5.9 of the financial report, as well as with the section on financial risks in the business report.

3.5.13.1 INTEREST RATE RISK

in EUR

CONTRACTS CONCLUDED FOR INTEREST RATE SWAPS BY MATURITY	2012	2011
From 1 to 5 years	10.562.500	11.781.250
TOTAL	**10.562.500**	**11.781.250**

in EUR

IRS EFFECT	2012	2011
Unrealised loss of effective transactions	-778.777	-621.608

In 2012, the controlling company concluded an interest rate swap agreement which terminates in 2016. The company performed the test of efficiency of derivative and established that interest rate hedging is effective.

in EUR

FINANCIAL INSTRUMENTS	Net profit or loss 2012		Net profit or loss 2011	
	Increase by 50 b.p.	Decrease by 50 b.p.	Increase by 50 b.p.	Decrease by 50 b.p.
Financial instruments at variable interest rate	**-342.381**	**342.381**	**-280.153**	**280.153**
Financial assets	23.982	-23.982	66.680	-66.680
Financial liabilities	-366.363	366.363	-346.833	346.833

3.5.13.2 CAPITAL MANAGEMENT

in EUR

	2012	2011
Long-term financial liabilities	42.804.682	45.659.642
Short-term financial liabilities	36.968.963	26.612.124
Total financial liabilities	**79.773.645**	**72.271.766**
Total equity	115.472.824	114.026.269
Financial liabilities/equity	**0,69**	**0,63**
Net financial liability	79.556.289	67.727.220
Net debt/equity	**0,69**	**0,59**

3.5.13.3 FAIR VALUES

in EUR

FINANCIAL INSTRUMENTS	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Available-for-sale financial assets	1.083.155	1.083.155	982.558	982.558
Non-derivative financial assets at amortised cost				
Financial receivables	5.376.355	5.376.355	2.011.099	2.011.099
Operating receivables	45.185.829	45.185.829	37.977.975	37.977.975
Cash	63.466	63.466	4.544.546	4.544.546
Total non-derivative financial assets	**51.708.805**	**51.708.805**	**45.516.178**	**45.516.178**
Non-derivative financial liabilities at amortised cost				
Bank loans	67.693.824	67.693.824	71.453.465	71.453.465
Other financial liabilities	3.371.304	3.401.304	818.301	818.301
Operating liabilities	45.072.775	45.072.775	28.841.208	28.841.208
Total non-derivative liabilities	**116.137.903**	**116.167.903**	**101.112.974**	**101.112.974**

in EUR

FINANCIAL ASSETS MEASURED AT FAIR VALUE ACCORDING TO HIERARCHY	31. december 2012	31. december 2011
Financial assets at first-level fair value	0	0
Financial assets at second-level fair value	0	0
Financial assets at third-level fair value	1.083.155	982.558
Total financial assets at fair value	**1.083.155**	**982.558**

3.5.14 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

No business events took place up to the date of this consolidated financial report that would affect the financial statements of the Group and their disclosures in the financial report.

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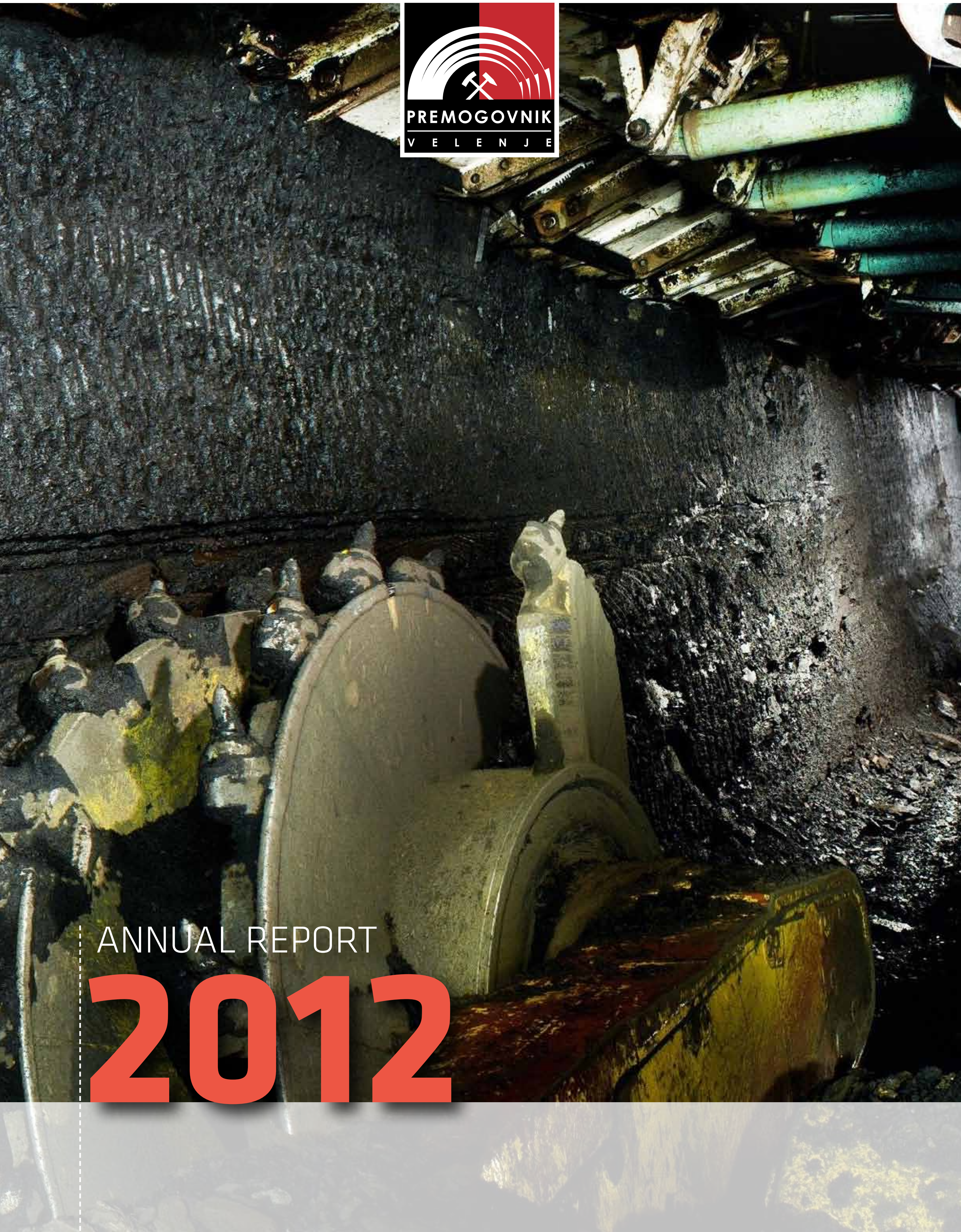

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