interEnergo

a kelag company

ANNUAL REPORT 2011

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INTERENERGO d.o.o., Ljubljana

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LETTER FROM MANAGING DIRECTORS

As for the reporting year, Interenergo considers 2011 as successful, both in terms of electricity trading as well as accelerated investments in facilities for electricity production from renewable sources. The year was characterised by an increase in revenue, investments and the number of employees and in an increase of group companies. Net profit of the Interenergo Group amounted to EUR 450,017. Compared to 2010, a more than two-fold increase in electricity trading was recorded. The growth in the trading volume was followed by personnel and organisational strengthening. The Company's capital was increased by EUR 7.5 million, to further improve the company's creditworthiness and to successfully implement the set development plans for the future years.

In 2011, electricity trading was mainly influenced by two key events: the Fukushima nuclear accident with the resulting changes in the prices of electricity in Europe and the poor hydrological year in the target region. The Fukushima nuclear accident led to changes in the nuclear energy development policy in Europe and globally. Germany announced the planned shut down of all its nuclear power plants by 2022 and an even more intensive focus on the development of renewable energy sources. Especially the last quarter of 2011 was characterised by high electricity price differences (price spreads) between markets that we succeeded to make good use of and achieved good results in trading, thus concluding the business year with a profit.

The economic and financial crisis that Europe and the rest of the world have been struggling with since 2008 had no major impact on the Company's business. We mainly provide financial resources for investments through our owner Kelag, which ranks among the leading energy companies in renewable energy sources and has a very stable and valuable credit rating. We consider the period of the economic crisis mainly in terms of gaining opportunies in new investment projects and in employing highly qualified staff.

In 2011, investment projects were implemented focusing predominantly on the construction and renovation of hydropower plants in the countries of the former Yugoslavia. Among other things, we have obtained an approval in Bosnia and Herzegovina to transfer four concessions for small hydropower plants: Novakovići, Zapeće, Kobiljska Rijeka and Medna to our subsidiaries, and successfully carried out the takeover and management of two small hydropower plants. Our professional approach of investing in Republika Srpska has gained us the trust of the government, with whom we signed a cooperation agreement. The project portfolio was expanded by potential solar and wind energy projects in 2011. In 2012, the company plans to launch a solar power plant in Slovenia.

The trading volume could be increased in 2011, especially in the last quarter of the year. The unexpected extremely low hydrology in some Balkan countries, where electricity supply depends to a high extent on hydropower, caused a shortage in electricity. We quickly detected a business opportunity and through cross-border trading helped supply these markets with a sufficient amount of required energy. We intensified activities on energy markets in Croatia, Bosnia, Serbia and Montenegro. We regularly attend tenders in these countries for the sale or purchase of electricity from local energy companies. In 2011, our position on wholesale markets further strengthened, as we successfully entered the Hungarian market. In 2012, we will start trading on the Hungarian power exchange HUPX.

In the past year, we also devoted considerable attention to optimising our business processes, revising the risk management policies and strengthening and consolidating the trading department. All our activities are aimed at implementing our main goals: efficient production of electricity from renewable energy sources and successful trading in electricity on international markets. Naturally, the set goals could not have been achieved without the highly qualified and dedicated staff that form the core of the Company.

Anton Papež,
Managing Director, Interenergo d.o.o.

Christian Schwarz,
Managing Director, Interenergo d.o.o.

I BUSINESS REPORT

1 PERFORMANCE HIGHLIGHTS

Performance highlights of Interenergo d.o.o. for 2011 and 2010

Interenergo	2010	2011	Change 2011/2010
Assets in EUR	17,228,827	41,428,993	140 %
Equity in EUR	9,072,122	16,577,998	83 %
Total revenues in EUR	61,581,844	206,755,320	236 %
EBIT in EUR	-127,373	44,604	135 %
EBITDA in EUR	-109,188	54,336	150 %
Net profit in EUR	22,501	5,876	-74 %
Trading volumes (electricity)	1.7 tWh	3.5 tWh	106 %

2 COMPANY PRESENTATION

2.1 Company Profile

Company name:	**INTERENERGO, energetski inženiring, d.o.o.**
Shortened corporate name:	**INTERENERGO d.o.o.**
Company name in English:	**INTERENERGO, energy engineering, Ltd.**
Shortened corporate name in English:	**INTERENERGO Ltd.**
Registered office:	**Tivolska cesta 48, 1000 Ljubljana**
Telephone:	**+386 (0)1 6203 700**
Website:	**www.interenergo.com**
E-mail:	**info@interenergo.si**
Date of establishment:	**25 July 2006**
Main business activity:	**35.111 – Production of electricity in hydropower plants**
Ownership:	**KI-KELAG INTERNATIONAL, GmbH, 100-percent stake**
Equity:	**EUR 10,200,000**
Tax number:	**99144590**
Company ID number:	**2226405**

Bodies of the Company:

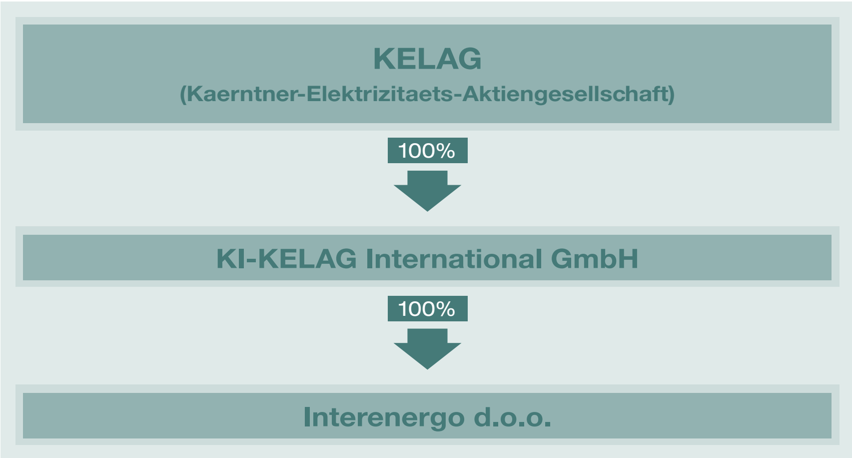
MANAGEMENT BOARD:

Managing director:	**Anton Papež**
Managing director:	**Christian Schwarz**
Holder of procuration:	**Blaž Šterk**
Holder of procuration:	**Wolfgang Lyssy**
Holder of procuration:	**Ingo Preiss**

Supervisory Board:

Chairman:	**Armin Wiersma**
Deputy Chairman:	**Hermann Egger**
Member:	**Gerald Berger**

Ownership structure



In November 2009, Interenergo d.o.o. was acquired by the Austrian KELAG Group (Kaerntner-Elektrizitaets-Aktiengesellschaft) and has since then been 100%-owned by KI-KELAG International GmbH.

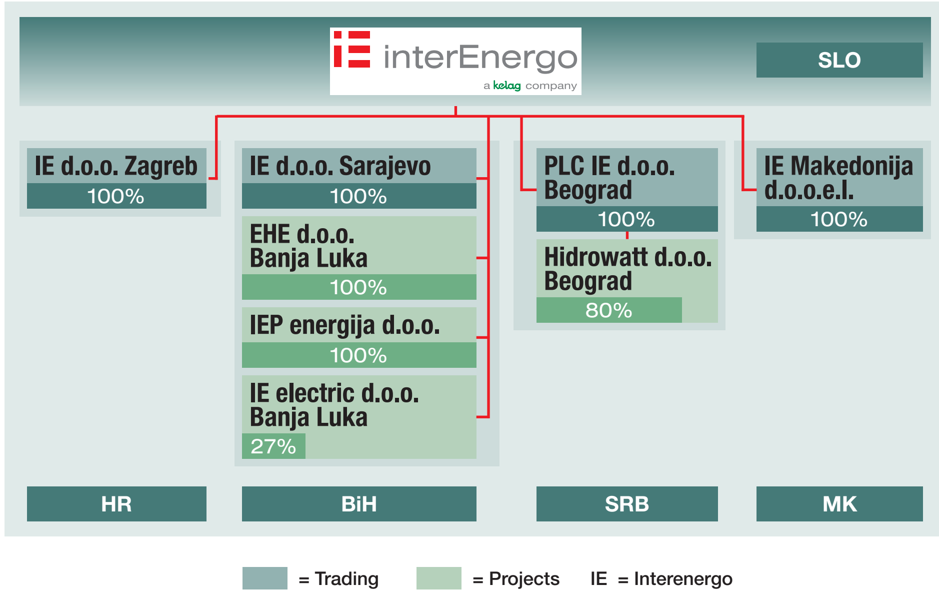
2.2 Performance Milestones of Interenergo d.o.o.

Year	Event
2007	Interenergo d.o.o. Ljubljana started with its operations.
April 2007	Foundation of Interenergo d.o.o. Sarajevo, Bosnia and Herzegovina, which is 100%-owned by Interenergo d.o.o. Ljubljana.
June 2007	Foundation of Interenergo Makedonija d.o.o.e.l. Skopje, Macedonia, which is 100%-owned by Interenergo d.o.o. Ljubljana.
July 2007	Acquisition of EHE d.o.o. Banja Luka, Bosnia and Herzegovina, which is 100%-owned by Interenergo d.o.o. Ljubljana.
October 2007	Transformation of Poteza invest d.o.o. into PLC Interenergo d.o.o. Belgrade, Serbia, which is 100%-owned by Interenergo d.o.o. Ljubljana.
March 2008	Acquisition of Interenergo d.o.o. Zagreb, Croatia, which is 100%-owned by Interenergo d.o.o. Ljubljana.
February 2009	Serbian subsidiary PLC Interenergo d.o.o. acquires an 80% share in Hidrowatt, which managed the project for the construction of the first private hydropower plant in Serbia, named Poštica.
November 2009	Interenergo d.o.o. joints the Austrian KELAG Group (Kaerntner-Elektrizitaets-Aktien-gesellschaft), when a 100% stake in its equity is acquired by KI-KELAG International GmbH.
February 2010	The small hydropower plant Poštica owned by Hidrowatt begins production.
September 2010	An agreement is signed on the purchase of three small hydropower plants in the Federation of Bosnia and Herzegovina.
October 2010	Trading volume in this year exceeds one terawatt hour.
June 2011	Approval for the transfer of four concessions in Republika Srpska (Bosnia and Herzegovina) is obtained.
July 2011	Acquisition of IEP energija d.o.o. in Bosnia and Herzegovina, which owns 2 small hydropower plants – Sastavci and Duboki Potok.
October 2011	The Company co-founds Interenergo electric d.o.o. Banja Luka, Bosnia and Herzegovina; Interenergo d.o.o. Ljubljana holds a 27.27% share.

2.3 Interenergo Group

Owing to its focus on foreign markets, the business development of Interenergo has lead to the establishment of the Interenergo Group, which is composed of Interenergo d.o.o. Ljubljana and eight subsidiaries in South-Eastern Europe.

Organizational structure of the Interenergo Group



Companies 100-percent owned by Interenergo d.o.o.:

- Interenergo d.o.o. Sarajevo, Bosnia and Herzegovina,
- Interenergo d.o.o. Zagreb, Croatia,
- Interenergo Makedonija d.o.o.e.l Skopje, Macedonia,
- PLC Interenergo d.o.o. Belgrade, Serbia,
- EHE d.o.o. Banja Luka, Bosnia and Herzegovina,
- IEP energija Gornji Vakuf d.o.o., Bosnia and Herzegovina.

Equity stakes of Interenergo d.o.o. in other companies:

- IE electric d.o.o., Banja Luka, Bosnia and Herzegovina (27-percent stake)

2.4 Activities of the Company

The basic activities of Interenergo are electricity trading and investing in renewable energy projects.

The Company trades in electricity on the wholesale and retail markets. For successful electricity trading, the Company has set up an efficient network of companies that are holding the required authorisations and licences. Through its market activities, the Company contributes to safe and efficient supply of electricity to its target markets.

When investing in renewable energy projects, Interenergo mainly allocates funds to hydropower plants and wind power plants. In new projects and also when upgrading existing projects, the Company employs advanced technologies to meet the highest standards in terms of efficient production and safety. The Company provides for the implementation of all stages of planning, construction and management of facilities. In doing so, it fulfils the requirements for reducing negative environmental impacts and encourages economic development in the local environments.

Business Objectives of Interenergo

Investing in energy facilities for electricity production from renewable sources.

The establishment of an efficient network of subsidiaries that offers support to win energy projects and to electricity trading.

Active management of Company-owned energy facilities.

International electricity trading (cross-border-trading).

Business Orientations of Interenergo

Getting concessions for the construction of new production capacities in South-Eastern Europe, such as: hydropower plants, wind power plants and solar power plants.

Investments in the refurbishment and management of existing production units using renewable energy sources that do not fulfil their production potential owing to obsolete technology and inadequate management.

Investments in new production sources for electricity generation.

Intermediation in electricity trading that will in the future expand to trading in electricity with Company-owned production capacities and the production capacities of its business partners.

Operations in South-Eastern and Central Europe

The primary investment region of Interenergo d.o.o. and its associates in the first phase comprises Bosnia and Herzegovina, Serbia, Slovenia and Croatia. The target region for electricity trading is wider and in addition to the above countries also includes Austria, Italy, Hungary, Germany, Macedonia, Montenegro and several adjacent countries where Interenergo trades on the border.

With the aim of setting up an electricity trading infrastructure and gaining new investment projects, Interenergo has been founding 100%-owned subsidiaries in all primary target markets. For investments in electricity facilities, the Company has been founding or acquiring stakes in project companies.

2.5 Corporate Policy

Interenergo d.o.o. is an international privately-owned company. It is present on the energy markets of Central and South-Eastern Europe. Its operations are stable, and it is development-oriented. The Company's primary business objective and its core responsibility is the safe and business-efficient supply of electricity, while its investment projects are oriented towards economically, environmentally and socially responsible exploitation of renewable energy sources.

Vision

In the next five years, Interenergo will become the largest foreign private investor in the exploitation of renewable energy sources in the former Yugoslavian countries in the segment of small and medium-sized production capacities. It will dispose of 300 gigawatt-hours of electricity from own production and will trade 4.5 terawatt-hours of electricity on international markets.

Mission

To provide safe and efficient supply of electricity produced from renewable energy sources.

Values

- Reliable, safe and environment-friendly electricity production.
- Vertical integration - from production to the end customer.
- Transparent and efficient operations.
- Environmental awareness.
- Employee integration in company development.

Strategic Objectives

- Expansion of the trading network in the energy markets of Central and South-Eastern Europe.
- Strengthening of competitive advantages in wholesale trading.
- Effective management of existing facilities with the aim of providing long-term, safe and business-efficient operation.
- Investing in the construction and refurbishment of facilities for electricity production from renewable sources.

3 PRESENTATION OF THE BUSINESS ENVIRONMENT AND IMPACTS ON THE COMPANY'S OPERATIONS IN 2011

In order to be successful in electricity trading, it is important that the Company quickly adapts to the situation on energy markets.
The investment projects are mainly carried out in the countries of former Yugoslavia, which are characterised by long-term recession, low investment level and slow development. In 2011, the Company operated successfully in the demanding economic situation in the countries of former Yugoslavia, which is proved by the investments made in hydropower plants, the investments in progress and the investment plans for future years.

3.1 Economic Environment in Slovenia

The economic environment in Slovenia was characterised by low economic activity. The growth in real goods exports slowed down. There was a decrease in the real volume of manufacturing production, hitting first the low-technology-intensive industries that mainly produce intermediate products. The volume of construction works also declined. In 2011, the situation on the labour market further deteriorated. Modest growth in average gross salary was the result of growth in the private sector. In 2011, inflation lied at 2.0 percent, which is similar to the years before. In 2011, credit activity experienced a downward trend and the bank financing situation aggravated. The interim growth in general government expenditure was lower than the increase in income, leading to a smaller public finance deficit than in the same period in 2010.
In 2011, gross domestic product (GDP) reduced by 0.2 percent in real terms according to preliminary estimates. In the last quarter of 2011, GDP was in real terms 2.8 percent lower than in the same quarter of 2010. Since GDP decreased for several quarters in a row, the Slovenian economy was in recession in 2011. Domestic consumption again declined in real terms. In the last quarter of 2011, it was 4.4 percent below the respective 2010 figure. The drop is due to the real decrease in household expenditure (by 1.8 percent), government expenditure (by 2.6 percent) and smaller investment spending (by 12.3 percent).
Added value recorded a real decrease in the last quarter of 2011 in most activities. As for the manufacturing, it fell by 2.6 percent compared to the previous year, in construction by 15.5 percent, in trade, transport, accommodation and food service activities it went down by 1.5 percent and as for professional, scientific and similar activities it declined by 0.5 percent. However, added value grew in the predominantly non-market activity group (public administration, education, health care, i.e. by 1.0 percent) and in real estate trading (by 0.5 percent).

3.2 Economic Environment in Central and South-Eastern Europe

After the improvement in economic situation and growth in 2010, the economic conditions in most European countries again deteriorated in 2011. Beside the effects of the global financial crisis, European economies faced in 2011 the debt crisis within the EU Member States. The economic developments in Europe were strongly influenced by state borrowing and by the increase in budget deficit as well as by the unpredictable situation in Greece, Spain, Portugal, Italy and Ireland.
In 2011, two trends predominated: growth in export-oriented countries headed by Germany and on the other hand economic stagnation and recession in most peripheral countries of the EU. Rating agencies downgraded nine European countries and stated negative outlooks on economic growth in most EU countries, except Germany and Slovakia. The area of South-Eastern Europe was characterised by a high unemployment rate and relatively high inflation.

4 OPERATIONAL PERFORMANCE IN 2011

4.1 Performance Ratios

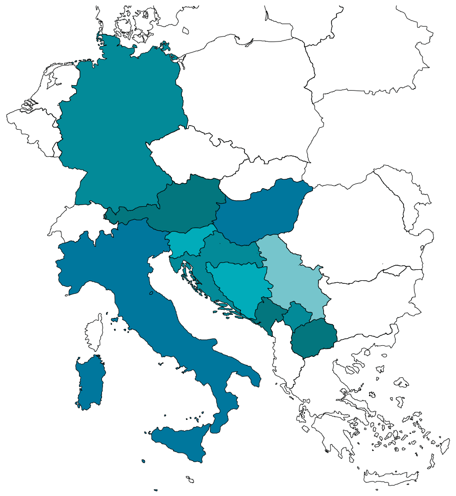
RATIOS	2011	2010
Equity financing rate: equity/liabilities	0.400	0.527
Long-term financing rate: (equity + long-term liabilities)/liabilities	0.494	0.527
Operating fixed assets rate: fixed assets/assets	0.001	0.001
Long-term investment rate: (fixed assets + long-term fin. assets + investment property + long-term receivables)/assets	0.166	0.176
Equity to fixed operating assets: equity/fixed assets	506.075	447.365
Equity to long-term assets: equity/long-term assets	2.287	2.690
Immediate solvency ratio: liquid assets (cash + short-term listed fin. assets)/short-term liabilities	0.357	0.757
Quick ratio: (liquid assets + short-term receivables)/short-term liabilities	2.188	1.282
Current ratio: short-term assets/short-term liabilities	4.081	2.606
Operating effectiveness ratio: operating revenue/operating expenses	1.000	0.998
Participation rate of labour costs in operating revenue: labour costs/operating revenue	0.004	0.010
Participation rate of material costs in operating revenue: costs of material/operating revenue	0.995	0.991
Participation rate of net profit in revenue: net profit/revenue	0.000	0.000
Net return on equity: net profit for the period/average equity	0.001	0.002
Dividend ratio of equity:	0.000	0,000

4.2 Trading Operations

In 2011, Interenergo successfully expanded its trading activities. Interenergo is mainly focused on short term trading, but also concluded several long term contracts for the next years. It was very active on the bilateral (OTC) market and on several energy exchanges (BSP Southpool, EEX and EPEX). The main profit in electricity trading was realized by deals concluded through classical commercial arbitrage.

At the beginning of the year, the Company commenced bilateral trading on the Hungarian energy market, and in 2012 it plans to trade on the Hungarian power exchange (HUPX) and on the regional power exchange BSP Southpool Serbia. Through successful performance and penetration to new energy markets, the Company has been increasing its visibility on the target markets.

In 2011, most of trading was conducted in Slovenia, Austria, Germany, Croatia, Bosnia and Herzegovina, Serbia and Hungary. A significant portion of the Group's net sales totalling to EUR 206,755,314 was generated by the parent company Interenergo d.o.o.



PRESENCE ON INTERNATIONAL MARKETS

4.3 Investment Operations

The Company has been successfully pursuing its long-term goal of establishing a stable portfolio of investments in electricity production facilities that will lead to long-term stable revenue.

In the area of investments, the started projects were successfully continued and new ones launched. We continued building the small hydropower plant Novakovići on the Ugar River that will begin trial operation in May 2012. Furthermore, we prepared the construction of the small hydropower plant Zapeće on the same river. We are preparing to build a small hydropower plant on the Sana River and a small hydropower plant in Republika Srpska. We successfully completed the takeover and management of the small hydropower plants Sastavci and Duboki Potok in Bosnia and Herzegovina.

MAP OF INTERENERGO HYDROPOWER PLANTS

5 SOCIAL RESPONSIBILITY

Interenergo practices social responsibility through the following aspects of its operations:

- Reliable production and supply of electricity
- Compliance with environmental and technological standards in the construction and refurbishment of facilities
- Business-efficient operations
- Investing in employees
- Open communication
- Integration of local environments in investment projects (hiring local labour force, promoting the development of local environments)
- Supporting professional, cultural and educational institutions and projects that enrich society and contribute to development

Interenergo is aware that socially-responsible actions set the foundations for long-term success. That is why our corporate policy stipulates fair and ethical conduct of business, responsible attitude to the environment and care for the wider social environment.

5.1 Business Responsibility

Business responsibility is primarily based on the strategic orientation of the Company towards renewable energy sources that are becoming an increasingly important segment of the energy industry. Interenergo's operations are transparent and fair. The Company's management and employees pursue a well-though-out and sustainable corporate strategy that is based on achievable objectives and secures long-term existence of the Company. The development of the Group is based on investments in renewable energy sources that in 2011 totalled EUR 11.9 million.

The Company does not borrow from financial institutions to finance development plans and investments but instead provides all the funds necessary in the form of equity or shareholder loans.

The Company's financial status is solid. Its return rate is not yet comparable with companies that have been operating on the energy market for a longer period, since Interenergo is still in the initial phase of developing its business potential. The 100% owner Kelag Group has an A (stable) rating according to S&P. This enables group companies to pursue ambitious business strategies even in the stringent economic situation.

5.2 Employees

Interenergo offers its employees a stimulating work environment with opportunities for personal and professional development. The Company's management is aware that highly educated and motivated personnel are a precondition for the realisation of business objectives. The management sees to the professional training of employees that is tailored to the requirements of the local environments where the Company and the group operate. Interenergo is in the early development stage, which represents a great challenge to all employees and the management. Investment projects and trading on international markets introduce considerable dynamics to the employees' assignments. There are variable remuneration systems in place that are customised to the nature of employees' work to promote proactive performance and dedication.

5.3 Environmental Responsibility

Investment projects of the Company are implemented in line with the environmental and technical standards of the Kelag Group. When placing facilities in the environment, Interenergo complies with all legislative frameworks. All constructed and refurbished facilities are technologically sophisticated, made of environment-friendly materials and meet the highest safety standards. This provides a minimum environmental impact of the facilities.

5.4 General Social Responsibility

We support artistic creativity, organisation of energy conferences and issuing of professional publications, and we enable modern teaching in schools. In the past years, we have supported artistic exhibitions and the publication of the journal of the international business school IECD. We equipped a modern computer lecture room at the library in Vlasotince, Serbia. We donated funds to the Vuk Karadžić Primary School in Tegošnice to improve teaching conditions.
In 2011, we sponsored the En.Odmev energy conference. In 2012, we will support the organisation of the 14th Energy Managers Days Conference and the jubilee 60th Ljubljana Festival.

6 RISK MANAGEMENT

Entrepreneurial activity means that »opportunity is not without risk«. Therefore it is a key objective of Interenergo to ensure adequate monitoring of the companies risk exposure at any time and to ensure efficient management and identification of risks. To this end, Interenergo operates a risk management system that addresses risks from its own activities as well as risks from its market environment.

The group-wide rules and minimum standards ensure a systematic and uniform risk management system. It is the Group's strategic goal to raise risk awareness at all levels, to systematically consider risk aspects in all business decisions, to improve performance of internal control systems and reporting and to establish a value-oriented risk culture at all levels of the Group, beyond the scope of the requirements set by the legal minimum standards.

The main focus of group-wide risk management relates to five risk categories - market risks, credit risks, legal risks, operational risks and other risks. Risks are identified and managed for each business division.

6.1 Market Risks

Energy price changes and exchange rate fluctuations constitute the key market risks within Interenergo.

The market price risk describes the potential loss as a result of price changes in the market. This risk arises as a result of holding an open position and increases as price fluctuations increase (volatility). The volatility and development of commodity prices considerably affect the companies earnings and is therefore constantly monitored. Interenergo monitors open positions by comparing against the various limits laid down in its policies, rules and Managementís decisions. The companies policies do not allow major open positions.

The currency risk arises from the sale/purchase of products the origin of which lies outside the buyer's/seller's currency area, or if indices are expressed in different currencies. To keep the currency risk as low as possible, all the contracts on purchase and sale of electricity are EUR-denominated.

6.2 Credit Risk

Credit or counterparty risk is the risk that a contractual party will fail to meet its contractual obligations, thus affecting the Company's cash flow. The credit risk exists both for open and closed positions up to the actual performance date (settlement risk) and the end of the delivery contract (replacement risk).

Interenergo manages this risk by means of the EFET standard contracts which lay down the general legal framework. These risks are furthermore mitigated by executing an initial credit worthiness screening and ongoing credit worthiness monitoring in line with the value of contracts with each trading partner. Collaterals and trading limits are expressed in value terms and limits for each partner laid down in an adequate credit limit system which is frequently monitored. In 2011, Interenergo did not record any losses related to credit risk.

6.3 Legal Risks

Legal risks are defined as the risk of loss of value due to non-compliance with relevant laws and regulations and arise in particular as a result of contracts and agreements not being clearly specified or documented. Legal risks are to be taken into consideration above all in countries into which the company is expanding, in particular in politically unstable economies. Risk can arise from the poor legal environment in certain countries.

Interenergo has the necessary legal competencies and cooperates with local law offices where necessary. EFET framework agreements as well as standard wordings for legally based documents (bank guarantees, parent company guarantees, comfort letters, etc.) are in place. Legal risks are constantly and closely monitored by risk management and the legal department.

6.4 Operational Risks

Operational risks are defined as the risks associated with an entity's information technology system, internal controls and employees. If such risks materialise, the Company can suffer a financial loss.

The Company manages operational risk by defining in great detail its business processes, internal controls, job descriptions, etc.. Furthermore, the respective employees are constantly educated and trained and the 4 eyes principle is implemented in the necessary business process steps.

6.5 Other Risks

The company is facing several other risks such as: Liquidity Risks, Regulatory Risks, Political Risks, Investment Risk, etc. which are covered by Interenergo's risk management system and closely monitored by the respective units within the company.

7 SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE

There were no significant events after the 2011 year-end.

8 RELATED-PARTY TRANSACTIONS

Considering the circumstances known to us at the time of each and every legal transaction with the parent company, Interenergo d.o.o. as subsidiary always received adequate compensation and did not make any legal transactions or take or omit any actions that would be to its detriment.

9 STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management hereby confirms the financial statements for the period ended 31 December 2011, the notes thereto on pages 25 to 41 as well as the accounting policies applied.

The Management Board is responsible for the preparation of the annual report so that the annual report gives a true and fair view of the financial position of the Company and the results of its operations for the period ended 31 December 2011.

The management hereby confirms that the relevant accounting policies were applied consistently and that the accounting estimates were prepared in compliance with the principles of prudence and due diligence. The management also confirms that the financial statements of the Company and the notes thereto were prepared on a going concern basis and in accordance with the applicable legislation and the Slovenian Accounting Standards (SAS).

Furthermore, the management is responsible for appropriate accounting and for taking adequate measures to secure the assets of the Company and for the prevention and identification of fraud and other forms of misconduct.

Within five years after the end of the year in which the tax is to be assessed, tax authorities have the right to perform a tax audit, which may consequently lead to additional liabilities for tax payment, default interest and penalties referring to corporate income tax or other taxes and levies. The Company's management is not informed on the circumstances that might result in significant liabilities arising therefrom.

Ljubljana, 30 May 2012

Managing Director:
Christian Schwarz

Managing Director:
Anton Papež

II ACCOUNTING REPORT

1 FINANCIAL STATEMENTS

1.1 Balance Sheet as at 31 December 2011

	Note	in EUR	
		31 Dec 2011	31 Dec 2010
ASSETS		**41,428,993**	**17,228,827**
A. LONG-TERM ASSETS		7,247,781	3,372,683
I. Intangible assets and long-term deferred costs and accrued revenue		5,406	5,957
1. Concessions, patents, licences, trademarks and similar rights		0	3,419
2. Long-term deferred costs and accrued revenue		5,406	2,538
II. Property, plant and equipment	2.3.1	27,352	14,322
1. Other plant and equipment		27,352	14,322
IV. Long-term investments	2.3.2	6,850,293	3,010,762
1. Long-term investments, excluding loans		6,850,293	3,010,762
a) Shares and interests in group companies		6,850,293	3,010,762
V. Long-term operating receivables	2.3.3	950	950
VI. Deferred tax assets	2.3.4	363,780	340,692
B. CURRENT ASSETS		20,200,156	7,469,227
III. Short-term investments	2.3.5	9,371,303	3,795,131
1. Short-term loans		9,371,303	3,795,131
a) Short-term loans to group companies		9,235,440	3,531,250
b) Short-term loans to others		135,863	263,881
IV. Short-term operating receivables	2.3.6	9,059,981	1,502,717
1. Short-term operating receivables due from group companies		1,441,530	668,332
2. Short-term trade receivables		3,982,155	136,555
3. Short-term operating receivables due from others		3,636,296	697,830
V. Cash	2.3.7	1,768,872	2,171,379
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	2.3.8	13,981,056	6,386,917
LIABILITIES AND EQUITY		**41,428,993**	**17,228,827**
A. EQUITY	2.3.9	16,577,998	9,072,122
I. Called-up capital		10,200,000	10,200,000
1. Share capital		10,200,000	10,200,000
II. Capital surplus		7,950,000	450,000
III. Revenue reserves		95,721	95,721
1. Legal reserves		95,721	95,721
V. Retained losses		-1,667,723	-1,673,599
VI. Net profit for the period		0	0
C. LONG-TERM LIABILITIES	2.3.10	3,900,000	0
I. Long-term liabilities to group companies		3,900,000	0
D. SHORT-TERM LIABILITIES		4,950,096	2,866,691
II. Short-term financial liabilities	2.3.11	79,153	881,117
1. Short-term financial liabilities to group companies		79,028	881,117
2. Short-term financial liabilities to banks		125	0
III. Short-term operating liabilities	2.3.12	4,870,943	1,985,574
2. Short-term trade payables		1,212,027	481,134
3. Other short-term operating liabilities		3,658,916	1,504,440
E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	2.3.13	16,000,899	5,290,014

1.2 Income Statement for the Financial Year Ended 31 December 2011

	Note	in EUR 2011	in EUR 2010
1. Net sales	2.3.14	206,755,314	61,579,661
1. Revenue generated on the domestic market		20,633,794	10,405,564
2. Revenue generated on the foreign market		186,121,520	51,174,097
2. Other operating revenue (including revaluation operating revenue)		6	2,183
3. Costs of goods, materials and services	2.3.15	205,670,400	60,997,659
a) Costs of goods and material sold and costs of material used		204,847,667	60,430,199
b) Costs of services		822,733	567,460
4. Labour costs	2.3.17	863,304	621,937
a) Payroll costs		684,372	492,023
b) Pension insurance costs		69,621	43,544
c) Social insurance costs		60,567	50,493
d) Other labour costs		48,744	35,877
5. Write-downs in value		82,596	48,295
a) Amortisation and depreciation expense		9,732	18,185
b) Revaluation operating expenses associated with current operating assets	2.3.18	72,864	30,110
6. Other operating expenses		94,416	41,327
OPERATING PROFIT OR LOSS		**44,604**	**-127,373**
8. Financial revenue from loans to others	2.3.19	271,192	168,632
a) Financial revenue from loans to group companies		271,192	168,483
b) Financial revenue from loans to others		0	149
9. Financial revenue from operating receivables	2.3.19	15,217	86,744
a) Financial revenue from operating receivables due from others		15,217	86,744
10. Financial expenses due to impairment and write-offs of investments	2.3.20	135,622	0
11. Financial expenses for financial liabilities	2.3.20	187,353	101,323
a) Financial expenses for loans received from group companies		174,261	34,416
b) Financial expenses for loans received from banks		12,099	1,246
c) Financial expenses for other financial liabilities		993	65,661
PROFIT FROM ORDINARY ACTIVITIES		**8,038**	**26,679**
15. Other revenue		137	4
16. Other expenses		660	92
TOTAL PROFIT BEFORE TAX		**7,515**	**26,591**
17. Income tax	2.3.21	-24,727	0
18. Deferred taxes	2.3.21	23,088	-4,090
NET PROFIT FOR THE PERIOD		**5,876**	**22,501**

1.3 Statement of Other Comprehensive Income for the Financial Year Ended 31 December 2011

		in EUR 2011	in EUR 2010
A.	Profit for the period	5,876	22,501
B.	Changes in revaluation surplus from financial assets available for sale	0	0
C.	Other components of comprehensive income	0	0
D.	Total comprehensive income	5,876	22,501

1.4 Statement of Cash Flows for the Financial Year Ended 31 December 2011

	in EUR	
	2011	2010
A. Cash flows from operating activities		
a) Items of income statement		
Profit before tax	7,515	26,679
Income tax and other taxes not included in operating expenses	-1,639	0
Adjustments for amortisation / depreciation	9,732	18,186
Adjustments for revaluation operating revenue	0	-2,183
Adjustments for revaluation operating expenses	0	66,405
Adjustments for financial revenue	-271,192	-168,632
Adjustments for financial expenses	320,995	101,323
Total items of income statement	**65,411**	**41,778**
b) Changes in net operating assets in balance sheet items		
Opening less closing operating receivables	-7,557,263	1,380,314
Opening less closing deferred costs and accrued revenue	-7,594,139	-6,381,876
Opening less closing deferred tax assets	-23,088	4,091
Closing less opening operating liabilities	2,885,369	-1,226,073
Closing less opening accrued costs and deferred revenue	10,710,885	5,290,014
Total changes in net operating assets in balance sheet items	**-1,578,236**	**-933,530**
c) Net cash from operating activities	-1,512,825	-891,752
B. Cash flows from investing activities		
a) Cash receipts from investing activities		
Interests and dividends received from investing activities	271,192	68,632
Cash receipts from disposal of long-term investments	1,150,000	0
Cash receipts from short-term investments	5,847,028	2,550,128
Total cash receipts from investing activities	**7,268,220**	**2,618,760**
b) Cash payments for investing activities		
Cash payments to acquire property, plant and equipment	-19,362	-12,412
Cash payment to acquire long-term investments	-4,989,112	-306,609
Cash payment to acquire short-term investments	-11,558,822	0
Total cash payments for investing activities	**-16,567,296**	**-319,022**
c) Net cash used in investing activities	-9,299,076	2,299,738
C. Cash flows for financing activities		
a) Cash proceeds from financing activities		
Cash proceeds from paid-in capital	7,500,000	0
Cash proceeds from increase in long-term financial liabilities	26,400,000	0
Cash proceeds from increase in short-term financial liabilities	125	266,109
Total cash proceeds from financing activities	**33,900,125**	**266,109**
b) Cash payments from financing activities		
Interest paid on financing activities	-188,642	-68,253
Cash repayments of long-term financial liabilities	-22,500,000	0
Cash repayments of short-term financial liabilities	-802,089	0
Total cash payments from financing activities	**-23,490,731**	**-68,253**
c) Net cash used in financing activities	10,409,394	197,856
D. Closing balance of cash		
a) Net cash inflow or outflow for the period	-402,507	1,605,842
b) Opening balance of cash	2,171,379	565,537
c) Total closing balance of cash	1,768,872	2,171,379

1.5 Statement of Changes in Equity for the Financial Year Ended 31 December 2011

2011 (in EUR)	SHARE CAPITAL	CAPITAL SURPLUS	REVENUE RESERVES	RETAINED LOSSES	NET PROFIT FOR THE PERIOD	TOTAL EQUITY
A.1. Balance as at 1 January 2011	10,200,000	450,0000	95,721	-1,673,599	0	9,072,122
B.1. Changes to equity	**0**	**7,500,000**	**0**	**0**	**0**	**7,500,000**
a) Additional paid-in capital	0	7,500,000	0	0	0	7,500,000
B.2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**5,876**	**5,876**
a) Entry of profit for 2011	0	0	0	0	5,876	5,876
B.3. Changes within equity	**0**	**0**	**0**	**5,876**	**-5,876**	**0**
a) Allocation of the remaining portion of net profit	0	0	0	5,876	-5,876	0
c. Balance as at 31 December 2011	**10,200,000**	**7,950,000**	**95,721**	**-1,667,723**	**0**	**16,577,998**

2010 (in EUR)	SHARE CAPITAL	CAPITAL SURPLUS	REVENUE RESERVES	RETAINED LOSSES	NET PROFIT FOR THE PERIOD	TOTAL EQUITY
A.1. Balance as at 1 January 2010	10,200,000	450,0000	95,721	-1,696,100	0	9,049,621
B.2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**22,501**	**22,501**
a) Entry of profit for 2010	0	0	0	0	22,501	22,501
B.3. Changes within equity	**0**	**0**	**0**	**22,501**	**-22,501**	**0**
a) Allocation of the remaining portion of net profit	0	0	0	22,501	-22,501	0
c. Balance as at 31 December 2010	**10,200,000**	**450,000**	**95,721**	**-1,673,599**	**0**	**9,072,122**

1.6 Accumulated Loss for the Financial Year Ended 31 December 2011

	in EUR	
	2011	2010
Net profit for the period	5,876	22,501
+ Retained earnings or losses	-1,673,599	-1,696,100
+ Decrease in revenue reserves	0	0
- Increase in revenue reserves	0	0
= Accumulated loss	**-1,667,723**	**-1,673,599**

Accounting policies are a constituent part of the financial statements.

2 ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.1 Basis for the Preparation of Financial Statements

The financial statements of the Company are prepared in accordance with the Slovenian Accounting Standards and the Companies Act, using the accrual and going concern fundamental assumptions. The qualitative accounting characteristics are understandability, relevance, reliability, and comparability. The same accounting policies were applied as in the previous reporting period.

Assets and liabilities expressed in a foreign currency are translated to the local currency at the balance sheet date by applying the reference exchange rate of the ECB.

Related parties

The Company accounts for following shares and interests in subsidiaries, which together with the parent company form the Group:

- Interenergo d.o.o. Zagreb; in sole ownership (100%) of Interenergo d.o.o. Ljubljana
- Interenergo d.o.o. Sarajevo; in sole ownership (100%) of Interenergo d.o.o. Ljubljana
- PLC Interenergo d.o.o. Belgrade; in sole ownership of (100%) of Interenergo d.o.o. Ljubljana
- Interenergo Makedonia d.o.o.e.l.; in sole ownership (100%) of Interenergo d.o.o. Ljubljana
- EHE d.o.o. Banja Luka; in sole ownership (100%) of Interenergo d.o.o. Ljubljana
- IEP energija d.o.o. Gornji Vakuf; in sole ownership (100%) of Interenergo d.o.o. Ljubljana
- Hidrowatt d.o.o. Belgrade; owned by PLC Interenergo d.o.o. holding an 80% share

In addition to aforesaid subsidiaries, Interenergo d.o.o. held a 100-percent share in the company Interenergo d.o.o. Banja Luka, Bosnia and Herzegovina, which was liquidated on 12 April 2011.

The financial statements for the period from 1 January 2011 to 31 December 2011 were approved by the management on 30 May 2012.

The consolidated financial statements for the Interenergo Group are available at the registered office of Interenergo d.o.o. The consolidated financial statements for the widest Group of companies are available at the headquarters of the company KI-KELAG INTERNATIONAL GMBH Arnulfplatz 2, Postfach 176, Klagenfurt, Austria.

Financial statements

The fundamental financial statements include:

- the balance sheet, which shows the value of its assets and liabilities at the end of the financial year,
- the income statement, which shows its revenue and expenses, as well as its profit or loss for the financial year,
- the statement of other comprehensive income,
- the statement of cash flows, which shows the change in cash over the reporting period, and
- the statement of changes in equity, which shows changes in equity components in the financial year.

The selected format of the income statement is identified as Format I by the Slovenian Accounting Standards.

The cash flow statement has been prepared in the abbreviated form of the format II. Theoretically possible items that are not relevant to a specific entity are not presented. Revenue of any type was offset against expenses of any type apart from depreciation or amortization. Instead of these items, profit or loss before tax is included as a new line item in cash flows from operating activities. However, profit or loss before tax as well as income taxes has been adjusted for depreciation and other non-monetary items, and the items whose monetary effects result in cash flows from investing and financing activities. In addition, changes during the period in net operating assets in the balance sheet items (including accruals and deferrals) have been taken into account.

Information about major line items (cash receipts and cash payments) of the cash flow statement has been obtained:

a) by adjusting operating revenue and operating expense items as well as financial revenue items from operating receivables and operating expenses in the income statement for the changes in current operating assets, accruals and deferrals, provisions and deferred taxes during the period, and
b) from the Companyís books of account (regarding cash flows from financing activities).

2.2 Summary of the Fundamental Accounting Policies

Intangible assets and long-term deferred costs and accrued revenue

Long-term deferred costs and accrued revenue include long-term deferred costs.

Property, plant and equipment

The item of property, plant and equipment includes mainly computer and other equipment.

An item of property, plant and equipment shall be recognised as an asset in the books of account if it is probable that the future economic benefits that are associated with the item will flow to the entity and the cost of the item can be measured reliably. Upon initial recognition, the cost of an asset comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to the condition necessary for its intended use. Subsequent expenditure on an item of property, plant and equipment increases its cost if it increases its future economic benefits in excess of the originally assessed.

Items of property, plant and equipment are depreciated individually, using the straight-line method without considering the remaining value.

In 2011, the Company applied the following depreciation rates:

Computers and computer equipment	50 %
Other equipment	20 %

An item of property, plant and equipment shall be derecognised in the books of account and in the balance sheet on its disposal or when no future economic benefits are expected from its use or disposal. Difference between the net profit on disposal and the carrying amount of the disposed item of property, plant and equipment is included in the income statement.

While assessing whether there is any indication that an asset may be impaired, the Company at each reporting date considers following: possible evidence that the economic efficiency of the asset was lower; evidence on the asset's obsolescence or damage; significant changes to the scope or manner of present or expected use of asset have occurred or are expected in near future having a negative impact on the company. These changes include non-use of the asset, plan on the halt or reorganisation of operations, of which the asset is part of, or sale of the asset before the expected date.

As for the books of account, the cost is disclosed separately and the same applies to accumulated depreciation; the balance sheet, however, discloses solely the carrying amount.

Investments

Long-term investments comprise investments in subsidiaries. On initial recognition, long-term investments are measured at cost. The cost of a long-term investment is increased by the transaction costs directly attributable to its acquisition or issue. At each reporting date, the Company assesses whether there is any indication that an investment in subsidiaries may be impaired. The assessments of investments are prepared on the basis of discounted cash flows taking account of the given hurdle rates by Kelag or RWE Group. The assessment of indicators on a possible impairment is carried out on an annual basis. If there is indication of impairment, the recoverable amount is determined, representing the higher of fair value and value in use. If there is objective evidence that an impairment loss has been incurred on an item of investments, impairment is recognized in the income statement under financial expenses.

Short-term investments represent granted loans which are initially recognised at fair value. As at the reporting date, they are carried at amortised cost. At each reporting date, the Company assesses whether there is any indication that the investments may be impaired. To account for any required impairments, loans are categorised into groups with similar credit risk levels. The Company extends the loans to subsidiaries for the purpose of financing the construction of small hydropower plants.

Operating receivables

Receivables of all categories are initially recognised at amounts recorded in the relevant documents, under the assumption that they will be recovered. Receivables are revalued for impairment if their carrying amount exceeds their fair value. Receivables believed not to be settled by their due date or in their full amount are considered as doubtful receivables or, in the case of litigation, as disputable receivables; allowances are formed for such receivables and charged against revaluation operating expenses. To account for impairment, receivables are categorised into groups with similar credit risk levels, based on their maturity. Allowances for receivables are formed individually by taking into account managementís assessment that is made based on previous experiences.

Cash

Cash comprises cash on hand, deposit money in bank accounts, cash in transit and cash equivalents. Cash equivalents are short-term deposits with banks and call deposits with a maximum maturity of up to three months.

Deferred costs and accrued revenue

Deferred costs and accrued revenue comprise short-term deferred costs or expenses and short-term accrued revenue. They are disclosed separately and classified into major categories. They mostly refer to services referring to the sale of electricity that had already been rendered in the reporting period but not yet invoiced.

Deferred costs and accrued revenue are disclosed in amounts recorded in the relevant documents evidencing their accrual.

Equity

Total equity comprises called-up capital, capital surplus, revenue reserves, and retained earnings or retained losses. The share capital and capital surplus are disclosed in the amount of contributions in cash and in kind received by the company, and on a transitional basis in the amount of receivables due from subscribers to shares; the value of contributions in kind is measured at fair value.

Total comprehensive income for the period consists of the net profit or loss for the period and other comprehensive income that includes items of revenue and expenses not recognised in the profit or loss.

Financial liabilities

Financial liabilities are loans and borrowings received based on loan contracts. Financial liabilities are either long-term if they are to be repaid in a period longer than one year, or short-term.

Financial liabilities are initially recognised at the amounts arising from the relevant documents, which evidence the receipt of cash or the settlement of other liability. After recognition they are measured at amortised cost by using the effective interest rate method.

Operating liabilities

Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, and liabilities to the state arising from taxes, including the value added tax payable. A specific class of operating liabilities are liabilities to customers arising from advances and short-term collaterals received.

Operating liabilities are either long-term if they are to be settled in a period longer than one year, or short-term liabilities, which include those already due (but not yet settled) and those due within the period of one year.

They are initially recognised at amounts recorded in the relevant documents that prove the receipt of products or services or work performed, or the accounted costs or expenses in the reporting period.

Accrued costs and deferred revenue

Short-term accrued costs and deferred revenue comprise short-term accrued costs or expenses and short-term deferred revenue. They are recognised separately and classified into major categories. They mostly refer to the services related to the sale of electricity, for which no invoices were yet received by the end of the reporting year. The revenue and expenses incurred in the sale and purchase of electric energy are accrued on the basis of the past trading results. Operating expenses are accrued on the basis of information relating to the previous months.

Revenue

Revenue is recognised if it is possible that increases in economic benefits shall occur and those increases can be measured reliably. Revenue is classified into operating revenue, financial revenue and other revenue. Operating revenue and financial revenue are ordinary revenue. Operating revenue comprises revenue from sale of electricity and electrical capacities and other operating revenue associated with products and services. Financial revenue is revenue generated by investment activities. It arises in relation to investments, as well as in relation to receivables.

Sales revenue shall be recognised when the entity has transferred to the buyer the significant risks and rewards of ownership; the amount of revenue can be measured reliably; when it is probable that economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company is engaged in wholesale of electricity. Revenue generated on sale of electricity are recognised when the electricity is supplied to the wholesale dealer and the contractually-agreed place of supply, and all the risks are transferred from seller to buyer.

Expenses

Expenses shall be recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and such decreases can be measured reliably. Expenses are classified as operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses. Financial expenses include financing expenses and investment expenses. The former primarily comprise interest paid, while the latter predominantly have the nature of revaluation financial expenses.

The Company is engaged in wholesale of electricity. Expenses are recognised when the electricity is received at the contractually-agreed place of supply, and all the risks are transferred from seller to buyer.

Revaluation operating expenses arise in connection with current assets as a result of their impairment.

Costs of materials and services

Costs of materials and services include expenses incurred in connection with materials and services.

Labour costs

Labour costs include wages and salaries earned by employees, in their gross amount; compensations to which the employees are entitled under the law, collective bargaining agreement or employment contracts for the period of absence from work, and which an entity is obliged to cover in their gross amounts; and taxes and contributions additionally accrued on these items and charged against the employer.

Labour costs shall be recognised on the basis of documents evidencing the work performed and on other accounting bases used to calculate the gross amounts of wages.

Income tax

Current tax liabilities (assets) for the current and prior financial years are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax rates enacted by the balance sheet date.

Deferred taxes

Deferred tax assets and deferred tax liabilities are accounted for using the liability method. Only those deferred tax assets and liabilities are recognised which derive from temporary differences. A deferred tax asset is recognised also for unused tax losses and tax credits, which are transferred to the next financial year if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

At each balance sheet date an entity reassesses deferred tax assets and reduces or impairs a part of the deferred tax asset if it is no longer probable that sufficient taxable profit will be available to allow the unused tax losses to be utilised. Deferred tax assets are not discounted.

Deferred tax assets or deferred tax liabilities are measured using the tax rates expected to be used when the asset is realised or the liability settled. In this relation, the company uses tax rates enacted as at the balance sheet date.

2.3 Notes to the Financial Statements

2.3.1 Property, plant and equipment

	in EUR	
	31 Dec 2011	31 Dec 2010
Property, plant and equipment	27,352	14,322

The item of property, plant and equipment refers mainly to computer and office equipment.

2.3.2 Long-term investments

	in EUR	
	31 Dec 2011	31 Dec 2010
Long-term investments except loans	6,850,293	3,010,762

Shares and interests in Group companies refer to the following investments in subsidiaries:

EHE d.o.o., Banja Luka, Bosnia and Herzegovina	1,620,000	1,620,000
Interenergo d.o.o., Sarajevo, Bosnia and Herzegovina	399,105	399,105
IEP energija d.o.o., Gornji Vakuf, Bosnia and Herzegovina	3,989,489	0
IE electric d.o.o., Banja Luka, Bosnia and Herzegovina	460	0
Interenergo d.o.o., Zagreb, Croatia	0	0
Interenergo d.o.o. Banja Luka, Bosnia and Herzegovina	0	418
Interenergo Makedonija d.o.o.e.l., Macedonia	8,613	8,613
PLC Interenergo d.o.o., Belgrade, Serbia	832,626	982,626
Total	**6,850,293**	**3,010,762**

The company Interenergo d.o.o. Banja Luka, Bosnia and Herzegovina was liquidated on 12 April 2011.

2.3.3 Long-term operating receivables

	in EUR	
	31 Dec 2011	31 Dec 2010
Long-term operating receivables due from others	950	950

The item of long-term operating receivables refers to the long-term collateral.

2.3.4 Deferred tax assets

	in EUR	
	31 Dec 2011	31 Dec 2010
Deferred tax assets	363,780	340,692

Deferred tax assets increased in the reporting period as a result of tax non-deductible expenses associated with the impairment of receivables, and decreased by deductible expenses referring to the liquidation of Interenergo d.o.o. Banja Luka (at first, the expenses were treated as non-deductible).
Due to the utilisation of the previously unused tax loss from previous periods, the deferred tax arising from this item decreased by EUR 17,538 EUR i.e. from EUR 17,538 EUR to EUR 0.
Accordingly, the net effect of the decrease in deferred tax assets in the financial year amounted to EUR 23,088.

2.3.5 Short-term investments

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term loans	**9,371,303**	**3,795,131**
Short-term loans to group companies	9,235,440	3,531,250
Short-term loans to others	135,863	263,881

Short-term loans to group companies include loans extended to subsidiaries bearing the market interest rate. The respective loans are not secured.

Short-term loans to others include a loan extended to a domestic legal entity; the loan bears the market interest rate and is not secured. The investment hereunder was impaired in 2011 as the said legal entity started bankruptcy proceedings.

Short-term loans extended are not exposed to interest rate risk, as the interest rates are fixed and the change in the market interest rates has no impact on the loans granted. In addition to the interest rate risk, loans are exposed to credit risk in terms that the debtor shall not settle his liabilities.

2.3.6 Short-term operating receivables

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term operating receivables	**9,059,981**	**1,502,717**
Short-term receivables due from group companies	1,441,530	668,332
Short-term trade receivables	3,982,155	136,555
Short-term receivables due from others	3,636,296	697,830

	Maturity in 2011			Total
	undue	due up to 90 days	due over 180 days	
Short-term trade receivables due from group companies	580,579	388,633	472,318	1,441,530

Short-term trade receivables are undue.

The item of short-term trade receivables comprises trade receivables, advance payments for trading on the energy stock exchange, advance payments to domestic companies, and advance payments for future investments. Short-term operating receivables due from others include mostly receivables due from VAT and other receivables due from the state, and collaterals granted to a foreign bank. The Company formed allowances for trade receivables in the reporting period in the amount of EUR 72,864 EUR (2010: EUR 20,000).

As at the balance sheet, the Company recorded no receivables due from members of the management, members of the supervisory board and internal owners.

2.3.7 Cash

	in EUR	
	31 Dec 2011	31 Dec 2010
Cash	**1,768,872**	**2,171,379**
Bank balances	241,137	1,277,591
Cash on electricity trading bank accounts	1,527,735	893,788

2.3.8 Short-term deferred costs and accrued revenue

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term deferred costs and accrued revenue	**13,981,056**	**6,386,917**
Short-term deferred costs	68,201	7,931
Deferred revenue due from customers	8,734,364	3,877,036
Deferred revenue due from Interenergo d.o.o. Zagreb	1,316,403	791
Deferred revenue due from PLC Interenergo d.o.o. Belgrade	840,470	14,070
Deferred revenue due from Kelag	3,021,618	2,487,089

The Company recorded at the end of the reporting period sales revenues from December that had not yet been invoiced. As a rule, the Company issues an invoice to its customers at the beginning of the month following the sale, and the due date is usually on the 20th day of the following month (as it is regulated by the EFET standard agreements). Since the Company significantly increased its operations, short-term deferred costs and accrued revenue went up significantly, too.

The revenues not yet invoiced refer to the sales generated on the domestic market and abroad, and to the sales to group companies in December 2011. Accruals were made on the basis of the past trading results.

Short-term deferred costs refer to the purchase of capacities, annual subscriptions and insurances.

2.3.9 Equity

	in EUR	
	31 Dec 2011	31 Dec 2010
Equity	**16,577,998**	**9,072,122**
Share capital	10,200,000	10,200,000
Capital surplus	7,950,000	450,000
Legal reserves	95,721	95,721
Retained losses	-1,667,723	-1,673,599
Net profit or loss for the period	0	0

The net profit for the period was allocated to cover retained losses from previous periods as required under the Companies Act.

Legal reserves were formed on the basis of the profit for 2007 decreased by the coverage of retained earnings from 2006 (EUR 5,998 minus EUR 236 equals EUR 5,762), and of the profit for 2008 (EUR 89,959). Profit for 2010 and 2011 was used for the coverage of retained losses.

Additional capital surplus was paid in in the reporting period. This capital surplus is earmarked partly for financing the working capital used in electricity trading and partly for financing the subsidiaries, where investments in renewable energy resources are being carried out.

Taking into account the revaluation of the opening balance of equity (EUR 9,072,122), restated by the use of the cost-of-living index (2011: 1.9 %), equity should be increased by EUR 172,370 to account for maintaining its purchasing power (opening balance of equity * % cost-of-living index). Thus, the adjusted result for the period would correspond to EUR -166,494 (profit for the period minus increase in equity) ((opening balance of equity * % cost-of-living index) +/- profit or loss for the period).

2.3.10 Long-term financial liabilities

	in EUR	
	31 Dec 2011	31 Dec 2010
Long-term financial liabilities to group companies	**3,900,000**	**0**

Long-term financial liabilities to group companies represent the loan received from the parent company KI-KELAG International GmbH in the amount of EUR 3,900,000. The said loan bears the market interest rate and is not secured. The maturity of the loan is in the end of 2030.

2.3.11 Short-term financial liabilities

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term financial liabilities	**79,153**	**881,117**
Short-term financial liabilities to group companies	79,028	881,117
Short-term financial liabilities to banks	125	0

The item of short-term financial liabilities includes foremost interest liabilities due to the company Interenergo d.o.o. Sarajevo.

2.3.12 Short-term operating liabilities

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term operating liabilities	**4,870,943**	**1,985,574**
Short-term trade payables	1,212,027	481,134
Other short-term operating liabilities	3,658,916	1,504,440

Interenergo d.o.o. recorded no operating liabilities to group companies as per 31 December 2011. Short-term trade payables include liabilities to domestic and foreign suppliers. Other short-term operating liabilities comprise liabilities from prepayments, liabilities to the state, payables to employees, and other liabilities.

2.3.13 Short-term accrued costs and deferred revenue

	in EUR	
	31 Dec 2011	31 Dec 2010
Short-term accrued costs and deferred revenue	**16,000,899**	**5,290,014**
Short-term accrued costs	195,889	81,206
Accrued costs of purchased electricity	13,581,123	3,884,506
Accrued costs of purchased electricity - Interenergo d.o.o. Zagreb	454,211	817,816
Accrued costs of purchased electricity - Kelag	1,769,676	506,486

The Company formed short-term accrued costs and deferred revenue in December 2011 to account for accrued costs. As the Company significantly increased the operations, the cost of the purchased electricity as well as short-term accrued costs and deferred revenue also went up at the year-end. Accruals were made on the basis of the past trading results. Operating costs were accrued on the basis of information referring to the past months.

2.3.14 Net sales

	in EUR	
	2011	2010
Net sales	**206,755,314**	**61,579,661**
Net sales generated in Slovenia	20,633,794	10,405,564
Net sales generated in the EU (except in Slovenia)	168,320,580	50,608,479
Net sales generated outside the EU	17,800,940	565,618

In the reporting period, revenue in the amount of EUR 50,183,771 was generated by the Company from transactions with group companies.

2.3.15 Costs of goods, materials and services

	in EUR	
	2011	2010
Costs of goods, materials and services	**205,670,400**	**60,997,659**
Costs of goods and materials sold	204,801,968	60,410,223
Costs of materials used	45,699	19,976
Costs of services	822,733	567,460

Costs of goods and materials sold refer to the amount of purchased electricity, of which EUR 45,554,676 was purchased from group companies in 2011.

Costs of services include following:

	in EUR	
	2011	2010
Professional and personal services	345,882	207,263
Reimbursements of work-related costs to employees	23,461	39,999
Leases and rentals	92,921	92,642
Other services	360,469	227,556
Total costs of services	**822,733**	**567,460**

Costs of the auditor amounted to EUR 15,540 in 2011 (2010: EUR 15,675) and refer to the auditing of the annual report.

2.3.16 Costs by function

	in EUR	
	2011	2010
Costs of goods sold	204,801,968	60,410,223
Selling expenses	434,216	293,718
Costs of general and administrative services	434,216	293,718
Total costs by function	**205,670,400**	**60,997,659**

2.3.17 Labour costs

	in EUR	
	2011	2010
Labour costs	**863,304**	**621,937**
Payroll costs	684,372	492,023
Pension insurance costs	69,621	43,544
Social insurance costs	60,567	50,493
Other labour costs	48,744	35,877

As at 31 December 2011, the Company employed 15 staff (full-time employment). The average number of employees based on working hours was recorded at 14.29 in the reporting period.

Structure of employees in terms of their education is shown below.

EDUCATIONAL STRUCTURE	no. of employees as at 1 Jan 2011	leavers / new entrants	no. of employees as at 31 Dec 2011	share
Secondary school education	3	-1	2	13.3%
High school education	0	2	2	13.3%
University education	8	1	9	60%
Master's degree	1	1	2	13.3%
TOTAL	12	3	15	100%

	in EUR	
	2011	2010
Total remuneration paid to groups of persons:	**526,074**	**278,502**
Members of the management and holder of procuration	282,387	193,275
Other employees under individual contracts	243,687	85,227

2.3.18 Revaluation operating expenses

	in EUR	
	2011	2010
Revaluation operating expenses associated with current operating assets	**72,864**	**30,110**

Revaluation operating expenses associated with current operating assets comprise revaluation operating expenses (EUR 72,864 in 2011 and EUR 30,110 in 2010), which include allowances for receivables due by a foreign legal entity referring to VAT, which was subsequently charged as the entity had no valid ID number.

2.3.19 Financial revenue

	in EUR	
	2011	2010
Financial revenue	**286,409**	**255,376**
Financial revenue from loans to group companies	271,192	168,483
Financial revenue form loans to others	0	149
Financial revenue from operating receivables	15,217	86,744

Financial revenue from loans include interest on loans extended to group companies. Financial revenue from operating receivables refer to interest received in connection with deposits and interest received in connection with collaterals granted.

2.3.20 Financial expenses

	in EUR	
	2011	2010
Financial expenses	**322,975**	**101,323**
Financial expenses due to impairment and write-offs of investments	135,622	0
Financial expenses for loans from group companies	174,261	34,416
Financial expenses for loans from banks	12,099	1,246
Financial expenses for other financial liabilities	993	65,661

Financial expenses for financial liabilities refer to interest paid on loans that were extended by group companies (EUR 174,261) and to interest on the negative bank balances (EUR 12,099).

2.3.21 Current and deferred taxes

	in EUR	
	2011	2010
1. Profit before tax	7,515	26,591
2. Adjustment of expenses to account for tax qualifying expenses	236,247	18,579
3. Utilised tax benefits	-32,435	-17,022
4. Utilised tax losses	-87,690	-28,148
Total tax base	**123,637**	**0**
Income tax	**-24,727**	**0**
Deferred taxes	**23,088**	**-4,090**

The legally defined and applied tax rate for 2011 was 20%. The taxable base on which current income tax is paid, amounted to EUR 123,637. The effective tax rate was at 21.80% (2010: 15.38%).

2.3.22 Contingent liabilities

The Company does not record contingent liabilities that would not have been included in the balance sheet as at 31 December 2011.

2.3.23 Events after the balance sheet date

No events have occurred after the reporting period that would have an impact on the Company's financial statements for 2011.

Managing Director:
Christian Schwarz

Managing Director:
Anton Papež

Ljubljana, 30 May 2012

III INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the Shareholders of Interenergo d.o.o.

We have audited the accompanying financial statements of Interenergo d.o.o., which comprise the statement of financial position as at 31 December 2011, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 control. 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 financial statements present fairly, in all material respects, the financial position of the company Interenergo d.o.o. as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Other matters

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Simona Korošec Lavrič, M.Sc.Ec.
Certified Auditor

Katarina Sitar Šuštar, B.Sc.Ec.
Certified Auditor
Partner

KPMG Slovenija, d.o.o.
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Ljubljana, 30 May 2012

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

a kelag company

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