



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

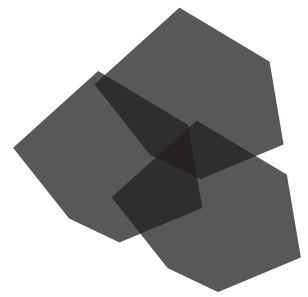
Efficiency of implementing measures for rationalisation of the company Premogovnik Velenje operations

Performance audit

Audited period: 1 January 2013 to 31 December 2015



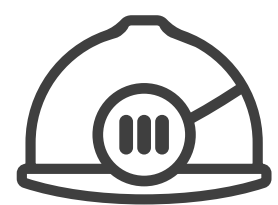
PREMOGOVNIK VELENJE



3.5 million tons
of lignite mined per year

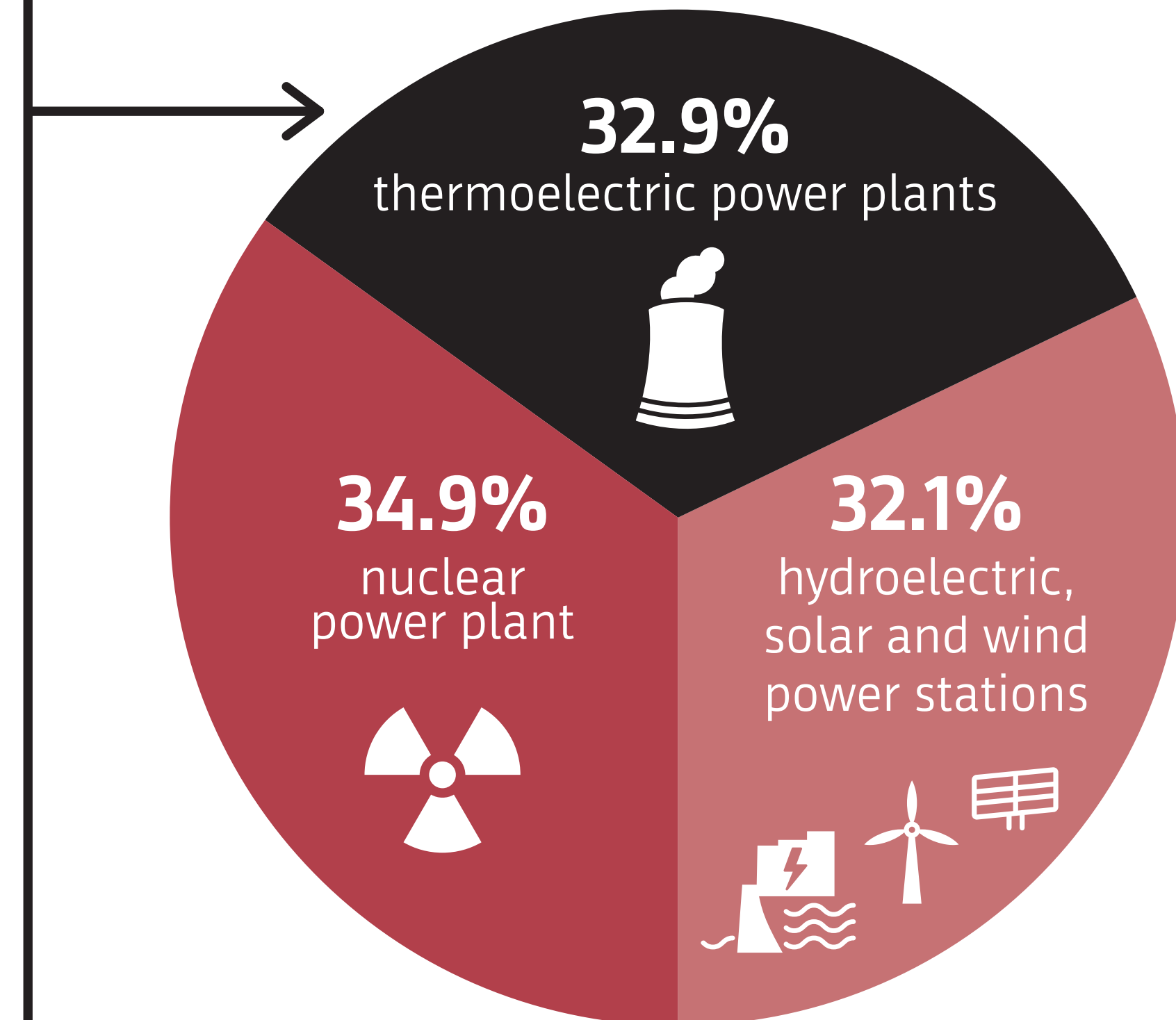


The only provider of coal
for the unit 6 of the Šoštanj
Thermal Power Plant



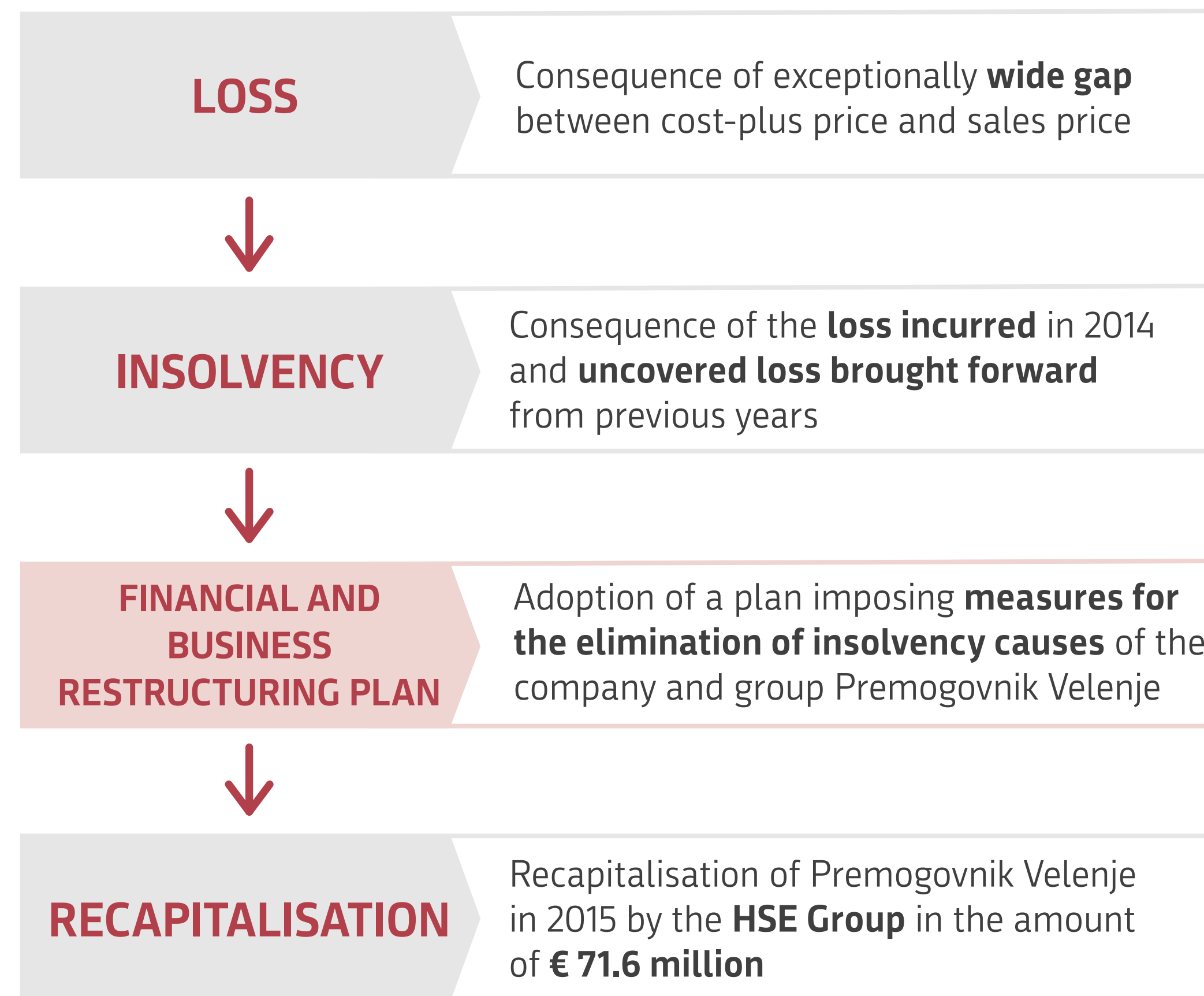
Operation planned
until 2054

Electricity generation in Slovenia (by power stations)



Effect of the coal price on Premogovnik Velenje operations

Price per GJ (gigajoule)



OPINION OF THE COURT OF AUDIT

Was Premogovnik Velenje efficient in implementing measures for rationalisation of its operations?



COST RATIONALISATION

reduction of materials, services and labour costs and other expenditure

planned measures were **not implemented in full**



DISINVESTMENT

sale of assets not necessary for business operations

planned sale was **not carried out in full**



BUSINESS RESTRUCTURING

focusing on the principal activity of coal mining, sale of investments and cessation of directly unrelated activities

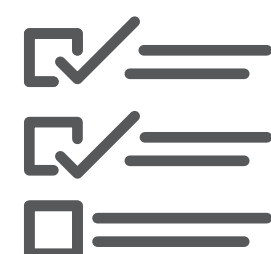
implementation was **not ensured in full**



FINANCIAL RESTRUCTURING

planned conclusion of an agreement with the banks on the extension, partial repayment and refinancing of loans

mainly implemented as planned



Activities of Premogovnik Velenje regarding measures for rationalisation of its operations were **only partially efficient.**

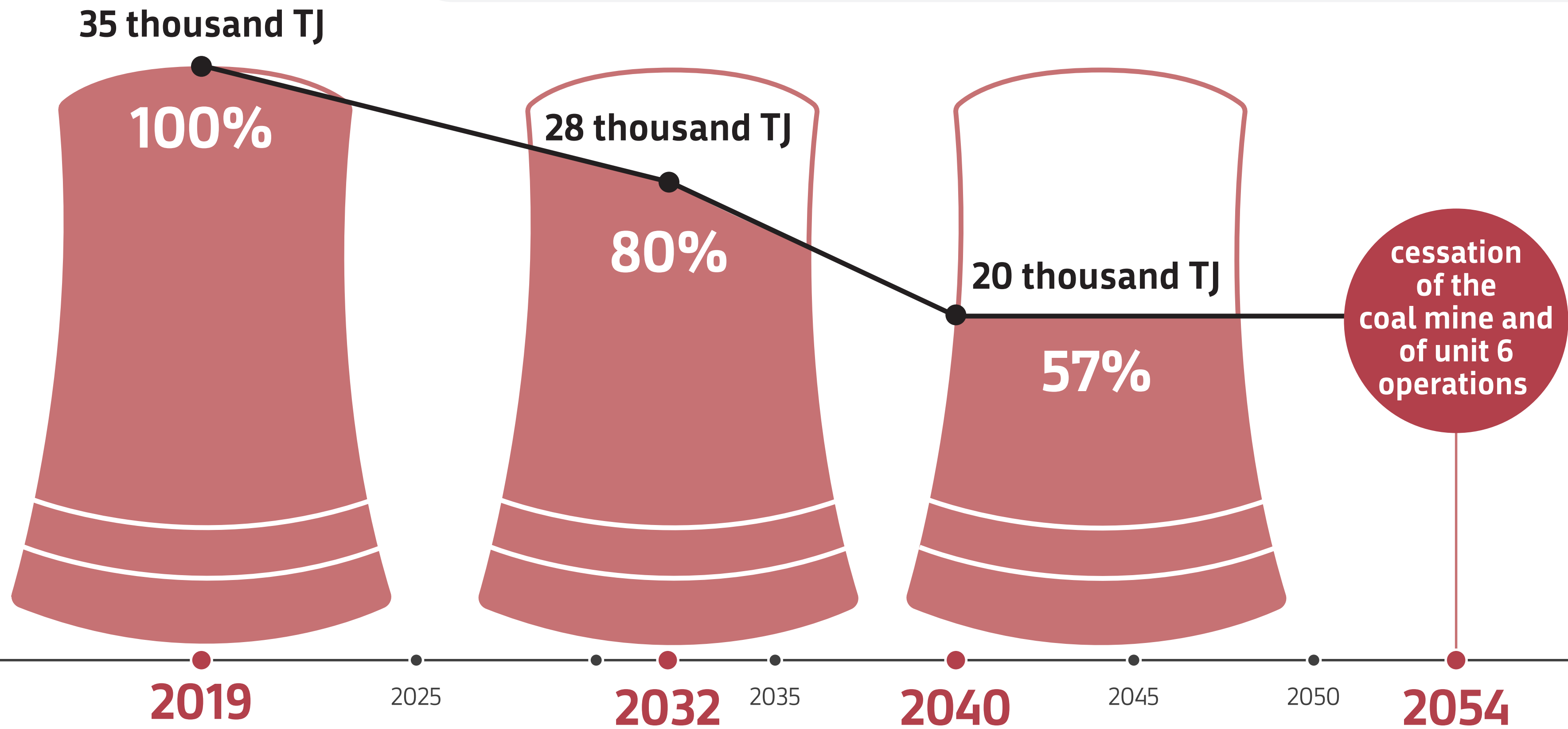


Premogovnik Velenje **failed to implement all imposed measures** for rationalisation of its operations and **did thus not ensure sustainable coal price.**

Impact of Premogovnik Velenje production on the unit 6 of the Šoštanj Thermal Power Plant

! Premogovnik Velenje **will not be able to ensure the quantity of coal** sufficient for **full operational capacity of unit 6** during the entire period of its operations.

PLANNED COAL PRODUCTION
in thousand TJ (terajoule)



CAPACITY OF UNIT 6

PRODUCTION DYNAMICS

3 coalfields

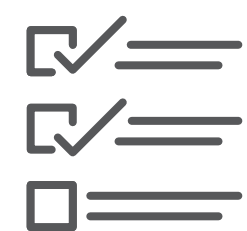
2 coalfields

1 coalfield

RECOMMENDATIONS



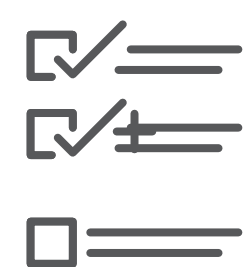
Implementation of all necessary activities for the **sale of assets not necessary for business operations** as soon as possible



Timely and full implementation of **planned measures for cost rationalisation of operations**



More restrictive way of granting **donor funds and sponsorships**



Implementation of **additional measures** for rationalisation of operations, if necessary

! Risks

If Premogovnik Velenje fails to implement measures for rationalisation in good time, it will **not be able to achieve the planned cost-plus coal prices** and long-term sustainable operations.



If Premogovnik Velenje fails to ensure long-term sustainable operations, it will **not have sufficient financial resources** available for **mine closure works** in the period foreseen for the implementation thereof.



If Premogovnik Velenje does not have sufficient financial resources available for mine closure works, it will be **necessary to provide public funds.**