



GEN'S MISSION IS BEING ACCOMPLISHED BY PEOPLE – EMPLOYEES

ANNUAL REPORT 2015 OF THE COMPANY GEN AND THE GEN GROUP



GEN'S MISSION IS BEING ACCOMPLISHED BY PEOPLE – EMPLOYEES,

whose professional, dedicated and responsible daily work contributes to our successful fulfilment of sustainable development in all the key aspects – operational efficiency, business excellence, environmental responsibility, and caring for society – across the GEN Group and all its constituent companies.

• Power Industry

• Nuclear Power Industry



• Nuclear Physics





Contents

1	Introduction	6	2	Business report of the company GEN and the GEN Group	30
1.1	Key financial performance data	8	2.1	Economic trends and their impact on the electricity sector	32
1.2	Letter from the General Director	12	2.2	Electricity production and ancillary services	35
1.3	GEN company profile	15	2.3	Electricity purchasing	43
1.4	Holding activities of the company GEN	17	2.4	Electricity trading and sales	44
1.5	Corporate Policy of the company GEN	21	2.5	Sales of natural gas	48
1.6	Pursuing sustainability focuses through responsible operations	25	2.6	R&D, capital expenditures and investments in the companies making up the GEN Group	49
			2.7	Financial operations	58
			2.8	Employees, knowledge and development of human resources	61
			2.9	Promoting the knowledge of energy and the energy industry	65
			2.10	Quality policy and safety assurance	68
			2.11	Risk management	71



3	Summary financial report of the company GEN	76	4	Summary financial report of the GEN group	84
3.1	Independent auditor's report	78	4.1	Independent auditor's report	86
3.2	Basis for compiling the financial statements and financial report of the company GEN	79	4.2	Basis for compiling the financial statements and financial report of the GEN Group	87
3.3	Financial statements of the company	80	4.3	Financial statements of the Group	89
				Acronyms and abbreviations	96

The Annual Report 2015 of the company GEN and the GEN Group is also available online at letnoporocilo.gen-energija.si



1 INTRODUCTION

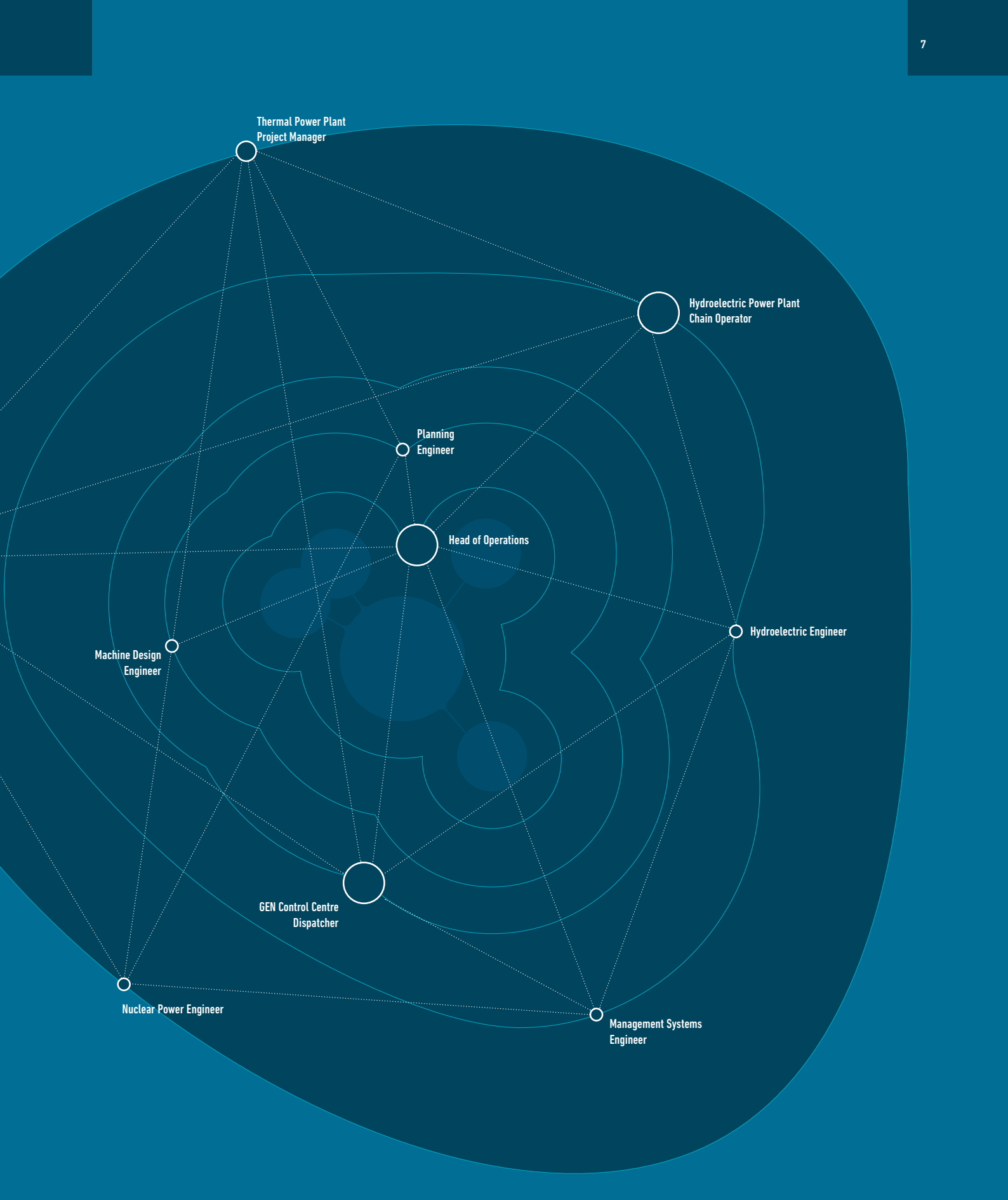
OPERATIONAL EFFICIENCY

We secure **operational efficiency** of our power plants by creating synergies between nature's resources and the extensive technical know-how and high competences of our people.

Our production units recorded effective and reliable operation in 2015. We generated a total of **3,125 GWh** of electricity, most of it – as much as 86% or 2,685 GWh – coming from Krško Nuclear Power Plant (NEK). Due to subnormal hydrological conditions, Hidroelektrarne na Spodnji Savi (HESS) and Savske elektrarne Ljubljana (SEL) generated a combined total of 428 GWh, which is less than in the previous year. With an impeccable start-up track record, Brestanica Thermal Power Plant (TEB) fulfilled its role in helping to ensure the stability of Slovenia's power grid.

Nuclear Power Plant
Operator





1.1

Key financial performance data

The GEN Group closed the year 2015 successfully, with **EUR 15.3 million in net profit**. This is 47% lower than in 2014, but given the low selling prices of electricity in the market, subnormal hydrological conditions, and the NEK maintenance outage that took place in 2015, the result is very good indeed.

The production units of the companies making up the GEN Group generated a combined total of **3,125 GWh of electricity**. This is 14% short of the total output from the record year 2014, but given the NEK maintenance outage and unfavourable hydrological conditions, we are pleased with the result.

With safe and stable operation and despite the maintenance outage and unplanned shutdown, **Krško NPP (NEK) generated 5,370 GWh of electricity**, half of which, **2,685 GWh**, went to GEN, or the Republic of Slovenia, based on the Intergovernmental Agreement on NEK.

Unfavourable hydrological conditions had a negative impact on the production outputs of our power plants on the River Sava.

Electricity production was **safe, reliable and friendly to the environment** throughout the year, thanks to our ongoing investments in knowledge and equipment.

With an impeccable start-up track record, TEB fulfilled its role in helping **ensure power grid stability**.

Based on the confirmed economic viability of **extending NEK's service life from 40 to 60 years (until 2043)** and the required documents approved by the Slovenian Nuclear Safety Administration, NEK Management put forward a motion to the NEK General Meeting to approve the service life extension, which was eventually passed by an Intergovernmental Committee in July 2015. In 2015 we have covered all the bases for passing the service life extension by the NEK General Meeting.

As much as **99.7% of all the electricity** generated by the companies making up the GEN Group came from **low-carbon sustainable and renewable sources: nuclear and hydro**.

Research and development, capital expenditures and investments are essential to the **long-term operating stability** and future growth. **EUR 69.33 million** was marked off for this purpose in 2015, with the main focus being on investments in Brežice HPP, technological modernization and safety upgrades at NEK, research for the JEK 2 project, and other investments in fixed assets essential for ensuring trouble-free operation.

The **construction of Brežice HPP** continued with great intensity: its energy generation part is right on track in terms of schedule and contractual deadlines. By the end of December 2015, **as much as 75% of all construction work had been completed**.

The **JEK 2** project would unlock **economic, social, environmental and climate-related benefits** for Slovenia. The project is currently at a stage where the owner, the Republic of Slovenia, will need to take a firm stand on how to proceed.

We have carried out all the necessary technical and organizational activities to directly **remotely operate the power plants on the lower Sava River** (Boštanj HPP and Arto - Blanca HPP) **from the Control Centre at Vrbinja**. The Control Centre will help ensure optimal production across the Group's power plants and optimize operating costs for the entire GEN Group.

Based on the GEN Group Development Scheme for the 2015–2019 period with a look ahead to 2024 and the Decree on the Capital Assets Management Strategy, passed by the National Assembly in July 2015, we created an **action plan for optimizing the operations of the company GEN and the GEN Group**. By doing so, we expanded our set of goals and projected measures aiming to streamline operations and increase cost-effectiveness.

Our **employees**, with their knowledge and dedication, have been and will continue to be the keystone of our operations: we numbered **1,186** in 2015, with **60%** having at least higher education qualifications.

We raised interest in, and improved the perception of, topics associated with energy and the energy industry; we upgraded our **web portal on energy and the energy industry eSvet**.

Pursuant to sustainability reporting guidelines, the GEN Group's 2015 Annual Report also includes information on the progress made in terms of GEN's sustainable focuses. In this single document, we seek to paint a broad picture of our operations and highlight the inextricable link between financial and non-financial information.

Table 1.1: **Key information on the company GEN and the GEN Group for 2015 against 2014**

Item	Company		Group	
	2015	2014	2015	2014
Assets in EUR million	519.93	522.82	803.56	781.24
Equity in EUR million	432.53	425.68	685.37	675.71
Revenues in EUR million	175.54	175.25	184.53	186.40
EBIT in EUR million	13.55	17.29	16.78	20.82
EBITDA in EUR million	14.68	18.53	31.68	32.71
Net profit in EUR million	12.84	17.39	15.34	29.08
Value added in EUR million	17.50	21.42	45.59	45.55
Return on assets	2.46%	3.36%	1.94%	4.84%
Return on equity	2.99%	4.13%	2.25%	4.86%

A **change was introduced into the Slovenian Accounting Standards** (hereinafter: SAS) in 2015, one of vital importance to the company GEN and the GEN Group as it affects the way two jointly controlled companies, NEK and GEN-I, are recognized. Until recently, the companies were subject to the rules of proportional consolidation, something the revised SAS no longer allow. **GEN-I** is therefore identified as a **joint venture**, and the **NEK** investment is recognized as an **investment in the equity of another company over which GEN exercises a significant influence**. Despite a sweeping change in the financial reports behind the GEN Group's operations,

there was no change in the nature of the operations of the companies making up the GEN Group, their business relationships and controlling and management methods compared to previous business periods.

This change must be applied when processing all the financial performance data of the company GEN, the GEN Group and companies making up the GEN Group as identified in the Annual Report for the company GEN and the GEN Group for 2015.

1.2

Letter from the General Director

Dear Business Partners and Colleagues,

Despite very tough conditions in the electricity market and subnormal hydrological conditions, the GEN Group closed the 2015 business year successfully, by fulfilling all the major goals. Our primary goal included: to provide consumers with a steady and competitive supply of electricity from sustainable and renewable sources. All this is thanks to our determination in meeting challenges and our effective risk management, as well as the knowledge and experience of our people.



The 2015 business year was largely marked by harsh conditions in the wider European electricity market, which affected Slovenia's energy companies as well. In the company GEN and the GEN Group, we rose to the biggest challenge – sharply declining electricity prices on European power exchanges – by streamlining and optimizing our operations. Complex measures coupled with stable operation of our production facilities enabled us to achieve results that surpass the original targets for 2015 and to get closer to meeting the higher expectations from the revised plan for 2015. By doing so, we also managed to offset a part of the unfavourable hydrological conditions that persisted year-round.

The business results of the company GEN energija and the GEN Group are proof that despite the difficult market and operating conditions we were good at keeping the operating and business risks in check.

Much of our success can be credited to our largest electricity generating unit, Krško Nuclear Power Plant (NEK), whose competitive production cost helped keep electricity prices affordable for residential consumers and contributed to making the entire economy more competitive while accounting for a significant proportion of the country's electricity output. Despite an unplanned shutdown and an extensive maintenance outage, during which we carried all planned preventive maintenance operations, replaced the nuclear fuel and went through with investments in technological upgrades to lay the groundwork for safe and reliable operation throughout the 28th fuel cycle, NEK exceeded its production targets.

In addition to making preparations for a series of vital investments in safety upgrades to be made during the 2016 and 2018 maintenance outages so as to ensure operational stability, we have reached another milestone – approval to extend NEK's service life until 2043. The extension was approved in July 2015 by the Intergovernmental Committee of the Governments of the Republic of Slovenia and the

Republic of Croatia for setting up the status-related and other legal relationships concerning NEK.

On account of not-so-good hydrological conditions, particularly in contrast with the record year 2014, lower production outputs were recorded by all the GEN Group's power plants on the Sava River, both in the company Hidroelektrarne na Spodnji Savi (HESS) and Savske elektrarne Ljubljana (SEL). Nevertheless, the GEN Group's electricity production was safe, reliable and friendly to the environment throughout the year, thanks to our ongoing past investments in knowledge and equipment.

Our awareness of the fact that research and development, capital expenditures and investments are essential to the long-term operating stability and future growth was substantiated in practical terms in 2015 as well. The companies making up the GEN Group made nearly EUR 70 million worth of capital expenditures and investments. The most important ones include the technological upgrades at NEK, continued construction of Brežice Hydroelectric Power Plant, and preparations for the replacement of a backup gas-fired generating unit at Brestanica Thermal Power Plant. With an impeccable start-up track record, the latter in 2015 again fulfilled its role in helping ensure the stability of Slovenia's electric power grid.

Since Slovenia's energy industry is currently in a notoriously difficult situation, with energy prices declining across gross markets and electricity prices for consumers rising due to different energy policies among European countries, we are going to be extra careful in making the right investment decisions in the future. With the negative trend of falling prices continuing in 2016, energy companies are facing huge losses and unbearable working conditions. Each investment will need to be checked for economical viability and examined to make sure sources of funding have been secured.

To reach a higher degree of optimization, the GEN Group in 2015 also carried out all the necessary technical and organizational activities for taking over direct remote control over the power plants on the lower Sava River (Boštanj

HPP and Arto - Blanca HPP) from one central location, the Control Centre at Vrbinja; with the start of 2016, the Control Centre officially began to remotely control the operation of the hydroelectric power plants on the lower Sava. The Control Centre helps ensure optimal production across the Group's power plants and optimize operating costs for the entire GEN Group.

Our mission is to stay a reliable supplier of electricity from sustainable and renewable sources. Our success in fulfilling this mission also largely depends on the perception and understanding of energy issues and challenges of the future energy supply. Through activities in the World of Energy, the web portal on energy and the energy industry eSvet, and by participating in a number of other projects, we made an ongoing effort to raise awareness of energy and energy technology topics.

Our employees have been and will continue to be the cornerstone of what we do. Highly professional, motivated, qualified, committed, flexible, and focused on the long run, they are the key to ensuring a bright future for our Group.

Dear colleagues across the GEN Group, thank you very much for all your hard work, dedication, and invaluable contribution to the results achieved. Despite the harsh business conditions, we have set ambitious goals for 2016 as well, so let me invite you to play an active part in making our long-term competitiveness grow. I also thank the representatives of the owner, the SSH, local communities, business partners, and service providers for their support and involvement.



Martin Novšak

General Director, GEN energija d.o.o.

1.3

GEN company profile

Registered name:	GEN energija d.o.o.	
Short registered name:	GEN d.o.o.	
Legal form:	limited liability company	
Registered office:	Vrbina 17, 8270 Krško, Slovenia	
Telephone:	+386 07 49 10 112	
Fax:	+386 07 49 01 118	
Website:	www.gen-energija.si	
E-mail:	info@gen-energija.si	
Year of foundation:	2001	
Founder and sole partner:	Republic of Slovenia	
VAT ID number:	SI44454686	
Registration number:	1646613	
Bank accounts:	UNICREDIT d.d.	SI56 2900 0005 5198 483
	ABANKA (BANKA CELJE) d.d.	SI56 0600 0090 4571 665
	NLB d.d.	SI56 0292 4009 0457 150
	SKB d.d.	SI56 0315 5100 0503 323
Activity:	K/64.200	Activities of holding companies,
	D/35.140	Electricity trading, and other registered activities.
Share capital:	EUR 250,000,000.00	
General Director:	Martin Novšak	
Supervisory Board:	Matej Pirc	
Number of employees:	53	

CORPORATE GOVERNANCE

Founder:

The Republic of Slovenia, legally represented by the SSH

Supervisory Board:

- Chairman:
Matej Pirc
- Vice Chairman:
Danijel Levičar
- Board members:
Nikola Galeša
Saša Ivan Geržina
Roman Dobnikar
Robert Bergant, Dsc
Samo Fürst

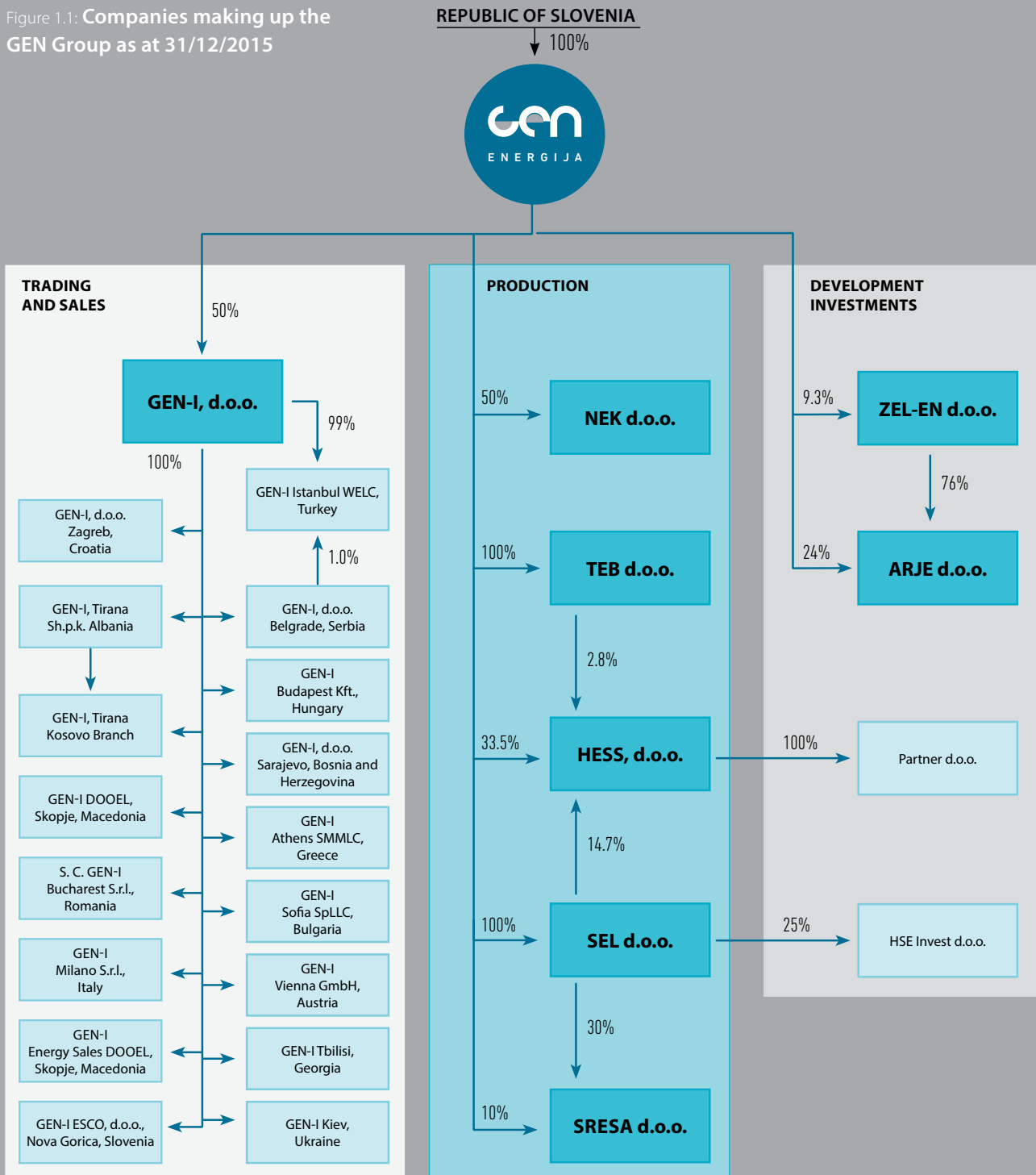
Management - General Director:

Martin Novšak

AFFILIATED COMPANIES

NEK and GEN-I are jointly controlled companies. The data in this Annual Report, unless specified otherwise, are based on the equity interest held by GEN; specifically, for NEK as a company and for GEN-I as a group, since GEN, holding a 50% interest in the company GEN-I, is also an indirect owner of the companies owned by GEN-I.

Figure 1.1: Companies making up the GEN Group as at 31/12/2015



1.4

Holding activities of the company GEN

One of GEN's core operations is activities of holding companies, that is, governing other legally independent companies through equity interests held in them by the company GEN as the controlling company.

As a holding company, GEN carries out management operations on the basis of equity interests held in subsidiaries, joint venture, and investments in the equity of companies in which it exercises significant influence by participating in general meetings, managing the companies' financial results, sanctioning necessary documents, and appointing its representatives into the companies' supervisory boards, all in compliance with relevant Articles of Incorporation and/or Memorandums of Association. Also, GEN management regularly coordinates its actions with the managements of these companies.

Pursuant to the revised SAS 2006, which came into effect on 01 January 2015, the company has changed the method of accounting for jointly controlled entities, which were included in the Group through consolidation and were treated in the context of financial statements as relationships to the Group companies up until 31 December 2014. Under the revised SAS 2006, consolidation of jointly controlled entities is no longer allowed. Accordingly, the company treats the subsidiaries SEL, TEB and HESS as companies which make up the GEN Group and are consolidated, whereas the GEN-I joint venture and the affiliated companies NEK, SRESA, HSE Invest and ARJE as companies which make up the GEN Group and are included in the Group based on the equity method.

Despite a sweeping change in the financial reports behind the GEN Group's operations, there was no change in the nature of the operations of the companies making up the GEN Group, their business relationships and controlling and management methods from the previous business periods.



Nuklearna elektrarna Krško d.o.o.

Vrbina 12,
8270 Krško, Slovenia
www.nek.si



GEN-I, d.o.o.

Vrbina 17,
8270 Krško, Slovenia
www.gen-i.si



Savske elektrarne Ljubljana d.o.o.

Gorenjska cesta 46,
1215 Medvode, Slovenia
www.sel.si

PRINCIPAL ACTIVITY

Electricity generation at a nuclear power plant

Electricity trading, sales and purchasing

Electricity generation at hydroelectric power plants

COMPANY MANAGEMENT

Stane Rožman,
Chairman of the Management Board

Hrvoje Perharić,
Member of the Management Board

Robert Golob, DSc,
Chairman of the Management Board

Martin Novšak,
President of the Management Board

Igor Koprivnikar, DSc,
Member of the Management Board

Andrej Šajn,
Member of the Management Board

Drago Polak,
Director

CHAIRMAN OF THE SUPERVISORY BOARD

Kažimir Vrankić

/

Jože Špiler

COMPANY STATUS

affiliated company

joint venture

subsidiary

OWNERSHIP STRUCTURE

The companies GEN and HEP each hold a 50% stake in this company's share capital. The fundamental principles of corporate governance are laid down in the Intergovernmental Agreement on NEK, which sets out the following company bodies: General Meeting, Supervisory Board, and Management Board.

The companies GEN and IG Energetski sistemi each hold a 50% stake in this company's share capital.

Wholly-owned by the company GEN.

SHORT DESCRIPTION AND ACTIVITY-SPECIFIC PECULIARITIES

NEK generates around 5,400 GWh of low-carbon electricity a year, making up around 40% of Slovenia's total electricity output.

The GEN-I Group purchases electricity and natural gas from producers, trades in them both locally and internationally, and sells them to consumers.

SEL's large hydroelectric power plants (Moste HPP, Mavčiče HPP, Medvode HPP, Vrhovo HPP) generate around 320 GWh of electricity a year.



Termoelektrarna Brestanica d.o.o.

Cesta prvih borcev 18,
8280 Brestanica, Slovenia
www.teb.si

Hidroelektrarne na Spodnji Savi, d.o.o.

Cesta bratov Cerjakov 33a
8250 Brežice, Slovenia
www.he-ss.si

Srednjesavske elektrarne d.o.o.

Ob železnici 27,
1420 Trbovlje, Slovenia

PRINCIPAL ACTIVITY

Electricity generation at a thermal power plant, a standby energy source for the power grid

Electricity generation at hydroelectric power plants

Electricity generation at hydroelectric power plants

COMPANY MANAGEMENT

Tomislav Malgaj,
Director

Bogdan Barbič,
Director

Matjaž Eberlinc, DSc,
Director

CHAIRMAN OF THE SUPERVISORY BOARD

Jože Špiler

Janez Keržan, MSc

Blaž Košorok

COMPANY STATUS

subsidiary

subsidiary

affiliated company

OWNERSHIP STRUCTURE

Wholly-owned by the company GEN.

The GEN Group holds a 51% equity interest in HESS, which is distributed as follows: 33.5% is held by the company GEN, 14.7% by SEL, and 2.8% by TEB.

The GEN Group holds a 40% equity interest in SRESA: the company GEN 10%, SEL 30%.

SHORT DESCRIPTION AND ACTIVITY-SPECIFIC PECULIARITIES

TEB supplies electricity during outages of major production units and is a reliable standby power source within Slovenia's power grid.

The company HESS was established in 2008 with the purpose of facilitating the construction of hydroelectric power plants on the lower course of the River Sava.

HESS's already completed large hydroelectric power plants (Boštanj HPP, Arto - Blanca HPP and Krško HPP) generate around 400 GWh of electricity per year.

Operations of the company SRESA are still largely limited as the Concession Agreement for the use of water for electricity generation on the Ježica-Suhadol section of the River Sava remains unsigned.



razvojni center energetike, d.o.o.



analize in raziskave na področju jedrske energetike, d.o.o.

ZEL-EN, razvojni center energetike d.o.o.

Vrbina 18,
8270 Krško, Slovenia
www.zel-en.si

ARJE, analize in raziskave na področju jedrske energetike, d.o.o.

Vrbina 17,
8270 Krško, Slovenia

PRINCIPAL ACTIVITY

Research and development for the energy industry

Services for the nuclear power industry

COMPANY MANAGEMENT

Domen Zorko,
Director

Robert Bergant, DSc,
Director

CHAIRMAN OF THE SUPERVISORY BOARD

/

/

COMPANY STATUS

investment

affiliated company

OWNERSHIP STRUCTURE

GEN's stake in the company ZEL-EN is 9.28%.

The companies GEN and ZEL-EN have a 24% and 76% stake in the company ARJE respectively.

SHORT DESCRIPTION AND ACTIVITY-SPECIFIC PECULIARITIES

By acquiring a stake in ZEL-EN, the company GEN has become eligible to receive development funding from the ERDF for research in the field of nuclear power technology.

The company ARJE provides services relevant both to the operation of the existing nuclear power plant (NEK) and the development, construction and operation of a new nuclear power plant (JEK 2).

1.5

Corporate Policy of the company GEN

The corporate policy of the company GEN derives from the GEN Group Development Scheme for the 2015–2019 period with a look ahead to 2024. The company GEN is the initiator of this policy and its driver at all levels of decision-making within the GEN Group. As a result, the corporate policy is becoming the keystone of operations across the GEN Group.



**OPERATIONAL
EFFICIENCY**



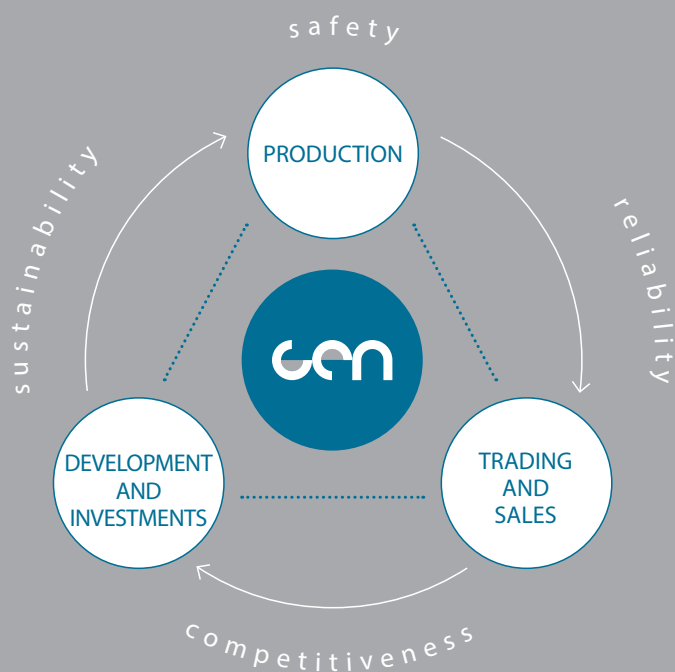
**ENVIRONMENTAL
RESPONSIBILITY**

Shift Supervisor, Krško NPP

Has been employed at Krško NPP since 2000. Managing and monitoring plant operation by procedures and regulations. Coordinating daily operation, maintenance and monitoring activities.

Gorazd, Electrical Engineer

Figure 1.2: Interconnection between GEN vision, mission and values



VISION

Building a safe, reliable, sustainable and competitive energy future for Slovenia.

MISSION

Providing a reliable supply of low-carbon electricity from sustainable and renewable sources at competitive prices. Generating value added for our stakeholders by controlling the entire power supply cycle:

- generating electricity in an environmentally responsible, safe and reliable way,
- efficiently engaging in electricity trading and sales, and
- systematically developing and investing in the maintenance of existing production capacities and their expansion.

VALUES

Relying on knowledge and professionalism, we operate in a responsible, efficient and transparent way. We maintain our future-oriented focus by building on the results we achieve and the experience we gain.

In providing a comprehensive supply of electricity, we adhere to the following core values:

- **environmental acceptability:** ensuring compliance with environmental standards is the cornerstone of the GEN Group's operations, as the power generation across the Group companies has very little impact on the environment in terms of various emissions.
- **safety:** commitment to ensuring safety, particularly nuclear safety, is at the heart of our operations on every level. We always make sure that our employees, the people and the environment are safe, and that the technologies in our production facilities operate safely.
- **reliability:** we provide a reliable supply of electricity from sustainable and renewable sources, primarily

nuclear and hydro. Electricity is supplied to consumers whenever they need it. Trading is essential to ensuring a reliable supply if our production units fail to meet the demand for electricity.

- **sustainability:** supplying electricity from low-carbon sources in an environmentally and socially responsible, operationally efficient and commercially excellent way. These are the core sustainability focuses our operation is based around.
- **competitiveness:** the electricity we sell and trade is affordable for industrial and residential consumers alike. This way we help improve the stability and competitiveness of the business environment and promote the well-being of society.

In our work we also play by the rules of business ethics as laid down in the GEN energija Business Ethics Code of Conduct. By adhering to the code of conduct, we maintain and build on the high standards of our operation that are oriented towards creating a safe, efficient, professional and pleasant working environment all the company GEN employees are proud to be part of.

STRATEGIC GOALS

The strategic goals of the company GEN are to:

- manage, run, maintain and invest in its existing facilities with the aim of ensuring **safe, reliable, environment-friendly and economical operation of the existing production units in the long term,**
- **expand its electricity and electricity-related services sales portfolio** with the aim of increasing competition in this market,
- **invest in new generation capacities** built around renewable and sustainable sources and technologies in order to increase the reliability of electricity supply to consumers and, as a result, to contribute to the sustainable development of Slovenia.

IMPLEMENTING THE GEN GROUP'S CORPORATE POLICY

Development scheme of the GEN Group

In response to changed business conditions, in 2014 we updated the GEN Group Development Scheme for the 2015–2019 period with a look ahead to 2024, which was subsequently passed by the Slovenian Sovereign Holding (SSH) in its capacity as company founder. Based on the Development Scheme and the Decree on the Capital Assets Management Strategy, passed by the National Assembly in July 2015, we created an action plan for optimizing the operations of the company GEN and the GEN Group. By doing so, we expanded our set of goals and projected measures aiming to streamline operations and increase cost-effectiveness.

Collaboration, coordination and communication among companies

Open communication among all the companies making up the GEN Group ensures proper and prompt access to important information needed for:

- managing the companies,
- steering their operation,
- keeping track of approved investments, and
- implementing development activities.

We pay special attention to the specific nature of running and operating a nuclear installation, where the owner is required to demonstrate an in-depth understanding of the needs associated with securing suitable human resources and obtaining sufficient financial resources so as to ensure reliable and safe operation of Krško Nuclear Power Plant (NEK). NEK's operating results in recent years are proof that the company has implemented suitable organizational and HR upgrades needed to ensure successful and safe operation of the power plant in the long term.

Figure 1.3: Interaction between the company GEN and the rest of the companies making up the GEN Group



Figure 1.4: GEN and stakeholders



Stakeholder relations

We establish, foster and improve relations with our key stakeholders in line with our values of conducting responsible, efficient and transparent business operations based on knowledge, professionalism, and a continuous effort to ensure safety.

We open a dialogue with our stakeholders, work with them, and include them in our operations in various ways based on their interests and the identified scope of interactions. Gaining the trust of stakeholders is key to further improving the value and reputation of the GEN Group.

Fulfilment of strategic goals

Judging by the results, the GEN Group is successful in meeting its strategic goals. By acquiring additional stakes in the company HESS in October 2014, the GEN Group increased the proportion of electricity generated from renewable energy sources. At the same time, the acquisition brought further improvements to our entire nuclear and hydro-based production portfolio in terms of low carbon emissions. What is of the essence here are the improved economics and the interplay of hydroelectric power plants along the entire River Sava chain, while at the same time the synergies created will provide improved conditions for the reliable and safe operation of Krško Nuclear Power Plant.

By paying our debts due in a timely manner, we establish consistent conditions for the maintenance of existing production units and for further development of all the companies making up the GEN Group.

1.6

Pursuing sustainability focuses through responsible operations

Figure 1.5: Concept of pursuing GEN's sustainability focuses



For us in the GEN Group, being responsible in what we do means to be in constant pursuit of sustainability focuses. In other words, we make a continuous effort to ensure that:

- **operational efficiency** and **business excellence**,
- **environmental responsibility**, and
- **caring for society** are the cornerstones of operations in every individual company and the GEN Group as a whole.

At the heart of GEN's sustainability-focused strategic pillars are **safety** and **knowledge**, the two biggest determining factors of success in the following spheres: operational, commercial, environmental and social.

STRONG SAFETY CULTURE

Commitment to safety is the centrepiece of our responsible operations at all levels:

- **environmental responsibility**: showing a sense of responsibility towards the local people and the environment in which we operate.
- **caring for society**: ensuring occupational health and safety for our employees, both in production and office settings.
- **operational efficiency**: achieving operational efficiency of the GEN Group's production facilities and the resulting **business excellence**.

As far as safety goes, ensuring **nuclear safety** is the GEN Group's top priority. The safety culture has been incorporated into all decision-making and work processes across the board.

ACHIEVING EXCELLENCE THROUGH KNOWLEDGE

Knowledge is the other common denominator of our responsibility in the operational, business, environmental and social dimensions. We are committed to achieving and maintaining a high level of knowledge, both internally and externally. **Inside knowledge** is provided by professionally qualified employees with suitable formal qualifications, functional training, experience and skills needed for responsible, efficient, effective and dedicated work. The motivation to gain knowledge and to spread it among coworkers and external stakeholders is essential to our business operations.

We are fully aware of the importance of having a society built on knowledge and professionalism. The knowledge and understanding of energy and the energy industry **among various external stakeholders** play an important part in securing a feasible, sustainable energy future of Slovenia.

QUALITY ASSURANCE POLICY

We constantly seek to:

- raise our quality assurance and safety culture to the highest possible level with the aim of meeting the demands in the comprehensive supply of electricity to consumers,
- create an in-house working environment that will encourage employees to get actively involved in the pursuit of goals,
- meet the requirements and continually improve the performance of our quality management system, and
- streamline operations by standardizing processes and assignments and by optimizing the use of resources.

REPORT'S COMPLIANCE WITH GRI GUIDELINES

At the beginning of each calendar year, the GEN Group releases an Annual Report for the preceding year, covering the period from 1 January to 31 December. This year we are publishing, for the second year running, an annual report detailing the key information regarding our fulfilment of sustainability focuses. By doing so, we are making a step forward in providing more comprehensive reporting that reflects the close connection between the financial and non-financial aspects of our operations.

We consistently follow the guidelines for reporting on sustainable development. In our last Sustainability Report of May 2015, covering the year 2014, we followed the latest, G4-version GRI guidelines and sector-specific disclosures for electric utilities. The same applies this year; this time around, however, we are following the revised sector-specific GRI EUSD (*Electric Utilities Sector Disclosures*) disclosures (more information: *Global Reporting Initiative*, www.globalreporting.org).

This way we provide a clear and transparent view of our operations, results and plans and ensure their comparability at national and international levels.

If you have any questions about the Annual Report, contact us at: info@gen-energija.si.

Table 1.2: Report's compliance with GRI G4 and GRI EUSD Guidelines

GENERAL STANDARD DISCLOSURES

Indicator	Disclosure	Section
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	1.2
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	1.3, 1.4
G4-4	Primary brands, products, and services	1.3, 1.4
G4-5	Organization's headquarters	1.3
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	1.3, 2.4
G4-7	Nature of ownership and legal form	1.3, 1.4, 4.2
G4-8	Markets served (geographic breakdown, sectors served, and types of customers and beneficiaries)	1.3, 2.4, 2.5
G4-9	Scale of the organization (total number of employees, total number of operations, net sales, debt/equity ratio, quantity of products or services provided)	1.3, 2.4, 2.5, 2.7, 2.8, 3.3, 4.3
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or supply chain	1.1, 3.2, 4.2
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	2.11
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	1.6, 2.8, 2.10
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	All entities included in the organization's consolidated financial statements	4.2, 4.3
G4-18	Explain the process for defining the report content and the aspect boundaries	1.6
G4-19	All the material aspects identified in the process for defining report content	1.6
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization	1.5
REPORT PROFILE		
G4-28	Reporting period	1.6
G4-29	Date of most recent previous report (if any)	1.6
G4-30	Reporting cycle	1.6
G4-31	Contact point for questions regarding the report	1.6
G4-32	Selected reporting standard	1.6
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	1.6

GENERAL STANDARD DISCLOSURES

Indicator	Disclosure	Section
GOVERNANCE		
G4-34	Governance structure of the organization, including committees of the highest governing body	1.3, 1.4
ETHICS AND INTEGRITY		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1.5, 1.6, 2.8, 2.10

GENERAL STANDARD DISCLOSURES FOR ELECTRIC UTILITIES

Indicator	Disclosure	Section
ORGANIZATIONAL PROFILE		
EU1	Installed capacity and breakdown by primary energy source	2.2
EU2	Net energy output broken down by primary energy source	2.2

SPECIFIC STANDARD DISCLOSURES

CATEGORY Subcategory <i>Material impacts</i>	Management approach (DMA) and/or indicators		Section
ECONOMIC ASPECTS			
<i>Economic performance</i>	G4-DMA		1.5, 1.6, 2.7
	G4-EC1	Direct economic value generated and distributed (revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to the government (taxes))	1.1, 3.3
<i>Direct economic impacts</i>	G4-DMA		2.6
	G4-EC7	Development and impacts of infrastructure investments	1.6, 2.6
ENVIRONMENTAL ASPECTS			
<i>Emissions</i>	G4-DMA and G4-EN15	Greenhouse gas emissions	2.2
SOCIAL ASPECTS			
Labor practices and decent work			
<i>Employment</i>	G4-DMA and G4-LA1	Total number and rates of new employee hires and employee turnover	2.8
<i>Training and education</i>	G4-DMA and G4-LA9	Average hours of training per employee per year	2.8

SPECIFIC STANDARD DISCLOSURES

CATEGORY Subcategory <i>Material impacts</i>	Management approach (DMA) and/or indicators	Section
Society		
<i>Local community</i>	G4-DMA	1.5, 2.9

SPECIFIC STANDARD DISCLOSURES FOR ELECTRIC UTILITIES

CATEGORY Subcategory <i>Material impacts</i>	Management approach (DMA) and/or indicators	Section
ECONOMIC ASPECTS		
<i>Availability and reliability</i>	G4 DMA and EU10 Management approach to ensure short and long-term availability and reliability of electricity supply (DMA). Planned production capacities by the demand for electricity.	1.5, 1.6, 2.2, 2.6
<i>Research and development</i>	G4-DMA Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	2.6
<i>Nuclear plant decommissioning</i>	G4-DMA Establishment of conditions for the decommissioning of nuclear power sites	2.7
<i>System efficiency</i>	EU 11 Average generation efficiency of thermal plants by energy source and operating mode	2.2
ENVIRONMENTAL ASPECTS		
<i>Emissions</i>	G4-EN15 Direct greenhouse gas emissions	2.1
SOCIAL ASPECTS		
LABOR PRACTICES AND DECENT WORK		
<i>Employment</i>	G4-DMA Programs and processes to ensure the right employee structure	2.8
Society		
<i>Local communities</i>	G4-DMA Stakeholder participation in decision making processes related to energy planning and infrastructure development	2.6, 2.8, 2.9
Product/service responsibility		
<i>Provision of information</i>	G4-DMA Practices to address barriers to accessing and safely using electricity	2.9

2 BUSINESS REPORT OF THE COMPANY GEN AND THE GEN GROUP

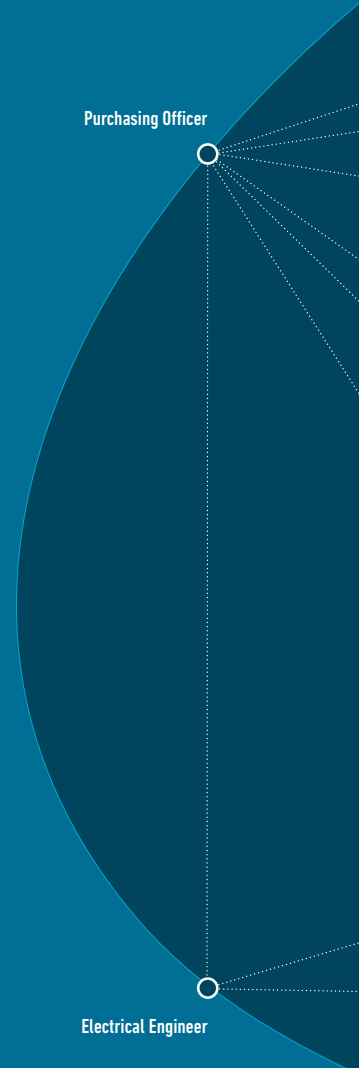
BUSINESS EXCELLENCE

Efficient generation of electricity to trade and sell is a major driver of our **business excellence**. Thanks to our in-house expertise, competences and experience, we are selling increasingly large amounts of electricity generated from our own sources. Given the turbulent conditions in the market, we systematically establish business connections that facilitate effective risk management.

40,078 GWh of electricity was available for trading in 2015, which is a 31% increase over the previous year. Most of it was sold in foreign markets. Despite the tough situation in the market and subnormal hydrological conditions, we generated more than **EUR 15.3 million** in net profits at Group level.

Purchasing Officer

Electrical Engineer





2.1

Economic trends and their impact on the electricity sector

ECONOMIC ENVIRONMENT IN 2015

ECONOMIC ACTIVITY IN THE EUROZONE PICKED UP

+1.6%

Economic growth exceeded expectations.

UNEMPLOYMENT RATE IN SLOVENIA DECREASED

-5.3%

113,076 unemployed (12.3% of the population):
5.3% less than in 2014

ANNUAL INFLATION RATE

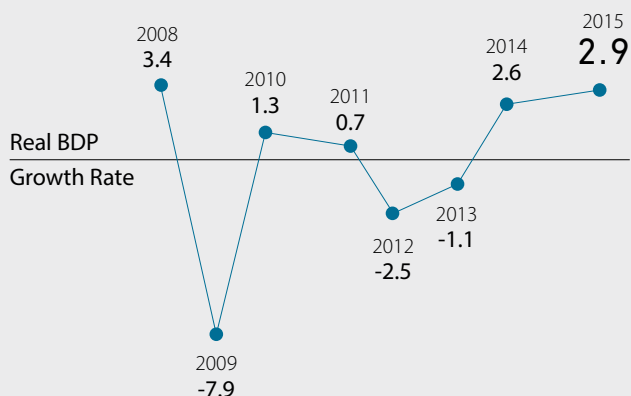
-0.5%

INFLATION RATE
IN SLOVENIA

- commodity prices
-1,0%
- prices of services
+0,7%
- prices of
consumer goods
-0,6%

2015 was the first year to end in deflation (-0.5%), brought about primarily by lower prices of fuels and energy products.

SLOVENIA RECORDED THE HIGHEST RATE OF ECONOMIC GROWTH SINCE 2008



ECONOMIC RECOVERY FACTORS

- Improved conditions in financial markets
- Improved cost competitiveness
- Lower oil prices
- Stronger investment activity
- Growing exports
- Increased domestic consumption

Despite more positive economic trends and increased confidence, prospects for economic recovery in the coming years are still very unclear.



OPERATIONAL EFFICIENCY

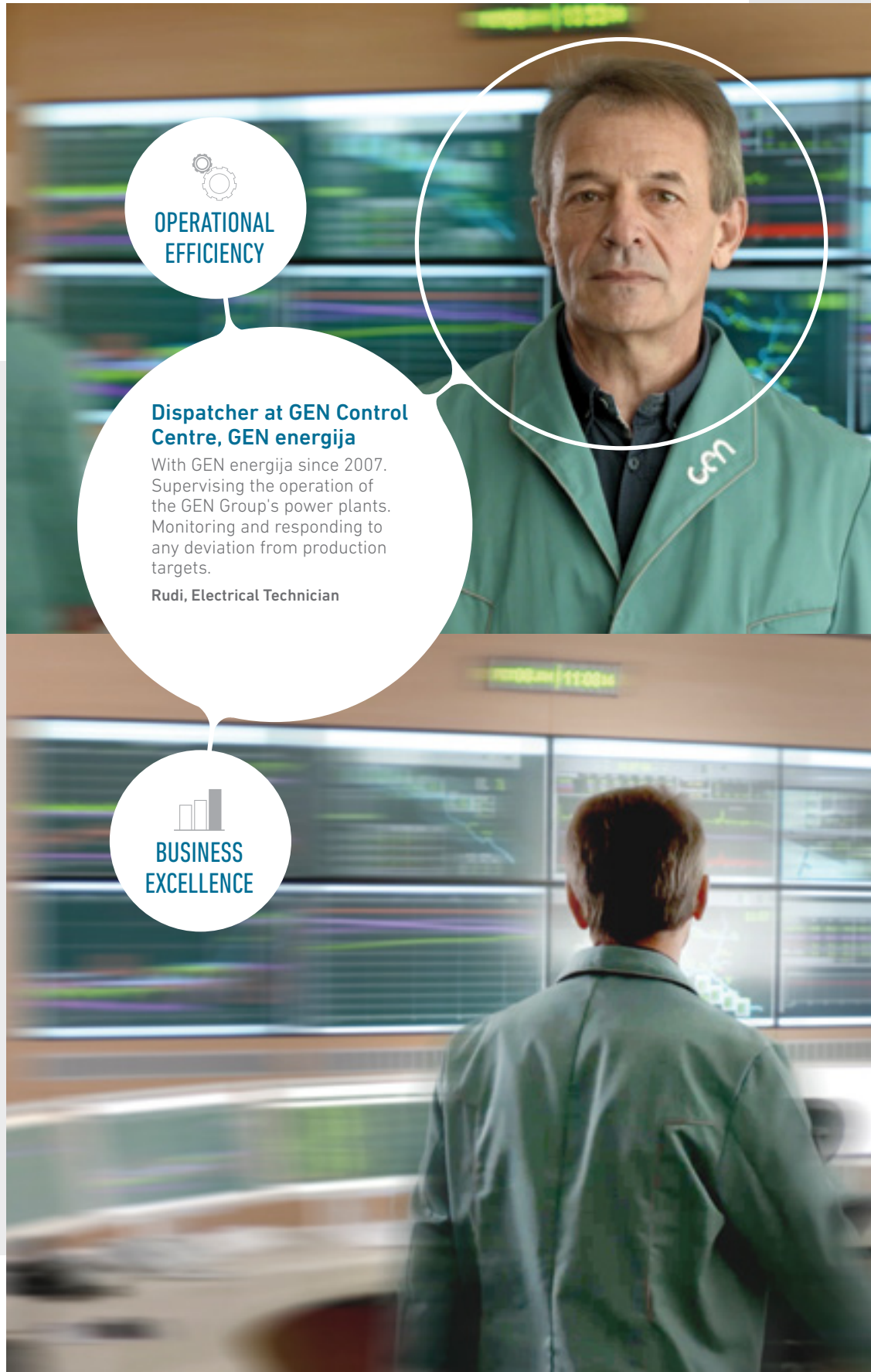
Dispatcher at GEN Control Centre, GEN energija

With GEN energija since 2007. Supervising the operation of the GEN Group's power plants. Monitoring and responding to any deviation from production targets.

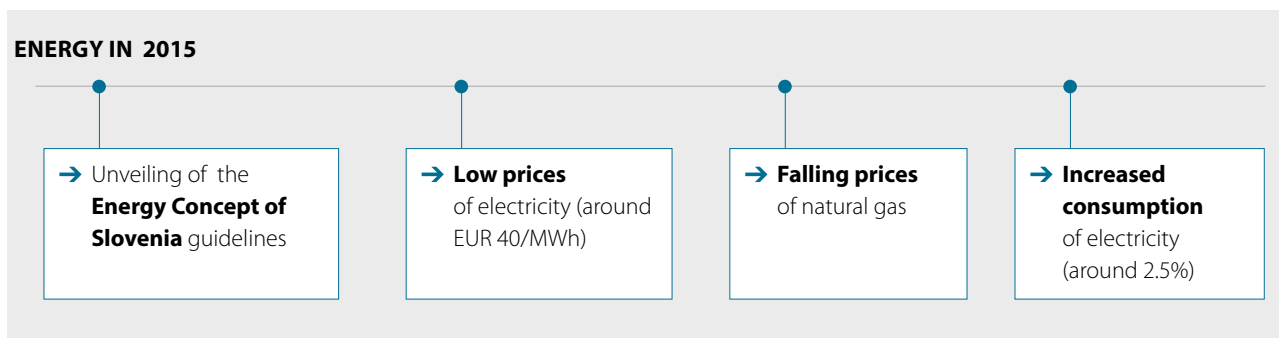
Rudi, Electrical Technician



BUSINESS EXCELLENCE



FACTORS AFFECTING SLOVENIA'S ENERGY SECTOR IN 2015



The energy sector faced the following in 2015:

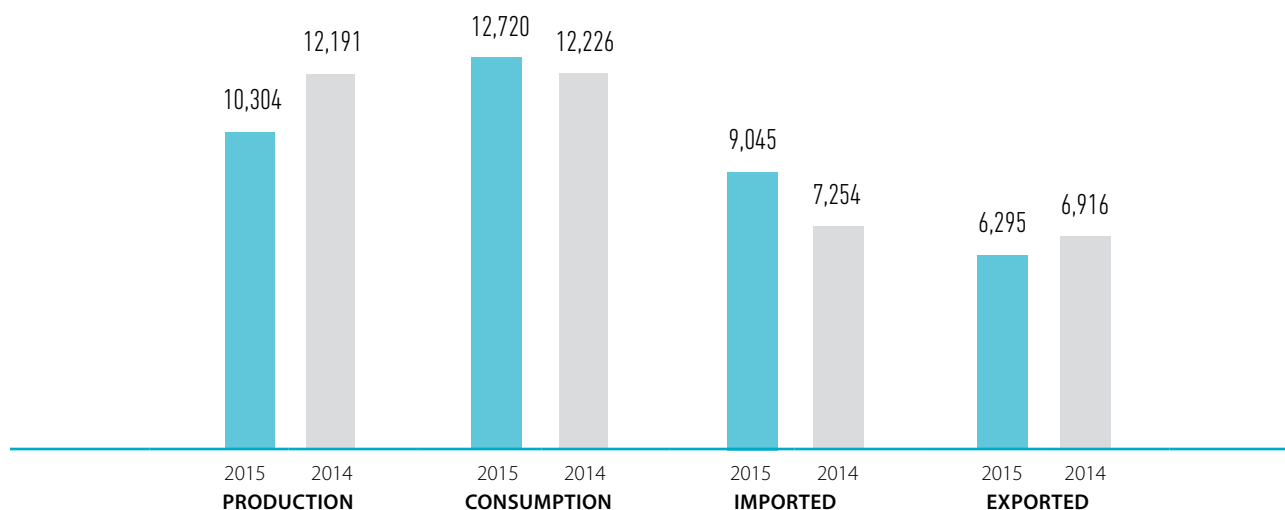
- prices of all fuels and energy products continued to fall,
- poor hydrological conditions,
- considerable volume of imported electricity (23%), and
- increased electricity consumption (2.5%).

The Energy Directorate of the Ministry of Infrastructure in June presented draft guidelines for the development of an Energy Concept of Slovenia, which will provide a strategic framework for the development of Slovenia's

energy sector by 2035 with a look ahead to 2055. A public debate over the consultation paper was open from the public unveiling to the end of September. The Ministry is going to lay down a draft Energy Concept of Slovenia based on the technical bases and the feedback collected during the public debate.

The Paris Agreement, adopted at the end of last year, is an important milestone for the electricity sector since it will be essential for curbing the effects of climate change.

Figure 2.1: **Slovenia's electricity market in 2015 and 2014, in GWh** (source: ELES)



2.2

Electricity production and ancillary services

ELECTRICITY PRODUCTION

The large production units in the GEN balancing subgroup generated a combined total of 3,123 GWh of electricity in 2015. As much as 86.0% of the combined total came from the nuclear power plant. The hydroelectric power plants and the gas-fired power plant accounted for 13.7% and

0.30% respectively. Thanks to GEN Control Centre, where the operations of the entire GEN balancing subgroup are coordinated, the production units all operated in perfect unison and all unpredictable events were effectively dealt with, as evidenced by the business results.

Figure 2.2: **Diagram of interconnections within the GEN balancing subgroup**

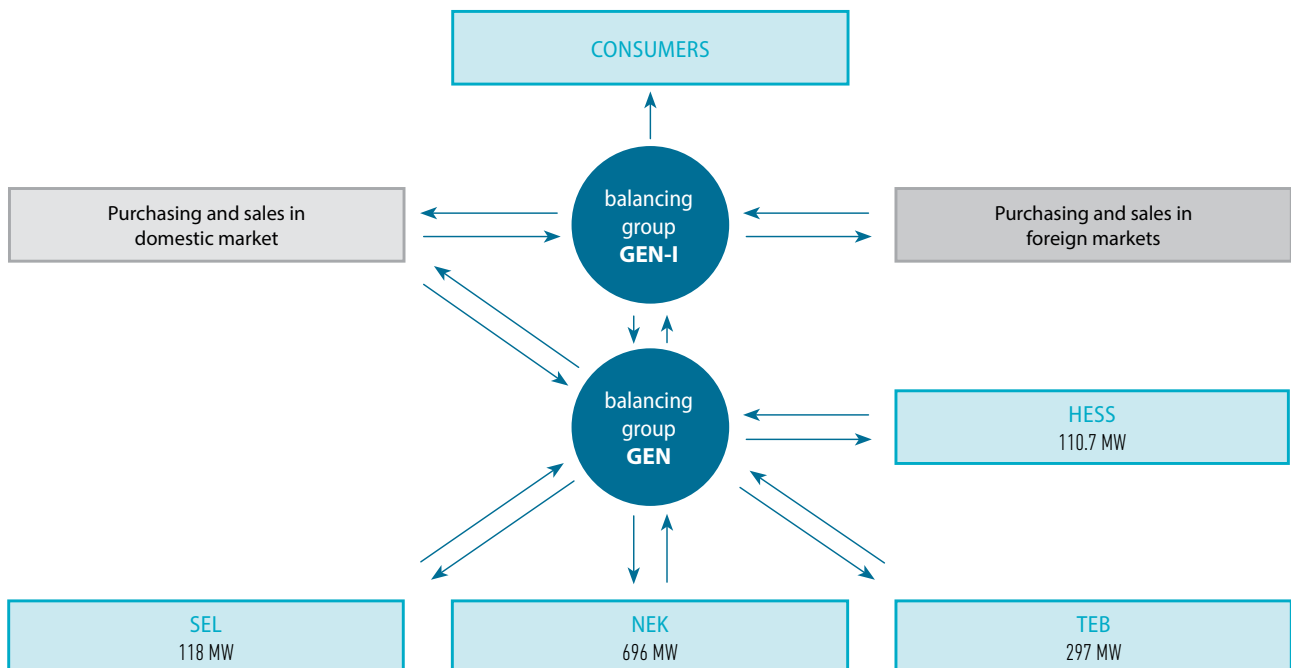


Table 2.1: Electricity generation units of the companies making up the GEN Group

NEK		NEK	TOTAL
Declared net capacity	MW	696.0	696.0
Generator power rating	MVA	850.0	850.0

SEL	No. of generating units	Moste	Završnica	Mavčiče	Medvode	Vrhovo	Small HPP	TOTAL
		2	1	2	2	3	4	
Declared net capacity	MW	13.0	8.0	38.0	25.0	34.0	0.3	118.3
Generator power rating	MVA	18.0	11.0	50.0	27.0	42.9	0.4	149.3
Gross head Hbr.	m	70.0	177.0	17.5	20.8	8.7		294.0
Installed flow rate Qi	m ³ /s	26.0	6.0	260.0	150.0	500.0		

HESS	No. of generating units	Boštanj	Arto - Blanca	Krško	TOTAL
		3	3	3	
Declared net capacity	MW	32.5	39.1	39.1	110.7
Generator power rating	MVA	43.5	49.5	49.5	142.5
Gross head Hbr.	m	7.5	9.3	9.1	25.9
Installed flow rate Qi	m ³ /s	500.0	500.0	500.0	

TEB		PB1	PB2	PB3	PB4	PB5	TOTAL
Declared net capacity	MW	23.0	23.0	23.0	114.0	114.0	297.0
Generator power rating	MVA	32.0	32.0	32.0	155.0	155.0	406.0

In addition to large production facilities, the companies making up the GEN Group also own small-sized production units, which are operated and managed independently and are excluded from the GEN balancing subgroup. The

small-sized production units of the companies making up the GEN Group generated a combined total of 2.05 GWh of electricity from renewable energy sources in 2015.

Figure 2.3: **Production of electricity in the companies making up the GEN Group, by source in 2015**

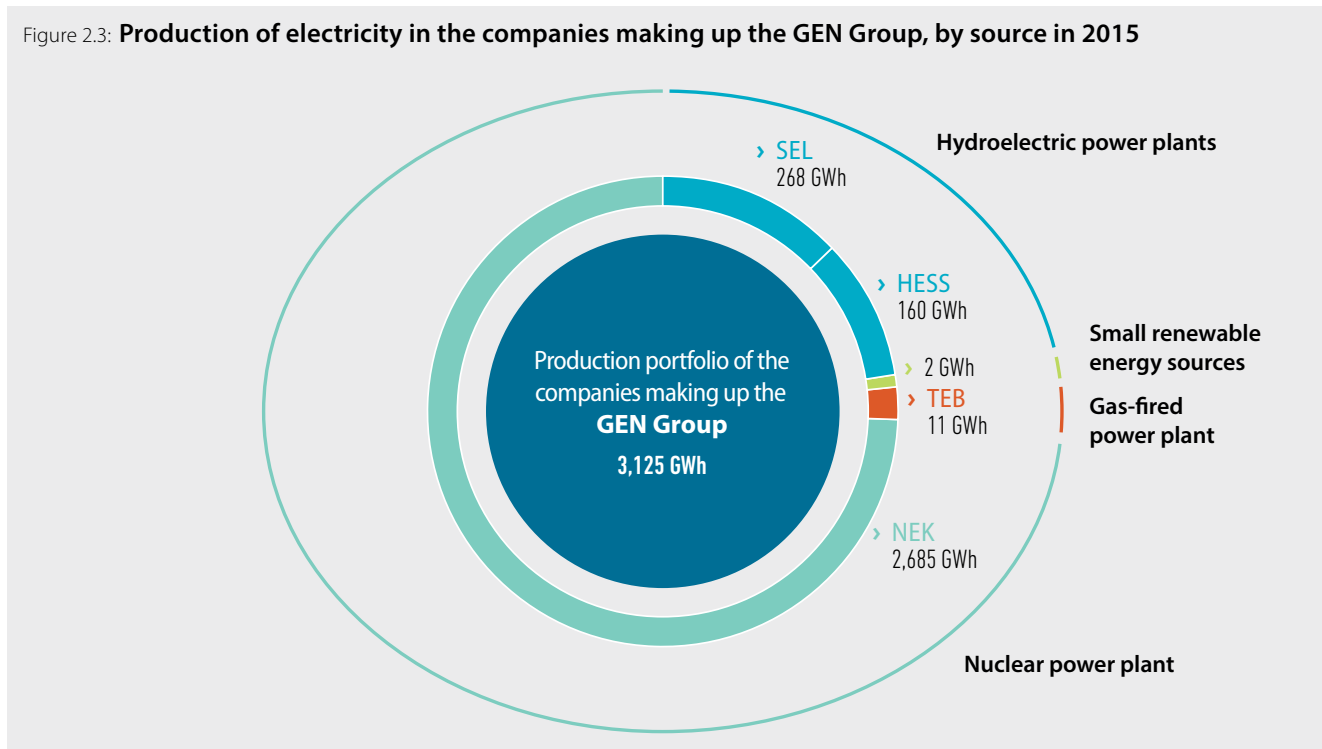
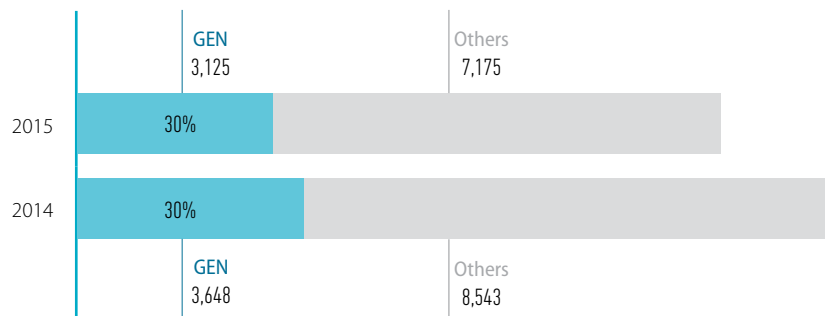


Figure 2.4: **Production output of the companies making up the GEN Group in proportion to Slovenia's total electricity output in 2015 and 2014 (GWh)**



Source: ELES

Operational efficiency

Our production units in 2015 generated 14% less electricity than in 2014. The lower production output resulted from NEK's maintenance outage and unplanned shut-down and the much less favourable hydrological conditions of the Sava River compared to the record year 2014.

In 2015, we completed all the necessary activities for GEN Control Centre (GEN CC) to start remotely operating the hydroelectric power plants on the lower Sava (Boštanj HPP and Arto - Blanca HPP) on 1 January 2016, which means that the hydroelectric power plants on the lower Sava are going to be remotely operated directly from GEN CC at Vrbinja.

In operation since 2008, GEN Control Centre manages not only the chain of HPPs on the lower Sava River but also plans and supervises the production at SEL, TEB and NEK. GEN Control Centre helps ensure optimal production across the Group's power plants and optimize operating costs for the entire GEN Group.

Table 2.2: **Electricity outputs of the companies making up the GEN Group, at large production units, in 2015 and 2014 (GWh)**

	Result 2015	Result 2014	Ratio
NEK	2,685	3,030	0.89
SEL – large HPPs	268	479	0.56
HESS for GEN	160	125	1.28
TEB	11	11	0.96
TOTAL	3,123	3,645	0.86

NEK

Krško Nuclear Power Plant (NEK) is the largest production unit, delivering base load power on the daily load curve throughout the year. NEK generated 5,370 GWh of electricity in 2015. The amount of electricity available to the GEN Group, pursuant to the Intergovernmental Agreement on NEK, was 2,685 GWh.

The power plant operated safely and reliably all around the year. NEK's operations in 2015 were significantly impacted by two events: the maintenance outage due that year (since the fuel cycle there, i.e. the interval between two successive fuel replacements, is 18 months) and the short unplanned shutdown to replace the temperature elements for measuring the temperature of the primary coolant. In electricity production terms, the year 2015 was not as good as the record year 2014, when there was no maintenance outage and no unplanned shutdown. Nonetheless, NEK's production output in 2015 reached 100.7% of the target.

NEK unit capability and load capacity factors in 2015

NEK unit capability factor (according to WANO): 88.78%

Unit capability factor (Performance Indicators as defined by the World Association of Nuclear Operators – WANO) is defined as the ratio of the available electricity generation over a given time period to the reference electricity generation over the same time period, expressed as a percentage.

NEK load capacity factor: 92.07%

Load capacity factor, expressed as a percentage, is the ratio between the amount of energy generated over a given time period and the amount of energy that would have been generated over that same period had the power plant run continuously at full capacity.

SEL

Within the national power grid, SEL's production units are primarily designed to deliver electricity on the daily load curve while allowing the possibility of storing night-time energy for use during the day. Most of the hydroelectric power plants on the River Sava are run-of-the-river facilities with daily water storage capacity, meaning they can participate in grid-wide frequency control on a day-to-day basis in response to unevenly distributed load curves (at different times of the day). As the only hydroelectric power plant in Slovenia with a weekly storage capacity, Moste HPP can also participate in grid-wide frequency control on a weekly basis in response to unevenly distributed load curves.

In 2015, the combined output of SEL's large hydroelectric power plants was 268 GWh, which is as much as 44.01% lower than the year before. The lower production output compared to the previous year can be attributed to the much lower flow rates of the River Sava.

The company successfully carried out all the overhauls and inspections on its generating units scheduled for 2015.

HESS

GEN received 160 GWh of electricity from HESS in 2015, making up a 127.63% realization rate compared to the previous year. The higher takeover realization rate is the result of GEN's higher equity interest held in the company HESS, which increased from 15.4% to 51% towards the end of 2014. Due to unfavourable hydrological conditions, however, HESS's production output was 41.47% lower than it was in the previous year.

In terms of the electricity generated by HESS, GEN manages on its own account any deviations in the share of HESS's production output that is owned by the GEN Group companies. In accordance with the amended Rules on the Operation of the Electricity Market, a metering point may be included in one or more balancing groups.




OPERATIONAL
EFFICIENCY

Hydroelectric Power Plant Operator, HESS

Working on the hydroelectric power plants on the lower Sava River since 2005. Supervising and managing the operation of a chain of HPPs. Taking prompt action in the event of unexpected hydrological conditions.

Damjan, Electrical & Electronics Technician


ENVIRONMENTAL
RESPONSIBILITY

TEB

How much electricity TEB generates is largely dependent on how often the power plant needs to be started up, as a backup source, to jump in if any larger unit in the national power grid comes offline. When electricity market conditions are good, however, a portion of TEB's output is also offered in the market. TEB generated 10.5 GWh of electricity in 2015. But since GEN supplied TEB with electricity from other production units in the GEN balancing subgroup in order to satisfy TEB's on-site energy needs, TEB's net production output was 5.7 GWh.

Most of the electricity was generated for tertiary frequency control of the power grid. For this purpose, a total of 60 activations were recorded in 2015: individual gas turbine units at TEB and SEL were started up 70 and 32 times respectively, and once at HESS. The combined output was slightly above 8.1 GWh of electricity. TEB's production output was low despite a large number of startups, which goes to show, among others, that the

operation of the rest of the production units – in the GEN balancing subgroup and the entire power grid – was reliable and stable. It was therefore not necessary to run TEB for backup on a larger scale.

Successfully and on schedule, TEB completed its regular annual reviews of all its gas turbine units and carried out measurements and visual inspections of the equipment and instrumentation in accordance with the maintenance plan. Nothing out of the ordinary was found during the refit and reviews other than the pending issue of the three old gas turbine units, PB1, PB2 and PB3, spare parts (particularly instrumentation) for which are increasingly harder to procure.

Low-carbon energy source portfolio

As much as 99.7% of the electricity generated by the power plants of the companies making up the GEN Group comes from sustainable and renewable sources: nuclear and hydro.



**OPERATIONAL
EFFICIENCY**

Instrumentation & Control Superintendent, Krško NPP

Has been employed at Krško NPP since 1991. Co-shaping long-term maintenance strategies and equipment upgrade. Daily coaching and monitoring maintenance of I&C equipment.

Matjaž, Electrical Engineer



**ENVIRONMENTAL
RESPONSIBILITY**

In 2015, the GEN Group again made a large contribution to promoting low-carbon electricity generation. Efficiently and safely, and with a view to preserving and improving the quality of the environment and mitigating climate change.

In terms of CO₂ emissions, the production portfolios of the companies making up the GEN Group are environmentally acceptable and oriented towards sustainability by comparison with the national portfolio of electricity generation sources, as is evidenced by the respective CO₂ emissions per kWh generated.

On the national scale, thermal power plants, with 1.2 kg, were again the largest source of emissions per kWh generated in 2015. That is almost three times the national average, which is 460 g. By contrast, the average CO₂ emissions per kWh generated by the companies making up the GEN Group, whose main energy sources are nuclear and hydro, is a mere 3 g.

Table 2.3: **The electricity production portfolio of the companies making up the GEN Group is based on sustainable and renewable energy sources**

Energy type	Power plant	Electricity generated in 2015 (GWh)	% of total output
Nuclear	NEK	2,685	86%
Hydro	HESS for GEN	160	14%
	SEL	268	
SKUPAJ		3,113	100%

The table does not include the electricity generated by small hydroelectric power plants (SHPs) and small solar/photovoltaic power plants (SPPs) because, compared to the outputs of the nuclear power plant and the large hydroelectric power plants, it accounts for only a small fraction (a total of 0.08% of the GEN Group's total electricity output).



**OPERATIONAL
EFFICIENCY**



**BUSINESS
EXCELLENCE**

Shift Manager, TEB

With TEB since 1984. His shift ensures continued operational readiness of systems. Organizing and supervising all production department activities.

Roman, Mechanical Engineer



Figure 2.5: **Breakdown of electricity generation sources in Slovenia for 2015 and 2014**

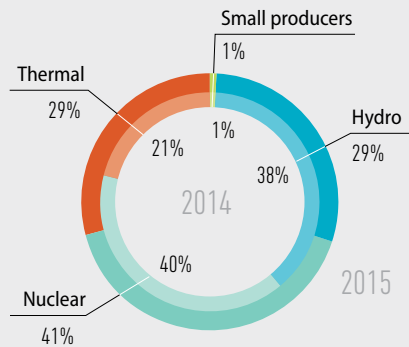


Figure 2.6: **Breakdown of electricity generation sources in the companies making up the GEN Group for 2015 and 2014**

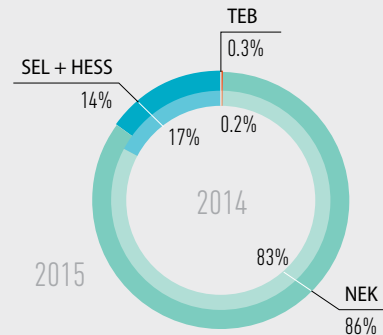
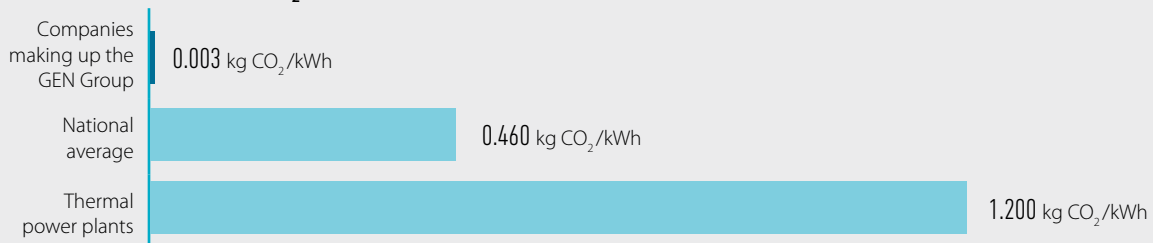


Figure 2.7: **Comparison of CO₂ emissions per kWh generated in 2015**



ANCILLARY SERVICES

Due to its remarkably stable operation and ability to provide large amounts of reactive power, NEK also plays a key support role in the balancing of critical operational and voltage conditions in the electric power grid within the European ENTSO-E network.

SEL's units provide tertiary frequency control and reactive power and have black-start capability, which means their generators can be started up without an external power supply.

TEB's principal function within Slovenia's electric power grid is to provide ancillary services (tertiary frequency control, capability to perform secondary frequency control when the larger gas turbine unit is in operation, operating black-start generators, and delivering an independent and direct power supply to NEK). Playing a special role, TEB's systems, wiring, piping and installations all operate under specific, harsh conditions with many start-ups and a small number of operating hours, which in turn calls for a specific approach to maintenance.

2.3

Electricity purchasing

Figure 2.8: **Electricity purchased by the companies making up the GEN Group, in GWh (50% consolidation of GEN-I and NEK taken into account)**

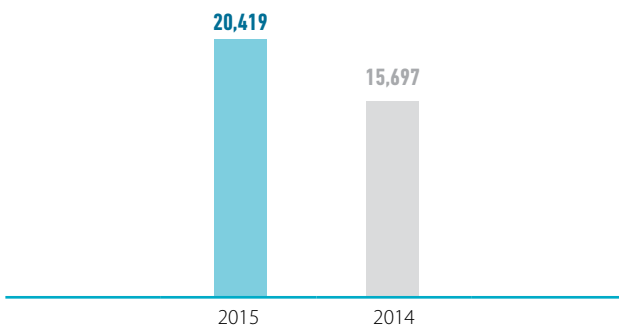
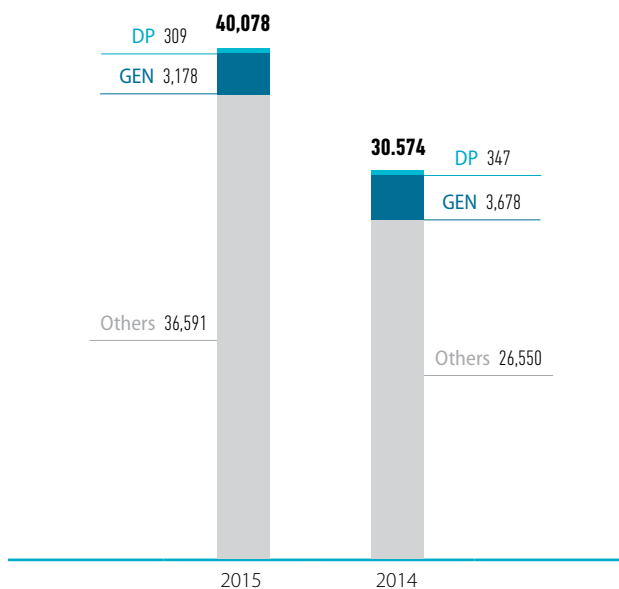


Figure 2.9: **Electricity purchased by the companies making up the GEN Group (GWh)**



The purchase portfolio of the companies making up the GEN Group comprises electricity generated by the Group's own production units and electricity purchased from other sources.

The dominant source used for generating electricity within the Group's own production units is nuclear energy. A significant share in the composition of the portfolio is also occupied by renewable energy sources and the capability of providing ancillary services, particularly tertiary frequency control.

The purchasing side of the portfolio has been expanded with not only our own production units but also other domestic and foreign producers and energy brokers. This allows us to accommodate any requirement, of large and small consumers alike, since we have developed a comprehensive range of broking services to support electricity market sales, from intra-day to years-long trades. It is the resulting flexibility that allows the Group to purchase electricity from different types of producers. In this respect, a particularly strong emphasis is placed on producers possessing declarations for their production unit (hereinafter: DP).

The volume of electricity purchased in 2015 increased by 30.08% year over year, where the amounts of electricity purchased by the companies NEK and GEN-I have been consolidated proportionally with the equity stakes.

For the sake of clarity, the data on electricity purchases and sales presented below take into account the proportional consolidation of NEK and include the total amounts for GEN-I.

The companies making up the GEN Group purchased a combined total of 40,078 GWh of electricity, which is up by 31.08% from the previous year. This includes 309 GWh purchased from other producers (DP) and 3,178 GWh provided by GEN from its own production units. The remaining electricity purchasing side of the portfolio reflects supplies secured by GEN-I's trading division.

2.4

Electricity trading and sales

In 2015, we stayed on course in electricity trading and sales, and we sold increasingly large amounts of electricity from our own sources, thanks to our in-house knowledge and competences.

The GEN Group is a well-organized electricity trader, with cross-border wholesale trading infrastructure that gives us access to all pricing data and the information needed to ensure optimal use of production resources. To maximize the utilization of production resources and to ensure a safe, reliable and quality supply of electricity to consumers, day-ahead and intra-day electricity trades were introduced in 2008. In 2015, the Group, working with GEN Control Centre, continued selling excess electricity and buying electricity to make up for shortfalls as and when needed.

In terms of electricity sales, the connection between GEN and GEN-I is a crucial one. The underlining feature of the relationship between the two is that GEN-I sells electricity for GEN under strict terms and conditions. In this context, GEN is primarily responsible for supplying base load electricity, whereas GEN-I delivers the necessary modulation for us to be able to match our service precisely to customers' wishes at the level of the GEN Group. Most of GEN's annual electricity output is sold based on the company's annual sales strategy approved by GEN's Supervisory Board. To be able to provide exactly the right amounts of electricity on a day-to-day basis as contracted, and to optimize sales, the Group makes short-term purchases of electricity or sells excess electricity as and when needed.



**BUSINESS
EXCELLENCE**



**CARE FOR
SOCIETY**

Portfolio Manager, GEN-I

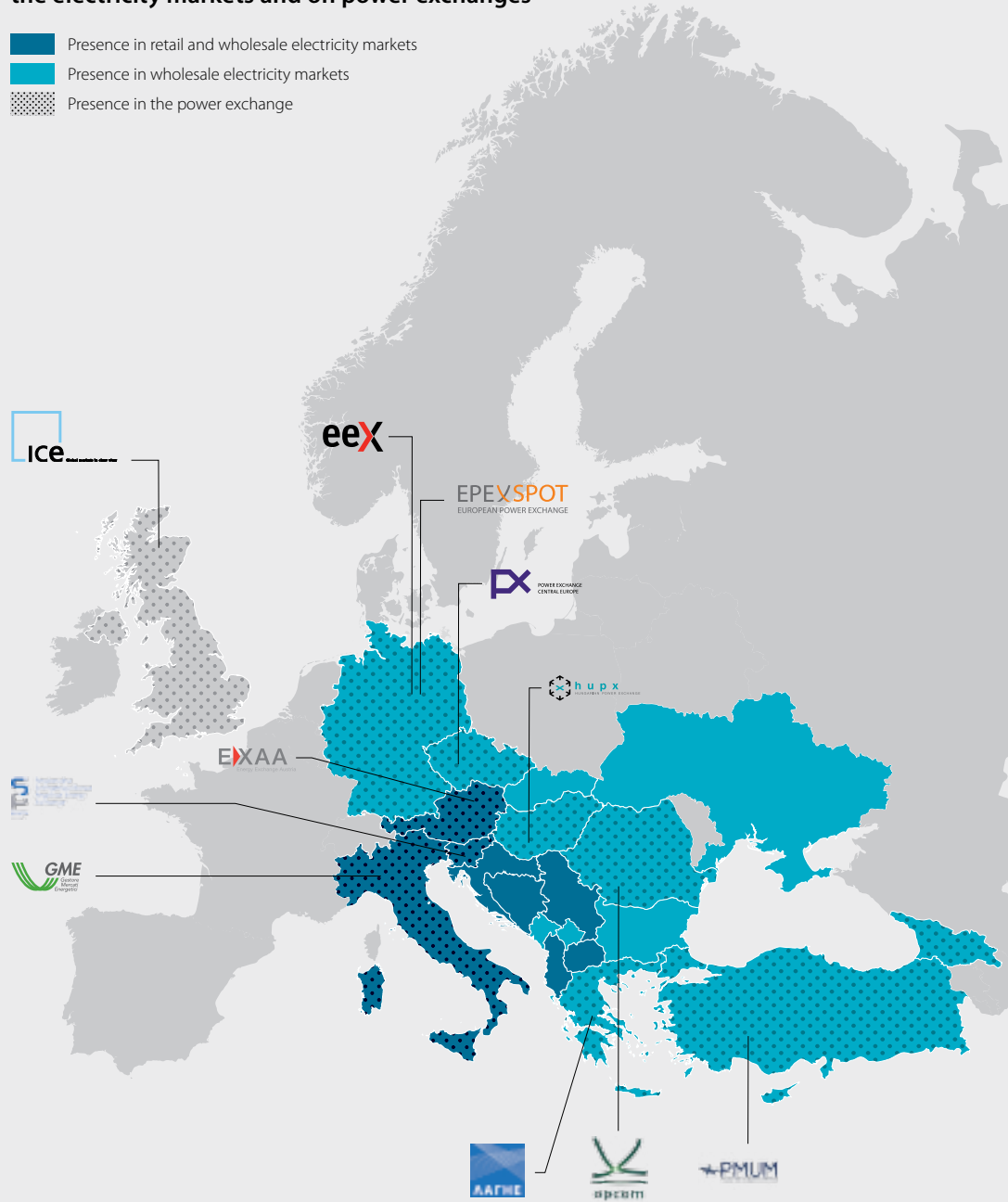
With GEN-I since 2013. Electricity trading across liquid EU markets. Daily monitoring of all energy markets and power exchanges.

Vito, Master of Economics



Figure 2.10: **Geographic presence of the companies making up the GEN Group in the electricity markets and on power exchanges**

- Presence in retail and wholesale electricity markets
- Presence in wholesale electricity markets
- Presence in the power exchange



TRADING

40,078 GWh of electricity was available for trading in 2015, which is a 31.08 % increase over 2013. Our economy of scale increases as we enter new markets, and instruments have been put in place and all required authorizations obtained for the comprehensive management of excess electricity and electricity shortfalls as provided for in contracts for purchasing electricity from generation sources and for supplying electricity to consumers.

In addition to day trading (day-ahead and intra-day), which is used for making final corrections and trade optimization, we also employ a number of other dynamic trading mechanisms available in the wholesale electricity market. These include: concluding long- and medium-term material and financial futures contracts to ensure proper portfolio diversification; leasing cross-border transmission capacities; and managing price risks arising from open positions in individual portfolios.

New forms of business cooperation are continually being developed to allow for more effective risk management. Buyers can therefore opt to buy electricity at a predetermined fixed price or to accept the risk of price movements, through price indexation, on a predefined power exchange. These market options are also available to sellers in the electricity market. This allows business partners to better adapt to market conditions and to reduce their exposure to market risks.

To be able to utilize international trading mechanisms to the fullest, we use a corporate infrastructure for trading and securing cross-border transmission capacities. The companies making up the GEN Group are therefore fully capable of acting independently in the European electricity markets.

Slovenia is our most important retail market; however, the growing balancing group is being expanded and

coordinated through trading activities in the neighbouring markets as well. The main buyer's and seller's markets continue to be the markets of Western and Central Europe, with trading volumes increasing in Southeastern Europe as well. Expansion into foreign markets is driven by subsidiaries possessing all the required authorizations, competences to adapt to distinctive local circumstances, and the right trading infrastructure.

SALES

Ever increasing electricity retailing volumes and our entry into the household supply segment testify to ongoing development of our products, which vary in the degree of risk for the buyer and the scope of services offered. Customers include large corporations, as well as small and mid-sized enterprises and households.

With our tried and trusted individual portfolio management based on our own knowledge and infrastructure, we successfully catered for our existing customers and kept practically all of them. This allowed our partners to take the best possible advantage of price movements in the electricity market. Also, with a highly competitive offering we managed to increase sales to consumers despite fierce competition in the electricity market.

In 2015, we were a major player in electricity sales to consumers in Slovenia, and we were also active in supplying electricity to consumers abroad. The key markets here were Croatia and Italy, followed by the increasingly important markets of Austria and Serbia. We make good use of the experience gained for speeding up further development and for identifying new opportunities for retailing in other markets, particularly Southeast Europe.



Call Centre Shift Managers, GEN-I

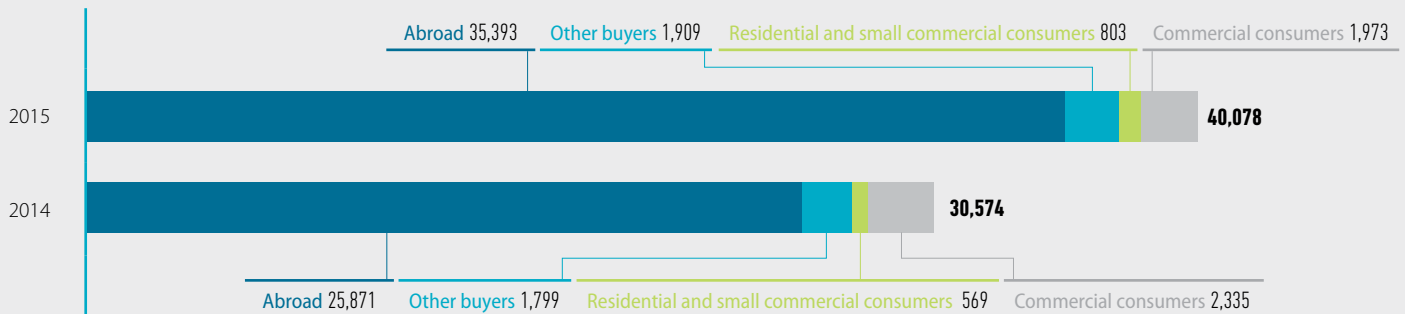
With GEN-I since 2009 and 2012 respectively. Organizing and coordinating call centre operations during their shifts. Providing customer support from initial inquiry to contract signing.

Adrijana in Mateja, Bachelor of Economics and High School Graduate


CARE FOR SOCIETY


BUSINESS EXCELLENCE

Figure 2.11: **Electricity sold by the companies making up the GEN Group in 2015 and 2014 (GWh)**



2.5

Sales of natural gas

Sale of natural gas in the companies making up the GEN Group is in the domain of the subsidiary GEN-I.

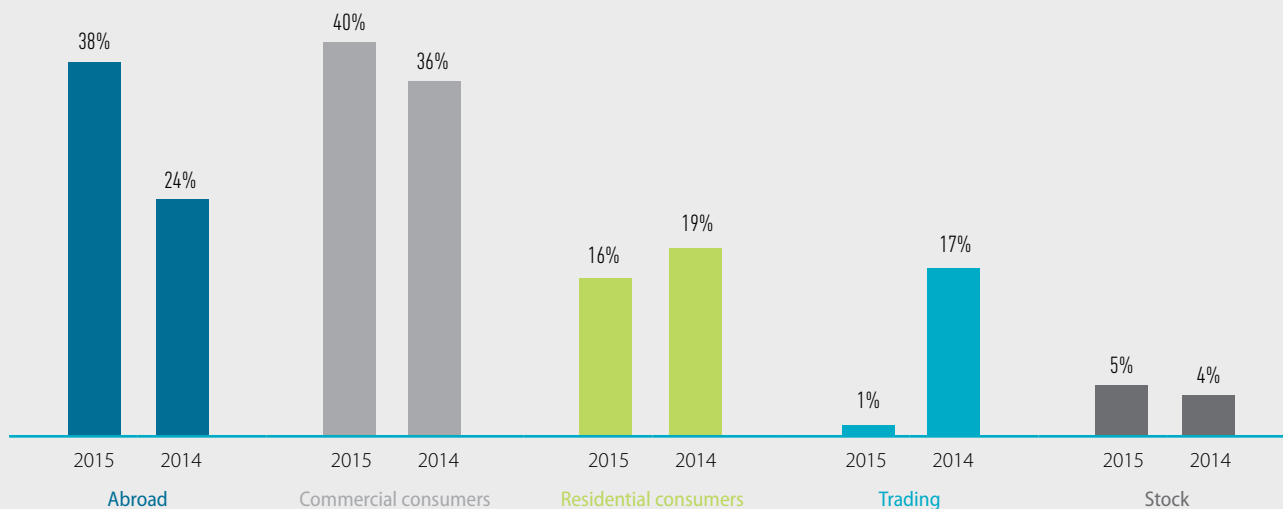
With its secure supply and competitive prices, GEN-I continues to be the second-largest supplier of natural gas in the country.

GEN-I purchases natural gas on European power exchanges, where prices are dictated not only by fluctuations in oil prices but also supplies currently on offer. This way, the sources we buy natural gas from are diversified among trusted and best-known West European partners. At the

end of 2015, we supplied natural gas to some 19 thousand residential consumers and a little fewer than 2 thousand commercial consumers in the total volume of 82.9 million Sm³, of which 20.5 million Sm³ went to residential consumers.

Growth was observed both in the commercial and the residential segments of the natural gas supply in 2015. The growth can be credited to a stronger sales strategy during 2014, additional opening of the natural gas market in Slovenia in the second quarter of 2015, and our winning bid in a tendering announced by the Consumers' Association of Slovenia.

Figure 2.12: **Breakdown of natural gas sales of the companies making up the GEN Group for 2015 and 2014**



2.6

R&D, capital expenditures and investments in the companies making up the GEN Group

The area of research and development, capital expenditures and investments is essential to the long-term operating stability and future development of individual companies and the GEN Group as a whole. The financial resources allocated to this end totalled EUR 69.33 million in 2015. Taking into account the rules of consolidation, the value of investments in the GEN Group stood at EUR 38.56 million.

R&D, CAPITAL EXPENDITURES AND INVESTMENTS OF THE PARENT COMPANY

The company GEN spent EUR 2.24 million on research and development and capital expenditures and investments in 2015.

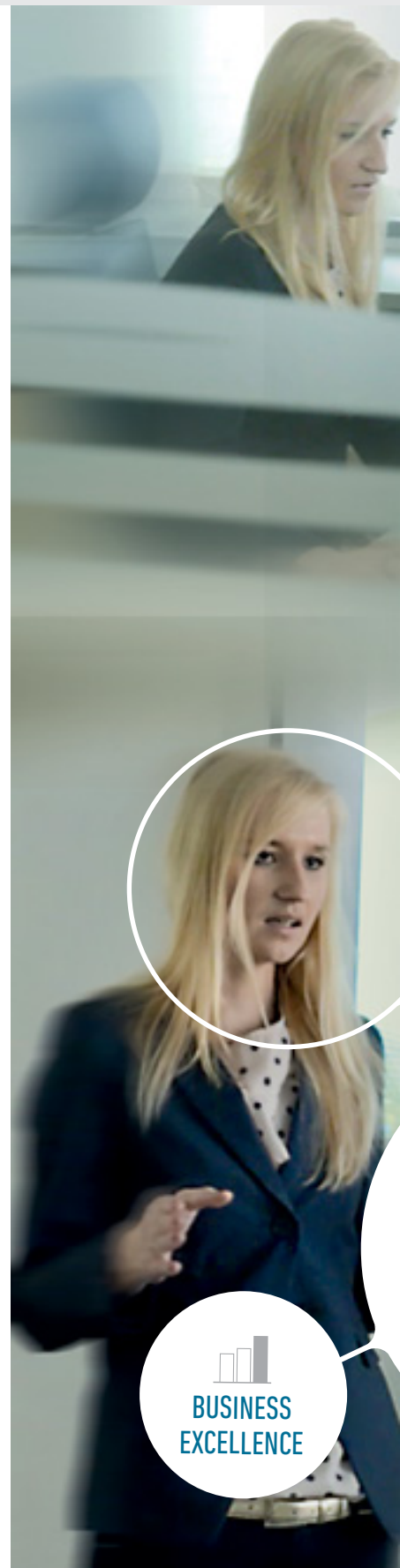
Since the company's profits are the single most important source of funding, the outlined investments were paid for out of profits and depreciation allowances in the amount of EUR 1.13 million.

Figure 2.13: R&D, capital expenditures and investments in the companies making up the GEN Group in 2015 (EUR million)

Companies making up the GEN group EUR 69.33 m	NEK		GEN	
	<ul style="list-style-type: none"> Investments in technological upgrades Miscellaneous investments 	→ EUR 29.41 m	<ul style="list-style-type: none"> Research and development IT investments Miscellaneous investments 	→ EUR 2.24 m
	HESS		SEL	
	<ul style="list-style-type: none"> Brežice HPP Mokrice HPP Miscellaneous investments 	→ EUR 34.41 m	<ul style="list-style-type: none"> Participation in the purchase of business premises Goričane SHP reconditioning Borovlje SHP Miscellaneous investments 	→ EUR 1.23 m
		GEN-I		
		<ul style="list-style-type: none"> Refurbishment of business premises IT investments 	→ EUR 1.35 m	
		TEB		
		<ul style="list-style-type: none"> Replacement of gas turbine units miscellaneous investments 	→ EUR 0.68 m	

Table 2.4: **R&D, capital expenditures and investments in the company GEN in 2015 (EUR million)**

	Result 2015	Result 2014	Ratio
RESEARCH & DEVELOPMENT	0.11	1.07	0.1016
JEK 2-related studies	0.00	0.70	0.0000
Other studies	0.11	0.37	0.2916
CAPITAL EXPENDITURES	2.13	1.22	1.7434
Expansion of NEK production capacity	1.91	0.83	2.3014
Miscellaneous investments	0.22	0.39	0.5650
INVESTMENTS	0.00	56.80	0.0000
HESS construction project	0.00	0.00	-
Acquisition of equity stakes, capital injections	0.00	56.80	0.0000
TOTAL	2.24	59.09	0.0379





**ENVIRONMENTAL
RESPONSIBILITY**

**Technical & Safety Analysis
Engineer, GEN energija**

With GEN energija since 2010. Engaged in geological and seismological research projects for JEK 2. Assessing the seismic safety of sites with the help of research institutes.

Mojca, Geology Engineer

Project to expand nuclear generation capacities – JEK 2

JEK 2 has all the potential to make a substantial contribution to the development of a modern, forward-looking, reliable, safe and environmentally friendly nationwide electricity supply at stable and competitive prices. With this in view, the GEN Group is campaigning for a technically sound, efficient, transparent and responsible implementation of the JEK 2 project. The project is currently at a stage where the owner, the Republic of Slovenia, will need to take a clear position on the matter. What needs to be made is a strategic decision on the energy future of Slovenia.

Strategic framework: the electricity supply situation in Slovenia

The situation with electricity supply in Slovenia has intensified in recent years. As the gross domestic product grew and the standard of living moved closer to that of developed EU Member States, power consumption increased. Because domestic production could no longer keep up, Slovenia experienced a shortage of electricity as high as 25%. The country was therefore becoming increasingly dependent on imported electricity. With the global economic crisis, which emerged in 2008 and persisted up until 2013, the situation took a dramatic turn for the worse. In 2014 and 2015 Slovenia's economy bounced back. This brought an end to a years-long trend of declining electricity consumption. Slovenia's net electricity consumption in 2015 was 13,041 GWh, which is up by 2.5% from 2014. UMAR issued optimistic economic forecasts, which will pave the way for increased demand for electricity.

Slovenia is also facing the problem of relatively old energy-generating facilities, which are going to have to be eventually replaced with new ones. At the same time, we are growing increasingly aware of environmental impacts and our EU climate and energy commitments. All this calls for an examination of the possibility of expanding the generation capacity of Krško Nuclear Power Plant by adding a new unit. Installed capacity of the planned second nuclear power plant unit would be somewhere in the range of 1.100 MWe and 1.600 MWe, and the new unit could be connected to the grid around the year 2030.

Table 2.5: **How the JEK 2 project meets sustainable development criteria**

Sustainable development criterion	JEK 2 project characteristics
Social aspect	Long-term reliable and safe production and supply of electricity by using the top-of-the-range, most advanced and safest technology
Environmental aspect	Minimal impacts on the environment, mitigation of climate change, optimal utilization of space
Economic aspect	Stable prices and competitiveness, both for Slovenia's households and economy.

* Source: <http://www.energetika-portal.si/novica/n/bilanca-elektricne-energije-na-javnem-omrezju-slovenije-za-letu-2015-9594/>

Regulatory framework for energy utilities

A pivotal regulatory document governing the energy sector, the Energy Act (EZ-1), was passed in the beginning of 2014. The proposed act refers to the Energy Concept of Slovenia (ECS), a central development document that corresponds to the national energy programme. Taking into account projections of nationwide economic, environmental and social development and the accepted international commitments, the ECS will set out goals for securing a reliable, sustainable and competitive energy supply, foreseeably for the next 20 years, roughly for 40 years. A public debate was open in 2015 over Draft Focuses for Developing the Energy Concept of Slovenia, which was also joined by GEN (the complete document titled »GEN energija Comments on the Draft Focuses for Developing the Energy Concept of Slovenia«, together with comments from other stakeholders, is published on the Energetika portal: www.energetika-portal.si/fileadmin/dokumenti/publikacije/eks/komentarji_javna_razprava/gen_energija.pdf).

Stages of the JEK 2 project

The JEK 2 project is divided into five stages:

- **STAGE 1** – Preparations and strategic decision-making, which encompasses strategic, political decision-making on the future development of Slovenia and the country's energy policy.
- **STAGE 2** – Location selection and approval, which encompasses an administrative procedure for siting a new nuclear build.
- **STAGE 3** – Decision-making on the JEK 2 investment, which encompasses a supplier selection procedure, the search for potential investors for JEK 2, and the obtaining of a building permit.
- **STAGE 4** – Construction of JEK 2
- **STAGE 5** – Commercial operation of JEK 2

Current status of the project

To date, GEN has conducted expert studies in the context of the JEK 2 project that allow a well-grounded, broader political and social discourse on the energy future of Slovenia and on the future role of nuclear energy in electricity supply. By doing so, all the bases have been covered to go ahead with the siting procedure and to defend the expansion of the nuclear power option as part of the national strategy for the development of the energy sector.

In 2015, we have carried out studies, analyses and activities, among others, for the JEK 2 project in the following key areas:

- development of Slovenia's electricity generation sector by 2050,
- consulting in the fields of geology and seismology,
- activities related to the EPRI-ANT Program, which focuses on new technologies and requirements for Advanced Light Water Reactors, and
- a network of seismic stations for 2015.

EUR 1,909 thousand worth of resources went into the JEK 2 project in 2015.

Plans for 2016

On the JEK 2 project, in 2016 we will continue conducting substantial technical analyses in conjunction with geological and seismological surveys, which are relevant both to JEK 2 and the existing Krško Nuclear Power Plant, and we will carry on revising and updating economic analyses in support of the corporate decision-making process. Part of these activities will be carried out by our own people. We are going to pay special attention to keeping abreast of the laying down of the Energy Concept of Slovenia, including playing our active role in expert and public debates, and we will continue our work in the EUR Association and other prominent organizations.

Figure 2.14: JEK 2 project stages



Key benefits of the planned **JEK 2** project:



SAFE AND RELIABLE SUPPLY OF ELECTRICITY

- safe and reliable supply of electricity (8–12 TWh per year, depending on the size of the power plant),
- domestic energy source: reduced reliance on imported electricity,
- competitive energy source: affordable, predictable and stable prices of electricity,
- third-generation reactor: improved technology, enhanced safety, higher economic competitiveness,
- base load and load-following operation,
- adherence to the highest international safety requirements and standards.



ENVIRONMENT AND CLIMATE-FRIENDLY GENERATION OF ELECTRICITY

- optimal solution in response to the environmental requirements and standards, reduced CO₂ emissions on the national scale,
- reduction of existing and foreseen quantities of radioactive waste (primarily as a result of improved operational systems and processes of third-generation nuclear power plants, which bring substantial reductions in the amounts of low- and intermediate-level radioactive waste, but also thanks to the possibility of reusing reprocessed fuel, i.e. up to 96% of the spent fuel mass).



SOCIAL SYNERGY

- possibility of recovering useful heat (district heating – locally and on a wider scale),
- opportunity for the Slovenian economy to participate in all the development stages (design, construction, equipment manufacturing, outfitting and installation, co-financing),
- positive effects on the nation's economic development and standard of living, highly skilled jobs.

Acquisition of equity stakes

No equity stake was purchased in 2015.

Development investments in the companies ZEL-EN and ARJE

In 2011, the company GEN joined in to establish the centre ZEL-EN, razvojni center energetike d.o.o., as a partner with a 9.28% stake in share capital. ZEL-EN Centre was started with the purpose of promoting technological advancement in the context of energy industry development. In its framework, several research and development projects were carried out on the premises of individual partners in 2015.

Two development projects, engaging three people, were under way at the Nuclear Technology business unit (the GEN business unit was renamed in 2015) in 2015. The first development project was to design an advanced NEK model, the other, a reactor shutdown analysis with the corresponding model development.

In April 2014, the company GEN joined in to establish the company ARJE, analize in raziskave na področju jedrske energetike, d.o.o., as one of two partners, each with a 24% stake in the company's share capital. The company ARJE employs one researcher, and in 2015 we successfully completed a research project to upgrade the existing CORD-2 program with the Monte Carlo method, which allows for easier and more accurate modelling of the core's geometry.

Parent company's research and development, investment and capital expenditure plans for 2016

In terms of investments and capital expenditures, we are going to stay on track in 2016. We will carry on implementing activities started in previous years and activities that were not feasible in the past. The financial resources for this are projected to reach EUR 3.4 million.

In 2016, GEN is going to carry on with the activities for implementing the project to expand Krško Nuclear Power Plant's production capacity. Resources have also

been marked off for implementing a development focus in the area of production unit management towards a single GEN Control Centre, which will lead to reducing the deviations of the balancing subgroup and the need for intra-day trading and to minimizing the consequences of unplanned events.

New equity stakes may also be secured. Each purchase of an equity stake will be assessed individually and properly backed by all the prescribed documents of the company's governing bodies before it is finalized. Acquisitions of equity stakes – if it is decided to go through with them – will be financed through other own resources and, in the case of larger investments, by hiring a long-term loan.

RESEARCH AND DEVELOPMENT, INVESTMENTS AND CAPITAL EXPENDITURES IN SUBSIDIARIES

The companies making up the GEN Group maintain a high level of availability and operational reliability on account of regular maintenance and ongoing capital expenditures. Operational readiness of the systems is ensured through appropriate control, maintenance and modernization operations. There are three distinctive types of maintenance:

- **preventive maintenance**, which is carried out at pre-determined intervals based on maintenance schedules,
- **predictive maintenance**, which is used for checking the condition of equipment (diagnostics), and
- **corrective maintenance**, which is specially designed for equipment that is not critical to the operational availability and reliability of production units.

If corrective maintenance work is carried out on key equipment that is included in the preventive maintenance schedule, we conduct a detailed analysis of the cause and, if needed, revise the respective preventive maintenance schedule accordingly. In 2015, most maintenance activities were carried out to maintenance schedules.

NEK

NEK is committed to making ongoing strategic investments in technological modernization and upgrades. The standard procedure is to make five-year investment plans, and the average annual value of investments in technological modernization is around EUR 35 million. Because of the natural disaster in Japan that devastated the Fukushima Daiichi nuclear power plant, and based on the results of subsequent stress tests, which revealed the need for additional modifications to NEK, the value of capital expenditures is well expected to rise in the long run. Under the Intergovernmental Agreement on NEK, the financial resources for capital expenditures need to be provided by NEK's partners.

NEK continued to undergo comprehensive technological modernization in 2015 in accordance with its long-term investment programme. To date, NEK has implemented some 850 modifications or technological upgrades which immediately translated to higher nuclear safety and ope-

ration reliability, as evidenced by the WANO Performance Indicators.

Among the most important technological upgrades in 2015 was the project to reverse the direction of the bypass cooling flow of the lower liner of the reactor core, which in the long run prevents factors that may cause damage to nuclear fuel. Also, control/supervision systems were upgraded on one of the two emergency diesel generators scheduled for modernization. Other investments in technological upgrades in 2015 comprised mostly work carried out during the maintenance outage and included 24 technological upgrades.

The value of the investments made in 2015 was EUR 29.41 million.

Given the fact that an economic viability study on extending NEK's service life has shown the extension of NEK's service life until 2043 to be economically viable, and considering



**OPERATIONAL
EFFICIENCY**

Lead Licensing Engineer, Krško NPP

She's been working at Krško NPP since 1994. She's coordinating licencing processes for demanding projects. She's conducting the 10-year Periodic Safety Review of the plant.

**Aleksandra, Chemical Technology
Engineer**



**CARE FOR
SOCIETY**

that the Slovenian Nuclear Safety Administration approved changes to the Final Safety Report and Technical specifications for extending NEK's service life from 40 to 60 years, NEK Management put forward a motion to the NEK General Meeting to approve the extension of NEK's service life. After the extension had been approved by the Intergovernmental Committee in July 2015, the extension of NEK's service life until 2043 was also approved with the NEK General Meeting's resolution of 27 January 2016. This decision, crucial in energy future terms, will allow the implementation of the planned safety upgrade and is also the result of NEK's remarkably successful 33 years of operation and business activity.

Investments in technological modernization in 2016 will continue to be driven by administrative requirements and operational experience so as to further improve the operational safety and stability of the power plant. The outlay earmarked for this purpose totals EUR 33.30 million and will be fully funded through depreciation allowances.

SEL

SEL consistently carries out periodic major maintenance on its facilities and makes intense development efforts in terms of tapping hydro energy. In 2015 SEL spent EUR 1.23 million in depreciation allowances and other own resources on investments and development.

A major part of SEL's investment activity in 2015 revolved around the reconditioning of Goričane SHP; activities were under way in connection with Borovlje SHP; the reconditioning of Moste HPP continued with the reconstruction of the bottom outlet; spillway 3 was restored at Vrhovo HPP; and SEL teamed up with HESS to acquire a backup energy transformer to serve as a backup for all the HPPs on the lower Sava River. This investment minimizes the shortfalls in the production of Vrhovo HPP and the rest of the HPPs on the lower Sava in the event that an energy transformer should fail.

In 2016, SEL will continue to invest financial resources in capital expenditures and further development of its existing



Electrical Maintenance Engineer, SEL

With SEL since 2000. Regular maintenance and ongoing servicing at Mavčiče and Medvode HPPs. Revisions and overhauls of the plants' generating units and other equipment.

Luka, Electronics Engineer



**BUSINESS
EXCELLENCE**



**OPERATIONAL
EFFICIENCY**

Project Manager, TEB

With TEB since 2006. Identifying the potential for development through studies and design documents. Steering projects to replace gas turbine units 1–3.

Bojan, Electrical Engineer

production facilities and to look for new opportunities in harnessing renewable energy sources for electricity generation. The total sum earmarked for capital expenditures and development is EUR 7.03 million.

TEB

In 2015, TEB spent EUR 0.68 million in own resources on capital expenditures and development.

In its most important and most comprehensive project, the replacement of gas turbine units PB 1–3, TEB put out an international tender at the beginning of 2015 for the supply of the main technological equipment. Selected as offering top value for money from among three providers was the Stenmark Consortium, made up of Siemens Slovenia and Siemens Švedska. The selected technology is essentially the same industrial gas turbine technology that is already employed in the existing gas turbine units. The 1970s technology, however, is no match to today's technology, which boasts a much higher efficiency, lower emissions and little maintenance. The central components of the main technological equipment are the Siemens SGT 800 industrial gas turbine (power rating: 53 MW) and electric generator. The main technological equipment also includes a diesel electric generator for starting up the gas turbine without an external power supply (black start), and the contract, signed in February 2016, also includes the supply and installation of a smokestack.

The total estimated value of the project is EUR 35 million.

TEB's financial resources earmarked for capital expenditures and development in 2016 amount to EUR 17.83 million.

HESS

HESS is the developer behind the largest hydropower project currently under way in Slovenia: the construction of a chain of five new hydroelectric power plants on the lower course of the River Sava.

The construction of Brežice HPP continued with great intensity in 2015: work on its energy generation part is right on track in terms of schedule and contractual deadlines. Construction work was under way on the powerhouse, spillways, flanking walls, ancillary building, multipurpose structure, and the bridge over the Struga stream. Turbine and hydromechanical equipment was being installed. By the end of December 2015, as much as 75% of all construction work had been completed.

An application to obtain an Environmental Protection Approval for Mokrice HPP was submitted to the Slovenian Environment Agency (ARSO). Investments in Boštanj HPP, Arto - Blanca HPP and Krško HPP are already closed, so only minor additional capital expenditures were made.

HESS spent EUR 34.41 million on investments and development in 2015, of which EUR 20 million came from a loan for part-funding the construction of Brežice HPP, the rest were own resources.

In 2016, HESS will be directing most of its investment potential into the construction of Brežice HPP. Apart from using its own resources, the company is also going to hire a long-term loan in the amount of EUR 40 million to finance the capital expenditures. The total value of planned investments in HESS is EUR 51.17 million.

GEN-I

GEN-I spent a total of EUR 1.35 million in own resources on capital expenditures and development. A major portion of the financial resources was spent on IT equipment, which is absolutely essential to the proper functioning of trading and sales applications, as well as on other capital expenditures vital to the company's operations.

In 2016, GEN-I will spend most of its investment resources, in the amount of EUR 0.87 million, on implementing and upgrading comprehensive data management systems and on upgrading the rest of its existing IT systems.

2.7

Financial operations

The companies had no problem at all meeting their financial and trade liabilities within applicable contractual terms of payment. Also, our customers were successful in meeting their financial obligations.

While the companies making up the GEN Group meet their financing obligations mostly through depreciation allowances, the main source of funding used by the company GEN for this purpose is the profit it generates.

The financial operations of the company and the Group are, alongside obligations of controlled and jointly controlled companies, also strongly impacted by the commitments GEN has entered into upon founding that originate in the Intergovernmental Agreement on NEK. Under this agreement, GEN not only received the right to one-half of the electricity produced by NEK, but also assumed the responsibility to pay back the loans taken out for its construction, to meet its financial obligations to the NEK Fund, and to secure funding to cover NEK's fixed costs in the event of unscheduled outages.

SERVICING OPERATIONS AND BORROWING

A key function of financial operations is to plan for a sufficient amount of liquid funds for ensuring solvency, where a major part is played by obligations arising from the supplied electricity and power. Particularly important is the obligation to cover NEK's fixed costs, which is one of the principal leverages for the prompt settlement of GEN's liabilities and for the optimization of surpluses and shortfalls among the companies making up the GEN Group.

Appropriate liquidity was also ensured through consistent recovery of past-due accounts. This applies particularly to GEN-I, but since GEN-I has this matter thoroughly covered by terms and conditions, no major problems have been encountered to date.

Borrowing activities were focused on securing sufficient funding both for short- and long-term operations. All the companies in the Group take out loans for their own account. GEN and the companies in which it holds a controlling interest are obligated to undertake borrowing activities in compliance with the Regulation on Borrowing Conditions and Procedures under Article 87 of the Public Finance Act (Official Gazette of the Republic of Slovenia, No. 112/2009).

Short-term borrowing is most frequently undertaken by GEN-I to ensure sufficient liquidity for electricity trading operations. In the past mainly through loans, but in recent years also by issuing commercial papers, which turned out to be a very effective way of securing funds.

Long-term borrowing is undertaken by our production companies, primarily for the purposes of investments and major maintenance, whereas NEK also hires long-term loans to purchase fuel, whose lifetime spans more than one year due to the nuclear power plant's inherent nature of operation. No long-term loans were hired in 2015; however, TEB started appropriate procedures for taking out a long-term loan for funding capital expenditures.

The loans were secured by bank guarantees, and the financing liabilities were denominated in EUR.

SETTLING LIABILITIES TO THE NEK FUND

Pursuant to the Intergovernmental Agreement on NEK, the Act on the Fund for Financing the Decommissioning of NEK and Disposal of Radioactive Waste from NEK (Official Gazette of the Republic of Slovenia, No. 75/1994 and amendments thereto), and the Decision of the Government of

the Republic of Slovenia No. 311-01/2001-21 of 07/10/2004, the company GEN is obligated to pay, on a regular basis, into the NEK Fund a contribution in the amount of EUR 3 for each MWh of electricity generated by NEK. EUR 8.05 million was paid into the NEK Fund in 2015.

SECURING FUNDING FOR COVERING NEK'S FIXED ANNUAL COSTS

Under the Intergovernmental Agreement on NEK, the company GEN is obligated to cover NEK's fixed costs incurred over a period of one year regardless of whether the power plant is in operation or not. Since NEK is the dominating production unit in the GEN Group, whereby the performance and operations of the Group are heavily dependent on its stable operation, the Group is exposed to considerable risks even if only short outages of the power plant occur. To secure the resources for covering NEK's fixed costs, the company GEN decided as early as 2004 to make long-term provisions for one-half of NEK's annual fixed costs (the other half is to be provided by the other co-owner of NEK).

The total amount of provisions was finalized as early as the end of 2009, but because NEK's fixed operating costs vary, the amount of provisions needs to be adjusted. To ensure the amount of provisions is adjusted in as balanced and objective way as possible, so as to allow proper estimation of future expenses arising from an onerous contract, provisions are adjusted, since 01/01/2014 in accordance with SAS 10.16., based on the three-year average value of the fixed costs as defined in the NEK Economic Plan. In 2015, the company GEN reversed provisions in the amount of EUR 5,159,000, so the closing balance of provisions at the end of the reporting period was EUR 71.56 million. The company GEN will continue to follow the strategy of making and adjusting provisions in accordance with the Economic Plans adopted by NEK.

SURPLUS CASH INVESTING

Investing activities for provisioning

No changes were made in 2015 to the Investment Strategy designed to make up for long-term provisions drawn for covering NEK's fixed costs in the event of an unplanned reduction in NEK's electricity production (hereinafter: Investment Strategy), which was presented to the Supervisory Board of the company GEN on 25 August 2014. Due to the unpredictability of the financial markets, the Investment Strategy does not provide for investing in debt and equity securities and only allows deposits with financial institutions and with a maximum maturity of six months, as well as appropriate investments in the electric sector.

Following its Investment Strategy, the company GEN in 2015 invested its surplus cash exclusively in call deposits with up to six months' maturity. Despite the shrinking number of financial institutions still offering attractive terms for investing surplus cash, the company GEN managed to distribute its financial resources in accordance with its

adopted Strategies and procedures for investing surplus cash in the form of deposits/loans to banks (hereinafter: Deposits Strategy). The funds deposited were well diversified, and the deposits yielded average returns of 0.468% on account of permanently low interest rates.

ANALYSIS OF OPERATING PERFORMANCE

The indicators that reflect the financial position or the suitability of the composition of assets and liabilities of the company GEN and the GEN Group are presented below.

Performance indicators for the company GEN and the GEN Group

According to the indicators, the company GEN and the GEN Group continue to be in good condition. We are ready to make new capital expenditures, and it will be very important in this respect to take into account the difficult economic situation and the founder's expectations with regard to the return on investment.

Table 2.6: **Performance indicators of the company GEN and the GEN Group for 2015 against 2014**

Performance indicators	Company		Group	
	2015	2014	2015	2014
Equity financing rate	83.19%	81.42%	85.29%	86.49%
Long-term financing rate	97.01%	96.14%	97.67%	96.95%
Operating fixed assets rate	3.31%	3.10%	53.75%	52.76%
Long-term investment rate	88.72%	88.03%	85.82%	86.22%
Equity to operating fixed assets	25.12	26.31	1.59	1.64
Long-term financing of fixed assets	1.08	1.07	1.13	1.11
Immediate solvency ratio – acid test ratio	2.04	1.64	4.10	3.18
Quick ratio	3.35	2.74	5.64	4.19
Current ratio	3.36	2.74	5.84	4.37
Operating efficiency ratio	1.08	1.11	1.10	1.14
Net return on equity ratio	0.03	0.04	0.02	0.05

2.8

Employees, knowledge and development of human resources

Our employees' knowledge is at the heart of GEN's pursuit of sustainability focuses throughout our responsible operations.

We make ongoing efforts to provide education and training opportunities to all the employees of the companies making up the GEN Group, as well as to promote their professional and personal growth. The Group had 1,186 employees in 2015, six more than the year before. The number of employees is consistent with the Group's growth and development and the corresponding challenges.

NUMBER OF EMPLOYEES AND STRUCTURE OF QUALIFICATIONS

Due to the complexity and scale and scope of work in the companies making up the GEN Group, more than half of

Figure 2.15: Employees of companies making up the GEN Group with Level 6/I, 6/II, 7, 8/I and 8/II professional qualifications

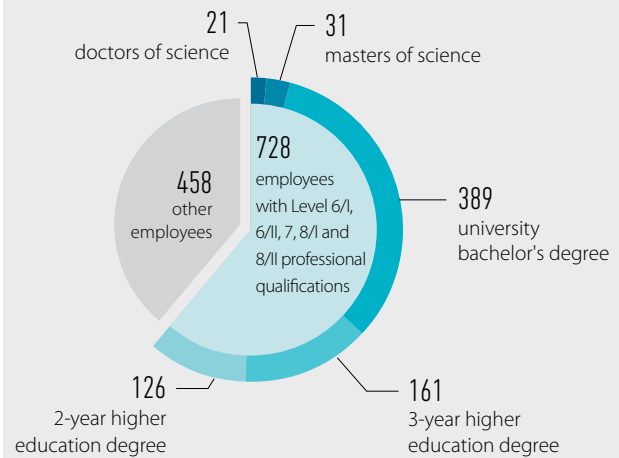


Table 2.7: Number of employees in the companies making up the GEN Group as at 31/12/2015 by level of qualification

	Result at 31/12/2015											Result at 31/12/2014
	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6/I	Level 6/II	Level 7	Level 8/I	Level 8/II	TOTAL	
GEN	0	0	0	0	3	7	7	32	1	3	53	52
GEN-I	0	0	0	0	43	5	72	98	12	9	239	229
NEK	0	3	1	25	250	79	54	207	14	8	641	646
SEL	5	0	0	22	35	18	5	19	2	0	106	108
TEB	0	4	0	19	33	14	11	20	1	1	103	105
HESS	0	0	0	1	14	3	12	13	1	0	44	40
TOTAL	5	7	1	67	378	126	161	389	31	21	1,186	1,180

the employees have at least a higher education qualification. The increase in the number of employees in 2015 can mostly be credited to the GEN-I Group's expanded scope of operations. A low employee turnover rate goes to show that our employees are highly dedicated and motivated to work in an environment that stimulates and promotes knowledge, responsibility and networking.

The data in the table above refer to the whole companies or the whole group, not taking GEN's equity interests in individual companies and the rules of consolidation into account. The table also includes comparative data for 2014.

The companies making up the GEN Group had 21 doctors of science, 31 masters of science and 389 bachelors of science/arts in 2015. The key areas of expertise covered by employees with Level 8 professional qualifications (Masters and Doctors of Science) are:

- nuclear engineering and nuclear energy,
- electrical engineering,
- nuclear physics,
- mechanical engineering, and
- economics.

PROFESSIONAL EDUCATION AND TRAINING

The companies making up the GEN Group systematically invest resources in professional education and training for executive and management levels and other key employees across all the areas of operations of our companies.

In areas related to the generation of electricity from nuclear energy, we also run several specialized programmes. These are mostly professional training schemes taking place:

- on NEK's simulator,
- at NEK Maintenance Training Centre, and
- in the framework of the Milan Čopič Nuclear Training Centre (ICJT) of the Jožef Stefan Institute, Ljubljana.

The development of employees in the company GEN is driven by creating a stimulating work environment and



Training Manager, Krško NPP

Has been employed at Krško NPP since 1995. Lecturing and improving knowledge transfer between plant employees. Managing, supervising and coaching General Employee Training.

Matjaž, Electrical Engineer



CARE FOR SOCIETY



OPERATIONAL EFFICIENCY

maintaining a high level of business ethics. The company GEN received the Family-Friendly Certificate in 2013, whose main purpose is to further strengthen the employees' sense of satisfaction and dedication. To date, numerous measures have been incorporated into our work processes that make it easier for employees to balance their private lives and careers.



Table 2.8: **Some of the major education and training sessions held in 2015 at the companies making up the GEN Group**

Company	Focus of the professional education and training in 2015	Specialized education and training in the area of nuclear energy
GEN	<ul style="list-style-type: none"> regular active participation in industry conferences, seminars, panel discussions, and meetings at home and abroad periodic functional education, training and workshops aiming to promote additional knowledge in the areas of IT, project management, leadership, and organization of work processes 	<ul style="list-style-type: none"> lengthier education programmes at the ICJT for the Technical Sector employees working on the JEK 2 project (two- and six-month courses on nuclear power plant technologies – theory and systems)
NEK	<ul style="list-style-type: none"> systematic training based on a checklist of competencies required for independent work and performance of work assignments in-service education and training (50 employees in 2015) 337 in-house and external courses for the company NEK were attended by 7,377 people in 2015 courses for external contractors (109 courses in 2015, attended by 7925 people) 	<ul style="list-style-type: none"> ongoing professional training: 160 hours per year for reactor operators and senior reactor operators; a minimum of 80 hours per year for shift supervisors; a minimum of 160 hours per year for the rest of the operating personnel; theoretical and simulator-based training, without on-the-job training, a minimum of 32 hours per year for the rest of the technical personnel
SEL	<ul style="list-style-type: none"> professional education programmes at faculties or higher-education institutions to obtain Level 7 or 6/II qualifications individual and group training for operators of energy generation equipment training in occupational health and safety, fire safety, first aid, and new legislation 	
HESS	<ul style="list-style-type: none"> professional education and training according to field of specialization; participation in industry seminars, workshops, conferences, and panel discussions – 1,130 hours of education and training, attended by 43 employees (26 hours per employee per year) 	
TEB	<ul style="list-style-type: none"> periodic functional education and training according to field of specialization workshops covering the areas of responsibility, occupational health and safety, fire safety, and IT – 30 hours of education or training on average per employee per year 	
GEN-I	<ul style="list-style-type: none"> organization of meetings, lectures and workshops for the management with the purpose of presenting an effective application of a comprehensive set of key competencies analysis of annual employee development and performance reviews and the formulation of guidelines for further effective and efficient performance management of individuals and the organization 	

SCHOLARSHIPS AND DEVELOPMENT OF HUMAN RESOURCES

In the companies making up the GEN Group, we recognize the importance of systematically developing suitable and competent human resources, mostly in the areas of natural and technical sciences.

The main reasons for this are twofold:

- the ageing of the existing human resources – employees of the companies making up the GEN Group, and
- the newly arising need to fill highly qualified positions that emerge as a direct consequence of the rapid development and growth of the Group companies.

Scholarship policy

Scholarships are one of the means of promoting the development of human resources. The companies making up the GEN Group provide company scholarships and also participate in standardized regional scholarship schemes, such as the Posavje Scholarship Scheme. We award scholarships under this scheme to secondary school and higher education students pursuing professions that are in high demand among employers, bearing in mind the development needs and employment prospects in the Posavje development region. Under this scheme, 50% of the scholarship is financed by the employer, the rest is provided by the regional development agency or the Slovene Human Resources Development and Scholarship Fund.

At 31 December 2015, the company GEN had 5 scholarship recipients, the companies making up the GEN Group, 18.

The number of scholarships awarded by the companies making up the GEN Group has gone down in recent years, mostly because of restrictions with regard to new hires and changes to the scholarship policy as a result of the amended Scholarship Act. The amended Scholarship Act imposes additional administrative and financial obligati-

ons on employers and, what is more, reduces the percentage of company scholarship co-funding provided by the Slovene Human Resources Development and Scholarship Fund or the promoter of the regional company scholarships scheme.

Long-term strategic challenges in terms of human resources

Once made, the decision to expand the nuclear programme (JEK 2 project) will present the GEN Group with a major challenge in terms of human resources. We know full well this challenge will entail a strategic approach to developing and securing new human resources. Analyses have shown that developers of comparable nuclear facilities employ up to 300 people during construction, with the figure ranging between 1,600 and 1,800 if counting in all subcontractors.

Table 2.9: **Number of scholarship recipients by company making up the GEN Group**

	Result at 31/12/2015	Result at 31/12/2014
GEN	5	6
GEN-I	0	0
NEK	10	10
SEL	2	5
TEB	1	1
HESS	0	0
TOTAL	18	22

2.9

Promoting the knowledge of energy and the energy industry

Our mission is to stay a reliable supplier of electricity from sustainable and renewable sources. Our success in accomplishing this mission depends largely on the knowledge and understanding of our line of work among various external stakeholders. The knowledge and understanding have a strong influence on the perception of challenges of the present and future electricity supply.

For several years in a row, the GEN Group has been working hard to raise energy awareness and, more importantly, to boost interest in, and strengthen the knowledge of, energy-related topics among our key stakeholders:

- school children and youth,
- local communities,
- electricity consumers,
- professional public circles,
- decision-makers at the national and local levels,
- NGOs,
- the media, and other key stakeholders.

THE WORLD OF ENERGY AND COLLABORATION WITH SCHOOLS

Since 2011, GEN Information Centre has been home to The World of Energy, a visitor centre designed to demystify the world of energy, electricity, and the energy industry through modern interactive exhibits, scale models, and multimedia presentations. The centre features a special »Experiment Room,« where visitors get to conduct numerous hands-on experiments and where demonstrators conduct attractive electrical experiments during themed workshops. Since its opening through 31 December 2015, the centre recorded 34,667 visitors, with as many as 7250 in 2015 alone.

A major mission of the World of Energy is also to establish contact and foster good relations with organizations and individuals actively involved in spreading knowledge and promoting interest in natural and technical sciences and the energy industry. Through the World of Energy activities, we seek to encourage mentors and teachers to provide in-depth, comprehensive explanations so as to promote a better understanding of energy-related topics.

SUPPORTING ENERGY INDUSTRY EVENTS AND PROJECTS

Aside from in-house projects, events and other activities designed to promote the knowledge of energy and the energy industry, the companies making up the GEN Group this year again provided organizational, technical or financial support to various nationwide, industry, business, and educational/awareness-raising events and projects related to the energy industry.

WEB PORTAL ON ENERGY AND THE ENERGY INDUSTRY: eSvet



The eSvet web portal on energy and the energy industry, launched in association with our experts partners (companies making up the GEN Group, the University of Maribor, Jožef Stefan Institute, ELES, and ARAO) in 2014, was among the prizewinners in Slovenia's high-profile digital superlatives contest WEBSI. We claimed 3rd place in the Socially Responsible Projects category.

The eSvet web portal provides curious individuals with data-driven facts and figures on energy, its role and areas of application in everyday life, energy sources of today, with a special emphasis on electricity generation sources and technologies and the importance of having a reliable electricity supply – now and in the future. 14,100 new eSvet users and more than 64,000 visited pages were registered in 2015.

REDESIGNED GEN ENERGIJA WEBSITE

In October, we launched a redesigned GEN website, which provides visitors with a concise and friendly overview of the basic information about the GEN Group, the activities of the companies making up the Group, our fulfilment of sustainable development, and up-to-date information about our business operations. The website is linked with the other GEN energija websites: The World of Energy (*Svet energije*), eSvet, and The Young in the world of Energy (*Mladi v svetu energije*).

CORPORATE AND PROJECT PRESENTATIONS TO THE PUBLIC

GEN demonstrates its focus on transparency and openness for communication with interested public audiences through various presentations of the GEN Group's operations and major projects, most notably JEK 2. We held more than 30 public presentations for various stakeholders in 2015: decision-makers, energy industry professionals, representatives of businesses and NGOs, among others.

SPONSORSHIPS AND DONATIONS

With their energy production facilities and operations, the companies making up the GEN Group are closely coupled to the local environments where they operate. In line with our sense of responsibility, we endeavour to help actively shape the life in local communities, particularly in the areas of education, science, sports, culture, charity, healthcare, environmental protection, humanitarianism, and others. In choosing which area to support, we look into the needs, expectations and interests of the local environment where our companies operate or which their operations impact. In 2015, nearly 60% of all the funding went to the local environments in which our companies operate, and the remaining 40% to organizations around Slovenia.

Table 2.10: **Overview of energy awareness raising activities**

Company	Contents	Target audience	Results (2015)
GEN	<p>The World of Energy (guided tours, Saturday and summer workshops);</p> <p>projects in 2015:</p> <ul style="list-style-type: none"> • The Young in the World of Energy, • Technical Wizardry, • Young Wizards (in association with NEK), • participation in Ljubljana's Elektrofest and the Science Festival, • eSvet web portal, • Occupations Camp (in association with MC Krško), • Days at Krško-Sevnica School Centre. 	School children and youth; teachers and professors – mentors; wider professional public; families; local population	<p>206 groups or 7,250 visitors to the World of Energy;</p> <p>11 Saturday workshops, with 747 participants;</p> <p>The Young in the World of Energy contest available as an elective course in the school curriculum;</p> <p>The Technical Wizardry event attended by 312 visitors;</p> <p>16 out of 26 primary schools from the Posavje region have registered for the Young Wizards quiz competition.</p>
NEK	<p>Guided tours of NEK</p> <p>Implementation of the Nuclear Engineering Fundamentals module (in association with the Krško School Centre)</p> <p>The Young Wizards competition (in association with the company GEN – see above)</p> <p>Occupations Camp (in association with MC Krško)</p> <p>Information Days at Krško-Sevnica School Centre</p>	Schools, faculties and other interested public audiences; local population, Krško School Centre students	<p>241 groups, 5,722 visitors;</p> <p>Ongoing cooperation (the theoretical part of the module is taught at school, the practical part at NEK);</p> <p>16 out of 26 primary schools from the Posavje region have registered for the Young Wizards quiz competition;</p>
SEL	Guided tours of the hydroelectric power plants and the Završnica HPP Technical Museum; doors open days	Schools, faculties, and professional societies	630 visitors
HESS	Guided tours of operating HPPs and the Brežice HPP construction site	Schools, faculties, local community, and professional societies	3,039 visitors: 1,767 to the operating HPPs, 1,272 to the Brežice HPP construction site
TEB	<p>Guided tours of TEB</p> <p>Occupations Camp (in association with MC Krško)</p>	<p>Schools, faculties, other interested public audiences</p> <p>Ninth-graders</p> <p>Eighth- and ninth-graders</p>	630 visitors

2.10

Quality policy and safety assurance

GEN's Quality Policy draws from our mission and vision and is aligned with the strategic pillars for the fulfilment of GEN's sustainability focuses, at the heart of which are knowledge and safety.

QUALITY MANAGEMENT SYSTEM

Our quality management system applies directly to all employees of the GEN Group, and indirectly also to contractors and other stakeholders who are required to comply with our management system, that is, our safety culture principles and quality and business ethics standards.

The GEN Group companies have been certified by ISO 14001 (environmental management system), OHSAS 18001 (occupational health and safety) and ISO 9001 standards for a number of years already.

In the GEN Group, we place a strong emphasis on streamlining and optimizing our operations, and we create synergies throughout our key processes. By making all our employees part of the system and by understanding and using it properly, we systematically and continuously improve the company's performance and efficiency in achieving its business goals, quality-specific goals included.

The table highlights some of the key activities in 2015 associated with the implementation, maintenance and development of management systems, and plans for 2016.

Radiological Surveillance Specialist, Krško NPP

He's been employed by Krško NPP since 2003. Planning & surveillance of works in Radiologically Controlled Area. Measuring & monitoring radiation data onsite in the laboratory.

Miro, Electrical & Electronics Technician



ENVIRONMENTAL
RESPONSIBILITY



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Table 2.11: **Overview of quality management, environmental management, and occupational health and safety activities in 2015 and plans for 2016**

Company	Certificate	Implemented activities	Key plans for 2016
NEK			
	ISO 14001	<ul style="list-style-type: none"> • First control audit completed in the third certification cycle (November 2015) 	<ul style="list-style-type: none"> • Implementation of recommendations expressed as possibilities for improvement or as observations of the certification authority. Internal audit and control audit completed
	OHSAS 18001	<ul style="list-style-type: none"> • First control audit completed in the second certification cycle 	<ul style="list-style-type: none"> • Implementation of recommendations made by the certification authority during the control audit • The main focus is on preparations for the 2016 maintenance outage
SEL			
	ISO 14001	<ul style="list-style-type: none"> • Internal audit, April 2015 • Control audit, October 2015 • Environmental audit 	<ul style="list-style-type: none"> • Implementation of recommendations made during the 2015 control audit • Internal and external control audits completed • Implementation of environmental programmes • Transition to the new version of the standard
	OHSAS 18001	<ul style="list-style-type: none"> • Internal audit, April 2015 • Control audit, October 2015 	<ul style="list-style-type: none"> • Internal audit and external control audit completed • Implementation of activities in compliance with OHS/fire safety and internal regulations
	ISO 9001	<ul style="list-style-type: none"> • Internal audit, April 2015 • control audit, October 2015 	<ul style="list-style-type: none"> • Implementation of recommendations made during the 2015 control audit • Transition to the new version of the standard
TEB			
	ISO 9001	<ul style="list-style-type: none"> • Second control audit in the fifth cycle (March 2015) • Completed deployment of an electronic signing system for all documents 	<ul style="list-style-type: none"> • Preparing for transition to the new version of the standard ISO 9001:2015
	ISO 14001	<ul style="list-style-type: none"> • Recertification – repeated external audit in 2015 	<ul style="list-style-type: none"> • Preparing for transition to the new version of the standard ISO 14001:2015
	OHSAS 18001	<ul style="list-style-type: none"> • Recertification – repeated external audit in 2015 	<ul style="list-style-type: none"> • Implementation of recommendations for system improvements made during the 2016 control audit
GEN			
	ISO 9001	<ul style="list-style-type: none"> • Management system certification, the ISO 9001:2008 certificate obtained in the first quarter of 2015 • Integration of ISO 9001:2015 requirements started 	<ul style="list-style-type: none"> • Integration of ISO 9001:2015 requirements continued • Examination of the possibilities for integrating management systems at Group level to create synergy

TOP PRIORITY: CONTINUOUS SAFETY UPGRADES

Our safety culture, evident in our unwavering commitment to safety, is at the very heart of all levels of our responsible actions:

- in showing a sense of responsibility towards the local people and the environment in which we operate,
- in ensuring occupational health and safety for our employees, both in production and office settings, and
- in achieving operational efficiency of the GEN Group's production facilities and the resulting business excellence.

Nuclear safety is our top priority in the context of the company GEN's mission. The human element is a key factor in nuclear safety, so it is absolutely vital that knowledge

and systematic training are broadened and strengthened. Nuclear safety assurance is incorporated into all organizations dealing with, or connected to, the GEN Group's nuclear operations.

The safety of NEK's operation and the preparation of the JEK 2 project is therefore an overarching priority: in the planning and implementing of decision-making activities and work operations. This includes keeping abreast of best practices in the field of nuclear safety on the global scale and of OSART recommendations (IAEA mission, Operational Safety Review Team, which is expected to conduct a follow-up safety review of NEK in 2017). Great emphasis is placed on equipment modernization and maintenance and on improving the safety culture and awareness among all employees. Owing to such approaches, NEK ranks in the top 25% of nuclear power plants worldwide in terms of operational safety and stability.

Independent Occupational Health & Safety Engineer, HESS

With HESS since 2014. Coordinating safety plans, acting as an OHS Officer on the Brežice HPP construction site. Minimizing the risks associated with occupational health and safety.

Alen, Safety Engineer

ENVIRONMENTAL RESPONSIBILITY

CARE FOR SOCIETY



2.11

Risk management

Risks are an inherent part of any business. And each risk stems from the uncertainty associated with unforeseeable events.

We manage risks by adhering to the adopted Risk Management Guidelines and policies set out in the Risk Management Manual. Based on the two documents and our insight into the subsidiaries' operations, the risks can be classified as follows:

- **STRATEGIC RISKS**
- **MARKET RISKS**
- **QUANTITY RISKS**
- **FINANCIAL RISKS**
- **HUMAN RESOURCES RISKS**
- **LEGAL RISKS**
- **OPERATIONAL RISKS**
- **INVESTMENT RISKS**
- **PROJECT RISKS**

The GEN Group companies manage risks by identifying them in a timely manner and by determining the level of severity, both at management and sectoral levels. We then define the method and means for keeping the risk under control. Through efficient risk management, we seek to reduce the number of unpredictable events and to be more effective in meeting the set goals.

STRATEGIC RISKS

Pursuit of sustainable development is an integral part of the business strategy of GEN energija. We have identified three pillars of sustainable development, at the heart of which are knowledge and safety. Within each of these distinct areas, we constantly strive for improvements in order to minimize any negative impacts and to maximize

positive effects our operations have on the environment and on society.

The most important risk to the operations of the company GEN has to do with ensuring safe, reliable and stable electricity production in the subsidiaries since the existence and development of the company GEN relies heavily on it. Regulatory risks imposed on business entities by the government have been growing recently, e.g. new taxes and tax hikes, broader access to information in the public domain, the Slovenian Nuclear Safety Administration policy, etc.

Krško Nuclear Power Plant (NEK) is the central energy generation facility in the Group and in the country. Because we, as owners of Slovenia's part of the facility, acknowledge the risks and our responsibility around the clock, all year round, we monitor its operation on multiple levels.

We indirectly keep track of the operation of the facilities by holding regular coordination meetings with the companies' managements and regular operational meetings of the companies and by appointing competent people to supervisory and management boards of the Group companies and to various task forces.

A change in the ownership composition of the partner of the jointly controlled company GEN-I has given rise to new factors which affect our relationship with this particular subsidiary.

Corporate governance by the founder

Capital investment management, conducted by the Slovenian Sovereign Holding (hereinafter: SSH), is an important aspect of strategic risk management. Pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 105/2012 and amend.), the SSH is responsible for managing capital investments owned either by the Republic of Slovenia or by the SSH itself. The term capital assets management encompasses securing of

investments, disposal of investments and exercising of shareholder or partner rights, as well as all other legal actions compliant with the Companies Act (CA-1). Based on this legal title, the SSH also manages the Republic of Slovenia's capital investment in the company GEN.

The SSH exercises partner rights pursuant to CA-1 and, in doing so, also adheres to other binding documents laying down provisions on good corporate governance practices adopted by itself (particularly the Management Code for Assets Owned by the Republic of Slovenia) or by expert associations (particularly the Management Code for Publicly Traded Companies). The SSH also follows binding documents expressing the SSH's positions on some of the aspects of management (particularly the Recommendations of the Manager of Indirect and Direct Capital Investments of the Republic of Slovenia and the yearly SSH guidelines for voting in companies' general meetings).

The SSH carries out its management function as follows:

- by calling regular and special general meetings,
- by appointing and dismissing supervisory boards,
- through regular quarterly reports, planning information for the next three years,
- through regular biannual meetings with a company's supervisory board and/or management. Such meetings allow for a more direct discussion about pending issues and a quicker way to define the actions needed to resolve potential problems,
- through potential feedback given to the company by the SSH, where a written document may be provided complete with comments, recommendations and positions regarding future operations and achievement of goals,
- by calling emergency meetings in the event of unforeseen, special events that may impact the company's achievement of goals and its value,
- by taking action in the event that a company is seriously lagging behind its approved business targets,
- if needed, the SSH may also employ other ways of gathering information to help it get a better picture of a company's performance (e.g. collaboration with auditors).

The company is actively managed in order to achieve a business result that is in line with performance indicators.

Making business operations efficient is what active management is all about – maximizing the profits and curbing the costs across the entire Group. The aim of active management is to increase the company's rate of return and to facilitate the development and reconstruction of its energy infrastructure. The company is required to utilize its investment potential for carrying out energy projects needed to ensure reliable, safe and stable operation of the national power grid. The restoration and expansion of the company's production capacities is monitored in the subsidiaries through annual and quarterly financial statements and business plans.

Whether the expected rate of return will be achieved is largely dependent on the market price of electricity, on the basis of which income is generated on the one side, with costs and investments on the other. We ensure the expected rate of return through appropriate planning and by keeping to our electricity products sales strategy.

MARKET RISKS

Market risks arise from volatile trends in the prices of energy products in the global market, which in turn affects electricity prices both at home and abroad.

The company GEN reduces its exposure to market risks through an elaborate electricity sales strategy, which remains fixed and unchanging for the most part. To a smaller extent, the strategy is updated, expanded and adjusted each year according to market conditions. Based on the adopted strategy, the company GEN sells most of its expected production output before the start of the year in which it is actually supplied. This substantially reduces the price risk, meaning the company is only exposed to unplanned outages of generation facilities (particularly NEK) and subnormal hydrological conditions. Futures contracts and various exchange-traded financial instruments are also used for hedging against fluctuations in electricity prices. At Group level, we are exposed to the price risk if there are open positions – a difference (in quantity and value) between the purchases and sales in a given supply period. As the price changes, the portfolio value may decrease as

a result. To effectively minimize the price risk, all positions must be closed promptly. With every transaction made, we can generally make a simultaneous countertransaction with suitable characteristics designed to hedge positions against price fluctuations. A counterposition is launched in a market whose price correlates highly with the price in the market of the original transaction. If that cannot be done, we seek to limit the risk of price fluctuations between two markets by buying cross-border capacities. The Risk Management Policy defines the maximum open position of an individual portfolio based on the VAR (Value at Risk) method, and in proprietary trading, a portfolio's maximum loss as well.

The risks associated with the sales of electricity for ancillary services have shown in the past to be enormous as the tendering procedure for ancillary services announced by ELES allowed foreign providers to also bid for larger quantities of tertiary frequency control. We managed to effectively mitigate these risks by selling most of these services on a long-term basis, up to 2019.

QUANTITY RISKS

Quantity risks are risks associated with produced and purchased electricity which arise from the gap between the forecast and the actual amount of electricity. Quantity risks may be internal, relating to technological and logistic limitations with regard to production and timely procurement of energy products, or external, mostly having to do with weather and hydrological conditions. The company is exposed to these risks particularly in the event of open-ended contracts.

Risks associated with electricity production refer to the electricity generated by the production companies. In this respect, the prevailing risk is associated with a potential outage of NEK, the most important energy generation facility in terms of volume. We seek to manage this risk by making provisions on the purchase side and by adjusting the production cost for TEB on the sale side, which serves as the

marginal price that GEN would have to pay for alternative energy and the reserve kept for this purpose. The risks associated with electricity purchased from other sources refer to the electricity supplied by GEN from sources outside the Group.

Each company manages the internal risks associated with their production facilities based on their many years of experience and expertise, by organizing regular employee training, and by following proven methods of running a production facility, carrying out maintenance, etc. NEK, SEL, TEB and HESS ensure uninterrupted operation of their production units and other electricity-generation systems independently by performing regular maintenance work and periodic checks (measurements, mechanical diagnostics).

The GEN Group places a heavy stress on limiting and managing external risks. For this purpose, the Group has put in place proper IT support for long- and short-term forecasting of electricity offtake and feed profiles as well as for daily monitoring of variations in quantity at most of its offtake and feeding points. A key part in this respect is played by GEN Control Centre.

At the group-wide level, quantity risks are also present in the supply of energy products. The Group companies manage these risks by keeping suitable inventories and by carrying out relevant activities in a timely fashion.

FINANCIAL RISKS

Liquidity risk arises when a company is unable to meet its current liabilities because of, for instance, different terms of payment on the purchase and sales sides. The companies are following the principle by which payment deadlines for purchases and sales with identical substance are balanced, that is, payment terms for purchases are longer than those for sales. The Group companies manage liquidity risks by laying down well-defined contract terms and conditions, by regularly and precisely planning their cash flows on a daily, monthly and yearly basis, by checking their contractual partners and their payment track records, and through

thoughtful and safe placement of surplus cash. At Group level, we additionally minimize the liquidity risk:

- through a liquidity reserve in the form of approved credit lines with different commercial banks,
- through diversification of financial obligations,
- through prompt reconciliation of maturities of receivables and payables,
- by limiting our exposure to partners known to be bad payers, and
- by consistently recovering past-due debts.

To cover for unplanned expenditure, the company has part of its cash tied up in a call deposit, with which it can cover payment obligations without delay. These funds will also be used if any of the related companies has trouble securing liquidity funds in the market.

The companies are also exposed to risks associated with surplus cash management. Given the situation in the financial markets, we recognize the risk of bank defaults with respect to surplus cash investments. To manage these risks, the company GEN adopted an Investment Strategy, which serves as the basis for more effective investment risk management.

Credit risk is risk that arises when a business partner fails to fulfill – by due date – their material (agreed supply/delivery of a certain amount of electricity) or financial obligations (non-payment of contractual obligations, repayment of loans to others – deposits). Such non-fulfilment impacts the ability of the companies to fulfill its other obligations to its contractual partners.

The Group companies manage credit risks by thoroughly checking the credit ratings and liquidity positions of their existing and prospective business partners and banks, by having a clearly defined debt collection procedure and collection letter system in place, and by signing properly secured contracts (by drafts, bank guarantees).

The gravity of the identified risk depends mostly on the partner's business results, particularly level of debt, short-term liquidity, solvency indicators, and profitability indica-

tors. We swear by gathering up-to-date information in the market, since various market and regulatory changes may cause a partner's standing to quickly falter.

Currency risk is present in electricity trading and cross-border transmission capacity trading operations. Also exposed to credit risk are the subsidiaries' capital and loans. Currency risk exposure is present in international trades or in conducting transactions with countries with an official currency other than the euro. This primarily entails exposure to exchange rate differences that occur between the time the contract is signed and the moment the contractual sum is actually paid.

HUMAN RESOURCES RISKS

HR planning involves identifying the company's demand for human resources and planning out the activities for their recruitment. For systematic and cost-efficient planning of human resources in the company, this process needs to include all the company's people in lead positions.

By recruiting and developing human resources, the companies are laying the groundwork for future development and bright prospects.

Managing these risks is particularly important to the GEN Group on account of its rapid growth and expansion into new markets. In order to fulfill business plans, employees are expected not only to continually expand their existing knowledge and skills and to acquire new knowledge and skills, but also to be effective team players, show a high degree of flexibility, dynamism, motivation, to take initiative, and to have an excellent rapport and communication with each other.

LEGAL RISKS

Legal risks refer to losses incurred due to violation or misinterpretation and non-observance of the law, regulations, directives, recommendations, valid agreements and contracts, good practices, or ethical standards. The companies

manage these risks primarily by laying down as precisely defined contractual terms and conditions as possible.

Risks arising from vague legal bases or sudden changes in legislation are quite common as well. The company seeks to minimize these risks by keeping abreast of legislative changes and by carefully looking into them before they are made law.

OPERATIONAL RISKS

Operational risks are present in every business process. These are risks that could lead to a financial loss for the Group should ineffective business processes and controls be put in place.

We minimize the process risks at the GEN Group level through control systems deployed in each individual company, the core idea behind which is that all important operations must be concluded using the four-eyes principle as a minimum. The Group manages these risks through clearly defined business processes, clearly defined roles, responsibilities and authorizations, and codes of practice and rules.

IT or telecommunication system failure risks are managed by the companies by setting up redundancy systems for all the key network components and by making sure they are regularly serviced and updated. They come with suitable support and assistance packages which guarantee timely replacement in the event of failure. All important communication channels have also been duplicated for redundancy.

INVESTMENT RISKS

The operation of NEK is crucial to the current business of the company GEN and to the development of nuclear technology in Slovenia. For this reason, NEK's operation needs to be monitored on all levels. Employee education and training play a vital part in this respect.

Since the JEK 2 project is essential to the national economy, the company has been faced with general risks from the very beginning. The most notable general risks include the political decision whether to go ahead with the project and the inclusion of the project in the national strategic programme on the one hand, and the project's social acceptability on the other.

The company seeks to manage the general risks by presenting appropriate institutions, the Government of the Republic of Slovenia, and the social environment with eligibility factors and the national strategic importance of the JEK 2 project, all of which form the basis for making the necessary decisions to go ahead with the construction of JEK 2.

Apart from general risks, the company already identifies risks associated with the JEK 2 project, should the new nuclear build finally materialize. The major risks associated with the JEK 2 project are:

- risk relating to the development of the JEK 2 project,
- risk relating to the completion of the JEK 2 project, the most notable being the risk relating to the financing of the JEK 2 project and recruiting suitable professionals, and
- risk relating to the operation of JEK 2.

If a decision is made to go ahead with the JEK 2 project, the risks in connection with the project will be managed and controlled separately. A Risk Management Manual for the JEK 2 project has already been produced.

Monitoring and cooperation in the context of the construction of hydroelectric power plants on the Sava River are important risk management elements for the companies GEN and SEL. This will play a particularly important role in the construction of HPPs on the middle course of the Sava River, where the engagement of the people from the two companies is foreseen.

Investments in gas turbine units are important as these serve as a backup power supply to NEK and potentially to JEK 2 and offer the possibility of serving as a grid-connected standby source, adding flexibility to the production portfolio.

3 SUMMARY FINANCIAL REPORT OF THE COMPANY GEN

ENVIRONMENTAL RESPONSIBILITY

Environmental responsibility is an important element of the quality and safety assurance policy across the companies making up the GEN Group. Continued safety improvements are our top priority, so the safety culture is at the heart of the responsible and professional work of our people, at all levels and across all areas.

We generate electricity from low-carbon sustainable and renewable energy sources. As much as **99.7%** of all the electricity generated by the GEN Group power plants in 2015 came from low-carbon nuclear and hydro energy.

Geology Engineer





3.1

Independent auditor's report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the owner of GEN energija, d.o.o.

The accompanying summary financial statements, which comprise the summary balance sheet as at 31 December, 2015, the summary income statement and the summary statement of changes in equity for the year ended 31 December, 2015, and related notes are derived from the audited financial statements of GEN energija, d.o.o. for the year ended 31 December, 2015, approved by the management on 23 May 2016. We expressed an unmodified audit opinion on those financial statements in our auditors' report dated 26 May 2016.

The summary financial statements do not contain all the disclosures required by Slovenian Accounting Standards and by the Slovenian Companies Act. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of GEN energija, d.o.o. for the year 2015.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of GEN energija, d.o.o. for the year ended 31 December, 2015 are consistent, in all material respects, with those financial statements.

Ljubljana, 31 May 2016


ERNST & YOUNG
 Revizija, poslovno
 Janez Uranič
 Director svetovanja d.o.o., Ljubljana 1
 Ernst & Young d.o.o.
 Dunajska 111, Ljubljana


 Mateja Repušič
 Certified Auditor

3.2

Basis for compiling the financial statements and financial report of the company GEN

In compliance with CA-1, the following pages contain a summary financial report which forms an integral part of the Annual Report of the company GEN and the GEN Group for 2015. The summary presents all the main features of 2015 operations and summary financial statements compiled based on the audited balance sheet, profit and loss account, statement of other comprehensive income, and statement of changes in equity.

The financial statements and accounting policies used in preparing the financial reports for the company GEN were approved by the company Management on 23 May 2016.

Pursuant to the revised SAS 2006, which came into effect on 01 January 2015, the company has changed the method of accounting for jointly controlled entities, which were included in the Group through consolidation and were in the context of financial statements treated as relationships to the Group companies up until 31 December 2014. Under the revised SAS 2006, consolidation of jointly controlled entities is no longer allowed. Based on the revised SAS 2006, only the subsidiaries are recognized by the

company in its financial statements as relationships to the Group companies, whereas jointly controlled entities are recognized as a relationship to affiliated companies and the joint venture as a relationship to others. To allow direct comparison with the data from the previous period, from 1 January 2014 to 31 December 2014, and with the previous balance as at 31 December 2014, the financial statements of the past period have been adjusted in items which disclose relationships to the Group companies or to others. Apart from the highlighted change in one of the accounting policies, the accounting policies used in preparing the financial statements for the company GEN for 2015 were the same as those applied in the previous financial year.

The financial statements are presented in EUR without cents.

Complete financial statements of the company GEN for 2015 and the Annual Report of the company GEN have been published on <http://www.ajpes.si/>. They can also be obtained from the company's registered office at Vrbina 17, 8270 Krško.

3.3

Financial statements of the company

BALANCE SHEET OF THE COMPANY

Table 3.1: Balance sheet of the company as at 31/12/2015

	31/12/2015	31/12/2014
ASSETS	519,928,708	522,822,086
A. Fixed assets	468,018,616	467,856,183
I. Intangible assets and long-term deferred expenses and accrued income	284,200	319,172
II. Tangible fixed assets	16,935,382	15,862,731
III. Long-term financial investments	444,043,317	444,043,317
IV. Deferred tax assets	6,755,717	7,630,963
B. Current assets	51,755,951	54,803,428
I. Short-term financial investments	25,174,781	21,882,534
II. Short-term operating receivables	20,187,184	21,937,350
III. Cash	6,393,986	10,983,544
C. Short-term deferred expenses and accrued income	154,141	162,475
LIABILITIES	519,928,708	522,822,086
A. Equity	432,527,658	425,672,398
I. Called-up capital	250,000,000	26,059,796
II. Capital reserves	131,756,895	239,609,558
III. Revenue reserves	30,752,903	151,305,132
IV. Revaluation surplus	17,861	3,989
V. Net profit or loss from previous years	7,158,611	0
VI. Net profit or loss for the financial year	12,841,388	8,693,923
B. Provisions and long-term accrued expenses and deferred income	71,806,309	76,936,931
I. Provisions and long-term accrued expenses and deferred income	71,806,309	76,936,931
C. Long-term liabilities	38,256	41,452
I. Long-term financial liabilities	31,000	31,000
II. Long-term operating liabilities	7,256	10,452
D. Current liabilities	15,450,051	20,029,836
I. Current operating liabilities	15,450,051	20,029,836
E. Short-term accrued expenses and deferred income	106,434	141,469

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Table 3.2: Profit and loss account of the company for 2015

	2015	2014
TOTAL INCOME	175,543,639	175,246,327
Operating income	173,637,402	172,161,611
Financing income	1,906,232	3,084,275
Other income	5	441
TOTAL EXPENSES	160,233,740	155,061,332
Operating expenses	160,083,615	154,871,693
<i>Original cost of goods, materials and services</i>	147,989,765	141,557,310
<i>Labour costs</i>	2,817,396	2,890,419
<i>Write-offs</i>	1,126,516	1,243,667
<i>Other operating expenses</i>	8,149,938	9,180,297
Financing expenses	10,863	5,878
Other expenses	139,262	183,761
TOTAL PROFIT OR LOSS	15,309,899	20,184,995
INCOME TAX	2,468,511	2,797,150
NET PROFIT OR LOSS	12,841,388	17,387,845

Table 3.3: Statement of other comprehensive income for 2015

	2015	2014
Net profit or loss for the period	12,841,388	17,387,845
Other components of comprehensive income	13,872	4,806
Total comprehensive income for the period	12,855,260	17,392,651

STATEMENT OF CHANGES IN EQUITY FOR THE COMPANY

Table 3.4: **Statement of changes in equity for the company for 2014 and 2015**

	Share capital	Capital reserves
As at 31/12/2013	26,059,796	239,609,558
As at 01/01/2014	26,059,796	239,609,558
Changes in equity capital – transactions with owners	0	0
Paid-out dividends		
Total comprehensive income for the reporting period	0	0
Input of net profit or loss for the reporting period		
Other components of comprehensive income		
Changes in equity	0	0
Distribution of a portion of net profit as per company bodies' resolution		
As at 31/12/2014	26,059,796	239,609,558
As at 01/01/2015	26,059,796	239,609,558
Changes in equity capital – transactions with owners	223,940,204	-107,852,663
Entry of called-up share capital	223,940,204	-107,852,663
Paid-out dividends		
Total comprehensive income for the reporting period	0	0
Input of net profit or loss for the reporting period		
Other components of comprehensive income		
Changes in equity	0	0
Distribution of a portion of net profit as per company bodies' resolution		
As at 31/12/2015	250,000,000	131,756,895

Statutory reserves	Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss	Total
2,605,980	140,005,229	11,454	0	7,786,536	416,078,553
2,605,980	140,005,229	11,454	7,786,536	0	416,078,553
0	0	0	-7,786,536	0	-7,786,536
			-7,786,536		-7,786,536
0	0	-7,465	0	17,387,845	17,380,380
				17,387,845	17,387,845
		-7,465			-7,465
0	8,693,923	0	0	-8,693,922	0
	8,693,923			-8,693,922	0
2,605,980	148,699,152	3,989	0	8,693,923	425,672,398
2,605,980	148,699,152	3,989	8,693,923	0	425,672,398
0	-116,087,541	0	-6,000,000	0	-6,000,000
	-116,087,541				0
			-6,000,000		-6,000,000
0	0	13,872	0	12,841,388	12,855,260
				12,841,388	12,841,388
		13,872			13,872
0	-4,464,688	0	4,464,688	0	0
	-4,464,688		4,464,688	0	0
2,605,980	28,146,923	17,861	7,158,611	12,841,388	432,527,658

4 SUMMARY FINANCIAL REPORT OF THE GEN GROUP

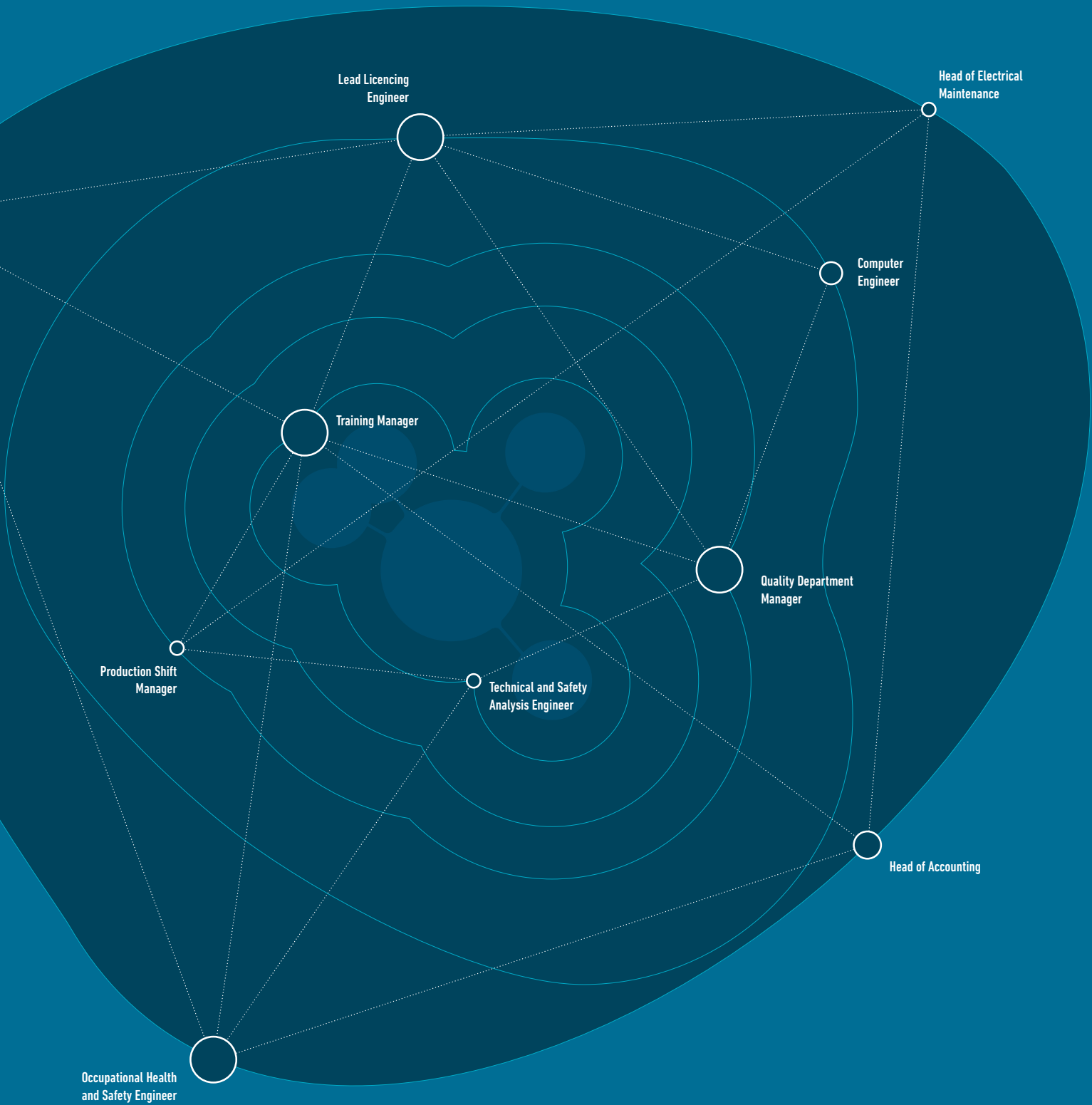
CARING FOR SOCIETY

Market Analyst



We support **caring for society** by being responsible to our employees, the local population and the environment in which we operate. Safety and knowledge are the common denominators of our activities in the operational, business, environmental and social senses. The safety culture has been incorporated into all decision-making and work processes across the companies making up the GEN Group.

More than 60% of the **1,186 employees** have at least higher education qualifications. Ongoing education and training opportunities are provided to make sure knowledge is strengthened and expanded. We actively promote the knowledge of energy and the energy technology among our key stakeholders, which is important groundwork for building the energy future of Slovenia in a responsible way.



4.1

Independent auditor's report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the owner of GEN energija d.o.o.

The accompanying summary consolidated financial statements, which comprise the summary consolidated balance sheet as at 31 December, 2015, the summary consolidated income statement and the summary consolidated statement of changes in equity for the year ended 31 December, 2015, and related notes are derived from the audited consolidated financial statements of Group GEN for the year ended 31 December, 2015, approved by the management on 23 May, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated 26 May, 2016.

The summary consolidated financial statements do not contain all the disclosures required by Slovenian Accounting Standards and by the Slovenian Companies Act. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Group GEN for the year 2015.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Group GEN for the year ended 31 December, 2015 are consistent, in all material respects, with those consolidated financial statements.

Ljubljana, 31 May, 2016


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Mateja Repušič
Certified Auditor

4.2

Basis for compiling the financial statements and financial report of the GEN Group

OVERVIEW OF THE GEN GROUP

The purpose of compiling consolidated financial statements is to present the financial condition and the performance of a group of interconnected companies as if they were one single economic entity. Companies whose statements are taken into account when compiling consolidated statements operate as individual companies which, given the relationships among them, constitute an economic unit, but not a legal entity, since the unit as such is not an independent holder of rights and obligations.

The GEN Group is made up of the controlling company, or parent, and subsidiaries included in the GEN Group through consolidation. The GEN Group's consolidated financial statements also include – based on the equity method – joint venture companies, affiliated companies and groups of companies, as follows:

Table 4.1: **Companies in the GEN Group**

Company name	Abbreviated company	Registered address	Status	Interest
GEN energija d.o.o.	GEN	Vrbina 17, Krško	Parent	-
Savske elektrarne Ljubljana d.o.o.	SEL	Gorenjska c. 46, Medvode	Subsidiary	100%
Termoelektrarna Brestanica d.o.o.	TEB	C. prvih borcev 18, Brestanica	Subsidiary	100%
HESS d.o.o. w/ Group	HESS Grp.	C. bratov Cerjakov 33a, Brežice	Subsidiary	51%

Table 4.2: **Companies included in the consolidated financial statements based on the equity method**

Company name	Abbreviated company	Registered address	Status	Interest
GEN-I d.o.o. w/ Group	GEN-I Grp.	Vrbina 17, Krško	Direct joint venture	50%
Nuklearna elektrarna Krško d.o.o.	NEK	Vrbina 12, Krško	Directly affiliated company	50%
Srednjesavske elektrarne d.o.o.	SRESA	Ob železnici 27, Trbovlje	Indirectly affiliated company	40%
HSE Invest d.o.o.	HSE Invest	Obrežna ulica 170, Maribor	Indirectly affiliated company	25%
ARJE, analize in raziskave na področju jedrske energetike, d.o.o.	ARJE	Vrbina 17, Krško	Directly affiliated company	24%

The subsidiary SEL:

- holds a 25% interest in the company HSE Invest, d.o.o., Obrežna 170a, 2000 Maribor, and has significant influence in this affiliated company. For the purposes of consolidation of the financial statements of the GEN Group, the company HSE Invest is recognized as an investment accounted for based on the equity method;
- holds a 30% interest in the company Srednjesavske elektrarne d.o.o., Ob železnici 27, 1420 Trbovlje, and has significant influence in this affiliated company. For the purposes of consolidation of the financial statements of the GEN Group, the company SRESA is recognized as an investment accounted for based on the equity method.

The subsidiary HESS:

- is also a controlling company, which forms the HESS Group together with the company Partner d.o.o., Cesta bratov Cerjakov 33a, 8250 Brežice, in which HESS has a 100% equity stake. The company Partner d.o.o. is included in the GEN Group based on the chain consolidation method, or through the consolidation of the HESS subgroup.

BASIS FOR CONSOLIDATION OF THE GEN GROUP

Pursuant to the revised SAS 2006, which came into effect on 01 January 2015, the company has changed the method of accounting for jointly controlled entities, which were included in the Group through proportional consolidation up until 31 December 2014. Under the revised SAS 2006, proportional consolidation of jointly controlled entities is no longer allowed; and the two jointly controlled companies, identified pursuant to SAS 2006 as a joint venture and affiliated company, are included in the consolidated financial statements based on the equity method.

The consolidated balance sheet, presented in the Financial Report of the GEN Group, discloses items as at the last day

of the financial period, 31 December 2015, and as at 31 December 2014, which represents the adjusted comparative period of the first transitional period in which the change in recognition from proportional consolidation to the equity method has been included from the very beginning.

The financial statements and accounting policies used in preparing the financial reports for the GEN Group were approved by the company Management on 23 May 2016.

The consolidated profit and loss account covers the financial period in review and discloses the categories and values generated from 2015 business operations. The comparative period, the year 2014, is the first transitional period where the profit and loss account categories are disclosed in accordance with revised SAS 2006 for the period in question.

The statement of changes in equity therefore discloses the values and changes during these periods.

Due to revised SAS 2006, the transition from proportional consolidation to the equity method for relevant capital investments has been carried out based on the opening balances at the beginning of the first transitional period, as at 1 January 2014. Apart from the highlighted change in one of the accounting policies, the accounting policies used in preparing the financial statements for the GEN Group for 2015 were the same as those applied in the previous financial year.

Complete financial statements of the GEN Group for 2015 and the Annual Report of the GEN Group have been published on <http://www.ajpes.si/>. They can also be obtained from the company's registered office at Vrbina 17, 8270 Krško.

AUDIT

Audited by Ernst & Young d.o.o., the companies GEN, SEL, TEB and HESS and the HESS and GEN Groups all received unqualified audit opinions.

4.3

Financial statements of the Group

BALANCE SHEET OF THE GROUP

Table 4.3: Balance sheet of the Group as at 31/12/2015

	31/12/2015	31/12/2014
ASSETS	803,556,008	781,243,936
A. Fixed assets	697,571,659	681,543,836
I. Intangible assets and long-term deferred expenses and accrued income	12,585,970	6,772,195
II. Tangible fixed assets	419,293,701	405,410,897
III. Long-term financial investments	257,154,122	260,809,578
IV. Long-term operating receivables	579,563	617,640
V. Deferred tax assets	7,958,303	7,933,526
B. Current assets	105,197,964	99,131,225
I. Inventories	2,816,595	3,378,860
II. Short-term financial investments	58,469,024	51,159,213
III. Short-term operating receivables	27,891,226	23,048,834
IV. Cash	16,021,119	21,544,318
C. Short-term deferred expenses and accrued income	786,385	568,875

	31/12/2015	31/12/2014
LIABILITIES	803,556,008	781,243,936
A. Equity	685,366,008	675,710,993
I. Called-up capital	250,000,000	26,059,796
II. Capital reserves	134,682,435	242,535,098
III. Revenue reserves	56,158,303	173,209,265
IV. Revaluation surplus	-164,401	-483,574
V. Net profit from previous years	88,678,586	81,511,023
VI. Net profit or loss for the financial year	21,229,497	19,208,624
VII. Equity held by minority owners	134,781,588	133,670,761
B. Provisions and long-term accrued expenses and deferred income	75,471,280	80,753,422
I. Provisions	74,884,222	79,969,832
II. Long-term accrued expenses and deferred income	587,058	783,590
C. Long-term liabilities	23,960,571	936,910
I. Long-term financial liabilities	20,905,060	31,000
II. Long-term operating liabilities	3,055,511	905,910
D. Current liabilities	18,153,121	22,829,737
I. Current financial liabilities	0	109,158
II. Current operating liabilities	18,153,121	22,720,579
E. Short-term accrued expenses and deferred income	605,028	1,012,874

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE GROUP

Table 4.4: Profit and loss account of the Group for 2015

	2015	2014
TOTAL INCOME	184,525,637	186,398,776
Operating income	179,869,908	174,670,088
Financing income	4,509,351	11,564,644
Other income	146,378	164,044
TOTAL EXPENSES	167,431,380	154,234,694
Operating expenses	163,089,229	153,846,553
<i>Original cost of goods, materials and services</i>	<i>121,964,710</i>	<i>116,021,854</i>
<i>Labour costs</i>	<i>13,911,856</i>	<i>12,841,505</i>
<i>Write-offs</i>	<i>14,900,461</i>	<i>11,886,108</i>
<i>Other operating expenses</i>	<i>12,312,202</i>	<i>13,097,086</i>
Financing expenses	4,004,206	44,927
Other expenses	337,945	343,214
TOTAL PROFIT OR LOSS	17,094,257	32,164,082
INCOME TAX	1,750,308	3,082,080
NET PROFIT OR LOSS	15,343,949	29,082,002
SHARE OF MINORITY OWNERS	1,118,935	84,001
NET PROFIT OR LOSS OF MAJORITY OWNERS	14,225,014	28,998,001

Table 4.5: Statement of other comprehensive income of the Group for 2015

	2015	2014
Net profit or loss for the period	15,343,949	29,082,002
Gains and losses on remeasuring available-for-sale financial assets	-7,865	361,780
Gains and losses from translation of financial statements of companies based abroad (impact of changes in exchange rates)	-158,495	14,380
Other components of comprehensive income	477,426	-230,398
Total comprehensive income for the period	15,655,015	29,227,765
Net profit or loss of minority owners	1,118,935	84,001
Other components of comprehensive income of minority owners	-8,108	-14,990
Net profit or loss of majority owners	14,225,014	28,998,001
Total comprehensive income for the period for majority owners	14,544,188	29,158,754

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 4.6: Consolidated statement of changes in equity for 2014

	Share capital	Capital reserves	Statutory reserves	Other revenue reserves
As at 31/12/2013	26,059,796	242,535,098	8,122,330	151,735,232
Retroactive adjustments – revised SAS	0	0	-147,047	0
As at 01/01/2014	26,059,796	242,535,098	7,975,283	151,735,232
Changes in equity capital – transactions with owners	0	0	0	0
Paid-out dividends	0	0	0	0
Other changes in equity	0	0	0	0
Total comprehensive income for the reporting period	0	0	0	0
Input of net profit or loss for the reporting period	0	0	0	0
Gains and losses on remeasuring financial investments	0	0	0	0
Other components of comprehensive income	0	0	0	0
Changes in equity	0	0	2,109,055	11,389,695
Distribution of the remaining net profit from the comparative reporting period to other equity components	0	0	2,109,055	0
Distribution of a portion of net profit from the reporting period to other components of equity as per Management and Supervisory Board resolution	0	0	0	10,790,557
Distribution of a portion of net profit to additional reserves as per General Meeting resolution	0	0	0	599,138
Other changes in equity	0	0	0	0
As at 31/12/2014	26,059,796	242,535,098	10,084,338	163,124,927

Revaluation surplus	Net profit or loss from previous years	Net profit or loss for majority owners	Equity held by minority owners	Translation adjustment to equity	Total
-1,392,962	77,585,455	16,307,741	0	-284,676	520,668,014
748,635	12,311,242	-13,197,506	0	284,676	0
-644,327	89,896,697	3,110,235	0	0	520,668,014
0	-7,786,536	0	133,601,750	0	125,815,214
0	-7,786,536	0	0	0	-7,786,536
0	0	0	133,601,750	0	133,601,750
145,763	0	28,998,001	84,001	0	29,227,765
0	0	28,998,001	84,001	0	29,082,002
361,780	0	0	0	0	361,780
-216,017	0	0	0	0	-216,017
14,990	-599,138	-12,899,612	-14,990	0	0
0	0	-2,109,055	0	0	0
0	0	-10,790,557	0	0	0
0	-599,138	0	0	0	0
14,990	0	0	-14,990	0	0
-483,574	81,511,023	19,208,624	133,670,761	0	675,710,993

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 4.7: Consolidated statement of changes in equity for 2015

	Share capital	Capital reserves	Statutory reserves
As at 31/12/2014	26,059,796	242,535,098	10,084,338
Retroactive adjustments	0	0	0
As at 01/01/2015	26,059,796	242,535,098	10,084,338
Changes in equity capital – transactions with owners	223,940,204	-107,852,663	0
Called-up share capital	223,940,204	-107,852,663	0
Payment of dividends	0	0	0
Total comprehensive income for the reporting period	0	0	0
Input of net profit or loss for the reporting period	0	0	0
Gains and losses on remeasuring financial investments	0	0	0
Other components of comprehensive income	0	0	0
Changes in equity	0	0	197,720
Distribution of the remaining net profit from the comparative reporting period to other equity components	0	0	197,720
Distribution of a portion of net profit from the reporting period to other components of equity as per Management and Supervisory Board resolution	0	0	0
Distribution of a portion of net profit to additional reserves as per General Meeting resolution	0	0	0
Other changes in equity	0	0	0
As at 31/12/2015	250,000,000	134,682,435	10,282,058

Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss for majority owners	Equity held by minority owners	Total
163,124,927	-483,574	81,511,023	19,208,624	133,670,761	675,710,993
0	0	11,555,990	-11,555,990	0	0
163,124,927	-483,574	93,067,013	7,652,634	133,670,761	675,710,993
-116,087,541	0	-6,000,000	0	0	-6,000,000
-116,087,541	0	0	0	0	0
0	0	-6,000,000	0	0	-6,000,000
0	311,066	0	14,225,014	1,118,935	15,655,015
0	0	0	14,225,014	1,118,935	15,343,949
0	-7,865	0	0	0	-7,865
0	318,931	0	0	0	318,931
-1,161,142	8,108	1,611,573	-648,152	-8,108	0
0	0		-197,720	0	0
459,032	0	-8,600	-450,432	0	0
2,844,515	0	-2,844,515		0	0
-4,464,688	8,108	4,464,688	0	-8,108	0
45,876,245	-164,401	88,678,586	21,229,497	134,781,588	685,366,008

Acronyms and abbreviations

Abanka	Abanka d.d.	GRI	Global Reporting Initiative
ARJE	Arje, analize in raziskave na področju jedrske energetike, d.o.o.	GRS	Government of the Republic of Slovenia
Banka Celje	Banka Celje d.d.	GWh	gigawatt-hour
bn	billion	HEP	Hrvatska elektroprivreda d.d.
CA-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42/06 and amend.)	HESS	Hydroelektrarne na Spodnji Savi, d.o.o.
CHP	combined heat and power	HPP	hydroelectric power plant
CIT	corporate income tax	HSE	Holding Slovenske elektrarne d.o.o.
CO₂	carbon dioxide	HSE Invest	HSE Invest d.o.o.
d.d.	joint-stock company	i.e.	that is
d.o.o.	limited liability company	ICJT	Nuclear Training Centre
DP	producers with a declaration for their production facility	Intergovernmental Agreement on NEK	The agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia governing the status and other legal relationships regarding investments in Krško Nuclear Power Plant, its operation and decommissioning
DSc/PhD	Doctor of Science/Philosophy	ISO standards	international standards for environmental management systems
e.g.	for example	IT	information technology
EES	national electric power grid	JEK 2	Krško Nuclear Power Plant – Unit 2
EEX	European Energy Exchange, Leipzig	kV	kilovolt
ELES	Elektro-Slovenija d.o.o.	kW	kilowatt
ERDF	European Regional Development Fund	kWh	kilowatt-hour
EU	European Union	LFI	long-term financial investments
EUR	euro	LILW	low- and intermediate-level radioactive waste
FA	financial assets	m	million
GDP	gross domestic product	m²	square metre
GEN	GEN energija d.o.o.	m³	cubic metre
GEN CC	GEN Control Centre	MA/MSc	Master of Arts/Science
GEN Group	GEN energija Group	MW	megawatt
GEN-I	GEN-I, trgovanje in prodaja električne energije, d.o.o.	MWh	megawatt-hour
GHG	greenhouse gases	NEK	Nuklearna elektrarna Krško d.o.o. (Krško Nuclear Power Plant)
GO	guarantee of origin		
GRC	Government of the Republic of Croatia		

NEK Fund	Fund for Financing the Decommissioning of NEK and Disposal of Radioactive Waste from NEK
NEP	National Energy Programme
NLB	Nova Ljubljanska banka d.d., Ljubljana
NPP	nuclear power plant
OSART	Operational Safety Review Team
PB	gas turbine unit
Prof.	Professor
PWR	pressurized water reactor
RES	renewable energy sources
rev.	revision
RS	Republic of Slovenia
SAS	Slovenian Accounting Standards
SB	Supervisory Board
SEL	Savske elektrarne Ljubljana d.o.o.
SHP	small hydroelectric power plant
SKB	SKB banka, d.d. Ljubljana
SRESA	Srednjesavske elektrarne d.o.o.
SSH	Slovenian Sovereign Holding
TEB	Termoelektrarna Brestanica, d.o.o. (Brestanica Thermal Power Plant)
TWh	terawatt-hour
UCTE	Union for the Coordination of Transmission of Electricity
UMAR	Institute of Macroeconomic Analysis and Development
UniCredit Banka	Unicredit Banka Slovenija d.d.
USA	United States of America
WANO	World Association of Nuclear Operators
ZEL-EN	ZEL-EN, razvojni center energetike d.o.o.

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