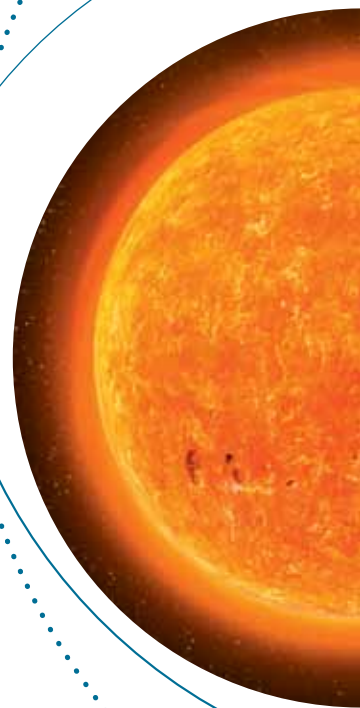


# Annual Report of the GEN Group 2010



# Annual Report of the GEN Group 2010

In nature, everything moves in circles.  
Including energy.

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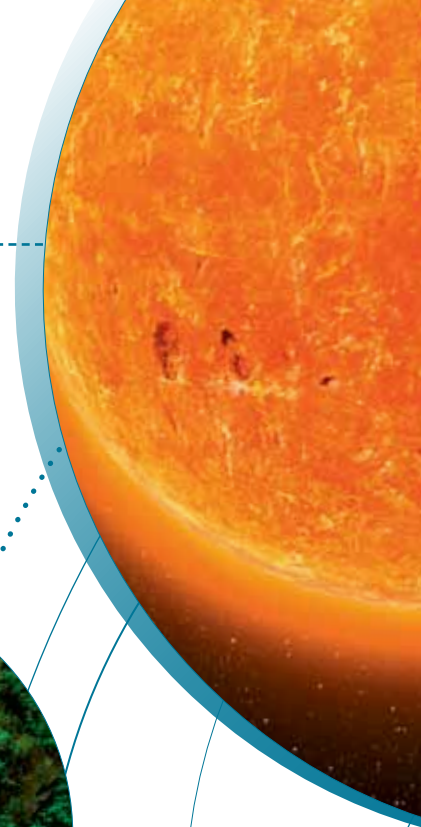
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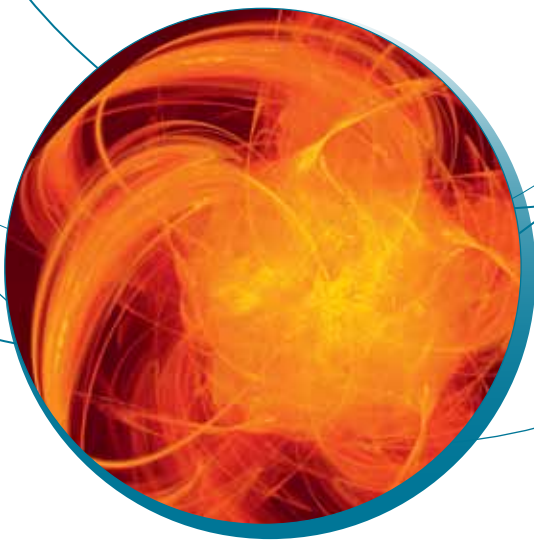
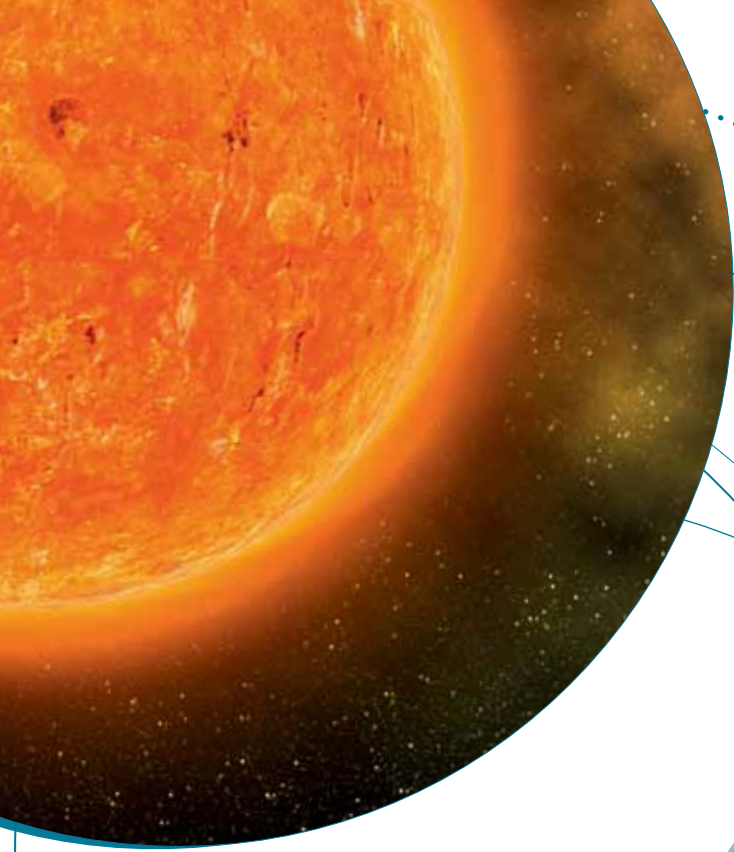
The sun is a source of life, good health,  
and energy radiating from its core.

---

01.

# Introduction







# 1. Key data

Table I 1: Key data on the company GEN energija, d.o.o., for 2010 against 2009

COMPANY GEN	2010	2009
Assets in EUR million	<b>505.73</b>	507.59
Equity in EUR million	<b>420.62</b>	417.26
Revenues in EUR million	<b>171.35</b>	199.90
EBIT in EUR million	<b>28.50</b>	55.86
EBITDA in EUR million	<b>29.45</b>	56.75
Net profit in EUR million	<b>30.52</b>	48.52
Value added in EUR million	<b>31.28</b>	58.21
Return on equity	<b>7.28%</b>	12.23%
Electricity sold in GWh	<b>3,253</b>	3,179

**Table I 2: Key data on the GEN energija Group for 2010 against 2009**

<b>GEN GROUP</b>	<b>2010</b>	<b>2009</b>
Assets in EUR million	<b>679.90</b>	654.64
Equity in EUR million	<b>525.26</b>	521.65
Revenues in EUR million	<b>385.09</b>	299.80
EBIT in EUR million	<b>32.93</b>	66.84
EBITDA in EUR million	<b>64.23</b>	97.38
Net profit in EUR million	<b>31.74</b>	57.79
Value added in EUR million	<b>92.53</b>	124.27
Return on equity	<b>6.06%</b>	11.65%
Electricity sold in GWh	<b>7,239</b>	5,197

## 2. Letter from the Director



Dear Reader,

The GEN Group recorded stable and competitive operation of its power generation companies and provided reliable supply of electricity to its customers in 2010. Thanks to its high reliability, the Group also contributed to the stabilization of the economic situation in Slovenia.

The conditions in the markets in which we operate changed markedly in 2010, prompting us to be highly dynamic in adapting to the situation and to look for new market opportunities. We faced many challenges in the form of reduced electricity consumption, slow economic recovery and sufficient amounts of energy at reasonable prices.

Despite unfavourable conditions, the Company and the Group both met all their operational and business targets in 2010, achieving operating results that were much better than planned.

Our customers were supplied with electricity from sustainable sources: nuclear and hydro. We also provided ancillary services in line with our technological capabilities. Since we take a reliable and sustainable supply of electricity very seriously, we carried on with intense preparations for the construction of a second unit of Krško Nuclear Power Plant (JEK 2) and continued investing in new hydroelectric power plants.

The operation of the Group's power plants was safe and stable. The ageing of equipment and components in our power generation facilities demands a long-term replacement and maintenance strategy, the aim of which is to ensure effective operation in the future. We carried out a number of important maintenance tasks and investment actions intended to ensure reliable and safe operation in the long run. We were also successfully implementing a demanding project to replace employees with key know-how.

The operation of Krško Nuclear Power Plant (NEK) was stable in the period between the scheduled maintenance shutdowns of April 2009 and October 2010. NEK was online for an uninterrupted period of 515 days, reaching a record high. The scheduled maintenance was very extensive in scope in terms of preparations and work done, and involved the replacement of the stator of the main generator, along with a number of other reconditioning tasks, replacements, special maintenance tasks, preventive measurements and inspections. Long and reliable operating cycles require significant maintenance work and replacements to be carried out during scheduled maintenance shutdowns, as well as an equally significant scope of tests and finally the startup for the plant to come back online. NEK started the procedure to secure a life extension for its existing plant, based on the technical bases prepared specifically for this purpose. Extending the power plant's life will bring significant economic and environmental benefits to energy companies and the country alike.

Hydrological conditions were very good and relatively evenly distributed throughout the year. In 2010, SEL reached a new high in annual production while strictly adhering to all applicable environmental and administrative restrictions. Significant, extensive reconditioning also took place at SEL. Two new generating units, in a reconditioned machine room, were put into operation at Moste HPP. The switchyard at Moste HPP has been completely reconstructed.

TEB recorded reliable startups of its auxiliary generating units. A review of Unit 5 of the gas turbine at Brestanica was completed successfully, and the turbine is now ready for extended operation. In association with our partners, we also completed an investment in the reconstruction of the switching station at TEB.

Through GEN-I, we secured an increasing share of the Slovenian market in terms of electricity sold directly to consumers. Household consumers account for an increasingly large part of our sales. Also notable are our achievements in expanding electricity trading activities into markets outside Slovenia and also outside the EU. We expanded our business network with companies in Bulgaria and Romania. By considerably increasing our trading volume, we again achieved good operating results. We are growing into a leading electric power trader in the Eastern European markets.

In partnership with our subsidiaries we managed to reach all the agreements and business decisions needed to drive future success and continuous development of the Group. Without the active support of numerous parties involved, such good results would not have been achievable.

The employees, with their strong sense of commitment, and the experienced and prudent managements of the GEN Group make it possible for us to achieve good operating results and to thoroughly prepare for high-intensity replacements of equipment as well as staff, since having the right people for the job is the single most important investment we can make to secure successful operations in the long run. The right people in the right place have been given special attention in 2010 as well. Their hard work, experience and active roles are crucial to ensuring long-term, stable and safe operation of the Group's power generation facilities.

I would like to thank all the employees and management staff of the Company and the GEN Group for a job well done and for their substantial contribution to the operating results in 2010. I am confident this will continue in the future.

A special thanks also goes to all the representatives of the owners, our employees and management staff, the local communities, business partners and service providers for their fruitful cooperation, contribution to reaching the set goals and help in achieving such remarkable business results.

**Martin Novšak**  
Director



# 3. Company profile

## 3.1. Company ID

Registered company name: GEN energija, d.o.o.  
Short registered name: GEN, d.o.o.  
Type of entity: limited liability company  
Registered office: Urbina 17, Krško, Slovenia

Telephone: +386 7 49 10 112  
Fax: +386 7 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  
Court number / company file no.: 058/10425000, District Court of Krško  
VAT ID number: SI44454686  
Registration number: 1646613  
Bank accounts: NLB 02924-0090457150  
Banka Celje 06000-0904571665  
SKB banka 03155-1000503323  
Activity: E/64.200 Activities of holding companies,  
K/35.140 Electricity trading, and other registered activities.  
Share capital: EUR 26,059,796.00  
CEO - director: Martin Novšak  
Chairman of the Supervisory Board: Danijel Levičar  
Number of employees: 43

## 3.2. Corporate governance

The company GEN energija is governed by the founder directly and through the following company bodies:

Supervisory Board: Chairman: Danijel Levičar  
Vice Chairman: Gorazd Skubin  
Andro Ocvirk, PhD  
Rudi Brce, MSc  
Davorin Dimič, MSc

CEO - director: Martin Novšak

### 3.3. Subsidiaries and affiliated companies

GEN energija, d.o.o., (hereinafter: GEN) is the parent company of the GEN Group. The main activity of the company is activities of holding companies, and GEN had the following subsidiaries as at 31 December 2010:

- Nuklearna elektrarna Krško, d.o.o., (hereinafter: NEK) (50.0%),
- GEN-I, trgovanje in prodaja električne energije, d.o.o., (hereinafter: GEN-I) (50.0%),
- Savske elektrarne Ljubljana, d.o.o., (hereinafter: SEL) (86.2%), and
- Termoelektrarna Brestanica, d.o.o., (hereinafter: TEB) (100.0%).

In addition to the subsidiaries, GEN also had the following indirectly affiliated companies as at 31 December 2010:

- Companies wholly owned by GEN-I: GEN-I, d.o.o. Zagreb, Croatia; GEN-I, d.o.o. Belgrade, Serbia; GEN-I Budapest Kft, Hungary; GEN-I DOOEL Skopje, Republic of Macedonia; GEN-I, d.o.o. Sarajevo, Bosnia and Herzegovina; GEN-I Tirana Sh.p.k., Albania; GEN-I Athens SMMLC, Greece; S.C. GEN-I Bucharest s.r.l., Romania; GEN-I Sofia SpLLC, Bulgaria; GEN-I Milano S.r.l., Italy; GEN-I Vienna GmbH, Austria, and
- The company HSE Invest, d.o.o., in which SEL holds a 25% equity interest.

GEN also holds a 12.6% equity interest in the company Hidroelektrarne na Spodnji Savi (hereinafter: HESS), and a 2.8% equity interest in HESS is also held by TEB.

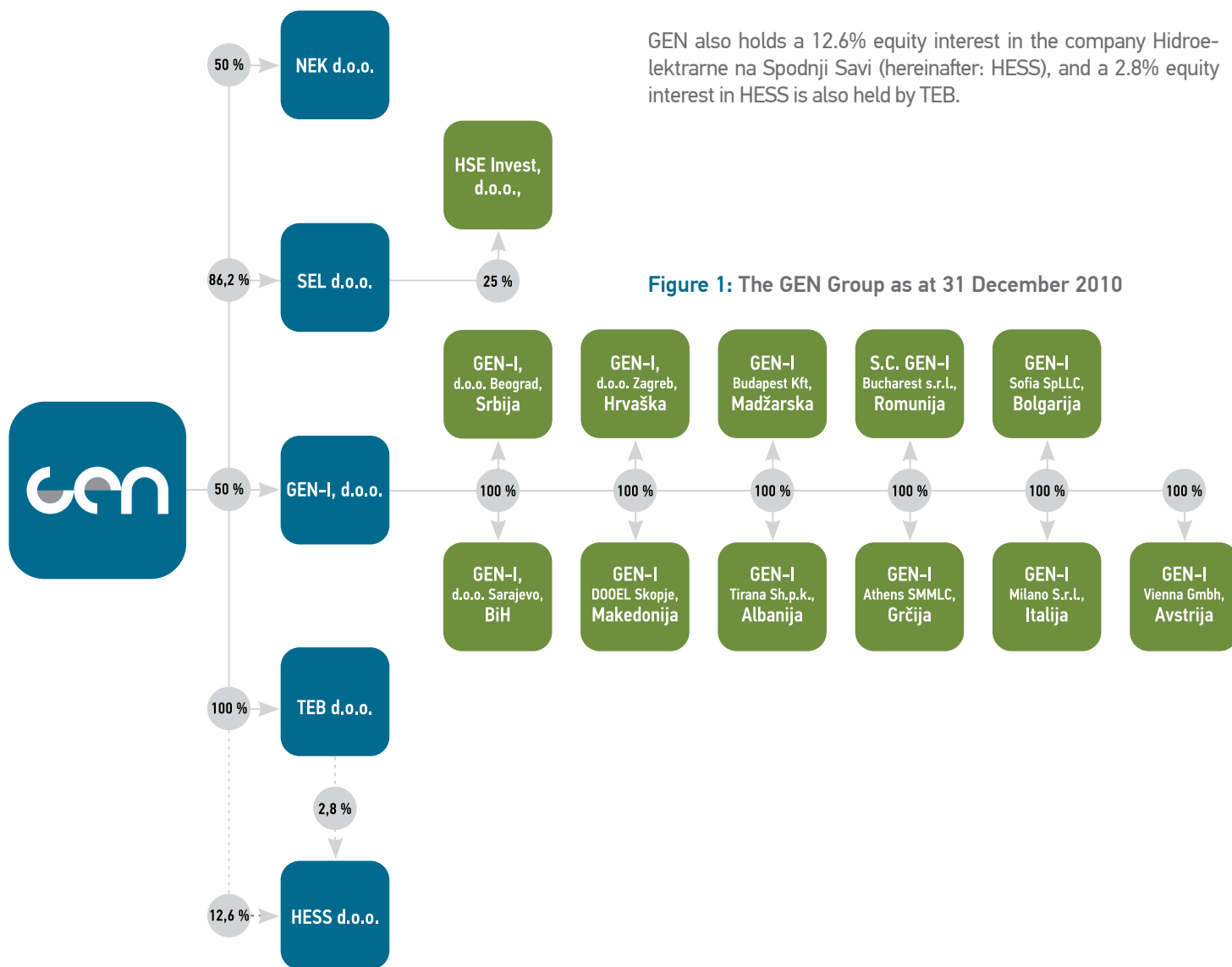


Figure 1: The GEN Group as at 31 December 2010

## 4. GEN's holding activities

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

As a holding company, GEN carries out management operations through equity interests in subsidiaries and jointly controlled entities by participating in general meetings, managing financial results of subsidiaries and approving the necessary documents, by appointing its representatives into supervisory boards of subsidiaries and jointly controlled entities, all in compliance with relevant articles of incorporation and memorandums of association. Also, GEN management regularly coordinates its actions with the managements of subsidiaries and jointly controlled entities.

Based on the operating results of individual companies within the GEN Group and the Group as a whole, it can safely be concluded that GEN steers the Group well, that the companies are successful in managing their costs, and that they fully pursue their respective business plans.

### 4.1. Krško Nuclear Power Plant



Registered name: **Nuklearna elektrarna Krško d.o.o.**  
Registered office: Urbina 12, 8270 Krško

Pursuant to the Intergovernmental Agreement on NEK, GEN is the successor in title of Slovenian electricity boards with respect to the rights and obligations regarding the construction and operation of Krško Nuclear Power Plant. NEK is a jointly controlled company, with GEN and HEP each holding a 50% interest in the company's share capital.

Krško Nuclear Power Plant is the only facility in Slovenia that uses nuclear energy for the commercial production of elec-

tricity. It is the largest power generation facility in Slovenia, which, having undergone modernisation and replacement of low-pressure turbines, has a declared net capacity of around 696 MW in optimal conditions. Now that the plant has switched to an 18-month fuel cycle and the low-pressure turbines were replaced, it can generate more than 5,900 GWh per year with no planned maintenance shutdown, and around 5,400 GWh with a planned maintenance shutdown. This means that, in accordance with the Intergovernmental Agreement on NEK, the available amount of electricity for the Slovenian market ranges between 2,700 GWh and 2,900 GWh or even above.

Apart from producing a substantial share of electricity, NEK is also renowned for its remarkably high production reliability rates. By consistently meeting its ambitious goals, NEK ranks in the top 25% of the best-performing nuclear power plants in operation worldwide.

NEK recorded good operating results in 2010 despite unfavourable economic conditions. Thanks to the stable and effective operation of the power plant and the successfully executed scheduled maintenance, which exceeded the planned maintenance timescale by 133 hours, NEK was able to meet its electricity supply targets. NEK's operation was in compliance with the highest standards for nuclear power plants and cost-effective as required by the Intergovernmental Agreement on NEK.

### 4.2. GEN-I, trgovanje in prodaja električne energije



Registered name: **GEN-I, d.o.o.**  
Registered office: Cesta 4. julija 42, 8270 Krško

GEN-I is a company jointly controlled by GEN and Istrabenz Gojenje. GEN-I engages in three principal activities:

- purchasing electricity from producers,
- electricity trading, and
- electricity retailing.

All three activities are combined into the GEN-I balance group, which is managed within the electricity trading activity. An extensive international trading network enables the company to effectively expand and steer its ever-growing balance group in Slovenia with trading activities in the liquid neighbouring markets of Austria and Germany, in the Italian market, as well as in other neighbouring regions, particularly in the less liquid markets of the former Yugoslavia and the rest of Southeast Europe.

### 4.3. Savske elektrarne Ljubljana



Registered name: **Savske elektrarne Ljubljana d.o.o.**  
Registered office: Gorenjska cesta 46, 1215 Medvode

With a 86.2% interest, GEN is the majority owner of SEL, and smaller stakes in SEL are also held by various authorised investment companies and the Pension Fund Management company Kapitalska družba, d.d.

SEL has a long tradition in its main economic activity of producing electricity in hydroelectric power plants (HPPs). Završnica HPP, the company's oldest hydroelectric power plant, has been in operation ever since 1914, and since then the company has built four new hydroelectric power plants: Moste HPP, Mavčiče HPP, Medvode HPP and Vrhovo HPP. SEL is important for the Group for it produces base load as well as peak load electricity. SEL uses exclusively renewable energy sources for producing electricity and, in addition to the large hydroelectric power plants, also runs two small-scale hydroelectric and several small-scale photovoltaic power plants.

### 4.4. Termoelektrarna Brestanica



Registered name: **Termoelektrarna Brestanica d.o.o.**  
Registered office: Cesta prvih borcev 18, 8280 Brestanica

Holding a 100% equity interest, GEN is the sole owner of TEB. For Slovenia's electric power grid, TEB, with its ancillary services, is a reliable backup energy source in the most critical of moments. With its fast generating units, the power plant specifically ensures:

- Rapid deployment in the event of system overload or power failure in other Slovenian power plants or electric power transmission lines;
- Protection against electric power grid breakdown thanks to its speedy deployment capability;
- Effective restoration of the power grid following breakdown; and
- Provision of power supply to Krško Nuclear Power Plant (NEK) as one of its independent and direct sources.



# 5. Corporate Policy of the GEN Group

The corporate policy of the GEN Group derives from the Revised GEN Energija Development Plan. The company GEN pursues this policy to the fullest extent and is the authority behind the policy, making sure it is implemented at all levels within the Group. In this way, the corporate policy of the Group is effectively the cornerstone of operation for all the companies in the Group.

## 5.1. Vision

The vision of the GEN Group is to become the driver of development in the areas of electric power production and comprehensive supply of electricity generated from clean, sustainable and renewable energy sources and to contribute to the sustainable development of Slovenia.

## 5.2. Mission

The mission of the GEN Group is to ensure reliable and safe production and supply of electricity with a clear focus on the end user. We achieve this by investing in clean, sustainable and renewable energy sources used for the production of electricity needed to meet Slovenia's energy needs, with the strongest emphasis placed on maintaining and expanding our nuclear capabilities as the cornerstone of sustainable development. By harnessing, utilizing, supporting and promoting nuclear energy we contribute to increased competitiveness, promote a clean environment and reduce Slovenia's dependence on imported energy.

## 5.3. Values

The key values of the GEN Group are:

- sustainable, reliable and environmentally friendly production of electricity;
- care for the environment at the local, national and global levels, which constitutes the cornerstone of the company's operations and investments;
- delivering a complete customer-oriented package for the supply of electricity and provision of related services;
- ensuring acceptability and transparency of the GEN Group's operations and willingness to engage in two-way dialogue with the interested public.

## 5.4. Strategic goals

The strategic goals of the GEN Group are to:

- ensure reliable and stable production and supply of electricity and provision of ancillary services;
- invest in clean and sustainable energy sources, specifically in the expansion of nuclear capabilities, in renewable energy sources and in the gas technology as the cleanest fossil fuel energy source;
- increase the electricity trading volume by offering a full range of products and services based on innovative approaches and by maximizing vertical integration;
- handle the organisational structure of the GEN Group by effectively managing financial and human resources and by promoting development of social responsibility.

## 5.5. Fulfilling the GEN Group's corporate policy

The Revised Gen Energija Development Plan was discussed and passed by the Government of the Republic of Slovenia, acting in the power of the General Meeting of GEN energija, at its 181st regular session, on 1 October 2008. The Revised GEN Energija Development Plan superseded the previous development plan passed by the Government of the Republic of Slovenia in December 2005. With this the GEN Group has obtained a strategic document which serves as the foundation stone of the Group's further development.

The GEN Group continues to be at the helm of the nuclear option in Slovenia, which is at the same time the backbone of the Group's future development. Moreover, the GEN Group is increasing its volume of investments in renewable energy sources and the gas technology.

Open communication among all the companies in the GEN Group allows uninterrupted flow of and access to information critical to managing the companies, steering their operation, monitoring approved investments and handling development activities. We pay special attention to the specific nature of running and operating a nuclear installation, since its owner must possess a thorough understanding of the need for securing suitable human resources and for obtaining appropriate financial resources in order to ensure reliable and safe operation of Krško Nuclear Power Plant.

The GEN Group has met all three of its strategic goals: by expanding the trading network and by launching the GEN Control Centre (hereinafter: NC GEN) the Group managed to optimize the production and trading inside both the GEN-I balance group and the GEN balance subgroup.

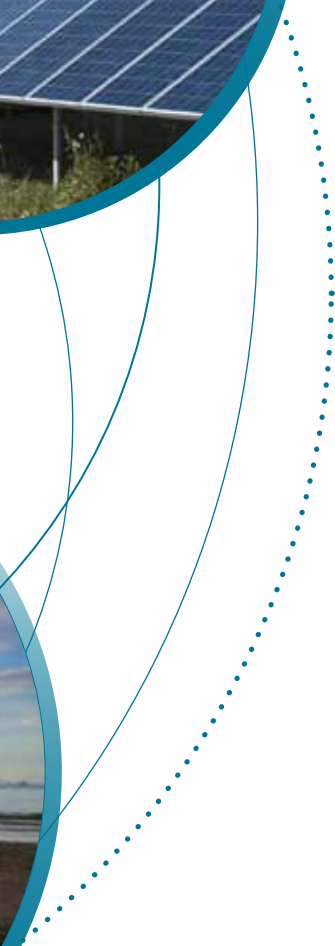
Energy travels from the sun to the earth as light. It heats up the atmosphere and causes the air to circulate, creating weather and climate.

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02.

Business  
Report





# 1. Economic trends and their impact on the electricity business and the GEN Group

The beginning of 2010 was marked by a high degree of uncertainty associated with the debt crisis, but, judging by macroeconomic indicators, the condition of the global economy is improving.

The recovery of the global economy became noticeable in the second half of 2010, in the form of rapid growth of economic activity. All the major world economies saw positive economic growth, and export-oriented countries were at the forefront. The rate of growth was slightly lower in the European Union (hereinafter: the EU), with the exception of Germany and Scandinavia, which points to specific problems of the wider European space.

Slovenia's economic growth was below the European average, but we are already seeing incentives to strengthen our economic activity coming in from the international environment and our trade partners.

GEN's operations in 2010 were substantially impacted by, among others, USD/EUR exchange rate fluctuations and the price of oil and oil products in the world markets, which indirectly influenced the purchase and selling prices of electricity.

The year 2010 was successful not so much for the national economy in general than it was for the electricity industry, as most of the country's electric power companies managed to successfully meet the challenges brought on by the economic crisis. This can also be attributed to an increase in the price of electricity, which in the European market went up by slightly more than 10% compared to the end of 2009. The price of electricity is largely influenced by the fluctuating prices of primary energy products such as oil and gas, so, given that the prices of the latter are going up, we can also expect to see certain price increases in the year ahead in the Slovenian market, which is heavily dependent on the prices in the European wholesale market.

## 2. Electricity production and ancillary services

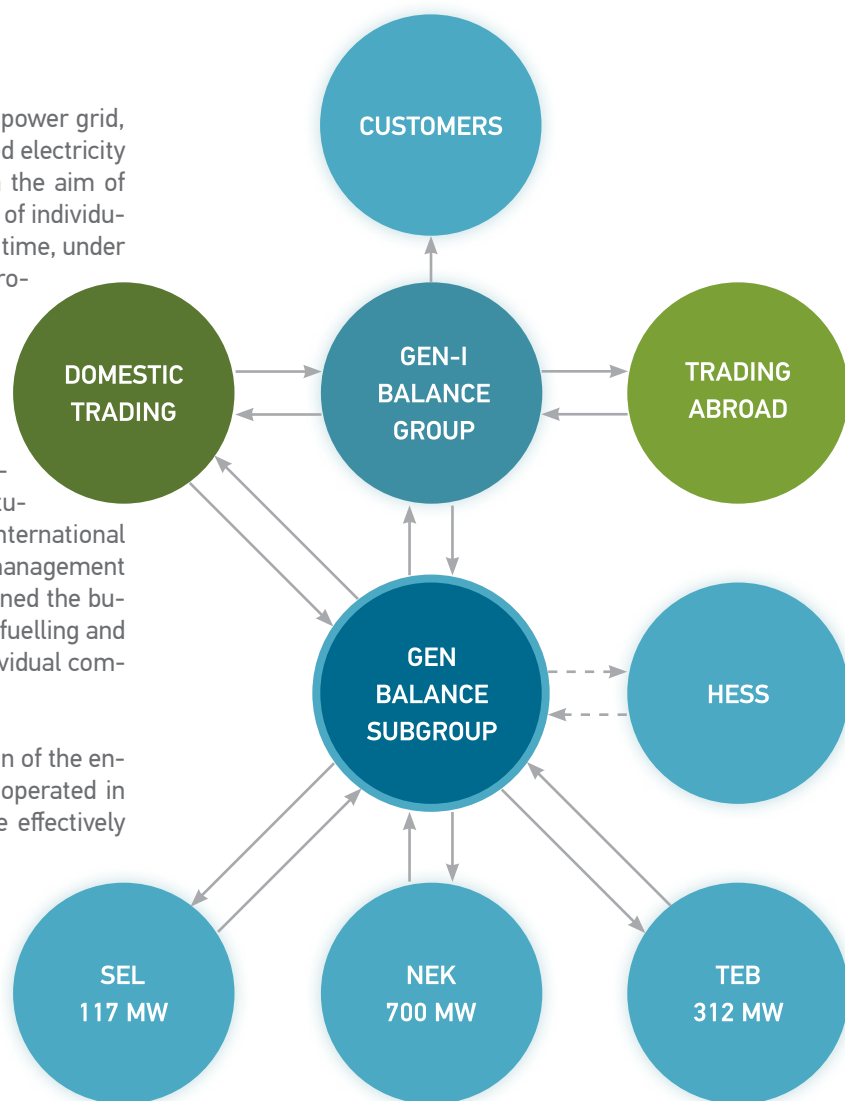
### 2.1. Production of electricity

In order to ensure stability of the national electric power grid, the companies in the GEN Group not only generated electricity but also provided ancillary services in 2010. With the aim of providing a central location for steering operations of individual subsidiaries and the whole balance group in real time, under normal and emergency operating conditions, a project to set up and implement a joint GEN Control Centre (NC GEN) got underway in 2007. The Control Centre has brought together – at the highest level, both functionally and technically – activities of individual companies in the Group, the purpose of which is to facilitate maximum utilization of available production resources and to seize the opportunities presented by the access to domestic and international electricity markets. The introduction of a unified management process for companies within the Group has lessened the business risks (for example, the extended planned refuelling and maintenance outage of NEK in 2010) faced by individual companies and the Group as a whole.

Thanks to NC GEN, which coordinates the operation of the entire GEN balance subgroup, the production units operated in sync and the effects of unpredictable events were effectively mitigated.

**Figure 2:** Diagram of interconnections within the GEN balance subgroup

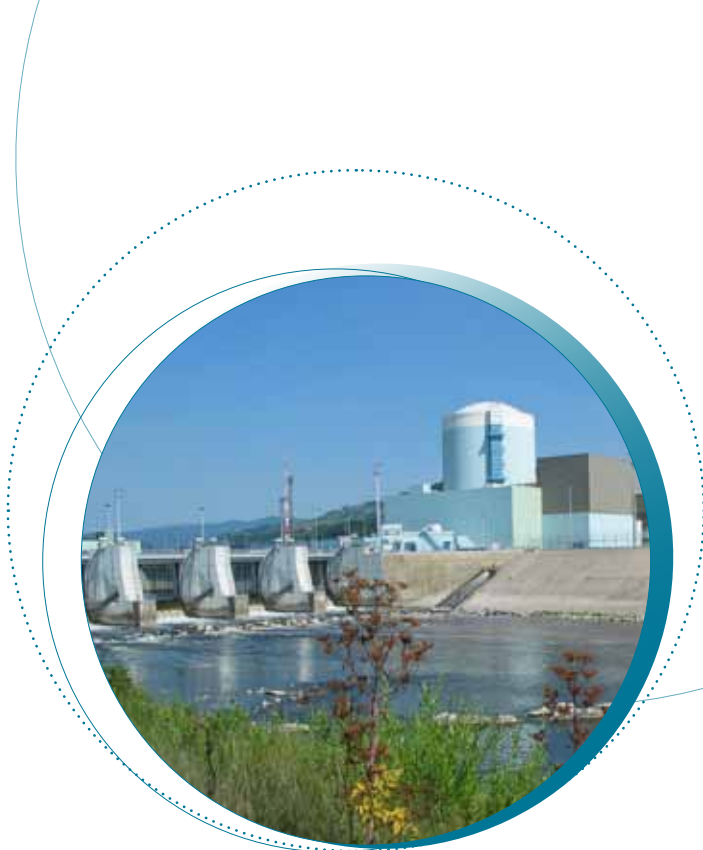
Although electricity sales and trading in the GEN Group is in the domain of GEN-I, GEN too has an independent role within its balance subgroup with respect to trading in electricity and power with other balance groups.



## NEK

Krško Nuclear Power Plant (NEK), the largest production unit in the GEN Group, delivers base-load electric power on the daily load curve throughout the year. NEK generated 5,380 GWh of electricity in 2010. The amount of electricity that went to the GEN Group in accordance with the Intergovernmental Agreement on NEK was 2,690 GWh.

The 24th fuel cycle was completed in 2010, during which the power plant operated on the power grid for 515 days, the longest period of uninterrupted online operation in the power plant's history. An annual planned refuelling and maintenance shutdown was carried out between 30 September and 5 November 2010, during which GEN provided NEK with 10 GWh of electricity for on-site use.



**Table II 1: NEK monthly electricity production (GWh) in 2010**

MONTH	TARGET	50% TARGET	RESULT	RATIO
January	500	250	252	1,009
February	460	230	234	1,016
March	505	253	259	1,024
April	490	245	250	1,019
May	505	253	258	1,021
June	485	243	247	1,019
July	495	248	249	1,007
August	495	248	253	1,024
September	485	243	237	0,979
October				
November	470	235	192	0,816
December	500	250	259	1,036
<b>TOTAL</b>	<b>5,390</b>	<b>2,695</b>	<b>2,690</b>	<b>0,998</b>

## SEL

Within the national power grid, SEL's production units are primarily intended for delivering electricity to provide for the daily load curve, and have an option to utilize accumulation for carrying night-time energy over into daytime. The hydroelectric power plants (HPPs) on the Sava River are mainly run-of-the-river-type facilities with daily water accumulation, which means that they can participate in system-wide frequency control on an intraday basis in response to unevenly distributed consumption of electricity (at different times of the day).

In 2010, SEL's large-scale hydroelectric power plants generated a total of 382 GWh, reaching a record high.

**Table II 2: Large-scale HPP electricity production (GWh) in 2010**

MONTH	TARGET	RESULT	RATIO
MOSTE HPP	60	69	1,148
MAVČIČE HPP	62	83	1,343
MEDVODE HPP	72	96	1,337
VRHOVO HPP	114	133	1,167
<b>TOTAL</b>	<b>308</b>	<b>382</b>	<b>1,239</b>

**Table II 3: Large-scale HPP monthly electricity production (GWh) in 2010**

MONTH	TARGET	RESULT	RATIO
January	22	29	1,321
February	19	23	1,245
March	23	29	1,263
April	31	28	0,913
May	29	35	1,219
June	23	26	1,172
July	25	18	0,721
August	18	25	1,409
September	24	34	1,438
October	34	36	1,070
November	36	46	1,289
December	27	51	1,943
<b>TOTAL</b>	<b>308</b>	<b>382</b>	<b>1,239</b>

In 2010, small-scale hydroelectric power plants (SHPs) Mavčiče and Vrhuvo generated 430 MWh of electricity, which is 94.3% of their combined production targets. The small-scale photovoltaic power plants (SPPs) produced 209 MWh, reaching 99.8% of their production target.



**Table II 4: Small-scale HPP and SPP electricity production (MWh) in 2010**

MONTH	TARGET	RESULT	RATIO
Small-scale HPP	456	430	0,943
SPP	209	209	0,998
<b>Total</b>	<b>665</b>	<b>639</b>	<b>0,960</b>

The company carried out all scheduled overhauls and reviews of its generating units within the planned timescales in 2010. The only exception was the planned work on HPP Vrhovo, which has been pushed forward to 2011 due to a complication with the local communities.

## TEB

The amount of electricity generated at TEB largely depends on the power plant's backup operation for the purposes of intervention in the event of failures of larger units in the national power grid. When conditions in the electricity market are favourable, however, a portion of TEB's production is also offered in the market. TEB generated 6 GWh of electricity in 2010. But since GEN supplied TEB with electricity from other production units in the GEN balance subgroup in order to meet TEB's on-site energy needs, TEB's net production was 1 GWh.

**Table II 5: TEB monthly electricity production (GWh) in 2010**

MONTH	TARGET	RESULT	RATIO
January	13	0	0,018
February	13	0	0,023
March	2	1	0,481
April	2	0	0,041
May	2	0	0,096
June	10	1	0,055
July	10	1	0,055
August	10	0	0,025
September	10	1	0,059
October	2	1	0,451
November	13	0	0,031
December	13	1	0,097
<b>TOTAL</b>	<b>100</b>	<b>6</b>	<b>0,063</b>

Due to low electricity prices, it was not economically viable to engage the power plant in any larger scope of operation for commercial purposes.

As an addition to the existing small-scale photovoltaic power plant (SPP) MFE TEB 1, TEB put into operation two new SPPs in 2010: MFE TEB 2 and MFE TEB 3. The three photovoltaic power plants generated a total of 133 MWh, which was 5.79% below production targets.

**Table II 6: MFE TEB electricity production (MWh) in 2010**

MONTH	TARGET	RESULT	RATIO
MFE TEB 1	36	32	0,875
MFE TEB 2	63	63	1,006
MFE TEB 3	42	38	0,905
<b>Total</b>	<b>141</b>	<b>133</b>	<b>0,942</b>

## HESS

A portion of electricity from HESS was also made available to the GEN balance subgroup in 2010, which, based on GEN's equity interests in HESS, amounted to 15.4% of HESS's total electricity production.

GEN received 46 GWh of electricity from HESS in 2010, which represents a 118.2% realisation against the target.

**Table II 7: Monthly electricity supply (GWh) from HESS in 2010**

MONTH	TARGET (15.4%)	RESULT	RATIO
January	3	4	1,374
February	3	3	1,187
March	4	4	1,061
April	4	3	0,760
May	4	4	1,067
June	3	3	0,910
July	3	2	0,666
August	2	2	0,987
September	3	4	1,446
October	3	4	1,306
November	4	6	1,569
December	4	6	1,789
<b>TOTAL</b>	<b>39</b>	<b>46</b>	<b>1,182</b>

### Electricity production in the GEN balance subgroup

The results show that the production units in the GEN balance subgroup did very well in 2010. Thanks to the NC GEN Control Centre, which coordinates the operation of the entire GEN ba-

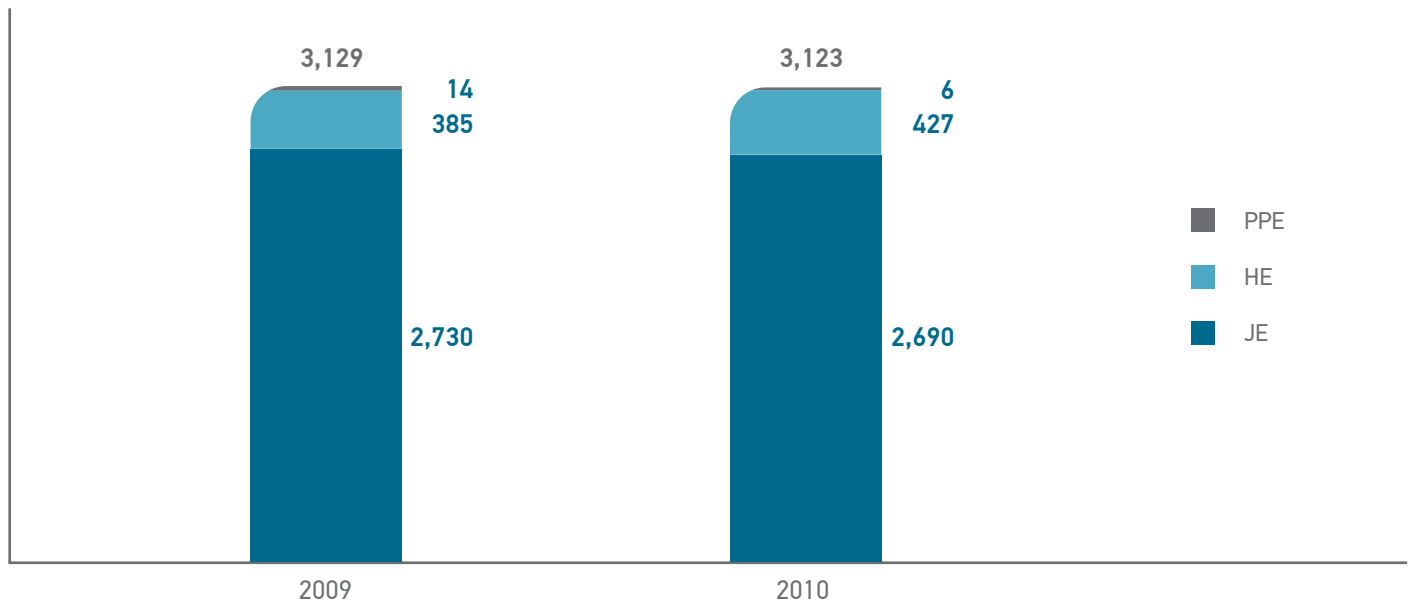
lance subgroup, the production units operated in sync and the effects of any unpredictable events were effectively mitigated, which is clearly reflected in the Group's business results.

**Table II 8: Produced electricity available to the GEN Group (GWh) in 2010**

	TARGET	RESULT	RATIO
GEN Group	3,142	3,123	0,9942

Despite good hydrological conditions, the 2010 production of the GEN balance subgroup was lower than in 2009, which is largely attributable to the fact that the scheduled annual maintenance and refuelling outage of NEK, which took place in October, lasted longer than was initially planned.

**Figure 3: Produced electricity available to the GEN Group (GWh), by source**



## 2.2. Ancillary services

Due to its remarkably stable operation and ability to generate large amounts of reactive power, NEK also plays a key support role in the balancing of critical operational and voltage conditions of the electric power grid within the European UCTE (Union for the Coordination of Transmission of Electricity) system.

SEL's units generate reactive power and have black-start capability, which means their generating units can be started up without external power supply.

TEB's primary task within Slovenia's electric power grid is to provide ancillary services (tertiary frequency control, ability to carry out secondary frequency control when the larger gas unit is in operation, black-starting generating units, and delivering independent direct supply to NEK). Playing a special role, TEB's systems, wiring, piping and equipment all work under specific, harsh operating conditions, with many startups and relatively short operating hours, which calls for a specific approach to maintenance.

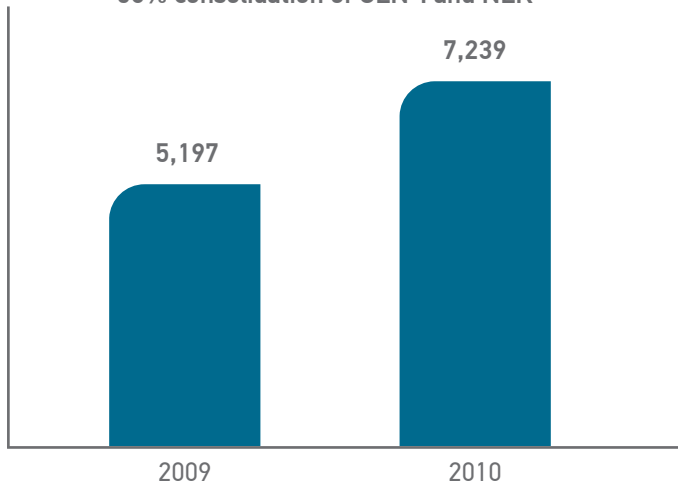
# 3. Electricity purchasing

The purchase portfolio of the GEN Group comprises electricity generated in the Group's own production units and electricity purchased elsewhere. Nuclear energy is the prevailing energy source in the portfolio, and a significant share in the composition of the portfolio is also occupied by renewable energy sources and the possibility of providing ancillary services, particularly tertiary frequency control.

Electricity is purchased from the production units based on annual contracts.

Apart from purchases from major producers, purchases from qualified producers (hereinafter: QP) also make up a significant part of the GEN Group's purchase portfolio. This is the GEN Group's way of making an important contribution to the promotion of electricity from environmentally friendly sources. Electricity is purchased from the domestic market and from abroad. Electricity purchased from the GEN Group's production units still makes up a large portion of the overall purchase portfolio.

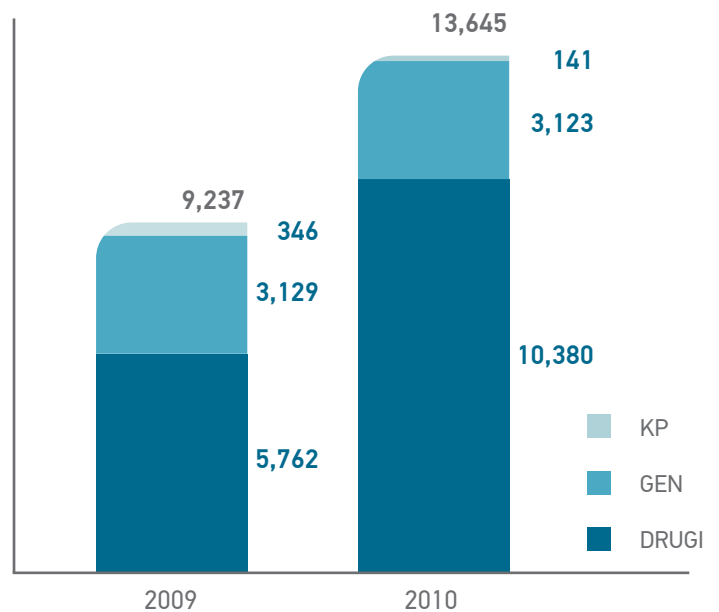
**Figure 4: Electricity purchased by the GEN Group (GWh) – 50% consolidation of GEN-I and NEK**



The growth of the GEN Group is also reflected in the increased electricity purchase and sales volumes. In 2010 the Group's electricity purchase and sales volumes went up by a total of 39.3%; however, due to the proportionate consolidation of NEK and GEN-I, their trading and sales figures are only recognized on a fifty-fifty basis.

For the sake of clarity, the volumes of purchases and sales of electricity presented below take into account the proportionate consolidation of NEK and recognize the total amounts from GEN-I.

**Figure 5: Electricity purchased by the GEN Group (GWh)**



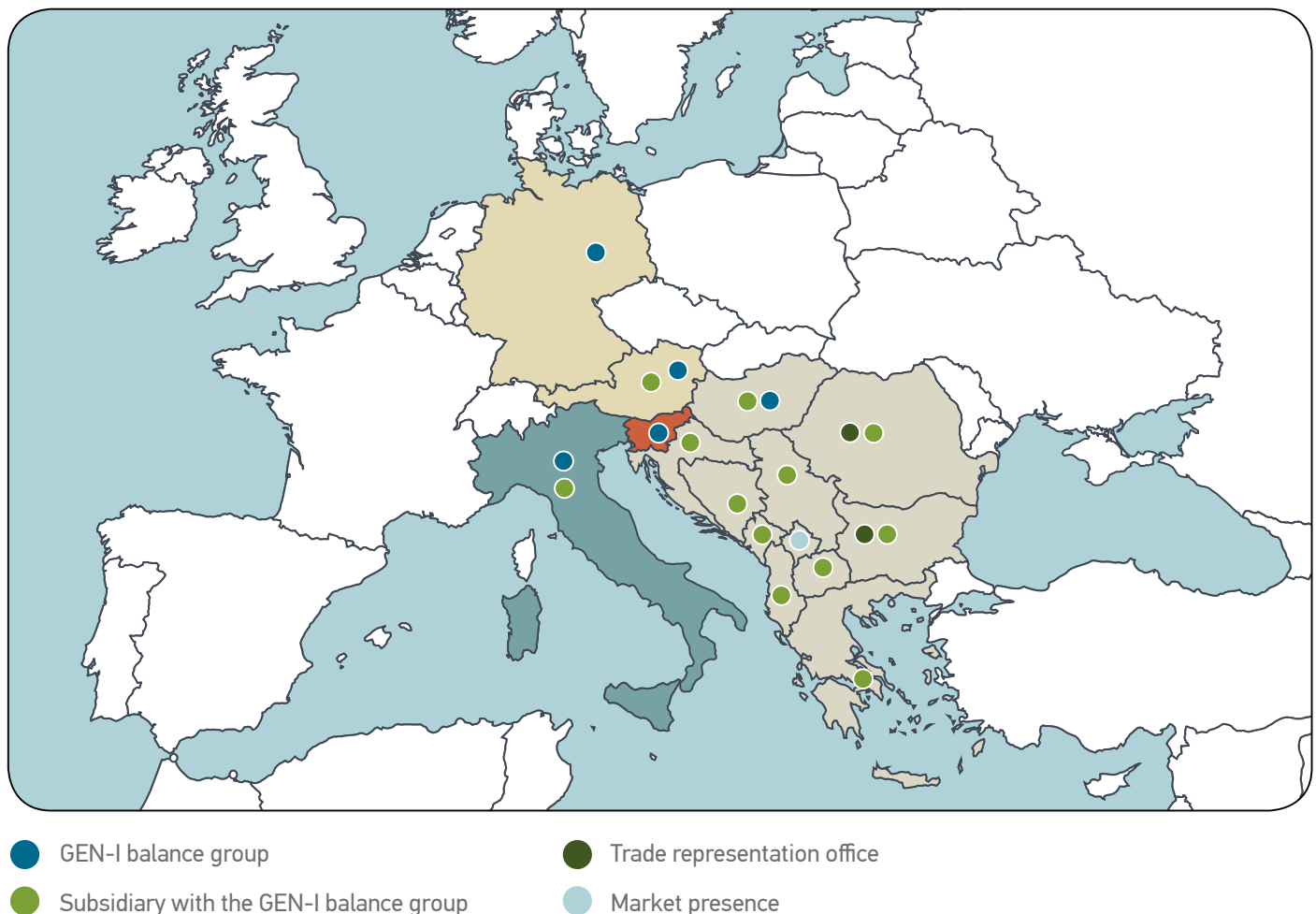
The total amount of electricity purchased by the GEN Group is substantially higher: 13,645 GWh.

## 4. Electricity trading and sales

In terms of electricity trading and sales, we have been staying firmly on course in 2010. An increasingly large amount of electricity from our own sources is being sold based on our in-house know-how and competences. The GEN Group is an effective electricity trader, as its cross-border wholesale trading infrastructure gives it access to all the necessary pricing data and information needed to ensure optimal utilization of production resources.

From the perspective of electricity retailing in Slovenia, the connection between GEN and GEN-I is crucial for the GEN Group. The relationship between the two companies is such that GEN-I sells electricity for GEN under clearly defined conditions. Most of GEN's annual production is sold based on GEN's annual sales strategy approved by the Supervisory Board. Securing the right amounts of electricity on a day-to-day basis in order to deliver on the signed deals and to optimize the sales process is carried out through short-term purchases of electricity to make up for shortfalls and through sales of excess electricity, if and whenever applicable.

**Figure 6:** Geographic coverage of the GEN Group



## 4.1. Trading

The sales of electricity from our own production units to end users and to distribution companies opened up new trading possibilities in 2010. The total amount of electricity for trading went up from 9,237 GWh in 2009 to 13,645 GWh in 2010. Our economy of scale has increased as we entered new markets, and instruments have been put in place and all required authorizations obtained for comprehensive management of excess electricity and electricity shortfalls as provided for agreements on purchasing electricity from production sources and on supplying electricity to end users.

## 4.2. Sales

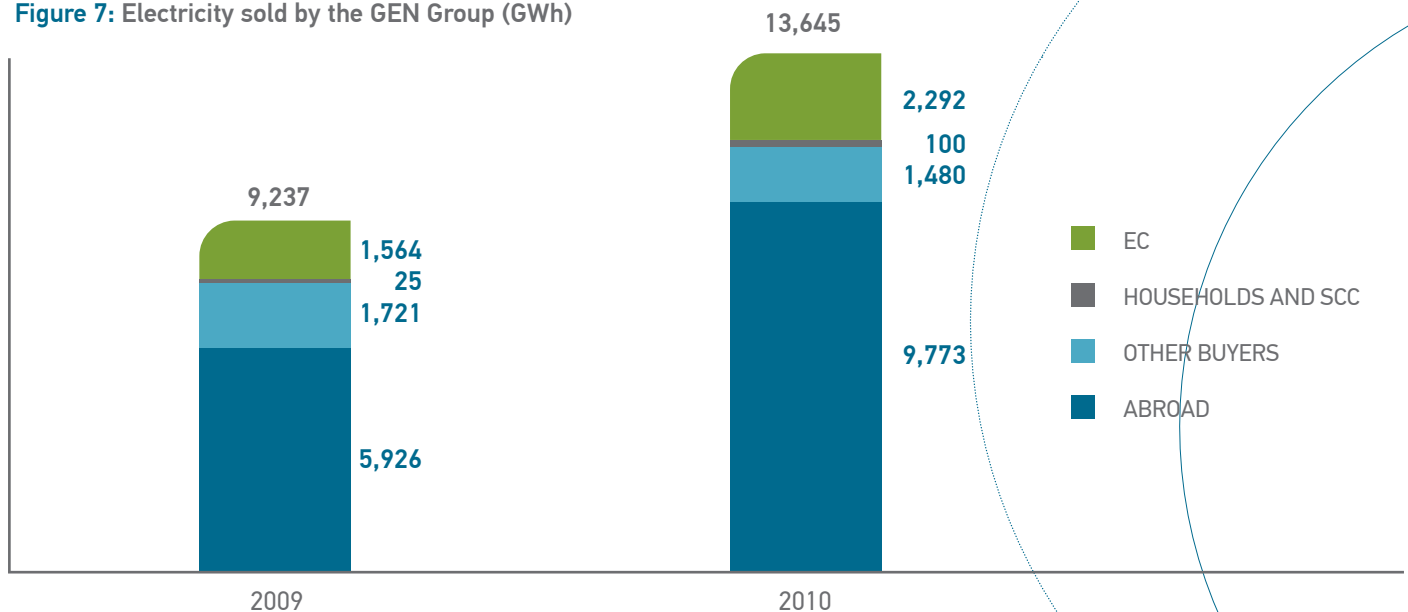
The increase in electricity retailing and our entry into the household supply segment are proof that our products, with varying degrees of risk for the customer and ranges of services offered, have undergone further development. Among the GEN Group's customers are large corporations, small- and mid-sized enterprises, and households. This is what made the GEN Group an important player in all the electricity retailing segments in Slovenia in 2010; what's more, the

Group is getting ready for a direct access to end users abroad as well.

The growing balance group in Slovenia is complemented and regulated by trading activities in the liquid neighbouring markets of Austria, Germany and Italy, as well as in Southeast and Central Europe. Expansion into foreign markets is based around the Group's subsidiaries, which possess all the required authorizations, the ability to adapt to distinctive local circumstances, and the proper trading infrastructure.

In 2010 the GEN Group sold 3,872 GWh of electricity in the domestic market: 2,392 GWh to eligible customers (EC), of which 100 GWh to households and small commercial customers (SCC) and 1,480 GWh to other buyers (OB), which purchased electricity from GEN in order to satisfy household demand, among others.

**Figure 7: Electricity sold by the GEN Group (GWh)**



# 5. Research & development and investments of GEN Group companies

The GEN Group companies carried out important R&D and investment activities in 2010. Funds allocated to this end totalled EUR 50.0 million.

**Table II 9: Investments made by GEN Group companies in 2010 (in EUR million)**

GEN GROUP	INVESTMENT COST
GEN	5,1
HESS construction project	1,8
JEK 2 construction project	0,4
IS GEN construction project	2,2
Other investments	0,6
<b>NEK</b>	<b>35,3</b>
<b>SEL</b>	<b>6,6</b>
<b>TEB</b>	<b>1,9</b>
<b>GEN-I</b>	<b>1,2</b>
<b>GEN Group</b>	<b>50,0</b>

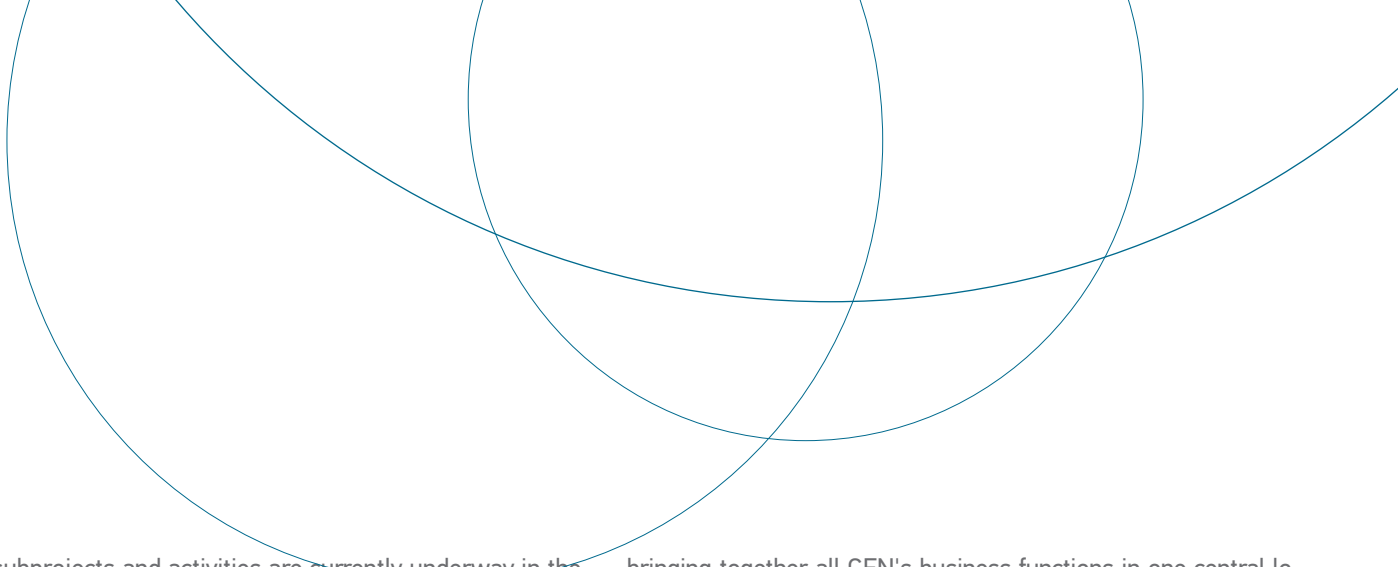
## 5.1. HESS construction project

With the 2007 acquisition of SEL and TEB, GEN became indirectly involved in the construction of HESS (Hydroelectric Power Plants on the lower Sava River). With the transfer of the equity interest in the HESS Joint Venture on 1 January 2008, GEN became a direct stakeholder in the HESS construction project. GEN invested EUR 1.8 million in HESS in 2010, and the investment of the entire GEN Group in HESS amounted to EUR 2.2 million.

## 5.2. JEK 2 construction project

In October 2006 the Government of the Republic of Slovenia included in the list of measures for promoting the sustainable development of Slovenia the possibility of building a second reactor unit at Krško Nuclear Power Plant. This way the Government of the Republic of Slovenia expressed a clear interest and direction in shaping the climate, environmental and energy future of Slovenia.

In Slovenia the situation in electricity supply has intensified in recent years, and electricity consumption has increased much like in other developed EU Member States. Conditions have changed due to the global economic crisis, but when the economy recovers, electricity consumption will begin to climb again. Slovenia is facing a problem of relatively old energy-production facilities, which are going to have to be replaced some time in the future. At the same time we are growing increasingly aware of environmental impacts, of the importance of keeping in line with the EU climate and energy package, and of the need for us to meet the National Energy Programme, which introduces the notion of energy sustainability and transition to a low-carbon society. All this leads us to think about the long-term use of nuclear energy in Slovenia, which can be secured by planning and implementing an expansion of the production capacity of Krško Nuclear Power Plant with a new reactor unit (JEK 2). The installed power of the planned second nuclear reactor unit would range between 1100 and 1600 MW, and the construction, which is expected to take 7 years, could start 4 to 5 years after the siting procedure at the national level is initiated and finish by 2025.



Several subprojects and activities are currently underway in the preliminary stage of the JEK 2 project, which is divided into four stages:

- a) **Preliminary stage:** activities until a decision on construction is reached at the national and local levels; preparation and organization of the project;
- b) **Preparatory stage:** siting and determining the right physical location for the facility, laying down specifications for tendering procedures, negotiations, and signing a construction agreement;
- c) **Construction stage:** preparation of project documentation, construction of the facility, manufacture and assembly of plant equipment, and obtaining a building permit and operating licence; and
- d) **Operating stage:** 60 years of commercial operation.

The JEK 2 project is going according to schedule. Feasibility studies in the preliminary stage have been completed. All the necessary technical documents to support the decision-making process at the state level and the technical bases for the preparation of the national spatial plan have been produced. Strong support will need to be gained from the owner in the next stage in order for the project to continue, and the owner will also have to take a firm position on the construction of JEK 2. An application to obtain an energy licence, the first authorization document in line in the decision-making process, has already been submitted to the Ministry of the Economy.

## 5.3. Construction of GEN Information Centre

In the Business Plan for 2010, the project to build GEN Information Centre (hereinafter: IS GEN) was initially named GEN Management and Information Centre, but in the course of the project we decided to choose a uniform name that would encapsulate a visitor centre, GEN management centre and business premises with the aim of

bringing together all GEN's business functions in one central location, so later the project was renamed GEN Information Centre.

Based on the investment programme approved by the Supervisory Board, GEN energija launched in 2010 activities to build GEN Information Centre. The cost of work done on IS GEN in 2010 was EUR 2.2 million.

### GEN World of Energy

An important section of GEN Information Centre is a visitor centre called GEN World of Energy. In this multimedia centre on electric power and the energy industry visitors will gain an in-depth, science-based insight into energy and its impact on everyday life, how electricity is generated, as well as the economic, social and environmental aspects of electricity production.

The World of Energy is suitable for visitors of all ages, groups and individuals. On 550 square metres, the centre will feature interactive content, models, multimedia presentations, theme adventures and a wide variety of supporting materials for visitors to enjoy and learn about the world of energy, electricity and other related topics.

By opening the World of Energy we are making an important step towards raising awareness of the energy future among the general public and providing a better understanding of the role of renewable energy sources, energy efficiency and sustainable electricity production, with a special emphasis on nuclear energy. Also, GEN seeks to spark interest in natural and technical sciences among the young.

## 5.4. Other investments

The development of the GEN Group also directs the parent company towards making other investments important for its future operation. In 2010, GEN mostly invested in fixed assets and information technology, with investment cost totalling EUR 0.6 million.



## 5.5. Investments and development of the Group companies

All the companies in the GEN Group maintain a high level of availability and operational reliability thanks to regular maintenance and investments. Appropriate control, maintenance and modernization ensure operational readiness of the equipment at all times.

### NEK

NEK has been pursuing a conventional strategy for nuclear power plants, which entails ongoing investments in technological upgrades and modernization. The established procedure is to make five-year investment plans, with an average annual investment in technological modernization totalling around EUR 38 million.

NEK continued to undergo comprehensive technological modernization in 2010 in accordance with its long-term investment plan. The investment cost was EUR 35.3 million. A large number of upgrades and replacements of vital equipment were carried out during regular operation and during planned maintenance outage.

### SEL

SEL consistently carries out regular major maintenance work on its facilities and makes intense development efforts in terms of harnessing renewable energy sources. In 2010, SEL spent EUR 6.6 million in depreciation costs and other own resources on investment and development.

The most important part of SEL's investing activity in 2010 was focused on the reconditioning of Moste HPP, which started as early as March 2008.

### TEB

TEB focuses its investment and development activities chiefly on the development of existing processes while expanding its operation into other areas as well. A total of EUR 1.9 million was spent on investment and development in TEB in 2010.

### GEN-I

The sales and trading growth of GEN-I in 2010 was a natural step forward from previous years. The company spent a total of EUR 1.2 million on investment and development.

# 6. Human resources

## 6.1. Employees

The number of employees in the GEN Group is directly proportional to the Group's development and the challenges it brings. We are working towards optimizing the human resource process at the level of the whole Group. As at 31 December 2010 the companies in the GEN Group employed a total of 951 people.

The rapid growth of the company and the increase in the number of subsidiaries call for additional recruitment, which is also necessary in view of gearing up for investments in future energy facilities. According to business plan, GEN expected to add 17 new jobs in 2010. In effect, the company GEN added nine people to its team in 2010, and one employee left the company, so GEN had a team of 43 people as at 31 December 2010.

**Table II 10: Number of employees by company and by level of education as at 31/12/2010**

COMPANY	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6/I (vocat.)	Level 6/II (higher. ed. & BA/BSc Bologna)	Level 7 (BA/ BSc & MA/MSc Bologna)	Level 8/I (MA/ MSc)	Level 8/II (PhD)	TOTAL
GEN	0	0	0	1	3	8	5	23	0	3	43
GEN-I	0	0	0	0	22	0	18	39	7	3	89
NEK	4	4	4	39	250	71	41	162	12	4	591
SEL	6	0	0	27	39	21	4	18	1	0	116
TEB	1	4	0	25	36	16	13	16	1	0	112
<b>TOTAL</b>	<b>11</b>	<b>8</b>	<b>4</b>	<b>92</b>	<b>350</b>	<b>116</b>	<b>81</b>	<b>258</b>	<b>21</b>	<b>10</b>	<b>951</b>

The data in Table II 10 refer to whole companies, disregarding GEN's equity interests in individual companies and the rules of consolidation.

## 6.2. Scholarships

A shortage of suitable, qualified human resources has been an issue around the country in recent years, which is a marked trend in the Posavje region as well. Individual companies are experiencing a shortage of specific human resources at various levels, particularly in the sphere of natural sciences.

The companies in the Group provide company scholarships and participate in the uniform, region-wide Posavje Scholarship Scheme. Scholarships under this scheme are awarded to secondary school and undergraduate students studying for professions that are most sought after or in demand by employers.

**Table II 11: Number of scholarships in GEN Group companies as at 31 December 2010**

COMPANY	NO. OF SCHOLARSHIPS
GEN	28
GEN-I	1
NEK	29
SEL	9
TEB	7
<b>TOTAL</b>	<b>74</b>

As at 31 December 2010, GEN had 28 scholarship recipients and the GEN Group 74.

# 7. Financial operations

Financial operations of the company and the Group are, alongside obligations of controlled and jointly controlled companies, also significantly influenced by the commitments GEN has entered 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 at NEK but also assumed the responsibility to pay back the loans taken out for its construction, to meet its financial liabilities to the NEK Fund, and to secure funding to compensate for fixed costs in the event of unplanned outages of NEK.

While the companies in the GEN Group meet their financing obligations mostly through depreciation and amortization, GEN's main source of funding used for this purpose is the profit it generates.

All the obligations arising from the financial operations of the company and the Group were met within agreed timescales and within appropriate financial frameworks in 2010.

## 7.1. Settling liabilities to the NEK Fund and securing funding for NEK's fixed annual costs

According to the Intergovernmental Agreement on NEK, the Act on the Fund for Financing Decommissioning of NEK and Disposal of Radioactive Waste from NEK, and the Decision of the Government of the Republic of Slovenia No. 311-01/2001-21 of 7 October 2004, the company is obligated to pay into the NEK Fund by no later than the 20th day of each month a contribution in the amount of 0.30 euro cents for each kWh of electricity produced at NEK and collected in the preceding month.

Based on the amount of electricity produced in 2010, GEN paid EUR 8.1 million into the NEK Fund.

Under the Intergovernmental Agreement on NEK, the company GEN is obligated to cover NEK's fixed costs for a period of one year regardless of whether NEK is in or out of service. Since NEK is the dominating production unit in the GEN Group, which means the performance and operations of the Group are hea-

vily dependent on NEK's production, the Group is exposed to considerable risks even in the event of short-lived outages of the power plant. To secure funding for NEK's fixed costs, the company GEN decided to make long-term provisions in the amount of one-half of NEK's annual fixed costs (the other half is to be provided by the other owner of NEK).

## 7.2. Servicing operations and debts

One of the fundamental functions of financial operations in 2010 was ensuring a suitable amount of liquid funds for solvency purposes. A major part in ensuring solvency is played by obligations with respect to the supplied electrical energy and power. Particularly important is the obligation to cover NEK's fixed costs, which is one of the principal leverages for timely settlement of GEN's liabilities and for optimization of surpluses and shortfalls among the companies in the GEN Group. Appropriate liquidity was also ensured through consistent collection of past-due receivables. This aspect is particularly relevant in the case of GEN-I, but since GEN-I has this issue thoroughly addressed with contractual 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.

Long-term loans were taken out in 2010 by the following GEN Group companies:

- **GEN:** for acquisition of minority interests in TEB;
- **NEK:** for modernization and fulfilment of obligations under Annex III to the Intergovernmental Agreement on NEK, fuel purchase, replacement of the reactor head and application of welds on the pressurizer;

Short-term loans were taken out by:

- **GEN-I:** for securing liquid assets for trading;
- **TEB:** for financing day-to-day operations – performance of Level C inspection of Gas Unit 5.

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

## 7.3. Report on investments of surplus cash for provisioning

### Investing activities for provisioning

The Supervisory Board of the company GEN adopted on 16 May 2007 a GEN Investment Strategy for funds arising from long-term provisions for covering NEK's fixed costs in the event of unplanned decrease in electricity production at NEK. A total of EUR 63.9 million was pooled in the period from the beginning of provisioning to 31 December 2010, but this sum was reduced when provisions in the amount of EUR 1.2 million were used. GEN made up for the used provisions at the end of the year and aligned all provisions with the Economic Plan of NEK for 2011 without the repayment of the loan under Annex III to the Inter-governmental Agreement on NEK. At the end of the financial year the provisions amounted to EUR 62.8 million.

The company pursued its investment strategy, but despite stipulations and various investment options provided for in the adopted strategy, no funds were invested in debt and equity securities due to unfavourable conditions in the financial markets, while bank deposits, given the current situation, maintained their rate of return despite declining interest rates.

### Investing activities with available funds intended for further investments

Apart from the funds set aside for provisions, GEN also has at its disposal an additional amount of surplus cash, which is steadily increasing on the back of the company's successful operations.

Due to such an increased amount of surplus cash and the global financial crisis, which is taking its toll on Slovenia's finance and economy, the company has worked hard towards prompt realization of planned investments and towards amending its present investment strategy, all with the aim of diversifying the risks associated with cash management.

Spurred by the developments in the financial markets, GEN reviewed the surplus cash management methods in place in its subsidiaries and found that the companies in the Group rely on similar management methods aiming to reduce the risks associated with such investments.

## 7.4. Performance indicators

The indicators that best reflect the financial position or the suitability of the composition of assets and liabilities of the company and the Group in accordance with Article 70, paragraph 2 of the Companies Act (CA-1) and SAS 29 are presented below.

**Table II 12: Indicators for the company GEN**

PERFORMANCE INDICATORS	2009	2010
Equity financing rate	82.20%	<b>83.17%</b>
Long-term financing rate	94.94%	<b>95.59%</b>
Operating fixed assets rate	0.62%	<b>1.05%</b>
Long-term investment rate	72.01%	<b>73.07%</b>
Equity to operating fixed assets	132.31	<b>79.21</b>
Long-term financing of fixed assets	1.29	<b>1.28</b>
Immediate solvency ratio - acid test ratio	4.52	<b>4.71</b>
Quick ratio	5.23	<b>5.76</b>
Current ratio	5.23	<b>5.77</b>
Operating efficiency ratio	1.41	<b>1.21</b>
Net return on equity ratio	0.12	<b>0.07</b>

Overall, the above indicators show that the performance of the company GEN in 2010 was on a level similar to that in 2009.

**Table II 13: Indicators for the GEN Group**

PERFORMANCE INDICATORS	2009	2010
Equity financing rate	79.68%	<b>77.26%</b>
Long-term financing rate	92.84%	<b>88.45%</b>
Operating fixed assets rate	56.84%	<b>54.52%</b>
Long-term investment rate	63.12%	<b>60.73%</b>
Equity to operating fixed assets	1.40	<b>1.42</b>
Long-term financing of fixed assets	1.44	<b>1.43</b>
Immediate solvency ratio - acid test ratio	3.79	<b>2.04</b>
Quick ratio	4.80	<b>2.92</b>
Current ratio	5.87	<b>3.43</b>
Operating efficiency ratio	1.30	<b>1.10</b>
Net return on equity ratio	0.12	<b>0.06</b>

The indicators of the horizontal financial structure are somewhat lower compared to a year ago, but the proportion between the share of long-term assets in the assets structure and the long-term share of assets in the total assets structure is still good.

Overall, the above indicators show that the performance of the GEN Group in 2010 was on a level similar to that in 2009.

# 8. Overall responsibility

In the Revised GEN Energija Development Plan, responsibility is defined as the factor which plays a significant part in establishing and maintaining a business and social environment that is favourable for the Group. The GEN Group companies know full well that a successful business environment can only be established by being responsible on various levels. In the GEN Group, the responsibility is divided as follows:

- social responsibility,
- environmental responsibility, and
- economic responsibility.

## 8.1. Social responsibility

The companies in the GEN Group, with their operations and energy facilities in individual locations, are tightly integrated into their local environments. From this integration with the environment stems the social responsibility that GEN primarily fulfils through sponsorships and donations in areas with a positive impact on the development and quality of living for the local communities.

### Sponsorships and donations

The amount of funds earmarked for donations and sponsorships is determined in the annual business plan and does not exceed the amount of tax-deductible expenses. The GEN Group companies receive several hundred requests each year. Requests that are granted are those that best match the values of individual companies and the Group and that are important for the development of the local environment. When apportioning funds, we place a special emphasis on the intended purpose of the funds and look at whether a certain portion of the funds is going to be used in the environments into which our individual facilities are integrated. The funds are given out for **sporting, cultural, educational, science and development, charitable, health, ecological, humanitarian, disability and social security purposes.**

From a broad spectrum of sponsorships and donations given out in 2010, a special emphasis should be placed on our support **for development and education projects and organization of various events, conferences, contests and competitions**

**in the areas of energy industry, nuclear energy and renewable energy sources.** For a number of years GEN has been sponsoring the **Reaktor Prize Contest** on the topic of nuclear energy, which is intended for students of natural and technical sciences. In 2010 GEN made a financial contribution for the purchase of equipment for measuring asynchronous motor characteristics, sponsored the four-year research programme **Energy as an Integral Whole run by the Novo Mesto School Centre** and the **Energy Development and Education Ground at the Velenje School Centre.** GEN also works with the **Faculty of Energy Technology in Krško**, both on the organization of the annual expert conference and on other science projects. In order to initiate a constructive debate on energy and provide a better understanding of energy-related topics, GEN also sponsored many expert conferences.

### Raising awareness about energy efficiency among the young

Special attention among our social responsibility projects goes to the **Energy-Efficient School** (hereinafter: EVŠ) project, whose aim is to raise awareness about sustainable electricity production and energy efficiency among the young. In the 2009/2010 school year 52 schools participated in the project. In the 2010/2011 school year GEN upgraded and expanded the project and established cooperation with the **Eco-School programme.** The Eco-School programme brings together 628 Slovenian primary and secondary schools, nursery schools, and centres for curricular and extracurricular activities. Many of them have also taken an active part in the Energy-Efficient School project, whose closing event is scheduled to take place in June 2011.

### Business environment and partners

The economic and financial crises made it impossible for some businesses to forecast oftakes of electricity and to comply with all terms of contract. Taking into account the given circumstances and the fact that economic conditions tend have a delayed effect on the energy industry, GEN successfully tuned in to its business partners and consumers of electricity. GEN-I fully complied with all valid contracts while working towards reaching compromises and building business relationships on mutual trust and a spotless track record.

## 8.2. Environmental responsibility

In accordance with its environmental policy, the GEN Group has undertaken to produce electricity in an ecologically sound manner and to follow the Kyoto Protocol directives on reducing greenhouse gas emissions. Among the energy sources that can make this happen is also nuclear power. And it is the nuclear power produced at NEK that is essential for the successful and environmentally friendly operation of the entire Group. Recognizing the importance of renewable energy sources, GEN added to its Group hydroelectric power plants on the Sava River through the acquisition of SEL and through active participation in the construction of hydroelectric power plants on the lower Sava River (HESS). GEN's production portfolio is complemented by Brestanica Thermal Power Plant (TEB), which uses natural gas and extra light fuel oil, the most environmentally acceptable fossil fuels, to generate power. Thanks to such a production portfolio and a low TEB start-up rate, in 2010 **more than 98% of all the electricity produced by the GEN Group was generated without greenhouse gas emissions.**

### Krško Nuclear Power Plant and the environment

Given the importance of nuclear power in the operations of the Group and in maintaining a low level of greenhouse gas emissions in Slovenia, the greatest emphasis is placed on ensuring effective risk management in the field of nuclear safety. Special attention is focused on ensuring and checking adherence to nuclear technology regulations and standards. To this end, it is important to keep abreast of best practices on nuclear safety around the world and of OSART Mission recommendations and to incorporate them into NEK. A lot of attention is given to equipment modernization and maintenance and to ongoing improvements to the safety culture and mentality of all company employees. Owing to all the activities outlined above, **NEK ranks in the top 25% of nuclear power plants worldwide in terms of operation safety and stability.**

NEK has an environmental management system according to the ISO 14001 standard in place since 2008. In this context, NEK introduced separate collection of municipal waste. Municipal wastewater is processed by a special wastewater treatment fa-

cility. The water's pH value, temperature, content of dissolved substances and chemical and biological oxygen demands are measured at discharge, as well as the flow rates and the oxygen concentration of the Sava River. A maximum of one-fourth of the river's flow rate may be withdrawn from the Sava for cooling. The temperature of the Sava River has never increased by more than the permissible maximum limit of 3°C after cooling water is discharged back into the river.

NEK also places special attention on radiological monitoring. In 2010 no increased radiation levels due to the power plant operation was detected for the nearby residents, so based on scientific models it has been calculated that the effect is approximately 1 µSv or less than 0.1% of the average dose received by an individual from natural radiation sources (around 2500 µSv).

### Hydroelectric power plants and the environment

The GEN Group is dedicated to promoting production of electricity from renewable energy sources. In terms of production output, this area is dominated by SEL, which not only operates and services its existing hydroelectric power plants but also invests in small-scale photovoltaic power plants (SPP). Investing in small-scale photovoltaic power plants has also been taken up by TEB. A total of eight solar power plants with a combined installed power of 0.767 MW were in operation in the GEN Group at the end of 2010. Three of those solar power plants were completed and put into operation in 2010: at Vrhovo HPP and at TEB.

### Environmentally responsible purchasing of electricity

Purchasing electricity from qualified producers (QP) holds a special place in the GEN Group. In this segment the GEN Group, together with its partner with which it jointly controls the company GEN-I, is the leader in Slovenia. In this way the Group provides important support to QPs of electricity. Willing to pay more than the regulated price, the Group gives them a direct financial incentive. With this business decision, the GEN Group contributes to a cleaner environment and promotes further development of eco-friendly ways of generating electricity.

## Low CO<sub>2</sub> emissions

The amount of allowances for CO<sub>2</sub> emissions in 2010 was 65,200 tonnes, of which only 5,754 tonnes were actually used up. The reason why emissions were below the permissible level lies in the fact that production at TEB was lower than planned and that the other units in the Group recorded remarkably good production results. On top of that, natural gas, which emits less CO<sub>2</sub> in the burning process than extra light fuel oil does, was used in power generation to the largest extent possible.

## Investment in renewable energy sources

As we make further investments in HESS and other investments in renewable energy sources, renewable energy sources will get to play an increasingly important role in the Group. Electricity generated this way has an additional advantage as the producer is eligible to obtain Guarantees of Origin (GO). In 2010 the production companies in the GEN Group generated 428 GWh of electricity from renewable energy sources, which means they were eligible to obtain that same amount worth of GOs.

## 8.3. Economic responsibility

Economic responsibility is one of the fundamental aspects of responsibility. Judging from experience, only economically efficient businesses can be deemed fully socially responsible.

The GEN Group and its individual constituent companies fulfil their economic responsibility **by ensuring short- and long-term profitability, by choosing economically efficient technologies for the production of electricity, and by developing competitive products and services that meet customers' needs.**

As it can already be seen in other sections of the annual report, the GEN Group is indeed economically responsible. The Group closed the year 2010 with very good business results and is pursuing clearly defined goals and an ambitious development plan in accordance with the adopted Revised GEN Energija Development Plan.



# 9. Risks

Risks as a component part of the GEN Group's operations are dealt with in the same way as other key operating factors. Risks must first be identified and then grouped by their level of importance. Based on this, the instruments to be used for managing specific risks are determined.

## 9.1. Quantity risks

Quantity risks are risks associated with electricity production and supply which arise from the difference between the forecast and the actual amount of electricity. Quantity risks are internal, relating to technological and logistic limitations in the production and timely provision of energy products, and external, mostly connected with weather and hydrological conditions. The Group is exposed to quantity risks particularly in the case of open-end contracts.

Internal risks are managed independently by each production facility based on extensive experience and track record of operation, maintenance shutdowns, etc. NEK, SEL, TEB and HESS ensure uninterrupted operation of their production units and other electricity-generation equipment independently by performing regular maintenance and periodic checks (measurements, mechanical diagnostics).

The GEN Group paid a lot of attention to limiting and managing external quantity risks. For this purpose, it has developed IT support for long- and short-term forecasting of electricity offtake and feed profiles as well as for daily monitoring of quantity deviations at most of its offtake and feeding points. The pivotal role in the IT support is played by the NC GEN Control Centre, which fully fulfilled its function in 2010. The GEN Group has also reduced its exposure to risks by signing suitable quantity and financial deals.

## 9.2. Market risks

Market risks arise from volatile trends in prices of energy products in the global electricity market, both at home and abroad. The Group is also exposed to risks associated with open positions in its trading portfolio.

For managing risks arising from fluctuating prices of energy products, the companies in the Group sign long-term contracts to minimize the risks. Despite heavy exposure to the global energy-product market, the risks are manageable because nuclear energy makes up the majority of the portfolio, and the impact of nuclear fuel on the price of electricity from NEK is limited to as low as 15%.

As a hedge against risks arising from open positions, in addition to contracts for mandatory supply at a fixed price and prompt manual closing of positions, the GEN Group also used standardized derivative instruments of the German EEX futures energy exchange in 2010. Each open position within the GEN Group is constantly monitored.

Market risks also include interregional risks that occur as a result of the transmission of electricity among various electricity markets. Interregional risks were managed by the Group in 2010 by participating in calls for tenders and auctions to acquire cross-border transmission capacities.

## 9.3. Financial risks

Credit risks in 2010 were identified and minimized by the companies in the Group by thoroughly checking their business partners' liquidity position and by signing properly secured contracts (by blank drafts, bank guarantees, and sureties).

Currency risk occurs in connection with short-term receivables from customers or trade payables to suppliers from abroad. In the markets outside the euro area the GEN Group uses foreign currency hedging instruments, which include forward contracts and foreign currency clauses.

Interest rate risk is relatively low because the Group has a small amount of debt.

Liquidity risk arises when a company or a Group is unable to meet its current liabilities. The Group managed the liquidity risk by laying down well-defined contract terms and conditions, by precisely planning its cash flows, and by continually checking its contract partners and their payment track records.

## 9.4. Operational risks

Operational risks are encountered in every business process. These are risks that could lead to a financial loss for the Group if ineffective business processes and controls were in place.

The production companies in the GEN Group run the risk of production unit failure, which may result in reduced electricity production and a loss of income. This is why the companies deployed advanced preventive and predictive maintenance methods in their production facilities, supported by appropriate computer tools with enhanced diagnostic and analytical functionality, and introduced a system for ongoing mechanical checks and parameter monitoring, which results in high levels of start-up reliability and operational availability. A vital part is also played by information technology. The companies manage the risks that would arise in the event of IT or telecommunication system failure by making sure all the key components are duplicated, regularly serviced and updated.

In general, the GEN Group minimized its exposure to operational risks in 2010 by taking the following measures:

- coordination of the GEN Group;
- introduction of ISO standards;
- introduction of straightforward and open communication among all the partners in the Group;
- establishment of suitable supervision (appointing authorized representatives from GEN to supervisory boards of subsidiaries and associated companies and in the GEN-I management);
- clear definition of business processes; and
- clear definition of roles, responsibilities and competences of people with suitable qualifications and experience who are involved in the company's individual business processes.

Water heated by the sun evaporates and condenses into clouds as it cools. Inside clouds rain is formed, which feeds the rivers.

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03.

Summary of  
the Financial Report  
of the Company  
GEN energija, d.o.o.







## Independent Auditor's Report on the Summary financial Statements

To the Readers of the Public Summary of the Annual Report of GEN energija, d.o.o., Krško

The accompanying summary financial statements, which comprise the summary balance sheet as at 31 December 2010, the summary income statement, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the company GEN energija, d.o.o., Krško for the year ended 31 December 2010. We expressed an unmodified audit opinion on those financial statements in our report dated 9 May 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Slovene Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of GEN energija, d.o.o., Krško.

### Management's Responsibility for the Summary Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with the *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., Krško for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements.

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

Renata Eržen Potisek, M.Sc.Ec.  
*Certified Auditor*

Marjan Mahnič, B.Sc.Ec.  
*Certified Auditor*  
*Partner*

Ljubljana, 3 June 2011

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

## 2. Basis for drawing up the summary of the financial report

Pursuant to the Companies Act, below is the summary of the financial report, which is an integral part of the Annual Report of the GEN Group 2010. The summary gives an overview of 2010 operations and includes condensed versions of financial statements based on audited principal financial statements: balance sheet, income statement, statement of other comprehensive income, cash flow statement, and statement of changes in equity.

The financial statements are presented in EUR without cents.

# 3. Financial statements



## 3.1. Balance sheet

Table III 1: Balance sheet as at 31/12/2010

	31/12/2010	31/12/2009
<b>ASSETS</b>	<b>505,734,318</b>	<b>507,592,781</b>
<b>A. Fixed assets</b>	<b>377,336,432</b>	<b>373,264,126</b>
I. Intangible assets and long-term deferred expenses and accrued income	384,949	841,227
II. Tangible fixed assets	4,924,991	2,312,481
III. Long-term financial investments	364,212,104	362,385,103
IV. Deferred tax assets	7,814,388	7,725,315
<b>B. Current assets</b>	<b>128,320,937</b>	<b>134,245,354</b>
I. Short-term financial investments	104,787,281	115,994,501
II. Short-term operating receivables	23,533,284	18,250,280
III. Cash	372	573
<b>C. Short-term deferred expenses and accrued income</b>	<b>76,949</b>	<b>83,301</b>
OFF-BALANCE-SHEET ASSETS	<b>2,040,003</b>	<b>2,007,065</b>
<b>LIABILITIES</b>	<b>505,734,318</b>	<b>507,592,781</b>
<b>A. Equity</b>	<b>420,616,018</b>	<b>417,265,069</b>
I. Called-up capital	26,059,796	26,059,796
II. Capital reserves	239,609,558	239,609,558
III. Revenue reserves	139,727,277	127,468,448
IV. Revaluation surplus	-39,442	-131,609
V. Net profit or loss for the financial year	15,258,829	24,258,876
<b>B. Provisions and long-term accruals and deferred income</b>	<b>62,833,555</b>	<b>61,712,455</b>
I. Provisions and long-term accruals and deferred income	62,833,555	61,712,455
<b>C. Long-term liabilities</b>	<b>0</b>	<b>2,946,148</b>
I. Long-term financial liabilities		2,946,148
<b>D. Current liabilities</b>	<b>22,259,776</b>	<b>25,657,609</b>
I. Current financial liabilities	3,005,559	3,130,715
II. Current operating liabilities	19,254,217	22,526,894
<b>E. Short-term accruals and deferred income</b>	<b>24,969</b>	<b>11,500</b>
OFF-BALANCE-SHEET LIABILITIES	<b>2,040,003</b>	<b>2,007,065</b>



## 3.2. Income statement and statement of other comprehensive income

Table III 2: Income statement for 2010

	2010	2009
<b>TOTAL INCOME</b>	<b>171,351,298</b>	<b>199,902,740</b>
Operating income	162,857,837	193,675,450
Financing income	8,492,924	6,219,355
Other income	537	7,935
<b>TOTAL EXPENSES</b>	<b>134,580,927</b>	<b>138,838,264</b>
Operating expenses	134,359,392	137,814,723
Cost of goods, materials and services	120,873,337	114,517,863
Cost of labour	1,822,027	1,461,242
Write-offs	956,225	889,866
Other operating expenses	10,707,803	20,945,752
Financing expenses	221,530	985,150
Other expenses	5	38,391
<b>Total profit or loss</b>	<b>36,770,371</b>	<b>61,064,476</b>
Income tax	6,364,827	13,430,846
Deferred tax	-112,114	-884,122
<b>Net profit or loss for the period</b>	<b>30,517,658</b>	<b>48,517,752</b>

Table III 3: Statement of other comprehensive income for 2010

	2010	2009
Net profit or loss for the period	30,517,658	48,517,752
<b>Gains and losses on remeasuring available-for-sale financial assets</b>	<b>115,210</b>	<b>-15,333</b>
<b>Total comprehensive income for the period</b>	<b>30,632,868</b>	<b>48,502,419</b>

### 3.3. Cash flow statement – ver. II

Table III 4: Cash flow statement for 2010

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income statement items	21,299,623	43,528,414
Changes in net current assets under income statement operating items	-7,284,500	7,343,677
Net cash flow from operating activities	14,015,123	50,872,091
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows from investing activities	19,812,102	6,242,124
Outflows from investing activities	-3,324,706	-45,919,098
Net cash flow from investing activities	16,487,396	-39,676,974
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Outflows from financing activities	-30,502,720	-11,194,838
Net cash flow from (used in) financing activities	-30,502,720	-11,194,838
<b>Closing balance</b>	<b>372</b>	<b>573</b>
<b>Net cash flow for the period</b>	<b>-201</b>	<b>279</b>
<b>Opening balance</b>	<b>573</b>	<b>294</b>

### 3.4. Statement of changes in equity

Table III 5: Statement of changes in equity for 2009

	Share capital	Capital reserves	Legal reserves	Other re-serve reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss	Total
	I/1	II	III/1	III/5	IV	V	VI	VII
<b>A.1. As at 31/12/2008</b>	26,059,796	239,609,558	2,605,980	85,807,752	-117,851	22,057,840	0	376,023,075
<b>A.2. As at 1/1/2009</b>	26,059,796	239,609,558	2,605,980	85,807,752	-117,851	22,057,840	0	376,023,075
<b>B.1. Changes in equity capital – transactions with owners</b>	0	0	0	0	0	-7,262,000	0	-7,262,000
g) Payment of dividends						-7,262,000		-7,262,000
<b>B.2. Total comprehensive income for the reporting period</b>	0	0	0	0	-13,758	0	48,517,752	48,503,994
a) Input of net profit or loss for the reporting period							48,517,752	48,517,752
d) Gains and losses on remeasuring financial investments					-13,758			-13,758
<b>B.3. Changes in equity</b>	0	0	0	39,054,716	0	-14,795,840	-24,258,876	0
a) Distribution of the rest of net profit from the comparative reporting period to other equity components				14,795,840		-14,795,840		0
b) Distribution of a part of net profit from the reporting period to other equity components – MB and SB				24,258,876			-24,258,876	0
<b>C. As at 31/12/2009</b>	26,059,796	239,609,558	2,605,980	124,862,468	-131,609	0	24,258,876	417,265,069

Table III 6: Statement of changes in equity for 2010

	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss	Total
	I/1	II	III/1	III/5	IV	V	VI	VII
<b>A.1. As at 31/12/2009</b>	26,059,796	239,609,558	2,605,980	124,862,468	-131,609	24,258,876		417,265,069
<b>A.2. As at 1/1/2010</b>	26,059,796	239,609,558	2,605,980	124,862,468	-131,609	24,258,876	0	417,265,069
<b>B.1. Changes in equity capital – transactions with owners</b>	0	0	0	-3,000,000	0	-24,258,876	0	-27,258,876
g) Payment of dividends				-3,000,000		-24,258,876		-27,258,876
<b>B.2. Total comprehensive income for the reporting period</b>	0	0	0	0	92,167	0	30,517,658	30,609,825
a) Input of net profit or loss for the reporting period							30,517,658	30,517,658
d) Gains and losses on remeasuring financial investments					92,167			92,167
<b>B.3. Changes in equity</b>	0	0	0	15,258,829	0	0	-15,258,829	0
b) Distribution of a part of net profit from the reporting period to other equity components – MB and SB			0	15,258,829			-15,258,829	0
<b>C. As at 31/12/2010</b>	26,059,796	239,609,558	2,605,980	137,121,297	-39,442	0	15,258,829	420,616,018

### 3.5. Balance-sheet profit account

Table III 7: Annex to the statement of changes in equity – balance-sheet profit

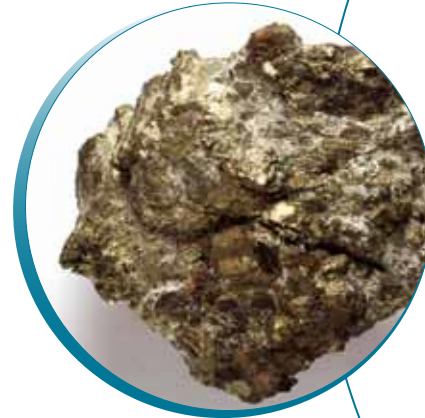
	2010	2009
Net profit for the financial year		48,517,752
Increase in revenue reserves – MB or SB	30,517,658	24,258,876
a) other revenue reserves	15,258,829	24,258,876
Release of other reserves – Govt. of RS	0	3,000,000
<b>Balance-sheet profit and its distribution</b>	<b>15,258,829</b>	<b>27,258,876</b>

Energy is also released in the earth's core with the decay of naturally-occurring radioactive elements.

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# 04.

## Summary of the Financial Report of the GEN Group







## Independent Auditor's Report on the Summary financial Statements

### To the Readers of the Public Summary of the Annual Report of the GEN energija Group

The accompanying summary consolidated financial statements, which comprise the summary consolidated balance sheet as at 31 December 2010, the summary consolidated income statement, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of GEN energija Group for the year ended 31 December 2010. We expressed an unmodified audit opinion on those financial statements in our report dated 9 May 2011. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary consolidated financial statements do not contain all the disclosures required by the Slovene Accounting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the GEN energija Group.

#### Management's Responsibility for the Summary Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with the *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 financial statements of the GEN energija Group for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements.

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

Renata Eržen Potisek, M.Sc.Ec.  
*Certified Auditor*

Marjan Mahnič, B.Sc.Ec.  
*Certified Auditor*  
*Partner*

**KPMG Slovenija, d.o.o.**  
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Ljubljana, 3 June 2011

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

# 2. Basis for drawing up financial statements of the GEN Group and the financial report

## 2.1. About the GEN Group

The purpose of compiling consolidated financial statements is to present the financial position and the performance of a group of interconnected companies as if they were one. 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 duties.

**Table IV 1: About the GEN Group**

Company name	Company status in the Group	Equity stake
<b>GEN energija</b>	<b>Parent</b>	<b>-</b>
GEN-I	Jointly controlled	50%
NEK	Jointly controlled	50%
TEB	Subsidiary	100%
SEL	Subsidiary	86,2%

The consolidation of the controlled companies is performed on the basis of the full consolidation method, and the jointly controlled companies are included in the Group based on the proportionate consolidation method.

The subsidiary GEN-I is also a controlling company. It has the following wholly owned subsidiaries:

- GEN-I, d.o.o., Zagreb, Croatia;
- GEN-I, d.o.o., Beograd, Serbia;
- GEN-I, Budapest Kft, Hungary;
- GEN-I, Skopje, Republic of Macedonia;
- GEN-I, Sarajevo, Bosnia and Herzegovina;
- GEN-I, Tirana, Albania;
- GEN-I, Athens, Greece;
- S.C.GEN-I, Bucharest, Romania;
- GEN-I, Sofia SpLLc, Bulgaria;
- GEN-I, Milano, Italy;
- GEN-I, Vienna, Austria;

GEN-I's subsidiaries are incorporated into the Group based on the chain consolidation method or through consolidation of the subgroup of GEN-I, a subsidiary.

The subsidiary company SEL holds a 25% interest in the company HSE Invest, d.o.o., Obrežna 170a, 2000 Maribor, and has a significant influence in this associated 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.

## 2.2. Audit

All the companies have been audited by the same auditing firm, KPMG Slovenija, d.o.o., prior to consolidation. All the companies in the Group received unqualified audit opinions.





# 3. Financial statements of the Group

## 3.1. Balance sheet of the Group

Table IV 2: Balance sheet of the Group as at 31/12/2010

	31/12/2010	31/12/2009
<b>ASSETS</b>	<b>679,897,977</b>	<b>654,644,767</b>
<b>A. Fixed assets</b>	<b>421,462,202</b>	<b>421,557,795</b>
I. Intangible assets and long-term deferred expenses and accrued income	1,561,152	2,212,243
II. Tangible fixed assets	369,152,105	369,872,645
III. Investment property	294,947	317,718
IV. Long-term financial investments	40,584,788	39,162,845
V. Long-term operating receivables	1,613,437	1,957,768
VI. Deferred tax assets	8,255,773	8,034,576
<b>B. Current assets</b>	<b>256,581,247</b>	<b>231,758,309</b>
I. Inventories	36,962,748	41,407,325
II. Short-term financial investments	144,497,665	142,290,088
III. Short-term operating receivables	66,258,087	39,991,094
IV. Cash	8,862,747	8,069,802
<b>C. Short-term deferred expenses and accrued income</b>	<b>1,854,528</b>	<b>1,328,663</b>
OFF-BALANCE-SHEET ASSETS	156,233,506	153,298,638
<b>LIABILITIES</b>	<b>679,897,977</b>	<b>654,644,767</b>
<b>A. Equity</b>	<b>525,256,902</b>	<b>521,650,588</b>
I. Called-up capital	26,059,796	26,059,796
II. Capital reserves	242,535,098	242,535,098
III. Revenue reserves	149,744,863	135,925,543
IV. Revaluation surplus	-728,125	-213,644
V. Net profit from previous years	67,362,834	63,979,589
VI. Net profit for the financial year	19,593,871	32,670,817
VII. Minority interests	20,815,826	20,808,274
VIII. Translation adjustment to equity	-127,261	-114,885
<b>B. Provisions and long-term accruals and deferred income</b>	<b>67,675,643</b>	<b>66,579,134</b>
1. Provisions:	67,612,941	66,503,065
2. Long-term accruals and deferred income	62,702	76,069
<b>C. Long-term liabilities</b>	<b>8,445,005</b>	<b>19,559,721</b>
I. Long-term financial liabilities	8,301,672	19,406,767
II. Long-term operating liabilities	143,333	152,954
<b>D. Current liabilities</b>	<b>75,286,475</b>	<b>39,682,461</b>
I. Current financial liabilities	27,215,292	9,466,740
II. Current operating liabilities	48,071,183	30,215,721
<b>E. Short-term accruals and deferred income</b>	<b>3,233,952</b>	<b>7,172,863</b>
OFF-BALANCE-SHEET LIABILITIES	156,233,506	153,298,638

## 3.2. Income statement and statement of other comprehensive income of the Group

**Table IV 3: Income statement of the Group for 2010**

	2010	2009
<b>TOTAL INCOME</b>	<b>385,092,994</b>	<b>299,795,033</b>
Operating income	377,460,555	291,160,118
Financing income	7,181,040	8,431,203
Other income	451,399	203,712
<b>TOTAL EXPENSES</b>	<b>345,857,015</b>	<b>227,152,239</b>
Operating expenses	344,534,485	224,315,266
Financing expenses	1,228,743	2,739,639
Other expenses	93,787	97,334
<b>Total profit or loss</b>	<b>39,235,979</b>	<b>72,642,794</b>
Income tax	7,508,669	15,469,559
Deferred tax	-96,531	-894,070
<b>Minority interest</b>	<b>87,103</b>	<b>278,024</b>
<b>Čisti poslovni izid večinskih lastnikov</b>	<b>31,736,738</b>	<b>57,789,281</b>

**Table IV 4: Statement of other comprehensive income of the Group for 2010**

	2010	2009
<b>Net profit or loss for the period</b>	<b>31,823,841</b>	<b>58,067,305</b>
Gains and losses on remeasuring available-for-sale financial assets	-623,324	823,097
Gains and losses from translation of financial statements of companies abroad (impact of changes in exchange rates)	-246,352	149,407
<b>Total comprehensive income for the period</b>	<b>30,954,165</b>	<b>59,039,809</b>
Net profit or loss of minority owners	87,103	278,024
Gains and losses on remeasuring available-for-sale financial assets of minority owners	82,977	107,939
<b>Net profit or loss of majority owners</b>	<b>31,736,738</b>	<b>57,789,281</b>
<b>Total comprehensive income for the period for majority owners</b>	<b>30,784,085</b>	<b>58,653,846</b>

### 3.3. Consolidated cash flow statement

**Table IV 5: Consolidated cash flow statement for 2010**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income statement items	54,609,938	81,569,604
Changes in net current assets of balance sheet operating items	-10,772,918	17,269,480
Net cash flow from operating activities	43,837,020	98,839,084
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows from investing activities	59,162,486	141,850,355
Outflows from investing activities	-80,461,646	-211,539,037
Net cash flow from investing activities	-21,299,160	-69,688,682
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Inflows from financing activities	50,580,000	59,312,500
Outflows from financing activities	-72,324,915	-82,947,950
Net cash flow from (used in) financing activities	-21,744,915	-23,635,450
<b>Closing balance</b>	<b>8,069,802</b>	<b>8,069,802</b>
<b>Net cash flow for the period</b>	<b>792,945</b>	<b>5,514,952</b>
<b>Opening balance</b>	<b>8,069,802</b>	<b>2,554,850</b>

### 3.4. Consolidated statement of changes in equity

Table IV 6: Consolidated statement of changes in equity for 2009

	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Revaluation surplus	Profit or loss from previous years	Net profit or loss for the year	Translation adjustment to equity	Minority interests	Total equity
	I/1	II	III/1	III/5	IV	V	VI	VII	*	VIII
<b>A.1. As at 31/12/2008</b>	26,059,796	242,535,098	3,098,192	89,245,961	-907,739	61,835,378	28,186,569	-282,672	20,439,212	470,209,795
<b>A.2. As at 1/1/2009</b>	26,059,796	242,535,098	3,098,192	89,245,961	-907,739	61,835,378	28,186,569	-282,672	20,439,212	470,209,795
<b>B.1. Changes in equity capital – transactions with owners</b>	0	0	0	0	0	0	-7,262,000	0	0	-7,262,000
g) Payment of dividends	0	0	0	0	0	0	-7,262,000	0	0	-7,262,000
<b>B.2. Total comprehensive income for the reporting period</b>	0	0	0	0	694,095	0	57,789,281	0	91,038	58,574,414
a) Input of net profit or loss for the reporting period	0	0	0	0	0	0	57,789,281	0	0	57,789,281
d) Gains and losses on remeasuring financial investments	0	0	0	0	693,857	0	0	0	0	693,857
e) Other components of comprehensive income	0	0	0	0	238	0	0	0	91,038	91,276
<b>B.3. Changes in equity</b>	0	0	2,109,778	41,471,612	0	2,144,212	-46,043,033	167,787	278,024	128,380
a) Distribution of the rest of net profit from the comparative reporting period to other equity components	0	0	2,109,778	0	0	2,461,643	-4,571,421	0	278,024	278,024
b) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0	0	25,470,781	0	0	-25,470,781	0	0	0
c) Distribution of a part of net profit for additional provisions – General Meeting	0	0	0	16,000,831	0	0	-16,000,831	0	0	0
f) Other changes in equity	0	0	0	0	0	-317,431	0	167,787	0	-149,644
<b>C. As at 31/12/2009</b>	26,059,796	242,535,098	5,207,970	130,717,573	-213,644	63,979,589	32,670,817	-114,885	20,808,274	521,650,588

Table IV 7: Consolidated statement of changes in equity for 2010

	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Revaluation surplus	Profit or loss from previous years	Net profit or loss for the year	Translation adjustment to equity	Minority interests	Total equity
	I/1	II	III/1	III/5	IV	V	VI	VII	*	VIII
<b>A.1. As at 31/12/2009</b>	26,059,796	242,535,098	5,207,970	130,717,573	-213,644	63,979,589	32,670,817	-114,885	20,808,274	521,650,588
b) Retroactive adjustments					95,374					
<b>A.2. As at 1/1/2010</b>	26,059,796	242,535,098	5,207,970	130,717,573	-213,644	64,074,963	32,670,817	-114,885	20,808,274	521,745,962
<b>B.1. Changes in equity capital – transactions with owners</b>	0	0	0	-3,000,000	0	-24,258,876	0	0	0	-27,258,876
g) Payment of dividends	0	0	0	-3,000,000	0	-24,258,876	0	0	0	-27,258,876
<b>B.2. Total comprehensive income for the reporting period</b>	0	0	0	0	-514,481	-233,976	31,823,841	-12,376	-79,552	30,983,456
a) Input of net profit or loss for the reporting period	0	0	0	0	0	0	31,823,841	0		31,823,841
d) Gains and losses on remeasuring financial investments	0	0	0	0	-514,481	0	0	0	-79,552	-594,033
f) Gains and losses from translation of financial statements of companies abroad	0	0	0	0	0	-233,976	0	-12,376	0	-246,352
<b>B.3. Changes in equity</b>	0	0	778,774	16,040,546	0	27,780,724	-44,900,786	0	87,104	-213,638
a) Distribution of the rest of net profit from the comparative reporting period to other equity components	0	0		0	0	27,994,362	-27,994,362	0	0	0
b) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0	778,774	16,040,546	0	0	-16,906,424	0	87,104	0
f) Other changes in equity	0	0	0	0	0	-213,638	0	0	0	-213,638
<b>C. As at 31/12/2010</b>	26,059,796	242,535,098	5,986,744	143,758,119	-728,125	67,362,834	19,593,871	-127,261	20,815,826	525,256,902

## 3.5. Balance-sheet profit account

**Table IV 8: Balance-sheet profit of the Group**

	2010	2009
Profit or loss from previous years	96,745,780	90,021,947
Group's net profit for the financial year	31,823,841	57,789,280
Increase in legal reserves – MB	-778,774	-2,109,778
Increase in other revenue reserves – MB	-16,040,547	-25,470,781
Increase in other reserves – GM	0	-16,000,831
Release of other revenue reserves	3,000,000	0
Distribution of profit – GM	-27,258,876	-7,262,000
Other reductions to equity components	-534,719	-317,431
- loss from translation of financial statements of companies abroad	-233,976	-39,407
- tax effect of companies abroad	-213,639	0
- share of profit of minority owners	-87,104	-278,024
<b>Balance-sheet profit and its distribution</b>	<b>86,956,705</b>	<b>96,650,406</b>

## ACRONYMS AND ABBREVIATIONS

<b>CA-1</b> – Companies Act	<b>kWh</b> – kilowatt-hour
<b>CHF</b> – Swiss franc	<b>LILW</b> – low- and intermediate-level radioactive waste
<b>CO<sub>2</sub></b> – carbon dioxide	<b>MB</b> – Management Board
<b>d.d.</b> – joint-stock company	<b>MW</b> – megawatt
<b>d.o.o.</b> – limited liability company	<b>MWh</b> – megawatt-hour
<b>EC</b> – eligible customers	<b>NC GEN</b> – GEN Control Centre
<b>ECB</b> – European Central Bank	<b>NEK</b> – Nuklearna elektrarna Krško, d.o.o. (Krško Nuclear Power Plant)
<b>EES</b> – national electric power grid	<b>NEK Fund</b> – Fund for Financing Decommissioning of NEK and Disposal of Radioactive Waste from NEK
<b>EEX</b> – European Energy Exchange, Leipzig	<b>NLB</b> – Nova Ljubljanska banka, d.d.
<b>ELES</b> – Elektro-Slovenija, d.o.o.	<b>NPP</b> – nuclear power plant
<b>EU</b> – European Union	<b>OB</b> – other buyers
<b>EUR</b> – euro	<b>OSART</b> – Operational Safety Review Team
<b>GEN</b> – GEN energija, d.o.o.	<b>PWR</b> – pressurized water reactor
<b>GEN Group</b> – the GEN energija Group	<b>QP</b> – qualified producer
<b>GEN-I</b> – GEN-I, d.o.o.	<b>ReNEP</b> – Resolution on the National Energy Programme
<b>GM</b> – General Meeting	<b>RES</b> – renewable energy sources
<b>GO</b> – guarantee of origin	<b>RS</b> – Republic of Slovenia
<b>GSP</b> – gas-steam power plant	<b>SAS</b> – Slovenian Accounting Standards
<b>GWh</b> – gigawatt-hour	<b>SB</b> – Supervisory Board
<b>HESS</b> – Hidroelektrarne na spodnji Savi, d.o.o. (Hydroelectric Power Plants on the lower Sava River)	<b>SCC</b> – small commercial customers
<b>HPP</b> – hydroelectric power plant	<b>SEL</b> – Savske elektrarne Ljubljana, d.o.o.
<b>HSE</b> – Holding Slovenske elektrarne d.o.o.	<b>SHP</b> – small-scale hydroelectric power plant
<b>IAEA</b> – International Atomic Energy Agency	<b>SPP</b> – small-scale photovoltaic power plant
<b>Intergovernmental Agreement on NEK</b> – The agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia defining the status and other legal relationships regarding investments in Krško Nuclear Power Plant, its operation and decommissioning	<b>TEB</b> – Termoelektrarna Brestanica, d.o.o. (Brestanica Thermal Power Plant)
<b>IS GEN</b> – GEN Information Centre	<b>TE-TOL</b> – Termoelektrarna-toplarna Ljubljana, d.o.o.
<b>JEK 2</b> – Krško Nuclear Power Plant – Unit 2	<b>UCTE</b> – Union for the Coordination of Transmission of Electricity
<b>kV</b> – kilovolt	<b>USD</b> – U.S. dollar
	<b>WANO</b> – World Association of Nuclear Operators





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