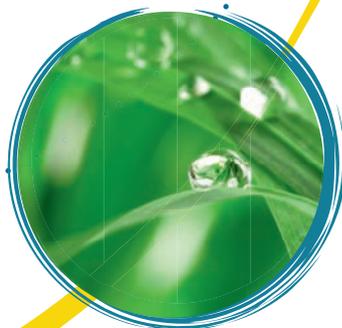
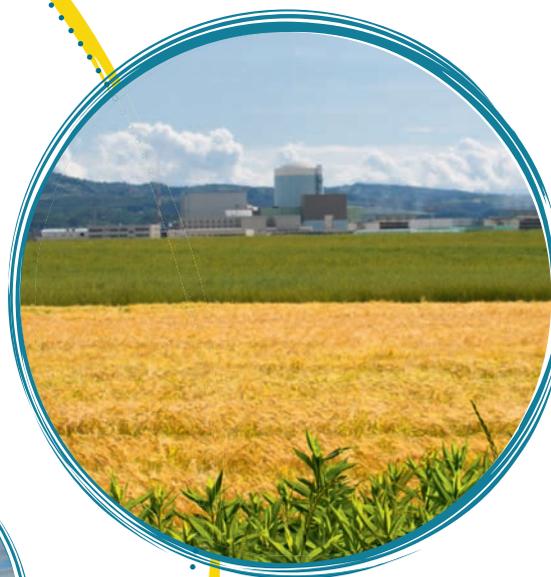


Sustainability Report of the GEN Group 2010



Sustainability Report of the GEN Group 2010

Krško, June 2011

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1.1 Word from the Director

The World of Energy and working towards a sustainable, responsible energy future

»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.« (the vision of the GEN Group as outlined in the Group's Annual Report for 2010)

The pursuit of sustainable development is an integral and pivotal part of the vision, mission and values of the GEN Group. In the Sustainability Report produced and published for the first time last year we made a number of pledges: on the one hand, by laying down plans and objectives for separate areas of our sustainability-focused operation, and, on the other hand, by pledging to further strengthen the Group's efforts towards sustainability in the future. So, here before you is our second Sustainability Report, outlining the Group's key activities, measures and achievements in 2010.

In 2010 at least three (and many more) factors inspired us to stay on course towards achieving sustainable planning and activities.

- On the macrosocial scale we were still facing unfavourable market conditions in 2010: mostly in the form of sluggish economic recovery in the aftermath of the global recession and the resulting lower electricity consumption and high availability of electricity at moderate prices. Nonetheless, the Group managed to meet all its operational and business objectives and to close the year with business results even better than planned.
- As regards the energy industry, the year 2010 was marked by the drawing up of the National Energy Programme (NEP), which is going to lay down the strategy, policies and objectives of Slovenia's energy industry by 2030.
- With regard to strategic activities of the GEN Group, specifically in the context of our central development project JEK 2, we submitted to the Ministry of the Economy an application to obtain an energy licence. This is one of the first steps and documents in the decision-making process on the expansion of nuclear capabilities for electricity production purposes in Slovenia.



Our second key development activity was the construction of GEN Information Centre, which incorporates a visitor centre called The World of Energy (Svet energije). The centre is set to open in 2011. I am confident The World of Energy, with its state-of-the-art presentation media such as scale models, multimedia presentations, and interactive content, will inspire visitors to learn about and expand their knowledge of the fundamental energy concepts, sources of energy, power generation technologies and the role of electricity in the development of society. The difficult post-crisis economic situation, the decision-making process on the long-term energy future of our country, the first formal steps towards the expansion of electricity production from a clean and sustainable source – nuclear energy, and the start of the construction of GEN Information Centre – World of Energy. All these were the key driving factors in 2010 that prompted us to carefully balance our objectives in terms of business excellence and operating efficiency, environmental responsibility and social mindfulness.

Of course, there were also other activities, investments and partnerships in the spheres of promoting renewable energy sources, raising awareness about the possibilities for energy efficiency and expanding knowledge and developing a better understanding of energy and the energy industry among various stakeholder groups: children and youth, business partners, expert circles, the media. At the heart of it all is the care we invest in highly qualified, devoted and dependable employees and in the planning for recruitment and development of people who will join us and help us fulfil our high, sustainability-focused ambitions in the future.

These are the key components of the report before you.

Have a pleasant read.

Martin Novšak

Director
GEN energija

1.2 Word from the Editorial Team

A uniform and well-planned approach to sustainable development

This year has seen the second release of the Report on the contribution of the GEN Group and its companies towards the fulfilment of sustainable development (or Sustainability Report for short). In it we assess the impacts that the operation of our power plants, the planning and implementation of strategic projects, the relationships with our customers – consumers of electricity – and the fostering of various partnerships within our Group have on society and the environments in and for which we operate.

The key topics are presented in seven main sections, in which we try to give a well-balanced picture of the environmental, economic or technical, and social impacts of our operation. The balance dimension varies from section to section. One of the fundamental aims of our future reporting on the fulfilment of sustainable development is to improve in this respect.

Unlike in last year's Sustainability Report, this year the following two chapters have been merged:

- the chapter on the existing (employees) and potential (students) human resources,
- the chapter on sponsorships and donations and long-term strategic partnership projects.

The reason for this is the same in both instances: it is impossible and pointless to separate activities and measures in one area from activities and measures in another area. Every plan, move and assessment we make we make with the aim of ensuring continued successful, responsible and sustainability-focused operation of our Group.

A look back (comparison with the Sustainability Report for 2009) reveals that we accomplished most of our goals. Where we failed to deliver is clearly marked in the report and accompanied by reasons and detailed descriptions.

And looking ahead? Absolutely, we look ahead with determination, ambition and a clear focus. This includes:

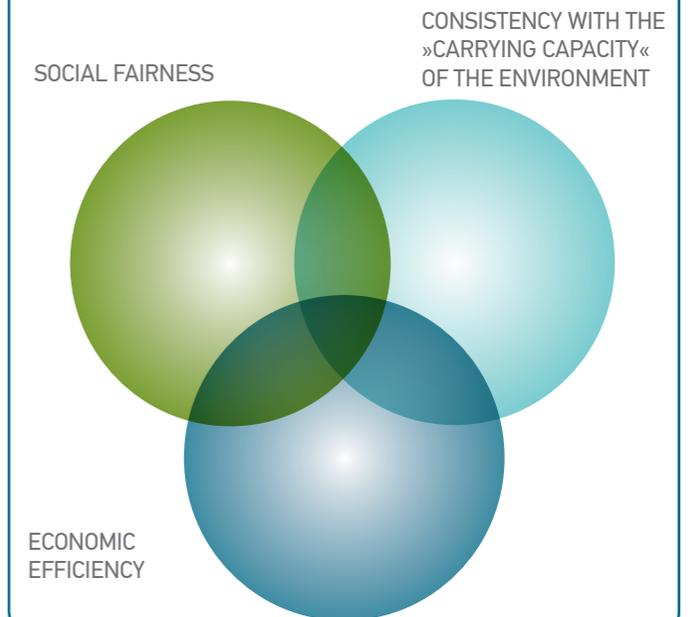
- Carrying on with responsible and sustainability-focused activities and projects within our Group and its individual companies;

- Improving the accuracy and measurability of qualitative and quantitative objectives in our future sustainability reports;
- Strengthening relationships and partnership activities with the key stakeholders: the expert and business circles, our employees, electricity consumers, school children and youth, non-governmental organizations and, last but definitely not least, the media.

You are kindly invited to read through the report. If you have any questions, suggestions or comments, feel free to let us know.

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Strategic dimensions of sustainable development: environmental, social and economic



1.3 GEN and sustainable development: positions, activities and achievements in 2010

A brief summary of topics examined in more detail inside the report:

>>> 99.81% of electricity we produced came from sustainable and renewable sources

The GEN Group in 2010 again contributed a substantial share towards pursuing low- or zero-carbon electricity production. For the good of the environment and to reduce the effects of climate change. With nuclear, hydro and solar energy. Read more on page 10.

>>> Through efficient operation of the nuclear power plant and hydroelectric power plants we reached more than 99% of the production targets in 2010

We had 3,123 GWh of electricity available. Our production units operated very efficiently. NEK recorded the longest period of continuous operation of its power plant: 515 days. Large hydroelectric power plants achieved a record high production: 382 GWh. Read more on page 14.

>>> GEN Group companies make EUR 3.3 million worth of investments in renewable energy sources

Key investment projects in hydropower in 2010: the reconditioning of Moste HPP generating units and the HESS project – construction of hydroelectric power plants on the lower Sava River And solar power: solar power plants MFE Vrhovo (by SEL) and MFE TEB 2 and MFE TEB 3 (by TEB). Read more on page 18.

>>> JEK 2 project: investment in a sustainable energy source

An application to obtain an energy licence, one of the first documents in the decision-making process, has been submitted to the Ministry of the Economy. Independently and with the help of external experts from Slovenia and abroad, we completed preliminary studies and analyses which provide the basis for the siting procedure and for defending the preservation and expansion of electricity production from nuclear energy. Read more on page 22.

>>> Energy efficiency efforts: aimed at children, youth, and electricity consumers

For a number of years we in the GEN Group have been promoting energy efficiency among our consumers (retail and commercial), through education and awareness-raising campaigns aimed at children and youth (the Energy-Efficient School project) and by incorporating energy efficiency concepts into our strategic projects such as JEK 2. Read more on page 26.

>>> Knowledgeable people: today, for tomorrow

Only knowledgeable employees are efficient, thorough and responsible at what they do. And on top of that, the GEN Group employees are experienced, devoted and dependable. We invest in ongoing education and training and professional and personal growth of our people and look after their health and well-being. We carefully plan the development of future human resources that will help us achieve our high ambitions. Read more on page 30.

>>> From sponsorships and donations to energy partnerships

We are making intense efforts to shift our focus from sponsorships and donations to forging partnerships with organizations that need our financial, organizational or technical support for their operation or projects. We are strengthening our role in spreading knowledge and providing a better understanding of energy-related topics, challenges and opportunities. Read more on page 34.



1.4 Report's compliance with GRI guidelines

The GEN Group follows the guidelines on reporting on sustainable development, so the substance and structure of this Sustainability Report are compliant with the GRI guidelines (Global Reporting Initiative – www.globalreporting.org). This way we provide a clear and transparent view of our operations, results and plans and ensure their comparability at the national and the international level.

The table below contains an overview of applicable GRI indicators taken into account in individual sections of the Sustainability Report, accompanied with cross-references. Also included are annotations denoting whether the contents of this report are partially or fully compliant both with the standard sustainability reporting guidelines (GRI: Sustainability Reporting Guidelines. Version 3) and specific guidelines for the energy industry (GRI: Sustainability Reporting Guidelines & Electric Utility Sector Supplement, RG Version 3/EUSS Final Version).

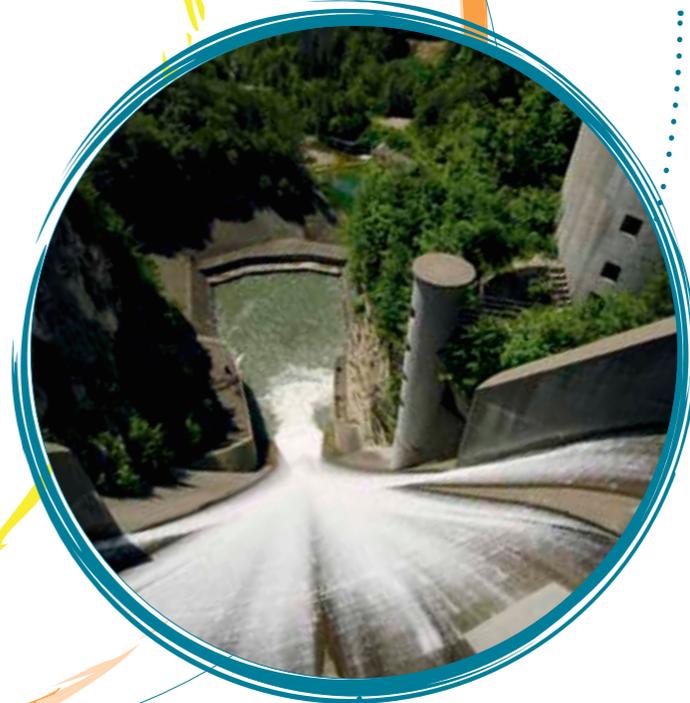
Chapter (item) in this report	Page in this report	Applicable standard GRI indicators (Standard Disclosure) ¹	Applicable specific GRI indicators (EUSS) ²
1. Introduction			
1.1 Word from the Director: The World of Energy and working towards a sustainable, responsible energy future	4	1.1	
1.2 Word from the Editorial Team: A uniform and well-planned approach to sustainable development	5	1.1, 3.1, 3.3, 3.5, 4.14	
1.3 GEN and sustainable development: positions, activities and achievements in 2010	6	3.1, 3.4, 3.5	
1.4 Report's compliance with GRI guidelines	7	3.12	
2. Main topics			
2.1 99.81% of electricity we produced came from sustainable and renewable sources	10	EN16	EU2
2.2 Through efficient operation of the nuclear power plant and hydroelectric power plants we reached more than 99% of the production targets in 2010	14		EU2, EU6
2.3 GEN Group companies make EUR 3.3 million worth of investments in renewable energy sources	18		EU2, EU8
2.4 JEK 2 project: investment in a sustainable energy source	22	EN18, EU19	EU6, EU8
2.5 Energy efficiency efforts: aimed at children, youth, and electricity consumers	26	4.16, EN5, EN6, EN7, EN26	EU23,
2.6 Knowledgeable people: today, for tomorrow	30	LA1, 4.16	EU14
2.7 From sponsorships and donations to energy partnerships	34	4.14, 4.16	
3. Key performance indicators	38	EC1	EU2, EU8, EU14
4. About the GEN Group	43	2 (2.1–2.8)	

¹ Global Reporting Initiative: Sustainability Reporting Guidelines. Version 3.0 (www.globalreporting.org).

² Sustainability Reporting Guidelines & Electric Utility Sector Supplement. RG Version 3.0/EUSS Final Version (www.globalreporting.org).

02.

Main topics



2.1

99.81% of electricity we produced came from sustainable and renewable sources



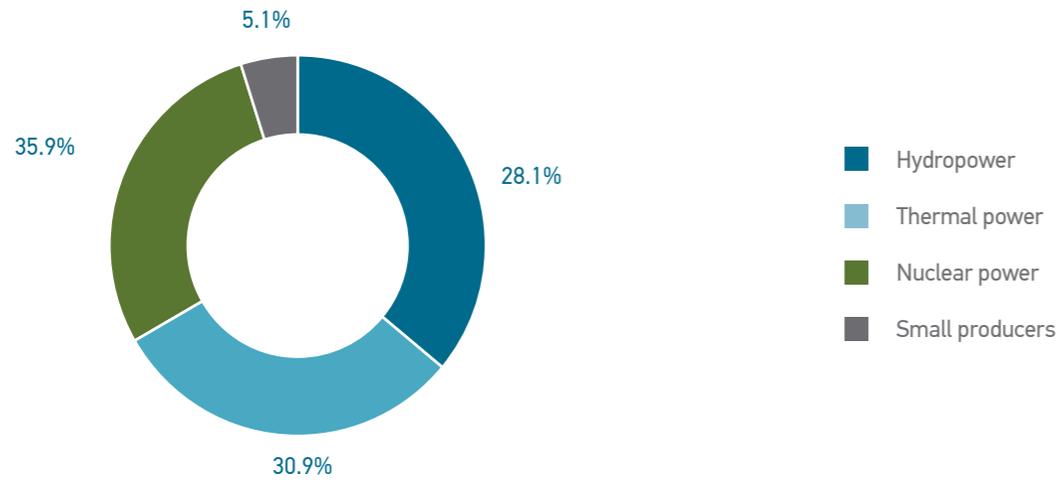
This way the GEN Group in 2010 again contributed a substantial share towards pursuing low- or zero-carbon electricity production. For the good of the environment and to slow down climate change.

Table 1: The electricity production portfolio of the GEN Group is based mostly on sustainable and renewable energy sources (data for 2010)

Form of energy	Power plant	Electricity produced in 2010 (GWh)	Electricity produced in 2010 (% of the total GEN Group output)
Nuclear	Krško Nuclear Power Plant – NEK	2,690	86.27%
Hydro	Hidroelektrarne na spodnji Savi – HESS	46	1.46%
	Savske elektrarne Ljubljana – SEL		
	- large HPPs	382	12.24%
	- small-scale HPPs	0.430	0.014%
Solar	small-scale photovoltaic power plants (SPP):		
	- MFE SEL: MFE Mavčiče, MFE Medvode, MFE Vrhovo	0.209	0.0067%
	- MFE TEB 1, 2, 3	0.133	0.0043%
Total:		3,118 (rounded down) or 3,118.772 (unrounded)	

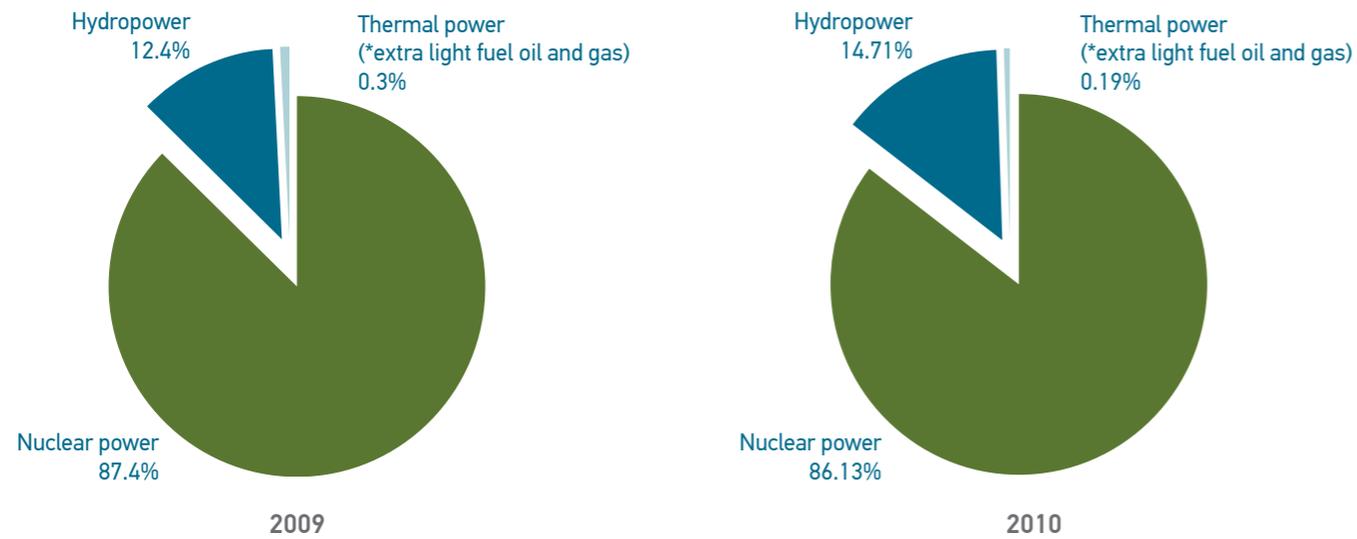
The largest amount of electricity generated in 2010 came from the nuclear power plant (NEK) and the large hydroelectric power plants (SEL and HESS). The electricity generated at the gas-steam power plant (Brestanica Thermal Power Plant – TEB) is not included in the above table. The principal function of this production unit within the GEN Group is to compensate for outages at larger production units in the Slovenian power grid.

Figure 1: Structure of electricity production sources in Slovenia in 2009



Based on data from the most recent report of the Energy Agency of the Republic of Slovenia issued prior to the release of this Sustainability Report of the GEN Group for 2010, i.e. »Report on the energy sector in Slovenia for 2009«. (June 2010)

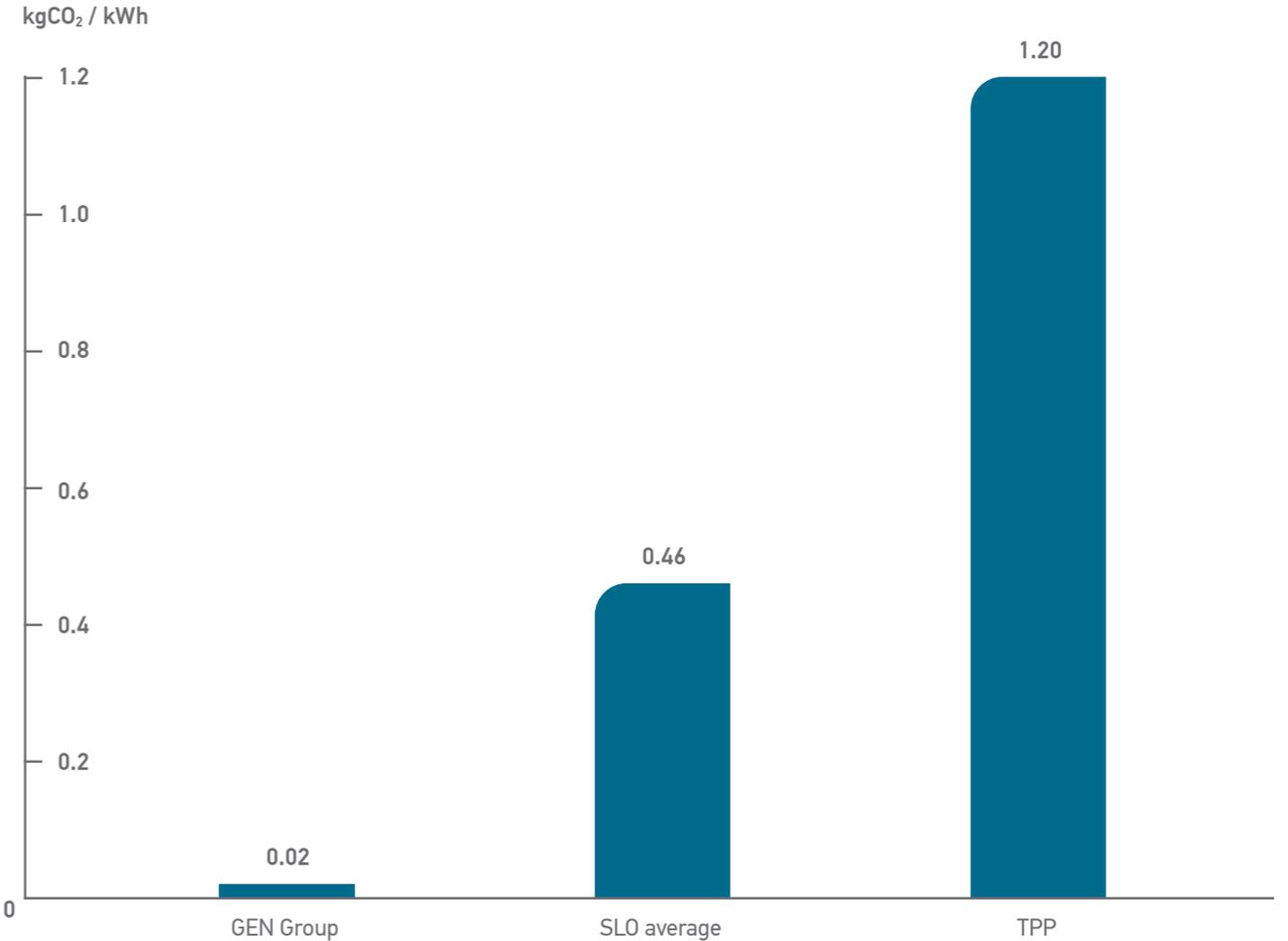
Figure 2: Structure of electricity production sources in the GEN Group in 2009 and 2010



In terms of CO₂ emissions, the GEN Group's production portfolio, compared to the overall national portfolio of electricity production sources, is environmentally acceptable and focused on sustainability. The graphs show the comparison of the structures of electricity production sources in Slovenia for 2009 (source: »Report on the energy sector in Slovenia for 2009«, Energy

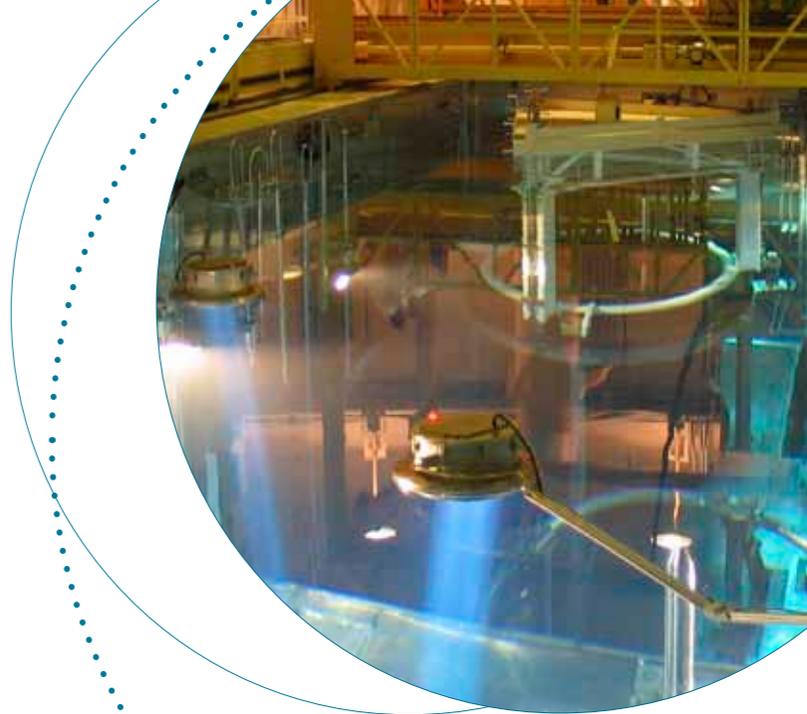
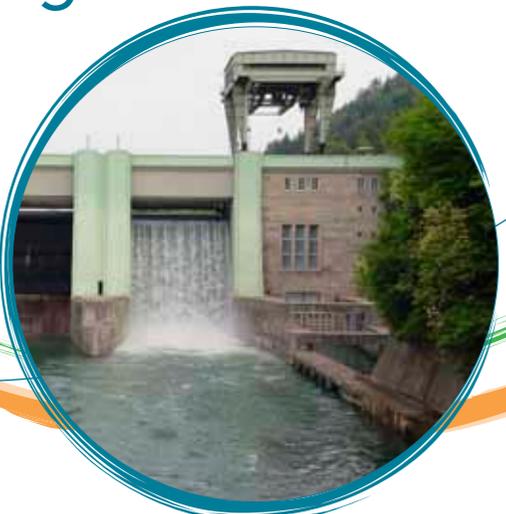
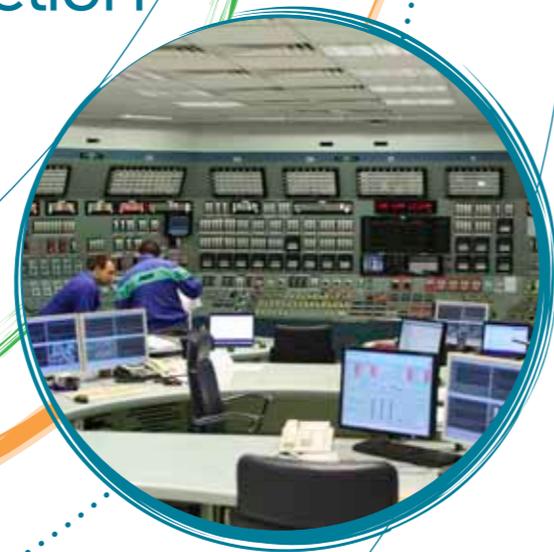
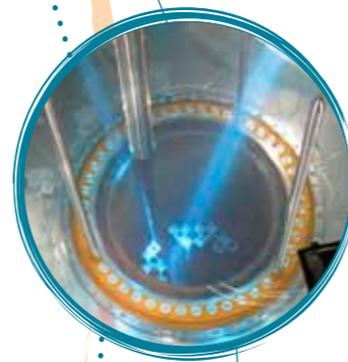
Agency of the Republic of Slovenia; Maribor, June 2010) and of the GEN Group for 2009 and 2010 (source: annual reports of the GEN Group for 2009 and 2010). Production data for small-scale hydroelectric power plants and small-scale photovoltaic power plants are not included in the shown structures of the GEN Group production sources. Their production output in 2010 amounted to a combined total of around 0.7 GWh.

Figure 3: Comparison of CO₂ emissions per kWh produced (data for 2008)



2.2

Through efficient operation of the nuclear power plant and hydroelectric power plants we reached more than 99% of the production targets in 2010



3,123 GWh of electricity was available to the GEN Group in 2010. Our production units recorded very high efficiency rates in 2010.

From the NC GEN Control Centre, which is used for coordinating the operation of the entire Group, we controlled the operation of our production units and effectively mitigated the effects of any unpredictable events, for example the unplanned extension of the regular maintenance outage at NEK. This is also reflected in the good electricity production results.

Table 2: GEN's performance in 2010 – electricity production target and results of the GEN Group for 2009 and 2010 (GWh)

	Target	Result	Ratio
2009	3,038	3,108	1.0230
2010	3,142	3,123	0.9942

2.2.1 NEK recorded in 2010 the longest period of uninterrupted power plant operation: 515 days

In 2010 NEK generated 5,380 GWh of electricity, one-half of which belongs to the GEN Group according to the Intergovernmental Agreement on NEK, i.e. 2,690 GWh. As in previous years, NEK again recorded high safety and availability rates due to effective operation control and tight supervision of work during regular operation and scheduled maintenance outage. The 24th fuel cycle was completed in 2010, during which the power plant operated on the power grid for 515 days. This was the longest period of continuous operation in the nuclear power plant's history.

The scheduled maintenance outage took a good 36 days to complete and was extremely demanding both in terms of scope and complexity of the tasks performed. The most crucial activity was the replacement of the main generator stator, alongside which 38 other modifications were also performed in order to increase the reliability and availability of the power plant's operation. The condition of the equipment was assessed by independent external institutions as good, which makes for a sound footing for the power plant's safe and reliable operation in the next, 25th, fuel cycle set to last until April 2012.



**NEK power plant availability index: 89.9%;
utilization index: 92.2% (data for 2010)**

Performance Indicators as defined by the World Association of Nuclear Operators (WANO) confirm that NEK met its key operating goals in 2010.

Table 3: NEK electricity production (GWh) in 2010

	2010		
	Target / 50% target	Result / 50% result	Ratio
NEK	5,390 / 2,695	5,380 / 2,690	0.998

2.2.2 Record electricity production at large SEL hydroelectric power plants: 382 GWh

SEL, which generates electricity exclusively from renewable energy sources (hydro energy), reached a record high production at its large hydroelectric power plants in 2010: 382 GWh. The high production output is the result of good hydrological conditions throughout the year except for April and July. The company exceeded its targets by 23.9%.

Table 4: Large-scale HPP electricity production (GWh) in 2010

	2010		
	Target	Result	Ratio
SEL – large HPPs	308	382	1.239

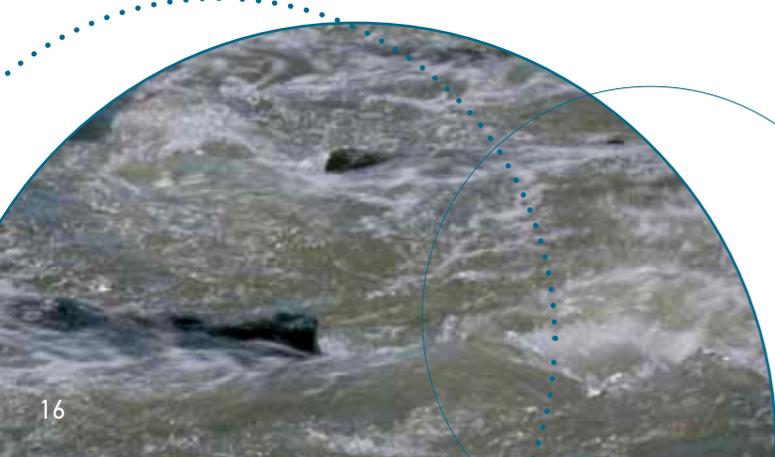
By contrast, electricity production at small-scale hydroelectric power plants was 6% below targets due to frequently interrupted operation during high water levels. The total production at small-scale hydroelectric power plants Mavčiče and Vrhovo amounted to 430 MWh in 2010.

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 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). Moste HPP is the only hydroelectric power plant with weekly water accumulation. Moste HPP is therefore the only plant capable of participating in system-wide frequency control on a weekly basis in response to unevenly distributed consumption of electricity (by days of the week: weekdays, weekends and holidays).

Figure 4: Electricity production units of the GEN Group



SEL launched the reconditioned Moste HPP in October 2010 and a month later completed the first stage of the reconstruction of Mavčiče HPP, where half of the 110 kV switchyard was replaced.



2.3

GEN Group companies make EUR 3.3 million worth of investments in renewable energy sources



In terms of investing in renewable energy sources, in 2010 the investment potential of the GEN Group was channelled mostly into the following projects:

- **hydro energy: reconditioning of Moste HPP generating units, the HESS project – hydroelectric power plants on the lower Sava River**
- **solar energy: solar power plant MFE Vrhovo (SEL), solar power plants MFE TEB 2 and MFE TEB 3 (construction) and MFE TEB 4 (preparation of project documentation).**

Investments in the development of new, renewable energy sources were therefore predominantly directed towards hydro and solar energy. Investments made by SEL in this respect amounted to EUR 0.6 million in 2010, and investments made by TEB EUR 0.9 million. The whole GEN Group put EUR 2.2 million into the HESS construction project (of which EUR 1.8 million by the company GEN energija).

2.3.1 Hydropower

Reconditioning of Moste HPP generating units

SEL carried out the reconditioning of the generating units and the overhaul of the power house at its Moste HPP. The switchyard at Moste HPP has also been completely overhauled. This project, which started as early as March 2008, represents the most important part of the company's overall investing activity in 2010.

In 2010, SEL allocated EUR 6.6 million from amortization, depreciation and other own resources for regular major maintenance of its facilities and for the development of the company in the area of harnessing renewable energy sources.

Construction of hydroelectric power plants on the lower Sava River

With regard to increasing the production of electricity from renewable sources, in 2010 we again focused most of our attention on hydro energy thanks to the expert knowledge of hydroelectric power plant technologies and the GEN Group companies' remarkable track record in this area. Our goal here is to expand and consolidate our own production portfolio based on hydro energy.

The project to build hydroelectric power plants on the lower Sava River (HESS) is among the key strategic goals of the GEN Group. In 2010 the cost of investment in HESS amounted to EUR

2.2 million groupwide. Compared to 2009, the GEN Group had at its disposal more own resources for planned investments, so capital inputs in 2010 compared to 2009 (EUR 4.6 million worth of investments) were proportionally lower.

In addition to making financial investments in the project, the GEN Group, with the expertise and experience of its people and with strategically planned training, also makes a substantial contribution to the efficient operation and maintenance of its existing hydroelectric power plants, Moste HPP, Medvode HPP, Mavčiče HPP and Vrhovo HPP.

2.3.2 Solar energy

Despite knowing that the production capacities of solar power plants are limited compared to other zero-carbon sources in the Group, mostly nuclear and hydro energy, the GEN Group sees investment in the development of know-how and human resources and in the promotion of technologies for harnessing solar energy to generate electricity as a crucial development area. Our goals for 2010 in this respect have been largely accomplished, and some activities were postponed until 2011.



Table 5: Overview of fulfilled goals in 2010 – SEL and TEB solar energy projects

Plans for 2010 (source: Sustainability Report of the GEN Group 2009)	Results, plans for 2011	
SEL		
Small-scale photovoltaic power plant MFE Vrhovo 2 (right bank of the Vrhovo HPP reservoir, on the power plant's energy dam, nominal power: 355 kW)	✓	completed: operating licence obtained on 27 December 2010 (plan for 2011: obtainment of production unit declaration and guarantee of origin for electricity)
TEB		
Small-scale photovoltaic power plant MFE TEB 2 (rooftop over the car park, nominal power: 82 kW)	✓	completed: trial operation launched on 2 April 2010
Small-scale photovoltaic power plant MFE TEB 3 (rooftop of the GPO 2 industrial facility, where gas turbines PB 4 and PB 5 are installed; nominal power: 50 kW)	✓	completed: trial operation launched on 2 April 2010
A free-standing solar power plant »Solar Park MFE TEB 4« (nominal power: 504 kW): Obtaining a construction permit, contractor selection, and start of construction	✓/X	partially completed: project documentation produced (conceptual design and design for obtaining a construction permit)
A free-standing solar power plant »Solar Park MFE TEB 5« (nominal power: 500 kW): purchase of land, construction scheduled to begin in 2011	X	pending: project put on hold indefinitely in 2010

SEL: Vrhovo 2 Solar Power Plant project

SEL added the fourth solar power plant, MFE Vrhovo 2, to its existing three solar power plants (MFE Mavčiče, MFE Medvode 1 and MFE Vrhovo 1) at the end of 2010. With a power of 355 kWp, it is SEL's largest solar power plant. Its planned annual electricity production is 404 MWh.

TEB: MFE TEB 2 and MFE TEB 3 Solar Power Plant projects

The solar power plants MFE TEB 2 and MFE TEB 3 were put into trial operation in April 2010. MFE TEB 2 is an integrated solution installed on the rooftop above the car park, and MFE TEB 3 is located on the roof of the GPO 2 industrial facility, which houses gas turbines PB 4 and PB 5.

Table 6: Performance ratio of SEL and TEB solar power plants

GEN Group company / Name of production facility	2010 ratio
1. SEL	
MFE Medvode 2	0.998
MFE Vrhovo 2	
2. TEB	
MFE TEB 2	1.006
MFE TEB 3	0.905

SEL's solar energy plans for 2011

SEL is planning to put up a solar power plant on the rooftop of the former switching substation and ancillary building at Medvode HPP in 2011. The small-scale solar power plant will come with a power of 23 kWp and will be connected to the distribution grid. According to plans, all work except project engineering will be performed independently by SEL.

GEN energija – plans for 2011: MFE GEN

The company GEN energija is planning to build a solar power plant MFE GEN with nominal power of 41 kW in 2011.

Plans for harnessing wind power

SEL leadership pledged to expand as much as possible the utilization of renewable resources for the production of electricity. They plan to set out on the path towards tapping into wind energy by putting up a small-scale wind power plant in 2011, with a BTPS (*blade tip power system*) wind turbine installed, which is suitable for domestic and commercial use.

Table 7: Existing production of electricity from solar energy in the GEN Group (2010)

GEN Group company / Production facility (installed capacity in kW)	Total production output in 2010 (in GWh)
1. SEL	
MFE Mavčiče (71.4)	0.21
MFE Medvode 1 (58.8)	
MFE Vrhovo 1 (77.4)	
MFE Vrhovo 2 (355)	
2. TEB	
MFE TEB 1 (38.1)	0.13
MFE TEB 2 (81.8)	
MFE TEB 3 (49.9)	
TOTAL installed capacity: 732.4 kW	0.34

Table 8: Planned production of electricity from solar energy in the GEN Group

GEN Group company / Production facility (installed capacity in kW)	Production output targets for 2011 (in GWh)
1. SEL	
MFE Medvode 2 (23)	0.025
2. TEB	
MFE TEB 4 (504)	0.547
3. GEN	
MFE GEN 1 (43)	0.014
TOTAL installed capacity: 570 kW	0.586

Table 9: Existing (2010) and planned (2011) combined installed power (kW) of GEN Group's units for electricity production from solar energy – by company

GEN Group company	Combined installed power (in kW)
1. SEL	
existing facilities	562.6
planned facilities	23
TOTAL	585.6
2. TEB	
existing facilities	169.8
planned facilities	504
TOTAL	673.8
3. GEN	
planned facilities	43
TOTAL	43



2.4

JEK 2 project: investment in a sustainable energy source



The mission of the GEN Group is to deliver a comprehensive range of electricity-related services: ensuring 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 to meet Slovenia's demand for electricity. We place the greatest emphasis on maintaining and expanding our nuclear capability as the cornerstone of sustainable development of Slovenia's energy industry.

As the driver of the expansion of nuclear capability for the production of electricity in Slovenia, the GEN Group campaigns for expert-based, effective, transparent and responsible implementation of the JEK 2 project. In 2010 we submitted to the Ministry of the Economy an application to obtain an energy licence as one of the first documents in the decision-making process. In addition to that, we also conducted preliminary studies and analyses, independently and with the help of external experts from Slovenia and abroad.

The JEK 2 project is going according to schedule. We have completed project feasibility studies and produced the necessary technical documents to support the decision-making process at the level of the National Energy Programme and technical bases for the preparation of the national spatial plan. This includes conceptual design specification, prefeasibility study, conceptual designs, project requirements and preliminary environmental and safety reports. Also underway are technical analyses needed for selecting the optimal technology for deployment and the location of the facility.

The project is now entering a stage where, in order for the project to continue, it will be up to the owner – the Republic of Slovenia – to take a clear position on the construction of JEK 2.

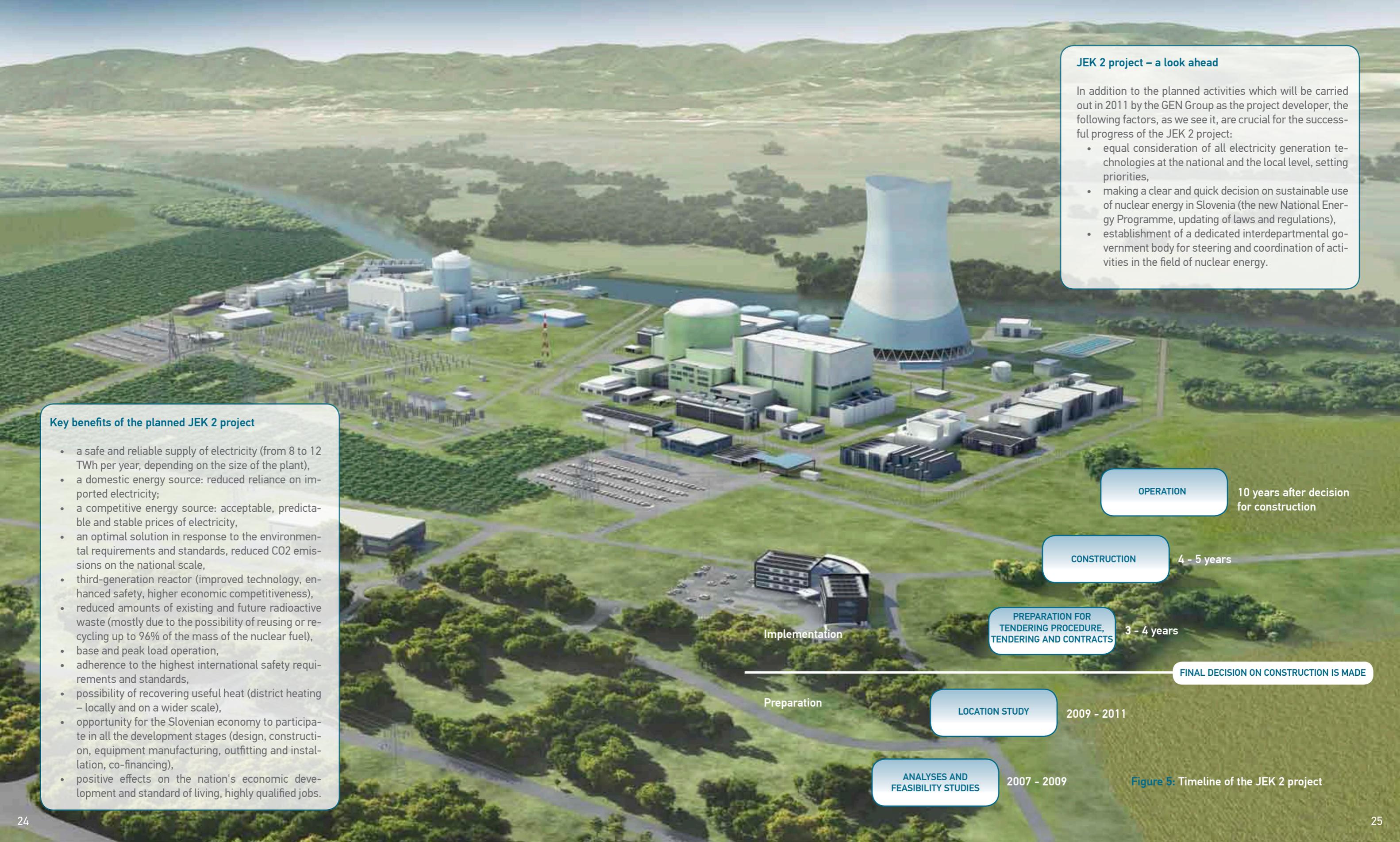
In 2010 we conducted those expert studies in the framework of the JEK 2 project that enable a well-grounded, broader political and social discourse on the energy future of Slovenia and on the future role of nuclear energy. Given that activities for the adoption of a new National Energy Programme are scheduled to take place in 2011, all the bases have been provided in order to go ahead with the siting procedure and to defend the preservation and expansion of electricity production from nuclear energy in the context of this strategic national document.

Why Slovenia needs nuclear energy

The electricity supply situation in Slovenia has been growing increasingly intense over the last decade. As gross domestic product grew and the standard of living moved closer to that of developed EU Member States, power consumption increased as well. Because domestic production could no longer keep up, Slovenia experienced a shortage in electricity as high as 25%. The country was therefore becoming increasingly reliant on imported electricity.

With the global economic crisis, which struck in 2008 and continued in 2009 and 2010, the situation has changed considerably. The downturn in economic activity caused the demand for electricity to drop. But given the nature of the decrease in consumption, it can safely be said this is only a temporary state of affairs. Once the economy has recovered, the consumption will again rise in line with the long-term trends and projections. Apart from these general trends in the projected growth in electricity consumption, in Slovenia we are also faced with the issue of relatively old energy production facilities, which will have to be replaced some time in the future. At the same time, we are growing increasingly aware of the impacts of the energy industry and other economic activities on the environment and the importance of adhering to the EU climate and energy package. Nuclear energy plays a central role here since it can make a substantial contribution in reducing greenhouse gas emissions (compared to producing the same amount of electricity using other available technologies). All this calls for a thorough look into the long-term use of nuclear energy in Slovenia, which can be achieved by extending the life of Krško Nuclear Power Plant (NEK) and by planning and going ahead with the expansion of NEK production capabilities with a new unit, JEK 2.

JEK 2 can contribute significantly to the development of a modern, forward-looking, reliable, safe and environmentally friendly electricity supply at stable and competitive prices in Slovenia.



JEK 2 project – a look ahead

In addition to the planned activities which will be carried out in 2011 by the GEN Group as the project developer, the following factors, as we see it, are crucial for the successful progress of the JEK 2 project:

- equal consideration of all electricity generation technologies at the national and the local level, setting priorities,
- making a clear and quick decision on sustainable use of nuclear energy in Slovenia (the new National Energy Programme, updating of laws and regulations),
- establishment of a dedicated interdepartmental government body for steering and coordination of activities in the field of nuclear energy.

Key benefits of the planned JEK 2 project

- a safe and reliable supply of electricity (from 8 to 12 TWh per year, depending on the size of the plant),
- a domestic energy source: reduced reliance on imported electricity;
- a competitive energy source: acceptable, predictable and stable prices of electricity,
- an optimal solution in response to the environmental requirements and standards, reduced CO2 emissions on the national scale,
- third-generation reactor (improved technology, enhanced safety, higher economic competitiveness),
- reduced amounts of existing and future radioactive waste (mostly due to the possibility of reusing or recycling up to 96% of the mass of the nuclear fuel),
- base and peak load operation,
- adherence to the highest international safety requirements and standards,
- possibility of recovering useful heat (district heating – locally and on a wider scale),
- opportunity for the Slovenian economy to participate in all the development stages (design, construction, equipment manufacturing, outfitting and installation, co-financing),
- positive effects on the nation's economic development and standard of living, highly qualified jobs.



Figure 5: Timeline of the JEK 2 project

2.5

Energy efficiency efforts: aimed at children, youth, and electricity consumers



The GEN Group seeks to improve energy efficiency and cut greenhouse gas emissions in a variety of ways. Implementation of measures to reduce the consumption of primary energy by 20% is precisely one of the main energy-related goals of the EU and Slovenia for the period until 2020.

Energy efficiency is the most cost-effective and environmentally sound way to reduce the consumption of energy. The National Energy Efficiency Action Plan for the period 2008–2016 has been adopted at the national level, which also provides for measures to increase energy efficiency in households, the industry, tertiary sector, and transport.

In the GEN Group we are well aware of the fact that most measures for increasing energy efficiency call for shifts in technology, that is, substitution of primary energy sources for electricity. Naturally, this causes electricity consumption to grow even further. The average annual growth rate in electricity consumption is projected to be 2% by 2020 and 1% by 2050. With this in mind it is all the more important to generate electricity from environmentally friendly, sustainable and competitive sources. The GEN Group's contribution to increasing energy efficiency is clearly manifested through the Group's sustainability-oriented portfolio of electricity production sources (see Section 1 of this report for more information).

Of course, for a number of years now we have been promoting energy efficiency in various other ways as well:

- by providing energy-efficient services to our consumers, both households and the industry,
- by educating and raising awareness among the future generations, that is, school children and youth, about the environmental, social and economic aspects of energy efficiency, and of course also
- by setting a good example: by putting in place energy efficiency measures at some of our business facilities and by incorporating the concept of energy efficiency into the planning of our strategic projects such as JEK 2.

In the GEN Group we know that using modern advanced technologies will help increase energy efficiency and reduce greenhouse gas emissions.

Among the most important ways to increase energy efficiency, as we see it, are:

- proper insulation of buildings and using heat pumps for heating and cooling in buildings and industrial processes,
- increasing the use of efficient electric technologies for transportation,
- efficient, regulated electric motor drives and increased efficiency of electric motors in the industry and the tertiary sector,
- efficient lighting (in homes, offices, the industry and public spaces),
- using modern, energy-efficient electrical household appliances,
- responsible handling of waste, including the possibilities of their use for generating energy.

Most of the above measures entail the substitution of primary energy sources for electricity.

Figure 6: Energy-Efficient School project website (www.gen-evs.si)



2.5.1 Raising awareness among children and youth: 52 Slovenian educational institutions participated in the Energy-Efficient School project in the school year 2009/10

Promoting energy efficiency is only one of a series of the GEN Group's important activities in terms of fulfilling its responsibility to society and the environment. Only responsible and well-informed young people will have the ability to drive and strengthen the sustainable development of Slovenia and the wider environment.

The Energy-Efficient School project involved 52 Slovenian educational institutions (primary and secondary schools, school centres, and halls of residence) in the school year 2009/10. For each megawatt-hour (1 MWh) of electricity saved in the observation period the project participants received a gross figure of 60 euros. Five schools that managed to save more than 1 MWh of electricity were given financial incentives totalling EUR 1,320. We also encouraged the participating institutions to produce creative school projects, which students produced in groups led by mentors. The students explored, among others, possibilities for saving energy by using computers wisely, advantages of using renewable energy sources, as well as analyzed and implemented various specific energy efficiency measures.

In 2010 we have already made elaborate plans to upgrade the project for the next school year (2010/11). In September 2010 we started collaborating with the Eco School programme, which brings together 628 Slovenian kindergartens, primary and secondary schools, and centres for curricular and extracurricular activities. With this collaboration we secured access to a wide pool of educational institutions, many of which took an active part in our project already in 2010.

Energy-Efficient School project – titles of prizewinning school projects in the school year 2009/10

Computer energy saving (Slave Klavore Maribor Primary School)
Prlekija windmills (Ivanjkovci Primary School)
Exploring energy efficiency at Primary School Podgorje pri Slovenj Gradcu (Primary School Podgorje pri Slovenj Gradcu)



Figure 7: The winning photograph of the photo contest (David Adamič, Brinje Grosuplje Primary School)

Table 10: Number of participating institutions in the Energy-Efficient School project since 2008

	School year 2008/09	School year 2009/10
Primary schools	21	48
Secondary schools	15	3
Halls of residence	5	1
Total	41	52

2.5.2 Promoting energy-efficiency among consumers

GEN-I, the company for trading and sales of electricity in the GEN Group, provides a variety of services and products whose aim is to promote responsible and efficient use of energy among end users of electricity. The following activities in this area were carried out in 2010:

- Performing individual assessments and analyses of load curves on a regular basis for all consumers whose annual consumption exceeds 2 GWh of electricity (these make up nearly 90% of the GEN-I portfolio). Together with consumers, a closer look is taken at the planned consumption levels and, based on results, suggestions and recommendations for reducing costs are prepared.
- Consumers of electricity have the chance to work with the GEN-I analytical division to evaluate their future projects in terms of expected electricity costs. A customized electricity offtake plan for optimized projected overall costs is then drawn up.

- The company also developed a product intended for large industrial customers who are in a position to adjust the offtake rates of large power consumers. This way the end user has the ability, based on intra-day price movements in the market, to decrease or increase the consumption to match the projected price fluctuations. This also has a substantial financial dimension as it is possible to run large power consumers when the load on the power grid is less severe and the prices are accordingly lower.

All GEN-I customers have free access to GEN-I's advanced web application called TERMINAL. Inside TERMINAL consumers can track their past consumption, keep an eye on the associated costs and look at the projected consumption rates for the periods ahead. This makes it possible for them to make informed decisions on potential measures.

2.5.3 Energy efficiency in GEN Group projects

Natural gas cogeneration at Medvode

In the GEN Group we are also committed to incorporating energy efficiency into our companies. A combined heat and power, or cogeneration, project was developed for Medvode HPP in 2010, which is a major step towards energy efficiency for the company. Natural gas is used for heating the administration building at HPP Medvode. A natural gas cogeneration plant was installed in the plant room in 2010. Operating parallel to the electric grid, the plant generates heat for central heating and electricity at the same time. The company acquired design conditions and prepared a detailed design for the installation of

Table 12: JEK 2 District heating options

Distric heating options	Thermal power (MW)	Electric power (MWe)	Reduction in CO ₂ emissions (tonnes/year)
none	0	1600	0
Krško and Brežice	80	1587	32,000
Krško, Brežice and Novo mesto	200	1567	83,000
to Ljubljana	600	1490	278,000

the cogeneration plant. Grid connection was obtained from the electricity distributor in July, and the gas distribution network connection in September 2010. A production unit declaration was obtained in December. A decision on grant allocation is expected to be made in 2011, and the cogeneration system is also set to be put into operation in 2011.

Table 11: Tehnical specifications of natural gas cogeneration at Medvode HPP

Natural gas cogeneration at Medvode HPP – technical specifications	
Thermal power	96,2 kW
Power of useful heat	62 kW
Net electric power	30 kW
Projected net annual production	72.000 kWh

The JEK 2 project envisages shared use of useful heat (district heating)

In the stage of preparing the JEK 2 feasibility study we also examined the possibility of establishing a district heating system. District heating is a building heating system, where heat generated in a central location, the heat source, is distributed to consumers via a network of heat pipes. In this way a portion of the heat generated at JEK 2 would be used for heating local and more remote urban areas, which would increase the efficiency rate of the useful nuclear heat. We analyzed different scenarios for building a network of heat pipes all the way to the capital, Ljubljana.

District heating examples for a 1600 MWe nuclear power plant. The table shows the projected thermal power and reductions in electric power and CO₂ emissions.

Advantages of district heating from JEK 2:

- energy: increased nuclear heat efficiency rate (10% in the case of Ljubljana);
- environmental: reduced CO₂ emissions;
- economic: lower heating bills;



2.6

Knowledgeable people: today, for tomorrow



Only knowledgeable employees are efficient, thorough and responsible at what they do. And on top of that, the GEN Group employees are experienced, devoted and dependable.

By investing in ongoing education and training and professional and personal growth of our people, we are securing business, environmental and social excellence of our Group now and for the future. All this is of course coupled with our focus on the development of new human resources which will join us in the years to come and help us achieve and surpass our ambitious business development plans.

Due to the complexity and scope of work in the GEN Group companies, more than a half of nearly one thousand employees of the entire GEN Group hold at least a higher education or a university degree.

The key areas of expertise covered by the GEN Group employees with the highest levels of academic qualifications are:

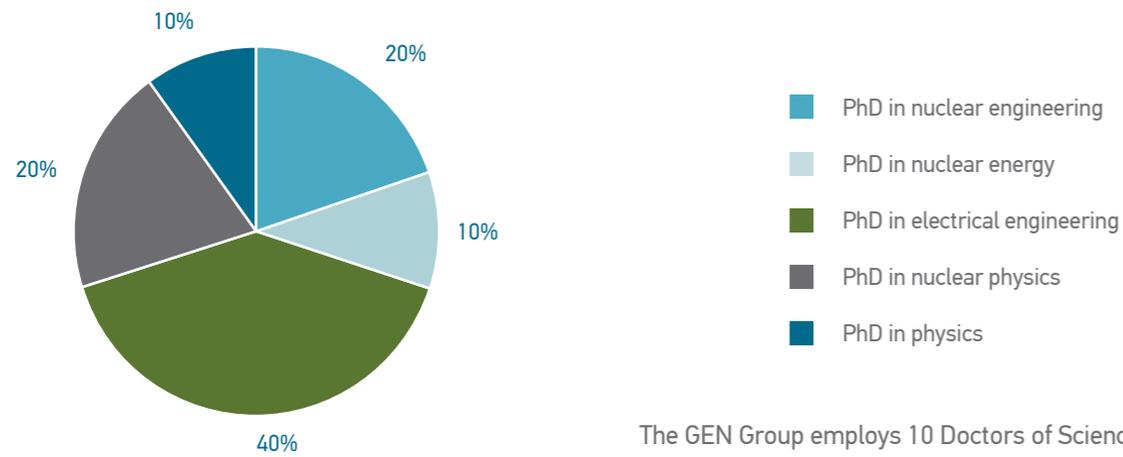
- electrical engineering,
- nuclear physics, nuclear engineering, and nuclear energy,
- physics,
- mechanical engineering,
- economy, and
- construction and civil engineering.

Table 13: Number of employees in the GEN Group (by company and by level of education)

COMPANY	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6/I (vocat.)	Level 6/II (higher ed. and Bologna BA/BSc)	Level 7 (BA/ BSc and Bologna MA/MSc)	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
TOTAL	11	8	4	92	350	116	81	258	21	10	951

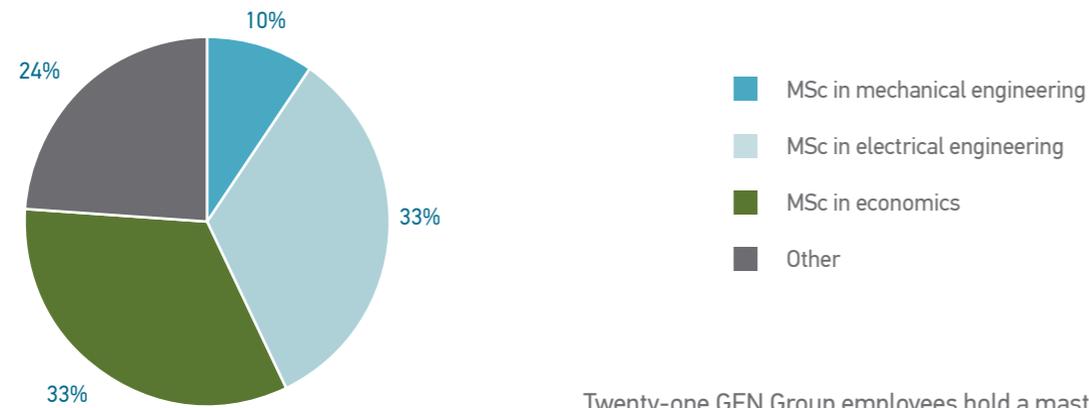
The GEN Group had 28 employees less in 2010 compared to a year ago. The reason for the difference is mostly retirements and employee redeployments (mostly from TEB to HESS). The number of employees leaving for other reasons was minimal (two in the entire Group). Such a low employee turnover rate undoubtedly goes to show that our employees are satisfied with being a part of the Group's stimulating work environment. Two companies, however, added more new jobs in 2010, specifically GEN energija (8 new employees) and GEN-I (28 new employees).

Figure 8: Level of education: Doctor of Science



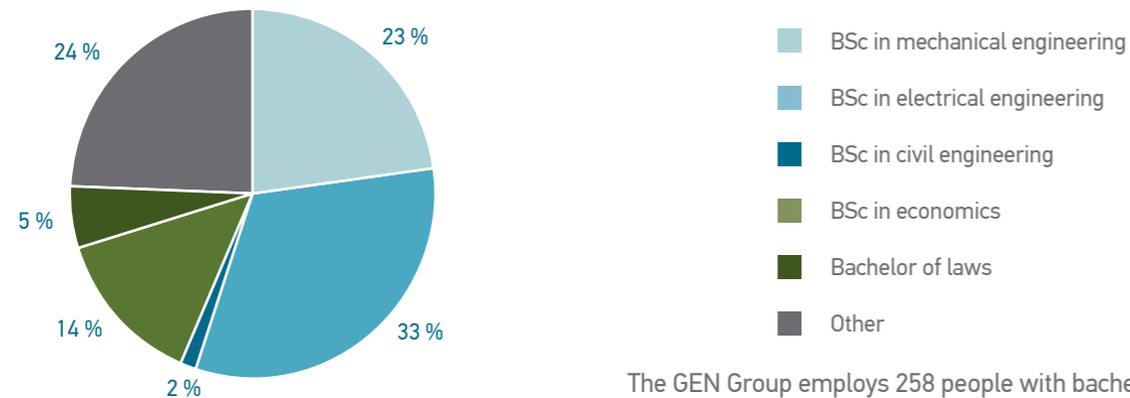
The GEN Group employs 10 Doctors of Science.

Figure 9: Level of education: Master of Science



Twenty-one GEN Group employees hold a master's degree.

Figure 10: Level of education: Bachelor's degree



The GEN Group employs 258 people with bachelor's degrees (level 7/I).

The rapid growth and expansion of individual companies in the Group and our ambitious development projects, notably the JEK 2 project and projects to promote renewable energy sources, demand that we systematically plan for future recruitment of highly qualified human resources with specialist knowledge. Human resource planning is one of the major management challenges for the GEN Group.

Unfortunately, Slovenia has been facing a shortage of suitable human resources in recent years, which is especially true for the Posavje region. By providing scholarships to secondary school students and undergraduates, the GEN Group has taken an active approach towards developing human resources in expert areas crucial for the development and future success of our Group and its individual companies. These areas comprise mainly the following natural and technical sciences:

- physics,
- electrical engineering,
- computer and information science,
- mechanical engineering,
- construction and civil engineering, and
- mathematics.

The GEN Group runs its own scholarship scheme, in the framework of which it provided scholarships to 74 primary and secondary school students in 2010 – company scholarships at the national level and scholarships under the Posavje Scholarship Scheme at the regional level.

Table 14: Additional employee benefits (accident and supplementary health insurance)

The indicated GEN Group companies pay accident and/or supplementary health insurance premiums for their employees. The premium amounts are not deducted from their monthly salaries; however, the benefits are accounted for on a monthly or annual basis.

Company	Type of insurance
GEN energija	accident
GEN-I	supplementary health
NEK	accident
SEL	accident and supplementary health
TEB	accident
HESS	accident

GEN Sport Society: strengthening the body and mind through organized workout

We are well aware of the fact that regular physical exercise not only increases one's ability to do well at work, but also has a significant impact on one's satisfaction in the work environment and the sense of commitment to the company. But most of all, it strengthens bonds among employees. These are they main reasons we in the Company GEN energija founded the GEN Sports Society in 2007, whose principal mission is to offer a wide variety of possibilities for recreational leisure activities to the GEN Group employees.

Table 15: Number of scholarship recipients in GEN Group companies as at 31 December 2010

Company	No. of scholarships 2009	No. of scholarships 2010
GEN energija	30	28
GEN-I	1	1
NEK	34	29
SEL	9	9
TEB	9	7
HESS	0	0
TOTAL	83	74

2.7

From sponsorships and donations to energy partnerships



As with pursuing our principal mission, that is, to deliver a complete range of services to electricity consumers, in the GEN Group we are also responsible, reliable, effective and thorough when making decisions concerning our other strategic projects, partnerships, sponsorships and donations, always working for the good of the environment in which we operate.

A large portion of projects with the GEN Group as the initiator, a partner or a supporter are – in terms of subject matter and method of implementation – consistent with the values pursued by the Group. These include orientation towards sustainability, integrity, a focus on the welfare of the society, openness and communicativeness, and of course also positive energy.

In recent years we have made intense efforts to shift our focus from the traditional forms of sponsorships and donations to establishing medium- and long-term partnerships with organizations that need our financial, organizational or technical support for their operation or projects. We particularly strengthened our role in spreading knowledge and providing a better understanding of energy-related topics, challenges and opportunities among children and youth, in expert and business circles, and among other important stakeholders.

By promoting or taking part in projects, as well as through sponsorships, donations and partnerships, we seek to contribute towards creating conditions for responsible, expertise- and science-based decision-making concerning the country's energy future.

2.7.1 The World of Energy in the making...

One of the GEN Group's major development investments in 2010 was the beginning of the construction of GEN Information Centre. It is an important strategic project for the GEN Group which involved domestic and foreign expert organizations.

GEN Information Centre comprises the following:

- an information and education visitor centre on energy and the energy industry – The World of Energy,
- GEN Control Centre, and
- business premises that bring together all of GEN's business functions in one location.



The company GEN energija put EUR 2.2 million into this project in 2010, which accounts for a little over 43% of the total annual investment outlay of the company.

Most of the construction work on the project was completed by the end of 2010. In the meantime, a group of GEN energija employees teamed up with domestic and foreign experts to formulate basic concepts for an information and education visitor centre on energy and the energy industry called The World of Energy.

The World of Energy will be a multimedia centre on electricity and the energy industry. It will give visitors an in-depth, evidence-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. It will also promote a better understanding of the role of renewable energy sources, energy efficiency and sustainable electricity production, with a special focus on nuclear energy. The centre will be open to various stakeholder groups, from school children and youth to experts, businesses, non-governmental organizations and the media. On 550 square metres, the centre will feature interactive content, scale models, multimedia presentations, theme adventures and a wide variety of materials for visitors to enjoy and learn about the world of energy, electricity and other related topics. It is a project of national importance and the first institution of this type that will make a substantial contribution towards increasing informedness and raising awareness about the challenges behind the country's energy future among Slovenian people.

The World of Energy is being developed by the GEN Group (mostly companies GEN energija and NEK) in partnership with the ICJT Nuclear Training Centre, which is part of the Jožef Stefan Institute, and the Agency for Radwaste Management (ARAO).

The World of Energy is scheduled to open in July 2011.

2.7.2 An overview of some of the key projects aimed at spreading knowledge of the energy industry and promoting a better understanding of energy topics that were backed by the GEN Group in 2010

International conference »Nuclear Energy for New Europe 2010«

The international conference Nuclear Energy for New Europe 2010 is a traditional annual gathering of experts from nuclear research and education institutions, nuclear public utilities, and regulation authorities from Europe and beyond.

In the GEN Group we seek to promote ongoing professional development of our employees, since we know full well that only with top experts will we be able to complete the planned projects. And because exchanging experience and knowledge with experts from abroad is also important for staying abreast of the development of nuclear technology, we backed the event as Gold Sponsors.

2nd strategic meeting Energy Innovations, A Business and Sustainability Breakthrough

Because in the energy sector the way of thinking and the way of doing business are very much affected by the limitations of some energy sources and by the economic crisis, climate change, and requirements to reduce CO₂ emissions, the purpose of the interactive strategic meeting was to find answers to the following two questions: »What part is the Slovenian energy industry going to play in this story?« and »Are Slovenian energy businesses going to come up with new energy solutions, or are we merely going to follow the global trend?«

As we see it, the two questions are of key importance for the future of Slovenia's energy sector, which is why we decided to sponsor the event. This, however, is only a fraction of our comprehensive efforts to lead Slovenia forward on a path of sustainability.

British-Slovene conference on evidence-based communication: »Communicating Climate Change and the Future of Energy: the use and abuse of facts«

The conference »Communicating Climate Change and the Future of Energy: use and abuse of facts« was organized within the scope of the Glas znanosti - Voice of Science project. During lectures and discussion, Slovenian and British experts from various fields of knowledge highlighted the importance of communicating energy and climate topics based on evidence.

We sponsored the conference because the knowledge of and awareness about energy, the energy industry and energy topics are crucial for responsible thinking and decision-making in the context of our energy future.

12th Meeting of Energy Managers 2010

At the Meeting of Energy Managers, which was staged for the 12th time running by Akademija Finance (Business Academy), the central focus was placed on the energy sector reaching a turning point in development. The participants were briefed on the new goals of the European energy and technology policies, various aspects of energy management and new developments in the area of renewable energy sources.

Because in the GEN Group we pay a lot of attention to promoting energy efficiency among our consumers and in particular children and youth, at the 12th Meeting of Energy Managers we presented an example of good practice, our long-term nationwide Energy-Efficient School project, and sponsored the event.

Days of the Posavje Region Energy Industry

The Faculty of Energy Technology of the University of Maribor in association with its partners staged the Days of the Posavje Region Energy Industry for the second year in a row. During the project they organized a conference on »The Importance of Nuclear Energy for Slovenia«, a seminar on the topic of »Effective Use of Energy in Local Communities«, a quiz for secondary school students »Energy Industry in the Posavje Region«, and a freshman party for students of the Faculty of Energy Technology. Also released was a special edition of JET Magazine – Journal of Energy Technology.

The Faculty of Energy Technology, with headquarters in Krško and a separate unit in Velenje, is one of the central institutions that produce our future key human resources. This is why we collaborate with the Faculty and support its activities aimed at spreading knowledge and connecting educational institutions with the economy.

Prize contest »Reactor – We Need Your Energy!«

The Nuclear Society of Slovenia in association with the Jožef Stefan Institute and the Faculty of Mathematics and Physics of the University of Ljubljana announced a prize contest »Reactor – We Need Your Energy!«. Senior students from faculties of natural and technical sciences submitted their work on the following topics: nuclear energy as a low-carbon energy source, social and environmental acceptability of nuclear energy, safety of nuclear energy, and nuclear energy economics. For more information on the prizewinning submissions, go to: www.djs.si/reaktor

Young people with knowledge, ideas and enthusiasm must be encouraged to engage in creative thinking and exploring. With their fresh approach and free minds, they can make a substantial contribution to the development of Slovenian society and, looking at the ambitious development plans of the company GEN, of course also to the successful fulfilment of our projects.

Strategic energy conference En.odmev 010

At the traditional En.conference, which brought together 160 participants working in the energy sector, the leading energy managers discussed the energy policy, investments in the energy industry, and competitiveness in the electricity and natural gas markets.

The GEN Group sponsored the event, at which the leading energy experts shared their opinions and views and presented their planned energy investments and projects, and with our expertise and experience we also took an active part in the conference.

Conference Renewable Energy Sources and Energy Efficiency 2010

During the discussions and lectures the participants addressed the challenges of photovoltaics, biogas and cutting greenhouse gas emissions and talked about reaching the set targets of electricity generated from renewable energy sources by 2020. Incentives provided by the Eco Fund to promote renewable energy sources and energy efficiency were also presented at the event.

We believe that we can achieve our goals with respect to renewable energy sources and energy efficiency by strengthening energy efficiency efforts and by producing electricity from renewable sources and domestic nuclear energy. This is why we support activities directed towards promoting utilization of renewable energy sources and stimulating efficient use of energy.

In addition to projects aimed at spreading knowledge of the energy industry and energy-related topics, the GEN Group also supports numerous other projects in the areas of sports, culture, charity and others, both in the local and regional environments where our companies operate and also nationwide. About one-half of funding is set aside for local and regional projects, and the other half for projects on the national scale.

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03.

Key
performance
indicators



3.1 The Group's business results

GEN Group	2008	2009	2010
Assets in EUR million	609.98	654.64	679.90
Equity in EUR million	470.21	521.65	525.26
Revenues in EUR million	280.11	299.8	385.09
EBIT in EUR million	64.98	66.84	32.93
EBITDA in EUR million	96.13	97.38	64.23
Net profit in EUR million	51.9	57.79	31.74
Value added in EUR million	121.35	124.27	92.53
Return on equity	11.52%	11.65%	6.06%
Electricity sold in GWh	4.229	5.197	7.239

GEN Group	2008	2009	2010
Equity financing rate	77.09%	79.68%	77.26%
Long-term financing rate	90.21%	92.84%	88.45%
Operating fixed assets rate	60.48%	56.84%	54.52%
Long-term investment rate	66.38%	63.12%	60.73%
Equity to operating fixed assets	1.28	1.4	1.42
Long-term financing of fixed assets	1.33	1.44	1.43
Immediate solvency ratio – acid test ratio	1.75	3.79	2.04
Quick ratio	2.61	4.8	2.92
Current ratio	3.35	5.87	3.43
Operating efficiency ratio	1.31	1.3	1.10
Net return on equity ratio	0.12	0.12	0.06

The GEN Group's key performance indicators show that business was good in the period from 2008 to 2010. This period saw an increase in the Group's assets, equity, revenues, and the amounts of electricity produced and sold. Profits, however, slightly decreased in 2010 on account of unfavourable conditions in the electricity markets.

The information given below is key to ensuring sustainable operation of the Group:

- The Group has minimal debt (the equity financing rate stands at 77.26%), which is already evident from the relatively small gap between equity and assets,
- The Group has low current assets (the long term financing rate stands at 88.45%),
- The Group has a high long-term investment rate (60.73%).

The performance indicators reveal that the company management successfully pursues the long-term strategy, which places a well-balanced focus on development and stable operation.

3.2 Production of electricity

Electricity production target and results (GWh)	target 2009	result 2009	ratio 2009	target 2010	result 2010	ratio 2010
NEK	2,700	2,730	1.011*	2,695	2,690	0.998*
SEL	306	356	1.164	308	382	1.239
TEB	100	14	0.1404	100	6	0.063
HESS	32	29	0.9	39	46	1.182
Small-scale HPPs and SPPs	0.67	0.65	0.982	0.81	0.77	0.951
GEN Group total	3,138	3,129	0.9934	3,142	3,124	0.9942

* The ratios for NEK (2009, 2010) are calculated based on the proportion of the 2009 target (50%) to the 2009 result.

Electricity production (GWh)	2006	2007	2008	2009	2010
GEN Group	2,645	3,053	3,331	3,129	3,123

Electricity production increased consistently from 2006 to 2008, but in 2009 it was slightly down due to NEK's scheduled refuelling and maintenance shutdown. The 2010 production was – despite good hydrological conditions – lower than in 2009, which is mostly due to the extended scheduled annual refuel-

ling and maintenance shutdown, which took place in October.

The total electricity consumption in Slovenia grew by 882 GWh in 2010 compared to previous years, but was still below the levels from 2006 to 2008.

3.3 Electricity trading and sales

Electricity purchase and sales in the GEN Group were consistently on the up over the past three years.

Electricity purchased	2008	2009	2010
GEN Group (GWh)	6,671	9,237	13,645

Electricity sold	2008	2009	2010
GEN Group (GWh)	6,671	9,237	13,645

Note: Because the methodology changed in 2010, the data on the GEN Group's electricity production, purchases and transfers differ in places from the data published in the annual reports from previous years or from the data included in the 2009 Sustainability Report.

The purchase portfolio of the GEN Group comprises electricity generated in the Group's own production units and electricity purchased from other domestic and foreign producers and energy brokers. 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 large producers and qualified producers (QP), which equates to a significant contribution of the GEN Group to promoting the use of electricity generated from environmentally friendly sources. Purchases from the GEN Group's own production units, however, still make up a large part of the overall purchase portfolio.

3.4 Investments, research and development

Investments by GEN Group companies	2008 (EUR million)	2009 (EUR million)	2010 (EUR million)
GEN	31.7	7.6	5.1
HESS construction project	23.6	3.8	1.8
JEK 2 construction project	0.2	0.3	0.4
IS GEN construction project		0.8	2.2
GEN-I capital injection		2.4	
Other	7.9	0.3	0.6
NEK	23.5	30.6	35.3
SEL	6.6	8	6.6
TEB	4.7	10.5	1.9
GEN-I	1.5	0.8	1.2
GEN Group	67.8	57.5	50.0

The GEN Group's orientation towards development is reflected in its investments in technological upgrades and in research and development made from 2008 through 2010. The overall amounts set aside for development and/or investments group-wide were EUR 67.8 million in 2008, EUR 57.5 million in 2009, and EUR 50.0 million in 2010.

Development funds were put into projects promoting sustainability, primarily the construction of hydroelectric power plants on the lower Sava River (HESS), the JEK 2 construction project, and the establishment of the IS GEN Information Centre. In 2010 the Group also made a number of small investments important for its regular operation.

3.5 Employees and development of human resources

Educational structure of the GEN Group	2007	2008	2009	2010
Levels 1-4	153	140	132	115
Level 5	345	360	378	350
Level 6	102	114	190	197
Level 7	254	280	260	258
Level 8/I	18	19	22	21
Level 8/II	6	6	9	10
Total	878	919	991	951

No. of employees	2007	2008	2009	2010
GEN Group	878	919	991	951

No. of scholarships	2007	2008	2009	2010
GEN Group	47	62	83	74

04. About the GEN Group

The mission shared by all the companies in the GEN Group is to provide a reliable, safe and competitive electricity supply to various groups of consumers.

The companies in the Group together produce between 5,600 and 6,300 gigawatt-hours of electricity per year. This way we meet around 30 percent of the demand for electricity in the national electric power grid.

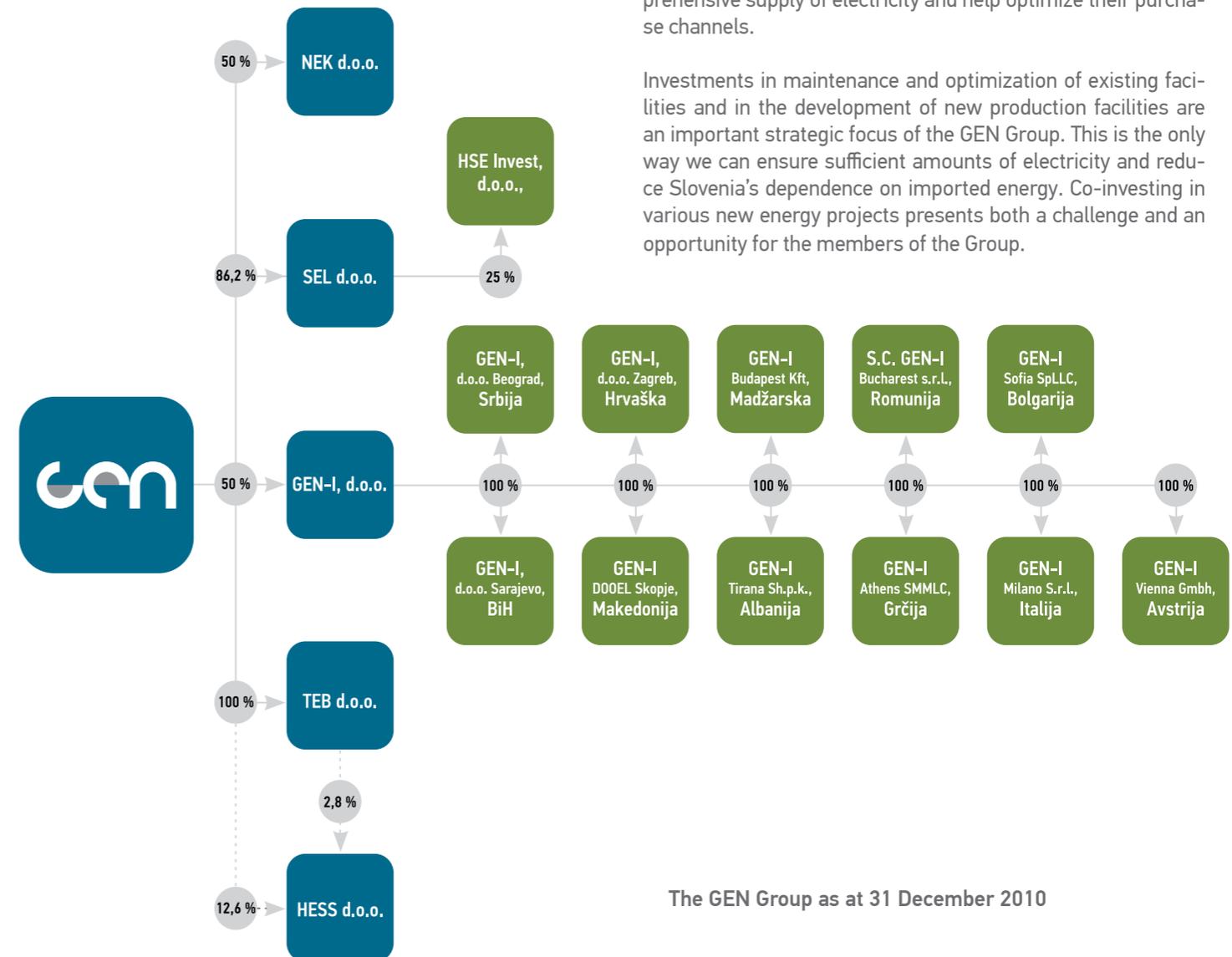
We give consumers the power to choose. This way we add our share to increasing competitiveness in Slovenia's electricity market and to boosting competitiveness of the entire national economy.

We are a reliable producer of electricity. We create synergic effects by harnessing various, mostly sustainable and zero-carbon, energy sources:

- nuclear power,
- hydropower, and
- solar power.

We effectively market electricity. We rely on our knowledge, professional approach and creative energy. We boast an effective array of functions for effective management of risks associated with electricity purchases, trading and sales. We enable the Group's production sources to optimally market the electricity they generate, and we provide end users with a quality, comprehensive supply of electricity and help optimize their purchase channels.

Investments in maintenance and optimization of existing facilities and in the development of new production facilities are an important strategic focus of the GEN Group. This is the only way we can ensure sufficient amounts of electricity and reduce Slovenia's dependence on imported energy. Co-investing in various new energy projects presents both a challenge and an opportunity for the members of the Group.



The GEN Group as at 31 December 2010

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

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