



Annual Report of the GEN Group 2012



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Energy is everywhere.

The GEN Group generated 2,945 GWh of electricity in 2012. We consistently supplied it to those who rely on it in their diverse activities. For developing, improving, manufacturing and building.



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Man and robot. Despite being on equal terms, their interaction is controlled by energy, knowledge and sensory motor and other skills possessed and transferred to a robot by man. A robot can never completely take our place, but it can substantially improve the **reliability**, power and precision of our actions, both in industrial and household processes.

We **reliably**, safely and efficiently generated **2,945 GWh** of electricity in 2012. We supplied it to industrial, commercial and household consumers, which urgently need it to be able to generate value on a daily basis.





› 1 introduction

1.1 Key financial data

Table 1.1

Key data on the company GEN for 2012 against 2011

Company GEN	2012	2011
Assets in EUR million	516.02	517.93
Equity in EUR million	407.90	430.09
Revenues in EUR million	194.77	186.78
EBIT in EUR million	19.99	17.21
EBITDA in EUR million	21.29	18.06
Net profit in EUR million	14.81	9.43
Value added in EUR million	23.82	20.23
Return on assets	2.87%	1.84%
Return on equity	3.53%	2.22%
Electricity sold in GWh	3,274	3,432

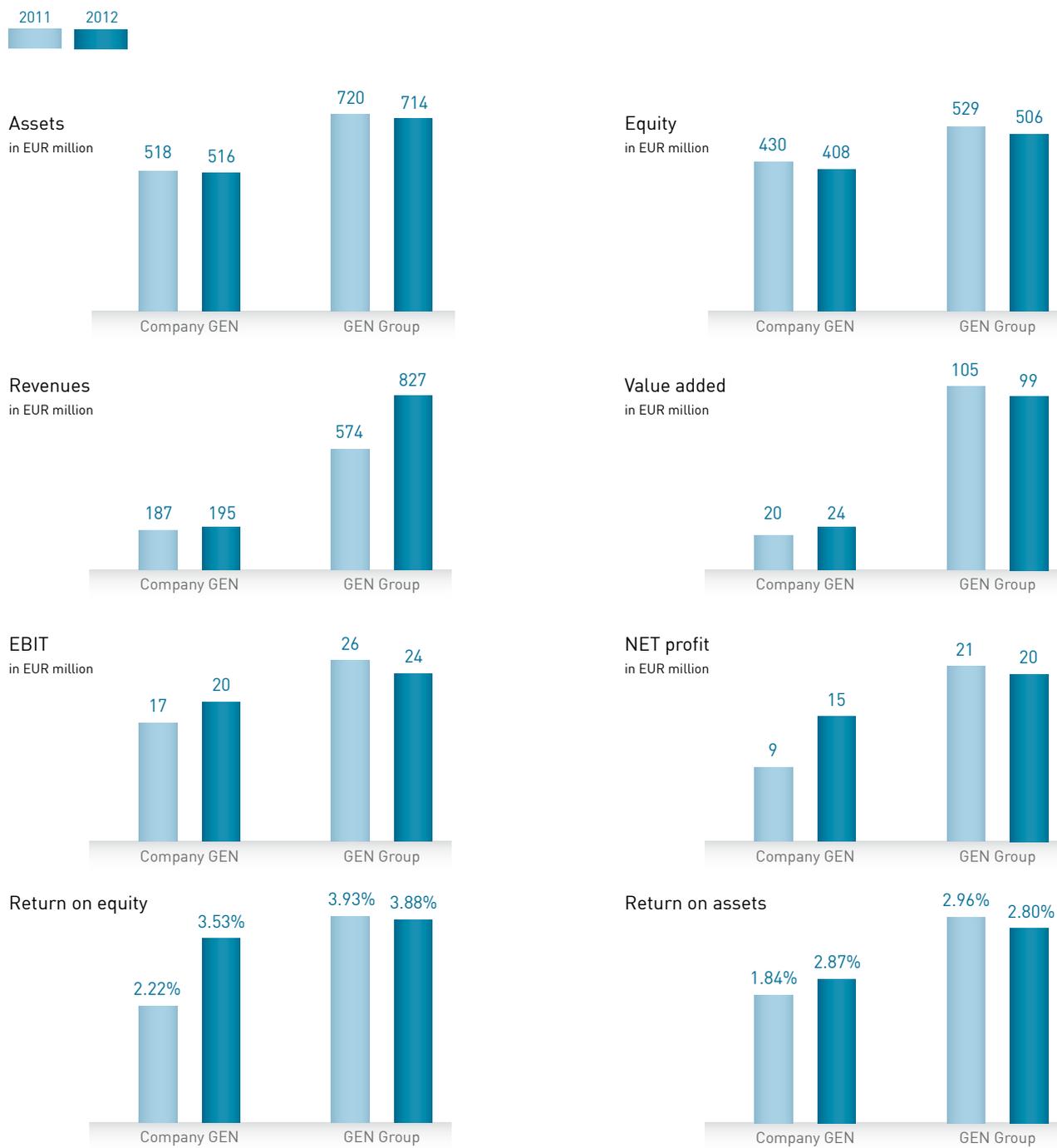
Table 1.2

Key data on the GEN Group for 2012 against 2011

GEN Group	2012	2011
Assets in EUR million	713.57	719.84
Equity in EUR million	505.68	528.64
Revenues in EUR million	826.92	573.97
EBIT in EUR million	23.83	25.93
EBITDA in EUR million	67.21	74.78
Net profit in EUR million	20.06	20.72
Value added in EUR million	98.74	105.29
Return on assets	2.80%	2.96%
Return on equity	3.88%	3.93%
Electricity sold in GWh	13,303	9,509

Figure 1.1

Diagrams of key data on the company GEN and the GEN Group for 2012 against 2011



1.2 Letter from the Director

Dear Reader,

In 2012 our business environment was marked by complex social and economic conditions, resulting in the energy market becoming more demanding for energy service providers. We have seen a further decline in economic activity, both in Western and Central Europe as well as in the Balkans, and unpredictable seasonal variations associated with drought and fluctuating purchase prices of the basic energy products, particularly natural gas.

Against this backdrop of challenging business conditions, we managed to stay on top of the operational and business risks in all the GEN Group companies thanks to our professional, highly qualified people. Despite the harsh drought and the resulting subnormal hydrology in the first three quarters of the year, which affected the production output both at the hydroelectric power plants and the nuclear power plant (NEK), we consistently recorded good operating results. In the last few months, however, the production increased, almost reaching the planned output target. Throughout the year we provided our customers with a steady and safe supply of electricity.

In addition to the stable production and supply, the business year was also marked by successful completion of numerous investments, an extensive scheduled maintenance outage of NEK, and a Level C inspection at Brestanica Thermal Power Plant (TEB). Because the scheduled maintenance of NEK took a little while longer than expected and because of a preventive shutdown of the power plant in October, electricity production at NEK fell short of the planned output by 1.3%.

In this eventful past year the company GEN energija successfully coordinated the operation of its power plants, was actively involved in jointly controlling the Group companies, developed technical specifications for a new nuclear power plant in Sudan, performed demanding preparations for a second unit of Krško Nuclear Power Plant (JEK 2), relocated residents from the village of Vrbina, continued to engage in important administrative procedures, carried out complex activities as part of commercial and financial operations, actively promoted energy and the energy business, and took part in a large number of other activities for the good of the company and the Group. NEK has made a number of investments in the safety of its operation as well as equipment upgrades and replacements. Installation of a third stand-by diesel ge-

nerator, strengthening of flood embankments, installation of an upgraded reactor head and main power generator rotor, and other investments and maintenance work all helped to further increase the level of safety of NEK. All the investments needed to secure approval of nuclear power plant life extension programmes were successfully completed. Experience and expertise in nuclear technology at home and abroad, coupled with a clear focus and elaborate technical groundwork, are a sound footing for ensuring the long-running operation of NEK, which, if the plant's life is extended, is poised to generate for each of its two owners more than EUR 2 billion in value added. NEK successfully completed what is known as stress tests and ranked among Europe's top nuclear power plants, which is further proof we are on the right track. This is underpinned primarily with our proactive approach to, and high standards of, nuclear safety and intensive work put into a five-year investment plan for additional safety upgrading. A significant part of activities under this plan will be carried out during the 2013 scheduled maintenance outage.

As unfavourable hydrological conditions persisted throughout the first three quarters of 2012, SEL was only able to meet 90% of its production target. The company carried out all the overhauls and inspections on its generating units scheduled for 2012. A concession agreement for the construction of hydroelectric power plants on the middle course of the Sava River was being negotiated in 2012.

TEB carried out on schedule a Level C inspection of Gas Unit 4, whereby the generating unit was completely taken apart and all the gas turbine hot parts replaced. With the approval of a municipal spatial plan for the construction of two new gas turbines, TEB has made a major stride forward in future development.

Through our subsidiary GEN-I, we are increasing our market share for electricity sold directly to consumers and have managed to get the first electricity buyer in Serbia. In 2012 we started supplying natural gas directly to Slovenian consumers, which caused a massive chain reaction in the natural gas market and resulted in a substantial drop in retail prices. This was our way of helping to boost the competitiveness of the Slovenian economy.

Dear management staff and employees of the GEN Group, dear business partners, your unrelenting commitment to the Group's vision, hard work, and motivation are the foundation of our success. And a strong foundation is what makes our development activities possible, including the safe long-term operation of our power plants, preparations for JEK 2, moving ahead with the construction of hydroelectric power plants on the lower Sava River, starting the construction of hydroelectric power plants on the middle course of the Sava River, and replacement of gas units at TEB.

Investments in the development of suitable, qualified human resources is the single most important success factor over the long run. Effective teamwork, experience and an active role of our employees and partners are of paramount importance when it comes to achieving and fulfilling our common vision.

I would like to thank all the employees and the management staff of the company GEN and the GEN Group for adding your invaluable contribution and knowledge. A special thank you also goes to all the representatives of the owners, the local communities, business partners and service providers for their constructive input and help in achieving the good business results presented in this Annual Report.



Martin Novšak
Director, GEN energija d.o.o.



1.3 GEN company profile

1.3.1 Company ID

Registered name:	GEN energija d.o.o.
Short registered name:	GEN d.o.o.
Legal form:	limited liability company
Registered office:	Vrbina 17, 8270 Krško
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
VAT ID number:	SI44454686
Registration number:	1646613
Bank accounts:	NLB 02924-0090457150 Banka Celje 06000-0904571665 SKB banka 03155-1000503323
Activity:	K/64.200 Activities of holding companies, D/35.140 Electricity trading, and other registered activities.
Share capital:	EUR 26,059,796.00
CEO - director:	Martin Novšak
Chairman of the Supervisory Board:	Martin Bratanič
Number of employees:	53

1.3.2 Corporate governance

The company GEN energija d.o.o. (hereinafter: GEN) is governed by the founder directly and through the following company bodies:

CEO - DIRECTOR:

Martin Novšak

SUPERVISORY BOARD:

From 01/01/2012 until 28/11/2012:

Chairman:
dr. Tomaž Savšek (from 10/02/2012)

Vice Chairman:
Uroš Saksida, MSc (from 10/02/2012)

Board members:
Andro Ocvirk, PhD
Davorin Dimič, MSc

From 29/11/2012:

Chairman:
Martin Bratanič (from 30/11/2012)

Vice Chairman:
Prof Leon Cizelj, PhD (from 30/11/2012)

Board members:
Goran Udovč
Prof Marko Čepin, PhD
Rastislav Jože Reven

1.3.3 Subsidiaries and affiliated companies

GEN is the parent company of the GEN Group. The company GEN had the following subsidiaries as at 31/12/2012:

- 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) (100.0%), and
- Termoelektrarna Brestanica d.o.o. (hereinafter: TEB) (100.0%).

In addition to the subsidiaries, the company GEN also had the following indirectly affiliated companies as at 31/12/2012:

- Companies wholly owned by GEN-I: GEN-I Zagreb d.o.o., 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 Tirana Sh.p.k. – Kosovo branch; 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; GEN-I ISTANBUL Wholesale Electricity Limited Company, Turkey; and
- The company HSE Invest d.o.o., in which SEL holds a 25% equity interest.

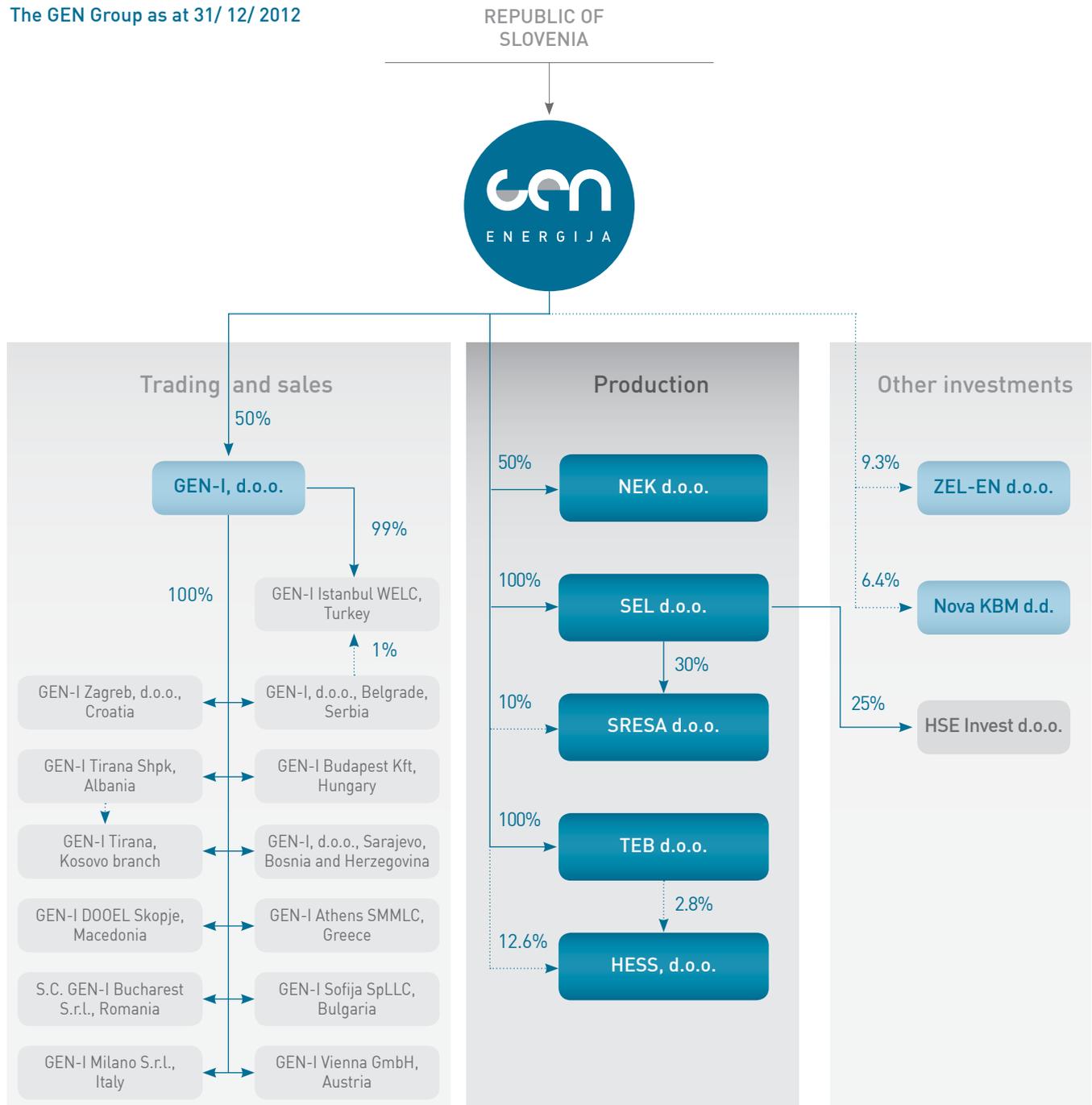
The GEN Group includes two jointly controlled companies: NEK and GEN-I. In view of the above, the data in this Annual Report, unless specified otherwise, are based on the equity interest held by GEN; specifically, for NEK as a company and for GEN-I as a group, since GEN, holding a 50% interest in the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

The company GEN also holds a 12.6% equity interest in the company Hidroelektrarne na Spodnji Savi, d.o.o., (hereinafter: HESS), while a 2.8% equity interest in HESS is also held by TEB. The company Srednjesavske elektrarne d.o.o. (hereinafter: SRESA) was founded in 2011, with the companies GEN and SEL holding in it equity interests of 10% and 30% respectively.

In addition to interests in energy production companies, GEN also holds a 9.28% equity interest in the company ZEL-EN, razvojni center energetike d.o.o. (hereinafter: ZEL-EN) and a 6.4% equity interest in Nova KBM d.d. (hereinafter: NKBM).

Figure 1.2

The GEN Group as at 31/ 12/ 2012



1.4 Holding activities of the company GEN

The principal area of operation of the company GEN is activities of holding companies, that is, governing other legally independent companies through equity interests held in them by the company GEN as the controlling company.

As a holding company, GEN carries out management operations through equity interests in subsidiaries and jointly controlled entities by participating in general meetings, managing financial results of subsidiaries and approving required 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.

1.4.1 Krško Nuclear Power Plant



Registered name: **Nuklearna elektrarna Krško d.o.o.**

Registered office: **Vrbina 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). The company NEK is jointly controlled by two partners, GEN and Hrvatska elektroprivreda d.d. (hereinafter: HEP), each holding a 50% stake 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 electricity. The year 2012 marked as many as 31 years since the generator was first synchronized to the power grid, feeding the first kilowatt-hours of electricity into the national grid. Having undergone modernization and replacement of low-pressure turbines, the power plant has, in optimal conditions, a declared net capacity of around 696 MW. It can generate more than 5,900 GWh per year when no maintenance outage is scheduled, and around 5,400 GWh per year when a scheduled maintenance outage is carried out. This means that under the Intergovernmental Agreement on NEK the annual amount of electricity available to the Slovenian market ranges between 2,700 GWh and 2,900 GWh or even above that.

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.

In spite of the extended scheduled maintenance, the unplanned shutdown, caused by external factors, and the harsh economic situation, NEK recorded safe and steady operation at full capacity in 2012 and finished the year with business results in line with the company's economic plan. The natural disaster that damaged Japan's Fukushima Daiichi nuclear power plant has reinforced the need to increase nuclear safety standards. In response to the events in Japan, NEK developed and implemented a number of short-term measures and also set out a five-year safety investments programme, which will help maintain the required level of nuclear safety in the long run.

1.4.2 GEN-I, trgovanje in prodaja električne energije



Registered name: **GEN-I, d.o.o.**

Registered office: Vrbina 17, 8270 Krško

The company GEN-I is jointly controlled by partners GEN and IG Energetski sistemi d.o.o. (hereinafter: IGES). Its principal areas of activity are divided into two distinct categories:

- Electricity trading,
- Selling electricity to consumers and purchasing electricity from producers.

The two activities are organized in profit centres and separate portfolios, which are interconnected through market prices and incorporated into the GEN-I balance group, which is managed in the framework of the electricity trading activity. The interconnection of both activities creates a synergy which increases the reliability of electricity trading and supply and at the same time mitigates and offsets risks.

An extensive international trading network enables the company to effectively expand and manage its ever-growing balance group in Slovenia with trading activities in the liquid neighbouring markets of Austria, Germany, Italy, as well as in the less liquid markets of the former Yugoslavia and the rest of Southeast Europe. To facilitate business operations in individual markets, subsidiaries wholly owned by the parent company GEN-I have been founded. Most of the trading activity is done by the Slovenia-based parent company, specifically by the trading division in Ljubljana, whereas its local presence in individual markets allows the Group to better understand the market in question and to promptly and properly react to market changes.

The company's customer base grew by more than 40 thousand customers in 2012, so the total number of retail and small commercial electricity consumers now exceeds 80 thousand. In September 2012 the company expanded its business by entering the market for natural gas with its "Cheap Gas" campaign, adding nearly 20 thousand retail gas consumers in the first three months.

1.4.3 Savske elektrarne Ljubljana



Registered name: **Savske elektrarne Ljubljana d.o.o.**

Registered office: Gorenjska cesta 46, 1215 Medvode

SEL has a long tradition in its principal economic activity, which is generation of 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 added four new hydropower plants: Moste HPP, Mavčiče HPP, Medvode HPP and Vrhovo HPP.

SEL fulfills an important function in the Group by generating base load as well as peak load power. SEL utilizes exclusively renewable energy sources for generating electricity and, in addition to the large hydroelectric power plants, also runs two small-scale hydroelectric and several small-scale photovoltaic power plants, one wind turbine and one cogeneration (CHP) plant.

Despite poor hydrology of the Sava River in the first nine months of the year, SEL's electricity production rose by 10.3% in 2012 from the previous year. Also, the company continued to make investments in its generation facilities in accordance with plans.

1.4.4 Termoelektrarna Brestanica



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

Providing ancillary services within Slovenia's power grid, TEB is a reliable backup energy source in the most critical 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 transmission lines;
- Protection against electric power grid breakdown thanks to its speedy deployment capability;
- Recovery of the electric power grid following failure and serving as an independent direct power source for NEK.
- With a 100% equity interest in the company, GEN is the sole owner of TEB.

TEB's operation for commercial purposes was limited in scope in 2012. The company started up its individual gas units 23 times for tertiary frequency control purposes. TEB's low production goes to show that the other production units in the GEN balance subgroup, and indeed in the national power grid, recorded reliable and consistent operation. The company successfully completed annual inspections of its gas units.

1.4.5 Hidroelektrarne na Spodnji Savi



Registered name: **Hidroelektrarne na Spodnji Savi, d.o.o.**
Registered office: Cesta bratov Cerjakov 33a, 8250 Brežice

The company HESS was established in February 2008 and its operation is essentially defined by the Concession Agreement signed with the awarding authority, the Republic of Slovenia, in 2002 and later assigned by the concessionaire, HSE, to HESS in 2008.

The GEN Group holds a 15.4% equity interest in HESS, of which the company GEN 12.6% and TEB 2.8%.

1.4.6 Srednjesavske elektrarne



Registered name: **Srednjesavske elektrarne d.o.o.**

Registered office: **Ob železnici 27, 1420 Trbovlje**

Operations of the company SRESA, founded in November 2011, are currently limited due to the pending Concession Agreement for the use of water for electricity generation on the Sava River section from Ježica to Suhadol.

The GEN Group holds a 40% equity interest in SRESA, of which the company GEN 10% and TEB 30%.

1.4.7 ZEL-EN



Registered name: **ZEL-EN, razvojni center energetike d.o.o.**

Registered office: **Hočevarjev trg 1, 8270 Krško**

The company ZEL-EN was incorporated in 2010 with a view to establishing a centre for long-term development on the subject of energy in the lower Sava River region, strengthening research and development activities across the country's energy industry and increasing the value added and employment rate both in the sector and the region.

GEN holds a 9.28% interest in ZEL-EN. By securing a stake in ZEL-EN, the company GEN has become eligible to apply for development funding from the European Regional Development Fund, namely for research in the field of nuclear energy technology, with a distinct focus on modelling new nuclear power plants and calculating nuclear reactor core neutronics.

1.4.8 Nova KBM



Registered name: **Nova KBM d.d.**

Registered office: Ulica Vita Kraigherja 4, 2505 Maribor

Pursuant to the General Meeting resolution passed by AUKNRS, GEN bought 2.5 million NKBM shares, securing a 6.39% stake in the bank. In accordance with AUKNRS guidelines, AUKNRS participated by proxy in all the company's General Meetings. AUKNRS issued a decision in September 2012 stating that seven state-owned legal entities, GEN being one of them, have been found to act in concert and to reach and exceed the takeover bid threshold, because of which these companies were stripped of their voting rights until submitting a takeover bid for NKBM shares or disposing of the shares so that the takeover bid threshold in the target company would no longer be reached.

1.5 Corporate Policy of the company GEN

The corporate policy of the company GEN derives from the Revised GEN Energija Development Plan. The company GEN follows the corporate policy to the letter and is the authority behind it, making sure it is implemented at all levels. In doing so, the corporate policy of the Group is becoming the cornerstone of operations in all the Group companies.

1.5.1 Vision

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

1.5.2 Mission

The mission of the GEN Group is to ensure a sustainable and safe production and a steady supply of electricity with a clear focus on the consumer. We achieve this by investing in clean, sustainable and renewable energy sources needed to meet Slovenia's demand for electricity. The strongest focus will be put on the preservation and expansion of nuclear capacities as the basis for sustainable development, in order to increase competitiveness, help keep the environment clean and reduce the country's reliance on imported energy.

1.5.3 Values

The key values of the company GEN are:

- sustainable, reliable and environmentally friendly production of electricity;
- care for the environment at the local and global level, which constitutes the driving force behind the company's operations and investments;
- delivering a complete customer-oriented package for the supply of electricity and provision of related services;
- acceptability and transparency of the Group's activities and openness towards two-way communication with all interested parties.

1.5.4 Strategic goals

The strategic goals of the GEN Group are to:

- manage, run, perform maintenance on and invest in its existing facilities with the aim of ensuring safe, reliable, environment-friendly and economically viable operation of the existing production units in the long run;
- expand its sales portfolio for electricity and electricity-related services with the aim of increasing competition in the market;
- invest in new production capacities built around renewable and sustainable sources and technologies in order to increase the reliability of electricity supply to consumers and, in so doing, to contribute to the sustainable development of Slovenia.

1.5.5 Fulfilling the GEN Group's corporate policy

The Revised Gen Energija Development Plan was discussed and passed by the 181st regular session of the Government of the Republic of Slovenia, acting in the capacity of the General Meeting of the company GEN, on 01/10/2008. The Revised GEN Energija Development Plan superseded the previous development plan passed by the Government of the Republic of Slovenia in December 2005 and represents to the GEN Group a document of strategic importance and the foundation stone for its future development.

The vision and mission of the GEN Group clearly convey the focus of the Group as an all-round provider of electricity and services from energy sources whose impact on the environment is as low as possible, particularly with regard to greenhouse gas emissions. The GEN Group continues to be at the helm of Slovenia's nuclear option, 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 gas technology. It is existing and new production facilities using clean technologies that are the best way for ensuring a long-term competitive energy supply, which will in turn drive the sustainable development of Slovenia.

Open communication among all the GEN Group companies allows uninterrupted flow and accessibility of 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. NEK's operating performance in recent years bears witness to the suitability of the company's organizational and HR upgrading essential to its successful and safe operations in the long term.

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



From atom to universe and back again. Everything is connected and interacting. Differences and changes at the atomic level affect the properties of matter, which in turn affects the way we function. By researching and developing new materials, we push the limits in shaping new, better things, technologies and processes: more beneficial to human health, friendlier to the environment, more energy **efficient**.

The GEN Group's electricity generation facilities again exhibited high operational **efficiency** in 2012. NEK met nearly **99%** and the whole Group nearly **95%** of their production targets despite subnormal hydrological conditions and drought.

› 2 business report



2.1 Economic trends and their impact on the electricity business and the GEN Group

The already crippled economic activity, felt across Slovenia in recent years, experienced a further decline in 2012. The economic downturn can be attributed to the deteriorating situation in the eurozone and the short-term effects of the consolidation of public finances. The risk of the already adverse situation taking a further turn for the worse continues to loom large.

Economic activity in the eurozone continued to decline in 2012. Productivity in manufacturing and the value of construction put in place decreased, while retail trading revenue remained stable. The GDP was still below that of 2008. The countries in the heart of the eurozone reported some, albeit modest, growth, and even Germany, which experienced notable growth in 2010 and 2011, felt the squeeze of drastic austerity measures. Some sentiment indicators, however, do give some cause for optimism. Still, despite their rise by the end of the year, expectations of economic recovery remained low.

In Slovenia, much like the rest of the eurozone, the trends in short-term indicators show declining economic activity. Productivity in manufacturing, which began to grow modestly in the middle of last year, plummeted in November. Exports of goods increased in October and November, but were still below the levels of the third quarter (Q3). Construction activity too was considerably below the Q3 levels despite a rise in November. The real retail trading revenue continues to stand at its lowest level since 2008, and the nominal revenue from market services dipped further still.

The situation in the labour market took a turn for the worse at the end of 2012, and the same goes for domestic financial markets. The shrinking of the volume of loans to domestic non-banking sectors was at its biggest in the last two months of the

year. Net repayments of foreign debts due went up towards the end of the year. The value of non-performing loans of banks stood at EUR 6.8 billion in November.

The price and cost competitiveness of the economy continued to go up in 2012, but was nevertheless among the lowest in the eurozone. Despite the improving trends in the last two years, Slovenia, on account of the marked downward trends in 2008 and 2009, continues to be among the EU Member States experiencing a substantial drop in cost competitiveness in a time of crisis, which considerably narrows down the possibilities for economic recovery.

In electricity management terms, Slovenia is part of a broader market. A competitive market is what ensures that supply and demand balance out. As electricity cannot be stored, a slight imbalance between supply and demand is always present in the market, hence the ever-fluctuating prices. Electricity prices in Slovenia are strongly influenced by the European Energy Exchange (EEX) in Leipzig and the conditions in the markets of Southeast Europe. In 2012, prices on the EEX were extremely low as a result of accelerated downward trends in the eurozone. Despite expectations that the prices would level out in 2012, the continuing and deepening economic crisis pushed the prices even further down, particularly towards the end of the year. A similar pattern can be observed in the southeastern region, where base load electricity prices on the power futures exchange stood at a relatively high level (as much as EUR 10/MWh above the EEX level) at the beginning of 2012 and then gradually slid down (to around EUR 5/MWh above the EEX level) by the end of the year. The start of 2013 too was marked by the persistent economic crisis and by electricity prices going down even further.

2.2 Electricity production and ancillary services

2.2.1 Electricity production

The large production units in the GEN balance subgroup generated a combined total of 2,955 GWh of electricity in 2012. As much as 88.72% of the combined total was generated at the nuclear power plant. Hydroelectricity accounts for 10.93%, and 0.35% was generated at the natural gas-fired power plant. Thanks to the GEN Control Centre, which coordinates the operation of the entire GEN balance 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.

In addition to large production facilities, the GEN Group companies also own small-scale production units, which are oper-

ated and managed independently and excluded from the GEN balance subgroup. The GEN Group's small-scale units generated a combined total of 1.3 GWh of electricity from renewable sources in 2012.

The company GEN has on the roof of its office building a micro photovoltaic power plant (GEN IC SPP) with a capacity of 40.32 kW and planned annual output of 40–45 MWh. GEN IC SPP generated 49 MWh of electricity in 2012.

In 2012 the company GEN received a grant – operational support for the electricity generated from renewable energy sources – in the amount of EUR 14,018, which has been disclosed by the company GEN in accordance with Article 4 of the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (Official Gazette of the Republic of Slovenia, No. 33/2011).

Figure 2.1

Electricity production in the GEN Group in 2012 (by source)

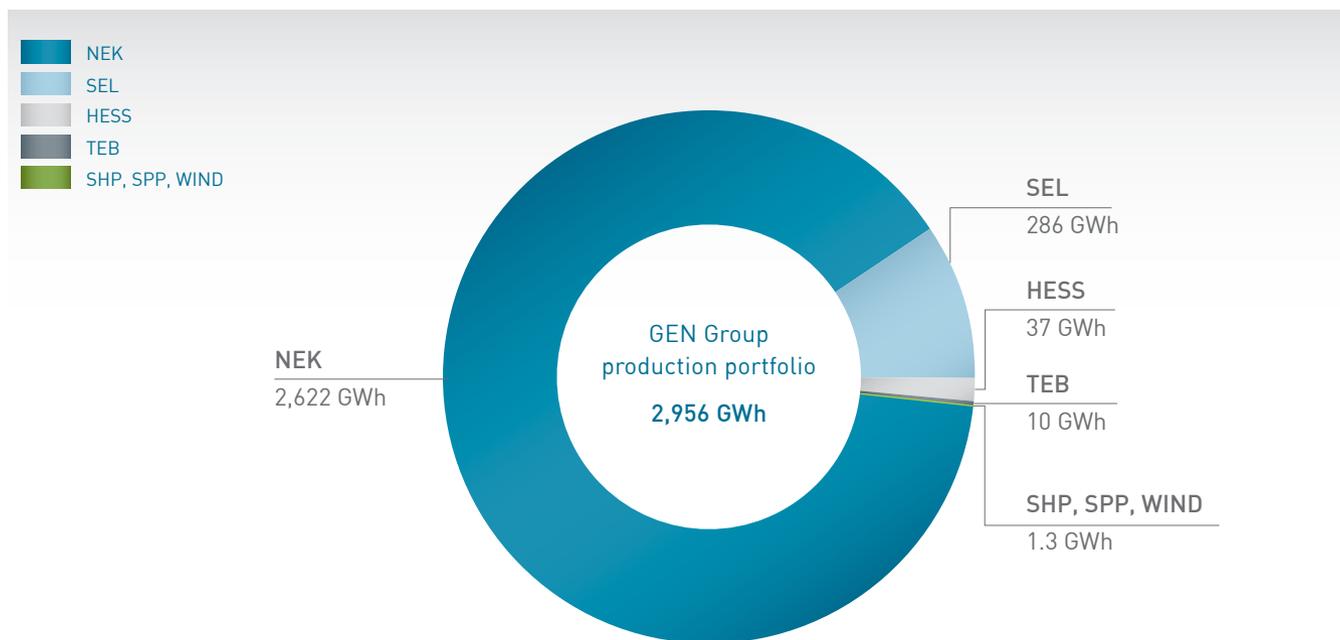
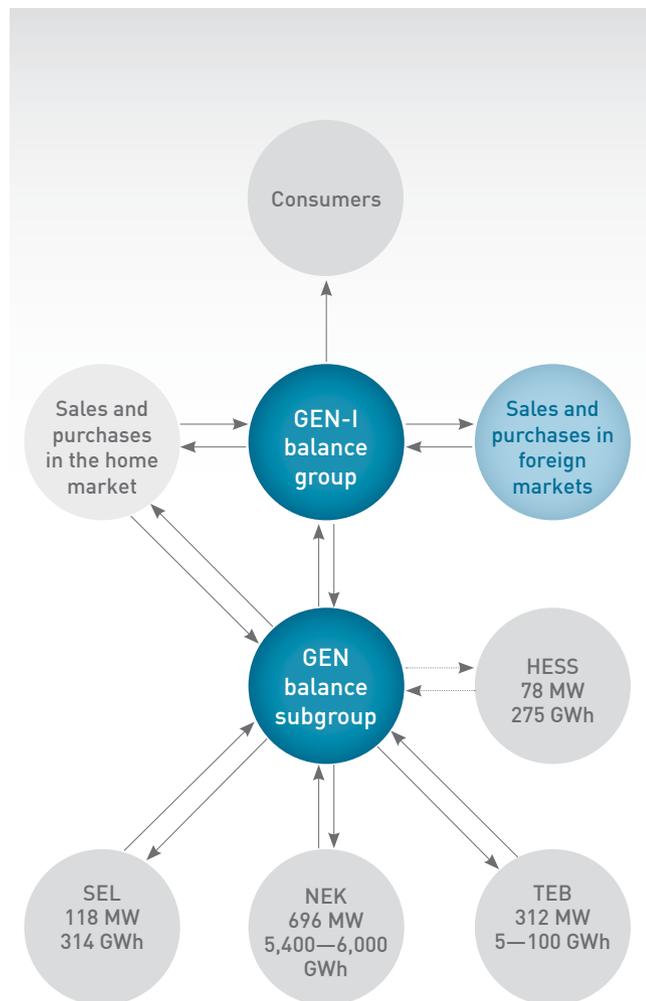


Figure 2.2

Diagram of interconnections within the GEN balance subgroup



NEK

Krško Nuclear Power Plant (NEK), the largest production unit in the GEN Group, delivers base load power on the daily load curve year-round. Krško Nuclear Power Plant (NEK) generated a total of 5,310 GWh of electricity in 2012. The amount of electricity that went to the GEN Group in accordance with the Inter-governmental Agreement on NEK was 2,622 GWh.

Table 2.1

NEK electricity production (GWh)

Month	Result 2012	Result 2011	Ratio
January	258	258	0.9983
February	238	234	1.0148
March	255	200	1.2753
April	106	249	0.4269
May	24	255	0.0946
June	247	247	0.9988
July	251	251	0.9988
August	248	251	0.9868
September	248	241	1.0274
October	239	256	0.9325
November	249	249	0.9993
December	259	258	1.0042
TOTAL	2,622	2,951	0.8884

Major scheduled maintenance of NEK, the most complex and demanding to date in terms of scope and depth, took place between 14/04/2012 and 27/05/2012. While the power plant was offline, GEN supplied NEK with 9.6 GWh of electricity for on-site use. The maintenance took four days and eight hours longer than was originally planned, primarily due to unforeseen work that had to be done while replacing the reactor head and due to failures of individual assemblies when attempting to bring the power plant back online. The central maintenance work was focused on the replacement of the reactor head and nuclear fuel. In addition, we carried out primary equipment checks, preventive maintenance and other technological equipment upgrades, all in order to provide a sound footing for the power plant's safe and reliable operation in the next, 26th, fuel cycle, scheduled to run until October 2013.

NEK recorded stable operation for the rest of the year, with the exception of the unplanned shutdown, which lasted from 28/10/2012 to 30/10/2012. The power plant was shut down manually due to driftwood and other materials carried along by the Sava River as a result of flooding and the consequent clogging of condenser filters. While the power plant was offline, GEN supplied NEK with 0.5 GWh of electricity for on-site use.

SEL

Within the national power grid, SEL's production units are primarily designed to deliver electricity on the daily load curve while allowing the possibility of utilizing 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 they can participate in system-wide frequency control on a day-to-day basis in response to unevenly distributed load curves (at different times of the day). Moste HPP is the only hydroelectric power plant with a weekly accumulation facility in Slovenia. This means it can participate in system-wide frequency control on a weekly basis in response to unevenly distributed load curves (on different days of the week – weekdays, bank and public holidays).

Table 2.2

Large-scale HPP monthly electricity production (GWh) in 2012

Month	Result 2012	Result 2011	Ratio
January	14	35	0.3972
February	8	16	0.5147
March	8	25	0.2960
April	24	19	1.2178
May	25	19	1.3106
June	23	28	0.7979
July	20	20	1.0346
August	12	20	0.6137
September	25	13	1.9000
October	32	24	1.3193
November	54	18	3.0388
December	42	21	1.9401
TOTAL	286	259	1.1029

In 2012 the combined output of large-scale SEL hydroelectric power plants was 286 GWh, which is a 10.29% increase over the previous year. Higher output can be credited to the river's higher water levels.

Table 2.3

Large-scale HPP electricity production (GWh) in 2012

HPP	Result 2012	Result 2011	Ratio
MOSTE HPP	59	59	0.9962
MAVČIČE HPP	64	52	1.2225
MEDVODE HPP	70	65	1.0892
VRHOVO HPP	92	83	1.1147
TOTAL	286	259	1.1029

The small-scale hydroelectric power plants (SHPs) generated 441 MWh of electricity in 2012, down by 4.08% from the previous year. The photovoltaic power plants (SPPs) produced 660 MWh of electricity, which is down by 0.72% from the previous year.

Table 2.4

SHP and SPP electricity production (GWh)

SHP and SPP	Result 2012	Result 2011	Ratio
MAVČIČE SHP	0.330	0.344	0.9597
VRHOVO SHP	0.111	0.115	0.9579
SHP total	0.441	0.459	0.9592
MAVČIČE SPP	0.082	0.083	0.9960
MEDVODE SPP	0.070	0.070	0.9973
MEDVODE 2 SPP	0.028	0.001	47.2881
VRHOVO 1 SPP	0.088	0.089	0.9858
VRHOVO 2 SPP	0.392	0.422	0.9282
SPP total	0.660	0.665	0.9928
TOTAL	1.101	1.124	0.9791

Committed to generating electricity from renewable sources, SEL runs a small wind turbine with a capacity of 2.2 kW and planned annual output of 2,750 kWh. The electricity generated this way is used as a power supply for backup lighting. SEL also owns a cogeneration, or combined heat and power (CHP), plant in Medvode. With a planned output of 18 MWh, the plant generated 27 MWh of electricity, enough to meet the heating needs of the entire SEL office building.

In 2012 the company carried out all scheduled overhauls and inspections of its generating units and replaced and upgraded the relay protection at Vrhovo HPP.

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 10 GWh of electricity in 2012. 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 5 GWh.

Table 2.5

TEB electricity production (GWh)

Month	Result 2012	Result 2011	Ratio
January	0	0	0.8969
February	2	0	11.8088
March	1	1	0.9552
April	0	0	0.8727
May	0	0	1.1269
June	0	0	2.0324
July	0	1	0.3693
August	1	2	0.6817
September	0	2	0.0792
October	3	4	0.8259
November	1	1	1.5401
December	1	0	2.2325
TOTAL	10	12	0.8767

Due to low electricity prices, it was not economically viable to operate the power plant for commercial purposes any more than was necessary. For commercial use the plant generated slightly less than 9 GWh of electricity. In terms of tertiary frequency control interventions, a total of 29 activations were recorded: 23 start-ups of individual gas units at TEB and 7 start-ups at SEL. The combined output of these interventions was slightly above 1 GWh. TEB's low production points to the fact that operation of the other production units in the GEN balance subgroup as well as in the entire power grid was secure and stable, so running TEB for backup was not necessary.

TEB completed periodic annual inspections of gas units PB1, PB2 and PB3 successfully and on schedule. The inspections also involved an overhaul of the start-up diesel engine, oil filtration and repair work on the rotary unit of gas unit PB2. Minor defects were identified and fixed during periodic checks on gas units PB4 and PB5. Gas unit PB4 underwent a complete overhaul between 10/09/2012 and 30/10/2012. The overhaul involved simultaneous work on the turbine and the generator, during which modifications and improvements were made in addition to the standard overhaul checklist, which typically entails the replacement of worn-out hot parts. Nothing out of the ordinary was identified during the overhaul and inspections, apart from the growing issue with the three old gas units, PB1, PB2 and PB3, in the sense that spare parts (particularly instrumentation) are getting increasingly harder to come by.

HESS

A portion of the electricity generated by HESS was available to the GEN balance subgroup in 2012. In accordance with the amended Rules on the Operation of the Electricity Market, a meter point can belong to several balance groups. As a result, GEN is entitled to manage margins totalling 15.4% of HESS electricity production for its own account. The GEN Group has a major say in other processes in HESS as well, as it not only invests financial resources into the construction and maintenance but also provides training in the maintenance of HESS production facilities.

GEN took over 37 GWh of electricity from HESS in 2012, which accounts for a 134.18% target over the previous year and is the result of the trial operation of a new hydroelectric power plant in the chain – Krško HPP.

Table 2.6

Electric energy supplied from HESS in GWh

Month	Result 2012	Result 2011	Ratio
January	2	4	0.4404
February	1	2	0.6307
March	1	3	0.4215
April	3	2	1.4234
May	3	2	1.6584
June	3	3	0.9527
July	2	2	0.8897
August	1	2	0.5762
September	3	1	2.5887
October	4	2	1.7524
November	7	2	3.7632
December	8	3	3.0203
TOTAL	37	28	1.3418

2.2.2 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 in the electric power grid within the European UCTE (Union for the Coordination of Transmission of Electricity) system.

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

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

2.3 Electricity purchasing

The purchase portfolio of the GEN Group comprises electricity generated in the Group's own production units and electricity purchased from other sources. Nuclear energy is the dominant source of electricity generated by the Group's own production facilities. A significant share in the composition of the portfolio is also occupied by renewable energy sources and the capability of providing ancillary services, particularly tertiary frequency control.

The purchase side of the Gen Group's portfolio, which features the Group's own production units, has been expanded with other domestic and foreign producers and energy brokers. The GEN Group is fully qualified to meet the requirements of both large and small consumers owing to its comprehensive range of broking services for electricity market sales, from intraday to years-long trades. It is the resulting flexibility that allows the Group to purchase electricity from different types of producers. In this respect, a particularly strong emphasis is placed on qualified producers (hereinafter: DP) possessing a formal declaration for their production unit.

The growth of the GEN Group is also reflected in the growing electricity purchase and sales volumes. In 2012 the Group's electricity purchase and sales volumes went up by 39.89%; however, due to the proportional 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 electricity purchase and sales volumes presented below take into account the proportional consolidation of NEK and recognize the total amounts for GEN-I.

The GEN Group companies purchased a combined total of 25,804 GWh of electricity, up by 42.61% from the previous year. This includes 162 GWh purchased from DP and 2,982 GWh provided by GEN from its own production units. The rest of the electricity purchase side of the portfolio refers to supplies from the GEN-I trading division.

Figure 2.3

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

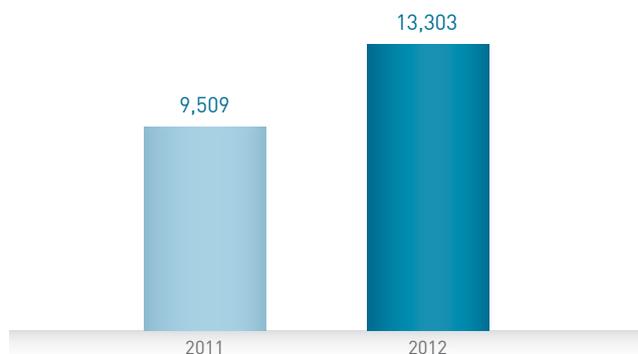


Figure 2.4

Electricity (GWh) purchased by GEN Group companies



2.4 Electricity trading and sales

Electricity trading and sales stayed firmly on course in 2012. An ever-increasing amount of electricity from our own sources was being sold through our in-house know-how and competences. The GEN Group is an effective and efficient electricity trader, with a cross-border wholesale trading infrastructure that gives the Group access to all the necessary pricing data and information needed to ensure that its production resources are fully utilized. In order to maximize production resources and to ensure a safe, steady and quality supply of electricity to consumers, day-ahead and intra-day electricity trading were implemented in 2008. In 2012 the Group continued to sell excess electricity and to buy electricity to make up for shortfalls in cooperation with the GEN Control Centre.

When it comes to selling electricity, the connection between GEN and GEN-I is a crucial one. The underlining feature of the relationship between the two is that GEN-I sells electricity for GEN under clearly defined terms and conditions. In this context, GEN primarily supplies base load electricity, while GEN-I provides the necessary modulation so that the GEN Group is able to match its service precisely to customers' wishes. Most of GEN's annual electricity output gets sold based on the company's annual sales strategy, which is approved by the GEN Supervisory Board. To be able to provide exactly the right amounts of electricity on a day-to-day basis as per signed contracts and to optimize sales, the Group makes short-term purchases of electricity or sells excess electricity, whichever is applicable.

Figure 2.5

Geographic presence of the GEN Group



2.4.1 Trading

The total amount of electricity available for trading went up from 18,094 GWh in 2011 to 25,804 GWh in 2012. 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 consumers.

Slovenia is our most important retail market, but the increasingly large balance group is being expanded and coordinated through trading activities in the neighbouring markets. The major buyers' markets are Germany, Hungary, Italy and Slovenia. The major sellers' markets are Germany, Austria, Italy and Slovenia, followed by Hungary, Greece, Romania and Macedonia and, depending on hydrological conditions, also Croatia, Serbia, Kosovo, Albania, Montenegro and Turkey. The Group's subsidiaries are the keystones of expansion into foreign markets as they possess all the required authorizations, competences to adapt to distinctive local circumstances, and a proper trading infrastructure.

2.4.2 Sales

The increase in electricity retailing volumes 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 seen further development. The GEN Group's customers include large corporations, as well as small and mid-sized businesses and households.

With its well-established individual portfolio management based on in-house know-how and infrastructure, the GEN Group successfully catered for its existing customers and managed to keep virtually all of them. This enabled the GEN Group's partners to take the best possible advantage of fluctuations in the electricity market. At the same time, the GEN Group's sales to consumers went up on the back of its highly competitive offerings, despite fierce competition in the electricity market.

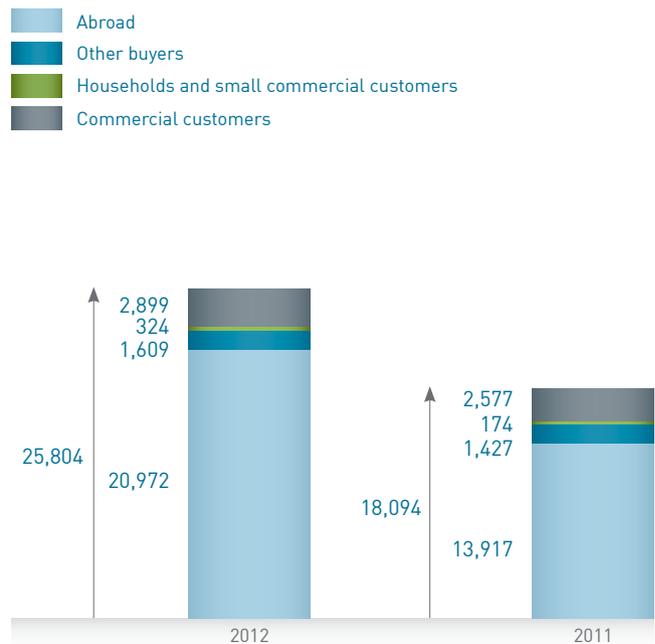
The GEN Group was a major player in all the electricity sales segments in Slovenia in 2012, with an estimated overall market share of 24%. The GEN Group is also actively engaged in supplying electricity to consumers abroad. The key markets in this

respect in 2012 were Austria and Croatia, with Italy close behind. The experience gained this way is also effectively used for ensuring rapid development and for identifying new opportunities for retailing elsewhere, particularly in the markets of Southeast Europe.

The GEN Group companies sold most of its electricity, 20,972 GWh, in foreign markets. 4,832 GWh of electricity was sold in the domestic market: of which 2,899 GWh to commercial customers, 324 GWh to households and small commercial customers, and 1,609 GWh to other buyers, which also purchased electricity from GEN for the purpose of reselling it to household consumers.

Figure 2.6

Electricity sold by the GEN Group (GWh)



2.5 Sales of natural gas

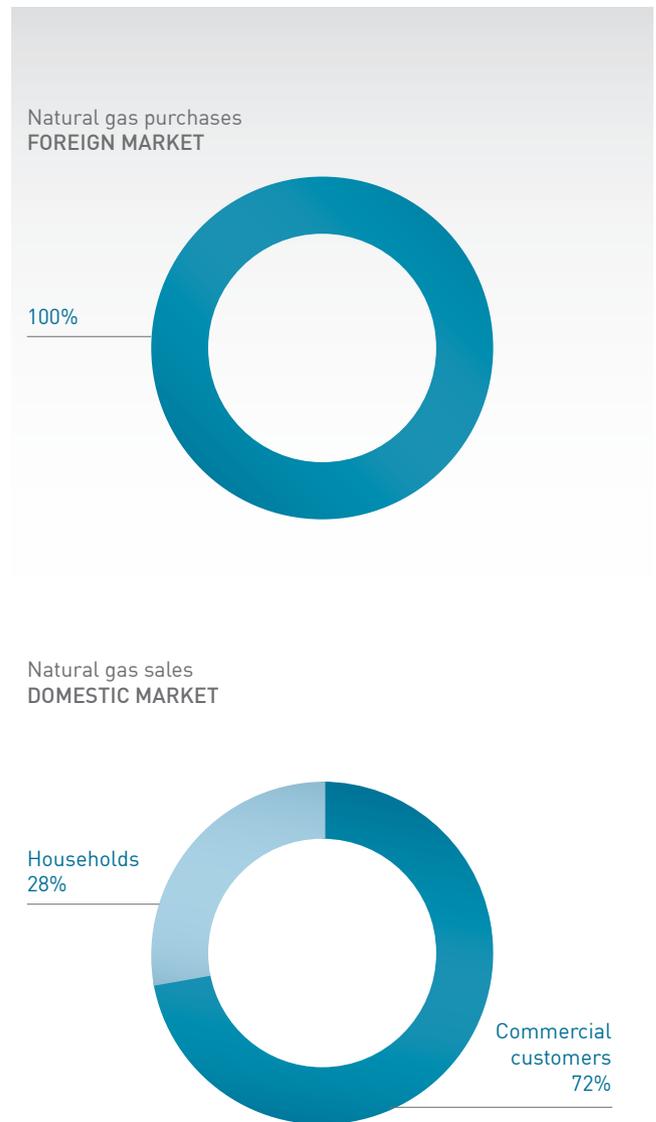
In September 2012 the GEN Group entered the Slovenian market for natural gas through its subsidiary GEN-I, becoming the first independent supplier of natural gas in the country.

Since entering the market and up to the end of 2012, GEN-I received, during its “Cheap Gas” campaign, more than 20 thousand applications from new customers requesting to switch to GEN-I for the supply of natural gas. The company’s market share in the commercial supply segment stood at 8%, and in the household supply segment, 19%.

The company’s plan for 2013 is to increase the sales of natural gas and to secure an 18% share of all energy products sold in the Slovenian market, which will further strengthen the presence of GEN-I, and indirectly the GEN Group, in the market.

Figure 2.7

Natural gas sales and purchases in 2012 by market

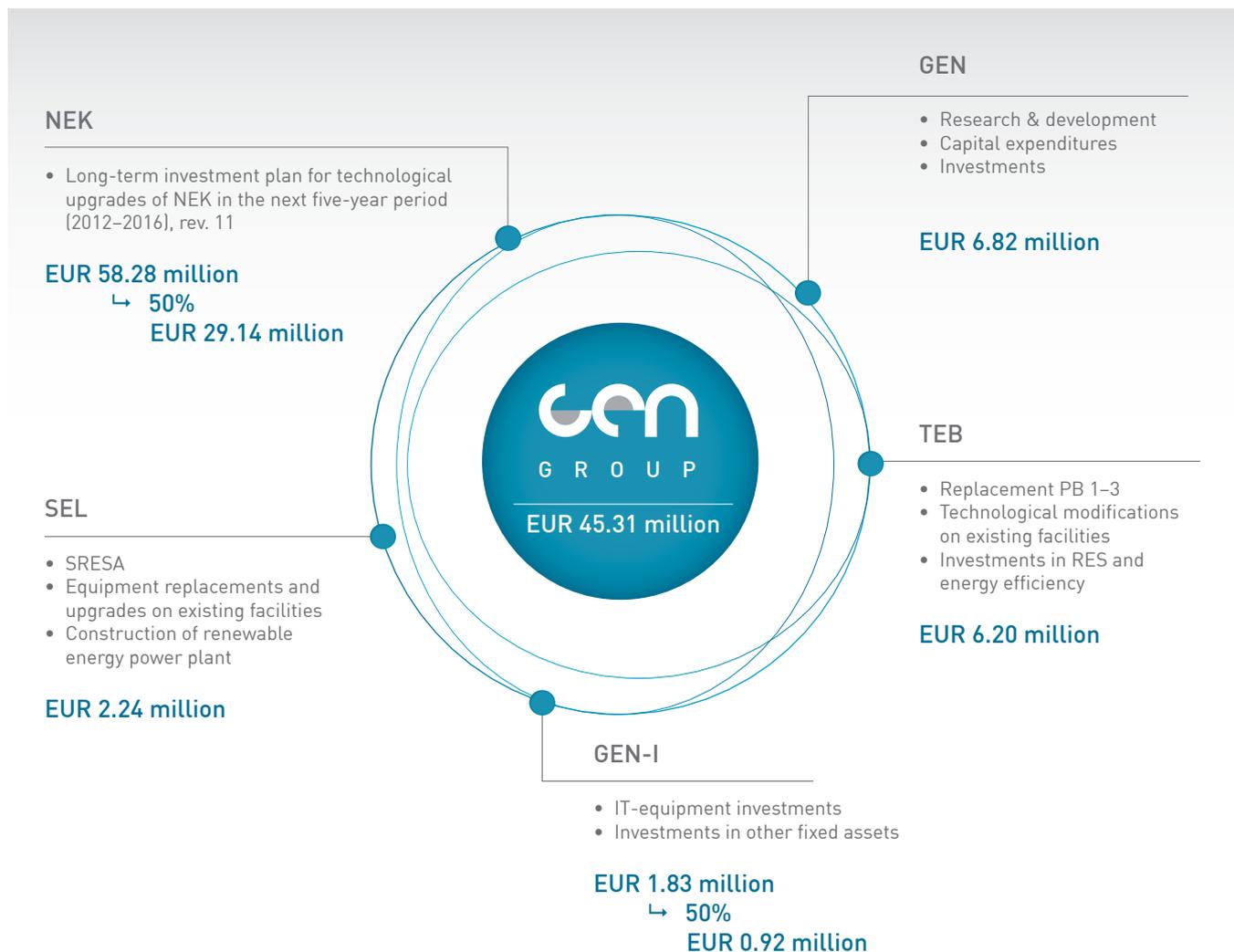


2.6 R&D, capital expenditures and investments of the GEN Group

The areas of research and development and investments are essential to the long-term operating stability and future growth of individual companies and the GEN Group as a whole. The financial resources allocated to this end totalled EUR 45.31 million in 2012.

Figure 2.8

R&D, capital expenditures and investments of the GEN Group companies in 2012 (in EUR million)



2.6.1. Investments and development in the parent company

The company GEN spent EUR 6.82 million on research and development and investments in 2012.

Table 2.7

R&D, capital expenditures and investments of the company GEN in 2012 (in EUR million)

	Result
RESEARCH & DEVELOPMENT	1.15
JEK 2-related studies	1.09
Other studies	0.06
CAPITAL EXPENDITURES	2.91
JEK 2 construction project – Vrbina	2.50
Miscellaneous	0.41
INVESTMENTS	2.76
HESS construction project	0.76
Acquisition of capital shares, capital injections	2.00
TOTAL	6.82

Since the company's profits are the most important source of financing, the outlined investments were for the most part paid for out of profits from the current and previous years. In addition, EUR 1.29 million from depreciation was used as an alternative source of funding.

JEK 2 construction project

In October 2006 the Government of the Republic of Slovenia adopted the Resolution on Key National Development Projects for the Period from 2007 to 2023 and included among measures and projects supporting sustainable development of Slovenia the option of constructing a second reactor unit of Krško Nuclear Power Plant. In doing so, the Government of the Republic of Slovenia expressed a clear interest in, and direction for, shaping the future of energy in Slovenia.

The domestic situation in electricity supply has intensified in recent years, and electricity consumption is rising much like

in other developed countries. With the global economic crisis, which broke out in 2008 and still persisted in 2012, the situation changed drastically; however, given the nature of the decline in electricity consumption levels, these levels are expected to climb back up once the economy has recovered.

Also, Slovenia is facing the problem of relatively old energy-production facilities, which are going to have to be eventually replaced with new ones. At the same time we are growing increasingly aware of environmental impacts and of the importance of adhering to the EU climate and energy package. All this calls for thoughtful consideration of the option to expand the production capacity of Krško Nuclear Power Plant by adding a new reactor unit, as foreseen by the draft National Energy Programme (hereinafter: NEP), which was released for public review and cross-border impact assessment in 2011. In it, long-term preservation of electricity production at Krško Nuclear Power Plant is a viable option across all scenarios. According to the various draft NEP scenarios, this would be achieved by extending the life of the existing power plant and by building a new nuclear power plant, and by simultaneously running both of them, the existing and the new one. The installed capacity of the planned second reactor unit would be somewhere in the range of 1,100–1,600 MWe. According to NEP, the construction of the new unit and connection to the power grid would be completed between 2020 and 2030, and the new power plant would most likely be put into commercial operation 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 up to the point until the decision to go ahead with the construction is reached at the national and local levels; preparation and organization of the project;
- b) **Preparatory stage:** site preparation, siting and location analysis, laying down specifications for tendering procedures, negotiations, and signing the construction agreement;
- c) **Construction stage:** preparation of project and design documentation, construction of the facility, manufacture, assembly and installation of plant equipment, and obtaining a building permit and operating licence; and
- d) **Operating stage:** 60 years of commercial operation.

All project analyses as well as viability and feasibility studies needed to kick off the decision-making process at the national level have already been conducted during the planned preparations for the expansion of Krško Nuclear Power Plant production capacities. A total of EUR 1.09 million worth of studies, analyses and activities were carried out on the JEK 2 project in 2012.

In accordance with its business plan, GEN bought land and completed the construction of new housing for the relocated people from the village of Vrbina. The cost of the land and replacement housing was EUR 2.50 million.

In 2012 the social acceptability of nuclear energy remained beset by the accident at Japan's Fukushima Daiichi nuclear power plant. The incident brought to light some of the main weaknesses of Japan's nuclear power plants. Afterwards, EU member states and several neighbouring countries (e.g. Switzerland and Ukraine) conducted what came to be known as stress tests in order to test the resilience of Europe's nuclear reactors to highly unlikely yet devastating natural disasters and other events that could compromise the safety of nuclear facilities. Analyses have shown that Europe's nuclear power plants are well prepared to withstand such highly unlikely events, much better than Japan's. At the same time, the analyses revealed numerous areas where safety measures would have to be further enhanced. Krško Nuclear Power Plant passed the stress tests with flying colours, which can be credited to its consistently good track record, substantial investments in nuclear safety and regular equipment upgrading – all thanks to keeping up to date with the latest developments in the USA and elsewhere. In NEK too stress tests have pointed to several areas where there is room for improvement with regard to nuclear safety, so in the years ahead the company GEN will make every effort to increase the scope of investments in technological and safety upgrades of NEK.

The accident at the Fukushima Daiichi nuclear power plant severely undermined the confidence in nuclear technology, nuclear safety and the nuclear engineering community. Still, in many countries (USA, UK, Finland, Poland, Sweden, France, China, India) the general public is still in favour of building new nuclear power plants. In these countries there is common belief that the benefits of nuclear energy outweigh its dangers, especially in contrast to other technologies.

An application to obtain an energy licence, the first document in line in the decision-making process, was submitted to the Ministry of the Economy in 2010. The application was complete with all the required supplemental documentation and underpinned by a comprehensive, revised prefeasibility study. Also enclosed was an opinion of principle issued by ELES on the connection of

the planned facility to the transmission system of the Republic of Slovenia.

Due to the scale and complexity of the JEK 2 project, GEN has already launched a varied range of training programmes for its existing personnel. One such training was completed with the provision of engineering services for the construction of a nuclear power plant in Sudan. GEN's experts who had been entrusted with the preparations of a part of technical specifications for the power plant, gained vital practical experience that will be invaluable in the preparation of documents for JEK 2.

The project has entered a stage where, in order for it to continue, the owner will have to make a clear decision whether to go ahead with the construction of JEK 2 and start the siting and location process. To date, all the expert studies in the context of the JEK 2 project that will allow a well-grounded, broader political and social discourse on the future of energy in Slovenia and on the future role of nuclear energy have been successfully completed. Given that activities for the adoption of the new National Energy Programme are set to take place in 2013, all the bases have been covered to go ahead with the siting procedure and to defend the preservation and expansion of the nuclear option in the new national strategic document.

HESS construction project

With the transfer of an interest in the HESS Joint Venture on 01/01/2008, GEN became a direct stakeholder in the project for the construction of hydropower plants on the lower Sava River (HESS construction project). Allocation of funds for HESS is provided for in the Memorandum of Association, and the exact amounts are decided by the company's annual general meeting.

Pursuant to the Memorandum of Association, GEN put EUR 0.76 million worth of additional capital into HESS in 2012. Payments began in April and ended in August. The sum to be paid in by the partners in 2012 was originally higher, but the September, October and November instalments were deducted due to a considerable delay in the construction of the Krško HPP reservoir and the preparation of the national spatial plan for Brežice HPP, as well as legislative changes.

Acquisition of capital shares, capital injections

GEN-I's rapid expansion created a need for strengthening the company's capital adequacy, so EUR 2.00 million worth of capital was injected into the company in December.

Miscellaneous investments

The development of the GEN Group also commits the parent company to making other capital expenditures and investments important for its future operation. In 2012 GEN spent a total of EUR 0.41 million on capital expenditures and IT investments.

2.6.2 Investments and development in subsidiaries

All the companies in the GEN Group maintain a high level of availability and operational reliability on account of regular maintenance and ongoing capital investments. Appropriate control, maintenance and modernization ensure operational readiness of the systems at all times.

NEK

NEK pursues the established strategy for nuclear power plant operators, which entails making ongoing investments in technological upgrades and modernization. The established way of doing things is to make five-year investment plans, and the average annual value of investments in technological modernization is around EUR 38 million. Based on the aftermath of the natural disaster in Japan, which took its toll on the Fukushima Daiichi nuclear power plant, and the results of the subsequent stress tests, which call for additional modifications to NEK, the value of capital investments is well expected to rise. Under the Intergovernmental Agreement on NEK, the required financial resources will have to be provided by both owners.

NEK continued to undergo comprehensive technological modernization in accordance with its long-term investment programme. Investments in 2012 totalled EUR 58.28 million. A large number of upgrades and replacements of vital equipment were carried out both during regular operation at full capacity and during the scheduled maintenance outage. The central activities undertaken were:

- Replacement of the reactor head,
- Replacement of the rotor on the main electric generator,
- Improvement to the AC backup power supply (commissioning of a third stand-by diesel generator),
- Replacement of the primary switchgear in the transformer bay,

- Optimization of RTD bypass lines,
- Upgrading of the fire alarm system and the fire suppression systems, and
- Investments to increase flood safety.

SEL

SEL consistently carries out periodic major maintenance work on its facilities and makes intense development efforts in terms of tapping renewable energy sources. In 2012 SEL spent EUR 2.24 million in depreciation allowances and other own resources on investments and development.

The most important part of SEL's investing activity in 2012 was stage 2 of the reconditioning of Moste HPP. Reconstruction work on the bottom outlet was supposed to start in 2011, however, there have been some complications and setbacks.

TEB

TEB focuses its investment and development efforts chiefly on further developing its existing processes while expanding its scope of activity into other areas as well. A total of EUR 6.20 million was spent on investments and development in TEB in 2012.

GEN-I

GEN-I's development in the areas of sales and trading in 2012 was a step up from previous years. The group spent a total of EUR 1.83 million on investments and development.

2.7 Financial operations

Despite the country's difficult economic situation, the companies had no problem meeting their financial and trade liabilities within applicable contractual terms of payment. On the receivables from customers side, everything went smoothly.

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

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

2.7.1 Servicing operations and borrowing

One of the fundamental functions of financial operations in 2012 was the planning of an adequate level of liquid assets in order to ensure solvency. A major part in ensuring solvency is played by obligations arising from the supplied electricity and power. Particularly important is the obligation to cover NEK's fixed costs, which is one of the principal leverages for our prompt settlement of GEN's liabilities and for the 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 well taken care of 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. GEN and the companies in which it holds a controlling interest are obligated to undertake borrowing activities in compliance with the Regulation on Borrowing Conditions and Procedures under Article 87 of the Public Finance Act (Official Gazette of the Republic of Slovenia, No. 112/2009).

Short-term borrowing is most frequently undertaken by GEN-I in order to ensure sufficient liquidity in its electricity trading operations. Long-term borrowing is undertaken by the production companies primarily for the purposes of investments and major maintenance, whereas NEK also takes out loans to purchase fuel, whose lifetime spans more than one year due to the inherent nature of production.

NEK was the only company in the GEN Group to take out a long-term loan in 2012; it was used for financing the replacement of the reactor head, application of welds on the pressurizer, and capital expenditures in technological upgrades.

Short-term borrowing was undertaken by the companies GEN-I, to secure liquid assets for trading, and GEN. To pay out a share of the profits to the owner, the company GEN took out in December 2012 a short-term loan in the sum of EUR 28.20 million. The first instalment in the amount of EUR 21.80 million was paid already in December 2012, and the rest of the loan, EUR 6.40 million, was repaid after the end of the business year.

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

2.7.2 Settling liabilities to the NEK Fund

Pursuant to the Intergovernmental Agreement on NEK, the Act on the Fund for Financing the Decommissioning of NEK and Disposal of Radioactive Waste from NEK (Official Gazette of the Republic of Slovenia, No. 75/1994 and amendments thereto), and the Decision of the Government of the Republic of Slovenia No. 311-01/2001-21 of 07/10/2004, the company GEN is obligated to pay, on a regular basis, into the NEK Fund a contribution in the amount of EUR 3 for each MWh of electricity produced by NEK. EUR 7.86 million was paid into the NEK Fund in 2012.

2.7.3 Securing funding for covering NEK's fixed annual costs

Under the Intergovernmental Agreement on NEK, the company GEN is obligated to cover NEK's fixed costs incurred over a period of one year regardless of whether 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 heavily dependent on NEK's production, the Group is exposed to considerable risks even in the event of short outages of the power plant. To secure the funding necessary for covering NEK's fixed costs, the company GEN decided as early as 2004 to make long-term provisions for the amount of one-half of NEK's annual fixed costs (the other half is to be covered by the other co-owner of NEK).

2.7.4 Investing surplus cash

On 16/05/2007 the Supervisory Board of the company GEN gave its assent to the GEN Energija Investment Strategy for Surplus Cash, which is earmarked for covering the amounts drawn from long-term provisions. These provisions are meant for covering NEK's fixed costs in the event of unplanned reductions in electricity production at NEK. The company followed its investment strategy and primarily placed its surplus cash in deposits with maturity ranging from one to nine months. The deposited funds were spread over several different banks, with an average rate of return of 3.44%.

Spurred by the developments in the financial markets, GEN reviewed the surplus cash management practices in its subsidiaries and found that the companies in the Group rely on similar management methods with the aim of reducing the risks associated with such investments.

2.7.5 Performance indicators

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

Table 2.8

Indicators for the company GEN

Performance indicators	2012	2011
Equity financing rate	79.05%	83.04%
Long-term financing rate	94.51%	96.47%
Operating fixed assets rate	3.03%	2.67%
Long-term investment rate	79.68%	78.24%
Equity to operating fixed assets	26.09	31.12
Long-term financing of fixed assets	1.16	1.21
Immediate solvency ratio – acid test ratio	2.58	4.44
Quick ratio	3.41	5.75
Current ratio	3.42	5.77
Operating efficiency ratio	1.12	1.11
Net return on equity ratio	0.04	0.02

The indicators show that the company is in a healthy financial position. The company is therefore ready to make new capital investments. In this respect, in view of the harsh economic situation and the owner's high expectations regarding ROI rates, it is crucial that the new investments follow these expectations as well.

Table 2.9

Indicators for the GEN Group

Performance indicators	2012	2011
Equity financing rate	70.87%	73.44%
Long-term financing rate	84.38%	84.79%
Operating fixed assets rate	51.15%	50.92%
Long-term investment rate	59.95%	58.82%
Equity to operating fixed assets	1.39	1.44
Long-term financing of fixed assets	1.38	1.41
Immediate solvency ratio – acid test ratio	1.42	1.47
Quick ratio	2.47	2.65
Current ratio	3.07	3.26
Operating efficiency ratio	1.03	1.05
Net return on equity ratio	0.04	0.04

Despite the downturn and less than favourable market conditions, the GEN Group companies achieved remarkable business results in 2012, which is also reflected in the performance indicators.

2.8 HR structure

Table 2.10

Number of employees by company and by level of qualification as at 31/12/2012

GEN GROUP	Result 31/12/2011	Result 31/12/2012										TOTAL
		Level 1	Level 2	Level 3	Level 4	Level 5	Level 6/I	Level 6/II	Level 7	Level 8/I	Level 8/II	
GEN	50	0	0	0	0	4	7	7	31	0	4	53
GEN-I	121	0	0	0	0	34	5	32	65	9	7	152
NEK	623	1	5	2	27	248	79	48	185	13	7	615
SEL	115	5	0	0	23	36	20	7	18	1	0	110
TEB	117	1	4	0	24	35	16	14	19	1	0	114
TOTAL	1026	7	9	2	74	357	127	108	318	24	18	1044

2.8.1 Employees

Along with the growth of the GEN Group comes an increasing need for new human resources, and the Group is looking to optimize its recruitment process. The number of employees in the GEN Group is directly proportional to the Group's development and the challenges it entails. At 31/12/2012 the GEN Group employed a total of 1044 people.

The data in Table 2.10 refer to whole companies or the Group, not taking into account GEN's equity interests in individual companies and the rules of consolidation.

2.8.2 Scholarships

A shortage of suitable, qualified human resources has become increasingly acute around the country in recent years, and the situation is quite serious 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 and technical 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 the most sought after or in demand among employers, who must clearly define in the call for applications

what kind of knowledge they are looking for. The number of scholarships awarded is subject to the amount of available public funds, developmental priorities and profession-specific prospects in a given developing region. 30% of a scholarship under the scheme is covered by the employer, the rest by the local community and the state.

At 31/12/2012 the company GEN had 19 scholarship recipients, the GEN Group 56.

Table 2.11

Number of scholarship recipients by GEN Group company as at 31/12/2012

	Result 31/12/2012	Result 31/12/2011
GEN	19	24
GEN-I	0	1
NEK	24	24
SEL	9	10
TEB	4	5
TOTAL	56	64

2.9 Social responsibility

In the Revised GEN Energija Development Plan, social responsibility is defined as a major factor in creating and maintaining a positive business environment. Developing social responsibility at various levels is key to successful business, so in the GEN Group we differentiate between these aspects of social responsibility:

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

2.9.1 Overall social responsibility

With their operation and energy production sites, the GEN Group companies are tightly integrated into the local environment. From this integration with the environment stems the Group's overall social responsibility, whereby a special focus is placed on raising awareness of the energy industry and energy in general among the general public and on sponsorships and donations allocated to various areas.

Energy literacy and raising awareness of sustainable electricity sources, the future of energy and the importance of energy efficiency among young people

In its interactive centre, **the World of Energy**, GEN has installed interactive exhibits, models and multimedia presentations for visitors to discover the world of energy, electricity and energy technologies, with a special focus on nuclear energy. The centre also features an Experiment Room. The centre had more than 12 thousand visitors since its opening and up to 31/12/2012.

The World of Energy is an innovative and instructive addition to the Posavje energy region and the whole country. The aim of the centre is to provide comprehensive information and explanations and interactive exhibits and experiments to bring energy technologies closer to visitors and to spark interest in natural and technical sciences among the young. Through communication on the relevant subjects new partnerships, collaborations and alliances are formed. Though smaller in scope, an important part of activities taking place at the World of Energy is the preparation of special programmes and workshops, developed by GEN in collaboration with teachers from schools around the country, for talented primary and secondary school students.

The project titled "**The Young in the World of Energy**" deserves special attention among the Group's overall social responsibility projects. Through project activities GEN maintains regular contacts with teachers of physics, technical sciences, environmental protection, and natural sciences in general.

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. When apportioning funds, we place a special emphasis on the intended purpose of the funds and look at whether the funds are going to be used in the environments into which our individual facilities are integrated. The funds are therefore given out for educational, scientific, sporting, cultural, charitable, health, ecological, humanitarian, disability and social security purposes.

From a broad spectrum of sponsorships and donations given out in 2012, the following deserves special attention: our support for development and education projects and for the 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, aimed at students of natural and technical sciences. GEN also works together with the Faculty of Energy Technology in Krško, both on the organization of the annual expert conference EnRe and on other science projects. Aiming to promote a constructive debate on energy-related topics and to increase their understanding, GEN also backed numerous expert conferences and meetings such as "Nuclear Energy for New Europe 2012", the "En.Odmev 2012" strategic energy conference, the "Energy Industry and the Environment '12" expert conference and the 14th "Meeting of Energy Managers" conference, to name a few.

2.9.2 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 energy. And it is the nuclear energy generated at NEK that is essential for the successful and environmentally friendly operation of the entire Group.

Given the importance of nuclear energy for maintaining a low level of greenhouse gas emissions in Slovenia, the greatest emphasis is placed on ensuring effective risk management in the area of nuclear safety. Special attention is focused on ensuring and checking adherence with nuclear technology regulations and standards. To this end, it is important to keep abreast of best practices concerning nuclear safety around the world and of OSART Mission recommendations and to incorporate them into NEK. A great deal of attention is paid to equipment modernization and maintenance and to ongoing improvements to the safety culture and mentality of the company's 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, SEL and TEB all introduced separate collection of municipal waste and perform wastewater treatment. NEK also conducts regular monitoring of the groundwater: by continuously measuring the water level and temperature in three boreholes and at two locations on the Sava River and by conducting weekly measurements in ten boreholes on the Brežice-Krško Plain. NEK also places special attention on radiological monitoring, during which measurements are taken. No increased radiation levels for the nearby residents were detected in 2012 as a result of the power plant's operation.

GEN's production portfolio is built on recognizing the importance of renewable energy sources, particularly hydropower. GEN fulfilled its water potential investment strategy through the acquisition of SEL and through active participation in the construction of hydroelectric power plants on the lower Sava River (HESS) and on the middle course of the Sava River (SRESA). 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 small number of TEB start-ups, more than 99% of all the electricity produced by the GEN Group in 2012 was generated without greenhouse gas emissions.

The GEN Group companies are also committed to promoting the production of electricity from alternative energy sources. 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 (SPPs), wind turbines and combined heat and power (CHP) plants. TEB too invests in small-scale photovoltaic power plants.

2.9.3 Economic responsibility

Economic responsibility represents one of the cornerstones of social responsibility. Judging from experience, only economically efficient companies or groups of companies can be fully socially responsible.

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

In conclusion, the GEN Group is indeed economically responsible. The Group closed the year 2012 with encouraging business results and continues to pursue clearly defined goals and an ambitious development plan in accordance with the adopted Revised GEN Energija Development Plan.

2.10 Risk management

Risks are an inherent part of any business. And each risk comes from not knowing if or when an unforeseeable event is going to take place. The risks faced by the GEN Group can be divided into the following categories:

- strategic risks,
- market risks,
- quantity risks,
- financial risks,
- human resources risks,
- legal risks,
- operational risks,
- investment risks.

The GEN Group companies manage risks by promptly identifying them and determining the level of severity, both at the management and sectoral levels. Based on this analysis, proper actions and tools for managing a particular risk are determined. Through efficient risk management the companies seek to reduce the number of unpredictable events and to be more effective in meeting the set goals.

2.10.1 Strategic risks

The most important risk to the operations of the company GEN has to do with ensuring safe, reliable and stable electricity production in the subsidiaries since the existence and development of the company GEN relies heavily on it.

Krško Nuclear Power Plant (NEK) is the central energy generation facility in the Group and in the country. As owners of the Slovenian part of the facility, we are fully aware – around the clock and all year long – of the risks and our responsibility, so we monitor its operation on several levels.

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

A change in the ownership structure of the partner of the jointly controlled company GEN-I has given rise to new factors which affect the relationship of the company GEN towards its subsidiary.

Meeting the founder's goals

GEN endeavours to meet the goals laid down by AUKNRS in its Capital Assets Management Strategy of the Republic of Slovenia for the 2011–2015 period. The basic requirement for the classification of capital assets of the Republic of Slovenia in the energy sector is for an energy company to provide the country with a sustainable and safe supply of energy and energy products.

The goal of active management is to increase the company's rate of return and to accelerate the development and reconstruction of its energy infrastructure. The company is required to utilize its investment potential for carrying out energy projects needed to ensure reliable, safe and stable operation of the national power grid.

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

2.10.2 Market risks

Market risks arise from volatile trends in the prices of energy products in the global market, which in turn affects electricity prices both at home and abroad. The company GEN manages this type of risk by means of an elaborate electricity sales strategy. This way, price risks are substantially reduced so that the company is only exposed to unplanned outages of generation facilities (particularly NEK) and subnormal hydrological conditions.

The risks associated with the sales of electricity for ancillary services turned out to be considerable. We seek to reduce these risks by negotiating long-term leases at least for a portion of these services.

2.10.3 Quantity risks

Quantity risks are risks associated with produced and purchased electricity which arise from the gap between the forecast and the actual amount of electricity. Quantity risks may be internal, relating to technological and logistic limitations with regard to production and timely procurement of fuels, or external, mostly having to do with weather and hydrological conditions.

Risks associated with electricity production refer to the electricity generated by the production companies. In this respect, the prevailing risk is associated with a potential outage of NEK, the most important energy generation facility in terms of volume. We seek to manage this risk by making provisions on the purchase side and by adjusting the production cost for TEB on the sales side, which serves as the marginal price that GEN would have to pay for alternative energy and the reserve kept for this purpose.

Each company manages the internal risks associated with their production facilities based on their many years of experience and expertise, by organizing regular employee training, and by following proven methods of running a production facility, carrying out maintenance, etc.

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

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

2.10.4 Financial risks

Liquidity risk arises when a company is unable to meet its current liabilities because of, for instance, different terms of payment on the purchase and sales sides. The Group companies manage liquidity risks by laying down well-defined contract terms and conditions, by regularly and precisely planning their cash flows on a daily, monthly and yearly basis, by checking their contractual partners and their payment track records, and through thoughtful and safe placement of surplus cash.

The companies are also exposed to risks associated with surplus cash management. To manage these risks, the company GEN adopted an Investment Strategy, which forms the basis for effective investment risk management.

Credit risk is risk that arises when a business partner fails to fulfil – by due date – their material (agreed supply/delivery of a certain amount of electricity) or financial obligations (non-payment of contractual obligations, repayment of loans given out to third parties – deposits).

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

Currency risk exposure is present in international trades or in conducting transactions with countries with an official currency other than the euro. This primarily entails exposure to exchange rate differences that occur between the time the contract is signed and the moment the contractual sum is actually paid.

2.10.5 Human resources risks

HR planning involves identifying the company's need for human resources and planning out the activities for their recruitment.

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

2.10.6 Legal risks

Legal risks refer to losses incurred due to violation or misinterpretation and non-observance of the law, regulations, directives, recommendations, valid agreements and contracts, good practices or ethical standards. The Group companies manage these risks primarily by laying down as well-defined contract terms and conditions as possible and by keeping up to date with legislative changes.

2.10.7 Operational risks

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

The Group manages these risks through clearly defined business processes, clearly defined roles, responsibilities and competences, and codes of practice and rules.

2.10.8 Investment risks

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

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

The company seeks to manage general risks by highlighting the project's viability and strategic importance to the country and, in doing so, to encourage competent institutions, the Government and the social environment to make the decisions necessary for the construction of JEK 2.

Keeping up to date and cooperation in the context of the construction of hydroelectric power plants on the Sava River are important risk management elements for the companies GEN and SEL.

Investments in gas units are important for the sake of ensuring a backup power supply to NEK, perhaps even JEK 2, and they offer the possibility of creating a system-wide reserve and adding flexibility to the production portfolio.

It is impossible not to communicate. A combination of information and communication technologies of yesterday, today and tomorrow provides us with knowledge for creating **technically** sound and transparent, reliable and acceptable stories. Stories we are proud to tell – for our sake and the sake of future generations.

In 2012 we continued with extensive **technical** preparations for the JEK 2 project. As we see it, JEK 2 can make a substantial contribution to the development of a modern, forward-looking, reliable, safe and environmentally friendly nationwide electricity supply at stable and competitive prices. The project has now entered the stage where the owner, the Republic of Slovenia, is going to have to make a clear decision on how to proceed.



➤ **3** summary
financial report
of the company
GEN

3.1 Independent auditor's report



3.2 Basis for drawing up the summary financial report

Pursuant to the Companies Act (CA-1), below is the summary financial report, an integral part of the Annual Report of the GEN Group for 2012. The summary gives an overview of 2012 operations and includes condensed versions of financial statements based on audited principal financial statements: balance sheet, income statement, statement of other comprehensive income and statement of changes in equity.

The financial statements are presented in EUR without cents.

3.3 Financial statements

3.3.1. Balance sheet

Table 3.1

Balance sheet as at 31/12/2012

	31/12/2012	31/12/2011
ASSETS	516,021,147	517,925,627
A. Fixed assets	419,228,619	413,680,246
I. Intangible assets and long-term deferred expenses and accrued income	483,336	473,546
II. Tangible fixed assets	15,149,063	13,348,795
III. Long-term financial investments	395,524,386	391,382,820
IV. Deferred tax assets	8,071,834	8,475,085
B. Current assets	96,539,523	104,030,288
I. Short-term financial investments	73,003,810	80,193,156
II. Short-term operating receivables	23,533,640	23,835,338
III. Cash	2,073	1,794
C. Short-term deferred expenses and accrued income	253,005	215,093
OFF-BALANCE-SHEET ASSETS	16,156,941	2,586,396

	31/12/2012	31/12/2011
LIABILITIES	516,021,147	517,925,627
A. Equity	407,899,744	430,088,313
I. Called-up capital	26,059,796	26,059,796
II. Capital reserves	239,609,558	239,609,558
III. Revenue reserves	134,824,674	159,702,533
V. Net profit or loss for the financial year	7,405,716	4,716,426
B. Provisions and long-term accruals and deferred income	79,753,313	69,539,807
I. Provisions and long-term accruals and deferred income	79,753,313	69,539,807
C. Long-term liabilities	41,230	39,581
I. Long-term financial liabilities	41,230	39,581
D. Current liabilities	28,305,510	18,079,920
I. Current financial liabilities	6,446,680	0
II. Current operating liabilities	21,858,830	18,079,920
E. Short-term accruals and deferred income	21,350	178,006
OFF-BALANCE-SHEET LIABILITIES	16,156,941	2,586,396

3.3.2 Income statement and statement of other comprehensive income

Table 3.2

Income statement for 2012

	2012	2011
TOTAL INCOME	194,770,874	186,782,560
Operating income	190,683,618	180,757,040
Financing income	4,085,412	6,023,968
Other income	1,845	1,552
TOTAL EXPENSES	175,595,998	175,841,038
Operating expenses	170,688,636	163,546,402
Purchase cost of goods, materials and services	146,698,313	143,235,338
Cost of labour	2,530,100	2,177,788
Write-offs	1,292,466	845,944
Other operating expenses	20,167,757	17,287,332
Financing expenses	4,904,470	12,294,630
Other expenses	2,893	6
TOTAL PROFIT OR LOSS	19,174,876	10,941,522
INCOME TAX	4,363,445	1,508,670
TOTAL PROFIT OR LOSS	14,811,431	9,432,852

Table 3.3

Statement of other comprehensive income for 2012

	2012	2011
Net profit or loss for the period	14,811,431	9,432,852
Gains and losses on remeasuring available-for-sale financial assets	0	49,302
Total comprehensive income for the period	14,811,431	9,482,154

3.3.3 Statement of changes in equity

Table 3.4

Statement of changes in equity for 2011

	Share capital	Capital reserves
	I/1	II
A.1. As at 31/12/2010	26,059,796	239,609,558
A.2. As at 31/12/2011	26,059,796	239,609,558
B.2. Total comprehensive income for the reporting period	0	0
a) Input of net profit or loss for the reporting period	0	0
d) Gains and losses on remeasuring financial investments	0	0
B.3. Changes in equity	0	0
a) Distribution of the rest of net profit from the comparative reporting period to other equity components	0	0
b) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0
C. As at 31/12/2011	26,059,796	239,609,558

Legal reserves	Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss	Total
III/1	III/5	IV	V	VI	VII
2,605,980	137,121,297	-39,442	15,258,829	0	420,616,018
2,605,980	137,121,297	-39,442	15,258,829	0	420,616,018
0	0	39,442	0	9,432,852	9,472,294
0	0		0	9,432,852	9,432,852
0	0	39,442	0	0	39,442
0	19,975,255		-15,258,829	-4,716,426	0
0	15,258,829		-15,258,829	0	0
0	4,716,426		0	-4,716,426	0
2,605,980	157,096,553		0	4,716,426	430,088,313

Table 3.5

Statement of changes in equity for 2012

	Share capital	Capital reserves
	I/1	II
A.1. As at 31/12/2011	26,059,796	239,609,558
A.2. As at 01/01/2012	26,059,796	239,609,558
B.1. Changes in equity capital – transactions with owners	0	0
g) Payment of dividends		
B.2. Total comprehensive income for the reporting period	0	0
a) Input of net profit or loss for the reporting period	0	0
B.3. Changes in equity	0	0
a) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0
C. As at 31/12/2012	26,059,796	239,609,558

Legal reserves	Other revenue reserves	Net profit or loss from previous years	Net profit or loss	Total
III/1	III/5	V	VI	VII
2,605,980	157,096,553	4,716,426	0	430,088,313
2,605,980	157,096,553	4,716,426	0	430,088,313
0	-32,283,574	-4,716,426	0	-37,000,000
	-32,283,574	-4,716,426	0	-37,000,000
0	0	0	14,811,431	14,811,431
0	0	0	14,811,431	14,811,431
0	7,405,715	0	-7,405,715	0
0	7,405,715	0	-7,405,715	0
2,605,980	132,218,694	0	7,405,716	407,899,744

Only information based on real-life numbers and knowledge can form the groundwork for our responsible and technically sound shaping of development, strategies, policies and projects across various areas of activity. The shaping of the future of energy and the securing of investments in energy projects is particularly sensitive because one cannot fool nature.

The resources put into research and development and capital expenditures and investments are essential to the long-term operating stability of the GEN Group and its constituent companies. These resources totalled EUR 45.13 million in 2012. Most of it was spent on technological upgrades to NEK.



› **4** summary
financial report
of the
GEN Group

4.1 Independent auditor's report



4.2 Basis for drawing up financial statements of the GEN Group and the financial report

4.2.1 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 single economic entity. Companies whose statements are taken into account when compiling consolidated statements operate as individual companies which, given the relationships among them, constitute an economic unit, but not a legal entity, since the unit as such is not an independent holder of rights and duties.

Table 4.1

Composition of the GEN Group

Company name	Status in the Group	Equity stake
GEN energija	Parent	
GEN-I	Jointly controlled	50%
NEK	Jointly controlled	50%
TEB	Subsidiary	100%
SEL	Subsidiary	100%

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 proportional consolidation method.

The subsidiary GEN-I, trgovanje in prodaja električne energije, d.o.o., is also a parent company whose subsidiaries, wholly owned by GEN-I, are incorporated into the Group based on the chain consolidation method or through consolidation of the subgroup of the subsidiary GEN-I.

The subsidiary SEL:

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

4.2.2 Audit

All the companies were audited prior to consolidation. The companies GEN, SEL and TEB were audited by Ernst & Young d.o.o., and the companies NEK and GEN-I by KPMG Slovenija d.o.o. All the companies in the Group received unqualified audit opinions.

4.3 Financial statements of the Group

4.3.1 Balance sheet of the Group

Table 4.2

Balance sheet of the Group as at 31/12/2012

	31/12/2012	31/12/2011
ASSETS	713,565,385	719,836,119
A. Fixed assets	437,045,547	432,790,088
I. Intangible assets and long-term deferred expenses and accrued income	2,104,819	1,758,872
II. Tangible fixed assets	362,852,162	364,791,106
III. Investment property	254,954	277,900
IV. Long-term financial investments	62,025,004	54,881,789
V. Long-term operating receivables	791,169	2,011,058
VI. Deferred tax assets	9,017,439	9,069,363
B. Current assets	260,753,737	276,106,053
I. Inventories	38,879,959	43,231,712
II. Short-term financial investments	116,336,495	118,619,286
III. Short-term operating receivables	94,305,879	103,731,146
IV. Cash	11,231,404	10,523,909
C. Short-term deferred expenses and accrued income	15,766,101	10,939,978
OFF-BALANCE-SHEET ASSETS	177,524,063	164,332,650

	31/12/2012	31/12/2011
LIABILITIES	713,565,385	719,836,119
A. Equity	505,683,156	528,642,268
I. Called-up capital	26,059,796	26,059,796
II. Capital reserves	242,535,098	242,535,098
III. Revenue reserves	150,217,777	173,198,644
IV. Revaluation surplus	-3,145,252	2,769,715
V. Net profit from previous years	73,511,600	66,690,895
VI. Net profit or loss for the financial year	16,726,447	17,532,834
VII. Translation adjustment to equity	-222,310	-144,714
B. Provisions and long-term accruals and deferred income	85,851,096	75,549,194
I. Provisions	85,022,822	75,499,157
II. Long-term accruals and deferred income	828,274	50,037
C. Long-term liabilities	10,598,224	6,175,200
I. Long-term financial liabilities	10,454,326	5,027,719
II. Long-term operating liabilities	143,898	138,739
III. Deferred tax liabilities	0	1,008,742
D. Current liabilities	89,993,336	88,023,662
I. Current financial liabilities	14,371,967	18,126,456
II. Current operating liabilities	75,621,369	69,897,206
E. Short-term accruals and deferred income	21,439,573	21,445,795
OFF-BALANCE-SHEET LIABILITIES	177,524,063	164,332,650

4.3.2 Income statement and statement of other comprehensive income of the Group

Table 4.3

Income statement of the Group for 2012

	2012	2011
TOTAL INCOME	826,923,283	573,965,138
Operating income	817,929,988	562,157,545
Financing income	8,954,359	11,486,368
Other income	38,936	321,225
TOTAL EXPENSES	801,824,430	550,390,827
Operating expenses	794,099,858	536,229,980
Cost of goods, materials and services	687,177,611	430,847,660
Cost of labour	31,524,209	30,503,899
Write-offs	43,383,284	48,855,298
Other operating expenses	32,014,754	26,023,123
Financing expenses	7,692,927	14,110,653
Other expenses	31,645	50,194
TOTAL PROFIT OR LOSS	25,098,854	23,574,311
INCOME TAX	5,039,154	2,853,504
NET PROFIT OR LOSS OF MAJORITY OWNERS	20,059,700	20,720,807

Table 4.4**Statement of other comprehensive income of the Group for 2012**

	2012	2011
Net profit or loss for the period	20,059,700	20,720,807
Gains and losses on remeasuring available-for-sale financial assets	447,803	-671,406
Gains and losses from translation of financial statements of companies abroad (impact of changes in exchange rates)	0	-17,453
Other components of comprehensive income	-6,466,615	5,043,707
Total comprehensive income for the period for the majority owners	14,040,888	25,075,655

4.3.3 Consolidated statement of changes in equity

Table 4.5

Consolidated statement of changes in equity for 2011

	Share capital	Capital reserves	Legal reserves
	I/1	II	III/1
A.1. As at 31/12/2010	26,059,796	242,535,098	5,986,744
A.2. As at 01/01/2011	26,059,796	242,535,098	5,986,744
B.1. Changes in equity capital – transactions with owners	0	0	0
i) Other changes in equity	0	0	0
B.2. Total comprehensive income for the reporting period	0	0	0
a) Input of net profit or loss for the reporting period	0	0	0
č) Gains and losses on remeasuring financial investments	0	0	0
d) Other components of comprehensive income – revaluation of derivative financial instruments	0	0	0
e) Gains and losses from translation of financial statements of companies abroad	0	0	0
B.3. Changes in equity	0	0	976,743
a) Distribution of the rest of net profit from the comparative reporting period to other equity components	0	0	923,253
b) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0	53,490
C. As at 31/12/2011	26,059,796	242,535,098	6,963,487

Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss for the financial year	Translation adjustment to equity	Capital of minority owners	Total
III/5	IV	V	VI	VII	*	VIII
143,758,119	-728,125	67,362,834	19,593,871	-127,261	20,815,826	525,256,902
143,758,119	-728,125	67,362,834	19,593,871	-127,261	20,815,826	525,256,902
0	0	0	0	0	-20,815,826	-20,815,826
0	0	0	0	0	-20,815,826	-20,815,826
0	3,497,840	0	20,720,807	-17,453	0	24,201,194
0	0	0	20,720,807	0	0	20,720,807
0	-537,124	0	0	0	0	-537,124
0	4,034,964	0	0	0	0	4,034,964
0	0	0	0	-17,453	0	-17,453
22,477,038	0	-671,939	-22,781,844	0	0	0
17,252,451	0	-671,939	-17,503,766	0	0	0
5,224,587	0	0	-5,278,078	0	0	0
166,235,157	2,769,715	66,690,895	17,532,834	-144,714	0	528,642,268

Tabela 4.6

Consolidated statement of changes in equity for 2012

	Share capital	Capital reserves	Legal reserves
	I/1	II	III/1
A.1. As at 31/12/2011	26,059,796	242,535,098	6,963,487
A.2. As at 01/01/2012	26,059,796	242,535,098	6,963,487
B.1. Changes in equity capital – transactions with owners	0	0	0
a) Payment of dividends	0	0	0
B.2. Total comprehensive income for the reporting period	0	0	0
a) Input of net profit or loss for the reporting period	0	0	0
č) Gains and losses on remeasuring financial investments	0	0	0
d) Other components of comprehensive income – revaluation of derivative financial instruments	0	0	0
e) Gains and losses from translation of financial statements of companies abroad	0	0	0
B.3. Changes in equity	0	0	646,781
a) Distribution of the rest of net profit from the comparative reporting period to other equity components	0	0	574,794
b) Distribution of a part of net profit from the reporting period to other equity components – Management and Supervisory Board	0	0	71,987
c) Distribution of a part of net profit for additional provisions – General Meeting	0	0	0
C. As at 31/12/2012	26,059,796	242,535,098	7,610,268

Other revenue reserves	Revaluation surplus	Net profit or loss from previous years	Net profit or loss for the financial year	Translation adjustment to equity	Total
III/5	IV	V	VI	VII	VIII
166,235,157	2,769,715	66,690,895	17,532,834	-144,714	528,642,268
166,235,157	2,769,715	66,690,895	17,532,834	-144,714	528,642,268
-32,283,574	0	0	-4,716,426	0	-37,000,000
-32,283,574	0	0	-4,716,426	0	-37,000,000
0	-5,914,967	-26,249	20,059,700	-77,596	14,040,888
0	0	0	20,059,700		20,059,700
0	447,803	0	0	0	447,803
0	-6,362,770	-26,249	0	0	-6,389,019
0	0	0	0	-77,596	-77,596
8,655,926	0	6,846,954	-16,149,661	0	0
0	0	6,846,954	-7,421,748	0	0
8,147,765	0	0	-8,219,752	0	0
508,161	0	0	-508,161	0	0
142,607,509	-3,145,252	73,511,600	16,726,447	-222,310	505,683,156

ACRONYMS AND ABBREVIATIONS

AUKNRS	Capital Assets Management Agency of the Republic of Slovenia	GRS	Government of the Republic of Slovenia
Banka Celje	Banka Celje d.d.	GWh	gigawatt-hour
bln	billion	HEP	Hrvatska elektroprivreda d.d.
CA-1	Companies Act	HESS	Hidroelektrarne na spodnji Savi, d.o.o.
d.d.	joint-stock company	HPP	hydroelectric power plant
d.o.o.	limited liability company	HR	Human resources
DP	producers with a declaration for their production facility	HSE	Holding Slovenske elektrarne d.o.o.
e.g.	for example	HSE Invest	HSE Invest d.o.o.
EES	national electric power grid	IGES	IG Energetski sistemi d.o.o.
EEX	European Energy Exchange, Leipzig	Intergovernmental Agreement on NEK	The agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia governing the status and other legal relationships regarding investments in Krško Nuclear Power Plant, its operation and decommissioning
ELES	Elektro-Slovenija, d.o.o.	IT	information technology
etc.	and so on	JEK 2	Krško Nuclear Power Plant – Unit 2
EU	European Union	kW	kilowatt
EUR	euro	kWh	kilowatt-hour
GDP	gross domestic product	m	million
GEN	GEN energija d.o.o.	MA/MSc	Master of Arts/Science
GEN CC	GEN Control Centre	MW	megawatt
GEN Group	GEN energija Group	MWh	megawatt-hour
GEN IC	GEN Information Centre		
GEN-I	GEN-I, trgovanje in prodaja električne energije, d.o.o.		

NEK	Nuklearna elektrarna Krško d.o.o. (Krško Nuclear Power Plant)	SKB	SKB banka d.d. Ljubljana
NEK Fund	Fund for Financing Decommissioning of NEK and Disposal of Radioactive Waste from NEK	SPP	small-scale photovoltaic power plant
NEP	National Energy Programme	SRESA	Srednjesavske elektrarne d.o.o.
NKBM	Nova kreditna banka Maribor d.d.	TEB	Termoelektrarna Brestanica d.o.o. (Brestanica Thermal Power Plant)
NLB	Nova Ljubljanska banka d.d., Ljubljana	UCTE	Union for the Coordination of Transmission of Electricity
NPP	nuclear power plant	USA	United States of America
OSART	Operational Safety Review Team	ZEL-EN	ZEL-EN razvojni center energetike d.o.o.
PB	gas unit		
PhD	Doctor		
Prof	Professor		
R&D	Research & development		
RES	renewable energy sources		
RS	Republic of Slovenia		
RTD	resistor temperature detector		
SAS	Slovenian Accounting Standards		
SB	Supervisory Board		
SEL	Savske elektrarne Ljubljana d.o.o.		
SHP	small-scale hydroelectric power plant		

