99%

LOW-CARBON ELECTRICITY

ANNUAL REPORT

OF GEN ENERGIJA AND
THE GEN GROUP FOR 2020

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THE GEN GROUP FOR 2020

Krško, June 2021

100%

COMMITTED

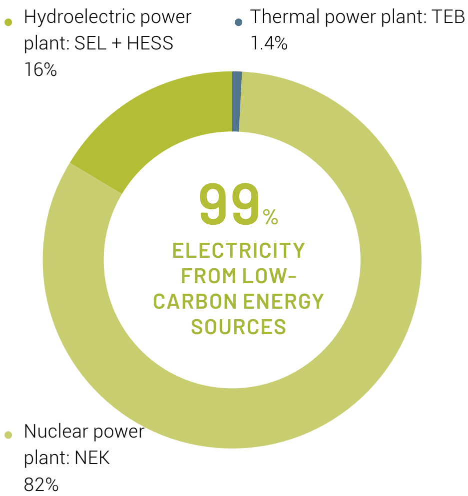
In 2050, Slovenia will be a climate-neutral society that is resistant to climate change and that will function on the principles of sustainable development. The achievement of such an ambitious goal will require the 100% commitment of all stakeholders.

In addition to obligations, that goal also brings opportunities for individuals, society and the economy. The expected positive effects include the reduction of dependence on energy imports, new development opportunities on common energy markets, the creation of green jobs, nature conservation and the improved competitiveness of Slovenian companies.

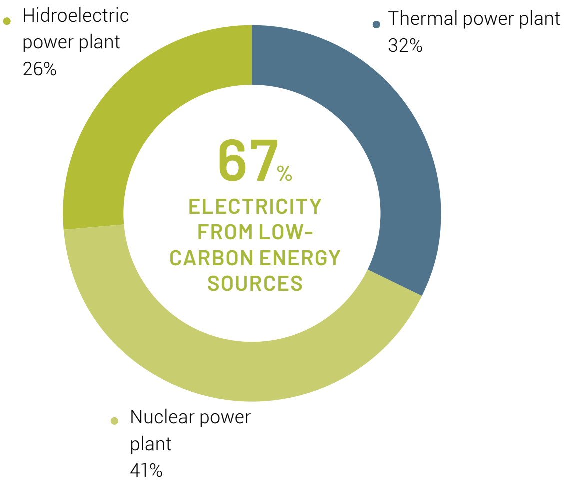
CLIMATE NEUTRALITY IS AN OPPORTUNITY

The GEN Group produces **99% of electricity from low-carbon energy sources:** nuclear and hydro energy. Our reliable operations contribute to the stability of the electric power grid. We thus contribute to a high standard of life and the improving competitiveness of the Slovenian economy.

Structure of electricity production sources at **GEN Group companies** in 2020



Structure of electricity production sources in **Slovenia** in 2020

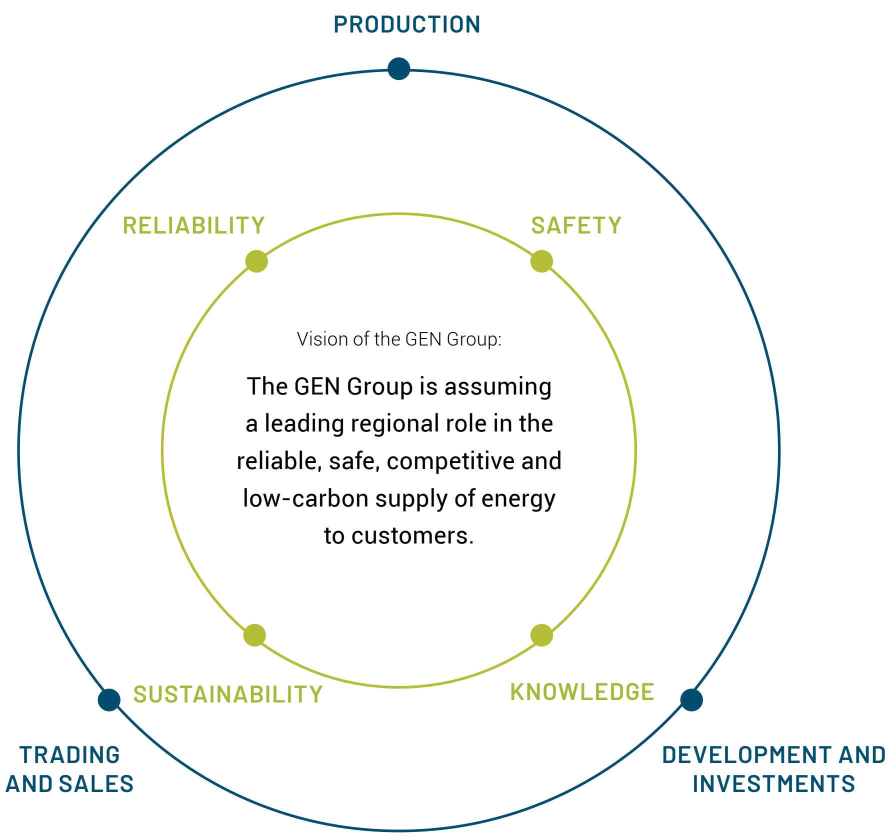


We do not see the goal of achieving climate neutrality as simply our responsibility; we see it first and foremost as **an opportunity for decarbonisation and the strengthening of the resilience of the GEN Group and Slovenian society,** which we supply low-carbon electricity.

More information about the **GEN Group's low-carbon portfolio** can be found on page 70

BALANCING THE ENERGY TRILEMMA

Reliability, equity and environmental and climate sustainability. The three principles of the energy trilemma that the GEN Group pursues in a balanced manner through its sustainable operations. Our core **values** are: **reliability, safety, sustainability and knowledge.** We pursue those values in all three core activities of GEN Group companies: electricity production, trading and sales, and the planning of development and investments.



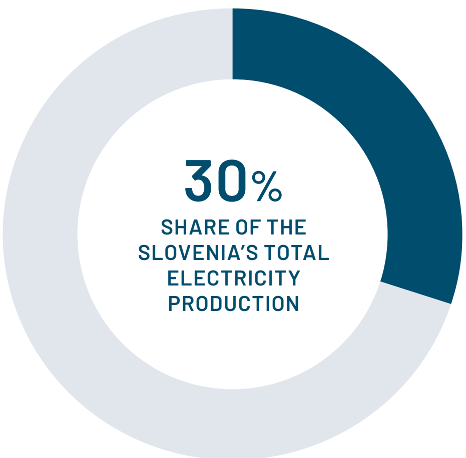
More information about the **GEN Group's values and activities** can be found on page 58

THE GEN GROUP AT A GLANCE

The GEN Group is one of the largest and strongest business groups in investment terms in Slovenia.

We manage an integrated electricity supply chain:

- we **produce** electricity from low-carbon sources: nuclear and hydro;
- we **trade** and **sell** electricity on the domestic market, and on more than 20 retail and wholesale markets across Europe; and
- we channel our capital into **development and investments,** in particular the continuous and comprehensive maintenance of existing production facilities, and the responsible planning and construction of new, low-carbon production capacities for the purpose of supplying electricity to Slovenia.

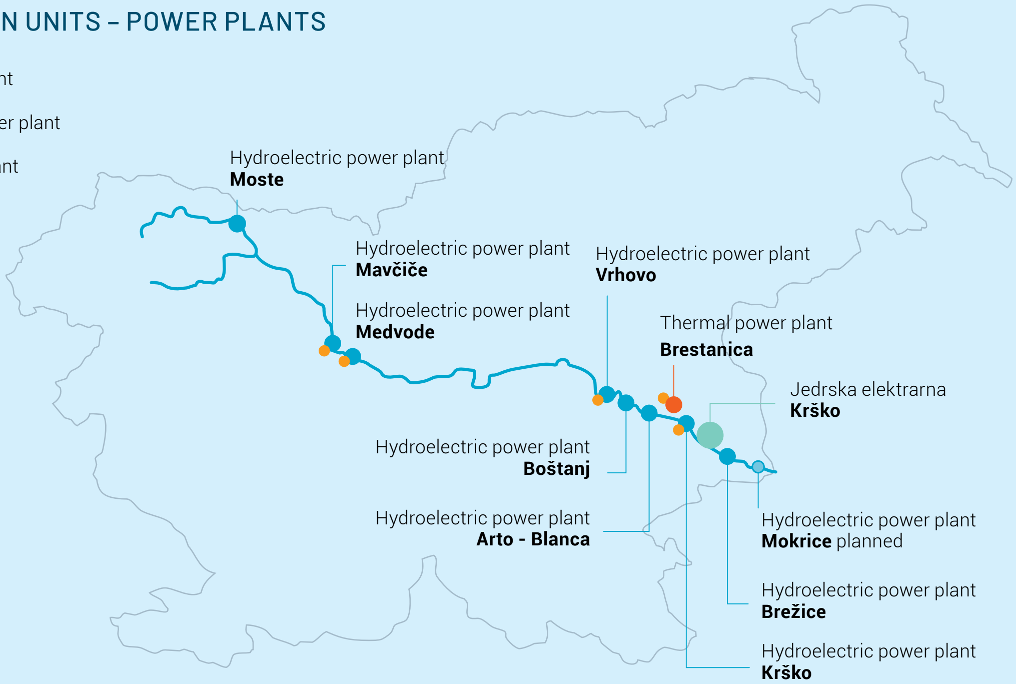


6,300—6,800 GWh
AVERAGE ANNUAL ELECTRICITY PRODUCTION OF OUR POWER PLANTS

22
EUROPEAN MARKETS WHERE WE ARE PRESENT WITH TRADING AND SALES ACTIVITIES

OUR GENERATION UNITS – POWER PLANTS

- Nuclear power plant
- Hydroelectric power plant
- Thermal power plant
- Solar power plant

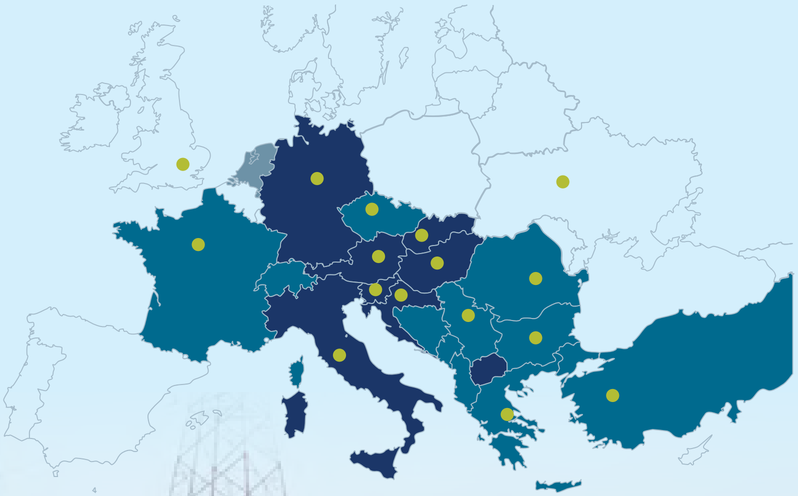


PRESENCE OF GROUP COMPANIES ON EUROPEAN ELECTRICITY AND NATURAL GAS MARKETS

22 **European markets**

16 **Subsidiaries**

- Subsidiaries
- Electricity
- Electricity and natural gas
- Natural gas

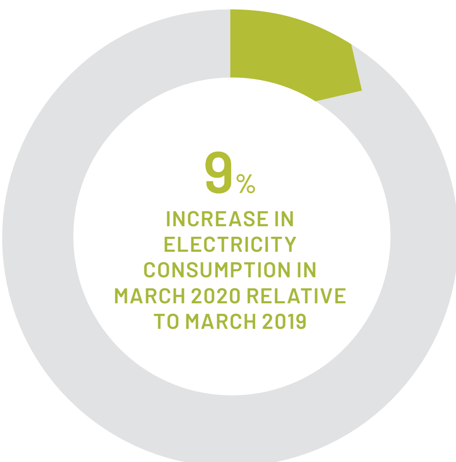


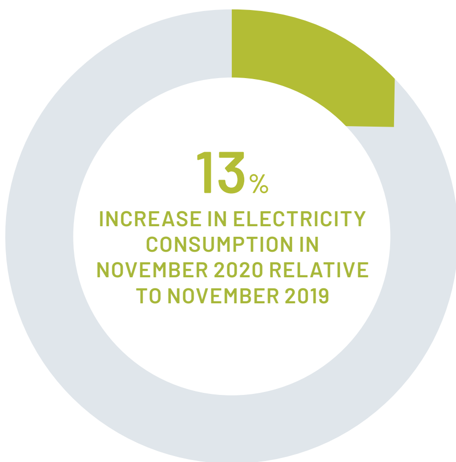
SELF-SUFFICIENT SUPPLY IN SLOVENIA

The COVID-19 pandemic brought changes and uncertainty in 2020, while we were also given a clear view of the **importance of the national self-sufficient supply of strategic goods,** such as food, water and energy. Due to the adoption of timely and effective measures, the supply of electricity to the public sector, and to household and industrial customers never came under threat.

On the contrary, the GEN Group ensured the even more reliable supply of electricity, and thus **enhanced its contribution to the quality of life of citizens and the well-being of society as a whole.** We continued to make investments and thus contributed to **economic growth in Slovenia.**

ELECTRICITY CONSUMPTION BY HOUSEHOLDS





Relative to the same months in 2019, the most significant difference was recorded in November 2020 when consumption was up by 13% relative to November 2019, followed by March 2020 when consumption was 9% higher than in March 2019. The differences in household electricity consumption during the aforementioned months in 2020 relative to the same months in 2019 were primarily the result of the changing conditions brought about by the COVID-19 epidemic.

Source: SORS

More about the **investments of the GEN Group** in 2020 can be found on page 80

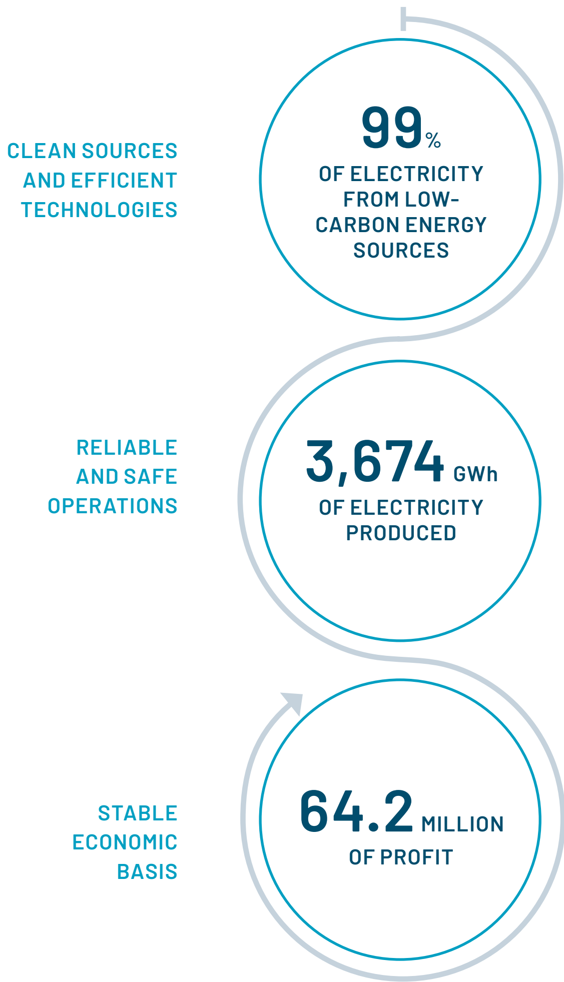
RESILIENT ENERGY SECTOR

A resilient electricity supply sector requires timely and prudent engineering, systemic, organisational and socioeconomic measures to manage and effectively address disruptions that could weaken or even bring a halt to the supply of energy.

The measures implemented by the GEN Group to achieve resilience effectively address all three dimensions of the electricity sector's resilience:

- the availability of **clean energy sources,** and **effective and proven production technologies;**
- the uninterrupted, reliable and safe **functioning** of production facilities; and
- a stable **economic** basis for operations, trading and investments.

The GEN Group proactively and decisively co-creates a resilient and sustainably oriented electric power grid for the future supply of clean energy to Slovenia.



More about the **functioning of our production facilities in 2020** can be found on page 70


HEMICAL MIXING
TANK CSATCM-01

CLEAN AND AFFORDABLE ENERGY

A flexible and resilient society is required to effectively address mutually related health, environmental-climate and socioeconomic challenges. **Agenda 2030 for sustainable development,** which was adopted by UN Member States, defines global sustainable development goals to achieve that.

At the national and regional levels, the GEN Group contributes directly and indirectly to the achievement of goals relating to energy, the environment and climate, economic growth and innovations, sustainable communities, and the health and education thereof. The focus of our attention is on sustainable development goal no. 7: **providing all citizens affordable and clean energy.**

More on the **achievement of sustainable development goals** can be found on page 225.

PROJECTS TO ACHIEVE LOW-CARBON PRODUCTION AND RESILIENCE

Despite the extraordinary conditions, we implemented planned **key investment in 2020:**

- The **NEK** continued implementation works in the scope of projects in the second and third phases of the Safety Upgrade Programme, while dry cask storage was successfully set up for spent nuclear fuel and the drafting of environmental impact reports for the extension of NEK's operating life began
- The **TEB** successfully implemented the no. 7 backup gas-fired production unit project.
- **HESS** continued with preparations for the construction of the last hydroelectric power plant in the chain, the Mokrice HPP.
- In terms of trading and sales, the **GEN-I Group** responded successfully to demanding market conditions and made an essential contribution to cost-effective risk management. It increased the volume of electricity and natural gas trading, and thus demonstrated its understanding of the adverse conditions in which its customers in Slovenia found themselves. It entered the market with the new 'Carbon-Free Energy' brand.

More about **investments** can be found on page 80


EUR 104.59 MILLION
OF INVESTMENTS
GREEN TRANSFORMATION
AND DEVELOPMENT
OF NEW SERVICES FOR
CUSTOMERS
THE GEN-I GROUP'S SHARE
OF THE RETAIL MARKET
EXCEEDS
25%

JEK2: a much-needed, feasible and economically justified project

The JEK2 is a **key measure for accelerating the achievement of the goals of climate neutrality and the decarbonisation of the Slovenian electric power grid,** while it will also contribute to reducing Slovenia's dependence on energy imports. Studies of the justification of the project conducted to date have shown that **JEK2 is a crucial and feasible project for the future supply of domestically produced electricity to Slovenia,** and is the appropriate response to the key challenges of the energy trilemma.

Slovenia also needs JEK2 due to the planned increase in the proportion of diversified renewable sources, which require the support of a stable production facility such as JEK2 to operate effectively in the grid.

JEK2 project, with annual production **of 8.8 to 12.8 TWh:**

- **enhances the reliability of supply to customers;**
- **increases the competitiveness of the Slovenian economy;**
- **ensures electricity at an affordable price; and**
- **is a climate, environmentally and spatially acceptable solution.**

More information regarding the **JEK2 project** can be found on page 84


SKUPINA
SKUPINA
SKUPINA

Nuclear energy is the largest single source of low-carbon energy in Slovenia.

The year 2020 and the COVID-19 pandemic brought a number of new challenges and experiences for the energy sector, the commercial sector and society as a whole. Although a health crisis of such dimensions was unexpected, the GEN Group managed all associated risks with the awareness that the stable and safe supply of electricity is a precondition for the functioning of each and every social system and for the well-being of Slovenia's citizens.

We spoke with the senior management of the GEN Group about achieved results, which are based on synergies between the Group's production, sales and marketing and development and investment activities, and about the Group's future plans. The latter are a strong indication of the core values that the GEN Group pursues in its operations, in particular reliability, environmental and climate acceptability, safety and competitiveness.

Despite the unusual conditions, 2020 was a successful year for the GEN Group in business and operational terms. Which results would you like to highlight?

Novšak: The GEN Group's energy facilities operated very stably in 2020 and, for the most part, achieved or even exceeded planned results. The successfully concluded year is a reflection of our timely response to the COVID-19 epidemic and the professionalism of all employees. The fact that we did not have a scheduled major overhaul in 2020 contributed to the reliability of production. The Krško Nuclear Power Plant (NEK) operated at full capacity for the majority of the year, except for the shut-down of the power plant for safety reasons following a strong earthquake in neighbouring Croatia in December. The power plant produced 6,040 GWh of electricity, which is more than planned. Despite less-than-ideal conditions, the NEK prepared for a major overhaul that was successfully completed in the spring of 2021.

Due to below-average hydrological conditions, the 595 GWh of energy produced by HESS was down relative to the previous year. Important steps forward were made on the Mokrice HPP project. The Slovenian government acknowledged the importance of constructing a new hydroelectric power plant for the Slovenian electric power grid. That process is currently in the phase of obtaining a building permit. The Brestanica thermal power plant (TEB) was started up 27 times for the purpose of balancing the Slovenian electric power grid, while favourable natural gas prices facilitated operations that exceeded the TEB's plans.

We generated more than EUR 2.2 billion in turnover, while profit was up by 33% relative to 2019, a reflection of our prudent and effective response to the epidemic. Group companies made investments in the amount of EUR 104.59 million, including the implementation of the Safety Upgrade Programme (SUP) at the NEK and the construction of the number 7 backup gas-fired production unit at the TEB, which was completed on schedule, despite the difficult conditions.

The GEN Group ranks among the strongest groups in Slovenia in terms of investments. Contributing significantly to business excellence was the sales and marketing element of the GEN Group, which successfully managed market risks through an appropriate response to the demanding market conditions. The GEN-I Group achieved a 25% share of the retail market for the first time in 2020, and thus consolidated its position as the largest electricity supplier in Slovenia.

How has the coronavirus pandemic affected the operations of the GEN Group and its companies?

Novšak: By adopting the appropriate measures in a timely manner, we ensured the efficient operations of all GEN Group companies. We ensured the stable and uninterrupted supply of electricity to Slovenian households, the public sector, healthcare and educational institutions, which were hit particularly hard, and the commercial sector. We strengthened awareness about how important energy is as a strategic commodity, in addition to water and food. The supply of energy is a key condition for the normal functioning of society.

In uncertain and stressful times, maintaining a reliable and self-sufficient electric power grid ensured the smooth functioning of social systems, in particular healthcare institutions, transport and all other sectors that have been crucial in the fight against the coronavirus. All GEN Group companies operated smoothly in 2020, and responded professionally and effectively by adopting the appropriate measures and making the required changes to work processes. Despite restrictions, we provided all necessary services, and ensured that our power plants operated safely and in accordance with high technological standards.

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

Levičar: Of course, our effective response to the pandemic would not have been possible without the adoption of prudent business decisions and the optimisation of technological and business processes in the past. The GEN Group is aware of the importance of energy security, and one of the most important building blocks of the latter in Slovenia is the Krško Nuclear Power Plant. This was particularly evident this year, when the circumstance of the pandemic and the resulting changes in the electric power grid dictated that the NEK play a crucial stabilising role, not only at the national level, but in the wider region, as well.

Increasing awareness of the importance of nuclear energy can be seen across Europe and the world, while that importance has also been acknowledged by the Slovenian government. I am sure that awareness of the importance of the stable, safe and low-carbon energy provided by the GEN Group has also strengthened amongst Slovenia's citizen over the last year.

How would you assess support for nuclear energy?

Novšak: Awareness is increasing in Europe that to achieve climate goals we must take into account the principle of technological neutrality, and treat all low-carbon energy sources equally, both in the scope of national, European and international energy strategies and in the framework of financial support mechanisms. A recent discussion about the EU taxonomy for sustainable financing, through which the EU will promote investments in sustainable technologies and companies, and contribute to a climate-neutral economy, confirmed the European Union's consistent efforts towards climate neutrality by 2050, with a new goal regarding the net national reduction of greenhouse gas emissions by at least 55% by 2030. Countries must be allowed to formulate their own energy policies in order to achieve such ambitious objectives. Those policies should be in line with conditions that are characteristic for individual countries (i.e. with respect to the availability of energy sources and the existing energy infrastructure), and with their goals to achieve energy self-sufficiency and reduce dependence on energy imports.

The clear and decisive finding by the scientists of the European Commission, in the scope of the Joint Research Centre (JRC), that nuclear energy is, indeed, a sustainable energy source is crucial for decisions regarding the future use of nuclear energy in the EU.

Last July, the Slovenian government placed the construction of a second unit at the nuclear power plant on its list of priority investments. How is the JEK2 project progressing?

Levičar: At the beginning of 2020, we completed the review of the prefeasibility study and submitted an application to the Ministry of Infrastructure for the acquisition of an electricity generation licence. We updated that application in February with the consent in principle issued by ELES for connection to the grid. At the ministry's request, we supplemented the application in November with the findings of a study on the connection of JEK2 to the electric power grid, which confirmed the economic and environmental justification of the project. The JEK2 is not only feasible, but is also crucial for the decarbonisation of the Slovenian electric power grid and for maintaining the grid's stability.

It is completely clear today that complaints about unnecessary investments by the GEN Group in preparations for the construction of a second unit at the nuclear power plant were unjustified. The prefeasibility study and other preparatory works were crucial for the thorough verification of all key elements of the project.

JEK2 will make it possible for Slovenia to nearly triple its production of low-carbon energy. JEK2 will have a production output of 1200 MW, while we will employ pressurised water reactor (PWR) technology, with which we already have experience. We are currently completing the first phase of the project and are preparing for upcoming strategic decisions. The success of nuclear energy in the creation of a clean and modern electric power grid can also be seen in other European countries.

Which European countries would you highlight as examples of best practices in terms of the current and planned use of nuclear energy in the future?

Levičar: In France, where the majority of electricity is produced by nuclear power plants, they will build five new power plants, while the Netherlands is also considering increasing its nuclear capacities. The start-up of a new reactor is imminent in Finland, and we are also seeing an increasing number of new players in the field of nuclear energy, primarily in Central and Eastern Europe. France and Sweden are also excellent examples of the decarbonisation of the energy sector through the use of nuclear energy.

Danijel Levičar,
COO, GEN energija d.o.o.

It is important to know that nearly half of the EU's low-carbon electricity is produced from nuclear energy. The situation is similar in Slovenia, where nuclear energy is the largest single source of low-carbon energy. It is increasingly clear that nuclear energy, as the most stable source for the production of low-carbon electricity, and less-stable renewable energy sources represent a winning combination for decarbonisation and the achievement of the objectives of climate neutrality.

Slovenian energy and climate plans and strategies, such as the National Energy and Climate Plan and the Climate Strategy, also highlight the need for low-carbon energy sources and the decarbonisation of the electric power grid. How will the GEN Group contribute to the achievement of those goals?

Novšak: The climate strategy and goals call for the decarbonisation of the electric power grid, energy efficiency, energy security and the reduction of the electric power grid's dependence on imports. These are important and burning challenges faced by the entire world. The GEN Group addresses these challenges comprehensively along the entire vertical, from production, where we are increasing the capacities of smaller- and larger-scale low-carbon production sources, to sales and marketing to end-customers, where we adapt our portfolio effectively to market needs. Addressing challenges comprehensively is crucial, as strategic goals are closely linked to one another. It is not enough that we achieve a low-carbon energy system; we must also ensure that the system is safe and reliable, and effectively supports the needs of contemporary society, energy customers and the users of energy services. The climate strategy in this area appropriately acknowledges the important role of nuclear energy.

Levičar: Through the Resolution on the Long-Term Climate Strategy of Slovenia until 2050, which envisages the long-term use of nuclear energy, we have achieved the first of three key milestones in the JEK2 project. With the aforementioned document, the Slovenian government has made clear its intent regarding the construction of JEK2, and has begun carrying out administrative procedures and the preparation of documentation to facilitate the associated investment decision. During the next phase, we will make preparations for construction. That phase will be completed with a final decision regarding the construction of the power plant, and will be followed by a third phase that will encompass the actual construction of the power plant.

You mentioned that you are pursuing the goals of the Climate Strategy in the area of sales and marketing, as well. Which activities are key in that regard?

Levičar: The GEN-I Group performed well in 2020 and achieved a market share of 25% for the first time. At the beginning of the coronavirus pandemic, we offered customers a 15% reduction in the price of electricity. We also presented the 'CO2-free electricity' initiative to the market in 2020. Through that initiative, we offer customers electricity that is produced exclusively from carbon-free sources, i.e. sources that produce the lowest levels of carbon dioxide. Customers can choose between solar, nuclear and hydro energy. The project is a decisive response to burning social challenges, while it is also an important source of information regarding the need to decarbonise the electric power grid and regarding the importance of individual sources to achieve those goals. To those households and organisation that make energy decisions, it provides a choice and thus facilitates a more active role.

How did 2020 emphasise the importance of the reliable and self-sufficient supply of energy?

Novšak: The pandemic shed light on the importance of self-sufficient supply and the reliability of numerous sectors, not only the energy sector, but also the healthcare sector, the food industry, education, transport and other sectors. Particularly during the spring, i.e. during the first wave of the epidemic when there was a sudden halt to life as we previously knew it, we were witness to the consequences of the lack of preparedness of certain social sub-systems in Slovenia and elsewhere.

The Slovenian electric power grid, which the GEN Group supports through a winning combination of low-carbon nuclear and hydro energy, withstood the pressures of the difficult conditions, as the result of an appropriate response during the crisis and strategic thinking in the past. Strengthening awareness that today's decisions are shaping the destiny of generations that will be at the height of their creative powers in 2050 is one of the missions of all energy companies in Slovenia, not just the GEN Group. A framework for discussing the strategic infrastructure investment in the new nuclear power plant is thus crucial in terms of energy independence at the national level.

Control Centre employees receive regular training, as well as additional training on the centre's simulator. The simulator facilitates the improved management of facilities, the optimisation of operations and a more rapid response to various operational events. The highly qualified staff of the GEN Control Centre contribute positive financial effects to the company, reduce environmental impacts, and increase the safely and reliability of devices and the entire electric power grid.

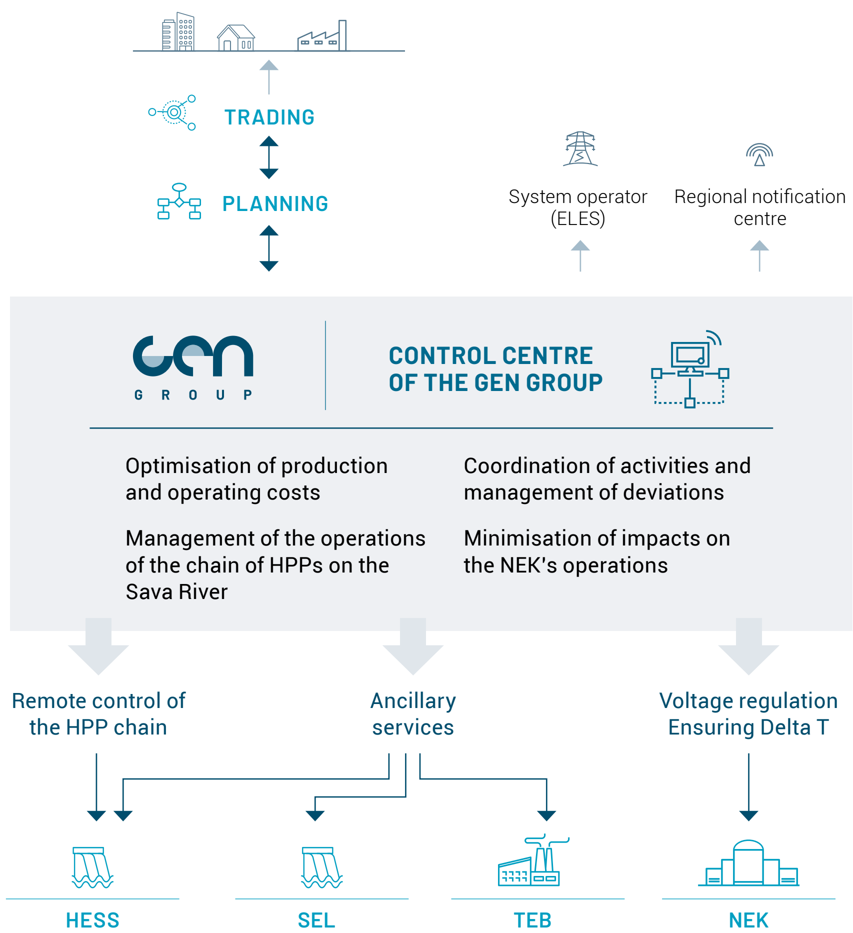
GEN CONTROL CENTRE

Reliable supply and the streamlining of operations through coordination

The GEN Control Centre was established in 2007 and received its current name in 2016, when we began the remote control of HPPs on the lower course of the Sava River. The centre is the intersection of the GEN Group's core activities: production, trading, sales and the provision of ancillary services in all processes, which the centre links in one place. At the operational level, the centre ensures the effective and synchronised functioning of the entire Group.

GEN's Control Centre facilitates the achievement of the synergistic effects of electricity production within the GEN Group. It coordinates the production of baseload energy from the nuclear power plant, mid-merit energy from hydroelectric power plants and peak energy from gas-powered thermal power plants.

Through coordinated management, we enhance the reliability of electricity supply to customers: we respond more effectively to hydrological conditions and other circumstances, and streamline our own operations.



GEN GROUP COMPANIES IN 2020

NEK in 2020

- Produced **6,040 GWh** of electricity. The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was **3,020 GWh.**
- Actual results higher than planned: **101.4%**
- Capability factor: **99.51%**
- Availability factor: **99.60%**
- Capacity factor: **103.26%**
- Brief shutdown in December 2020 for safety reasons due to an earthquake in Croatia.

SEL in 2020

- **327 GWh** of electricity produced.
- Successful completion of major overhauls and inspections of production units.
- **99%** of plan for 2020 achieved.

HESS in 2020

- **268 GWh** of electricity produced
- **90.9%** of plan for 2020 achieved.
- Volume of electricity purchased was down by **3.2%** due to poor hydrological conditions on the Sava River.

TEB in 2020

- Reliable provision of ancillary services:
  11 activations of manual frequency restoration reserve.
- Total of **27** start-ups of gas turbine unit nos. 1 to 6.
- Total electricity production of **52.8 GWh** (**47.5 GWh** net).
- Increase in electricity production by **200%** relative to 2019.
- Construction of new no. 7 gas turbine unit completed in 2020.

GEN-I in 2020

gen-i

- Electricity trading volume: **41.2 TWh.**
- Main purchase and sales markets: Central, Southeast and Western Europe.
- A **25%** share of the total retail market achieved for the first time (largest electricity supplier in Slovenia).
- New **CO_2-free electricity** initiative offers customers carbon-free energy from nuclear, hydro and solar sources.
- **EUR 9.30 million** in investments (primarily in information systems and solar power plants).

At the end of 2020, the proportion of electric vehicles was already 75% at GEN-I's organisational units. The charging infrastructure was expanded (Ljubljana: 40 charging stations; Krško in Nova Gorica: 12 charging stations). The company implemented a micro mobility project by establishing and equipping three e-bike sheds that are supplied with solar energy, and by digitalising the user experience of reserving electric micro vehicles and accessing e-bike sheds.

Results of the GEN Group in 2020

Capitals of the GEN Group

Infrastructural capital

Nuclear power plant, hydroelectric power plants on the river Sava, gas-fired thermal power plant (ancillary services), and distributed renewable sources (solar power plants). Advanced software/ IT infrastructure for facilitating effective energy trading and sales at home and abroad.

Natural capital

Low-carbon energy sources: primarily nuclear and hydro.

Financial capital

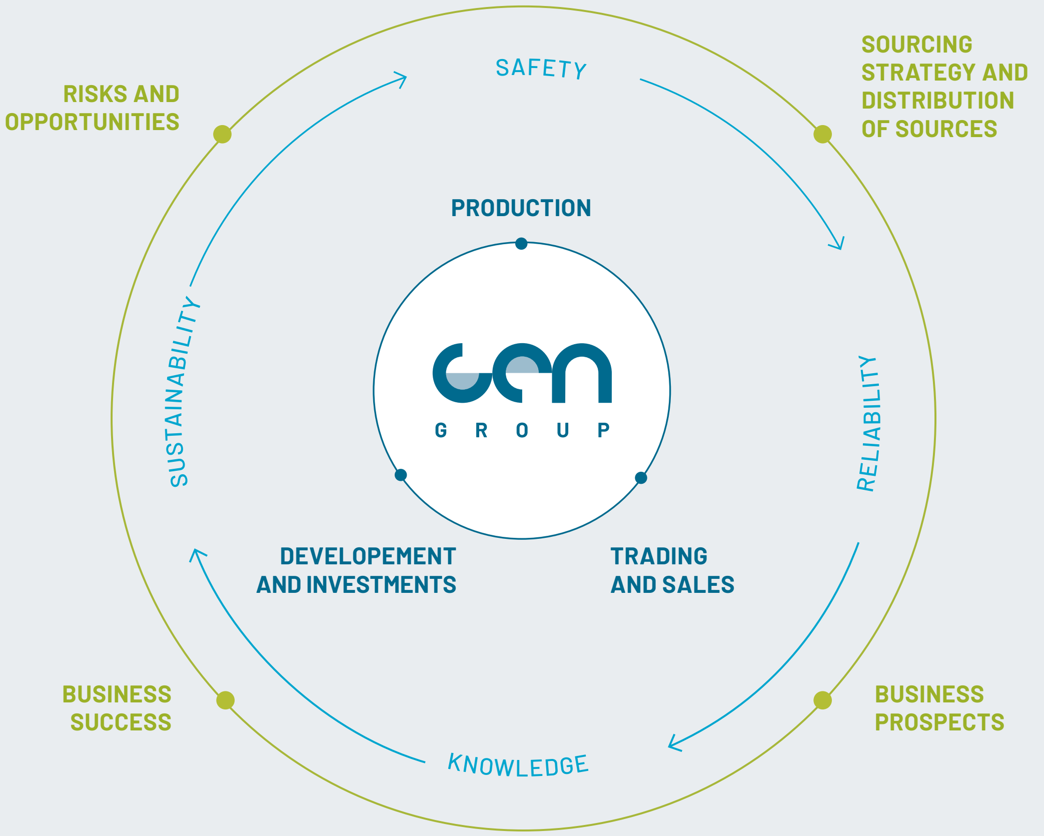
Financial resources (mainly through equity and borrowing) needed for providing comprehensive electricity supply services.

Employees and intellectual capital

The knowledge, skills and dedication of our employees for performing our principal activities.

Social capital

Relations with external stakeholders in providing comprehensive electricity supply services. Promoting the understanding and appreciation of the importance of energy supply for our daily lives and enduring social prosperity.



Results of the GEN Group in 2020

Total production output:
3,674 GWh
of electricity

Production output of NEK:
6,040 GWh
(3.020 GWh for Slovenia)

Production output of HPPs:
851 GWh
of electricity (of which 595 GWh for the GEN Group)

TEB's important role in **ensuring power grid stability**

An application for the acquisition of an electricity generation license for JEK2 was submitted

Low-carbon portfolio of energy sources (nuclear and hydro):
99%

Preparation of research studies for the **JEK2 project**

Implementing the action plan for optimizing business operations

Revenue:
EUR 2.2 billion

Net profit:
EUR 64.2 million

Number of employees:
1,474

Employee qualifications
66%
with at least higher education qualifications

Safe, reliable and **environmentally friendly supply** of electricity to consumers

Outlay for R&D, capital expenditures and investments for ensuring long-term stability:
EUR 104.59 MILLION

Advanced services for consumers – moving towards **green transformation**

Strengthening the understanding and knowledge of energy and the energy sector among key stakeholders

Through our work, we co-realize the following **sustainable development goals:**

4 QUALITY EDUCATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

SUSTAINABLE DEVELOPMENT GOALS

TABLE OF CONTENTS

I INTRODUCTION

1. Key performance data

Despite the COVID-19 epidemic, which characterised 2020, the GEN Group successfully fulfilled its mission to reliably supply electricity from low-carbon sources to customers at competitive prices. The GEN Group's production capacities operated smoothly and safely throughout the epidemic on account of the timely adoption of the correct measures, which employees took very seriously.

OPERATING RESULTS

Despite the epidemiological conditions, the GEN Group ended 2020 very successfully, with a **net profit of EUR 64.2 million,** an increase of 33% relative to 2019. This good result is the consequence of a **timely and appropriate response to the epidemic,** synergies between the production, trading and sales, and development and investment activities of the GEN Group, which are guided by the management staff of Group companies, along with their 1,159 employees. Contributing to the Group's success was a year without a scheduled major overhaul at the Krško Nuclear Power Plant (NEK), which ensured the higher annual production of energy and the reduced costs of purchasing alternative electricity. Through efficient operations, we continued making optimal use of the situation and developments on the electricity market, and adapted to the natural conditions, particularly the below-average hydrological conditions we faced until last November.

See page 42 for more information.

We continue to grow. With EUR 2.2 billion in turnover, the Group consolidated second place among Slovenia's largest business groups and ranked among the country's strongest business groups in investment terms.

See page 42 for more information.

OPERATING RESULTS

The production units of GEN Group companies generated a combined total of **3,674 GWh of electricity.** We are satisfied with those results, as they were 1% higher than planned in the context of a year without a scheduled major overhaul at the NEK and somewhat poorer hydrological conditions on the Sava River.

See page 42 for more information.

The **NEK** once again demonstrated a high level of reliability and the transparency of its operations. It operated **safely and stably at full capacity most of the time,** and generated 6,040 GWh of electricity, **3,020 GWh** of which is the property of GEN, or effectively the Republic of Slovenia, under the Intergovernmental Agreement on the NEK. Achieved production is the result of the high-quality scheduled major overhaul performed in 2019, prudent operational control and well-planned maintenance, as well as favourable hydrological conditions and the resulting good thermodynamic efficiency of the power plant. The success of the NEK is also a reflection of highly committed employees, and an effective and proactive response following the outbreak of the COVID-19 pandemic.

See page 73 for more information.

Despite below-average hydrological conditions in 2020, our **hydroelectric power plants** generated **595 GWh** of electricity thanks to their reliable and successful operation.

See page 71 for more information.

Through reliable start-ups, the Brestanica Thermal Power Plant (TEB) also confirmed its role in **ensuring power grid stability.** In 2020, the power plant was started up 27 times for grid balancing purposes, while natural gas prices facilitated operations that exceeded plans to meet the needs of the market.

See page 73 for more information.

Electricity production at all of our production facilities was **safe, reliable and environmentally friendly** throughout the year, as the result of our past and ongoing prudent investments in knowledge and equipment.

See page 71 for more information.

LOW-CARBON PORTFOLIO

A total of **98.6% of all electricity** generated by GEN Group companies **came from low-carbon, sustainable and renewable sources, i.e. nuclear and hydro.**

See page 74 for more information.

DEVELOPMENT AND INVESTMENTS

Despite the extraordinary conditions in 2020, the GEN Group is aware that **research and development, capital expenditure and investments are essential to the long-term stability** of operations and future growth. Total investments amounted to EUR 104.59 million in 2020.

Key investments were as follows:

- Implementation works continued at the **NEK** in the scope of projects in the second and third phases of the Safety Upgrade Programme (SUP). Following the completion of that project, the NEK will be comparable with power plants that are being built today in terms of safety criteria. All delays that arose as the result of the declaration of the pandemic during the first half of the year were successfully eliminated and the preconditions laid for the completion of the safety upgrade in 2021. The process of setting up dry cask storage for spent nuclear fuel was also carried out. To that end, the Ministry of the Environment and Spatial Planning (MESP) issued a building permit on 23 December 2020 for the construction of dry cask storage for spent nuclear fuel. Also worthy of mentioning is the fact that the Slovenian Environment Agency (ARSO) issued a decision at the beginning of October requiring the NEK to assess its impacts on the environment and obtain environmental protection approval for the extension of its operating life. The report on environmental impacts is already being drafted.

- The **TEB** successfully completed the backup gas-fired production unit 7 project. Testing of all equipment began in October and was completed at the end of November, except for primary technical equipment for which cold testing was completed at the end of December. The unit was successfully synchronised with the grid following the reporting period at the end of January 2021. A technical inspection, representing the symbolic completion of the project, was successfully carried out on 1 April 2021. A six-month test period was ordered based on the results of the technical inspection.

- **HESS** continued with preparations for the construction of the last hydroelectric power plant in the chain, the Mokrice HPP. An application was filed in June 2020 for the issue of a building permit according to the integrated procedure, together with a proposal for the initiation of the procedure to declare that the public benefit of nature conservation is overridden by another public benefit, and a proposal for the determination of an exception according to

Article 56 of the Water Act. The governing body of the MESP determined that the investor's application was complete and initiated the procedure to declare that the public benefit of nature conservation is overridden by another public benefit. That procedure was completed in December 2020 under a Slovenian government resolution. With its decision, the Slovenian government ruled in favour of hydro energy, thus facilitating the continuation of the integrated procedure to issue a building permit.

- Worthy of mentioning in the scope of the key **JEK2** strategic development project is the acquisition of an electricity generation licence from the Ministry of Infrastructure at the end of January 2020 and the supplementation thereof with the updated opinion and consent in principle with connection to the grid issued by ELES as system operator at the end of February 2020. In September 2020, the competent ministry invited GEN to an oral hearing regarding additional amendments to its application, which were sent at the end of November 2020. The study of JEK2's inclusion in the electric power grid was reviewed, with ELES proposing updates to that study. The study indicated that the connection of JEK2 to the Slovenian electric power grid is feasible, and would have a positive impact in terms of maintaining the stability of the grid and the development of a carbon-neutral, clean and modern electric power grid. A macroeconomic analysis of the construction and functioning of JEK2 was also performed.

See page 80 for more information.

EXPANSION OF NUCLEAR PRODUCTION CAPACITIES

The goals of the decarbonisation of the electric power grid and the reduction of Slovenia's reliance on imported energy to the greatest extent possible (8.3% of electricity was imported in 2020), as well as the shortage of electricity in the wider region, confirm the need for the **construction of a second nuclear power plant unit in the form of JEK2**. That project could have an important effect on achieving goals regarding the reliability and competitiveness of supply and the achievement of climate goals, and could contribute to reducing Slovenia's reliance on imported energy. JEK2 is thus needed today. Studies conducted to date have shown that JEK2 is a **crucial and feasible project** for the future supply of domestically produced electricity to Slovenia, and is the appropriate response to the key challenges of the energy trilemma. Construction of JEK2 is also urgent in terms of increasing the proportion of diversified sources, as growth in the proportion of diversified sources in the production of electricity is also conditional on production from a stable facility such as JEK2.

See page 84 for more information.

TRADING

- In terms of trading and sales, the **GEN-I** Group responded successfully to demanding market conditions and made an essential contribution to **cost-effective risk management.** Through its knowledge, understanding of the market and ability to adapt to changes, the GEN-I Group once again responded excellently to new challenges. It increased the volume of electricity and natural gas trading significantly, and thus demonstrated its understanding of the adverse conditions in which its customers in Slovenia found themselves. Immediately following the declaration of the epidemic, the GEN-I Group was the only supplier to offer all household and small business customers a 15% reduction in the price of electricity for three months.
- During the first half of 2020, the GEN-I Group's share of the retail market exceeded 25% for the first time, meaning the Group remains the **largest electricity supplier in Slovenia.** Despite increasingly adverse conditions on the market and increasing competition, GEN-I remains a **leading electricity trader on the markets of Southeast Europe.**
- The GEN-I Group entered the market in 2020 with the **'Carbon-Free Energy'** brand, which links carbon-free production and the planned JEK2 investment project with electricity sales.

See page 77 for more information.

DEVELOPMENT OF SERVICES FOR CUSTOMERS

The GEN Group develops advanced services for its customers. We upgraded our core service again in 2020 through the development of additional services based on advanced technologies and the convergence of activities in the areas of energy, transport, and information and communication technologies. Through participation in development projects, we carefully linked the supply of electricity with a wider range of related services to allow increasingly flexible household, industrial and service-sector customers and producers to achieve the green transformation, and thus contributed to the creation of the global trends of decarbonisation, **decentralisation and digitalisation.** GEN-I is transitioning from a trading company into the **leading supplier of green solutions,** and is the leading advocate and promoter of the **green transformation.**

See page 78 for more information.

OPTIMISATION OF OPERATIONS

In 2020, we successfully continued our intense efforts to implement our action plan for optimising the operations of both GEN and the GEN Group. Through good coordination, internal optimisation processes and commercial activities we successfully managed risks and exceeded profit targets. The members of GEN energija's Supervisory Board unanimously extended the term of office of the company's CEO, Martin Novšak, whose experience, broad knowledge of the energy sector, and clear and ambitious vision of the development of the company and Group were convincing factors in his reappointment

See page 60 for more information.

EMPLOYEES AND KNOWLEDGE

Our employees, with their knowledge and dedication, have been and continue to be the heart of our operations: there were a total of **1,159** employees in 2020, with more than 66% of them holding at least higher education qualifications. We upgraded and further developed our internal education and training programme. During a year marked by the epidemic, employees' experience and hard work were even more evident, as we ended the year successfully, despite the extraordinary conditions.

See page 89 for more information.

ENERGY EDUCATION AND RAISING PUBLIC AWARENESS

We further strengthened the understanding of topics related to energy and the energy sector among various target groups. At the beginning of 2020, prior to the outbreak of the epidemic, we organised various **educational and awareness-raising events** and presentations, and presented the plans and **development projects of the GEN Group** at industry events at home and abroad. Following the declaration of the epidemic, the World of Energy visitors' centre remained closed until the end of the year. We did, however, enhance **digital communications on social networks** and joined forces with schools to establish direct online communications, including the use of the eSvet web portal on energy and the energy sector.

See page 93 for more information.

Similar to 2020, the GEN Group will continue to adopt and implement all necessary measures to ensure that we will end the 2021 financial year with positive operating results. We will achieve this through proactive operations and the continuous management of risks, despite the crisis.

Pursuant to sustainability reporting guidelines, the annual report of GEN and the GEN Group for 2020 also includes information regarding the implementation of GEN's sustainability policies. In this single document, we strive to comprehensively present our operations and highlight the inextricable link between financial and non-financial information.

See page 60 for more about our sustainability policies and the associated results for 2020, and the table on page 217.

		GROUP		COMPANY	
Key figures		**2020**	**2019**	**2020**	**2019**
Revenue	in EUR thousand	2,193,560	2,246,180	231,350	208,726
EBIT	in EUR thousand	86,192	63,399	53,607	31,051
EBITDA	in EUR thousand	144,526	102,369	54,329	31,907
Net profit	in EUR thousand	64,189	48,488	45,664	27,383
Assets	in EUR thousand	1,223,555	1,158,886	634,934	589,639
Equity	in EUR thousand	912,480	859,836	522,710	486,731
Debt	in EUR thousand	162,269	179,658	11,866	13,069
Investments	in EUR thousand	57,147	57,381	19,160	901
Electricity produced	GWh	3,931	3,672		
Electricity sold	GWh	45,281	41,375	3,930	3,975
Number of employees at year-end		1,159	1,104	64	60

		GROUP		COMPANY	
Performance indicators		**2020**	**2019**	**2020**	**2019**
Self-financing ratio	%	74.58	74.20	82.33	82.55
Long-term financing ratio	%	85.29	85.98	93.56	94.04
Fixed asset investment ratio	%	61.65	64.91	3.07	3.27
Long-term investment ratio	%	63.33	66.12	80.11	82.68
Equity to fixed assets ratio		1.21	1.14	26.78	25.25
Non-current debt to currents assets ratio		1.34	1.29	1.15	1.12
Cash ratio		1.33	1.06	2.18	1.99
Quick ratio		2.15	2.08	2.99	2.78
Current ratio		2.46	2.37	2.99	2.78
Operating efficiency ratio		1.04	1.03	1.31	1.18
Net return on equity (ROE)	%	7.24	5.78	9.05	5.75
Net return on assets (ROA)	%	5.39	4.19	7.46	4.76
Value added	in EUR thousand	209,581	159,206	58,810	35,960
Value added per employee	in EUR thousand	185	149	949	625
Debt to equity ratio		0.18	0.21	0.02	0.03
Total financial liabilities/EBITDA		1.12	1.76	0.22	0.41
EBITDA margin	%	6.59	4.56	23.74	15.48
EBITDA/financial expenses for loans raised		35.64	22.99	0.00	0.00
Total financial liabilities/assets		0.13	0.16	0.02	0.02
Net financial liabilities/EBITDA		-0.53	0.07	-1.39	-1.74

2. Letter from the senior management

Dear Business Partners and Colleagues,

The GEN Group ended the 2020 financial year on a high note. Despite the numerous challenges, difficult conditions and delays in investments due to the COVID-19 epidemic, we effectively ensured the uninterrupted supply of electricity to households, the public sector, the commercial sector and all other electricity customers throughout the year. We generated more than EUR 2.2 billion in turnover and thus regained our position as one of the largest business groups in Slovenia. We also remain one of the strongest business groups in terms of investments, as GEN Group companies implemented investments in the total amount of more than EUR 100 million. Among the most important investments was the construction of an additional unit at the TEB which, based on the results of the requisite technical inspection, began a six-month test period in April 2021.

We were guided in our operations by a long-term strategy, a prudent approach and stable growth, coupled with our cost-effective day-to-day response to developments on electricity markets and other signals from the environment. The epidemic and the accompanying unexpected extraordinary conditions confirmed that the GEN Group is distinguished by experienced and extremely capable management staff and employees, who through the establishment of timely, effective and prudent measures ensured the reliable supply of low-carbon energy from local sources in a year of great uncertainty. We will continue to strive to achieve energy independence and self-sufficiency in the future.

BUSINESS EXCELLENCE

The GEN Group generated EUR 2.2 billion in revenue in 2020, and ended the year with a net profit of EUR 64 million, which is 20% higher than planned. Added value per employee amounted to EUR 185 thousand. The controlling company generated EUR 231 million in revenue, and ended the year with a net profit of EUR 46 million, which was more than planned. With such results, we fulfilled all of the expectations of our owner and Slovenian Sovereign Holding (SSH), as the manager of the Slovenian government's investment in GEN. We achieved this through the reliable and safe operations of electricity production units, and through the efficient exploitation of synergies between the production, trading and investment functions within the Group.

OPERATIONAL EFFICIENCY

We exceeded our electricity production targets. The NEK operated stably, safely and at full capacity for most of the year. It generated 6,041 GWh of electricity, half of which, i.e. 3,020 GWh, is the property of GEN, or effectively the Republic of Slovenia, under the Intergovernmental Agreement on the NEK. Hydroelectric power plants on the Sava River also operated reliably and successfully, despite below-average hydrological conditions, and produced a combined total of 595 GWh of electricity. The Brestanica Thermal Power Plant (TEB) was started up and operated reliably 27 times for the purpose of balancing the national power grid, which is significantly more than in previous years. It also operated to meet the needs of the market. This was facilitated by favourable natural gas prices. The GEN Group's production units operated safely and reliably in 2020, which is a remarkable achievement given the demanding conditions as the result of the epidemic.

TRADING

In the area of trading and sales, GEN-I successfully adapted to dynamic market conditions and seized market opportunities in 2020, despite the difficult epidemiological conditions. The company developed new business approaches and services related to e-mobility and digitisation, and placed a great deal of emphasis on the development of employees. It made a significant contribution to the successful and efficient management of risks. At the end of 2020, the company presented the 'CO_2-free electricity' initiative. It offered customers the opportunity to replace fossil-based sources with energy sources that do not generate CO_2 emissions, and thus contributed to the mitigation of climate change. Slovenian customers can thus select carbon-free nuclear energy as the best possible choice.

COVID-19 EPIDEMIC

The GEN Group successfully addressed the adverse conditions through effective and prudent measures that ensured efficient operations and thus uninterrupted production for the reliable supply of electricity to household and industrial customers, the public sector and the transport sector. Based on many years of international experience and standards, experienced employees and competent and stable management staff, we ensured the health of our employees and limited the consequences of the epidemic.

Those consequences will still be seen within the GEN Group and at Group companies in the future, as the effects of the epidemic are reflected in the delayed implementation of planned investments. Over the long term, we will face economic challenges and broader socio-economic changes, while we will feel the consequences of the epidemic primarily on account of the drop in prices of electricity sold last year for 2021. This will also affect the ability of Group companies to invest.

LOW-CARBON PORTFOLIO

Crucial for GEN Group companies are low-carbon sources such as nuclear and hydro energy, which together account for 99% of electricity produced. The GEN Group's energy mix is significantly reducing average emissions from the production of electricity at the national level in Slovenia, and is proving to be environmentally and climate-friendly in the context of positive economic and energy indicators. It thus plays an important role in the formulation of a sustainable energy future for Slovenia.

INVESTMENTS AND DEVELOPMENT

Our safe, reliable and environmentally friendly production is the result of ongoing investments in knowledge and equipment. The investment expenditure of GEN Group companies amounted to more than EUR 100 million in 2020. A scheduled major overhaul is planned at the Krško Nuclear Power Plant in 2021, while the construction of an additional gas turbine unit at the TEB, which plays an important role in ensuring the stability of the Slovenian electric power grid, will also be completed in 2021. The TEB also functioned for commercial purposes during the third quarter of 2020 on account of low natural gas prices and favourable electricity prices on the market. This also had a positive effect on the operations of the TEB and GEN. The GEN Group and HESS are expecting the start of construction of the Mokrice HPP, which will play an important flood-protection role, while the energy-producing element of the power plant will enable the balancing of flows to neighbouring Croatia and thus the full flexibility of existing facilities.

CENTRAL STRATEGIC DEVELOPMENT PROJECT: JEK2

The construction of a second nuclear power plant unit in Krško (JEK2) is one of the GEN Group's key strategic challenges. In 2020, we submitted an application to the Ministry of Infrastructure for the issue of an electricity generation licence in connection with the construction of JEK2. We supplemented that application with a feasibility study on the connection of JEK2 to the electric power grid, which is already sufficiently robust for the connection of a new, major unit. Research has confirmed the economic justification of the project, which will see a return on investment during the first third of the power plant's useful life. The project is also environmentally justified, as Slovenia will triple its production of low-carbon electricity with JEK2 and thus take a step towards the fulfilment of international environmental agreements. The importance of nuclear energy for the process of decarbonisation has been proven by Sweden and France, which have comprehensively decarbonised their electricity production through the construction of nuclear power plants over 10 years. Construction of JEK2 is also urgent in terms of increasing the proportion of diversified sources, as growth in the proportion of diversified sources in the production of electricity is also conditional on production from a stable facility such as JEK2.

The importance of nuclear energy as a low-carbon and reliable energy source is growing globally. At the end of 2020, there were 441 nuclear power plants operating in 31 countries, with five new reactors started up in 2020 (in China, Russia, Belarus and the UAE). The connection of 15 new reactors is planned in 2021, while a total of 53 are under construction in 19 countries. The number of new construction sites is growing across the world. In Europe, two new nuclear power plants are about to be started up in Finland and France. Existing nuclear-powered countries, which are planning to construct new power plants, are being joined on the nuclear energy map by newcomers from Eastern and Central Europe.

In addition to low-carbon energy, the construction of JEK2 will also contribute to the energy independence of Slovenia. Given forecasts of growth in electricity consumption and the closure of the Šoštanj Thermal Power Plant, there will be a deficit in electricity of close to 60% in 2050, despite continuous growth in renewable energy sources (RES). JEK2 can reduce that deficit significantly, but additional low-carbon sources will be required for full independence.

EMPLOYEES AND KNOWLEDGE

With their knowledge and dedication, our employees are essential to the GEN Group's business excellence and operational efficiency, and a prerequisite for the achievement of synergies between Group companies. The qualifications and quality of our employees were particularly evident in 2020, when experienced teams with competent and stable leaders played a central role following the outbreak of the epidemic. Based on their expertise, which includes broad international experience and standards, the Group took responsible and appropriate measures in a timely manner. We protected the health of employees, especially those in key positions. We ended the year successfully, despite major changes in the way we work and the difficult conditions. There was a total of 1,474 employees in 2020, with more than 66% of them holding at least higher education qualifications. With our experience, expertise, commitment, diligence and motivation, we are achieving our goals and building a sustainable future, not only for the GEN Group, but also for all the citizens of Slovenia, who benefit from our reliable supply of low-carbon electricity at affordable prices.

We would like to sincerely thank all employees for their dedicated and professional work, and for their invaluable contribution to excellent results in 2020 and to the strengthening of the GEN Group. We would also like to thank representatives of the owner, SSH, the competent ministries, the Supervisory Board, business partners, service providers and local communities for your trust, successful cooperation and contribution to the sound functioning of the GEN Group.

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

Danijel Levičar
COO, GEN energija d.o.o.

3. Report of the Supervisory Board

Composition and work of the supervisory board

In order to ensure the legality, correctness and efficiency of the senior management's decisions and in accordance with its powers under the articles of incorporation and pursuant to other applicable legislation, the Supervisory Board supervised the management of GEN energija d.o.o. (hereinafter: GEN) during the 2020 financial year.

In its work, the Supervisory Board complied with the company's values, vision and mission, and verified whether the management and thus the operations of the company were in line with the latter's strategic goals, with the aim of maximising the value of the company.

COMPOSITION OF THE SUPERVISORY BOARD IN 2020

The Supervisory Board had six members from January 2020 to December 2020. The company's founder then increased the number of members to nine in December. In 2020, the company adopted the development plan of the GEN Group for the period 2020 to 2024 with a view to 2030, in which it is planning increased activities in all key areas of operations, in particular the construction of JEK 2. GEN's founder assessed that the number of Supervisory Board members must be adjusted to reflect the planned increased and more complex activities of the company.

From 1 January to 17 December 2020 the Supervisory Board was composed as follows:

- Mateja Čuk Orel, MSc (Chairwoman),
- Miha Butara (Deputy Chairman),
- Lovro Lapanja (member),
- Miha Šebenik (member),
- Samo Fürst (member) and
- Marjanca Molan Zalokar (member).

From 18 December 2020 on the Supervisory Board was composed as follows:

- Cvetko Sršen (Chairman),
- Mateja Čuk Orel, MSc (Chairwoman),
- Aleksander Kavčič, MSc (member),
- Dr Marko Čepin (member),
- Jure Soklič, MSc (member),
- Ksenija Flegar (member),
- Samo Fürst (member),
- Marjanca Molan Zalokar (member) and
- Rene Jeromel (member) - appointed on 21 December 2020.

The Supervisory Board assesses its work as successful and its composition sufficiently diversified to be able to perform the tasks vested in it by applicable regulations. The Supervisory Board comprises members with different expertise, experience and skills that are mutually complementary. Its composition is heterogenous in terms of age, but is varied in terms of gender (with men accounting for 66.67% and women 33.33% of members). Supervisory Board members are independent in their work. They also strive to prevent conflicts of interest in the performance of their tasks. No potential conflicts of interest were recorded in 2020, meaning that no member of the Supervisory Board was excluded from voting. Supervisory Board members performed their work diligently, responsibly and effectively. Sessions were conducted in such a way that all the members of the Supervisory Board were given the opportunity to participate in discussions, and that discussions of agenda items were thorough, which contributed to the adoption of prudent and responsible decisions.

The Supervisory Board has two committees that serve as consultative bodies: the audit committee and the HR committee.

The work of the Supervisory Board and its committees was well-organised and performed in accordance with the applicable rules of procedure of the aforementioned bodies. Members received materials in a timely manner, while the quality of materials allowed them to be effectively briefed on matters pending decisions.

COMPOSITION OF THE SUPERVISORY BOARD'S COMMITTEES IN 2020

I. AUDIT COMMITTEE

In conjunction with the increase in the number of Supervisory Board members, the company's articles of incorporation also increased the number of audit committee members from three to five. The audit committee did not have the number of members required in accordance with the provisions of paragraph 3 of Article 279 of the Companies Act[1] and the first sentence of paragraph 2 of Article 16 of the company's articles of incorporation[2] from 18 December 2020 to 22 December 2020. However, the aforementioned committee did not hold any sessions during that time and until the appointment of additional members. At its constitutive session held on 22 December 2020, the Supervisory Board supplemented the audit committee with three new members and appointed a chair.

1 A committee comprises a chair and at least two members.

2 The audit committee comprises a chair and four members.

From 1 January to 17 December 2020 the audit committee was composed of the following three members:

- Miha Butara (chair),
- Samo Fürst (member) and
- Alojz Dimič (member - external expert).

From 22 December 2020 on the audit committee was composed of the following five members:

- Jure Soklič, MSc (chair),
- Ksenija Flegar (member),
- Aleksander Kavčič, MSc (member),
- Samo Fürst (member) and
- Alojz Dimič (member - external expert).

II. HR committee

In conjunction with the increase in the number of Supervisory Board members, the company's articles of incorporation also increased the number of HR committee members from three to five. The HR committee did not have the number of members required in accordance with Article 17 of the company's articles of incorporation[3] from 18 December 2020 to 22 December 2020. However, the aforementioned committee did not hold any sessions during that time and until the appointment of additional members. At its constitutive session held on 22 December 2020, the Supervisory Board supplemented the HR committee with three new members and appointed a chair.

From 1 January to 17 December 2020 the HR committee was composed of the following five members:

- Miha Šebenik (chair and member until 18 March 2020),
- Mateja Čuk Orel, MSc (chair and member from 19 March 2020),
- Lovro Lapanja (member) and
- Katja Simončič (member).

From 22 December 2020 on the HR committee was composed of the following four members:

- Cvetko Sršen (chair),
- Mateja Čuk Orel, MSc (member),
- Dr Marko Čepin (member),
- Ksenija Flegar (member) and
- Katja Simončič (member).

3 The HR committee comprises five members. Four of those persons are representatives of the founder who serve as members of the Supervisory Board. The chair of the HR committee is always the Chairman of the Supervisory Board.

Data regarding the work of the supervisory board and its committees[4]

In its first composition, the members of the Supervisory Board met at ten (10) ordinary sessions, two (2) correspondence sessions and one (1) extraordinary session, for a total of thirteen (13) sessions, at which they adopted 143 resolutions. At the constitutive session held in December 2020 Supervisory Board members adopted eight (8) resolutions.

Three members who represent the interests of the founder were each absent from one session, while the other members of the Supervisory Board were present at all sessions.

The Supervisory Board's audit committee met at six (6) ordinary sessions, at which it adopted 36 resolutions. The participation of individual members of the Supervisory Board's audit committee was 100% at individual sessions.

The Supervisory Board's HR committee met at four (4) ordinary sessions, at which it adopted 30 resolutions. The participation of individual members of the Supervisory Board's HR committee was 100% at individual sessions.

Members regularly received the most important information, reports and materials for sessions of the Supervisory Board and its committees, and closely monitored the implementation of adopted resolutions.

Consents in connection with corporate governance

Pursuant to Article 11 of the company's articles of incorporation, the senior management of GEN energija was required to obtain the consent of the Supervisory Board for the following in 2020:

- proposal to the founder on the adoption of the bases for the business policy and development plan of the company and the GEN Group for a period of five (5) years;
- proposal to the founder on the disposal and encumbrance of participating interests/shares in subsidiaries and associates; and
- proposal to the founder on the establishment and winding-up of companies, and the acquisition of majority interests in the capital of other companies.

For the reasons stated in the preceding indents, the Supervisory Board gave its consent to the senior management three times in 2020, specifically for the proposal to the founder[5] on the disposal of the

4 (Item 8.4 of the Code)

5 Resolutions adopted by SSH on 25 May 2020.

participating interests in a subsidiary and associate, and for the adoption of the bases for the business policy.[6]

Pursuant to Article 14 of the company's articles of incorporation, the senior management of GEN was required to obtain the consent of the Supervisory Board for the following in 2020:

- the business plan of the company and the GEN Group;
- the internal audit department's annual work programme;
- decisions regarding the appointment and discharge of management staff at subsidiaries and associates;
- decisions at the general meetings of GEN-I d.o.o. and GEN-EL d.o.o.;
- the commissioning of analyses and studies in connection with a second unit at the NEK;
- the rules of procedure of the Supervisory Board and its committees; and
- specific transactions of senior management in accordance with the articles of incorporation.

In 2020, for the reasons given in the preceding indents, the Supervisory Board gave its consent to the business plan of the company and the GEN Group, gave its consent to the senior management twice for the appointment of management staff at subsidiaries and associates,[7] gave its consent three times for voting at the general meeting of GEN-I, gave its consent for voting at the general meeting of GEN-EL, gave its consent three times for the commissioning of analyses and studies in connection with a second unit at the NEK, and gave its consent to the rules of procedure of the Supervisory Board and its committees.

In 2020, due to the termination of the agreement with the previous auditor and in accordance with Article 14 of the articles of incorporation, the Supervisory Board proposed that the founder appoint an auditor to audit the financial statements of the company and the GEN Group. Based on pre-defined and measurable performance criteria, the Supervisory Board defined the variable remuneration of management staff, adopted the Rules on the Definition of the Other Rights of the Senior Management of GEN energija d.o.o. and concluded annexes to the employment contracts of the members of senior management.

Pursuant to paragraph 2 of Article 28 of the company's articles of incorporation, the senior management of GEN energija was required to obtain the prior consent of the Supervisory Board in four cases in 2020:

- due to the exclusion of a member of the senior management from the decision-making process on account of their simultaneous performance of a managerial function at a subsidiary or associate.

Pursuant to paragraph 9 of Article 21 of the company's articles of incorporation, the senior management of GEN energija was required to obtain the prior consent of the Supervisory Board in 2020 for the following types of legal transactions:

- the acquisition, disposal or encumbrance of shares or participating interests in subsidiaries and other companies;
- the establishment or winding-up of other companies, branch offices and plants;
- the purchase, sale or other disposal, exchange or encumbrance of properties owned by the company;
- all legal transactions (including investments, credit transactions and similar transactions) where the value of a single transaction or several related transactions together exceeded 1% of the company's share capital or EUR 2,500,000.00, except trading transactions involving electricity, emission allowances and their equivalents, natural gas, liquefied petroleum gas and related transactions, as well as transactions in connection with short-term cash management within the GEN Group and transactions involving the short-term placement of cash in the form of deposits at commercial banks; and
- the issuance of sureties and guarantees, except when they are issued in connection with trading transactions involving electricity, emission allowances and their equivalents, natural gas, liquefied petroleum gas and related transactions.

For the reasons stated in the preceding indents, the Supervisory Board gave its consent three times in 2020 for the acquisition, disposal or encumbrance of participating interests in subsidiaries and other companies.

Interim monitoring of operations

The Supervisory Board periodically (each quarter) discussed interim reports on the operations of GEN and the GEN Group. The Supervisory Board was also briefed on all interim reports by the audit committee. The Supervisory Board gave its consent to the company's electricity trading strategy for 2021 and beyond, and was briefed on the current operations of the company and GEN Group, their investments, planned and implemented capital expenditure, the number of employees and the optimisation of labour costs, the value of assets, equity, receivables, operating revenue and expenses, and the operating profit or loss and net profit or loss of Group companies. The Supervisory Board was also briefed on other matters that impact the achievement of the goals set out in SSH's annual governance plan.

6 Approval of the electricity trading strategy for 2021 and beyond.

7 At the TEB and SEL.

Major decisions by the supervisory board

APPROVAL OF THE ANNUAL REPORT OF THE GEN GROUP FOR 2019

At its 13th ordinary session held on 21 May 2020, the Supervisory Board reviewed the composition of the annual report of the company and the GEN Group for 2019 and the proposed use of distributable profit. The Supervisory Board had no comments regarding the annual report, and approved it together with the auditor's opinion.

FINANCIAL STATEMENTS AND PROPOSED USE OF DISTRIBUTABLE PROFIT FOR 2019

While reviewing the annual report of the company and the GEN Group for 2019, the Supervisory Board:

- verified the composition of the annual report of the company and GEN Group, and found that the company achieved good operating, commercial and financial results in 2019;
- confirmed the content of the annual report for the company and the GEN Group, together with the auditor's opinion;
- compiled a written Report of the Supervisory Board for the founder; and
- gave its consent to the senior management's proposed use of distributable profit.
- The annual report was audited by Ernst & Young, Revizija, poslovno svetovanje d.o.o., Ljubljana. The latter was appointed under resolution no. 2018-3161-TPB of 1 August 2018 by Slovenian Sovereign Holding, acting in its capacity as founder, to audit the financial statements of GEN and the consolidated financial statements of the GEN Group for the 2019 financial year. The certified auditor issued an unqualified opinion regarding the annual report. The Supervisory Board had no comments regarding the auditor's opinion and gave its consent accordingly.

Acting in its capacity as the founder and sole owner of GEN, Slovenian Sovereign Holding passed the following resolutions on 10 June 2020:

- it was briefed on the annual report of GEN energija d.o.o. and the consolidated annual report of the GEN Group for 2019, together with the auditor's reports, and on the Supervisory Board's Report on the verification of the annual report;
- distributable profit for 2019 in the amount of EUR 18,691,632.98 was allocated as follows: EUR 9,500,000.00 was paid to the sole owner as profit participation within 90 days from the adoption of the relevant resolution, while EUR 4,191,632.98 was allocated to other revenue reserves and EUR 5,000,000.00 was allocated to retained earnings; and
- official approval was conferred on the senior management and Supervisory Board for their work during the 2019 financial year.

At its 14th ordinary session held on 24 June 2020, the Supervisory Board was briefed on the proposed resolutions of GEN energija d.o.o.'s senior management and resolutions of the founder.

CONSENT TO THE BUSINESS PLAN OF GEN ENERGIJA D.O.O. AND THE GEN GROUP FOR 2021, WITH A FORECAST OF OPERATIONS FOR 2022 AND 2023

At its 16th ordinary session held on 23 October 2020, the Supervisory Board gave its consent to the business plan of GEN energija d.o.o. and the GEN Group for 2021, with a forecast of operations for 2022 and 2023, and briefed the founder accordingly in accordance with paragraph 4 of Article 22 of the company's articles of incorporation.

CONSENT TO THE ELECTRICITY TRADING STRATEGY

At its 9th ordinary session held on 25 February 2020, the Supervisory Board gave its consent to the electricity trading strategy of GEN energija d.o.o. for 2021 and beyond.

APPOINTMENT OF THE COMPANY'S DIRECTOR

At its 11th ordinary session held on 3 April 2020, the Supervisory Board appointed the General Director of GEN energija to serve as a member of senior management, with a term of office from 8 July 2020 to 8 July 2024.

Self-assessment and disclosures pursuant to the corporate governance code for companies with capital assets of the state

SELF-ASSESSMENT

A performance assessment for 2020 was carried out in March 2021 in the form of a self-assessment matrix completed by the Supervisory Board. Three members of the Supervisory Board who served in their functions for all of 2020 performed self-assessments, while the six other members did not begin their terms of office until 18 and 21 December 2020. Following the completion of the self-assessment procedure, the Supervisory Board briefed the founder on the results and adopted an action plan.

DISCLOSURES

- Pursuant to the Code,[8] the company's annual report (in the notes to the financial statements) includes clear and specific disclosures of the remuneration and other rights of individual Supervisory Board members, broken down by individual type of remuneration and other rights (with a full breakdown of costs).
- Pursuant to the Code,[9] the company also discloses costs in connection with the Supervisory Board's work, including the costs of legal opinions, translation costs, travel expenses, education and training costs, the hiring of experts, etc.

Of the above-described costs, the costs of additional education and training for Supervisory Board members amounted to EUR 1,790.00 (excluding VAT) in 2020. Travel costs are presented in the notes to the financial statements, while there were no other costs in 2020.

Approval of the annual report of the gen group for 2020

At its 5th regular session held on 17 May 2021, the Supervisory Board adopted the following resolutions:

RESOLUTION NO. 60/5.RS/Ad 6:

The Supervisory Board of GEN energija d.o.o. has reviewed the composition of the annual report of the company and the GEN Group for 2020 and the proposal on the use of distributable profit. The Supervisory Board of GEN energija d.o.o. finds that the company achieved good operating, commercial and financial results in 2020.

RESOLUTION NO. 61/5.RS/Ad 6:

Based on the review of the annual report of the company and the GEN Group for 2020, the financial statements with accompanying notes, and the auditor's opinions, the Supervisory Board of GEN energija d.o.o. has no comments regarding the annual report and hereby approves it, together with the auditor's opinions for GEN energija d.o.o. and the GEN Group.

RESOLUTION NO. 62/5.RS/Ad 6:

The Supervisory Board of GEN energija d.o.o. compiled a written report on the results of its review of the annual report for the founder. That report is enclosed to this resolution.

RESOLUTION NO. 63/5.RS/Ad 6:

The Supervisory Board of GEN energija d.o.o. gives its consent to the proposal of the company's senior management to the founder, whereby the entire amount of distributable profit for 2020 totalling EUR 27,831,907.85 shall be used for the creation of other revenue reserves.

Conclusion

The members of the Supervisory Board find that the operations of the company and the GEN Group were safe, reliable and successful in 2020. The company strives to continuously improve its operations, where the main focus remains the reliable and safe functioning of its production facilities, its employees and the environment. The company continuously renovates and invests in its production facilities, and promotes the training and education of its employees. Environmental acceptability, safety, reliability, sustainability and competitiveness are the key values the company pursues in its operations.

The Supervisory Board compiled this report in accordance with Article 282 of the ZGD-1. The Report of the Supervisory Board is intended for the founder and sole owner of the company.

Cvetko Sršen
Chairman of GEN energija's Supervisory Board

8 Item 8.3 of the Code
9 Item 8.4 of the Code

4. Corporate governance statement of GEN energija d.o.o.

Pursuant to Article 70, paragraph 5 of the Companies Act (hereinafter: the ZGD-1) and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State issued by SSH in November 2019 (hereinafter: the SSH Code), GEN energija d.o.o., Vrbina 17, 8270 Krško (hereinafter: GEN or the company), hereby issues its corporate governance statement for the period from 1 January 2020 to 31 December 2020.

The senior management of GEN energija d.o.o. (hereinafter: the senior management) hereby declares that GEN was governed in 2020 in accordance with valid laws and other applicable regulations, the articles of incorporation of the limited liability company GEN energija d.o.o. (hereinafter: the articles of incorporation), the SSH Code, and the Recommendations and Expectations of Slovenian Sovereign Holding of March 2018 and August 2020 (hereinafter: the Recommendations and Expectations of the SSH).

The senior management hereby declares that the annual report and all of its constituent components, including this corporate governance statement, have been compiled and published in accordance with the Companies Act (ZGD-1) and the accounting policies of GEN energija and the GEN Group.

The company strives to respect and strengthen its corporate integrity and thus spread awareness of the importance of operations that comply with the law, good business practices and high ethical standards as one of the fundamental principles of socially responsible operations. GEN energija d.o.o. has also adopted a Code of Business Ethics.

The corporate governance statement is an integral part of the annual report and is published on the company's website at http://www.gen.si.

I. Statement of compliance with the code, and the recommendations and expectations of SSH

A/ SSH CODE

In 2020, the company followed the SSH Code valid in 2020 as its point of reference. In doing so, it also takes into account the characteristics of its activities and the specific nature of its operations. In 2020, the company complied in full with the majority of recommendations based on the 'comply or explain' approach. Below are explanations regarding individual deviations from the recommendations set out in the SSH Code:

Item 3.2: The company has not yet adopted a governance policy.

Item 6.1: In connection with the succession plan for the company's management staff, the Supervisory Board follows the policies of the founder and the provisions of the articles of incorporation, according to which an appropriate approach for recruiting candidates is selected in the appointment of management staff.

Item 6.14.4: The transcripts of resolutions are submitted to the Supervisory Board and, at the next session of that body, the chair of the audit committee briefs the members of the Supervisory Board on the course of the session and adopted resolutions.

Item 6.16.1: In accordance with the company's articles of incorporation, the chair of the HR committee is the current Chairman of the Supervisory Board.

Item 7.4: In the scope of the succession system, the company is continuing to assess the competences and development potential of employees and, on that basis, is drawing up development plans that define career paths and the development of critical competences required for employee development and the company's success. Employee advancement and remuneration are based on assessments by line managers and the senior management as part of annual appraisal interviews.

Item 10.2: The corporate integrity function covers the entire organisation and is performed in the scope of the work of GEN's employees.

Item 10.2.2: The company has in place a system for reporting any irregular and illegal activities through its corporate website. A report can be filed by e-mail to: prijava.nepravilnosti@gen-energija.si.

Item 11: The position of compliance and integrity officer is included in the organisational structure and job classification system.

B/ RECOMMENDATIONS AND EXPECTATIONS OF THE SSH

Based on the characteristics of its activity and the specific nature of its operations, and taking into account the 'comply or explain' approach, GEN follows, *inter alia*, the majority of the Recommendations and Expectations of SSH. According to the 'comply or explain' approach, the company was in full compliance with the majority of recommendations in 2020. Explanations of specific deviations are given below:

Recommendation 3.7: We comply with this recommendation *mutatis mutandis*, as GEN publishes this or similar data in accordance with the Public Procurement Act (ZJN-3) and the Access to Public Information Act (ZDIJZ).

Recommendation 3.8: GEN has in place clearly defined procedures for allocating sponsorships and donations, but these are not published on a public website.

Recommendation 4.4: GEN publishes on its website the basis for calculating the amount of annual leave allowance.

Recommendation 4.5: The collective labour agreement for Slovenia's electricity sector is accessible on GEN's website.

Recommendation under Item 5: We apply this recommendation in part in the implementation of management systems and through the performance of internal and external audits according to ISO standards, which are also the basis for self-assessment according to the EFQM Model.

Recommendation 6: We comply with this recommendation *mutatis mutandis* taking into account the company's organisational structure (as a limited liability company with a single owner).

Recommendation 7: We comply with this recommendation *mutatis mutandis.*

II. Information regarding the activity of the founder in its role as the general meeting of GEN

Pursuant to its articles of incorporation, GEN was governed in 2020 by Slovenian Sovereign Holding (hereinafter: SSH) acting on the authorisation of the company's sole owner, the Republic of Slovenia. Senior management, comprising the CEO and COO, serves as GEN's management body, while the company's supervisory body is the Supervisory Board.

In March 2019, the company adopted the Management and Supervisory Board Diversity Policy, notified the Founder accordingly and published the policy on its website.

The corporate integrity system, in terms of the requirements of Item 11 of the Code, covers the entire organisation and is implemented in the scope of the work of various specialist departments and employees. To that end, GEN energija d.o.o. adopted a Code of Business Ethics back in 2012. That code is publicly accessible on the company's website and must be followed by anyone who performs work at the company. The company continuously complies with and strengthens corporate integrity, and thus spreads awareness of the importance of operations in accordance with best business practices and high ethical standards.

In 2020, as the founder and acting in its capacity as GEN's general meeting, SSH made decisions in accordance with the company's articles of incorporation and adopted a total of 17 (seventeen) resolutions. SSH publishes its resolutions on its website (https://www.sdh.si/sl-si/upravljanje-nalozb/koledar-skupscin), while GEN continuously enters them in its register of resolutions in accordance with the ZGD-1. The responsibilities of the founder are set out in the articles of incorporation, which are publicly accessible on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES).

III. Information regarding the composition and work of management and supervisory bodies in 2020

The relevant information is included in the Report of the Supervisory Board in 2020.

IV. Characteristics of GEN's internal control and risk management systems in connection with financial reporting procedures

In order to ensure the greater transparency, efficiency and responsibility of its operations, the company has in place functioning internal control and risk management systems implemented through the company's organisational structure, quality management standards and the company's internal acts, using a precisely structured reporting system for individual organisational units. At key locations, the internal control system is supported by an IT control system that ensures appropriate network restrictions and control, and accurate, continuous and complete data processing.

Through the internal control system, the company methodically and systematically follows procedures and methods that ensure the accuracy, reliability and completeness of data and information, and the correct and fair preparation of financial statements, prevents and detects system errors and ensures compliance with laws and other regulations, acts passed by governing bodies, and the company's systemic regulations.

The company's senior management is responsible for keeping appropriate books of account, implementing and ensuring the functioning of internal controls and internal accounting controls, and selecting and applying accounting policies.

The principle of three lines of defence is followed when establishing the internal control system:

- assessment of the environment and risk assessment (carried out by risk owners);
- definition of the control method – establishment of a control system (carried out by various specialist departments); and
- control over the functioning of the system and introduction of improvements (carried out by various specialist departments).

In setting up the internal control system, three main objectives are pursued:

- the accuracy, reliability and completeness of accounting records, and true and fair financial reporting;
- compliance with the law and other regulations; and
- efficient and successful operations.

The company's organisational structure includes a risk management committee, while an internal audit department also functioned in 2020.

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

Danijel Levičar
COO, GEN energija d.o.o.

5. General information regarding GEN

PROFILE OF GEN

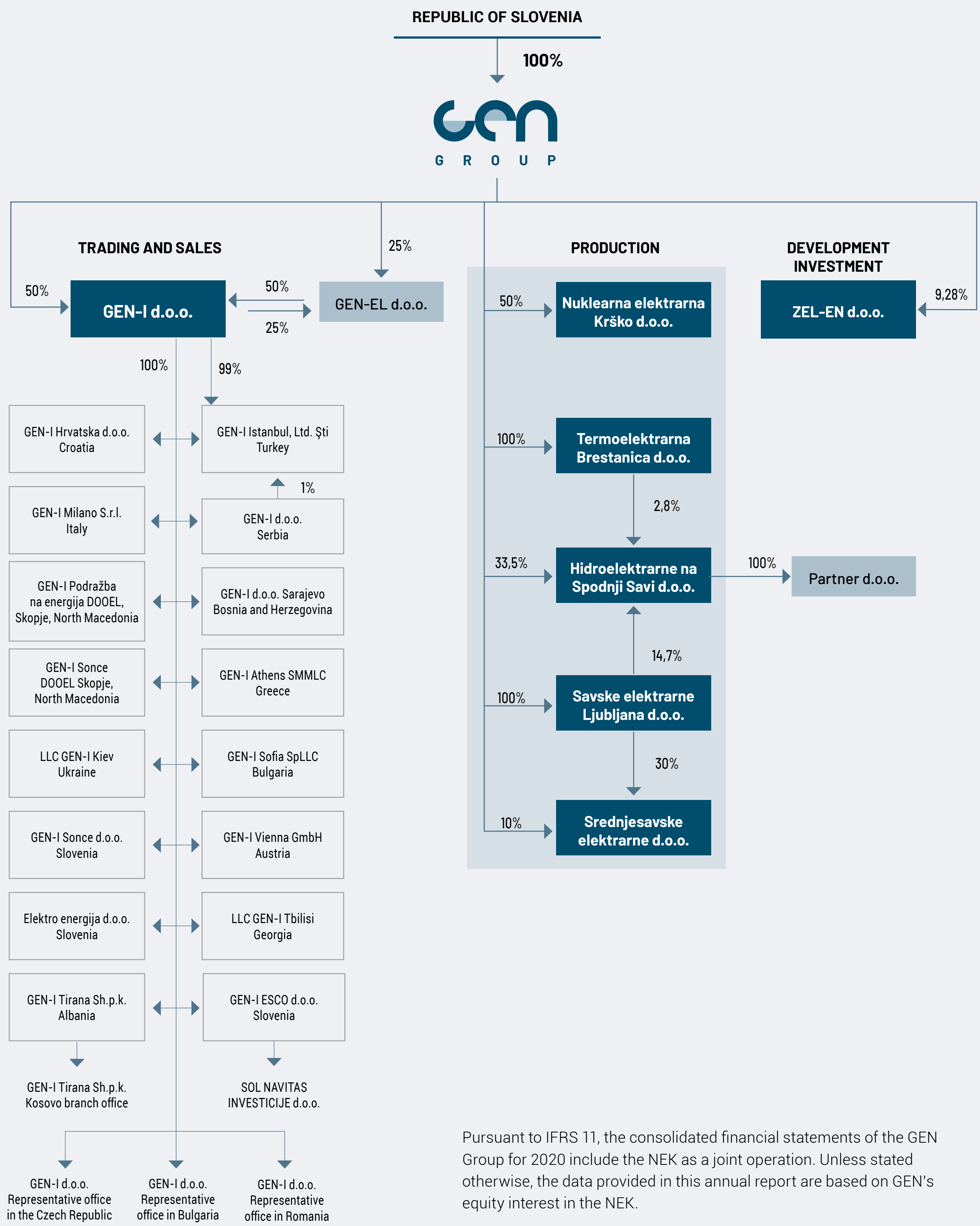
<table>
<tr><td colspan="4">REGISTERED NAME
GEN energija d.o.o.</td></tr>
<tr><td>ABBREVIATED REGISTERED NAME
GEN d.o.o.</td><td>REGISTERED OFFICE
Vrbina 17, 8270 Krško</td><td>E-MAIL
info@gen-energija.si</td><td>WEBSITE
www.gen-energija.si</td></tr>
<tr><td colspan="4">ACTIVITY CODE
K/64.200 – Activities of holding companies
D/35.140 – Electricity trading, and other registered activities</td></tr>
<tr><td colspan="2">YEAR OF ESTABLISHMENT
2001</td><td colspan="2">REGISTRATION APPLICATION NUMBER
District Court of Krško, reg. application no. 10425000</td></tr>
<tr><td colspan="2">VAT ID NUMBER
SI44454686</td><td colspan="2">REGISTRATION NUMBER
1646613</td></tr>
<tr><td colspan="2">SHARE CAPITAL
250.000.000,00 EUR</td><td colspan="2" rowspan="2">BANK ACCOUNTS
Unicredit Banka Slovenija d.d.: SI56 2900 0005 5198 483
NOVA KBM d.d.: SI56 0400 1005 0379 267
NLB d.d.: SI56 0292 4009 0457 150
SKB d.d.: SI56 0315 5100 0503 323</td></tr>
<tr><td colspan="2">NUMBER OF EMPLOYEES
64</td></tr>
<tr><td colspan="2">CHAIRMAN OF THE SUPERVISORY BOARD
Cvetko Sršen</td><td colspan="2">CEO
Martin Novšak
COO
Danijel Levičar</td></tr>
</table>

5.1 Bodies of the company

<table>
<tr><td colspan="7">FOUNDER
Republic of Slovenia, represented under the law by SSH</td></tr>
<tr><td colspan="7">SUPERVISORY BOARD</td></tr>
<tr><td colspan="3">Chairman
Cvetko Sršen</td><td></td><td colspan="3">Deputy Chairman
Mateja Čuk Orel, MSc</td></tr>
<tr><td colspan="7">Supervisory board</td></tr>
<tr><td>**Jure Soklič, MSc**</td><td>**Aleksander Kavčič**</td><td>**Dr Marko Čepin**</td><td>**Ksenija Flegar**</td><td>**Samo Fürst**</td><td>**Rene Jeromel**</td><td>**Marjanca Molan Zalokar**</td></tr>
<tr><td colspan="7">SENIOR MANAGEMENT</td></tr>
<tr><td colspan="3">CEO
Martin Novšak</td><td></td><td colspan="3">COO
Danijel Levičar</td></tr>
</table>

5.2 Subsidiaries and associates

GEN GROUP COMPANIES AS AT 31 DECEMBER 2020



Pursuant to IFRS 11, the consolidated financial statements of the GEN Group for 2020 include the NEK as a joint operation. Unless stated otherwise, the data provided in this annual report are based on GEN's equity interest in the NEK.

6. Holding activities of GEN

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

As a holding company, GEN manages GEN Group companies by participating in general meetings, managing their financial results, approving the necessary documents, and appointing representatives to their supervisory boards, all in accordance with the relevant articles of incorporation and/ or memorandums of association. The senior management of GEN also regularly coordinates its activities with the management staff of those companies.

PRODUCTION

Nuklearna elektrarna Krško d.o.o. Vrbina 12 8270 Krško www.nek.si	**Savske elektrarne Ljubljana d.o.o.** Gorenjska cesta 46 1215 Medvode www.sel.si	**Termoelektrarna Brestanica d.o.o.** Cesta prvih borcev 18 8280 Brestanica www.teb.si
PRINCIPAL ACTIVITY		
Electricity production at a nuclear power plant	Electricity production at hydroelectric power plants	Electricity production at a thermal power plant, and provision of back-up power supply for the power grid
COMPANY MANAGEMENT		
Stane Rožman, President of the Management Board **Saša Medaković,** Member of the Management Board	**Uroš Koselj,** Director	**Tomislav Malgaj,** Director
CHAIRMAN OF THE SUPERVISORY BOARD		
Kažimir Vrankić	The company has no supervisory board.	The company has no supervisory board.
COMPANY STATUS ACCORDING TO IFRS		
Joint operation	Subsidiary	Subsidiary
OWNERSHIP STRUCTURE		
GEN and HEP each hold a 50% stake in the company's share capital. The foundations of corporate governance are laid down in the Intergovernmental Agreement on the NEK, under which the company must have the following bodies: general meeting, supervisory board, and management board.	100% owned by GEN.	100% owned by GEN.
BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY		
The NEK produces around 5,400 GWh of low-carbon electricity a year, which represents close to 40% of Slovenia's total electricity production.	SEL's large hydroelectric power plants (Moste HPP, Mavčiče HPP, Medvode HPP and Vrhovo HPP) produce around 320 GWh of electricity a year.	TEB supplies electricity during outages of major production units and is a reliable standby power source for Slovenia's power grid.

PRODUCTION		TRADING AND SALES
Hidroelektrarne na Spodnji Savi, d.o.o. Cesta bratov Cerjakov 33a 8250 Brežice www.he-ss.si	**Srednjesavske elektrarne d.o.o.** Ob železnici 27 1420 Trbovlje	**GEN-I, d.o.o.** Vrbina 17 8270 Krško www.gen-i.si
PRINCIPAL ACTIVITY		
Electricity production at hydroelectric power plants	Electricity production at hydroelectric power plants	Trading, sale and purchase of electricity
COMPANY MANAGEMENT		
Bogdan Barbič, Director	**Dr Matjaž Eberlinc,** Director	**Dr Robert Golob,** President of the Management Board **Danijel Levičar,** member of the Management Board **Dr Igor Koprivnikar,** member of the Management Board **Andrej Šajn, MSc,** member of the Management Board
CHAIRMAN OF THE SUPERVISORY BOARD		
Janez Keržan, MSc		The company has no supervisory board.
COMPANY STATUS ACCORDING TO IFRS		
Subsidiary	Associate	Subsidiary
OWNERSHIP STRUCTURE		
The GEN Group holds a 51% equity interest in HESS, broken down as follows: 33.5% is held by GEN, 14.7% by SEL and 2.8% by TEB.	The GEN Group holds a 40% equity interest in SRESA, broken down as follows: GEN holds a 10% equity interest and SEL holds a 30% equity interest.	GEN and GEN-EL each hold a 50% stake in the company's share capital.
BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY		
HESS was established in 2008 with the purpose of facilitating the construction of hydroelectric power plants on the lower course of the Sava River. HESS's previously constructed large hydroelectric power plants (Boštanj HPP, Arto-Blanca HPP, Krško HPP and Brežice HPP) produce around 580 GWh of electricity a year.	The operations of SRESA are greatly limited due to the unsigned concession agreement for the use of water for electricity production on the Ježica–Suhadol section of the Sava River.	The GEN-I Group purchases electricity and natural gas from producers, trades both on the domestic and international markets, and sells both energy products to end-customers.

TRADING AND SALES

DEVELOPMENT, RESEARCH, SERVICES AND OTHER

ELEKTRO ENERGIJA d.o.o. Dunajska cesta 119 1000 Ljubljana www.elektro-energija.si	**ZEL-EN, razvojni center energetike d.o.o.** Vrbina 18 8270 Krško www.zel-en.si	**GEN-EL d.o.o.** Vrbina 17 8270 Krško
PRINCIPAL ACTIVITY		
Sales of electricity and natural gas to end-customers and purchase of electricity. Electricity and natural gas portfolio management.	Research and development for the energy industry	Investment management
COMPANY MANAGEMENT		
Bojan Kumer, Director	**Domen Zorko**, Director	**Martina Pohar**, Director
CHAIRMAN OF THE SUPERVISORY BOARD		
The company has no supervisory board.	The company has no supervisory board.	**Andrej Ribič**
COMPANY STATUS ACCORDING TO IFRS		
Subsidiary	Investment	Subsidiary
OWNERSHIP STRUCTURE		
GEN-I holds a 100% equity interest in the company.	GEN holds a 9.28% business interest in ZEL-EN.	GEN, GEN-I, Elektro Ljubljana and Gorenjska banka each hold a 25% equity stake in the company.
BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY		
The company specialises in the sale of electricity, natural gas and other energy products to end-customers, purchasing from producers, and bilateral and exchange trading in standardised products on the wholesale market.	By acquiring a stake in ZEL-EN, GEN has become eligible to receive development funding from the ERDF for research in the field of nuclear power.	The company was established for the purpose of the ownership consolidation of the GEN-I Group.

7. Business policy of GEN

The business policy of GEN derives from the development plan of the GEN Group. GEN is the initiator and administrator of the aforementioned policy at all decision-making levels within the GEN Group. As a result, the business policy is becoming the cornerstone of operations across the GEN Group.

7.1. Vision

The GEN Group is assuming a leading regional role in the reliable, safe, competitive and low-carbon supply of energy to customers.

7.2. Mission

With its efficient and safe production, the GEN Group is an essential building block for ensuring the stability of Slovenia's electric power grid. By expanding our nuclear power production programme, we are making a significant contribution to energy self-sufficiency and the quality of life of the population. Through a value-added chain that incorporates production, trading and sales, as well as investments in existing and new production facilities, we ensure the reliable, competitive and customer-oriented supply of energy and energy services.

7.3. Values

The core values that allow us to fulfil our vision and mission, now and in the future, are:

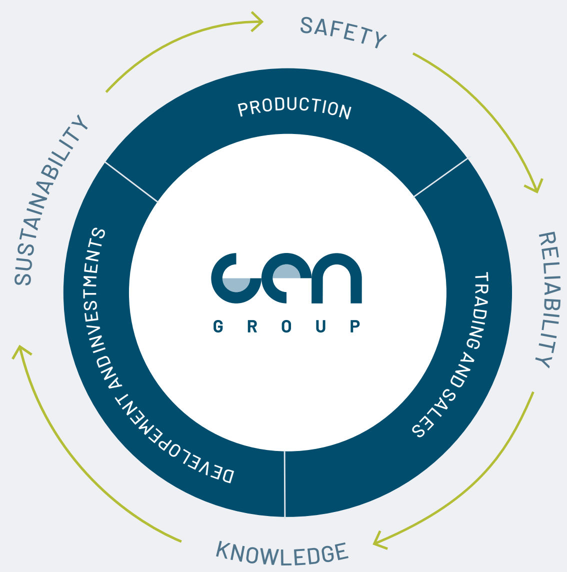
- **knowledge** (the preservation and transfer of superior knowledge, and the development of new knowledge);
- **reliability** (in operational terms and in fulfilling our promises);
- **safety** (technological, personal and environmental); and
- **sustainability** (in relationships, operations, and conservation of the natural environment).

7.4. Strategic goals

The strategic goals of the GEN Group are based on the connection between our vision, mission and values, and are operationally linked to the six types of capital through which the GEN Group generates added value.

The GEN Group's strategic goals by type of capital are as follows:

Link between GEN's vision, mission and values



1. PRODUCTION SOURCES

- Start of construction of a second nuclear power plant unit, to be completed by 2030;
- Effective implementation of all necessary upgrades at the NEK, a successfully completed ten-year safety review, and extension of the NEK's operating life until at least 2043;
- Development of hydropower sources on the Sava River, with the completion of the Mokrice HPP by 2025, and construction of the first three hydroelectric power plants on the middle course of the Sava River (Suhadol HPP, Renke HPP and Trbovlje HPP) by 2035;
- Continuation of the project to replace gas turbine units at the TEB by building a seventh gas turbine unit by 2021; and
- Development of business models for the microgeneration, storage and distribution of energy.

2. NATURAL CAPITAL

- Mitigation of climate change by shifting to low-carbon sources for the supply of electricity, today and in the future;
- Preservation of biodiversity through the proper functioning of energy facilities, resulting in the lowest possible environmental footprint; and

Types of capital of the GEN Group

Infrastructural capital

Nuclear power plant, hydroelectric power plants on the river Sava, gas-fired thermal power plant (ancillary services), and distributed renewable sources (solar power plants).

Advanced software/IT infrastructure for facilitating effective energy trading and sales at home and abroad.

Financial capital

Financial resources (mainly through equity and borrowing) needed for providing comprehensive electricity supply services.

Social capital

Relations with external stakeholders in providing comprehensive electricity supply services.

Promoting the understanding and appreciation of the importance of energy supply for our daily lives and enduring social prosperity.

Natural capital

Low-carbon energy sources: primarily nuclear and hydro.

Employees and intellectual capital

The knowledge, skills and dedication of our employees for performing our principal activities.

- Preservation of natural areas by selecting the optimal mix of sustainable sources for the future supply of energy that result in minimum interference so as not to cause the permanent degradation of the environment.

3. FINANCIAL CAPITAL

- Maintaining the profitability of the GEN Group at a competitive level, taking into account the Group's systemically important role for Slovenia; and
- Ensuring development through own sources and together with partners in a financially viable way for the stable, sustainable and long-term operations of the Group.

4. HUMAN RESOURCES

- Maintaining the highest standards of personal integrity as a prerequisite for safety;
- Ensuring nuclear knowledge throughout the hierarchy and particularly in the management of the GEN Group's controlling company as a prerequisite for safe operations; and
- Ensuring state-of-the-art systems for the management and control of energy facilities and training for energy system operators.

5. DEVELOPMENT AND PRESERVATION OF KNOWLEDGE

- Systematic succession planning for management staff within the GEN Group;
- Ensuring appropriate forms of knowledge transfer, including the digitalisation of documentation, databases and procedures;
- Systematic implementation of internal and external training programmes in accordance with the highest standards, including training sessions on simulators; and
- Further development of trading and sales functions within the GEN Group to achieve full control over those functions at the Group level.

6. RESPONSIBILITY TO THE SOCIAL ENVIRONMENT

- Transparent and open operations of Group companies, and ensuring all stakeholders are informed about the operations of the GEN Group;
- Strengthening the understanding and knowledge of important aspects of electricity among various stakeholder groups; and
- Establishment of close cooperation with the local environment at all production sites by maintaining and developing high value-added jobs and by partnering with local businesses and service providers.

8. Implementation of sustainability policies through responsible operations

The GEN Group understands the responsibilities of its actions as the implementation of sustainability policies. We thus strive to achieve:

- **operational efficiency and business excellence,**
- **environmental responsibility,** and
- **care for society** in everything that companies and the GEN Group as a whole do.

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

Through our operations, we contribute to the achievement of the Sustainable Development Goals to which members of the United Nations committed themselves in 2015 in the scope of the 2030 Agenda. Those goals balance and link the three dimensions of sustainable development:

- economic,
- social, and
- environmental.

8.1 Strong safety culture

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

- **environmental responsibility:** taking a responsible approach to local inhabitants and the environment in which we operate;
- **care for society:** ensuring occupational health and safety for our employees, both in production and office settings; and
- **operational efficiency:** achieving the operational efficiency of the GEN Group's production facilities and the resulting business excellence.

In the area of safety, our top priority is ensuring **nuclear safety.** The safety culture has been incorporated into all decision-making and work processes at GEN Group companies.

8.2 Achieving excellence through knowledge

Knowledge is the other common denominator of our responsibility in operational, commercial, environmental and social areas. We are committed to achieving and maintaining a high level of knowledge, both internally and externally. **In-house knowledge** is provided by professionally qualified employees with the appropriate formal education, functional training, experience and skills needed for responsible, efficient, effective and dedicated work. The motivation to gain and transfer knowledge, both between employees and **among external stakeholders,** is essential to our operations.

We are aware of the importance of a society built on knowledge and professionalism. The knowledge and understanding of energy and the energy industry among various external stakeholders play an important role in the formulation of a feasible, sustainable energy future for Slovenia.

8.3 Quality assurance policy

We are committed to:

- establishing the best possible quality assurance and safety culture in order to achieve the strategic goals of the company and GEN Group;
- creating an internal work environment that encourages employees to be fully engaged in the achievement of the company's goals;
- meeting requirements and continuously improving the performance of our quality management system; and
- streamlining operations by standardising work processes and tasks, and optimising the use of resources.

8.4. Implementation of the business policy of the GEN Group

Development plan of the GEN Group

We have been implementing an action plan to optimise the operations of GEN and the GEN Group since 2015. That plan was drawn up based on the GEN Group's development plan for the period 2015–2019. We updated the GEN Group's development plan in 2019. That plan was approved by the founder in 2020. We strive to achieve established goals and implement planned measures with the aim of streamlining operations and improving cost-effectiveness.

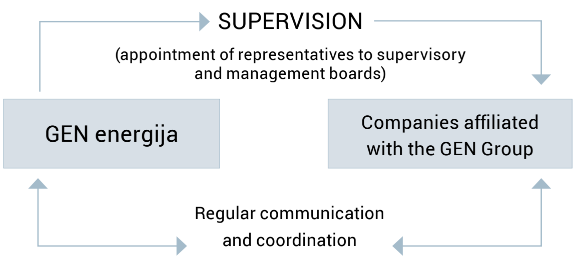
Cooperation, coordination and communication between the companies

Open communication between all Group companies ensures access to important information essential to:

- **managing companies;**
- **guiding operations;**
- **monitoring approved investments; and**
- **handling development activities.**

We pay special attention to the specific nature of running and operating a nuclear facility, as this requires an in-depth understanding of the need to recruit the appropriate employees and secure financial resources for the reliable and safe operation of the NEK. The NEK's operating results in recent years are proof that the company has implemented appropriate organisational and staff upgrades needed to ensure the successful and safe operation of the power plant over the long term.

Cooperation between GEN and GEN Group companies



Stakeholder relations

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

We engage in direct dialogue with our stakeholders in the domestic and international environment, work with them and include them in our operations in various ways based on their interests and identified mutual impacts. Building stakeholders' trust in what we do is crucial for formulating the values and reputation of the GEN Group.

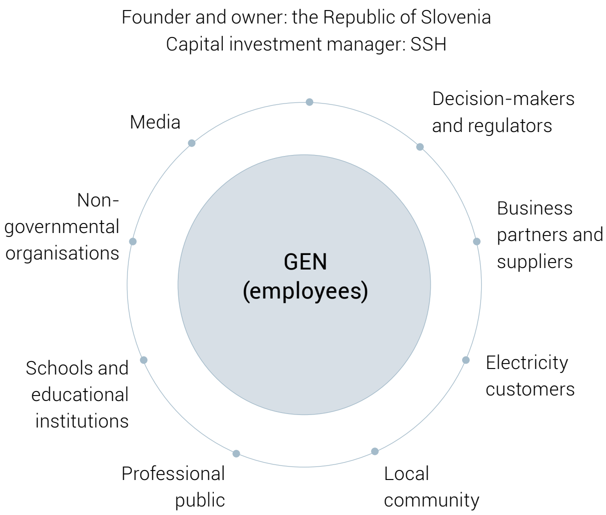
Achievement of strategic goals

We find that the GEN Group is achieving its strategic goals in line with its development plan in the areas of operational efficiency and business excellence, and environmental responsibility and care for society.

We have strengthened ownership and business relationships in the area of electricity trading and sales, which will allow us to stay competitive on the market over the long term. Through the GEN Group's vertical integration, production facilities are able to offer their products directly to end-customers, households and business customers. Control over the entire value chain is our greatest competitive advantage.

The optimisation of service costs along the entire chain – from electricity production to sales – brings many benefits, particularly to electricity customers, both in the household and business customer segments. To that end, GEN energija ensures conditions for the stable functioning and operation of all the GEN Group's power plants, which account for a total of 40% of all electricity produced in Slovenia, with more than 99% coming from low-carbon sources.

GEN and stakeholders



9. Significant events at GEN Group companies

JANUARY

SEL
At the end of January, the investment in the construction of the Borovlje SHPP entered its final phase, with the first water-driven spinning of the generator carried out on 27 January and the first synchronisation with the electric power grid completed on 29 January.

TEB
The Business Excellence Recognition Board of the Republic of Slovenia awarded TEB the EFQM certificate of excellence – "Recognised for Excellence 4 Stars".

GEN
GEN submitted an application to the Ministry of Infrastructure for the acquisition of an electricity generation licence for JEK2.

GEN-I
GEN-I began construction of the first major solar power plant in North Macedonia.

MARCH

NEK
An earthquake with an epicentre in the area of Zagreb struck on 22 March, triggering the seismic alarm at the NEK. A thorough inspection of the power plant found no deviations. The power plant continued functioning at full power.

GEN-I
GEN-I was selected as the most trustworthy brand among electricity suppliers. The title of Trusted Brand 2020 marks the sixth time GEN-I has been declared winner amongst electricity suppliers in Slovenia. The company has also been recognised twice in the area of environmental protection.

Due to the epidemic, GEN-I cut the electricity prices paid by its household and small business customers by 15% for a period of three months.

APRIL

NEK
The NEK submitted an application to the Ministry of the Environment and Spatial Planning on 3 April 2020 for the issue of a building permit according to the integrated procedure in connection with the construction of dry cask storage for spent fuel.

The NEK received confirmation from the WANO Paris Centre that verification of the effectiveness of the implementation of action plans following the WANO Peer Review Follow-Up and WANO Corporate Peer Review was postponed to 2021 due to the new coronavirus epidemic.

GEN
On 3 April 2020, the Supervisory Board of GEN energija d.o.o. appointed Martin Novšak to serve as the company's CEO from 8 July 2020 to 8 July 2024.

On 15 April 2020, the company's founder approved the development plan of the company and GEN Group for the period 2020 to 2024 with a view to 2030.

GEN-I
GEN-I recaptured its position as the leading supplier of electricity in Slovenia. Its share of 18% is the highest on the retail market, meaning that the aforementioned company recaptured first place on that market after last holding that position in 2017.

MAY

GEN-I
The new My GEN-I portal began providing customers full support.

GEN
The Minister of Infrastructure Jernej Vrtovec, visited the GEN Group on 22 May. That visit included a tour of the nuclear power plant.

JUNE

HESS
An application was filed for the issue of a building permit for the Mokrice HPP according to the integrated procedure, as set out in the Construction Act.

According to the concession agreement, HESS took over maintenance of the following: constructed buildings of the electric power grid, and the inseparable water and energy infrastructure, accompanying and auxiliary buildings of the Brežice HPP with a high-water discharger, and a passage for aquatic organisms.

JULY

HESS
The integrated procedure for the issue of a building permit for the Mokrice HPP was suspended until a decision is made on the issue of whether the public benefit of the project overrides other benefits.

Inclusion of HESS in the Water Contingency Management in the Sava Rive Basin (WACOM) project, the primary goals of which are to improve coordinated intergovernmental, intersectoral and interinstitutional cooperation, and to provide a response to accidents and floods on the Sava River.

GEN
The Slovenian government raised the contribution that GEN pays to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK from EUR 3/MWh to EUR 4.8/MWh, effective 1 August 2020.

GEN-I
The International Smart Grids Action Network (ISGAN) named the recipients of its excellence awards. The main topic of the competition was digitalisation that empowers consumers. An international jury awarded the FutureFlow project the Silver runner-up award for excellence. GEN-I's development team was the co-creator of that project.

SEPTEMBER

TEB

In accordance with the articles of incorporation, the Supervisory Board of GEN energija d.o.o. gave the senior management its consent to the appointment of Mr Tomislav Malgaj to serve as director of Termoelektrarna Brestanica d.o.o. on 10 September 2020.

SEL

In accordance with the articles of incorporation, the Supervisory Board of GEN energija d.o.o. gave the senior management its consent to the appointment of Mr Uroš Koselj to serve as director of Savske elektrarne Ljubljana d.o.o. on 29 September 2020.

NEK

The Ambassador of the United States to Slovenia visited the NEK on 18 September 2020.

OCTOBER

NEK

The Slovenian Environment Agency (ARSO) issued a decision at the beginning of October requiring the NEK to assess its impacts on the environment and obtain environmental protection approval for the extension of its operating life.

NOVEMBER

SEL

On 10 November 2020, the Jesenice Administrative Unit issued an operating permit for the new Borovlje SHPP.

HESS

A cooperation agreement was signed in November 2020 in the scope of the project aimed at planning the exercising of water rights for the production of electricity on the Ježica–Suhadol section of the Sava River.

DECEMBER

HESS

The Slovenian government, in the procedure to determine whether the public benefit of renewable energy sources overrides the public benefit of nature conservation decided in favour of the former due to its contribution to achieving the goal of net zero emissions in the scope of acquiring a building permit for the construction of the Mokrice HPP.

TEB

An internal technical inspection was performed for primary technological equipment and the associated construction works in the scope of Phase 1B, LOT1 of the project 'Construction of 40–70 MW gas turbine units'. Cold testing was also completed.

NEK

The Ministry of the Environment and Spatial Planning (MESP) issued a building permit on 23 December 2020 for the construction of dry cask storage for spent nuclear fuel.

The NEK was automatically shut down on 29 December 2020 for safety reasons due to a strong earthquake in neighbouring Croatia. After a thorough inspection and the finding that the earthquake did not damage equipment, the power plant was resynchronised with the grid on 30 December 2020 and was running at 100% capacity by the end of 2020.

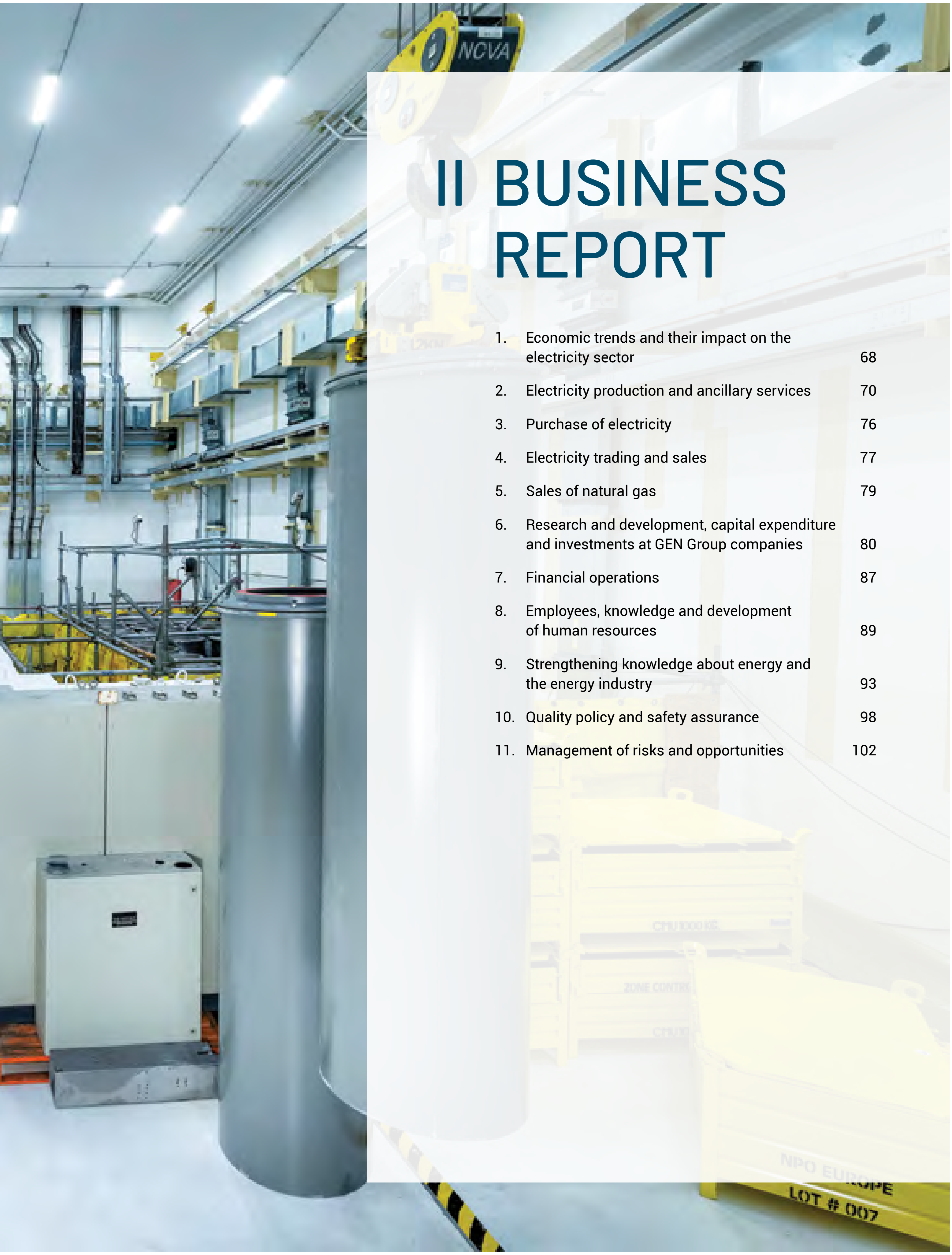
GEN-I

GEN-I transitioned to carbon-free energy sources at the beginning of 2021. All electricity that is supplied from 2021 on will be exclusively from sources that do not generate CO_2 emissions.

The GEN Group assesses that there were no business events between the reporting date and the compilation of this annual report that would have a material impact on its financial statements for 2020.

In connection with the coronavirus epidemic, the GEN Group will implement effective and tested measures again in 2021 to ensure reliable and safe operations. In the event of the continued deterioration and tightening of conditions associated with the coronavirus epidemic, preventive measures will be adjusted to the current situation.


CMU 1000 KG.
875 KG



II BUSINESS REPORT

1. Economic trends and their impact on the electricity sector

Economic growth in the euro area fell by 5.1%

-5.1%

Source: UMAR

Slovenia recorded a 5.5% drop on GDP

Source: UMAR

-5.5%

Unemployment rose in Slovenia

Source: SURS

+1.2%

Industrial production grew for the seventh year in a row

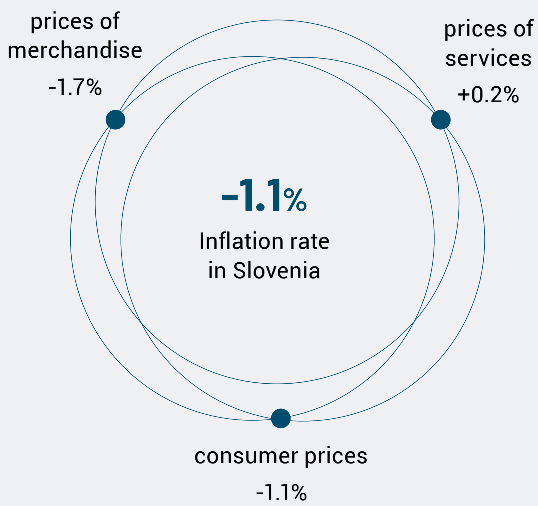
+1.3%

Source: UMAR

Growth in industrial production is important for the electricity sector, as it is a major driver of growth in the consumption of electricity and other energy products.

Average annual inflation

Source: SURS in UMAR



Factors affecting Slovenia's energy sector in 2020

Adoption of the National Energy and Climate Plan (NECP)

At the end of 2018, the Energy Directorate of the Ministry of Infrastructure prepared the first draft of the National Energy and Climate Plan (NECP). Its preparation and discussion continued in 2019, to which we provided our feedback with comments several times. The draft NECP was finalised in December 2019, followed by public consultations in January and February 2020, and culminating in the Slovenian government's approval of the NECP on 27 February 2020.

The NECP is a strategic document that lays down goals, policies and measures for the five dimensions of the Energy Union for the period until 2030 (with a view to 2040):

1. decarbonisation (greenhouse gas (GHG) emissions and renewable energy sources (RES));
2. energy efficiency;
3. energy security;
4. the internal energy market; and
5. research, innovation and competitiveness.

The field of nuclear energy is covered in point 2.3 Dimensions of energy security, where the following are described:

- the continued exploitation of nuclear energy and maintaining excellence in the functioning of nuclear facilities in Slovenia; and
- the comprehensive study of the feasibility of the long-term use of nuclear energy (economic and other technical analyses, based on which it will be possible to adopt a decision by no later than 2027 on the construction of a new nuclear power plant).

Drafting of a climate strategy

In addition to Slovenia's Development Strategy 2030, the NECP is one of the key bases on which the Ministry of the Environment and Spatial Planning prepared and published a draft of Slovenia's long-term climate strategy until 2050 (hereinafter: climate strategy) in September 2020. The climate strategy takes into account the commitments set out in the Paris Agreement, Slovenia's long-term climate policy framework and the European regulation on the governance of the Energy Union and climate action. Slovenia has thus established a clear goal: to achieve net zero emissions and climate neutrality by 2050. This represents a challenge and an opportunity for the energy sector, transport, industry, agriculture, buildings, waste and other areas.

The GEN Group is aware of its important role in the achievement of the strategic sectoral goals set out in the climate strategy as they relate to energy. We are therefore actively involved in the process of drawing up the aforementioned strategy with proposals and comments regarding the draft thereof. We support the proposed vision of the strategy: that Slovenia will be climate neutral by 2050 and a society resistant to climate change on the foundations of sustainable development, and that it will manage energy and natural resources effectively while maintaining the competitiveness of the economy at a high level.

Volatile prices of electricity on the day-ahead market on the BSP exchange (37.55 EUR/MWh)

Below-average hydrological conditions

Slovenia remains a **net importer** of electricity (8.3%)

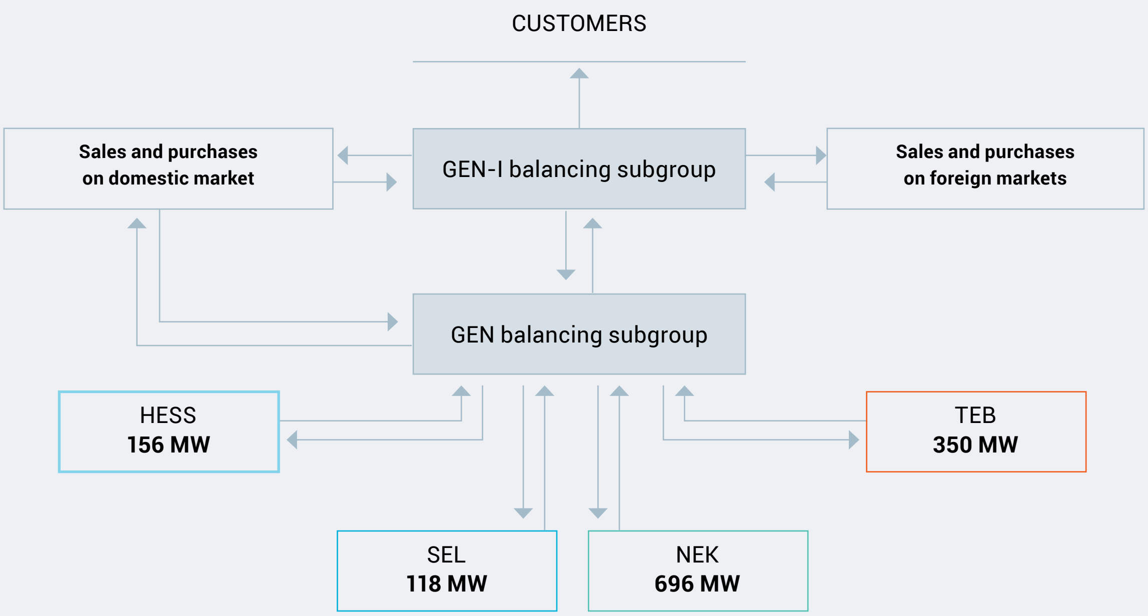
Adoption of the **National Energy and Climate Plan**

2. Electricity production and ancillary services

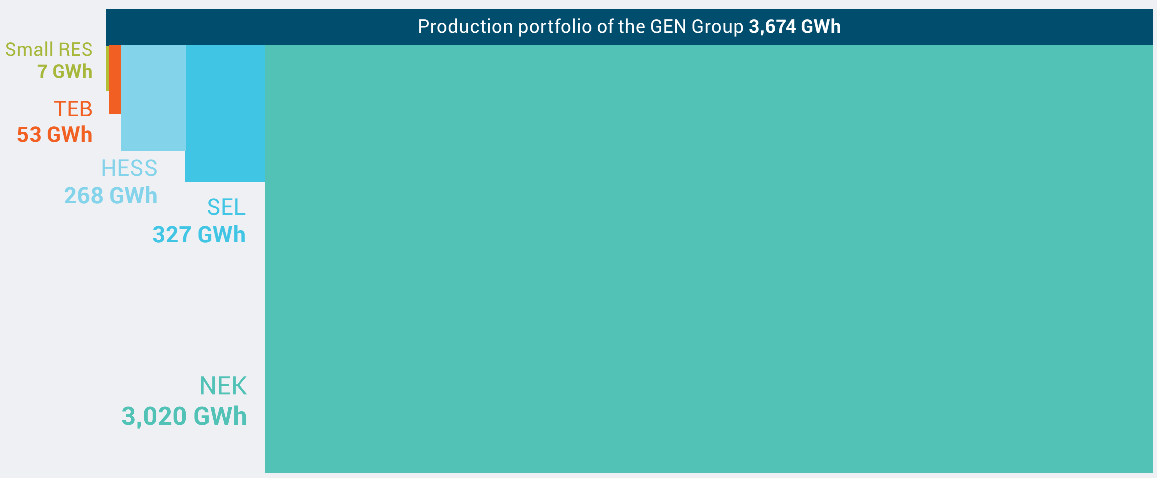
2.1. Electricity production

The large production units in the GEN balancing subgroup generated a combined total of 3,668 GWh of electricity in 2020. A total of 82.4% of electricity was produced by the nuclear power plant. Hydroelectric power plants and the gas-fired power plant accounted for 16.2% and 1.4% of production respectively. With the help of GEN's Control Centre, which coordinates the operations of the entire GEN balancing subgroup, all production units operated in unison, and all unplanned events were effectively addressed, as evidenced by operating results.

Diagram of links within the GEN balancing subgroup



Production portfolio of the GEN Group



Electricity production units of GEN Group companies

NEK		NEK	Total
Net electrical output	MW	696.0	**696.0**
Generator power rating	MVA	850.0	**850.0**

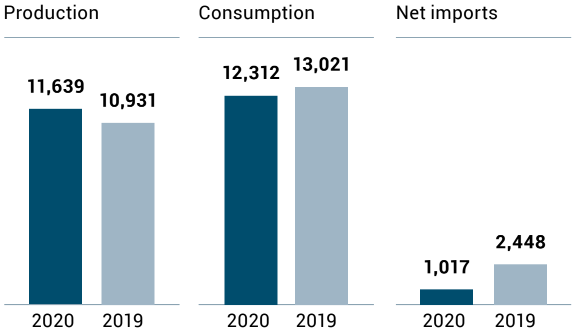
SEL		Moste	Završnica	Mavčiče	Medvode	Vrhovo	SHPP	Total
	No. of production units	2	1	2	2	3	4	
Net electrical output	MW	13.0	8.0	38.0	25.0	34.0	0.3	**118.3**
Generator power rating	MVA	18.0	11.0	50.0	27.0	42.9	0.4	**149.3**
Gross head Hbr.	m	70.0	177.0	17.5	20.8	8.7		**294.0**
Installed Qi flow rate	m3/s	26.0	6.0	260.0	150.0	500.0		

HESS		Boštanj	Arto - Blanca	Krško	Brežice	Total
	No. of production units	3	3	3	3	
Net electrical output	MW	32.5	39.1	39.1	47.4	**158.1**
Generator power rating	MVA	43.5	49.5	49.5	64.5	**207.0**
Gross head Hbr.	m	7.5	9.3	9.1	11.0	**36.9**
Installed Qi flow rate	m3/s	500.0	500.0	500.0	500.0	

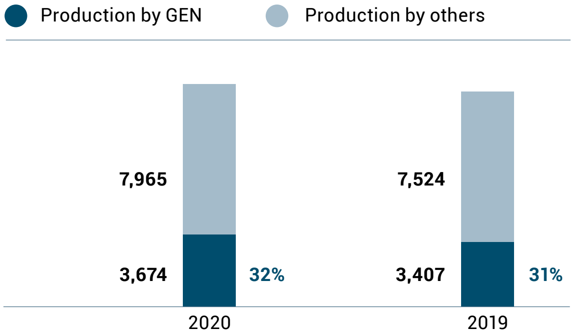
TEB		PB1	PB2	PB3	PB4	PB5	PB6	Total
Net electrical output	MW	23.0	23.0	23.0	114.0	114.0	53.0	**350.0**
Generator power rating	MVA	32.0	32.0	32.0	155.0	155.0	67.4	**473.4**

In addition to large production facilities, GEN Group companies also own small-scale production units that are operated and managed independently and are excluded from the GEN balancing subgroup. The small-scale production units of GEN Group companies produced a combined total of 6.53 GWh of electricity from renewable energy sources in 2020.

Slovenian electricity market
in GWh



Proportion of total electricity production in Slovenia accounted for by GEN Group companies



Electricity production by GEN Group companies

Electricity production by GEN Group companies in GWh	2020	2019	Reach %
NEK	3,020	2,766	109
HESS for GEN	268	276	97
SEL	327	334	98
TEB	53	26	204
Small RES	7	4	175
Total	**3,674**	**3,407**	**108**

* In 2020, GEN received grants in the form of operational support for electricity production from renewable energy sources in the amount of EUR 11,430.92. GEN disclosed those grants 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).

Operational efficiency

The production of the GEN Group's large units in 2020 was up relative to 2019. Production at hydroelectric power plants was slightly lower compared to 2019 due to poorer hydrological conditions, while production at the TEB and particularly at the NEK was higher. Production at the TEB was higher due to the increased output by its production units to meet market needs, and was higher at the NEK because there was no scheduled major overhaul during the year.

After taking over the remote control of the Boštanj HPP and Arto-Blanca HPP in 2016 and adding the Brežice HPP, GEN's Control Centre also took over the remote control of the Krško HPP. In operation since 2008, GEN's Control Centre not only manages the chain of hydro-electric power plants on the lower course of the Sava River, but also plans and oversees production at SEL, TEB and NEK. GEN's Control Centre ensures the optimal production of all the Group's power plants and the optimisation of operating costs for the entire GEN Group. It also coordinates the provision of ancillary services for the needs of the national power grid (primary frequency control, tertiary frequency control activations, reactive power control, black start capabilities, etc.).

NEK

The largest production unit is the NEK, which covers base load power on the daily electricity consumption curve throughout the year. The NEK produced 6,041 GWh of electricity in 2020. The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was 3,020 GWh.

The power plant operated safely throughout the year. Having a significant impact on the NEK's operations in 2020 was the fact that no major overhaul was scheduled for that year (the fuel cycle at the NEK, i.e. the interval between two successive fuel replacements, is 18 months and the next refuelling is scheduled for April 2021). In terms of production, the NEK was shut down once briefly in 2020 for safety reasons following a strong earthquake in neighbouring Croatia at the end of the year. The NEK's actual production was higher than planned in 2020, at 101.4%.

CAPABILITY, AVAILABILITY AND CAPACITY FACTORS FOR THE NEK IN 2020

Capability factor of the NEK (according to WANO): 99.51%

Capability factor (performance indicators as defined by the World Association of Nuclear Operators or WANO) is defined as the ratio of the available electricity generation over a given period to the reference electricity generation over the same period, expressed as a percentage.

Availability factor of the NEK: 99.60%
The availability factor is the ratio of the number of hours a generator was connected to the grid over a given period to the total number of hours over the same period, expressed as a percentage.

Capacity factor of the NEK: 103.26%
The capacity factor is the ratio of energy production over a given period of time to the energy that can be produced at maximum capacity under continuous operation over the same period, expressed as a percentage.

SEL

Within the national power grid, SEL's production units are primarily designed to cover electricity on the daily load curve, with the possibility of storing night-time energy for use during the day. Most of the hydroelectric power plants on the Sava River are run-of-the-river facilities with daily storage capacity. This means that they can participate in grid-wide frequency control on a daily basis in response to an unevenly distributed consumption curve (at different times of the day). The Moste HPP is the only hydroelectric power plant in Slovenia with a weekly storage capacity. It can thus participate in grid-wide frequency control on a weekly basis in response to an unevenly distributed consumption curve.

The combined production of SEL's large hydroelectric power plants was 327 GWh in 2020, a decrease of 2.3% relative to the previous year. The lower production output compared to the previous year was the result of slightly poorer hydrological conditions on the Sava River. SEL's actual production for 2020 was 99.0% of the target set out in the business plan.

The company successfully completed all scheduled major overhauls and inspections of its production units in 2020.

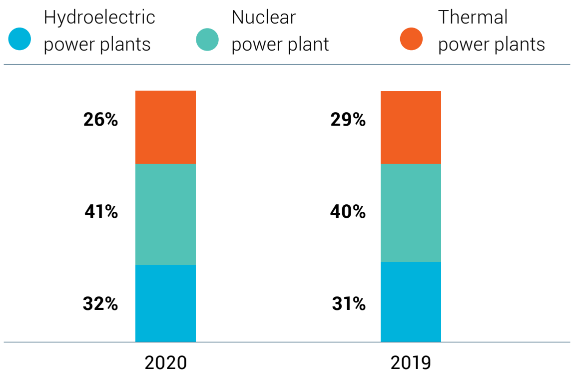
TEB

Typically, the TEB's production is highly dependent on how often it operates to cover failures of larger units in the national power grid. When conditions on the electricity market are favourable, however, a portion of the TEB's production is used to satisfy market needs. The TEB generated 52.8 GWh of electricity in 2020. Because GEN covered the TEB's on-site needs with electricity from other production units in the GEN balancing subgroup, the TEB's net production was 47.5 GWh.

For the purpose of the tertiary frequency control of the power grid, a total of 11 activations were recorded in 2020: individual gas turbine units at the TEB were started up 27 times, while SEL and HESS recorded nine and three start-ups respectively. A total of 2.1 GWh of electricity was thus produced. Despite the lower number of start-ups, production by the TEB was up by 200% relative to the previous year, primarily due to the increased scope of operations for commercial purposes during the third quarter of 2020, when the amount of energy produced by gas turbine unit no. 6 in 15 hours was sold every day.

All scheduled annual inspections were performed by the planned deadlines at the TEB, which carried out measurements and inspections of equipment and instrumentation in accordance with the maintenance plan. No major events were noted during the major overhaul and inspections, except for problems encountered with all three old gas turbine units (1, 2 and 3), for which the supply of spare parts (in particular instrumentation) is becoming more difficult every year. The construction of the new gas turbine unit no. 7 was completed in 2020. Hot testing and a trial run of that unit are planned in 2021.

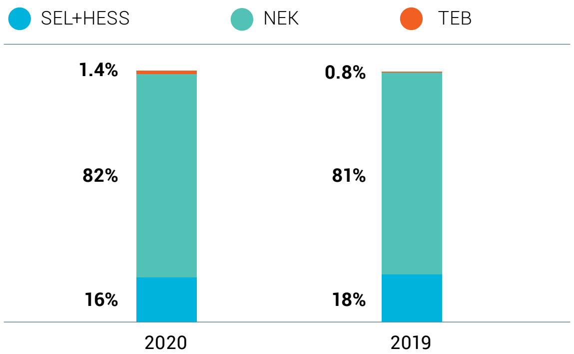
Structure of electricity production sources in Slovenia



HESS

GEN received 268 GWh of electricity from HESS in 2020, a decrease of 3.2% relative to the previous year. The lower production was the result of slightly poorer hydrological conditions on the Sava River. The actual production of HESS in 2020 was 90.9% of the target set out in the business plan.

Structure of electricity production sources at GEN Group companies



Low-carbon portfolio of energy sources

A total of 98.6% of all the electricity produced by the power plants of GEN Group companies comes from sustainable and renewable sources in the form of nuclear and hydro energy.

We thus contributed significantly to the realisation of the low-carbon production of electricity in 2020. The aforementioned type of production is efficient and safe, with a view to maintaining and improving the quality of the environment and mitigating climate change.

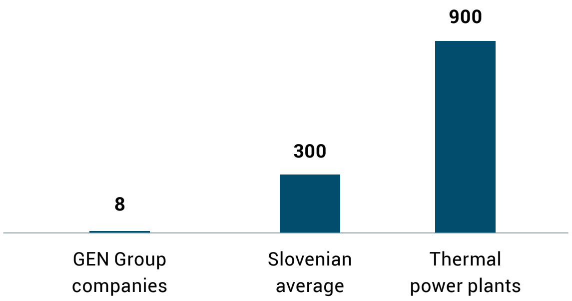
In terms of CO_2 emissions, the production portfolio of GEN Group companies is environmentally acceptable and sustainability oriented compared with the national portfolio of electricity production sources.

Average CO_2 emissions generated by the functioning of the power plants of GEN Group companies, whose main energy sources are low-carbon nuclear and hydro energy, were just 8 g per kWh in 2020. At the national level, the proportion of the energy mix accounted for by electricity produced by the nuclear power plant and hydroelectric power plants ranks Slovenia high among the countries with the lowest CO_2 emissions from electricity production, despite

Sustainable and renewable energy sources in the electricity production portfolio

	Power plant	Electricity produced in GWh	Proportion of total production in %
Nuclear energy	NEK	3,020	84
Hydro energy	HESS for GEN	268	16
	SEL	327	
Total		**3.615**	**100**

Comparison of CO_2 emissions generated by functioning power plants



fossil fuel-burning thermal power plants, whose emissions are the highest, at an average of 990 g of CO_2 per kWh, which is more than three times the national average. The national average in 2016 was around 300 g per kWh.

2.2. Ancillary services

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

SEL and HESS units provide primary and tertiary frequency control and reactive power. Some of SEL's generating units can also be started up without an external power supply.

The TEB's principal function within Slovenia's electric power grid is to provide ancillary services (tertiary frequency control, the ability to ensure secondary frequency control when the larger gas turbine unit is in operation, the black-start-up of generators and island mode operation for delivering power to the NEK). Given its special role, the TEB's devices, installations and equipment operate under specific, harsh conditions with many start-ups and a small number of operating hours, which in turn calls for a specific approach to maintenance.

Infrastructural capital

Electricity generation

- at the Nuclear Power Plant (NEK)
- at hydro power plants (SEL and HESS)
- at the gas-fired power plant (TEB)

Operational efficiency

Natural capital

Low-carbon energy source portfolio:

- 99.7% of electricity is generated from sustainable and renewable energy sources,
- CO_2 emissions per kWh generated.

Employees and intellectual capital

Knowledge and skills of employees to ensure operational efficiency of generation units.

Social capital

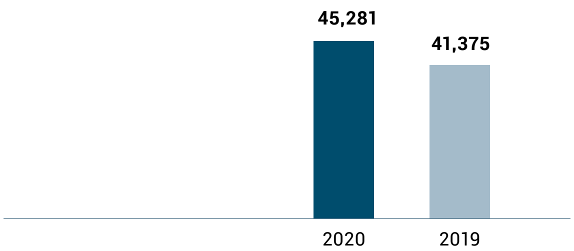
System services, stabilisation of critical operating conditions, tertiary regulation.

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

3. Purchase of electricity

GEN Group companies purchased 45,281 GWh of electricity in 2020. That volume was up by 9.44% relative to the previous year, which reflects the increased volume of trading.

Amounts of electricity purchased by GEN Group companies in GWh



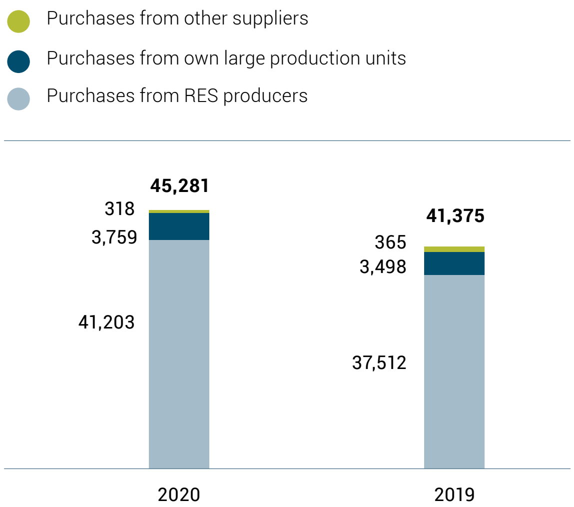
The GEN Group's purchase portfolio comprises electricity from various sources. Smaller in volume yet very important for operations is electricity from our own production units, which primarily harness nuclear energy and renewable sources. A total of 3,759 GWh of electricity was purchased in 2020 from the large production units owned by GEN Group companies.

The majority of the portfolio comprises electricity purchased from domestic and foreign producers and energy brokers, while a smaller portion is used for portfolio optimisation purposes and the provision of ancillary services, with the bulk used for trading needs and sales to end-customers. The latter relates to purchases made by GEN-I's trading division, which purchased a total of 41,203 GWh of electricity in 2020.

Special attention is given to the purchase of electricity produced by solar power plants, small hydroelectric power plants and high-efficiency combined heat and power (CHP) units. A total of 318 GWh of electricity was purchased from those sources in 2020.

It is precisely the flexibility facilitated by purchases from various producers and its focus on development that allow the GEN Group to be able to meet the demands of both large and small customers through a comprehensive range of brokerage services to support market sales, from intra-day to multi-year trades.

Electricity purchased by GEN Group companies, by source in GWh



Infrastructural capital

The electricity purchase portfolio: own and foreign generation sources (domestic and foreign producers)

Amount of electricity purchases (in GWh)

Advanced (software and IT) infrastructure to meet the customers' expectations

Employees and intellectual capital

Development of comprehensive agency services and flexibility (from one-day to several-year deals)

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

4. Electricity trading and sales

Geographical presence of GEN Group companies

22 **European markets**

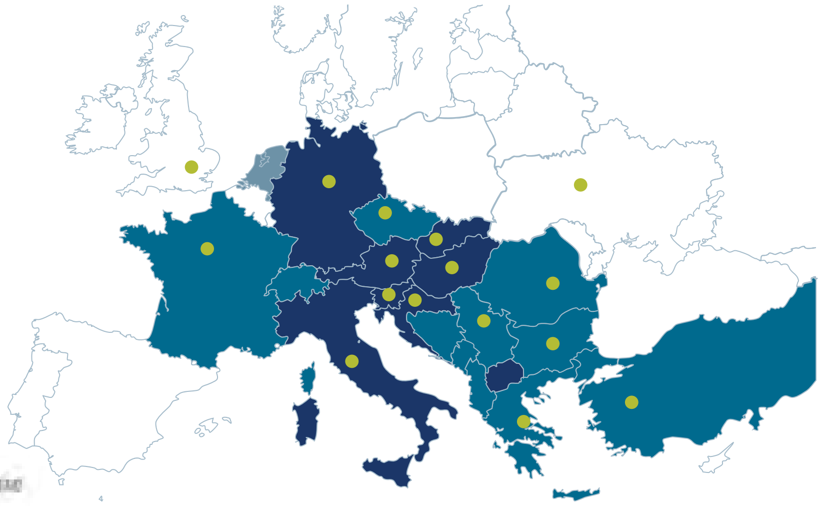
16 **Subsidiaries**

Subsidiaries

Electricity

Electricity and natural gas

Natural gas



In 2020, we remained on course in electricity trading and sales, and sold an increasing large amount of electricity, including electricity from our own sources, thanks to our in-house knowledge and competences. The GEN Group ensures efficient electricity trading, while our cross-border wholesale trading infrastructure ensures we have access to all pricing data and information needed to ensure the optimal utilisation of our production sources. Day-ahead and intra-day electricity trading, in the context of which surplus electricity is sold and electricity shortages offset through purchases in cooperation with GEN's Control Centre, are used to maximise the utilisation of production sources and to ensure the safe, reliable and high-quality supply of electricity to customers.

The link between GEN and GEN-I is crucial in the area of electricity sales. That link has been further strengthened through additional ownership consolidation and the conclusion of a new umbrella agreement. The underlying characteristic of the link is that GEN-I provides electricity sales services for GEN under precisely defined conditions. In this context, GEN is primarily responsible for supplying base load electricity, while GEN-I delivers the modulation required for us to formulate a complete service tailored to the needs of customers at the GEN Group level. The majority of GEN's annual electricity production is sold based on the company's annual sales strategy approved by GEN's Supervisory Board. In order to provide contracted amounts of electricity on a daily basis and to optimise sales, the Group makes short-term purchases of electricity or sells surplus electricity when it arises.

4.1. Trading

The volume of trading was up in 2020 relative to the previous year, while the achieved price was also higher, which led to positive results in this regard.

By entering new markets, we are expanding economies of scale, while we have also established instruments and obtained all the necessary authorisations for the comprehensive management of electricity surpluses and deficits resulting from contracts on the purchase of electricity from production sources and the supply of electricity to end-customers.

In addition to daily trading (day-ahead and intra-day), through which we make final corrections and optimise trading, we also employ a number of other dynamic trading mechanisms available on the wholesale electricity market. These include the conclusion of long- and medium-term physical and financial forward contracts to ensure proper portfolio diversification, the leasing of cross-border transmission capacities, and the management of price risks arising from open positions in individual portfolios.

We continually develop new forms of business cooperation that allow us to better manage risks. Customers can therefore opt to buy electricity products at a predetermined price or to assume the risk of price movements, through price indexation, on a predetermined power exchange. These market options are also available to sellers on the electricity market. This allows business partners to better adapt to market conditions and to reduce their exposure to market risks.

We use a corporate infrastructure for trading and securing cross-border transmission capacities to ensure the comprehensive use of international trading mechanisms. GEN Group companies are therefore fully capable of acting independently on the European electricity markets.

Slovenia is our most important retail market. However, the growing balancing group is being supplemented and coordinated through trading activities on the neighbouring markets. Our main purchase and sales markets remain the markets of Central, Southeast and Western Europe. Expansion to foreign markets is based on subsidiaries possessing all of the required authorisations, the ability to adapt to local specifics and an appropriate trading infrastructure on those markets.

4.2. Sales

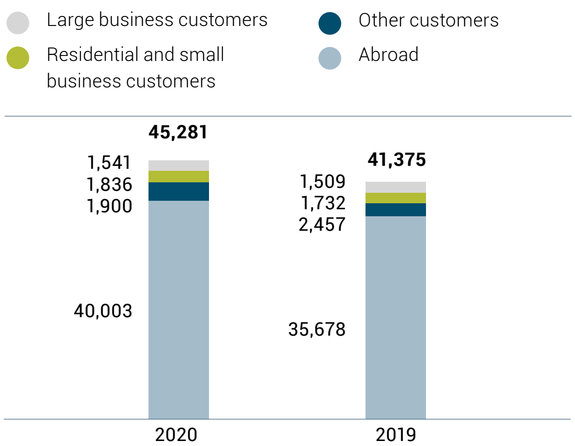
Increasing sales of electricity to end-customers and our entry in the household supply segment testify to the ongoing development of products that vary in terms of the level of risk for the customer and the range of services offered. Customers include large corporations, as well as small and medium-sized enterprises and households.

Through our well-established individual portfolio management approach based on our own knowledge and infrastructure, we successfully catered to our existing customers and recorded practically no losses. This allowed our partners to take optimal advantage of fluctuations on the electricity market. Through highly competitive products and services, we also managed to maintain sales to end-customers at a similar level, despite fierce competition on the electricity market.

We continue to be a major player in electricity sales to end-customers in Slovenia, while we were also active in the supply of electricity to end-customers abroad. The key sales markets were Germany, Austria, Hungary, Romania and Italy. We make good use of the experience gained in this way to accelerate development and search for new opportunities for sales to end-customers on other markets, particularly the markets of Southeast Europe.

The highest growth to date in sales of electricity abroad (+12.12%) was recorded in 2020. The volume of sales to households and small business customers was also up (by 6.03%), as were sales to business customers (by 2.13%). At the same time, sales to other domestic customers were down sharply (by 22.64%).

Electricity sales by GEN Group companies in GWh



Infrastructural capital

Volume of electricity trading and sales« (in GW)

Volume of sales and trading in electricity (in GWh Advanced (software and IT) infrastructure for cross-border trading that provides data for optimum exploitation of generation sources

Employees and intellectual capital

Penetrating new markets and increasing economies of scale

Establishing instruments and licences for the comprehensive management of electricity surpluses and deficits

Development of business cooperation forms providing improved risk management

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

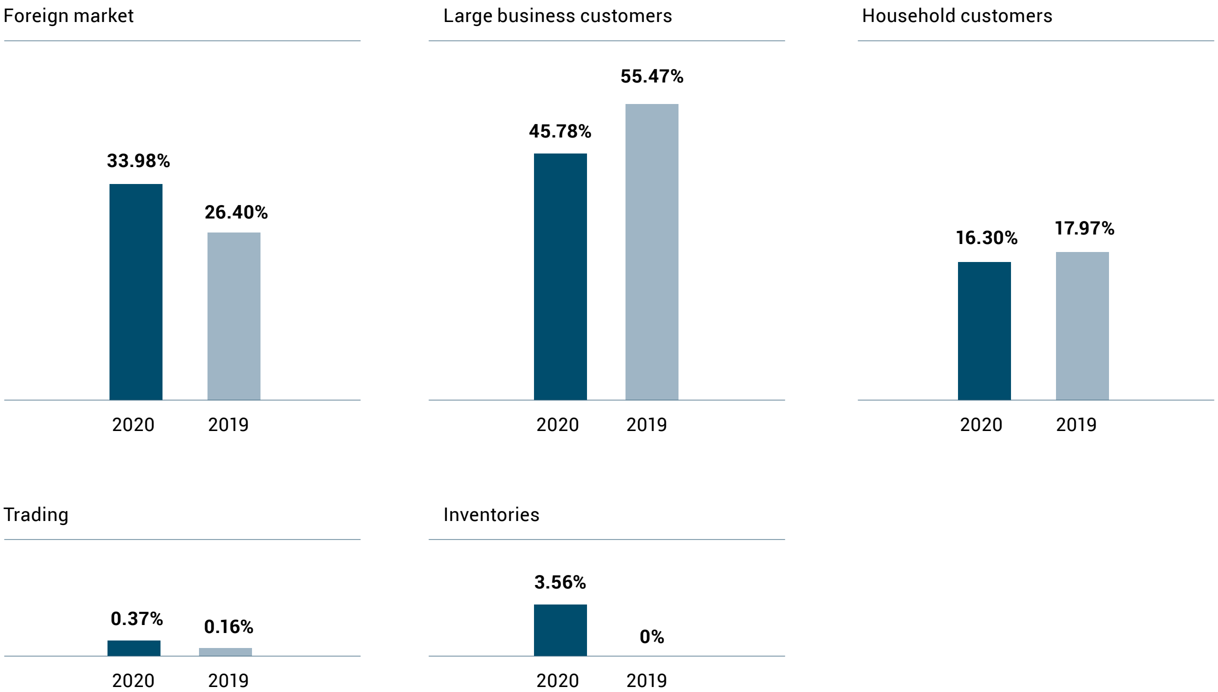
5. Sales of natural gas

Natural gas is sold by GEN Group companies through the subsidiary GEN-I, which through its reliable supply and competitive prices maintains its position as the second-largest supplier of natural gas in Slovenia.

GEN-I purchases natural gas on European power exchanges, where natural gas prices are dictated by both fluctuations in oil prices and actual supply. In this way, our natural gas supply sources are diversified among the most trusted and best-known Western European partners. At the end of 2020, we supplied natural gas to slightly more than 25 thousand household customers and around 204 business customers in the total amount of 163.8 million Sm^3.

Significant growth was recorded in sales of natural gas on foreign markets in 2020, while sales of natural gas to household and business customers were down slightly.

Structure of natural gas sales by GEN Group companies



Infrastructural capital

Infrastructure for the purchase of natural gas in European energy exchanges

Amount of purchased natural gas (in GWh)

Employees and intellectual capital

Increase in the number of customers (domestic market – "Poceni plin" brand and foreign market penetration)

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2019 (Business Report) is provided in chapter V.3.

6. Research and development, capital expenditure and investments at GEN Group companies

The areas of research and development, capital expenditure and investments are essential to the long-term stability of operations and the further development of individual companies and the GEN Group as a whole. We earmarked a total of EUR 104.59 million for those purposes in 2020. Taking into account consolidation rules, the value of investments in the GEN Group amounted to EUR 57.38 million.

RESEARCH AND DEVELOPMENT, CAPITAL EXPENDITURE AND INVESTMENTS OF GEN GROUP COMPANIES

104.59 mio EUR

NEK: EUR 58.40 million
- Investments in technological upgrades
- Low-value investments

HESS: EUR 1.90 million
- Brežice HPP
- Mokrice HPP

GEN: EUR 19.20 million
- Subsequent capital contributions paid to the NEK
- Low-value investments

SEL: EUR 1.73 million
- Spillway gates – Medvode HPP
- Low-value investments

TEB: EUR 14.06 million
- Replacement of gas turbine units
- Low-value investments

GEN-I: EUR 9.30 million
- Solar power plant in North Macedonia, ETRM, information security

6.1. Research and development, capital expenditure and investments at the controlling company

GEN earmarked EUR 19,203 thousand for research and development, capital expenditure and investments in 2020.

Research and development, capital expenditure and investments at GEN (in EUR thousand)

	2020	2019
RESEARCH AND DEVELOPMENT	**43**	**93**
Research studies	43	93
CAPITAL EXPENDITURE	**985**	**808**
Expansion of nuclear production capacities – JEK2	506	246
Low-value capital expenditure	479	562
INVESTMENTS	**18,175**	**0**
Subsequent capital contributions paid to the NEK	18,175	0
Total	**19,203**	**901**

Development activities of ZEL-EN

In the scope of the ZEL-EN energy sector development centre, which we established with the aim of promoting the development of energy technologies, we carried out several research and development projects in 2020 at the organisational units of individual stakeholders.

One person was employed in the nuclear technology organisational unit until September 2020, and worked on the development of 3D reactor core and receptacle models. Activities were completed in September 2020. Since that time, there are no longer employees in that organisational unit.

Controlling company's research and development, capital expenditure and investment plans for 2021

We will continue to follow the set course in terms of investments and capital expenditure in 2021. We will continue implementing activities from previous years and activities that could not be carried out in the past. We are planning investments in the amount of EUR 35 million for those purposes.

GEN will continue activities in 2021 aimed at implementing the project to expand the NEK's production capacities. A portion of funds is also earmarked for subsequent capital contributions, investments in information technology and security upgrades. New equity interests may also be acquired.

Research and development, capital expenditure and investments at subsidiaries

GEN Group companies maintain a high level of availability and operational reliability on account of regular maintenance and ongoing investments. The operational readiness of equipment is ensured through the appropriate control, maintenance and modernisation. Most maintenance activities were carried out in 2020 as planned, despite the coronavirus.

NEK

The NEK pursues a strategy of continuous investments in technological modernisation and upgrades. The standard procedure is to make five-year investment plans, while the average annual value of investments in technological modernisation is around EUR 35 million.

The NEK is increasing its operational efficiency over time, and thus increasing the stability of the Slovenian and Croatian electric power grids. The functioning of the power plant as such is the result of well-planned investments, prudent operational control, the good cooperation of all stakeholders and the commitment of all employees, as well as favourable hydrological conditions and the associated good thermodynamic efficiency of the power plant. The cost price of electricity was competitive compared with other sources and even slightly lower than planned.

Technological upgrades are successfully carried out to support the long-term operation of the power plant. Technological upgrades and modernisation activities continued at the NEK in 2020, but were temporarily halted from March to May due to the epidemiological conditions. In addition to the Safety Upgrade Programme (SUP), certain modifications that were not required during the most recent major overhaul were made.

Works from the second and third phases of the SUP were intensive. The construction of a reinforced containment building (BB2) continued throughout the year. That building will house systems to prevent and mitigate the consequences of unlikely accidents. Also constructed were pipelines, with accompanying valves and supports, which will link the aforementioned systems with the NEK's systems.

Investments in technological upgrades in 2020 related to the implementation of projects from the second phase of the SUP, i.e. alternative cooling of the spent fuel pool, alternative cooling of the reactor coolant system (RCS) and the reactor building, the completion of the infrastructure of the BB1 building, the completion of ventilation systems to ensure liveable conditions in the emergency control room (ECR) and technical support centre (TSC), the reconstruction of the operational support centre (OSC) and the third phase of the SUP. The latter comprised the construction of the BB2 building and the installation of pipelines for the future system for filling the reactor coolant system and steam generators, from the BB2 building itself to the reactor building, and the construction of dry cask storage for spent fuel.

The Ministry of the Environment and Spatial Planning received opinions from all institutions included in the integrated procedure of obtaining a building permit for the construction of dry cask storage for spent fuel. The NEK received an integrated building permit in December 2020 in accordance with the planned schedule.

Works began on projects to extend the NEK's operating life with the aim of fulfilling administrative requirements and for the continued operation of the power plant after 2023. At the end of the year, the Slovenian Nuclear Safety Administration issued a decision confirming the NEK's third periodic safety review (PSR3) programme, and the contents, scope and timetable thereof. The NEK immediately began drawing up documentation for an environmental impact assessment (EIA) using the cross-border approach, and for obtaining environmental protection approval (EPA) based on the resolution of the Slovenian Environment Agency from October 2020.

Investments in the amount of EUR 58.40 million were made in the NEK in 2020.

The main challenges for the NEK in 2021 will be maintaining a high level of safety and operational efficiency, a successful major overhaul, the completion of projects in the scope of the Safety Upgrade Programme during the pandemic and administrative proceedings, i.e. an assessment of the extension of the power plant's operating life.

Investments in technological upgrades will be based on administrative requirements and operational experience, which will further improve the operational safety and stability of the power plant, and are a prerequisite for extending the useful life of the power plant until 2043. Planned investments will be lower relative to 2020 due to the final phase of the implementation of the SUP.

A total of EUR 45 million in funds is earmarked for investments in 2021.

SEL

SEL ensures the periodic maintenance of its equipment and development in the area of utilising hydro energy. SEL planned EUR 1.73 million in depreciation and other own resources for investments and development in 2020.

In terms of maintenance, all scheduled overhauls and inspections were carried out. Works were completed by envisaged deadlines or earlier, without any extensions of those deadlines. Deposits were regularly removed from traps, while alluvial deposits were also removed from the Majdičev log retention basins in Kranj, and from the Javornik and Hrušica retention basins.

Investment projects were implemented in their entirety, despite the pandemic. Construction of the Borovlje SHPP was completed and the requisite operating permit obtained. The largest investment project started in 2020 was the replacement of gates at the Medvode HPP after 63 years of operation. The intensive production of new elements for the upper catchment table of flow field 1 began during the final quarter of the year.

In addition to investments to ensure the mechanical safety of facilities, efforts and funds were also invested to ensure information security, which is becoming increasingly important due to its involvement in all areas of the functioning of hydroelectric power plants.

As part of efforts to ensure the sustainable production of electricity with minimal impacts on the environment, the fish hatchery located on the outflow from the Mavčiče SHPP was cleaned up and a fishway built on the dam in Goričane to replace the non-functional passage for aquatic organisms.

SEL will continue to invest in and develop its existing production facilities in 2021, and to search for new opportunities in the area harnessing renewable energy sources for electricity production. A total of EUR 6 million will be earmarked for investments and development.

TEB

The TEB earmarked EUR 14.06 million in own resources for investments and development in 2020.

The majority of investments relate to the project to replace gas turbine unit nos. 1 to 3, the implementation of the first phase of 1B, the energy rehabilitation of the heating system, the construction of a computer-communications centre, the arrangement of the TEB Technical Museum, and the implementation of major and minor technological modifications on existing devices.

The TEB's most important and comprehensive project is the replacement of gas turbine unit nos. 1 to 3. Construction works continued in January and February on the turbine building (concrete slab, foundations for auxiliary equipment, etc.). Also carried out were factory deliveries of primary technological and high-voltage equipment. Due to the declaration of the coronavirus (SARS-CoV-2) epidemic/pandemic, all project activities were halted on 16 March 2020 and continued following the normalisation of conditions. Construction works restarted at the end of April, while the delivery and installation of primary technological and high-voltage equipment began at the beginning of May. An agreement was signed at the beginning of April on the supply and installation of auxiliary technological systems. The installation of high-voltage equipment began in July and was completed in August, while the installation of primary technological equipment was completed in October. The testing of all equipment (cold testing, functional testing, etc.) began in October and was completed at the end of November, except for primary technical equipment for which cold testing was completed at the end of December.

The project to replace gas turbine unit nos. 1 to 3 will be completed in 2021. The TEB is planning investments and development in the amount of EUR 5 million.

HESS

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

Despite delays in some works, all crucial maintenance works were carried out as planned last year, as were the necessary equipment inspections, which facilitated the safe and reliable production of electricity. All maintenance activities were performed during off-peak hours in such a way that there were no spill-overs or production outages due to maintenance works as the result of the inspection of production units and the associated temporary unavailability. An important development in the area of maintenance is the take-over of run-of-river reservoirs from Infra. This involves large areas around reservoirs that HESS is obligated to maintain in accordance with the ZPKEPS-1.

The majority of last year's investments were in the drafting of documentation for the Mokrice HPP and the Brežice photovoltaic power plant. A key achievement was the submission of a complete application for the acquisition of the building permit for the Mokrice HPP during the middle of the year. This was facilitated by the adoption of changes to the ZPKEPS-1, which was approved by parliament. The amended act made it possible to begin the process of obtaining a building permit before all the necessary land was secured. The competent administrative body discussed and approved the application so that the process continued. Towards the end of the year, the Slovenian government also adopted a resolution declaring that the public benefit of the project overrides nature.

The process of obtaining the building permit continues in accordance with the law. The second largest project, the construction of a 6 MW photovoltaic power plant alongside the Brežice HPP, steadily progressed in 2020. The detailed municipal spatial plan, which replaced the national spatial plan with the consent of the Slovenian government, was implemented in accordance with the planned timetable. An investment plan for the photovoltaic power plant was drafted and then revised during the final quarter of the year, while a public tender for the drafting of documentation for the acquisition of the building permit was also prepared. These were the two key projects that HESS addressed and prepared last year for implementation in 2021.

HESS earmarked EUR 1.90 million for investments and development in 2020.

HESS will spend the majority of its investment potential in 2021 on preparations for the Mokrice HPP. The total value of planned investments in HESS is EUR 14 million.

GEN-I

GEN-I earmarked EUR 9.30 million for investments and development. The majority of funds were earmarked for information technology required for the smooth functioning of trading and sales applications, and for other fixed assets that are necessary for the company's operations and investments in solar power plants.

GEN-I is planning investments in the total amount of EUR 15 million in 2021, primarily for the deployment and upgrading of comprehensive data management systems, for upgrading other IT systems and for investments in solar power plants.

Financial capital

Investments (overview by companies included in the GEN Group; in € million)

Employees and intellectual capital

Research and development (overview of studies and R&D activities by companies included in the GEN Group)

Social capital

Presentation of regulatory frameworks and challenges of social acceptance in:

- the maintenance of existing, and
- the construction and design of new production capacities (JEK2 project, ZEL-EN development projects, and an overview by other companies included in the GEN Group).

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3

Project to expand nuclear production capacities – JEK2

The JEK2 project will make a substantial contribution to the development of the modern, reliable, safe, environmentally friendly and forward-looking supply of electricity in Slovenia at stable and competitive prices, without greenhouse gas emissions. For this reason, the GEN Group strives for the technically based, efficient, transparent and responsible implementation of the JEK2 project. The project is currently at a stage where the Slovenian government, as owner, must take a clear position on the matter. A strategic decision must be made on the energy future of Slovenia.

STRATEGIC FRAMEWORK: THE ELECTRICITY SUPPLY SITUATION IN SLOVENIA

Slovenia faces the problem of relatively old energy production facilities that will have to be replaced in the future. At the same time, we are becoming increasingly aware of requirements regarding the use of fossil fuels and their impact on the environment, and the associated need to comply with the requirements of the EU climate and energy package, which dictates a gradual reduction in the use of coal for electricity production. All of this requires consideration of the option of expanding the production capacities of the Krško Nuclear Power Plant by building a new unit before the existing power plant reaches the end of its service life. The installed capacity of the planned second nuclear power plant unit would be about 1,100 MWe, while that unit could be connected to the grid by around 2030.

ENERGY REGULATORY FRAMEWORK

One of the most important energy-related documents is the Energy Act (EZ-1), which was adopted in 2014, and amended in 2019 and 2020. The draft act makes reference to the Energy Concept of Slovenia (ECS), a central development document that represents the national energy programme. Based on projections of economic, environmental and social development at the national level and adopted international commitments, the ECS will lay out goals for ensuring a reliable, sustainable and competitive energy supply, presumably for the next 20 years and roughly for 40 years. The process of adopting the ECS was temporarily halted in 2018, as the adoption of the National Energy and Climate Plan (NECP) took priority. At the end of 2018, the Ministry of Infrastructure, in cooperation with an interdepartmental working group, prepared the first draft of the NECP in accordance with existing expert bases and previously adopted long- and medium-term strategic, action and reporting documents. In 2019, the Ministry of Infrastructure and a consortium of institutions headed by the Energy Efficiency Centre, in cooperation with an interdepartmental working group, conducted a number of public consultations on the preparation of the draft NECP and the environmental report for the NECP. Following those public consultations, the Slovenian government finally confirmed and adopted the NECP on 27 February 2020. The document states that the decision on the second unit of the nuclear power plant will be made on the basis of economic and other expert analyses by no later than 2027. In September 2020, the Ministry of the Environment and Spatial Planning prepared a draft of Slovenia's long-term climate strategy until 2050,

How the JEK2 project meets sustainable development criteria

Social aspect

Long-term reliable and safe production and supply of electricity using the best, most advanced and safest technologies.

Environmental aspect

Minimal impacts on the environment, mitigation of climate change and optimal utilisation of space.

Economic aspect

Price stability and competitiveness, both for Slovenian households and the economy.

Key benefits of the planned JEK2 project

- the safe and reliable supply of low-carbon electricity;
- domestic energy sources: reduced reliance on imported electricity;
- competitive energy sources: affordable, predictable and stable electricity prices;
- an optimal solution in response to environmental requirements and standards, and the reduction of CO_2 emissions at the national level;
- third-generation reactor: improved technology, improved safety, increased competitiveness;
- reduction of existing and projected quantities of radioactive waste (primarily as a result of improved operational systems and processes of third-generation nuclear power plants, which bring substantial reductions in the amounts of low- and intermediate-

Phases of JEK2 project

PHASE 1: Preparation and strategic decision-making

PHASE 2: Selection and confirmation of location

PHASE 3: Decision regarding the investment which envisages a climate neutral Slovenia by 2050 and a society resistant to climate change on the foundations of sustainable development.

The adoption of the climate strategy is expected to be followed in 2021 by the adoption of the Energy Concept of Slovenia.

PREVIOUS PROGRESS ON THE PROJECT

To date, GEN has performed expert studies in the scope of the JEK2 project that facilitate a justified broader political and social discourse on the energy future of Slovenia and on the future role of nuclear energy in the supply of electricity. Thus, all the bases have been laid for the appropriate placement and argumentation of the expansion of the nuclear power option in the national strategy for the development of the energy sector.

An application for the acquisition of an electricity generation licence for JEK2 was submitted in 2020 and supplemented several times during the course of the year. In September, the competent ministry invited us to an oral hearing regarding amendments to the application, which were sent in November. The ministry in question is expected to issue the electricity generation licence in 2021.

Activities related to location studies relevant to the JEK2 project continued in 2020. The Seismic Hazard Analysis (SHA) project was designed in 2014 with the aim of investigating faults in the vicinity of and around the proposed downstream (eastern) and upstream (western) location for the construction of a new nuclear power plant in Krško, and performing a probabilistic seismic hazard analysis (PSHA) and deterministic seismic hazard analysis (DSHA). The results of these and previous analyses and surveys, as well as field and laboratory research at both proposed locations show that the subsoil layer in the area is rather homogeneous. During the project, a great deal of new data was obtained based on field research, the seismic catalogue was updated, a fault analysis and soil response analysis were conducted, a seismic wave propagation model was built, and a probabilistic assessment of seismic hazard for JEK2 was performed on the basis of the existing and newly obtained geological and seismological data. Based on the recommendations of the PRP expert panel, some additional activities are underway regarding the review of geological and seismological characteristics of the proposed locations for the new nuclear power plant unit, which will reduce financial and technical risks as the JEK2 project continues.

In addition to location studies, we also carried out studies, analyses and activities for the JEK2 project in the following key areas in 2020:

- energy safety and the role of the electric power grid, where we reviewed a study of the inclusion of JEK2 in Slovenia's electric power grid, and performed an analysis with regard to maintaining the stability of the grid;
- environmental safety and Slovenia's transition to a low-carbon society, where we analysed, evaluated and improved environmental modelling and the assessment of radiological effects, and researched new methods that have been adapted to current conditions;
- economic and social security, and the role of nuclear energy, together with a review of a macroeconomic analysis of the construction and functioning of JEK2; and
- awareness-raising and communication with the public regarding the energy sector and nuclear energy.

A review of the study on the connection of JEK2 to the Slovenian electric power grid indicated that the connection of JEK2 is feasible, and would have a positive impact in terms of maintaining the stability of the grid and the development of a CO_2-neutral, clean and modern electric power grid.

The macroeconomic effects of the construction and functioning of the new and existing nuclear power plants in Slovenia were verified through a macroeconomic analysis of the construction and functioning of JEK2. Key findings were as follows: Slovenia's dependence on imports in the supply of electricity would rise by more than one-third in the absence of the existing NEK; GDP would be EUR 125 million lower annually; and there would be close to

level radioactive waste, and the possibility of reusing reprocessed fuel, i.e. up to 96% of the mass of spent nuclear fuel);

- base-load and load-following operations;
- compliance with the highest international safety requirements and standards;
- the possibility of utilising waste heat (district heating – locally and on a wider scale);
- the opportunity for the Slovenian economy to participate in all development stages (design, construction, equipment manufacturing, outfitting and installation, and co-financing); and
- positive effects on economic development and the standard of living, and highly skilled jobs.

PHASEE 4: Construction

PHASE 5: Operation

2,200 fewer high-quality and reliable jobs. In terms of the safe supply of energy, the nuclear scenario including JEK2 is appropriate and economically more favourable than the scenario without nuclear energy, as a system that includes the sale of electricity at a price of EUR 70/MWh would generate EUR 850 million more in pre-tax profit annually than the scenario without nuclear energy. Assessments using an input-output model demonstrate the multiplicative effects of the investment, with a factor in excess of 1.8. Such an increase in production as the result of the construction of JEK2 could generate between 9,500 and 15,500 new jobs for the Slovenian economy, with Slovenian suppliers expected to account for 38% of all suppliers included in the investment. The functioning of JEK2 would result in an overall increase in revenues generated by the Slovenian economy of EUR 480 million, an increase in GDP of EUR 380 million, and a total increase in state and municipal budgetary revenue of EUR 170 million. When it begins operating, JEK2 is expected to ensure around 1,900 permanent jobs across the entire Slovenian economy.

Funds in the amount of EUR 506 thousand were invested in the JEK2 project in 2020.

PARTICIPATION IN OTHER NUCLEAR ENERGY PROJECTS

GEN is also active in the international environment where it provides its services in the scope of several European projects. GEN offered services in the scope of the following projects during the previous period:

a) Support for the functioning nuclear power plant in Armenia (AOSA), with a focus on safety upgrades and operational efficiency. In the scope of the AOSA project, a consortium agreement was signed with ENCO. Under that agreement, GEN is responsible for five tasks. The project started in March 2017 and will take five years to complete.

b) A research project relating to the assessment of external threats in the New Approach to Reactor Safety Improvements (NARSIS), in which we are a member of a broad consortium of 18 partners as part of the Horizon 2020 research programme. The NARSIS project started on 1 September 2017 and will take four years to complete.

c) The provision of consulting services for the development of a spent fuel and radioactive waste management strategy and programme in Jordan (JORDAN). The JORDAN project, in which we participated together with ENCO, was completed at the end of 2020.

d) The PIACE research project is linked to the development of an innovative heat dissipation system for light-water nuclear reactors based on non-condensing gases, and is being carried out as part of the Horizon 2020 research programme. The project started in June 2019 and will take three years to complete.

e) In January 2019, a service agreement was signed for probabilistic safety analysis services for the nuclear power plant in Brazil (Angra). That agreement is expected to be in place until the end of 2021.

f) A project managed by the consortium of NUCCON and GEN energija was approved at the beginning of 2019 for the organisation of training programmes on the subject of operational experiences in nuclear power plants. Those programmes will be carried out in the scope of the Joint Research Centre, which operates under the auspices of the European Commission. The project was not implemented in 2020 due to the pandemic. Activities will thus be carried forward to future years. The project is expected to be completed by 2022.

GEN is actively involved in the international European Utility Requirements (EUR) organisation, which brings together all major European nuclear electricity producers. The EUR's purpose is to define technical requirements for new nuclear power plants, specifically the development and harmonisation of standard requirements for light-water reactors in Europe based on scientific and technological advancements, and increasingly stringent safety requirements for new nuclear power plants. We completed our review of the Chinese HPR1000 reactor in 2020 and issued a certificate of compliance with EUR requirements. We began a review of the Korean APR1000 reactor during the second half of 2020. We are also part of a task force that is drawing up technical requirements for small modular reactors (SMR).

GEN actively cooperates with the International Atomic Energy Agency (IAEA) and the Nuclear Energy Agency under the auspices of the Organisation for Economic Co-operation and Development (OECD NEA), and in the scope of the International Framework for Nuclear Energy Cooperation (IFNEC). The purpose of cooperation is to consolidate the GEN Group's international position in terms of the efficient use and development of nuclear energy, including international solutions for the disposal or reuse of spent nuclear fuel.

PLANS FOR 2021

In the scope of the JEK2 project, we will continue in 2021 with important expert analyses in connection with geological and seismological surveys, the expert analyses and bases required for the preparation of an initiative and the placement thereof, the analysis of risks and the associated legislation, and the potential drafting of a special law to eliminate and mitigate certain risks that have been identified in a comprehensive project such as JEK2. In terms of economic analyses, we will continue with activities in the presentation of macroeconomic results and the prefeasibility study, as well as other analyses to support the business decision-making process. These activities will be carried out in part by our own staff. We will monitor the drafting of the GHG Emission Reduction Strategy and the Energy Concept of Slovenia (ECS). We will also actively participate in professional and public consultations. We will continue our work in associations such as EUR, IFNEC, OECD NEA and other major professional organisations and continue with service projects.

7. Financial operations

Group companies had no problem settling their financial liabilities and trade payables by contractual deadlines. The settlement of receivables by customers was also without issues.

Other GEN Group companies primarily cover their financial liabilities through depreciation, while GEN's main source of financing for these liabilities is the profit it generates.

In addition to the obligations of controlled and jointly controlled companies, the financial operations of the company and the Group are also significantly affected by the obligations GEN assumed when it was founded and that relate to the Intergovernmental Agreement on the NEK. Under that agreement, GEN not only received the right to one-half of the electricity produced by the NEK, but also assumed the responsibility to repay loans raised for its construction, to meet its financial obligations to the NEK Fund, and to secure funding to cover the NEK's fixed costs in the event of unscheduled outages.

7.1. Financing operations and borrowing

A key function in financial operations is the planning of a sufficient level of liquid funds to ensure solvency, where a major role is played by liabilities for supplied electricity and power. A particularly important role is played by the coverage of the fixed costs of the NEK, which is one of the main factors for the timely settlement of GEN's liabilities and the optimisation of surpluses and deficits among GEN Group companies. An appropriate level of liquidity was also achieved through the consistent recovery of past-due receivables. This is particularly evident at GEN-I, where this area is well-regulated by contractual provisions, meaning no major problems have arisen to date.

The focus of borrowing activities was on securing sufficient funding for both short- and long-term operations. All Group companies raise loans on their own behalf. GEN and the other GEN Group companies in which the State has a decisive influence over management are also obligated to undertake borrowing activities in accordance with the Decree on the Terms and Conditions and Methods of Borrowing by Legal Entities from Article 87 of the Public Finance Act (Official Gazette of the Republic of Slovenia, No. 112/2009).

Short-term borrowing is most frequently undertaken by GEN-I to ensure sufficient liquidity for its electricity trading operations, in the past primarily via loans, but in recent years also by issuing commercial paper and bonds, which has proven to be a very effective way of securing funding.

Long-term borrowing is undertaken by production companies, primarily for the purposes of investments and investment maintenance.

Loans are secured by bank guarantees or bills of exchange. Liabilities from financing were denominated in euros.

7.2. Settlement of liabilities to the NEK Fund

Pursuant to the Intergovernmental Agreement on the NEK and the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act (Official Gazette of the Republic of Slovenia, No. 75/1994 with amendments), GEN is obligated to pay a contribution to the NEK Fund for each MWh of electricity it produces. According to Slovenian government resolution no. 36000-6/2020/3 of 23 July 2020, that contribution was raised from the previous amount of EUR 3.00/MWh to EUR 4.8/MWh, effective 1 August 2020. A total of EUR 11.32 million was thus paid into the NEK Fund in 2020.

7.3. Securing funding to cover the NEK's fixed annual costs

Under the Intergovernmental Agreement on the NEK, GEN is obligated to cover the NEK's fixed costs incurred over a period of one year, regardless of whether the NEK is functioning or not. Because the NEK is the main production unit within the GEN Group, meaning the operations of the Group are closely linked to the NEK's production, the Group is exposed to considerable risk, even in the event of short outages of the power plant. To ensure coverage of the NEK's fixed costs, GEN adopted a decision back in 2003 to create non-current provisions for one-half of the NEK's annual fixed costs (the other half must be covered by the NEK's co-owner).

The total amount of planned non-current provisions was finalised by GEN at the end of 2009, but because the NEK's fixed operating costs vary, the amount of provisions must be adjusted. To ensure that the amount of provisions is adjusted in as balanced and objective way as possible with the aim of ensuring an appropriate estimation of future expenses arising from an onerous contract, provisions are adjusted based on the three-year average of fixed costs, as defined in the NEK's economic plan, since 1 January 2014 in accordance with SAS. Additional provisions were created in the amount of EUR 3,406 thousand in 2020, and thus totalled EUR 70,143 thousand at the end of 2020. GEN will continue to follow the strategy of creating and adjusting provisions in accordance with the NEK's economic plans.

7.4. Placement of surplus cash

The investment strategy intended to cover non-current provisions used to cover the NEK's fixed costs in the event of unplanned reductions in the NEK's electricity production (hereinafter: the investment strategy) was updated in 2019 to reflect the maturity of funds placed in the form of deposits from six to 12 months. Due to the need for the short-term availability of funds, the investment strategy does not provide for investments in debt securities and equities, and limits investments to deposits placed at financial institutions with a maximum maturity of twelve months and to the appropriate investments in the electricity sector.

Due to the current business model of banks, which no longer provide depositors suitable returns on available funds, but instead charge fees for excessive balances on deposit and current accounts, the company diversifies the placement of funds to avoid unnecessary costs.

Financial capital

Data on financial operation

- servicing operations and borrowing
- settlement of liabilities to the NEK Fund
- provision of funds to cover 1-year fixed costs of NEK
- investing free cash

Social capital

Settlement of trade liabilities

Activities relating to the Intergovernmental Agreement on NEK

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3

8. Employees, knowledge and development of human resources

The knowledge of employees is crucial to the implementation of GEN's sustainability policies at all three levels of our responsible operations.

We continuously strive to provide education and training opportunities to all employees of GEN Group companies, and to promote their professional and personal growth. The Group had 1,474 employees in 2020, or 1,159 according to consolidation rules. The number of employees is in line with the Group's growth and development and the challenges they bring.

8.1. Number of employees and educational structure

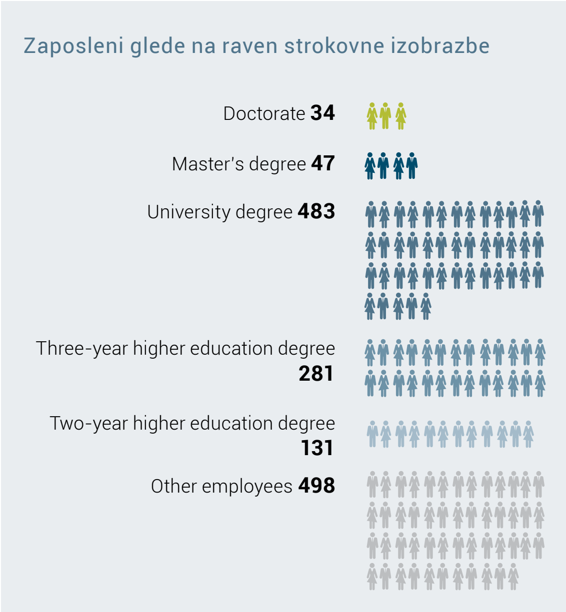
Due to the complexity and difficulty of work at GEN Group companies, more than half of employees have completed at least higher education.

A low employee turnover rate is evidence that our employees are highly dedicated and motivated to work in an environment that promotes knowledge, responsibility and networking.

The data in the below table relate to entire companies or the Group as a whole, and are not stated taking into account GEN's equity interests in individual companies, or in accordance with consolidation rules.

GEN Group companies had 34 employees with a doctorate, 47 with a master's degree and 483 with a university-level degree in 2020. The key professional areas in which employees have completed level 9 or 10 education (master's degree and doctorate) are as follows:

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



Number of employees by level of education

	31. 12. 2020											
GEN Group	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	Total	31. 12. 2019
GEN	0	0	0	0	5	7	8	37	2	5	**64**	60
GEN-I	1	0	0	8	94	23	184	182	24	15	**531**	477
NEK	0	1	1	14	250	70	55	211	16	12	**630**	628
SEL	3	0	0	20	33	10	10	16	4	0	**96**	98
TEB	0	3	0	17	29	17	14	21	0	1	**102**	104
HESS	0	0	0	3	16	4	10	16	1	1	**51**	51
Total	**4**	**4**	**1**	**62**	**427**	**131**	**281**	**483**	**47**	**34**	**1,474**	**1,344**

8.2. Professional education and training

GEN Group companies systematically invest in the professional education and training of executive and management staff, and other key employees in all areas of Group companies' operations.

We also organise several specialised programmes in areas relating to the production of electricity from nuclear energy. These are mostly professional training programmes that take place:

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

During the second half of 2020, GEN began implementing an employee training programme primarily intended for new workers, as a form of guidance and assistance in learning about and immersing themselves in the company's work processes. In addition to this underlying purpose, that training programme will also be used as a way to continuously learn and supplement the knowledge of all employees at the company, with the possibility of expanding it to the entire GEN Group.

The programme comprises several modules of content that complement each other. The initial modules include basic presentations of the organisation, the organisational culture and values, and a comprehensive overview of sustainable energy and the associated challenges, including basic communication emphases and messages. The central modules address specific areas, with the basics of nuclear energy and the associated technologies, and current information and data regarding the core JEK2 development project. Through the selection of modules attended by employees, it is possible to adapt training to the needs of a specific department or work area.

A large number of GEN energija's employees participated in a refresher course about the company and its activities during the second half of the year. At the end of 2020, five new employees attended the first module, which they successfully completed by passing an exam.

Družini prijazno podjetje

BALANCING FAMILY LIFE AND CAREER

The development of employees at GEN is based on the creation of a stimulating work environment and maintaining a high level of business ethics. We increase the satisfaction and commitment of employees based on the Family-Friendly Company Certificate. We have implemented numerous measures in our work processes that make it easier for employees to balance their private lives and careers.

EVROPSKA UNIJA
EVROPSKI SOCIALNI SKLAD
NALOŽBA V VAŠO PRIHODNOST

SCHOLARSHIPS AND HR DEVELOPMENT

We recognise the importance of systematically developing qualified and competent employees, primarily in the areas of natural and technical sciences. There are two main reasons for this:

- the ageing of existing employees at GEN Group companies; and
- the newly identified need to fill highly qualified positions that emerge due to the rapid development and growth of Group companies.

Scholarships are one of the ways that contribute to employee development. GEN Group companies award scholarships and also participate in standardised regional scholarship schemes (e.g. the Posavje Scholarship Scheme).

GEN had six scholarship recipients and the GEN Group had 33 scholarship recipients as at 31 December 2020.

Scholarship recipients at GEN Group companies	31. 12. 2020
GEN	6
GEN-I	6
NEK	18
SEL	0
TEB	3
HESS	0
Total	**33**

However, the number of scholarship recipients at GEN Group companies has declined in recent years, primarily due to:

- limits on the hiring of new employees; and
- a revised scholarship policy as the result of changes to the Scholarship Act that impose additional administrative and financial obligations on employers.

LONG-TERM STRATEGIC HR CHALLENGES

The adoption of the decision to expand the nuclear power production programme (JEK2 project) will present the GEN Group with a major HR challenge. We are aware that this challenge will dictate a strategic approach to the development and recruitment of new employees. Analyses indicate that investors in comparable nuclear facilities employ up to 300 people during construction, with that figure ranging from 1,600 to 1,800 taking into account subcontractors.

Key professional education and training topics

	Focus of professional education and training	Specialised education and training in the area of nuclear energy
GEN	• Employees received an average 39.7 hours of training in 2020, 13.30 hours organised outside of the company and 26.4 hours organised internally. • We organised the first internal training for new employees in December 2020. That training was broken down into six modules and comprised 53 hours. The first two modules were attended by five participants, the next four modules by three participants. There is an exam at the end of each module. The average test result was 94.5%. Each organisational unit represents its own work area and emphasises important matters that are key for the cooperation of the entire organisation. New employees take an exam following the completion of training. The questions making up that exam are multiple choice. • Existing employees primarily attended external training. The number of hours of external training per employee was down slightly in 2020 relative to the previous year, as training was not organised for a specific period of time due to the epidemic. Later, when institutions began organising webinars, employees participated in this form of education and training. Because these were typically shorter forms of education and training (usually 1 to 3 hours, compared with seminars of between 5 and 7 hours), the number of hours of external training per employee was lower. • Employees attended professional conferences, seminars, consultations and meetings, remotely as a rule following the declaration of the epidemic.	• No lengthy training at the ICJT was organised last year.
NEK	• Systematic training based on a checklist of competences for independent work and the performance of regular work tasks; • On-the-job training during first- or second-level studies in energy technologies, mechanical engineering or electrical engineering (39 employees in 2020); • A total of 238 courses organised, with 12,587 attendees, of which 222 internal and external courses for NEK were attended by 7,621 employees; • Courses for external contractors (143 courses attended by 4,966 participants); • The scope of education and training contracted by more than 40% relative to 2019 as the result of the pandemic. Many training and education courses were organised online through the use of various communication tools.	• Continuous professional training of operational staff: a minimum of 120 hours a year for reactor operators and senior reactor operators; a minimum of 60 hours a year for shift engineers; and a minimum of 120 hours a year for equipment operators; • A total of 42,111 training hours were organised in 2020. The NEK accounted for 33,011 hours of that amount or 55 hours per employee.

	Focus of professional education and training
SEL	• In 2020, which was strongly characterised by the COVID-19 epidemic, employees participated in various training courses, seminars and e-education courses, despite the difficult conditions. The core goals of education and training were the acquisition of periodic certificates for the managers of energy devices, the refreshment of employees' knowledge in the area of occupational health and safety, and the taking of various professional exams in specific areas (welding, electrical engineering, the environment, accounting, etc.). • A total of 231 hours were earmarked for education and training in 2020, which translates to an average of 2.40 hours per employee in 2020 (that average would have been 3.30 hours taking into account periodic training for operational staff, which is not included in that calculation). • A total of 30 employees attended education and training courses in 2020, some attending more than one course.
HESS	• Professional education and training according to field of specialisation; participation in professional seminars, workshops, conferences, consultations and training courses: 1,168 hours of education and training, primarily in the form of webinars, attended by 34 employees (24.6 hours per employee); • Employee training in the area of soft skills (creativity); • Joint workshops on the topic of construction contracts; • Several specific training courses in the area of occupational health and safety, using equipment and means for safe work practices; and • Promotion of occupational health.
TEB	• Employees received an average of 28.3 hours of education and training. • Two training courses were organised during the first half of the year on the topics of IT and first aid, and were attended by a large number of employees. • Training was organised in October on the topics of evacuating employees from buildings and the use of handheld fire extinguishers to put out incipient fires.
GEN-I	• Narrowly specialised professional training courses; • Participation in various professional training courses and conferences at home and abroad; • Transfer of expertise through mentoring, teamwork, internal lectures and workshops for a large number of employees; • Training programme to introduce new employees to the Group's work environment in a systematic and effective way; and • Green onboarding for new employees at the business unit in Ljubljana.

Employees and intellectual capital

Number and educational structure of employees
Professional training

Social capital

HR development and management of long-term strategic HR challenges

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

9. Strengthening knowledge about energy and the energy industry

Our mission is to ensure the reliable supply of electricity from sustainable and renewable sources. Our success in accomplishing this mission depends largely on the understanding of our line of work among various external stakeholders. Knowledge and understanding have a considerable impact on the perception of the challenges associated with the present and future supply of energy.

The GEN Group strives to raise energy awareness and, above all, to boost interest in and strengthen the knowledge of energy-related topics among our key stakeholders:

- school-aged children and adolescents,
- local communities,
- electricity customers,
- the professional public,
- decision-makers at the national and local levels,
- NGOs, and
- the media and other key stakeholders.

The World of Energy and collaboration with schools

The World of Energy uses comprehensive information and explanations, and interactive exhibits and experiments to bring energy technologies, nuclear energy in particular, closer to visitors and to spark interest in natural and technical sciences among young people, primarily through work programmes with talented pupils and students who GEN develops in cooperation with teachers and professors at primary and secondary schools in the Posavje region, and in collaboration with universities.

From the opening of the World of Energy in July 2011 to 31 December 2020, the aforementioned interactive multimedia centre on energy and energy technologies recorded 67,750 visitors. However, the number of visitors was down sharply in 2020, to just 3,526. In line with the recommendations of the Ministry of Health and National Institute of Public Health (NIJZ), we closed the doors to the centre on 9 March 2020 due to the increased risk of the spread of the new coronavirus. By the end of the year, we had turned back 77 previously planned groups or around 3,650 visitors. Through a prudent approach, the planning of activities and new video content, we were able to offer ‘remote’ visits to the World of Energy at the beginning of the new scholastic year. Virtual visits were organised modularly with the possibility of live participation in the form of video conferences. Schools can thus choose from previously prepared content to match their needs as a part of their regular curriculum, in the organisation of activity days or for work with talented pupils and students. The number of visits, both physical and virtual, was down by more than 50% relative to the same period due to the centre’s closure, in particular as the result of the fact that schools primarily organised various forms of remote learning and focused on basic content.

Due the specific conditions, the centre also cancelled, for the foreseeable future, open-house activities with guided tours and fun workshops in the World of Energy’s experimental lab, the purpose of which is to promote interest in science, technology and the energy sector among young people. During the year, before the declaration of the epidemic, the ‘Science of Pressure’ event was organised by the House of Experiments in Ljubljana.

The communication department used advanced technologies to strengthen awareness about the importance of the reliable supply of electricity, and about sustainable and renewable energy sources on social networks (Facebook) and the eSvet web portal, where comprehensive educational content about energy is available. The employees of the World of Energy also organised three webinars during the spring on the topic of energy literacy intended for teachers and mentors.

We prepared an interactive educational presentation on the journey of electricity from power plant to customer as part of the international Open Education for a Better World mentoring programme and participated in the virtual international conclusion of that programme under the title Open Education for SDG7: Affordable and Clean Energy, which was held on 30 June 2020 under the auspices of European Sustainable Energy Week organised by the European Commission.

In July, we gave a lecture on energy literacy at a meeting of the coordinators of the Eco-School programme. We organised five online lectures in the autumn on the topics of energy and the carbon footprint for students and their mentors in the scope of the Eco-School. At the end of November, we participated in the Slovenia-wide ‘Researchers’ Night 2020’ event with presentations of energy simulations. With the help of online events, we recorded 1,364 visitors in 2020.

On the web and social networks, we published the first in a series of entertaining-educational ‘Secrets of the World of Energy’ videos in December 2020. Those videos present household items that use electricity. We also recorded a corporate presentational video about the GEN Group and a series of video statements by management staff, through which we informed the general public about the sound functioning of power plants and positive operations of GEN Group companies during the difficult conditions brought about by the epidemic.

Awareness-raising projects in 2020:

"YOUNG IN THE WORLD OF ENERGY" PROJECT

Held since 2008, the nationwide 'Young in the World of Energy' contest is intended for Slovenian primary and secondary schools, and school centres. The creativity contest is available as an elective course for schools participating in the Eco-School programme. There was a shift to distance learning during the 2019/2020 scholastic year due to the epidemiological conditions. Distance learning was carried out during the spring when the contest would have otherwise been organised. There were thus fewer registrations and products (a total of 70 products) relative to previous years. A total of 130 primary and secondary school students and mentors who produced the best products during the 2019/20 scholastic year according to a panel of experts were recognised on 29 September 2020 for their participation in that contest during the Eco-Coordination of the Eco-School project. A new Young in the World of Energy contest was announced at the beginning of the 2020/21 scholastic year.

"YOUNG GENIUSES" QUIZ

In association with the NEK, we organised the 'Young Geniuses' project, a quiz on energy topics, for the seventh year in a row. During the 2019/20 scholastic year, the competition was intended for 3rd- and 4th-year students enrolled in vocational electrical and mechanical engineering secondary schools, technical high schools and the electronic communications technician programme. More than 200 students from 24 out of 48 such secondary school programmes from all over Slovenia participated in the quiz. We prepared e-materials for the competition and organised a series of preparatory events, which included all mentors and students visiting the World of Energy in Krško, where they saw an interactive exhibition on energy and energy technologies, and also gained new knowledge in practical workshops. The project did not proceed during the 2020/21 scholastic year due to the epidemiological conditions.

Supporting energy-related events and projects

In addition to in-house projects, events and other activities designed to promote knowledge of energy and the energy sector, GEN Group companies provided organisational, technical or financial support again in 2020 to various national, professional, business and educational/awareness-raising events and projects related to the energy sector.

Promoting broader support for nuclear energy is essential to GEN's further development in that field. For this reason, we have increased our participation in various public consultations and energy conferences, where we communicated in a focused manner and presented the JEK2 project. This was initially achieved through direct participation at live events and later via tailored online events following the lockdown. These included:

- several final public presentations of the NECP;
- online 'Supply and Consumption of Energy Over Time' consultations organised by the Slovenian Energy Association;
- online roundtables organised by the Energetika.net portal;
- the En.Odmev conference organised by Energetika.net;
- 'Energy and the Environment', 'Energy and the Law' and 'Energy Innovations' forums organised by Prosperia;
- the Days of Energy Managers conference organised by the Finance media outlet;
- the Posavje Forum organised by the Finance newspaper;
- lectures for doctoral students at the Faculty of Mathematics and Physics;
- lectures for students at the Faculty of Chemistry and Chemical Technology;
- a lecture for members of the Logatec Chapter of the Rotary Club on assistance for vulnerable groups and the overcoming of the recession;
- the international Nuclear Energy for New Europe conference;
- the international 'Energy Synergy (Nuclear & Renewable) and Hybrid Systems' online consultations organised by IFNEC;
- the international Young Generation Nuclear Conference; and
- an online scientific conference organised by the Serbian Academy of Science and Art entitled 'The Nuclear Option in the Energy Transition'.

Web portal on energy and the energy sector: eSvet

The eSvet web portal on energy and the energy sector, which we launched in 2014 in cooperation with technical partners (GEN Group companies, the University of Maribor, Jožef Stefan Institute, ELES and ARAO), provides curious online visitors with data-driven facts and figures regarding energy, its importance and use in everyday life, and the energy sources that we supply, with a special emphasis on electricity production sources and technologies and the importance of a reliable electricity supply, now and in the future. New visitors accounted for an average of 83.50% of all visitors, with more than 292,400 thousand page views. The eSvet portal was upgraded in 2016 with an online Energy Mix simulation, which allows every individual to try their hand at running Slovenia's power plants. The simulation is based on actual data and includes power plants currently available in Slovenia.

Partnerships, and corporate and project presentations

For more than a decade, we have been establishing and developing partnerships with organisations and individuals actively engaged in spreading knowledge of and raising interest in natural and technical sciences and energy topics, in particular with:

- primary and secondary schools and faculties across Slovenia (in particular the Faculty of Electrical Engineering of the University of Ljubljana, the Faculty of Electrical Engineering and Computer Science of the University of Maribor, the Faculty of Energy Technology of the University of Maribor, etc.);
- science centres (the House of Experiments in Ljubljana, the e-House in Nova Gorica, etc.); and
- other programmes and projects that promote sustainable development and energy literacy in Slovenian schools and at the international level.

We demonstrate our focus on transparency and openness for communication with interested parties through numerous presentations of our work and major development projects, most notably JEK2, at various industry and other events.

Sponsorships and donations

Through their energy production facilities and operations, GEN Group companies are closely linked to the local environments in which they operate. In line with our responsible operations, we strive to actively help formulate activities in local communities, particularly in the areas of education, science, sports, culture, charity, healthcare, environmental protection, humanitarianism and other areas. In choosing which area to support, we take a position with regard to the needs, expectations and interests of the local environment in which our companies operate and which their operations impact. In 2020, nearly 58% of all funds were earmarked for the local environments in which our companies operate, while 42% of funds were received by organisations throughout Slovenia.

Employees and intellectual capital

Content and organizational development of activities to enhance energy literacy and active employee engagement (overview by companies included in the GEN Group)

Social capital

Enhancing knowledge of energy and the energy industry among various target groups, primarily:

- school children and youth,
- local communities,
- electricity customers,
- specialist audiences,
- decision-makers at national and local level,
- non-governmental organisations,
- the media and other key stakeholders.

Support for energy projects and events.

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3

Activities to raise energy awareness

	Topics	Target audience	Results in 2020
GEN	• The World of Energy closed its doors to visitors on 9 March 2020. This was followed by intensive adaptations to the changing conditions and the transition to remote communication and the enhancement of digital communication. • World of Energy (guided tours, virtual tours, webinars, lectures for mentors, etc.). Projects in 2020: • Young in the World of Energy. • Young Geniuses energy competition (in cooperation with the NEK). • Five-day energy summer camp for secondary school students co-organized by the Faculty of Energy Technology of the University of Maribor. • Participation in the international Open Education for a Better World mentoring programme through the preparation of an interactive educational presentation on the journey of electricity from power plant to consumer (in Slovene and English). • Enhanced promotion of the eSvet web portal. • Participation in the European Researchers' Nights and the 'Night Has Its Power' project. • Presentation of technical professions in the scope of the Career Camp and online Career Days (organised by Krško Youth Centre) • Participation in Krško-Sevnica School Centre's Information Day. • Lectures regarding the energy sector and the role of nuclear energy for various interest groups (Association of Slovenian Businesswomen, the Logatec Chapter of the Rotary Club, companies, institutes, etc.),	School children and adolescents, teachers and professors/ mentors, families, the wider professional public, different interest groups (associations, companies, etc.).	• A total of 67,750 visitors from the opening of the centre until 31 December 2020; 3,526 visitors in 2020 (by the end of the year, we had turned back 77 previously planned groups or around 3,650 visitors following the closure of the centre in accordance with the recommendations of the NIJZ). • 1 live Saturday workshop and 1 online Saturday workshop. • 5 online lectures in the scope of the Eco School on the topic of the energy sector, with a total of 1,200 mentors and students. • Summer camp for 10 talented students in cooperation with the Faculty of Energy Technology at the University of Maribor (production of functioning models of robot vehicles). • More than 130 Slovenian children and adolescents took part in the Young in the World of Energy competition, and produced more than 70 products. • • More than 1,364 visitors to online events in the scope of the European Researchers' Nights and the 'Night Has Its Power' project. • More than 200 students from 24 out of a total of 48 registered secondary schools from all over Slovenia participated in the Young Geniuses quiz. • Lectures on the topics of the energy sector and nuclear energy were organised for around 200 representatives of the general public (companies, communities, associations, etc.).
NEK	• No guided tours were organised for groups in 2020. • Young Geniuses quiz (in association with GEN). • Participation in the Krško-Sevnica School Centre's Information Day, with a presentation about the company and GEN Group, and about the energy sector in general and the career opportunities we offer. • Communication with the professional and general public about the technical and environmental aspects of the NEK's operation and the energy industry. • Different aspects about the NEK's operations and contribution were also presented in the annual report of the Municipality of Krško regarding the use of fees for the restricted use of space.	Schools, faculties and other interested parties, the local population, students of Krško–Sevnica School Centre, etc.	• Regular cooperation with the Krško-Sevnica School Centre. • Regular cooperation with the local community.

	Topics	Target audience	Results in 2020
SEL	• Guided tours of existing large and small hydroelectric power plants, and the Završnica HPP Technical Museum.	Schools, faculties and expert/ professional associations. Local communities and other local stakeholders.	• There were very few visitors in 2020 (just 21) due to the extraordinary conditions as the result of the COVID-19 epidemic. • Acquisition of new knowledge about hydro energy, and past and present methods for producing electricity at HPP. • Promotion of hydroelectric power plants as both a carbon-free and renewable energy source, and their role in the transition to a low-carbon society. • Promotion of the sustainable use of hydro energy in the local environment.
HESS	• Guided tours of HPPs in the period January to 12 March 2020 (due to conditions in connection with COVID-19); no guided tours were offered over the rest of 2020. • Raising of public awareness regarding the importance of completing the national strategic multipurpose project of building a chain of HPPs on the lower course of the Sava River, both in terms of energy production and timely and comprehensive flood protection, the enrichment of underground waters, the establishment of conditions for buoyancy and other synergistic effects. • EU Water Contingency Management (WACOM) project in the Sava River Basin.	Elementary and secondary schools, students, local communities, professional associations, companies, groups of experts from Slovenia and abroad, representatives of the Slovenian government, Members of the National Council	• A total of 138 visitors to the Brežice HPP in the period January to March 2020. • Raising of awareness of the importance of RES, in particular hydro energy, in response to climate change, with an emphasis on the positive effects of multipurpose energy production projects, i.e. best practices in the construction of the HPP chain on the lower course of the Sava River. • RTV Slovenija included the documentary film 'Construction of a Chain of Hydro Power Plants on the Lower Course of the Sava River' in its programme scheme. The film can also be viewed on the company's website. It was first broadcast on 4 June 2020 and repeated several times. • Regular publication of newsletters and notifications on the website and social networks.
TEB	• Guided tours of the power plant. • Communication with the public about current events on the project to construct gas turbine unit 7. • Performance of compulsory on-the-job training.	Professional public, general public, local community, pupils and students.	• Three tours; total of 12 visitors • Notices on the TEB's website and in other media • 6 students completed compulsory on-the-job training
GEN-I	• Website: used to strengthen the recognition of the company and its brands; and the primary tool for attracting new customers. • In parallel with websites, the company also communicates actively through social networks. • Organisation of a meeting for large business consumers and a meeting with RES and CHP producers.	Customers, companies and other interested parties.	• Product-specific brand websites were set up for electricity end-customers: *Poceni elektrika, Poceni plin, Elektroenergija and Jeftina struja* The GEN-I Sonce website is accessible by potential investors in self-sufficient solar power plants.

10. Quality policy and safety assurance

GEN's quality policy is based on our mission and vision, and is in line with strategic pillars relating to the pursuit of GEN's sustainability policies, at the heart of which lie safety and knowledge.

10.1. Quality management system

All employees of GEN Group companies are directly included in quality management systems, while contractors and other stakeholders, who are required to act in accordance with established management systems, the principles of the safety culture, standards and other quality requirements, and business ethics, are included in those systems indirectly.

For several years now, GEN Group companies have held certificates according to the ISO 14001 (environmental management system), ISO 45001 and OHSAS 18001 (occupational health and safety system) and ISO 9001 standards.

The GEN Group places a great deal of emphasis on the rationalisation and optimisation of operations, and we generate synergies in all key processes. By making all of our employees part of the system and by understanding and managing that system, we continuously improve the company's performance and efficiency in the achievement of established goals, including goals relating to quality.

The table highlights some of the key activities in 2020 associated with the implementation, maintenance and development of management systems, and plans for 2021.

10.2. Top priority: continuous improvements to safety

Our safety culture, which is reflected in our unwavering commitment to safety, is the focal point of all levels of our responsible conduct:

- in demonstrating responsibility to local inhabitants and the environment in which we operate;
- in ensuring occupational health and safety, in both production and office settings; and
- in achieving the operational efficiency of the GEN Group's production facilities and the resulting business excellence.

Nuclear safety is our top priority in the pursuit of GEN's mission. The human factor is a key element of nuclear safety. It is thus vital to enhance knowledge and systematic training. Nuclear safety is ensured at all organisations that perform or are linked to the GEN Group's nuclear activities.

The safe functioning the NEK and the preparation of the JEK2 project are therefore a priority at all levels in the planning and implementation of decision-making and work-related activities. This includes the continuous monitoring of best practices in the field of nuclear safety on the global scale, and of the recommendations of the IAEA's Operational Safety Review Team (OSART). A great deal of attention is given to the modernisation of equipment, and to maintaining and improving the safety culture and awareness of all employees. On account of such approaches, the NEK ranks in the top quarter of nuclear power plants worldwide in terms of operational safety and stability.

At the beginning of the year, representatives of the NEK visited the Trillo Spanish power plant in the scope of a WANO support mission, the aim of which was to learn about best practices in the area of occupational health and safety at a power plant that could be applied to improve the NEK's practices in this area. At the end of 2020, the Nuclear Safety Administration confirmed the programme of the third periodic safety inspection of the Krško Nuclear Power Plant during the NEK's transition to long-term operations. For this reason, special emphasis is being placed on an inspection of the state of the power plant, readiness to extend the power plant's operating life and compliance with contemporary requirements, standards and best practices in the area of long-term operations. Based on the results of that periodic safety inspection, the Nuclear Safety Administration will determine whether the state of the facility ensures a sufficient level of nuclear safety for the next ten-year period of operations.

The excellence of work processes at the NEK and the recommendations received from the World Association of Nuclear Operators (WANO) are frequently the reason that the NEK is visited by numerous international expert teams wishing to learn about the NEK's best practices, follow the NEK's example and transfer findings to their own work processes. In the past, the NEK has welcomed representatives from Swedish, Spanish, Slovak and Dutch power plants during such visits. This speaks volumes of the NEK's high standing in the field of nuclear energy. This is confirmation of invested efforts and of the NEK's great responsibility to maintain such a good reputation in the future.

Activities in the area of quality management, environmental management and occupational health and safety systems

	Certificate	Implemented activities	Key plans for 2021
GEN	ISO 9001	• Internal assessment of the management system performed. • Management review performed. • Regular external assessment of the management system performed. • Implementation of recommendations issued by the certification organisation as opportunities for improvement.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of a follow-up external assessment of the management system. • Discussion of findings from the internal assessment and recommendations from the external assessment, and the implementation improvements to the management system.
NEK	ISO 14001	• In September 2020, an internal assessment of the environmental management system was performed in accordance with the ISO 14001:2015 standard, followed in October 2020 by a control assessment performed by an external certification organisation. • The findings of the internal assessment are implemented as part of the analysis in the context of the corrective programme. No instances of non-compliance were identified during the external recertification assessment, but some recommendations were made for the improvement of the environmental management system. The NEK was issued a new certificate of compliance with the ISO 14001:2015 standard. The validity of that certificate is three years.	• Maintenance and improvement of the environmental management system. • Compliance with the findings of the internal assessment of the environmental management system and the implementation of the recommendations made by the certification organisation for improving the system. • Identification of risks and opportunities in connection with environmental management. • Performance of an internal assessment of the environmental management system. • Management of identified environmental aspects and identification of potential new aspects. • Confirmation of the appropriateness and performance of the environmental management system during the first control assessment during the new three-year certification period. That system will be verified by an external certification organisation.
	ISO 45001	• The occupational health and safety system, which was introduced at the NEK in 2011 according to the BS OHSAS 18001:2007 standard, was upgraded and improved in a way that satisfies the requirements of the new ISO 45001:2018 standard. The previous standard is no longer in use. • In September, an internal assessment was performed in accordance with the ISO 45001:2018 standard, followed in October by an assessment performed by an external certification organisation, which confirmed the compliance of the occupational health and safety system with the aforementioned standard. • No instances of non-compliance were identified during the external recertification assessment, but several recommendations were made for the improvement of the occupational health and safety system. The NEK was issued an ISO 45001:2018 certificate.	• Review and analysis of the 2020 certification assessment report, and the implementation of recommendations in the occupational health and safety system. • Implementation of the OHS priority task 'Conducting Work Carefully and Safely', as set out in the document MD-1 Internal Policies and Goals – Five-year Development Plan. • Implementation of WANO activities. • Continued implementation of activities from the previous action plan. • Performance of ongoing tasks by the occupational safety department, which supports the management system and the implementation of occupational safety and health in practice.

	Certificate	Implemented activities	Key plans for 2021
SEL	Environmental management process (without ISO 14001 certification)	• Similar to all other processes at the company, this process was included in the internal assessment, management review and recertification for ISO 9001. • No findings were issued in connection with the environmental management process during the assessment. During the process, we followed the principles of the ISO 14001 standard and guidelines on sustainable hydro energy.	The substantive updating of the environmental management process is planned in 2021.
	The process of ensuring occupational health and safety, and fire safety (without OHSAS 18001 or ISO 45001:2018 certification)	• Similar to all other processes at the company, this process was included in the internal assessment, management review and recertification for ISO 9001. • No findings were issued during recertification with regard to the process of ensuring occupational health and safety, and fire safety. That process follows the principles of the OHSAS 18001 and ISO 45001:2018 standards, and various technical guidelines on fire safety. • The process of ensuring occupational health and safety was significantly affected by the new coronavirus, which causes COVID-19. Organisation and technical measures were adopted at the company to prevent the spread of the aforementioned infectious disease. Regularly planned activities were carried out in parallel.	The process of ensuring occupational health and safety, and fire safety will be monitored at the company in 2021 in the scope of the ISO 9001:2015 management system.

	Certificate	Implemented activities	Key plans for 2021
TEB	ISO 9001	• Internal assessment of the management system performed. • Management review performed. • Control assessment of the management system performed.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of a follow-up external assessment of the management system.
	ISO 14001	• Internal assessment of the management system performed. • Management review performed. • External control assessment of the management system performed.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of a follow-up external assessment of the management system.
	OHSAS 18001 and ISO 45001	• Internal assessment of the management system performed. • Management review performed. • External control assessment of the management system performed in accordance with OHSAS 18001.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of a follow-up external assessment of the management system in conjunction with the transition to ISO 45001. • Pursuit of goals and implementation of the work plan for the current year in the areas of occupational health and safety, and fire safety.
	EFQM	• Receipt of national recognition for business excellence ('Recognised for Excellence 4 Stars').	• Continuation of operations in terms of sustainable development, and further improvement in the achieved level of business excellence in the future according to the EFQM.

Infrastructural capital

Security aspects of NEK operations and the preparation of the JEK2 project:

- keeping track of best experiences in nuclear safety,
- equipment modernisation,
- evaluation of operational safety and work processes (International Atomic Energy Agency, IAEA).

Natural capital

Activities in the environmental management system, as per the ISO 14001 standard

Employees and intellectual capital

Quality management systems and direct inclusion of all employees

Safety culture – at the centre of all levels of responsible conduct:

- nuclear safety as the highest priority,
- maintaining and raising the safety culture and awareness of all employees.

Activities relating to the occupational health and safety system

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

11. Management of risks and opportunities

Organisations of all types and sizes face internal and external factors and influences that cause uncertainty and distract them from established goals. The effect of this uncertainty with respect to the goals of the organisation are risks that must be appropriately controlled and managed. This is particularly true for companies operating on the open market. Awareness of this fact leads to the implementation of risk management methods, both at the level of the company and at the level of individual organisational units. In addition to risks, we must also recognise the positive effects on operations, which are defined as opportunities in accordance with the ISO 9001 standard. Here, we must not forget that identified opportunities again bring new risks. The goal of the organisation is to manage both positive and negative effects on the operations of the organisation, or in other words, the management of risks and opportunities, which forms an integral part of governance. GEN has been addressing risks and opportunities since the day it was established. The company has in place a management system that is in line with the ISO 9001 standard and amendments thereto, based on which the company must also meet quality requirements in the areas of managing risks and identifying opportunities.

All risks were successfully managed in 2020, despite the challenges brought about by the COVID-19 epidemic. Immediately following the outbreak of the epidemic in Slovenia, GEN reviewed risks and drew up internal stress tests that were used to define events and their potential consequences on GEN's operations. The risk committee met in April to discuss that topic, with senior management invited to attend that session by the committee's chair. A special document drafted by the committee defined potential consequences for GEN's operations and briefed senior management accordingly.

GEN addresses all identified risks and opportunities and defines them in its adopted **Risk and Opportunity Management Rules**, taking into account the requirements of the company and the context in which it operates. The risks and opportunities identified by the company are recorded in the risk and opportunity register.

The GEN Group classifies risks and opportunities into five categories:

- **strategic risks and opportunities**
- **project risks and opportunities**
- **business risks and opportunities**
- **operational risks and opportunities**
- **financial risks and opportunities**

11.1. Strategic risks and opportunities

The pursuit of sustainable development is an integral part of the business strategy of GEN energija. We have identified three pillars of sustainable development, at the heart of which are knowledge and safety. In each of these areas, we continuously strive for improvements with the aim of minimising potential negative impacts and maximising the positive effects our operations have on the environment and society.

The most important risks and opportunities for GEN's operations relate to ensuring safe, and reliable and stable electricity production at subsidiaries, as the survival and development of GEN depend on it. Regulatory risks imposed on business entities by the government have been growing recently, and include new taxes and tax hikes, broader access to information of a public nature, the Slovenian Nuclear Safety Administration policy, etc.

The Krško Nuclear Power Plant (NEK) is the central energy production facility in the Group and in the country. Because we, as owners of the Slovenian element of the facility, acknowledge risks and our responsibility 24 hours a day, 365 days a year, we monitor its operation on multiple levels.

We indirectly monitor the functioning of facilities by holding regular coordination meetings with the management staff of Group companies, through the regular operational meetings of those companies, and by appointing experts to the supervisory and management boards of Group companies and to various task forces.

Corporate governance by the founder

Capital asset management, conducted by Slovenski državni holding, d.d. (hereinafter: Slovenian Sovereign Holding or SSH), is an important aspect of strategic risk management. Pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 105/2012, with amendments), SSH is responsible for managing capital assets owned either by the Republic of Slovenia or by SSH itself. The term capital asset management encompasses the acquisition and disposal of investments, the exercising of shareholder or partner rights, and all other legal acts in accordance with the Companies Act (ZGD-1). Based on this legal title, SSH also manages the Republic of Slovenia's capital investment in GEN.

SSH exercises partner rights pursuant to the ZGD-1, taking into account other acts that contain best corporate governance practices as adopted by SSH itself (in particular the Code on the Management of Capital Assets of the Republic of Slovenia) or by expert associations (in particular the Corporate Governance

Code). SSH also complies with acts expressing its positions on certain aspects of governance (in particular the Recommendations of the Manager of Indirect and Direct Capital Assets of the Republic of Slovenia and SSH's annual guidelines for voting at companies' general meetings).

SSH performs its governance function:

- by convening regular and special general meetings;
- by appointing and recalling supervisory boards;
- through regular quarterly reports, and planning information for the next three years;
- through regular half-yearly meetings with the company's Supervisory Board and/or senior management. Such meetings facilitate a more direct discussion about current issues and the quicker definition of measures to resolve potential problems;
- through potential feedback to the company from SSH, where a written document may be submitted with comments, recommendations and positions regarding future operations and the achievement of established goals;
- through meetings in the event of unforeseen, particularly important events that may impact the achievement of established goals and the company's value;
- by adopting measures in the event that the company is lagging significantly behind its confirmed business plans; and
- if required, SSH may also employ other means of gathering information to help it get a better picture of the company's operations (e.g. cooperation with auditors).

The company is actively governed with the aim of achieving business results that are in line with performance indicators. The emphasis of active governance is on the efficiency of operations in an effort to maximise profits and control costs across the entire Group. The goal of active governance is to increase the company's profitability, and to promote the development and renovation of the energy infrastructure. The company is required to employ its investment capital potential for the implementation of energy projects to ensure the reliable, safe and stable functioning of the national electric power grid. The renovation and expansion of subsidiaries' production capacities is monitored through annual and quarterly operating reports and business plans.

Whether the expected profitability will be achieved depends to a great extent on the market price of electricity, on the basis of which revenues are generated on the one hand, and costs incurred and investments made on the other. We ensure expected profitability through appropriate planning and by following our strategy in the sale of electricity products.

Environmental and sustainability risk

Environmental risks primarily relate to ecological damage that may occur to the natural environment and the GEN Group's facilities. The greatest risks occur due to accidents (machine breakdowns, the collapse of buildings, threats to the safety and health of employees, etc.) that result in fire, a threat to the safety of an entire facility and adjacent structures, an ecological disaster (oil and lubricant spills, acid spills and emissions of other hazardous substances), increased flow rates or even flood waves. Companies manage these types of risk through the preventive and predictive maintenance of technological systems, regular periodic particulate emission/concentration measurements, regular daily inspections of production facilities and wastewater flow measurements.

Given the importance of nuclear energy for the operations of the Group and for maintaining greenhouse gas emissions at a low level in Slovenia, the most attention is given to ensuring effective risk management in the area of nuclear safety. Special attention is given to ensuring and verifying the implementation of regulations and standards governing nuclear technology. Key in this regard is the continuous monitoring of global best practices in the area of nuclear safety, and recommendations from WANO and OSART missions and the implementation of those recommendations in the modernisation of the NEK.

Based on its environmental policy, the GEN Group is committed to producing electricity in an ecologically acceptable manner, taking into account the commitments set out in the Kyoto Protocol on the reduction of greenhouse gas emissions. Nuclear energy is one of the energy sources that can make this happen. And it is precisely nuclear energy from the NEK that is essential to the successful and environmentally friendly operation of the entire Group. Renewable energy sources are an important strategic source of primary energy. In its awareness of the importance of renewable energy sources, GEN added hydroelectric power plants on the Sava River to the Group through the acquisition of SEL and through active participation in the construction of hydroelectric power plants on the lower course (HESS) and the middle course (SRESA) of the Sava River. Hydro energy is the most widely used renewable energy source in Slovenia. With the construction of hydroelectric power plants on the Sava River, almost all potential for producing electricity from hydro energy will be exhausted. In addition to investments in hydroelectric power plants, the company has installed a solar power plant on GEN's Information Centre to promote further investments in renewable sources. GEN's production portfolio is complemented by the Brestanica Thermal Power Plant (TEB), which uses natural gas and extra light fuel oil, the most environmentally acceptable fossil fuels, to produce electricity.

11.2. Project risks and opportunities

Project risks and opportunities are identified and managed separately for each project (e.g. HESS, JEK2, SRESA).

Investment risks

The functioning of the NEK is crucial to GEN's current operations and to the development of nuclear technology in Slovenia. For this reason, the functioning of the NEK must be monitored at all levels. Employee education and training play a vital role in this respect.

Given the importance of the JEK2 project to the national economy, the company has been exposed to general risks from the outset, most notably risks in connection with the political decision to implement the project and define it as part of the national strategic programme on the one hand, and with the social acceptability of the project on the other.

The company strives to manage general risks by presenting the relevant institutions, the Slovenian government and the social environment with factors relating to the justification and national strategic importance of the JEK2 project, which serve as the basis for making the necessary decisions to move ahead with the construction of JEK2.

In addition to general risks, the company also identified risks associated with the JEK2 project, should the facility actually be constructed. Major risks associated with the JEK2 project are:

- risks in connection with the development of the JEK2 project;
- risk relating to the implementation of the JEK2 project, the most notable being risks in connection with the financing of the JEK2 project and the recruitment of appropriately qualified staff; and
- risks relating to the functioning of JEK2.

If a decision is made to go ahead with the JEK2 project, the associated risks will be managed and controlled separately. A risk management manual for the JEK2 project has already been drafted.

The monitoring of and participation in the construction of hydroelectric power plants on the Sava River are important elements of risk management for GEN and SEL. Risk management will play a particularly important role during the construction of hydroelectric power plants on the middle course of the Sava River, which is expected to require the participation of employees from the aforementioned companies.

Investments in gas turbine units are important in terms of ensuring a backup power supply for the NEK and potentially for JEK2, and as a potential backup source for the grid and for ensuring the flexibility of the production portfolio.

11.3. Business risks and opportunities

Business risks and opportunities relate to GEN's core business processes.

Market or price risks and opportunities

Market or price risks and opportunities are the result of uncertain trends in energy prices on the global market, which in turn affects electricity prices both at home and abroad.

GEN mitigates its exposure to market risks and opportunities through an electricity sales strategy that is basically constant, and to a lesser extent developed, supplemented and adapted each year to market conditions. According to its adopted strategy, GEN sells the majority of its planned production before the start of the year in which it is supplied. In this way, the company significantly mitigates price risks, so that it is only exposed to unplanned outages of its production units (in particular the NEK) and hydrological conditions that deviate from projections. Forward contracts and various exchange-traded financial instruments are also used to hedge against fluctuations in electricity prices. At the Group level, we are exposed to price risks and opportunities when we have open positions, i.e. when a difference (in quantity and value) arises between purchase and sales quantities in a given supply period. Changes in prices may result in a decrease or increase in the value of the portfolio. Positions should be continuously closed to effectively reduce price risks. When every transaction is concluded, we generally make a simultaneous counter-transaction with the appropriate characteristics designed to hedge positions against price fluctuations. A counter-position is concluded on a market where the price is highly correlated with the price on the market of the underlying transaction. If this is not possible, we strive to mitigate the risk of a change in the difference in price between two markets by purchasing cross-border capacities.
The risk management policy defines the maximum open position of an individual portfolio based on the VaR (Value at Risk) method, as well as the maximum portfolio loss in proprietary trading.

The risks associated with sales of electricity for ancillary services have proven to be significant in the past, as the tender for ancillary services announced by ELES allowed foreign providers to bid for larger quantities of tertiary frequency control. We successfully mitigated these risks by selling the majority of those services on a long-term basis.

Risk is present in connection with the opportunity presented by positive changes in the price of electricity if the company does not close open positions promptly. In simple terms, if the company, after selling a particular quantity of electricity in advance, does not purchase that same quantity on the forward market, it has the opportunity to close electricity prices at lower levels in that part of the position that remains open, and vice versa: if the company has purchased more electricity than needed, it has the opportunity to sell it at a price higher than the purchase price, which results in additional positive effects on the company's year-end results.

Changes in electricity prices represent one of the biggest opportunities for GEN, as it owns production units, based on which it has a naturally long position. However, it is precisely on account of the stable operations of its production units that it is able to predict with a great deal of certainty what quantities will be available to it, which the company can turn to its advantage over traditional traders who only trade in electricity.

Quantity risks

Quantity risks are risks associated with produced and purchased electricity, and arise as the result of the difference between the planned and actual quantity of electricity. Quantity risks may be internal risks that relate to technological and logistic limitations in production and the timely procurement of energy products, or external risks that primarily relate to weather and hydrological conditions. The company is primarily exposed to these risks in open contracts.

Risks associated with electricity production relate to the electricity produced by production companies. Of particular importance in this regard is the risk associated with the potential outage of the NEK as the most important energy production facility in terms of quantity. We strive to manage this risk by creating provisions on the purchase side and through the production price of the TEB on the sales side as the marginal price that GEN would have to pay for alternative energy and the reserve created for that purpose. The risks associated with electricity purchased from other sources relate to the electricity purchased by GEN from sources outside of the Group.

Each company manages the internal risks associated with their production facilities based on their many years of experience and expertise, by organising regular employee training, by following proven methods of running a production facility, by performing major overhauls, etc. NEK, SEL, TEB and HESS ensure the uninterrupted functioning of their production units and other electricity production devices by performing regular maintenance work and controls of devices (measurements, mechanical diagnostics, etc.).

The GEN Group pays considerable attention to mitigating and managing external risks. For this purpose, the Group has in place the appropriate IT support for the long- and short-term forecasting of electricity consumption and supply profiles, and for the daily monitoring of variations in quantity at the majority of its consumption and supply points. GEN's Control Centre plays a key role in this regard.

At the GEN Group level, quantity risks also arise in the supply of energy products. Group companies manage these risks by creating appropriate inventories and by implementing activities in this area in a timely manner.

11.4. Operational risks and opportunities

Operational risks and opportunities are present in all business processes. These are risks that could lead to financial damage for the Group due to inefficient business processes and ineffective controls.

We mitigate process risks at the GEN Group level using a control system that requires all important transactions to be carried out according to the principle of at least 'four eyes'. Operational opportunities bring about innovations in process management. The Group manages these risks and opportunities through clearly defined business processes, unambiguously defined roles, responsibilities and authorisations, and codes and rules.

Risks in connection with the failure of IT or telecommunication networks are managed through the redundancy of key network components, and regular maintenance and upgrades. Those networks are also covered by appropriate support and assistance regimes that ensure timely replacement in the event of failure. The redundancy of all important communication channels has also been ensured.

Risks associated with information security have been identified, while coordinated activities for the elimination of those risks are carried out in the scope of analysing risks and opportunities.

Legal risks

Legal risks relate to losses incurred due to breaches of or failure to comply with laws, regulations, instructions, recommendations, valid agreements and contracts, best practices, or ethical standards. Companies manage these risks primarily by defining contractual terms and conditions as precisely as possible.

Risks also arise frequently due to vague legal bases or sudden changes in legislation. The company strives to mitigate these risks by regularly monitoring legislative changes and by carefully studying those changes before they are transposed into law.

Human resource risks

HR planning involves identifying the company's need for human resources and planning activities to recruit the necessary employees. For the prudent and cost-efficient planning of human resources at the company, this process must include all responsible management staff.

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

The management of these risks is particularly important for the GEN Group due to its rapid growth and expansion to new markets. In order to implement business plans, employees are expected to continuously expand their existing knowledge and skills and to acquire new knowledge and skills, and to be effective team players, show a high degree of flexibility and dynamism, to take initiative, and to establish excellent interpersonal relations and communications.

11.5. Financial risks and opportunities

Liquidity risk arises when the company is unable to settle its current obligations, possibly due to different payment terms on the purchase and sales sides. Companies apply the principle of matching payment terms for purchases and sales of similar substance, or ensuring that payment terms for purchases are longer than payment terms for sales. Group companies manage liquidity risks through well-defined contractual provisions, by regularly and precisely planning cash flows on a daily, monthly and yearly basis, by verifying contractual partners and their solvency, and through the prudent and safe placement of surplus cash. At the Group level, we further mitigate liquidity risk:

- through the diversification of financial liabilities;
- through the continuous matching of the maturities of receivables and liabilities;
- by limiting exposure to partners known to be unreliable payers; and
- through the consistent collection of past-due receivables.

In the event of unplanned liabilities, a portion of the company's funds are placed in the form of call or overnight deposits, with which it can settle obligations without delay. These funds will also be used if any associates encounter trouble securing liquid funds on the market.

Companies are also exposed to risks associated with the management of surplus cash. Given the situation on the financial markets, we are also aware of the risk of financial loss due to low, even negative interest rates offered by banks for the placement of surplus cash. To manage these risks, GEN has in place an investment strategy that serves as the basis for more effective investment risk management.

Credit risk is risk that arises when a business partner fails to settle their physical (agreed supply/delivery of a certain quantity of electricity) or financial obligations (failure to settle contractual obligations or the repayment of loans to others, i.e. deposits). Such failure affects the ability of companies to settle their other obligations to contractual partners.

Companies manage credit risks by thoroughly verifying the credit ratings and liquidity positions of their existing and potential business partners and banks, by having a clearly defined debt collection procedure and reminder system in place, and by concluding contracts with the appropriate collateral (e.g. bills of exchange and bank guarantees).

The level of assessed risk primarily depends on a partner's business results, in particular the level of their debt, short-term liquidity, solvency indicators and profitability indicators. A great deal of importance is given to obtaining up-to-date information from the market, as various market and regulatory changes may cause a partner's status to change quickly.

Interest-rate risk is a financial risk to which businesses are exposed in varying degrees in the roles of borrower and lender. Interest-rate risk means the possibility of the loss of revenue or an increase in expenses due to unfavourable movements in market interest rates. Unfavourable movements can be both an increase and a decrease in the interest rate. If a company needs money to implement a specific project, a rise in the interest rate represents an unfavourable change. A fall in the interest rate, however, may also represent a negative change if a company lends its surplus cash on the market. In terms of investing, interest-rate risk means that the value of an investment might decrease due to changes in market interest rates.

Understanding the money market and how it functions is crucial to understanding interest-rate risk. Interest rates are constantly changing on the money markets as a result of the supply and demand for money and other macroeconomic factors (e.g. inflation and the overheating of the economy). The interest rate is essentially the price of money which, like the price of any other commodity, is influenced by the supply-demand relationship, and responds to change in exactly the same way as any other price.

From the point of view of both lender and borrower, interest-rate risk is most frequently managed through the use of various financial instruments aimed at reducing negative effects as the result of changing market interest rates. As a rule, the extent of exposure to interest-rate risk depends on the proportion of financial liabilities and financial investments at a company: a higher proportion also means higher exposure.

The management of strategic, market, quantity, financial, HR, legal, operational, investment, and project risks is closely related to all five capital assets from which GEN Group creates value for its stakeholders in the short, medium, and long term.

A comprehensive overview of links between capitals and financial and non-financial information on the operations of the GEN Group in 2020 (Business Report) is provided in chapter V.3.

Currency risk is present in electricity trading and in the trading of cross-border transmission capacities. Subsidiaries' equity and loans are also exposed to currency risk. The company is primarily exposed to currency risk in international transactions and in operations with countries with an official currency other than the euro. This primarily entails exposure to exchange rate differences that occur between the conclusion of a contractual relationship and the moment the contractual sum is paid.

III FINANCIAL REPORT OF GEN ENERGIJA

1. Independent auditor's report

Deloitte.

INDEPENDENT AUDITOR'S REPORT
to the owners of the company GEN energija d.o.o.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the company GEN energija d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Group Accounting Policy as described in Note 4.2. *Basis for the compilation of consolidated financial statements* and 4.3. *Significant accounting policies of the GEN Group* in the notes to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical requirements responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAKING AN
IMPACT THAT
MATTERS

Deloitte.

Emphasis of matter – basis for accounting

We draw your attention to the Note 4 »*Basis for the drawing-up of consolidated financial statements*« to the financial statements describing the basis for accounting. The Group conducts its accounting for the purposes of preparing consolidated financial statements of the GEN group and compiling an annual report of the GEN Group in accordance with the Treaty between the Government of the Republic of Slovenia and the Government of the Republic of Croatia on the regulation status and other legal relationships related to investing in the Krško nuclear power plant, its exploitation and decommissioning, applicable legislation and IFRSs, as adopted by the European Commission, in accordance with the interpretations released by the International Financial Reporting Interpretation Committee and adopted by the EU in sections not explicitly governed by the Intergovernmental released by the Interstate Treaty.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derivatives and Hedge Accounting

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, the Group's assets comprise EUR 18,041 thousand of derivatives, which are used primarily to manage and protect market risks and currency risks. As disclosed in Note 4.3.4. Derivatives, they are measured at fair value, and changes in fair value are generally recognized in profit or loss. When measuring fair value, management determines the appropriate fair value calculation and hedge accounting policy/methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observable inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	As part of our audit procedures, we assessed the adequacy of the Group's accounting policies relating to the recognition of derivative financial instruments and their compliance with accounting principles, and performed the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing of the usability and accuracy of hedge accounting on the basis of a sample; - appropriateness of disclosures relating to the management of financial risks, derivatives and hedge accounting. Within the audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the group are accurate. The disclosures relating to this matter are presented in Section 5.10. Current financial assets and 6.2.5. Commodity price risk and hedge accounting.

Deloitte.

Other matter

The financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unqualified opinion on those statements on May 6, 2020.

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the consolidated financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting policies of the Group, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

With those charged with governance, we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the audit period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of Auditor and Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Group on General Shareholders' Meeting held on 7 December 2020. Our total uninterrupted engagement has lasted one year.

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Confirmation to Those Charged with Governance

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to those charged with governance of the Company, which we issued on 10 May 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

The engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Tina Kolenc Praznik.

DELOITTE REVIZIJA d.o.o.
Dunajska cesta 165
1000 Ljubljana

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 10 May 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

2. Statement on the responsibilities of senior management

The senior management is responsible for compiling the annual report of GEN that provides a true and fair picture of the company's financial position and operating results for the financial year that started on 1 January 2020 and ended on 31 December 2020.

The senior management hereby confirms that appropriate accounting policies were consistently followed and that accounting estimates were made in accordance with the principles of prudence and due diligence. It also confirms that the financial statements and accompanying notes were compiled on the assumption of a going concern and in accordance with the Intergovernmental Agreement on the NEK and the Slovenian Accounting Standards in sections not explicitly governed by the Intergovernmental Agreement on the NEK.

The senior management is responsible for ensuring proper accounting practices, for adopting the appropriate measures to protect assets, and to prevent and identify fraud and other irregularities or illicit activities.

The tax authorities may audit the company's operations at any time in the five years following the end of the year in which taxes were assessed, which might give rise to additional tax liabilities, default interest and penalties in respect to corporate income tax, or other taxes and levies. The senior management is not aware of any circumstances that might result in a material liability in this respect.

The financial statements of GEN for the financial year ending 31 December 2020 were approved by the senior management on 5 May 2021.

Vrbina, 5 May 2021

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

Danijel Levičar
COO, GEN energija d.o.o.

3. Introductory notes on the compilation of the financial statements

GEN is obligated to compile separate financial statements in accordance with the provisions of the Intergovernmental Agreement on the NEK and the Slovenian Accounting Standards in sections not explicitly governed by the Intergovernmental Agreement on the NEK.

The financial statements and accompanying notes were audited by Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana, which also drafted the independent auditor's report included in the introductory section of the financial report.

4. Financial statements

4.1. Balance sheet

Balance sheet – assets (in EUR)	Notes	31 December 2020	31 December 2019
ASSETS		634,934,444	589,638,711
Non-current assets		515,411,347	493,918,365
Intangible assets, and non-current deferred expenses and accrued revenue	**7.1**	**484,243**	**475,349**
Intangible assets		478,104	455,394
Long-term property rights		441,454	114,319
Other intangible assets		36,650	341,075
Non-current deferred expenses and accrued revenue		6,139	19,955
Property, plant and equipment	**7.2**	**19,036,081**	**18,799,055**
Land and buildings		5,586,912	5,888,619
Land		485,788	485,788
Buildings		5,101,124	5,402,831
Other plant and equipment, small inventory and other property, plant and equipment		627,108	592,389
Property, plant and equipment in acquisition		12,822,061	12,318,047
Non-current financial assets	**7.3**	**488,919,067**	**468,232,467**
Non-current financial assets, excluding loans		485,419,067	468,232,467
Shares and participating interests in Group companies		290,142,388	291,325,953
Shares and participating interests in associates and joint venture		194,957,413	176,782,413
Other shares and participating interests		319,266	124,101
Long-terms loans		3,500,000	0
Long-term loans to others		3,500,000	0
Non-current operating receivables		**203,787**	**0**
Non-current operating receivables from others		203,787	0
Deferred tax assets	**7.4**	**6,768,169**	**6,411,494**

Balance sheet – assets (in EUR)	Notes	31 December 2020	31 December 2019
Current assets		**119,424,729**	**95,509,800**
Current financial assets	**7.5**	**50,716,078**	**57,815,442**
Current financial assets, excluding loans		0	195,164
Other shares and participating interests		0	195,164
Short-term loans		50,716,078	57,620,278
Short-term loans to others		50,716,078	57,620,278
Current operating receivables	**7.6**	**32,010,252**	**26,994,109**
Current operating receivables from Group companies		19,795,965	19,799,344
Current trade receivables		5,834,349	3,061,370
Current operating receivables from others		6,379,938	4,133,395
Cash and cash equivalents	**7.7**	**36,698,399**	**10,700,249**
Current deferred expenses and accrued revenue	**7.8**	**98,368**	**210,546**

The notes are a constituent part of the financial statements and must be read in connection with them.

4.2. Balance sheet - continued

Balance sheet – equity and liabilities (in EUR)	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES		**634,934,444**	**589,638,711**
Equity	**7.10**	**522,710,449**	**486,730,678**
Called-up capital		**250,000,000**	**250,000,000**
Share capital		250,000,000	250,000,000
Share premium		**131,756,895**	**131,756,895**
Revenue reserves		**113,386,501**	**86,362,960**
Legal reserves		2,605,980	2,605,980
Other revenue reserves		110,780,521	83,756,980
Fair value reserves		**-264,855**	**-80,810**
Retained earnings		**5,000,000**	**5,000,000**
Net profit or loss for the financial year		**22,831,908**	**13,691,633**
Provisions, and non-current accrued expenses and deferred revenue		**71,239,641**	**67,486,084**
Provisions, and non-current accrued expenses and deferred revenue	**7.12**	**71,239,641**	**67,486,084**
Provisions for severance payments and long-service bonuses		1,096,541	748,744
Other provisions		70,142,833	66,736,833
Non-current accrued expenses and deferred revenue		267	507
Non-current liabilities		**110,672**	**252,804**
Non-current operating liabilities		**110,224**	**252,356**
Non-current operating liabilities from advances		65,990	203,931
Other non-current operating liabilities		44,234	48,425
Deferred tax liabilities		**448**	**448**
Current liabilities		**40,007,478**	**34,394,999**
Current financial liabilities	**7.13**	**11,865,608**	**13,069,452**
Current financial liabilities to Group companies		0	1,183,564
Other current financial liabilities		11,865,608	11,885,888
Current operating liabilities	**7.14**	**28,141,870**	**21,325,547**
Current operating liabilities to Group companies		8,186,177	7,958,348
Current trade payables		11,097,213	8,964,438
- domestic		11,097,213	8,964,438
Other current operating liabilities		8,858,480	4,402,761
Current accrued expenses and deferred revenue	**7.15**	**866,204**	**774,146**

The notes are a constituent part of the financial statements and must be read in connection with them.

4.3. Income statement

Income statement (in EUR)	Notes	2020	2019
Net sales revenue	**7.17**	**227,655,344**	**206,131,016**
On the domestic market		227,447,041	205,919,122
On the EU market		208,303	211,894
Other operating revenue	**7.17**	**1,147,241**	**27,482**
Total operating revenue		**228,802,585**	**206,158,498**
Total operating expenses		**175,195,781**	**175,107,156**
Cost of goods, materials and services	**7.20**	**154,720,646**	**155,018,415**
Historical cost of goods and materials sold		152,774,677	153,010,484
Costs of materials used		160,500	155,632
Costs of services		1,785,469	1,852,299
Labour costs	**7.20**	**4,481,368**	**4,053,530**
Wages and salaries		3,366,510	3,104,351
Social security costs		670,886	617,861
Other labour costs		443,972	331,318
Write-downs	**7.20**	**721,808**	**855,334**
Amortisation of intangible assets and depreciation of property, plant and equipment		719,268	692,188
Revaluation operating expenses for intangible assets and property, plant and equipment		2,540	163,146
Other operating expenses	**7.20**	**15,271,959**	**15,179,877**
Operating profit or loss		**53,606,804**	**31,051,342**
Financial income from shares and participating interests	**7.18**	**2,511,791**	**2,511,791**
Financial income from participating interests in Group companies		2,500,000	2,500,000
Financial income from participating interests in other companies		11,791	11,791
Financial income from loans granted	**7.18**	**34,334**	**55,675**
Financial income from loans to others		34,334	55,675
Financial income from operating receivables		**1**	**349**
Financial income from operating receivables from others		1	349
Financial costs for financial liabilities		**199,271**	**263,869**
Financial costs for other financial liabilities		199,271	263,869
Financial costs for operating liabilities		**4,744**	**9,940**
Financial costs for trade payables		2	0
Financial costs for other operating liabilities		4,742	9,940
Other revenue		**905**	**5**
Other expenses		**159,382**	**115,848**
Total profit or loss		**55,790,438**	**33,229,505**
Taxes	**7.22**	**10,126,622**	**5,846,239**
Corporate income tax		10,463,977	6,456,587
Deferred taxes		-337,355	-610,348
Net profit or loss for the period		**45,663,816**	**27,383,266**

The notes are a constituent part of the financial statements and must be read in connection with them.

4.4. Statement of other comprehensive income

Statement of other comprehensive income (in EUR)	2020	2019
Net profit or loss for the period	**45,663,816**	**27,383,266**
Changes in fair value reserves	-184,045	-60,800
Total comprehensive income for the period	**45,479,771**	**27,322,466**

The notes are a constituent part of the financial statements and must be read in connection with them.

4.5. Cash flow statement – version II

Cash flow statement (version II; in EUR)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income statement items	**51,510,094**	**31,603,507**
Operating revenue (excluding revaluation) and financial income from operating receivables	228,800,948	206,158,852
Operating expenses without amortisation/depreciation (excluding revaluation) and financial costs from operating liabilities	-170,690,687	-167,981,426
Corporate income tax and other tax not included in operating expenses	-6,600,167	-6,573,919
Changes in net working capital under balance-sheet operating items	**-3,008,167**	**-3,060,748**
Opening less closing operating receivables	-5,220,269	-3,806,059
Opening less closing accrued revenue and deferred expenses	125,994	-117,678
Opening less closing deferred tax assets		
Closing less opening accrued expenses and deferred revenue, and provisions	-285,842	257,533
Closing less opening deferred tax liabilities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows from investing activities	**81,356,175**	**63,823,881**
Inflows from interest and shares in profits of others related to investing activities	2,550,325	2,558,584
Inflows from the disposal of intangible assets		
Inflows from the disposal of investment property		
Outflows for investing activities	**-94,359,952**	**-86,543,088**
Outflows for the acquisition of intangible assets	-178,052	-414,566
Outflows for the acquisition of property, plant and equipment	-606,900	-428,522
Outflows for the acquisition of financial assets	-93,575,000	-85,700,000
Net cash flow from investing activities	**-13,003,777**	**-22,719,207**
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows from financing activities	**219,551**	**238,500**
Inflows from paid-in capital		
Outflows for financing activities	**-9,719,551**	**-7,238,500**
Outflows for interest related to financing activities	-219,551	-238,500
Outflows for the repayment of capital		
Net cash flow from financing activities	**-9,500,000**	**-7,000,000**
Closing balance of cash and cash equivalents	**36,698,399**	**10,700,249**
Net cash flow for the period	**25,998,150**	**-1,176,448**
Opening balance of cash and cash equivalents	**10,700,249**	**11,876,697**

The notes are a constituent part of the financial statements and must be read in connection with them.

4.6. Statement of changes in equity

Statement of changes in equity for 2020 (in EUR)	Share capital	Share premium	Legal reserves
Balance at 1 January 2020	**250,000,000**	**131,756,895**	**2,605,980**
Changes in equity – transactions with owners	**0**	**0**	**0**
Payment of dividends	0	0	0
Total comprehensive income for the reporting period	**0**	**0**	**0**
Entry of net profit or loss for the reporting period	0	0	0
Changes in reserves due to the valuation of financial assets at fair value	0	0	0
Changes within equity	**0**	**0**	**0**
Other changes within equity	0	0	0
Balance at 31 December 2020	**250,000,000**	**131,756,895**	**2,605,980**

Statement of changes in equity for 2019 (in EUR)	Share capital	Share premium	Legal reserves
Balance as at 1 January 2019	**250,000,000**	**131,756,895**	**2,605,980**
Changes in equity – transactions with owners	**0**	**0**	**0**
Payment of dividends	0	0	0
Total comprehensive income for the reporting period	**0**	**0**	**0**
Entry of net profit or loss for the reporting period	0	0	0
Changes in reserves due to the valuation of financial assets at fair value	0	0	0
Changes within equity	**0**	**0**	**0**
Other changes within equity	0	0	0
Balance at 31 December 2019	**250,000,000**	**131,756,895**	**2,605,980**

The notes are a constituent part of the financial statements and must be read in connection with them.

Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total
83,756,980	-80,810	18,691,633	0	486,730,678
0	0	-9,500,000	0	-9,500,000
0	0	-9,500,000	0	-9,500,000
0	-184,045	0	45,663,816	45,479,771
0	0	0	45,663,816	45,663,816
0	-184,045	0	0	-184,045
27,023,541	0	-4,191,633	-22,831,908	0
27,023,541	0	-4,191,633	-22,831,908	0
110,780,521	-264,855	5,000,000	22,831,908	522,710,449

Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total
65,812,973	-20,009	16,252,374	0	466,408,213
0	0	-7,000,000	0	-7,000,000
0	0	-7,000,000	0	-7,000,000
0	-60,801	0	27,383,266	27,322,465
0	0	0	27,383,266	27,383,266
0	-60,801	0	0	-60,801
17,944,007	0	-4,252,374	-13,691,633	0
17,944,007	0	-4,252,374	-13,691,633	0
83,756,980	-80,810	5,000,000	13,691,633	486,730,678

5. Basis for the compilation of the financial report of GEN

The form and substance of the financial report, as an integral part of the annual report, are defined in the Companies Act (ZGD-1). The financial report includes a balance sheet, income statement, statement of other comprehensive income, cash flow statement and statement of changes in equity, together with the mandatory notes to the financial statements. The basic accounting rules applied to these financial statements are based on the Slovenian Accounting Standards (SAS) and defined by the company in an internal document. For areas not defined in the aforementioned document, appropriate accounting methods are set out in resolutions of the senior management. The company's financial statements have been compiled in accordance with the provisions of the Intergovernmental Agreement on the NEK and the Slovenian Accounting Standards in sections not explicitly governed by the Intergovernmental Agreement on the NEK. The company discloses material financial statement items in accordance with provisions of GEN's accounting rules governing materiality.

5.1. Basic accounting assumptions and general valuation rules

In accounting for business events for the compilation of the financial statements, the company applies the following basic assumptions:

- accrual basis, and
- going concern.

GEN did not face material uncertainty due to the COVID-19 epidemic. Basic accounting assumptions thus remain the unchanged basis for the compilation of the financial report. Because GEN did not identify uncertainty, it did not provide disclosures in connection with the effects of the COVID-19 epidemic, as they had no impact on financial statement items, except disclosures in connection with state aid in accordance with Interpretation 1 to SAS 15.

The following qualitative characteristics of GEN's financial statements were also taken into account:

- clarity: the financial statements are clear if easily understood by users who are proficient in commercial and economic matters and accounting, and who study the information provided thoroughly enough, and if the meaning of accounts and the associated bookkeeping entries can be interpreted without difficulty;
- relevance: information is relevant if it helps users in their business decisions. Information is material when its omission or misstatement may impact a business decision made by a user when it is based on the financial statements;
- reliability: information is reliable when it contains no material errors and subjective positions, and when accounts and the associated bookkeeping entries are complete and reliable. Information must be complete in terms of materiality. Reliability also requires following the principle of substance over form; and
- comparability: the comparability of items is ensured by methodically applying standardised approaches in the financial statements of the company in the same legal and organisational form for various years, and by ensuring the comparability of items in the financial statements of different companies.

5.2. Reporting currency

The financial statements are presented in euros without cents. They are compiled on a historical cost basis. Transactions denominated in foreign currencies are converted to euros based on the ECB's exchange rate valid on the transaction date. As at the balance-sheet date, assets and liabilities denominated in foreign currencies are converted to euros based on the ECB's exchange rate valid on that date. Positive and negative exchange rate differences arising from such transactions are recognised in the income statement. Due to the rounding of amounts, minor but immaterial differences may occur in the sums presented in tables.

6. Accounting policies

6.1. Intangible assets

Intangible assets comprise non-monetary assets that as a rule do not take physical form, but allow the company to perform its activities.

The company uses the historical cost model to measure intangible assets, meaning those assets are recognised at their historical cost. Amortisation and accumulated impairment losses are subsequently deducted from historical cost.

The historical cost of an intangible asset includes all costs directly attributable to the preparation of an asset for its intended use, including borrowing costs until the generation of an intangible asset, if that generation takes more than one year.

If the company is a lessee, it may recognise at the commencement of a lease an intangible asset that represents a right-of-use asset and a lease liability, if the criteria for such recognition are met in accordance with SAS 2. The company decided not to recognise right-of-use assets and liabilities in connection with intangible assets in accordance with SAS 2.

Subsequent costs/expenses that arise in connection with intangible assets are recognised in the associated account and only increase the historical cost of an asset if they increase the asset's future benefits relative to those originally estimated.

Intangible assets are amortised using the straight-line method, taking into account the predefined useful life of each individual intangible asset. Amortisation begins on the first day of the month following the month in which the intangible asset with a finite useful life becomes available for use.

Intangible assets are disclosed at their carrying amount in the balance sheet, i.e. the difference between historical cost and accumulated amortisation.

6.2. Property, plant and equipment

Property, plant and equipment are permanent assets owned by the company and used for the performance of its activities. They are initially recognised at historical cost.

The historical cost of an item of property, plant and equipment includes the purchase price and all costs directly attributable to the preparation of the asset for its intended use.

If the company is a lessee, it may recognise at the commencement of a lease an item of property, plant and equipment that represents a right-of-use asset and a lease liability, if the criteria for such recognition are met in accordance with SAS 1. SAS 1.27 is applied in the initial measurement of a right-of-use asset in connection with an item of property, plant and equipment and the associated lease liability.

The company uses the historical cost model to measure property, plant and equipment, meaning those assets are recognised at their historical cost, which is subsequently reduced for depreciation and accumulated impairment losses.

Items of property, plant and equipment are depreciated using the straight-line method, taking into account the predefined useful life of each individual item of property, plant and equipment. Depreciation begins on the first day of the month following the month in which an item of property, plant and equipment with a finite useful life becomes available for use.

Amortisation/depreciation groups	(% in 2020)
business premises	3.00
office equipment	10.00 to 20.00
computer equipment	33.33
intangible assets	33.33
tools and devices	11.00 to 33.33
cars	12.50
trade show equipment	14.28 to 33.33
solar power plant	10.00
other capital expenditure	10.00
parts of buildings	6.00
fibre optic connections	3.33

Existing depreciation rates did not change in 2020.

Items of property, plant and equipment are disclosed in the balance sheet at their carrying amount, i.e. the difference between historical cost and accumulated depreciation.

Subsequent costs/expenses that arise in connection with items of property, plant and equipment are recognised in the associated account and only increase the historical cost of an asset if they increase the asset's future benefits relative to those originally estimated.

When an item of property, plant and equipment is sold, it is derecognised in the books of account, and the difference between the net gain or loss on disposal and the carrying amount of the sold item of property, plant and equipment is transferred to revaluation operating revenue or expenses.

Assets are recognised if it is likely that they will increase the company's future economic benefits and if they carry a price or value that can be reliably measured. If the level of certainty is high enough that items of property, plant and equipment will increase the company's economic benefits following the end of a given accounting period, those items are treated as assets.

If the company is a lessee, short-term leases and leases of low-value assets are not recognised as assets. Instead, the associated lease payments are recognised as an expense on a straight-line basis over the term of the lease. A short-term lease is a lease with a lease term of up to one year. A low-value lease is a lease with a value of up to EUR 10,000, taking into account the value of the new asset that is the subject of the lease.

The company has assets under lease that do not meet the criteria for the recognition of a right-of-use asset and an associated lease liability in accordance with SAS 1.

6.3. Non-current financial assets

Non-current financial assets comprise non-current investments in the equity of subsidiaries, associates and other companies.

Financial assets are initially recognised at fair value. The initially recognised value is increased by transaction costs arising directly from the purchase or issue of a financial asset, except for assets classified as assets measured at fair value through profit and loss.

Equity investments in subsidiaries, associates and joint ventures are measured at historical cost.

Investments in equity instruments whose prices are not published on an active market and whose fair value cannot be reliably measured, and investments in derivatives that are associated with such investments and must be settled with them, are measured at historical cost.

The company takes into account the transaction date when accounting for typical purchases and sales of financial assets.

The company recognises participation in profit and dividends in profit or loss when it obtains the right thereto.

6.4. Deferred tax assets

Deferred tax assets are deductible temporary differences between the carrying amount and the value of liabilities for tax purposes. They are disclosed as non-current receivables.

Deferred tax assets are recognised in the amount of probable taxable profit available in the future and against which the deferred asset can be utilised.

The balance-sheet liability method is used to disclose deferred tax assets, taking into account temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the values for tax reporting purposes.

6.5. Operating receivables

Receivables of all types are disclosed at the values arising from the relevant documents, on the assumption that they will be paid.

The company's operating receivables are impaired if it is assessed that their recoverable amount is less than the carrying amount.

Risks primarily arise in connection with trade receivables, which the company has secured with blank bills of exchange or bank guarantees.

6.6. Current financial assets

Financial assets form an integral part of the company's financial instruments with the aim of increasing its financial income over short periods of time via the returns that derive from those instruments. They include deposits with a maturity of more than three days following acquisition.

They are classified to loans measured at amortised cost using the effective interest method and to other current financial assets, excluding loans measured at historical cost.

6.7. Cash and cash equivalents

Cash and cash equivalents comprise cash on account and short-term deposits and deposits at banks with a maturity of up to three days following acquisition.

Cash on account is available or placed on a call account at a bank or other financial institution, and can be used for payment.

6.8. Accruals and deferrals

Current deferred expenses and accrued revenue comprise current deferred costs that do not have an impact on the company's operating results when they arise, and current accrued revenue that is taken into account in profit or loss, but has not yet been charged.

Current accrued expenses and deferred revenue comprise current accrued costs that are charged to profit or loss on a straight-line basis but have not yet arisen, and current deferred revenues for services not yet provided but already charged.

6.9. Equity

Equity is defined by amounts invested by owners and amounts that have arisen in the course of business and that relate to owners. It may be reduced by losses or the distribution of profits, and by fair value reserves.

The company's total equity comprises called-up capital, the share premium account, revenue reserves, fair value reserves, net profit or loss brought forward from previous years, and net profit for the financial year not yet distributed or net loss for the financial year not yet settled.

Share capital and the share premium account represent owners' cash and in-kind contributions.

Other revenue reserves are created based on the decisions of the senior management and general meeting.

Net profit or loss represents the undistributed portion of the company's net profit or loss for the current year.

6.10. Provisions

Provisions are created for liabilities that will arise based on binding past events in a period of more than one year, and the value of those liabilities can be reliably assessed or measured.

The estimate of provisions for long-service bonuses and severance payments is made based on the reports of certified actuaries under the assumptions of employee turnover of up to 1.5%, wage growth of up to 4% and a discount rate of 0.3107% (2019: employee turnover of up to 3.0%, wage growth of up to 3.0% and a discount rate of 0.64%), while the estimate of other provisions is based on the methodology adopted by the company's senior management. For provisions from onerous contracts arising from the commitment set out in the Intergovernmental Agreement on the NEK, the methodology requires the creation of provisions based on the three-year average value of fixed costs defined in the NEK's economic plan.

6.11. Current operating liabilities

Liabilities of all types are initially disclosed at the historical cost deriving from the relevant accounting documents.

Liabilities to foreign legal entities or natural persons are converted into the domestic currency on the day they arise. The exchange rate differences that arise until the day of settlement of such liabilities or until the balance-sheet date constitute financial costs or income.

Liabilities that are already due but not yet settled and liabilities that are due for payment within one year from the balance sheet date are disclosed as current liabilities in the balance sheet.

Non-current liabilities comprise liabilities that fall due for payment in a period longer than one year.

6.12. Contingent assets and liabilities

Contingent assets and liabilities include business events that have no direct impact on items in the financial statements but provide important information to users of the annual report. Contingent assets and liabilities may extinguish or take on new traits in the context of future business events, and even affect items in the balance sheet and the income statement.

6.13. Revenue

Revenue is broken down into operating revenue, financial income and other revenue. Operating revenue and financial income are considered ordinary revenue. Operating revenue comprises sales revenue, other operating revenue in connection with products and services, and revaluation operating revenue.

OPERATING REVENUE

Sales revenue comprises the sales values of products, merchandise and materials sold, and services rendered during the accounting period, excluding financial income generated on that basis. It is broken down into revenue from the sale of own products and services, and revenue from the sale of merchandise and material.

Other operating revenue in connection with products and services comprise subsidies, grants, recourse, compensation, premiums and similar revenue. Grants received for the purchase of fixed assets or to cover certain costs remain temporarily disclosed in deferred revenue and are transferred to operating revenue in accordance with the depreciation of acquired fixed assets or the incurrence of costs for which they are intended to be covered.

Revaluation operating revenue arises on the disposal of property, plant and equipment and intangible assets as the surplus of their sales value over their carrying amount.

FINANCIAL INCOME

Financial income is revenue generated through investment activities. It arises in connection with financial assets and receivables. It comprises accrued interest and participation in the profits of others, as well as revaluation financial revenue.

OTHER REVENUE

Other revenue comprises unusual items and other revenue that increases profit.

RECOGNITION OF REVENUE

Revenue is recognised if an increase in economic benefits during the accounting period is related to an increase in assets or a decrease in liabilities, and such an increase can be measured reliably. Revenue is recognised when it is reasonable to expect that the company will receive the associated consideration.

The company recognises sales revenue when it fulfils (or is fulfilling) contractual obligations. A contractual obligation is the company's performance obligation to deliver or perform contractually agreed (promised) goods or services to a customer. The company fulfils (or is fulfilling) a performance obligation by transferring the contractually agreed goods or services to the customer.

The goods or services are deemed transferred when the customer obtains (or is obtaining) control over those goods or services. The customer obtains control over goods or services when it obtains the right to direct their use and the right to practically all remaining benefits. Such control also includes the ability to prevent others from directing the use of the goods or services and obtaining the benefits of those goods or services. Benefits from goods or services include potential cash flows that may be obtained directly or indirectly in various ways.

To assess whether it has transferred control of an asset to a customer, the company takes into account transfer of control indicators that include, but are not limited to, the following:

a) The company is currently entitled to receive payment for goods or services.

b) The buyer has title to the asset: title may indicate which party can direct the use and obtain virtually all remaining benefits of the asset or restrict other companies' access to those benefits. Thus, the transfer of ownership of an asset may indicate that the customer has obtained control of the asset. However, if the company retains title solely as protection against default by the customer, that title would not prevent the customer from obtaining control of the asset.

c) The company has transferred physical possession of the asset: physical possession of the asset by the customer may indicate that the customer can direct the use and obtain practically all of the remaining benefits of the asset or restrict other companies from accessing those benefits.

d) The customer assumes significant risks and rewards of ownership of the asset: the transfer of significant risks and rewards of ownership of the asset to the customer may indicate that the customer has obtained the ability to direct the use and obtain virtually all of the remaining benefits of the asset. However, in assessing the risks and rewards of ownership of the promised asset, the company excludes all risks that lead to a separate performance obligation in addition to the performance obligation to transfer the asset.

e) The customer has accepted the asset: acceptance of the asset by the customer may indicate that the customer has obtained the ability to direct the use and obtain virtually all of the remaining benefits of the asset.

MEASUREMENT OF REVENUE

Sales revenue is recognised in an amount that reflects the transaction price, which is allocated to a standalone performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for the transfer of goods or services to the customer, except for amounts collected on behalf of third parties. Consideration may include fixed amounts, variable amounts, or both.

In determining the transaction price, the amount of consideration is adjusted for the effects of the time value of money if the timeframe of the consideration provides the customer with a significant financing benefit. To calculate the effects of the time value of money, the company uses a discount rate that would be reflected in a separate financing transaction between the company and the customer at the conclusion of a contract, or would reflect the credit characteristics of the customer, as well as any collateral or guarantee provided by the customer, including funds transferred under the contract. If the period of time between the fulfilment of the obligation and payment by the customer is one year or less, the contract is considered not to contain a significant financing arrangement.

When a contract contains several performance obligations, the transaction price is allocated to an individual performance obligation in an amount corresponding to the amount of consideration to which the company expects to be entitled in exchange for the transfer of goods or services to the customer. The transaction price is allocated to individual performance obligations in proportion to the independent selling prices of separate goods and/or services in the contract. An independent selling price is the price at which the company would sell the goods or services separately to the customer. The best evidence of a separate selling price is the price at which the company sells the goods or services in question separately in similar circumstances and to similar customers.

The variable amount of consideration may be allocated to all performance obligations in the contract or only to certain obligations. The variable amount of consideration is only distributed to certain performance obligations when the associated conditions relate to its fulfilment or a certain result of only some, but not all, performance obligations.

STATE AID

Other operating revenue in connection with products and services comprises subsidies, grants, recourse, compensation, premiums and similar revenue, including state aid. State aid comprises amounts received by the organisation directly from the budget of the government or local community, via bodies of the government or local community and via other budget users for specific purposes.

State aid is recognised if there is reasonable assurance that the associated conditions have been met and that the state aid will, in fact, be received. If based on the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy or another act or regulation the company receives any state aid directly from the budget of the government or local community, via bodies of the government or local community or via other budget users to contain or eliminate the effects of the COVID-19 epidemic, it must disclose that aid in other operating revenue.

The company discloses all material amounts of revenue and expenses and the nature thereof in the mandatory notes to the income statement. Due the extraordinary circumstances in connection with the COVID-19 epidemic, revenue in the form of state aid to contain and mitigate the effects of the COVID-19 epidemic is deemed material revenue, so the nature (type) and amount of state aid are disclosed separately in all notes to the financial statements for the financial year ending after 13 March 2020.

6.14. Expenses

Expenses represent a reduction in economic benefits in the accounting period in the form of a decrease in assets or an increase in liabilities, and that reduction can be reliably measured.

Operating expenses are recognised when goods are purchased or a service is rendered. In addition to the historical cost of goods, operating expenses also include the costs of materials and services, labour costs, write-downs, and other operating expenses or costs.

The costs of goods, materials and services comprise the historical costs of goods, materials and services purchased.

Write-downs include amortisation/depreciation costs in connection with the consistent transfer of the value of depreciable property, plant and equipment and amortisable intangible assets. Write-downs also include losses from the write-off of fixed assets.

Labour costs comprise historical costs relating to accrued wages and other gross payments to employees, and to levies charged on that basis and that are not an integral part of gross amounts. Labour costs also include provisions created for long-service bonuses and severance payments at retirement.

Other operating expenses include concession fees, environmental protection expenditure and other levies.

Financial costs arise in connection with debt, current financial investments and current liabilities. They are recognised as they accrue, regardless of the associated payments. Interest is recognised proportionately over time, and taking into account the outstanding portion of principal and the agreed interest rate.

Other expenses comprise expenses not classified as operating expenses, including donations.

6.15. Offsetting

Individual asset items are not offset against individual liability items, nor are individual revenue items offset against individual expense items.

6.16. Taxes

The company is liable to pay taxes in accordance with the Value-Added Tax Act and the Corporate Income Tax Act. Income tax comprises current and deferred tax and is disclosed in the income statement.

Current tax is calculated from the taxable profit for the financial year at the tax rate in force on the balance-sheet date.

Deferred tax liabilities or assets are measured at the tax rates expected to apply when the asset is realised or the liability is settled. The tax rates and tax regulations effective at the balance-sheet date are taken into account for that purpose. Deferred tax is recognised directly by debiting or crediting equity if the tax relates to items recognised directly by debiting or crediting equity.

6.17. Events after the balance-sheet date

On 5 May 2021, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2020. There were no business events at the company until the issue of the auditor's report that could affect the financial statements for 2020.

6.18. Segment reporting

GEN energija d.o.o. has no defined business or geographical segments.

7. Notes to the financial statements

The notes are a constituent part of the financial statements and must be read in connection with them.

7.1. Intangible assets

Changes in intangible assets (in EUR)	Property rights	Other rights	Other intangible assets	Property rights unavailable for use	Total
HISTORICAL COST					
Balance at 31 December 2019	**3,519,075**	**0**	**115,005**	**326,333**	**3,960,413**
Acquisitions	98,927	7,994	800	107,520	215,241
Reclassification	408,993	0	24,860	-433,853	0
Balance at 31 December 2020	**4,026,995**	**7,994**	**140,665**	**0**	**4,175,654**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2019	**3,404,756**	**0**	**100,263**		**3,505,019**
Amortisation	188,712	67	3,752		192,531
Balance at 31 December 2020	**3,593,468**	**67**	**104,015**		**3,697,550**
CARRYING AMOUNT					
Balance at 31 December 2019	**114,319**	**0**	**14,742**	**326,333**	**455,394**
Balance at 31 December 2020	**433,527**	**7,927**	**36,650**	**0**	**478,104**
HISTORICAL COST					
Balance as at 31 December 2018	**3,436,858**	**0**	**109,664**	**270**	**3,546,792**
Acquisitions	48,174	0	5,314	360,133	413,621
Reclassification	34,043	0	27	-34,070	0
Balance at 31 December 2019	**3,519,075**	**0**	**115,005**	**326,333**	**3,960,413**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance as at 31 December 2018	**3,312,523**	**0**	**98,274**		**3,410,797**
Amortisation	92,233	0	1,989		94,222
Balance at 31 December 2019	**3,404,756**	**0**	**100,263**		**3,505,019**
CARRYING AMOUNT					
Balance as at 31 December 2018	**124,335**	**0**	**11,390**	**270**	**135,995**
Balance at 31 December 2019	**114,319**	**0**	**14,742**	**326,333**	**455,394**

Intangible assets primarily comprise funds invested in the company's information systems that are required for operations. The balance of intangible assets was up relative to the previous period on account of investments in information systems to support GEN's operations that exceeded amortisation.

7.2. Property, plant and equipment

Changes in property, plant and equipment (in EUR)	Land	Buildings	Equipment	Assets in acquisition	Total
HISTORICAL COST					
Balance at 31 December 2019	**485,788**	**8,341,232**	**4,993,519**	**12,318,047**	**26,138,586**
Acquisitions		48,702	193,708	527,641	770,051
Reclassification		0	23,627	-23,627	0
Disposals and derecognition		0	-88,392	0	-88,392
Balance at 31 December 2020	**485,788**	**8,389,934**	**5,122,462**	**12,822,061**	**26,820,245**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2019		**2,938,401**	**4,401,130**		**7,339,531**
Depreciation		350,409	176,329		526,738
Disposals and derecognition		0	-82,105		-82,105
Balance at 31 December 2020		**3,288,810**	**4,495,354**		**7,784,164**
CARRYING AMOUNT					
Balance at 31 December 2019	**485,788**	**5,402,831**	**592,389**	**12,318,047**	**18,799,055**
Balance at 31 December 2020	**485,788**	**5,101,124**	**627,108**	**12,822,061**	**19,036,081**
HISTORICAL COST					
Balance as at 31 December 2018	**528,904**	**8,670,983**	**4,858,441**	**12,054,953**	**26,113,281**
Acquisitions	0	5,691	126,997	261,584	394,272
Reclassification	-13,650	2,865	9,275	1,510	0
Disposals and derecognition	-29,466	-338,307	-1,194	0	-368,967
Balance at 31 December 2019	**485,788**	**8,341,232**	**4,993,519**	**12,318,047**	**26,138,586**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance as at 31 December 2018	**0**	**2,626,562**	**4,155,528**		**6,782,090**
Depreciation	0	351,170	246,796		597,966
Disposals and derecognition	0	-39,331	-1,194		-40,525
Balance at 31 December 2019	**0**	**2,938,401**	**4,401,130**		**7,339,531**
CARRYING AMOUNT					
Balance as at 31 December 2018	**528,904**	**6,044,421**	**702,913**	**12,054,953**	**19,331,191**
Balance at 31 December 2019	**485,788**	**5,402,831**	**592,389**	**12,318,047**	**18,799,055**

The company's property, plant and equipment comprise land and buildings such as business premises in which GEN operates and that are owned by the company, as well as equipment that is used exclusively for the operations of the company.

The majority of property, plant and equipment comprise assets in acquisition, as follows:

- replacement construction activities for the NEK capacity expansion project in the amount of EUR 6,678,267 (the same as the amount on the final day of the same period last year); and
- costs of research and studies for the purpose of the JEK2 investment in the amount of EUR 6,136,229 (EUR 5,630,505 on the final day of the same period last year).

The majority of the value of buildings is accounted for by GEN's Information Centre, the carrying amount of which was EUR 5,045,797 on the final day of the reporting period (EUR 5,344,781 on the final day of the same period last year).

GEN began to recognise the costs of outsourced studies and research for the JEK2 investment as assets back in 2015 in accordance with the resolution of senior management and the Ordinance on the State-owned Assets Management Strategy, which tasks GEN with activities in connection with the JEK2 investment.

GEN's property, plant and equipment were not pledged as collateral on the last day of the accounting period, nor did GEN have any financial commitments in this regard.

7.3. Non-current financial assets

Non-current financial assets (in EUR)	31. 12. 2020	31. 12. 2019
Subsidiaries	**290,142,388**	**291,325,953**
SEL	137,680,172	137,680,172
TEB	28,909,824	28,909,824
HESS	89,959,276	89,959,276
GEN-I	10,585,639	10,585,639
GEN-EL	23,007,477	24,191,042
Associates	**194,957,413**	**176,782,413**
NEK	194,947,413	176,772,413
SRESA	10,000	10,000
Other shares and participating interests	**319,266**	**124,101**
ZEL-EN	124,101	124,101
PRVA GROUP	195,165	0
Long-term loans to others	**3,500,000**	**0**
Bank deposits placed	3,500,000	0
Total	**488,919,067**	**468,232,467**

Non-current financial assets primarily comprise investments in Group companies in which GEN holds a direct or indirect majority stake, and investments in associates. The total value of such investments was EUR 485,099,801 on the final day of the reporting period (EUR 468,108,366 on the final day of the same period last year).

Information regarding participating interests in subsidiaries and associates	Direct ownership as at 31 December 2020	Indirect ownership as at 31 December 2020	Value of equity as at 31 December 2020	Net profit or loss in 2020
Subsidiaries				
SEL	100.00%	-	158,039,461	460,169
TEB	100.00%	-	69,117,924	1,419,972
HESS	33.50 %	51.00%	286,734,995	2,315,333
GEN-I	50.00%	-	103,382,227	14,660,230
GEN-EL	25.00%	100.00%	47,065,033	1,955,033
Associates				
NEK	50.00%	-	475,858,719	0
SRESA	10.00%	40.00%	52,129	-5,653

SUBSIDIARIES

GEN exercises a controlling influence over GEN-I based on the Memorandum of Association of GEN-I, valid since 14 December 2016, the umbrella agreement on the purchase and sale of electricity of 14 December 2016, the corresponding Annex 4 to the umbrella agreement on the purchase and sale of electricity of 28 June 2019, and the statement of senior management.

GEN exercises its controlling influence over GEN-EL based on options contracts that allow GEN and GEN Group companies to acquire participating interests in GEN-EL. Those contracts are concluded between the following companies:

- GEN and Elektro Ljubljana for the acquisition of a 25% participating interest in GEN-EL; and
- GEN-I and Gorenjska banka to acquire a 25% participating interest in GEN-EL.

GEN holds a direct 33.5% participating interest in the equity of HESS, as well as a 17.5% indirect interest through the subsidiaries SEL (14.7%) and TEB (2.8%). Due to GEN's indirect controlling influence, HESS is classified as a subsidiary.

ASSOCIATES

SRESA is deemed an associate due to the additional 30% indirect participating interest of the subsidiary SEL.

In accordance with the revised SAS 2006, GEN began treating its investment in a 50% participating interest in the equity of the NEK as an investment in an associate. The same treatment remained in accordance with the revised SAS 2016. In accordance with the general meeting resolution, subsequent amounts paid into the share premium account totalling EUR 18,175,000 were paid to the associate NEK in 2020, while liabilities for subsequent payments to NEK in the amount of EUR 2,750,000 are recognised as contingent liabilities for 2021, as explained in Section 7.9.

LONG-TERM BANK DEPOSITS:

The basis for the recognition of assets in the form of long-term bank deposits are agreements signed with financial institutions in Slovenia with a deposit maturity of less than 13 months. Interest rates on funds placed in the form of deposits at banks are extremely low, despite the longer maturities of those deposits, while offers on the financial markets are negligible.

Changes in non-current financial assets (in EUR)	31. 12. 2020	31. 12. 2019
Opening balance	**468,232,467**	**468,232,467**
Subsequent share premium payments to the associate NEK under general meeting resolution	18,175,000	0
Long-term bank deposits	3,500,000	0
Derecognition of investment in participating interest in GEN-EL according to provision of options contract	-1,183,565	0
Transfer of investment in PRVA GROUP from current to non-current financial assets	195,165	0
Closing balance	**488,919,067**	**468,232,467**

7.4. Deferred tax assets

Changes in deferred tax assets (in EUR)	31. 12. 2020	31. 12. 2019
Opening balance	**6,411,494**	**5,794,764**
Reversal and use of provisions	-38,162	-1,121
Increase due to the creation of provisions	394,773	617,851
Other	64	0
Closing balance	**6,768,169**	**6,411,494**

A large portion of deferred tax assets derives from the creation of provisions for onerous contracts and to cover liabilities to the NEK in the event of an unplanned decrease in the NEK's production, and amounted to EUR 6,663,596 on the final day of the reporting period (EUR 6,339,999 on the final day of the same period last year).

Deferred tax assets were up relative to the previous year, largely due to the need to create additional provisions for onerous contracts.

7.5. Current financial assets

The company disclosed current financial assets in the amount of EUR 50,716,078 at the end of 2020, compared with EUR 57,815,442 at the end of 2019. Current financial assets at the end of the reporting period comprised assets in the form of deposits at banks. Current financial assets during the comparable reporting period last year included available-for-sale financial assets at fair value, which were classified as non-current financial assets in 2020.

The basis for the recognition of assets in the form of bank deposits are agreements signed with financial institutions in Slovenia. Interest rates on funds placed in the form of deposits at banks are extremely low, and even negative in some cases. The company avoids the financial risk of negative interest rates offered by banks through a diversified investment strategy and by placing funds for longer periods.

7.6. Current operating receivables

Current operating receivables (in EUR)	31. 12. 2020	31. 12. 2019
Current trade receivables within the Group	**19,795,965**	**19,799,344**
Current receivables from GEN-I	19,082,749	18,923,333
Current receivables from SEL	587,454	752,968
Current receivables from TEB	124,545	121,767
Current receivables from GEN-EL	1,217	1,217
Current receivables from HESS	0	59
Other current trade receivables	**5,834,349**	**3,061,370**
Current operating receivables for electricity sold to others	5,757,356	3,035,194
Current operating receivables from others	76,993	26,176
Current receivables from state institutions	**2,801,111**	**4,117,755**
Current receivables for VAT	2,789,175	4,086,455
Other current receivables from state institutions	11,936	31,300
Other current receivables	**3,578,827**	**15,640**
Current advances vis-à-vis TEB	3,457,175	0
Current advances	111,454	4,384
Security deposits paid	10,000	10,000
Other current receivables	198	1,256
Total	**32,010,252**	**26,994,109**

Current trade receivables primarily comprise trade receivables based on sold quantities of electricity.

The payment term for the majority of trade receivables is 30 days from the last day of the accounting period. Trade receivables are primarily secured by blank bills with declaration of surety, or guarantees.

The company has no overdue unpaid trade receivables.

For past due receivables that the company intends to reclassify to doubtful and disputed receivables, a loss allowance is made for each individual receivable.

7.7. Cash and cash equivalents

Cash and cash equivalents amounted to EUR 36,698,399 on the final day of the reporting period, compared with EUR 10,700,249 on the final day of 2019. Cash and cash equivalents take the form of cash on current accounts with Nova KBM, NLB, SKB and UniCredit Banka, as well as funds on a call deposit account.

GEN has not entered into an agreement on an automatic overdraft facility.

7.8. Deferred expenses and accrued revenue

Current deferred expenses and accrued revenue (in EUR)	31 December 2020	Created	Used	31 December 2019
Current deferred costs	96,306	168,270	203,978	132,014
Current accrued revenue	2,062	2,062	78,532	78,532
Total	**98,368**	**170,332**	**282,510**	**210,546**

Deferred expenses and accrued revenue primarily relate to accrued and thus deferred costs that have not yet been charged against an activity. The reduction and/or use of current deferred expenses was transferred to costs in full in 2020.

7.9. Contingent assets and liabilities

Contingent assets and liabilities (in EUR)	31 December 2020	31 December 2019
Bank guarantees received as collateral for payment	6,815,330	1,161,114
Contingent liability for subsequent capital contributions	2,750,000	20,925,000
Enforcement draft as collateral for consideration from options contract	11,784,815	11,765,657
Performance bonds in the form of bank guarantees issued	1,150,000	600,000
Estimated current borrowings	47,673	47,673
Total	**22,547,818**	**34,499,444**

GEN classifies among contingent assets and liabilities its obligation to pay subsequent capital contributions to the NEK in the amount of EUR 2,750,000 in 2021 based on the relevant general meeting resolution. Contingent liabilities for the subsequent payment of contributions to the NEK will decrease and the company's investment in NEK will increase by the same amount with payment in the said period.

7.10. Equity

Structure of equity (in EUR)	31 December 2020	31 December 2019
Share capital	**250,000,000**	**250,000,000**
Share premium	**131,756,895**	**131,756,895**
Paid-in share premium – SEL	115,368,043	115,368,043
Paid-in share premium – TEB	16,388,694	16,388,694
General capital revaluation adjustment	158	158
Revenue reserves	**113,386,501**	**86,362,960**
Legal reserves	2,605,980	2,605,980
Other revenue reserves	110,780,521	83,756,980
Fair value reserves	**-264,855**	**-80,810**
Retained earnings	**5,000,000**	**5,000,000**
Net profit or loss	**22,831,908**	**13,691,633**
Total equity	**522,710,449**	**486,730,678**

The company's total equity increased by EUR 35,979,771 in 2020 (by EUR 20,322,465 in 2019) as the result of the net profit of EUR 45,663,816 generated in the current year, less the profit participation paid to the company's owner in the amount of EUR 9,500,000, and other minor changes in reserves due to revaluation. Based on the owner's resolution, a portion of profit from 2019 in the amount of EUR 4,191,633 was transferred to other revenue reserves, while EUR 22,831,908 of the net profit generated in 2020 was reclassified to other reserves based on the resolution of senior management.

7.11. Disclosure of distributable profit

Distributable profit (in EUR)	2020	2019
Opening balance of distributable profit	**18,691,633**	**16,252,374**
Payments of shares in profit	-9,500,000	-7,000,000
Net profit for the financial year	45,663,816	27,383,266
Increase in revenue reserves under resolution of company's bodies	-27,023,541	-17,944,007
Closing balance of distributable profit	**27,831,908**	**18,691,633**

The senior management and Supervisory Board of GEN propose to the founder that distributable profit in the amount of EUR 27,831,908 be transferred to other revenue reserves as a source of funding for the purpose of maintaining the safe operation of its existing energy facilities and investing in the development and capital expenditure of energy companies, such as:

- subsequent capital contributions paid to the NEK;
- subsequent capital contributions paid to HESS for the construction of the Mokrice HPP;
- payment for the purchase of equity interests in electricity companies;
- expansion of the NEK's production capacities;
- investments in information technology and other fixed assets necessary for the smooth operation of the company; and
- other purposes in 2021 and subsequent years in accordance with the business plan of GEN and the GEN Group for 2021, with a forecast of operations for 2022 and 2023.

7.12. Provisions, and non-current accrued expenses and deferred revenue

Provisions, and non-current accrued expenses and deferred revenue (in EUR)	31 December 2020	Used	Created	31 December 2019
Provisions for onerous contracts	70,142,833	-391,412	3,797,412	66,736,833
Provisions for severance payments and long-service bonuses	1,096,541	-10,293	358,090	748,744
Non-current accrued expenses and deferred revenue	267	-483	243	507
Total	**71,239,641**	**-402,188**	**4,155,745**	**67,486,084**

Provisions are created for onerous contracts in accordance with the Intergovernmental Agreement on the NEK in order to cover the NEK's liabilities in the event of an unplanned reduction in production. All additional provisions were created by increasing the corresponding expenses.

7.13. Current financial liabilities

Current financial liabilities (in EUR)	31 December 2020	31 December 2019
Current financial liabilities to Group companies	**0**	**1,183,564**
Current financial liabilities to GEN-I from options contract	0	1,183,564
Current financial liabilities to others	**11,865,608**	**11,885,888**
Current financial liabilities to others from options contract	11,865,608	11,885,888
Total	**11,865,608**	**13,069,452**

Current financial liabilities comprise liabilities from options contracts, the right to which will be exercised in 2021. They are also presented in Note 7.3 Non-current financial assets. The amount of financial liabilities from options contracts comprises:

- liabilities to Elektro Ljubljana in the amount of EUR 11,727,500 for the payment of consideration under an options contract for the acquisition of a 25% participating interest in GEN-EL; and
- liabilities for accrued interest under options contracts during the reporting period in the amount of EUR 138,108.

A current financial liability in the amount of EUR 1,183,564 on the final day of the previous reporting period comprised a liability from an options contract vis-à-vis GEN-I. The liability has been extinguished in accordance with the provisions of the options contract.

7.14. Current operating liabilities

Current operating liabilities (in EUR)	31 December 2020	31 December 2019
Current liabilities to Group companies	**8,186,177**	**7,958,348**
Current liabilities to SEL	2,047,842	3,359,311
Current liabilities to GEN-I	3,023,474	755,100
Current liabilities to TEB	1,984,356	2,146,511
Current liabilities to HESS	1,130,505	1,697,426
Other current trade payables	**11,097,213**	**8,964,438**
Current liabilities to associates	9,948,256	8,385,869
Current trade payables (domestic)	1,148,957	578,569
Other current operating liabilities	**8,858,480**	**4,402,761**
Liabilities for value-added tax	1,551,922	1,517,360
Liabilities for corporate income tax (prepayments and current liabilities)	5,621,536	1,738,406
Liabilities for environmental protection levies	1,171,195	771,594
Other liabilities	513,827	375,401
Total	**28,141,870**	**21,325,547**

7.15. Current accrued expenses and deferred revenue

Current accrued expenses and deferred revenue (in EUR)	31 December 2020	Created	Used	31 December 2019
Accrued costs and expenses	185,169	197,076	188,264	176,357
Current deferred revenue	815	99,318	696,292	597,789
VAT on advances paid	680,220	713,229	33,009	0
Total	**866,204**	**1,009,623**	**917,565**	**774,146**

7.16. Revenue

Revenue (in EUR)	2020	2019
Operating revenue	228,802,585	206,158,498
Financial income	2,546,126	2,567,815
Other revenue	905	5
Total	**231,349,616**	**208,726,318**

7.17. Operating revenue

Operating revenue (in EUR)	2020	2019
Sales revenue on the domestic market	**227,447,041**	**205,919,122**
Revenue from transactions with Group companies	171,828,942	175,221,535
Revenue from transactions with other companies	55,618,099	30,697,587
Sales revenue on foreign markets	**208,303**	**211,894**
Sales revenue on the EU market	208,303	211,894
Other operating revenue	**1,150,241**	**27,482**
Revenue from the reversal of accrued expenses and deferred revenue	11,395	10,999
Revenue from use of provisions in connection with the NEL	394,412	0
Other revenue	744,434	16,483
Total	**228,805,585**	**206,158,498**

Revenue from sales on the domestic market in the amount of EUR 227,271,346 comprise revenue from the sales of electricity and directly related services in 2020 (2019: EUR 205,707,660).

Other revenue and state aid in accordance with point 6.13.6 (in EUR)	2020	2019
Reimbursement of paid interest under option contract	695,897	0
Operational support for electricity produced by Borzen	11,431	13,083
State reimbursement – ZZZS	27,738	0
State aid in connection with COVID-19 – isolation	6,022	0
State aid in connection with COVID-19 – crisis bonus	304	0
Other	3,042	3,400
Total	**744,434**	**16,483**

Prior to 2020, GEN did not recognise compensation received from the Health Insurance Institute of Slovenia (ZZZS) due to sickness, injury, care, blood donations, etc. in other revenue, nor did it recognise other labour costs, as it netted revenue and costs. The error identified in that regard was corrected in 2020, and the compensation paid by the ZZZS for the above-described purposes was recognised in other revenue in the amount of EUR 27,738, while same amount was recognised in other labour costs. Compensation paid by the ZZZS amounted to EUR 15,863 in 2019. That error had no impact on the net profit of previous years due to offsetting.

7.18. Financial income

Financial income (in EUR)	2020	2019
Financial income from shares and participating interests	**2,511,791**	**2,511,791**
Financial income from shares and participating interests in GEN-I	2,000,000	2,000,000
Financial income from shares and participating interests in GEN-EL	500,000	500,000
Financial income from participating interests in other companies	11,791	11,791
Financial income from loans granted	**34,334**	**55,675**
Financial income from loans to others	34,334	55,675
Financial income from operating receivables	**1**	**349**
Total	**2,546,126**	**2,567,815**

7.19. Expenses

Expenses (in EUR)	2020	2019
Operating expenses	175,195,781	175,107,156
Financial costs	204,015	273,809
Other expenses	159,382	115,848
Total	**175,559,178**	**175,496,813**

7.20. Operating expenses

Operating expenses (in EUR)	2020	2019
Historical cost of goods and materials	152,935,177	153,166,116
Costs of services	1,785,469	1,852,299
Labour costs	4,481,368	4,053,530
Write-downs	721,808	855,334
Other operating expenses	15,271,959	15,179,877
Total	**175,195,781**	**175,107,156**

The **historical cost of goods sold** comprises expenses incurred in the purchase of electricity and the leasing of capacities under contracts on the purchase of electricity concluded primarily with subsidiaries, and based on the provisions of the Intergovernmental Agreement on the NEK and the NEK's Memorandum of Association, according to which the electricity supplied by the NEK is charged according to the principle of covering all of the NEK's costs. Expenses from transactions with Group companies that arose in the scope of the historical cost of goods sold amounted to EUR 51,527,917, while expenses incurred in connection with a joint operation amounted to EUR 98,484,790.

COSTS OF SERVICES

Costs of services (in EUR)	2020	2019
Costs of intellectual and personal services	453,566	563,757
Rental costs, leased domains	220,865	190,754
Costs of entertainment, sponsorships and advertising	386,713	330,115
Supervisory Board costs	142,408	194,030
Reimbursement of work-related costs to employees	20,111	106,230
Maintenance costs	358,420	220,496
Other	203,386	246,917
Total	**1,785,469**	**1,852,299**

Costs of intellectual and personal services (in EUR)	2020	2019
Business consulting costs	198,499	203,594
Professional training and education costs	35,937	95,176
Other costs of intellectual services	219,130	264,987
Total	**453,566**	**563,757**

LABOUR COSTS

Labour costs (in EUR)	2020	2019
Wages and salaries	3,366,510	3,104,351
Social security and pension insurance costs	670,886	617,861
- social security contributions	556,142	512,241
- supplementary pension insurance	114,744	105,620
Other labour costs	443,972	331,318
Total	**4,481,368**	**4,053,530**

GEN employed an average of 59.58 workers in terms of hours worked in 2020, while the presentation of employees by level of education is an integral part of the business report.

Other labour costs in 2020 included compensation paid by the ZZZS in the amount of EUR 27,738 in connection with Note 7.17.

OTHER OPERATING EXPENSES

Other operating expenses (in EUR)	2020	2019
Costs in connection with the creation of provisions	3,797,412	6,338,500
Environmental protection levies	11,316,852	8,298,880
Other operating costs	157,695	542,497
Total	**15,271,959**	**15,179,877**

The full amount of environmental protection expenditure comprises contributions paid pursuant to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act in the amount of EUR 3 per MWh of electricity produced by the NEK. The amount of that contribution was amended under a Slovenian government resolution to EUR 4.8/MWh from August 2020 on, meaning an increase in the contribution relative to the previous period.

COSTS BY FUNCTIONAL GROUP

Costs by functional group (in EUR)	2020	2019
Historical cost of goods sold	152,774,677	153,010,484
Selling costs, including depreciation and amortisation	2,433,178	2,483,944
General and administrative costs, including depreciation and amortisation	19,987,926	19,612,728
Total	**175,195,781**	**175,107,156**

7.21. Cash flow statement

The cash flow statement is compiled according to the indirect method version II. Data for the indirect method are obtained:

- by supplementing items in operating revenue and operating expenses and financial income from operating receivables and financial costs from operating liabilities, excluding revaluation revenue and expenses in connection with investments and financing from the income statement and balance sheet; and
- from the company's books of accounts.

Inflows and outflows in the cash flow statement for 2020 comprise:

a) cash flows from operating activities, which include:
   - operating revenue and operating expenses, corporate income tax and other taxes, adjusted for changes in net working capital in balance-sheet items;

b) cash flows from investments, which include:
   - inflows from interest on current financial assets in the form of time deposits in the total amount of EUR 38,534,
   - inflows from profit participation in the amount of EUR 2,511,791,
   - inflows from the disposal of property, plant and equipment in the amount of EUR 5,850,
   - inflows from investments in current financial assets in the form of deposits in the amount of EUR 78,800,000,
   - outflows for the acquisition of intangible assets disclosed primarily as long-term property rights in the amount of EUR 178,052,
   - outflows for the acquisition of property, plant and equipment in the total amount of EUR 606,900,
   - outflows for the acquisition of current financial assets in the form of deposits in the amount of EUR 71,900,000 and non-current financial assets in the form of deposits in the amount of EUR 3,500,000,
   - outflows for subsequent contributions to the capital of the NEK in the amount of EUR 18,175,000; and

c) cash flows from financing activities, which include:
   - inflows from the increase in financial liabilities under the options contracts for the acquisition of a participating interest in GEN-EL in the amount of EUR 219,551,
   - outflows for interest relating to financing under the options contract for the purchase of a participating interest in GEN-EL in the amount of EUR 219,551,
   - outflows for the payment of profit participation in the amount of EUR 9,500,000.

The final balance of cash and cash equivalents includes cash on business accounts, and funds placed in the form of overnight and call deposits.

7.22. Taxes

Effective tax rate	2020	2019
Pre-tax profit or loss (in EUR)	55,790,438	33,229,505
Corporate income tax (in EUR)	-10,463,977	-6,456,587
Deferred taxes (in EUR)	337,355	610,348
Deferred taxes not affecting profit or loss (in EUR)	19,320	6,382
Applicable tax rate	19.00%	19.00%
Ratio of tax expenditure to pre-tax profit or loss	**18.76%**	**19.43%**
Effective tax rate	**18.15%**	**17.59%**

Pursuant to the Corporate Income Tax Act, the company is obligated to calculate and pay corporate income tax at a rate of 19% for the 2020 financial year. Deferred tax assets were created applying a rate of 19%.

8. Other disclosures

8.1. Total amount of remuneration during the financial year for the performance of tasks at the company

Net remuneration for performance of tasks in 2020 (excluding annual leave allowance and reimbursed costs; in EUR)	2020
Remuneration of senior management	127,470

Net remuneration for performance of tasks in 2020 (excluding reimbursed costs; in EUR)	2020
Members of the Supervisory Board and its committees	92,092

Remuneration of members of GEN's Supervisory Board and members of its committees in 2020 (in EUR)		Payment for performance of function – gross (1)	Session fees of Supervisory Board and its committees – gross (2)	Total – gross (1) + (2)	Costs
Mateja Čuk Orel	Chairwoman of the Supervisory Board	17,513	3,053	**20,566**	211
	Deputy Chairwoman of the Supervisory Board	384	275	**659**	0
	Chairwoman of the HR committee	0	748	**748**	0
	Member of the HR committee	87	0	**87**	0
Miha Butara	Deputy Chairman of the Supervisory Board	12,689	2,778	**15,467**	109
	Chair of the audit committee	1,730	1,188	**2,918**	10
	Member of the audit committee	2,884	748	**3,632**	5
Cvetko Sršen	Member of the Supervisory Board	140	0	**140**	0
	Chairman of the Supervisory Board	524	275	**799**	0
	Chair of the audit committee	0	0	**0**	0
Ksenija Flegar	Member of the Supervisory Board	489	275	**764**	0
	Member of the audit committee	87	0	**87**	0
	Member of the HR committee	87	0	**87**	0
Miha Šebenik	Member of the Supervisory Board	11,536	2,778	**14,313**	7
	Chair of the HR committee	978	0	**978**	0
Lovro Lapanja	Member of the Supervisory Board	11,536	2,778	**14,313**	249
	Member of the audit committee	2,884	748	**3,632**	88

Remuneration of members of GEN's Supervisory Board and members of its committees in 2020 (in EUR)		Payment for performance of function – gross (1)	Session fees of Supervisory Board and its committees – gross (2)	Total – gross (1) + (2)	Costs
Samo Fürst	Member of the Supervisory Board	12,025	3,328	**15,352**	247
	Member of the audit committee	3,006	1,188	**4,194**	177
Jure Soklič	Member of the Supervisory Board	489	275	**764**	0
	Chair of the audit committee	131	0	**131**	0
Aleksander Kavčič	Member of the Supervisory Board	489	275	**764**	0
	Member of the audit committee	87	0	**87**	0
Marko Čepin	Member of the Supervisory Board	489	275	**764**	0
	Member of the audit committee	87	0	**87**	0
Marjanca Molan Zalokar	Member of the Supervisory Board	12,025	3,328	**15,352**	129
Rene Jeromel	Member of the Supervisory Board	384	275	**659**	0
Katja Simončič	Member of the HR committee	3,006	748	**3,754**	110
Alojz Dimič	Member of the audit committee	4,509	1,188	**5,697**	206
Skupaj		**100,279**	**26,521**	**126,800**	**1,547**

8.2. Costs of auditing and business consultation services

The costs of audit services amounted to EUR 19,340 in 2020 and comprised the costs of audit services provided by the audit firm Ernst & Young in the amount of EUR 10,640 for the auditing of the annual financial statements for the previous period and the costs of audit services provided by the audit firm Deloitte in the amount of EUR 8,700 for the auditing of the annual financial statements for the current period. The aforementioned audit firms did not provide other audit and non-audit services in 2020.

9. Financial risk management

In the context of financial risks, GEN identifies liquidity, credit, interest-rate and currency risks.

For the purpose of managing **liquidity risk**, the company applies the principle of matching payment terms for purchases and sales of similar substance, or ensures that payment terms for purchases are longer than payment terms for sales. The company manages liquidity risks through well-defined contractual provisions, by regularly and precisely planning cash flows on a daily, monthly and yearly basis, by verifying contractual partners and their solvency, and through the prudent and safe placement of surplus cash and by raising short-term loans to ensure liquidity whenever necessary.

In the event of the payment of unplanned liabilities, a portion of the company's cash is placed in the form of overnight and call deposits, while a portion is maintained on bank accounts. These funds may also be made available to Group companies if they encounter difficulties in securing liquid funds on the market.

Due to the exceptionally low interest rates on deposits offered by banks and even the charging of inactivity fees on funds held on account above the agreed limit, the company managed its exposure to these risks in 2020 by applying an investment strategy, under which available funds continued to be dispersed between the most favourable providers of surplus cash deposit services. It also placed funds in deposits with longer maturities.

The company's exposure to liquidity risk is moderate on account of its established asset management principles, procedures and rules, which are adapted to various trends on the banking markets.

The company manages **credit risks** by thoroughly verifying the credit ratings and liquidity positions of its existing and potential business partners and banks, by having a clearly defined debt collection procedure and reminder system in place, and by concluding contracts with the appropriate collateral (e.g. bills of exchange and bank guarantees).

The level of assessed risk primarily depends on a partner's business results, in particular the level of their debt, short-term liquidity, solvency indicators and profitability indicators. A great deal of importance is given to obtaining up-to-date information from the market, as various market and regulatory changes may cause a partner's status to change quickly.

Interest-rate risk is relatively low, as the company's planned level of borrowing is low and of a short-term nature. When raising new loans, these risks can be managed using derivatives.

Currency risk is also relatively low, as the company rarely transacts in foreign currencies.

The company assesses that financial risks were successfully managed in 2020.

10. Events after the reporting period

GEN assesses that there were no business events between the reporting date and the compilation of this annual report that would have a material impact on its financial statements for 2020.

At the invitation of the TEB, GEN submitted a bid for a loan in the amount of EUR 7.8 million in February 2021. A draft loan agreement and the execution of the loan were approved by GEN's Supervisory Board in March 2021. That agreement was signed on 2 April 2021.

With the threat to the Slovenian population due to the outbreak of COVID-19, GEN continued to advise all of its employees to take preventive measures to prevent the spread of COVID-19, to limit business travel and to continue to perform work remotely, with some exceptions. GEN made the appropriate adaptations to its work processes to ensure the safe and reliable functioning of all of the Group's production facilities, which have operated smoothly and without interruptions until the present. Due to the placement of surplus cash in the form of short-term deposits and the delay in planned investments, the company has at its disposal sufficient liquid funds to facilitate smooth financial operations during brief periods of extreme conditions.

On 5 May 2021, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2020.

IV FINANCIAL REPORT OF THE GEN GROUP

1. Independent auditor's report

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenija

Tel.: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owners of the company GEN energija d.o.o.

Report on the Audit of the inancial Statements

Opinion

We have audited the financial statements of the company GEN energija d.o.o. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the provisions of the Treaty between the Government of the Republic of Slovenia and the Government of the Republic of Croatia on the regulation status and other legal relationships related to investing in the Krško nuclear power plant, its exploitation and decommissioning (hereinafter the Interstate Treaty) and Slovenian Accounting Standards in parts that are not explicitly regulated by the Interstate Treaty.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Sales revenue of the Company in the year ended 31 December 2020 amounted to EUR 227,655 thousand. As disclosed in note 6.13.4 and 6.13.5 of accounting policies, the Company recognises sales revenue when it fulfils (or is fulfilling) performance obligation. The company fulfils (or is fulfilling) a performance obligation by transferring the contractually agreed goods or services to the customer. Sales revenue is recognised in an amount that reflects the transaction price, which is allocated to a standalone performance obligation. Sales revenues are one of the significant indicators of company's performance. Due to the importance of the item in financial statements and the risks associated with the appropriateness of the revenue recognition, this area has been identified as a key audit matter.	As part of our audit procedures, we assessed the adequacy of the Company's accounting policies relating to the recognition of sales revenue and their compliance with relevant accounting principles, and performed the following procedures: - we reviewed the design and implementation of internal controls related to sales in terms of the appropriateness of their recognition; - we verified the operating effectiveness of the internal controls identified, for which we assessed to be relevant from the audit perspective; - based on the sample selected we performed test of details related to appropriateness of the revenue recognized; - 75% of the recognised revenue were reconciled with independent confirmations received from the largest customers. We also reviewed the information in the financial statements to assess whether the disclosures related to sales revenue were appropriate.

Other matter

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unqualified opinion on those statements on May 6, 2020.

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Other Information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Interstate Treaty and Slovenian Accounting Standards in parts that are not explicitly regulated by the Interstate Treaty, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

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detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the audit period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of Auditor and Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 7 December 2020. Our total uninterrupted engagement has lasted for one year.

Confirmation to Those Charged with Governance
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to those charged with governance of the Company, which we issued on 10 May 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Deloitte.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Tina Kolenc Praznik.

DELOITTE REVIZIJA d.o.o.
Dunajska cesta 165
1000 Ljubljana

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

Ljubljana, 10 May 2021

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

2. Statement of the senior management

The senior management of GEN is responsible for compiling a consolidated annual report that provides a true and fair picture of the GEN Group's financial position and operating results for the financial year that started on 1 January 2020 and ended on 31 December 2020.

The senior management hereby confirms that appropriate accounting policies were consistently followed and that accounting estimates were made in accordance with the principles of fair value, prudence and due diligence. It also confirms that the consolidated financial statements and accompanying notes were compiled on the assumption of GEN Group companies as going concerns and in accordance with the Intergovernmental Agreement on the NEK, valid legislation and the International Financial Reporting Standards (IFRS) as adopted by the EU in sections not explicitly governed by the Intergovernmental Agreement on the NEK.

The tax authorities may audit the Group's operations at any time in the five years following the end of the year in which taxes were assessed, which might give rise to additional tax liabilities, default interest and penalties in respect to corporate income tax, or other taxes and levies. The company's senior management is not aware of any circumstances that might result in a material liability in this respect.

The senior management is also responsible for ensuring proper accounting practices and adopting appropriate measures to protect assets, and hereby confirms that the financial statements and accompanying notes were compiled under the assumption of the GEN Group as a going concern. The company's senior management adopted and approved the GEN Group's consolidated financial statements with the associated policies and accompanying notes for 2020 on 5 May 2021.

Vrbina, 5 May 2021

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

Danijel Levičar
COO, GEN energija d.o.o.

3. Financial statements of the Group

3.1. Consolidated statement of financial position

Consolidated statement of financial position of the Group (in EUR)	Notes	31 December 2020	31 December 2019
ASSETS		**1,223,555,380**	**1,158,885,843**
Non-current assets		**781,616,905**	**773,710,034**
Intangible assets	5.1.	51,316,011	45,789,995
Property, plant and equipment	5.2.	702,980,560	706,496,354
Investment property	5.3.	1,841,279	1,907,383
Right-of-use assets	5.4.	2,320,483	2,670,333
Shares and participating interests in associates	5.5.	21,207	23,469
Other non-current financial assets and loans	5.6.	8,937,909	6,102,138
Non-current operating receivables	5.7.	11,660,661	7,891,969
Deferred tax assets	5.8.	2,275,949	2,542,326
Other non-current assets		262,846	286,067
Current assets		**441,938,475**	**385,175,809**
Inventories	5.9.	47,639,243	38,458,977
Current financial assets	5.10.	119,544,757	98,296,223
Current operating receivables	5.11.	100,347,510	120,889,027
Current assets from contracts	5.12.	47,001,225	44,553,041
Current corporate income tax receivables		163,330	391,459
Cash and cash equivalents	5.13.	119,683,230	74,537,115
Other current assets	5.14.	7,559,180	8,049,967

Consolidated statement of financial position of the Group (in EUR)	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES		**1,223,555,380**	**1,158,885,843**
Total equity	**5.15.**	**912,480,438**	**859,835,945**
Equity attributable to owners of the controlling company		**771,872,765**	**720,322,953**
Called-up capital		250,000,000	250,000,000
Share premium		134,682,435	134,682,435
Legal reserves		13,088,728	12,644,318
Other revenue reserves		141,582,144	110,677,001
Fair value reserves		-808,520	443,988
Retained earnings		234,324,901	212,614,086
Translation adjustment to equity		-996,923	-738,875
Non-controlling interest		**140,607,673**	**139,512,992**
Total liabilities		**311,074,942**	**299,049,898**
Non-current liabilities		**131,085,060**	**136,517,657**
Provisions	5.16.	12,620,462	10,889,718
Non-current financial liabilities	5.17.	106,962,252	115,712,961
Non-current operating liabilities	5.18.	273,033	291,773
Non-current liabilities from contracts	5.18.	199,272	249,713
Deferred tax liabilities	5.8.	6,666,186	6,597,927
State aid	5.18.	820,754	754,558
Non-current lease liabilities	5.19.	1,473,875	1,785,776
Other non-current liabilities	5.18.	2,069,226	235,231
Current liabilities		**179,989,882**	**162,532,241**
Current financial liabilities	5.17.	55,306,739	63,945,533
Current operating liabilities	5.20.	93,805,683	75,640,327
Current contract liabilities	5.21.	7,372,827	7,742,132
Current corporate income tax liabilities	5.22.	8,052,356	2,976,040
Current lease liabilities	5.19.	871,584	903,822
Other current liabilities	5.23.	14,580,693	11,324,387

The notes are a constituent part of the financial statements and must be read in connection with them.

3.2. Consolidated income statement and statement of other comprehensive income

Consolidated income statement of the Group (EUR)	Notes	2020	2019
Revenue	5.25.	2,159,914,240	2,215,696,712
Other operating revenue	5.26.	32,910,850	29,258,897
Costs of goods, materials and services	5.28.	-1,956,773,337	-2,062,777,313
Labour costs	5.29.	-65,054,973	-56,836,978
Amortisation and depreciation	5.30.	-52,296,495	-37,279,055
Impairment losses	5.30.	-6,037,508	-1,690,874
Other operating expenses	5.31.	-26,471,171	-22,972,209
Operating profit or loss		**86,191,606**	**63,399,180**
Financial income		734,570	1,224,592
Financial costs	5.32.	-6,641,806	-4,965,097
Total profit or loss		**80,284,370**	**59,658,675**
Taxes	5.34.	-16,095,286	-11,171,034
Net profit or loss for the period		**64,189,084**	**48,487,641**
Net profit or loss attributable to owners of non-controlling interests		**1,142,950**	**1,174,312**
Net profit or loss attributable owners of controlling interests		**63,046,134**	**47,313,329**

Statement of other comprehensive income of the Group (in EUR)	2020	2019
Net profit or loss for the period	**64,189,084**	**48,487,641**
Other comprehensive income that will be subsequently reclassified to profit or loss	**-621,953**	**89,552**
Changes in fair value reserves (after tax)	-253,283	243,968
Gains and losses from translation of financial statements of companies based abroad (impact of changes in exchange rates)	-258,048	221,863
Effective portion of gains and losses from cash flow hedges (after tax)	-110,622	-376,279
Other comprehensive income that will not be subsequently reclassified to profit or loss	**-982,051**	**-679,625**
Actuarial gains and losses from fixed-earning programmes (after tax)	-982,051	-679,625
Total comprehensive income (after tax)	**62,585,080**	**47,897,568**
Net profit or loss attributable to owners of non-controlling interests	**1,142,950**	**1,174,312**
Actuarial gains and losses from fixed-earning programmes attributable to owners of non-controlling interests (after tax)	**5,935**	**-9,574**
Effective portion of gains and losses from cash flow hedges attributable to owners of non-controlling interests (after tax)	**-54,204**	**-184,376**
Total comprehensive income attributable to owners of non-controlling interests (after tax)	**1,094,681**	**980,362**
Total comprehensive income attributable to owners of controlling interests (after tax)	**61,490,399**	**46,917,206**

The notes are a constituent part of the financial statements and must be read in connection with them.

3.3. Consolidated cash flow statement

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income statement items	**144,806,895**	**98,397,843**
Operating revenue and financial income from operating receivables	2,192,838,605	2,244,546,298
Operating expenses, excluding amortisation/depreciation and financial costs from operating liabilities	-2,046,119,156	-2,143,153,381
Corporate income tax paid	-1,912,554	-2,995,074
Changes in net working capital under balance-sheet operating items	**4,834,138**	**-9,585,419**
Opening less closing operating receivables	55,962,270	21,022,517
Opening less closing current accrued revenue and deferred expenses	2,546,985	-2,155,219
Opening less closing deferred tax assets	115,748	706,614
Opening less closing inventories	4,645,392	-9,202,289
Closing less opening operating liabilities	-50,415,276	-22,210,522
Closing less opening accrued expenses and deferred revenue, and provisions	-8,778,441	984,431
Closing less opening deferred tax liabilities	757,460	1,269,049
Net cash flow from operating activities	**149,641,033**	**88,812,424**
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows from investing activities	**1,465,971,421**	**793,888,756**
Inflows from shares in the profit of others from investing activities	523,060	291,285
Inflows from interest received from investing activities	62,272	226,157
Inflows from the disposal of property, plant and equipment	240,328	471,823
Inflows from the disposal of financial assets	1,465,145,761	792,899,491
Outflows from investing activities	**-1,544,456,365**	**-878,237,934**
Outflows for the acquisition of intangible assets	-6,377,315	-1,882,407
Outflows for the acquisition of property, plant and equipment	-52,465,704	-75,125,132
Outflows for the acquisition of financial assets	-1,485,613,346	-801,230,395
Net cash flow from investing activities	**-78,484,944**	**-84,349,178**
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows from financing activities	**80,336,692**	**194,897,489**
Inflows from increase in financial liabilities	80,336,692	194,897,489
Outflows from financing activities	**-106,346,666**	**-197,598,289**
Outflows for interest related to financing activities	-1,969,724	-2,891,407
Outflows for the repayment of lease liabilities – interest	-40,748	-25,800
Outflows for the repayment of financial liabilities	-93,869,910	-186,964,667
Outflows for the repayment of lease liabilities – principal	-966,284	-716,415
Outflows for the payment of dividends and other shares in profits	-9,500,000	-7,000,000
Net cash flow from financing activities	**-26,009,974**	**-2,700,800**
Closing balance of cash and cash equivalents	**119,683,230**	**74,537,115**
Net cash flow for the period	**45,146,115**	**1,762,447**
Opening balance of cash and cash equivalents	**74,537,115**	**72,774,668**

The notes are a constituent part of the financial statements and must be read in connection with them.

3.4. Consolidated statement of changes in equity

Statement of changes in equity for 2019 (in EUR)	Called-up capital	Share premium	Legal reserves	Other revenue reserves
Balance at 31 December 2019	**250,000,000**	**134,682,435**	**12,644,318**	**110,677,001**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**
Payment of dividends	0	0	0	0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**
Net profit or loss for the financial year	0	0	0	0
Valuation of financial investments at fair value (after tax)	0	0	0	0
Other components of comprehensive income (after tax)	0	0	0	0
Changes within equity	**0**	**0**	**444,410**	**30,905,143**
Allocation of net profit to other components of equity	0	0	444,410	30,905,143
Other changes within equity	0	0	0	0
Balance at 31 December 2020	**250,000,000**	**134,682,435**	**13,088,728**	**141,582,144**

Statement of changes in equity for 2019 (in EUR)	Called-up capital	Share premium	Legal reserves	Other revenue reserves
Balance as at 1 January 2019	**250,000,000**	**134,682,435**	**11,434,370**	**86,296,924**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**
Payment of dividends	0	0	0	0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**
Net profit or loss for the financial year	0	0	0	0
Valuation of financial investments at fair value (after tax)	0	0	0	0
Other components of comprehensive income (after tax)	0	0	0	0
Changes within equity	**0**	**0**	**1,209,948**	**24,380,077**
Allocation of net profit to other components of equity	0	0	1,209,948	24,380,077
Other changes within equity	0	0	0	0
Balance at 31 December 2019	**250,000,000**	**134,682,435**	**12,644,318**	**110,677,001**

The notes are a constituent part of the financial statements and must be read in connection with them.

Fair value reserves	Retained earnings	Translation adjustment to equity	Equity attributable to owners of the controlling company	Equity attributable to owners of non-controlling interest	Total
443,988	**212,614,086**	**-738,875**	**720,322,953**	**139,512,992**	**859,835,945**
0	**-9,500,000**	**0**	**-9,500,000**	**0**	**-9,500,000**
0	-9,500,000	0	-9,500,000	0	**-9,500,000**
-1,296,249	**63,044,696**	**-258,048**	**61,490,399**	**1,094,681**	**62,585,080**
0	63,046,134	0	63,046,134	1,142,950	**64,189,084**
0	0	0	0	0	**0**
-1,296,249	-1,438	-258,048	-1,555,735	-48,269	**-1,604,004**
43,742	**-31,833,881**	**0**	**-440,587**	**0**	**-440,587**
0	-31,349,553	0	0	0	**0**
43,742	-484,328	0	-440,587	0	**-440,587**
-808,520	**234,324,901**	**-996,923**	**771,872,765**	**140,607,673**	**912,480,438**

Fair value reserves	Retained earnings	Translation adjustment to equity	Equity attributable to owners of the controlling company	Equity attributable to owners of non-controlling interest	Total
1,122,981	**197,586,290**	**-960,738**	**680,162,262**	**138,532,630**	**818,694,892**
0	**-7,000,000**	**0**	**-7,000,000**	**0**	**-7,000,000**
0	-7,000,000	0	-7,000,000	0	**-7,000,000**
-690,148	**47,385,491**	**221,863**	**46,917,206**	**980,362**	**47,897,568**
0	47,313,329	0	47,313,329	1,174,312	**48,487,641**
-394,732	72,162	0	-322,570	-9,574	**-332,144**
-295,416	0	221,863	-73,553	-184,376	**-257,929**
11,155	**-25,357,695**	**0**	**243,485**	**0**	**243,485**
0	-25,590,025	0	0	0	**0**
11,155	232,330	0	243,485	0	**243,485**
443,988	**212,614,086**	**-738,875**	**720,322,953**	**139,512,992**	**859,835,945**

4. Notes to the financial statements

4.1. Presentation of the GEN Group

GEN energija d.o.o. is the controlling company of the GEN Group. One of the company's principal activities is the activity of holding companies, i.e. the governance of other legally independent entities in which GEN has a controlling influence.

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

The GEN Group comprises the controlling company and subsidiaries included in the GEN Group through consolidation for an entire financial year, which is the same as the calendar year. In accordance with the IFRS, the consolidated financial statements of the GEN Group include a company defined as a joint operation. Also included in the GEN Group are associates based on the equity method.

Controlling company and subsidiaries	Abbreviation	Registered office	Status	Equity interest	Proportion of voting rights
GEN energija d.o.o.	**GEN**	**Vrbina 17, Krško**	**Controlling company**	-	-
Savske elektrarne Ljubljana d.o.o.	SEL	Gorenjska c. 46, Medvode	Subsidiary	100%	100%
Termoelektrarna Brestanica d.o.o.	TEB	C. prvih borcev 18, Brestanica	Subsidiary	100%	100%
HESS d.o.o. with Group	HESS Group	C. bratov Cerjakov 33a, Brežice	Subsidiary	51%	51%
GEN-I d.o.o. with Group	GEN-I Group	Vrbina 17, Krško	Subsidiary	50%	50%
GEN-EL d.o.o.	GEN-EL	Vrbina 17, Krško	Subsidiary	50%	50%

* Based on an analysis of the ownership of GEN-EL, taking into account put and call options concluded between GEN and Elektro Ljubljana and put and call options concluded between GEN-I and Gorenjska banka for the acquisition of a participating interest in GEN-EL, GEN is the sole economic owner of GEN-EL.

In addition to the controlling company, the **GEN-I Group** comprises the following companies 100% owned by GEN-I:

- GEN-I d.o.o. Beograd, Vladimira Popovića 6, Beograd
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb
- GEN-I d.o.o. Sarajevo, Ul. Fra Anđela Zvizdovića 1, Sarajevo
- GEN-I DOOEL Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I Tirana Sh.p.k., Ish-Noli Business Center, Rruga Ismail Qemali Nr. 27, Tirana

- GEN-I Athens SMLLC, 6 Anapafseos Street, Marousi
- GEN-I Sofia EOOD, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofija
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milano
- GEN-I Vienna GmbH, Heinrichsgasse 4, Dunaj
- GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No: 56/58, Kat No: 3, Daire No: 5, 34435 Beyoğlu, İstanbul
- GEN-I Prodažba na energija DOOEL, Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I Sonce, d.o.o., Dunajska cesta 119, Ljubljana
- GEN-I Kiev LLC, 45-B Olesia Honchara Str., Kijev
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi
- Elektro energija, d.o.o., Dunajska cesta 119, Ljubljana
- GEN-I Sonce dooel Skopje, Bulevar Partizanski odredi 15A/1, Skopje
- GEN-I ESCO d.o.o., Ulica Vinka Vodopivca 45A, 5000 Nova Gorica
- SOL Navitas investicije d.o.o., Opekarniška cesta 15B, 3000 Celje.

In addition to the parent company, the **HESS Group** also includes Partner d.o.o., Cesta bratov Cerjakov 33A, 8250 Brežice.

Company included in the GEN Group as a joint operation in a joint arrangement	Abbreviation	Registered office	Status	Equity interest
Nuklearna elektrarna Krško d.o.o.	NEK	Vrbina 12, Krško	joint operation	50%

Companies included in the GEN Group as associate	Abbreviation	Registered office	Status	Equity interest
Srednjesavske elektrarne d.o.o.	SRESA	Ob železnici 27, Trbovlje	associate	40%

4.2. Basis for the compilation of consolidated financial statements

4.2.1. Statement of compliance

The Group conducts its accounting for the purposes of compiling the consolidated financial report of the GEN Group and compiling the annual report of the GEN Group in accordance with the Intergovernmental Agreement on the NEK, valid legislation and the IFRS as adopted by the European Commission, and in accordance with the interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU in sections not explicitly governed by the Intergovernmental Agreement on the NEK.

The senior management of GEN approved the consolidated financial statements of the Group on 5 May 2021.

4.2.2 Accounting assumptions and qualitative characteristics

GEN compiled the consolidated financial statements, in the part not governed by the Intergovernmental Agreement on the NEK, in accordance with the ZGD-1 and the IFRS. In order to provide comparable information, these include:

- two consolidated statements of financial position with cut-off dates of 31 December 2019 and 31 December 2020;
- two consolidated income statements, statements of other comprehensive income and cash flow statements for 2019 and 2020; and
- two consolidated statements of changes in equity for 2019 and 2020.

Material items from the financial statements are disclosed in the Group's financial report in accordance with provisions regarding materiality set out in internal accounting rules.

The financial statements of Group companies and other companies included in the GEN Group are valued on the basis of **uniform accounting policies.** They are included in the consolidated financial statements on the basis of:

- full consolidation when companies have the status of subsidiary. Prior to the consolidation of the GEN Group, subsidiaries consolidate their companies within their respective group (e.g. the GEN-I Group and HESS Group);
- the calculation of assets and liabilities, and revenue and expenses of the joint operation; and
- the equity method for associates.

The following **general quality characteristics** are taken into account when compiling the consolidated financial statements:

- fair presentation and compliance with the IFRS: the consolidated financial statements fairly present the Group's financial position, financial performance and cash flows;
- consistency of presentation: the presentation and classification of items in the consolidated financial statements is the same from period to period;
- materiality and aggregation: each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial;
- offsetting: neither assets and liabilities nor revenue and expenses are offset unless required or permitted by a standard or an interpretation; and
- comparative information: except when a standard or an interpretation permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information is included in narrative and descriptive information if this is necessary for the proper understanding of the financial standards for the period in question.

The financial statements are compiled on an historical cost basis, except for financial instruments measured at fair value at the end of the reporting period, as explained in the accounting policies below.

The financial year is the same as the calendar year.

4.2.3 Presentation and functional currency

The presentation currency of the GEN Group is the euro. The consolidated financial statements are thus presented in euros without cents. Immaterial differences may arise in the totals presented in tables due to the rounding of data. The euro is also the functional currency of the controlling company GEN.

4.2.4 Measurement basis

The GEN Group's financial statements have been compiled taking into account historical cost, except for financial instruments disclosed at fair value or amortised cost.

4.2.5 Use of estimates and judgements

When compiling the consolidated financial statements, the senior management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. Despite the fact that the senior management of the controlling company carefully studies all factors that may have an impact on the above-described factors during the compilation of items, it is possible that the actual consequences of business events will differ. Judgment must thus be used in accounting estimates, taking into account potential changes in the business environment, new business events, additional information and experience.

Estimates and assumptions are used, at a minimum, in the following judgements:

a) ESTIMATED USEFUL LIVES OF DEPRECIABLE ASSETS

In assessing the useful life of assets, the Group takes into account the expected physical usage, technical and economic obsolescence, and expected legal and other restrictions on use. The Group also verifies changes to the originally estimated useful life of material assets at least once a year. Specifics regarding the estimated useful lives of depreciable assets are set out in the Intergovernmental Agreement on the NEK, which are presented in more detail in point 4.3.5.

(Disclosures can also be found in points 5.1, 5.2, 5.3, 5.4 and 5.30.)

b) ASSET IMPAIRMENT TESTING

At least once a year, the senior management checks individual assets, including goodwill and impairment losses on receivables and cash-generating units, for signs of impairment. The recoverable amount of non-financial assets is determined based on the present value of future cash-flows from a cash-generating unit and an appropriate discount rate is set in that process.

(Disclosures can also be found in point 5.1.)

c) IDENTIFICATION OF LEASE CONTRACTS

During the compilation of the consolidated financial statements, the senior management identifies lease contracts, and determines lease terms and discount rates.

(Disclosures can also be found in points 4.3.7 and 5.4.)

d) ESTIMATED FAIR VALUE

Given the Group's accounting policies and disclosure requirements, the determination of the fair value is required in a number of cases, as follows:

- financial assets measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss, and
- derivatives.

All other items in the financial statements are disclosed at historical cost or amortised cost.

The Group determines the fair values of individual asset groups for measurement or reporting purposes using valuation methods that are appropriate in the given circumstances and for which sufficient data is available, in particular using appropriate market input data and minimising the use of non-market input data.

Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

All assets and liabilities that are measured or disclosed at fair value in the financial statements are classified into the fair value hierarchy based on three levels:

Level 1 – market prices from an active market for similar assets and liabilities;

Level 2 – assets that are not included in Level 1 and whose value can be directly or indirectly determined on the basis of comparable market data; and

Level 3 – assets whose values cannot be obtained from market data.

(Disclosures can also be found in point 6.1.)

e) POST-EMPLOYMENT BENEFITS

The present value of severance payments at retirement is recorded in post-employment benefits. They are recognised based on an actuarial calculation approved by the senior management of the controlling company. The actuarial calculation is based on the assumptions and estimates valid at the time of the calculation which, due to changes in the future, may differ from the actual assumptions that will apply at the time of retirement. This relates primarily to the determination of the discount rate, estimated employee turnover, estimated mortality rates and estimated wage growth. Due to the complexity of the actuarial calculation and the long-term nature of this item, liabilities for post-employment benefits are sensitive to changes in the above-stated estimates.

(Disclosures can also be found in points 4.3.12 and 5.16.)

f) ASSESSMENT OF THE POSSIBILITY OF RECOGNISING DEFERRED TAX ASSETS

The Group creates deferred tax assets based on the creation of temporary timing differences, tax credits and tax losses, if any. On the date of the financial statements, the Group verifies conditions for the recognition of deferred tax assets based on the likelihood of the existence of future tax profit that can be used to cover deductible tax differences. A deferred tax asset is recognised if it is probable that pre-tax profit will be generated in the future, against which the deferred tax can be utilised in the future.

(Disclosures can also be found in points 4.3.18 and 5.8.)

4.2.6 Use of estimates and judgements due to the COVID-19 epidemic

The GEN Group did not face material uncertainty due to the COVID-19 epidemic. Basic accounting assumptions thus remain the unchanged basis for the compilation of the GEN Group's financial report. Because undesirable events due to the COVID-19 epidemic were negligible at the GEN Group level, no special disclosures were made in connection with the effects of the COVID-19 epidemic, as they had no impact on financial statement items, except disclosures in connection with state aid.

a) LIQUIDITY RISK

Conditions as the result of the COVID-19 epidemic had no impact on the liquidity risk to which the GEN Group is exposed. The Group manages its sources and investments in such a way that it is capable of settling its maturing liabilities at any given moment. The Group plans cash flows on a daily basis and thus implements a policy of regularly managing liquidity, which is approved by senior management. It also has measures in place to prevent and/or eliminate potential causes of illiquidity.

b) LEASE CONCESSIONS

There were no lease concessions at the Group level due to the COVID-19 epidemic. There was thus no reason for the Group to implement amendments to IFRS 16.

c) IMPAIRMENT OF NON-FINANCIAL AND FINANCIAL ASSETS

The Group verified the need for additional impairments of assets at the end of the 2020 financial year. Additional impairments of receivables and contract assets were recognised relative to the previous year. We did not feel any major effects from the reduction in the collection of receivables, but certain electricity customers did request the deferral of payments. There were no material changes in risks identified in this area, in part as the result of a well-diversified portfolio of customers with sound credit ratings. Also contributing to this was anti-corona legislation, which through measures to mitigate the consequences of the COVID-19 epidemic helped companies overcome financial challenges. Due to the latter, we believe that 2020 is unrepresentative in terms of defaults and that the real effect on the dynamics of payments will not be felt until state aid is withdrawn. We expect 2021 to be a true indicator of the financial strength of electricity customers. For this reason, we created higher ECL allowances for 2021.

d) NET REALISABLE VALUE OF INVENTORIES

The GEN Group carries inventories at fair value, which is equal to their market value on the balance-sheet date less costs to sell. The Group has no reason to impair inventories.

E) MATURITY OF LIABILITIES DUE TO FAILURE TO FULFIL FINANCIAL COMMITMENTS SET OUT IN LOAN AGREEMENTS

The GEN Group regularly monitors the fulfilment of financial commitments set out in loan agreements. Failure to fulfil those commitments could result in changes to contractual provisions, such as a change in repayment or a change in interest rate. Despite the conditions as the result of the COVID-19 epidemic, financial commitments were fulfilled again in 2020. There was thus no impact on the Group's financial position, effectiveness or cash flow.

f) REPAYMENT OF STATE AID AND THE RECOGNITION OF REVENUE IN CONNECTION WITH STATE AID

Except for the waiver of the payment of pension and disability insurance contributions and the payment of a crisis bonus, the Group did not take advantage of other forms of state aid. There is thus no risk in connection with the repayment of state aid.

4.3. Significant accounting policies of the GEN Group

4.3.1 Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates valid on the transaction date.

Monetary items denominated in foreign currencies at the end of the reporting period are translated into the functional currency of individual Group companies at the exchange rate valid on the reporting date. Exchange rate differences are differences between amortised cost in the functional currency at the beginning of a period, adjusted for the amount of applicable interest and payments in the period, and amortised cost expressed in a foreign currency, converted using the exchange rate at the end of the period.

Non-monetary items measured at fair value and expressed in foreign currencies are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Non-monetary items that are measured at historical cost and expressed in a foreign currency are translated to the functional currency at the exchange rate valid on the transaction date. Exchange rate differences are recognised in the income statement and disclosed in financial costs.

Exchange rate differences from the settlement of monetary items or the translation of monetary items at exchange rates other than those used for that purpose on initial recognition during the period or in previous financial statements are recognised in profit or loss when they arise. Exchange rate differences in connection with a monetary item that is part of a net financial asset of the reporting company for foreign operations are recognised in profit or loss in the separate financial statements of the reporting company or in the individual financial statements of the foreign unit in question. Such exchange rate differences are initially recognised in other comprehensive income in the consolidated financial statements.

4.3.2 Financial instruments

a) RECOGNITION AND INITIAL MEASUREMENT

Trade receivables, loans and deposits are initially recognised on the day they arise. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (except trade receivables without a significant financing component) and financial liabilities are initially measured at fair value, plus transaction costs that are directly attributable to their acquisition or issue for items not measured at fair value through profit or loss. Trade receivables without a significant financing component are initially measured at the transaction price.

b) CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (POLICY)

On initial recognition, financial instruments are classified to one of the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income (hereinafter: FVTOCI), and
- financial assets measured at fair value through profit or loss (hereinafter: FVTPL).

Financial assets are not reclassified following initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following that change.

A financial asset is measured at amortised cost if it is not designated as a financial asset at FVTPL and if the following two conditions are met:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This decision is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or at FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets (see explanation in Section 6).
On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements for measurement at amortised cost or at FVTOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

c) FINANCIAL ASSETS – BUSINESS MODEL ASSESSMENT (POLICY)

The Group assesses the objective of the business model in which a financial asset is held at the portfolio level, as this best reflects the way transactions are managed and information is provided to senior management. That information includes the following:

- the stated policies and objectives of the portfolio and the implementation of those policies in practice. These include whether senior management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of any related liabilities or expected cash outflows, or generating cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Group's senior management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how business managers are remunerated, i.e. whether remuneration is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, value and timing of sales of financial assets in previous periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for this purpose, and the Group continues to recognise them.

Financial assets that are held for trading or are managed and whose yield is assessed based on fair value are measured at FVTPL.

d) FINANCIAL ASSETS – ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (POLICY)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the amount of principal outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), and a profit margin.

The Group takes into account the contractual terms of an instrument when determining whether the associated cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would fail to meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claims to cash flows from specified assets (e.g. terms under which a financial asset may only be repaid with the collateral through which it was secured in the event of default).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal amount, which may include reasonable additional compensation for the early termination of a contract. Additionally, for a financial asset acquired at a discount or premium on its nominal contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the nominal contractual amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is deemed to meet this criterion if the fair value of the prepayment feature is negligible at initial recognition.

e) FINANCIAL ASSETS – SUBSEQUENT MEASUREMENT, AND GAINS AND LOSSES (POLICY)

Financial assets measured at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.

Financial assets measured at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced for impairment losses. Interest income, positive and negative exchange rate differences and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Investments in debt securities measured at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, positive and negative exchange rate differences and impairment losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are reclassified to profit or loss on derecognition.

Investments in equity instruments measured at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as revenue in profit or loss, unless the dividend clearly represents a return on part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never transferred to profit or loss.

f) FINANCIAL LIABILITIES – CLASSIFICATION, SUBSEQUENT MEASUREMENT, AND GAINS AND LOSSES

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified as measured at amortised cost if it is classified as held-for-trading, if it is a derivative or if it is designated as such on initial recognition. Financial liabilities measured at FVTPL are measured at fair value, and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and positive and negative exchange rate differences are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

See Section 6.1 for financial liabilities designated as hedging instruments.

g) DERECOGNITION

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions in which it transfers assets recognised in its statement of financial position, but retains all or substantially all of the risks and rewards associated with a financial asset. In such cases, transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value based on those modified terms. On derecognition of a financial liability, the difference between the carrying amount of an extinguished financial liability and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4.3.3 Offsetting

Financial assets and liabilities are offset, and the net amount is disclosed in the statement of financial position if, and only if, the Group has the legally enforceable right to offset recognised amounts and intends to either settle the net amount or liquidate the asset and settle its liability.

4.3.4 Derivatives

The Group uses derivatives to hedge against market and currency risks.

The Group uses forward contracts and various financial trading instruments to hedge against market risks caused by electricity and natural gas price fluctuations. It primarily uses forward currency contracts to hedge against currency risks.

The Group uses non-standardised forward contracts to hedge against market risks arising from electricity and natural gas prices and currency risks. These are agreements on the sale or purchase of an underlying instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The prices of forward transactions are determined based on the underlying financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardised forward contract at maturity is equal to the difference between the current price of an underlying instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity of the contract depending on changes in current market prices and the residual maturity of the forward contract.

Standardised forward contracts (futures) are binding agreements on the purchase or sale of a standardised quantity of well-defined standard quality instruments on a standardised day in the future (standard specification) at a price determined in the present. Standardised products are a prerequisite for exchange trading. The main advantage of standardised products is the minimisation of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction; they only need to agree on the price of individual forward contracts. Transactions are concluded without the physical presence of goods. A standardised forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardised forward contracts, on the other hand, are not liquid because the exchange of these contracts is almost impossible. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivatives also include option contracts that the Group classifies to financial assets or financial liabilities at fair value through profit or loss. Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date. If the transaction price is not equal to fair value on the day of initial recognition, the difference is recognised in profit or loss for marketable assets, or deferred and released subsequently in profit or loss in accordance with the Group's policy.

Contracts to buy or sell a non-financial asset (such as a commodity) that can be settled net (either in cash or by exchanging financial instruments) are covered by IFRS 9 and are accounted for at fair value, unless they were entered into and continue to be held for the purpose of receiving or delivering the non-financial asset in question in accordance with the Group's expected purchase, sale or usage requirements – the so called 'own-use' exemption. (IFRS 9.2.4). Contracts covered by IFRS 9 are accounted for as derivatives and are marked to market through the income statement, unless senior management can and does opt to apply hedge accounting.

Contracts that result in the physical delivery of a commodity and for which the Group does not have a net settlement practice and that are not entered into for trading, speculative or hedging purposes are accounted for as a normal purchase or sales contract, i.e. an unrecognised executory contract. Contracts that result in the physical delivery of a commodity and for which the Group has a net settlement practice and that have other purposes than just the delivery or purchase of electricity or natural gas are accounted for as derivatives and are measured at fair value through profit and loss.

Following initial recognition, derivatives are measured at fair value, and changes to fair value are generally recognised in profit or loss.

At least once a year, during the compilation of the annual financial statements, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value. Gains and losses as the result of changes in fair value are recognised in profit or loss.

a) HEDGE ACCOUNTING

The Group meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows from the hedged item and hedging instrument are expected to offset each other.

At the inception of the hedging relationship, and then on an ongoing basis, the Group assesses whether a hedging relationship meets hedge accounting requirements. That assessment relates to expectations and is therefore only forward-looking. To qualify for hedge accounting, a hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk is not predominant in changes in value that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of the hedged item.

At each reporting date, the Group measures hedge ineffectiveness, i.e. the extent to which changes in the fair value or cash flows of the hedging instrument are greater or less than changes in the hedged item.

b) FAIR VALUE HEDGING

The Group calculates fair value hedges against the risk of fluctuating prices for standardised and non-standardised forward contracts by recognising changes in the fair value of derivatives immediately in profit or loss. Gains or losses from hedged items that can be attributed to hedged risks must be adjusted to the book value of the hedged items and recognised in profit or loss. If an unrecognised firm commitment is defined as a hedged item, the subsequent cumulative change in the fair value of the firm commitment that can be attributed to a hedge is recognised as an asset or liability, with the relevant gain or loss recognised in profit or loss. The initial book value of an asset or liability arising from the fulfilment of a firm commitment by the Group is adjusted by including the cumulative change in the fair value of the commitment that can be attributed to a hedge previously recognised in the statement of financial position.

c) CASH FLOW HEDGING

The Group uses financial instruments to hedge against variable interest rates for the purpose of managing interest-rate risk and as cash flow hedges against negative effects on the costs of financing raised loans in the event of a rise in the EURIBOR. The effective portion of a hedge is recognised directly in other comprehensive income.

Disclosed in fair value reserves is the effective portion of changes in the fair value of a financial instrument used to hedge cash flows against a change in interest rate, less deferred taxes.

The fair value of a derivative in the form of an interest-rate swap is disclosed in non-current financial liabilities. On the reporting date, fair value is measured by discounting future cash flows from the variable interest rate (receipt of interest from a swap) and from the fixed interest rate (payment of interest from a swap).

The accounting policy in the comparative information presented for 2019 is similar to that applied for 2020.

4.3.5 Intangible assets, and property, plant and equipment

Intangible assets, and property, plant and equipment are non-current assets of companies that facilitate the performance of activities. On initial recognition, intangible assets and items of property, plant and equipment are disclosed at historical cost, less amortisation and depreciation costs, and impairment losses.

The historical cost of an individual asset includes the purchase price and all costs directly attributable to the preparation of the asset for its intended use. Historical cost comprises borrowing costs in connection with the acquisition of an item of property, plant and equipment until it is brought to working condition.

The historical cost model is used for the subsequent measurement of intangible assets, and property, plant and equipment. Subsequently incurred costs that enable the continued functioning, increased safety or other future economic benefits increase the historical cost of an asset.

Costs arising from the replacement of parts of fixed assets are recognised at their carrying amount if future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. All other costs (e.g. regular maintenance) are recognised in profit or loss as expenses as soon as they arise.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the net sales value and carrying amount of a disposed asset and are recognised in other operating revenue or write-downs.

Assets obtained free-of-charge are depreciated, and the non-current deferred revenue disclosed in liabilities is reduced for the amount of depreciation.

At the end of the year, companies verify (only for material assets) whether external or internal factors have arisen that dictate revaluation.

Goodwill arises in consolidation and comprises the surplus of the sum of the fair value of transferred consideration on the day of acquisition (acquired participating interests) and the fair value of the previous acquirer's participating interest over the net amounts of identifiable assets and assumed liabilities. Goodwill is recognised as an asset and reviewed at least once a year for signs of impairment. Any impairment is immediately recognised in consolidated profit or loss and is not subsequently reversed. Upon the disposal of a subsidiary, the associated amount of goodwill is included in the determination of gains/losses on disposal, and affects the profit or loss of the Group.

Intangible assets are amortised and items of property, plant and equipment depreciated using the straight-line method, taking into account the predefined useful life of each individual asset.

The depreciation of the NEK as a joint operation is set out in the Intergovernmental Agreement on the NEK up to the amount of necessary and approved investments and payments of long-term loans for those investments. The purpose of depreciation in the above case is thus not to replace an asset at the end of its useful life as set out in the IFRS. Depreciation is calculated taking into account currently valid depreciation rates for all items of property, plant and equipment, except for the nuclear reactor with cooling and ancillary systems (hereinafter: the nuclear reactor). The amount of depreciation of the nuclear reactor is defined as the difference between fully approved depreciation costs and the depreciation costs of other items of property, plant and equipment. The rate and amount of depreciation for the nuclear reactor thus vary from year to year.

Depreciation rates were unchanged in 2020.

4.3.6 Investment property

Investment property comprises real estate owned by the GEN Group with the aim of generating rental income, increasing the value of non-current investments or both. Investment property is disclosed at historical cost less accumulated depreciation and impairment losses. Investment property is measured according to the historical cost model. Depreciation is recognised in profit or loss according to the straight-line method, while the estimated useful life of investment property is 25 years.

4.3.7 Right-of-use assets (leases)

When concluding a contract, the Group assesses whether it is a lease contract or whether the contract contains a lease. A contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a specified period in exchange for consideration.

The Group defines the lease term as the period during which the lease cannot be cancelled, including:

a) periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and

b) periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

a) GROUP AS LESSEE

The Group applies a uniform approach for the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. The Group recognises a lease liability and right-of-use asset, which represents the right to use an asset under lease.

b) RIGHT-OF-USE ASSETS

The Group recognises an item of property, plant and equipment that represents a right-of-use asset on the day a lease commences (i.e. the day a leased asset is available for use).

A right-of-use asset is measured at historical cost less loss allowances and impairment losses, with historical cost adjusted each time the lease liability is remeasured. The historical cost of a right-of-use asset includes the amount of the initially measured lease liability, initial direct costs and lease payments made at or before the inception of the lease, less lease incentives received.

A right-of-use asset is depreciated on a straight-line basis over the lease term or the estimated useful life of the associated asset, whichever is shorter. Lease terms vary from two to 10 years.

If at the end of the lease ownership of the leased asset is transferred to the company or if the Group exercises

Amortisation/depreciation groups	% in 2020	% in 2019
Intangible assets		
Property rights	5.56 - 33.33	5.56 - 33.33
Right of superficies	5.26 - 50.00	5.26 - 50.00
Concession rights	2.00 - 6.35	2.00 - 6.35
Structures		
Buildings	1.00 - 10.00	1.00 - 10.00
Parts of buildings	6.00	6.00
Equipment		
Office equipment	10.00 - 20.00	10.00 - 20.00
Computer equipment	20.00 - 50.00	20.00 - 50.00
Production and other equipment	1.67 - 50.00	1.67 - 50.00
Vehicles	12.50 - 25.00	12.50 - 25.00
Exhibition equipment	14.28 - 33.33	14.28 - 33.33
Small inventory	20.00	20.00
Other investments	**10.00**	**10.00**

the purchase option, depreciation is calculated based on the estimated useful life of the asset.

The Group also revalues right-of-use assets for possible impairment.

c) LEASE LIABILITIES

At the inception of a lease, the Group recognises a lease liability at the present value of all lease payments over the lease term that have not been paid by that date. Lease payments include fixed lease payments less all receivables for lease incentives, variable lease payments that depend on an index or rate, and amounts expected to be paid by the lessee under residual value guarantees. Lease payments also include the exercise price of the purchase option if it is fairly certain that the Group will exercise that option and the payment of a termination penalty if the lease term indicates that the Group will exercise the termination option.

Variable lease payments that are not dependent on an index or rate are recognised as an expense (unless the costs are incurred in the production of inventories) in the period in which either the event or the condition that triggers payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate effective on the day the lease commences, as the interest rate cannot be determined in the lease contract. After the commencement date of a lease, the amount of the lease liability is increased by accrued interest and reduced by all lease payments made. In addition, the carrying amount of the lease liability is remeasured in the event of an adjustment to or change in the lease term, a change in lease payments (e.g. a change in future lease payments due to a change in the index or rate used to determine those payments) or a change in the assessment of the purchase option for a leased asset.

The Group recognised lease liabilities in other non-current and current financial liabilities.

d) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the recognition exemption for short-term leases (i.e. for leases with a lease term of 12 months or less that do not include a purchase option). It also applies the recognition exemption for leases of low-value assets. In the case of short-term leases and leases of low-value assets, the Group recognises lease payments on a straight-line basis over the lease term.

Group as lessor
Leases that do not transfer substantially all of the risks and rewards incidental to ownership are classified as operating leases. Rental income is calculated on a straight-line basis over the lease term, and is recognised as revenue in the income statement. Initial direct costs are additional costs that are directly attributable to negotiating and arranging a lease. They increase the carrying amount of a leased asset and are recognised over the lease term in the same way as rental income. Contingent lease payments are recognised as revenue in the period in which they are earned.

4.3.8 Deferred taxes

The amounts of deferred taxes are based on the expected method of reimbursement or settlement of the carrying amount of assets and liabilities, taking into account the tax rates in force when deferred tax receivables and liabilities are settled.

Deferred tax assets are recognised in the amount of probable taxable profit available in the future and against which the deferred asset can be utilised. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realised. They are disclosed as non-current receivables.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the taxable temporary differences are the result of the initial recognition of assets or liabilities in a business event other than a merger, division, exchange of shares or transfer of activities, and the business event did not affect accounting or the taxable profit (tax loss) when it arose.

4.3.9 Inventories and costs of materials used

The Group discloses in inventories fuel and materials that are initially quantified at historical costs, which comprises the purchase price, import duties and direct purchase costs. The purchase price is reduced for discounts granted.

Nuclear fuel use is recorded according to the historical cost method, as no new purchases are made until inventories are used, while the use of other types of fuel and materials is valued according to the moving average price method.

For those inventories of spare parts that have not generated any turnover in the last six years (slow-moving spare parts for which neither receipt nor issue was recorded), loss allowances are made in the amount of 100% of the value of those materials.

4.3.10 Impairment of assets

The Group assesses the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

a) FINANCIAL ASSETS

Financial instruments and contract assets
The Group recognises loss allowances due to expected credit losses (hereinafter: ECLs) for financial assets measured at amortised cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, i.e. ECLs that arise from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the relevant contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The Group measures ECLs on trade receivables and contract assets based on a loss allowance matrix.

Loss rates are calculated taking into account rates of transitions between credit rating categories based on the probability that a receivable will pass through successive phases from default to write-off. Rates of transitions between credit rating categories are calculated separately for exposures in various segments based on common credit risk characteristics, e.g. customer types (B2B or wholesale, B2C or retail and trading).

ECLs are calculated for all trade receivables and contract assets up to 90 days past due based on the appropriate loss rates for different time intervals.

Impairment losses are recognised in the amount of 90% of the value of trade receivables and contract assets more than 90 days past due.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets disclosed at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes information regarding the following circumstances:

- significant financial difficulties of the borrower or issuer;
- breach of contract, such as default or payment delays of more than 90 days;
- the restructuring of a loan or prepayment by the Group under conditions that the Group would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

Disclosure of allowances for ECLs in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of those assets.

Write-downs
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering that financial asset in its entirety or a portion thereof, i.e. in the event of a final court decision regarding completed bankruptcy proceedings, completed compulsory settlement or completed enforcement proceedings, and for financial assets where the Group expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in accordance with the Group's procedures for recovering receivables.

(Disclosures can also be found in point 6.2.2.)

b) NON-FINANCIAL ASSETS

At each reporting date, the carrying amount of material non-financial assets is reviewed to determine if there are indications of impairment. If there are such indications, the asset's recoverable value is assessed.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value, less costs of sale. In determining an asset's value in use, estimated future cash flows are discounted to their current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets that cannot be tested individually are consolidated into the smallest possible asset groups that generate cash flows from further use and are mostly independent of the receipts of other assets or groups of assets (cash-generating units).

The impairment of an asset or cash-generating unit is recognised whenever its carrying amount exceeds its recoverable value. Impairment is disclosed in the income statement. Impairment losses in connection with a cash-generating unit are allocated by first reducing the carrying amount of the goodwill allocated to the cash-generating unit and then to other assets of the unit (group of units), in proportion to each asset's carrying amount.

With respect to other assets, the Group assesses impairment losses from previous periods on the balance-sheet date to determine whether or not there has been a reduction in losses and whether or not losses still exist. Impairment losses are derecognised if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognised to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined in the net amortised amount if no impairment loss had been recognised for the asset in previous years.

4.3.11 Equity

Equity is defined by the amounts invested by the owners and the amounts that occurred in the course of business and attributable to the owner. It may be reduced by losses or the distribution of profits.

Total equity comprises called-up capital, the share premium account, revenue reserves, fair value reserves, translation reserves, retained earnings and undistributed net profit.

4.3.12 Provisions

Provisions are created for liabilities that will arise based on binding past events in a period of more than one year, and the value of those liabilities can be reliably assessed or measured.

The Group determines provisions by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Companies create provisions for future earnings and provisions for increased maintenance costs due to high water levels and state aid for the modernisation of production facilities.

PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES

Pursuant to the law, the collective agreement and internal rules, the Group is obligated to pay long-service bonuses and severance payments to employees, and has created non-current provisions for this purpose. There are no other pension-related obligations. Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period.

The Group created non-current provisions during the reporting period for long-service bonuses and severance payments at retirement as the present value of future payments required to settle liabilities arising from employees' service in the current and past periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 0.5% was set for the calculation at all Group companies, except for the NEK, for which a discount rate equal to the yield on ten-year AA-rated euro area bonds was applied in accordance with Intergovernmental Agreement on the NEK and assuming the winding up of the NEK on 30 June 2043.

Those provisions are recognised in the income statement as labour costs and interest expense, while recalculated post-employment benefits and unrealised actuarial gains or losses from severance pay are recognised as an equity item in other comprehensive income.

4.3.13 State aid

Government grants relating to assets are initially recognised as deferred revenues if there is reasonable assurance that the Group will receive a grant and comply with the conditions associated with that grant. They are subsequently recognised in the income statement as other income on a systematic basis over the useful life of the asset.

Government grants that the Group receives to cover costs are systematically recognised in the income statement in the period in which the costs arise.

Material amounts of revenue in the form of government grants are disclosed in the mandatory notes to the income statement. Due the extraordinary circumstances in connection with the COVID-19 epidemic, revenue in the form of state aid to contain and mitigate the effects of the COVID-19 epidemic is deemed material revenue. Thus, the nature (type) and amount of state aid are disclosed separately in all notes to the financial statements for the financial year ending after 13 March 2020.

The Group's policy for recognising and measuring state aid in connection with additional measures to mitigate the consequences of the COVID-19 epidemic is to record the gross effects, which means the recognition of the full amount of labour costs.

4.3.14 Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services that are transferred to a customer. The Group records accrued revenue for goods and services supplied to customers in contract assets.

A contract liability is the obligation to transfer goods or services to a customer in exchange for the consideration received by the Group from the customer. Contract liabilities are recognised as revenue when the Group fulfils its performance obligation under a contract.

4.3.15. Contingent assets and liabilities

Contingent assets and liabilities do not have a direct effect on the amount and composition of assets and liabilities (statement of financial position) and revenue and expenses (income statement), but are a source of information regarding operations and the potential future receivables and liabilities of companies.

4.3.16 Revenue

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the buyer in an amount reflecting the consideration that the Group believes it will be entitled to receive in return for those goods or services.

The Group recognises revenue from its principal activities in phases. In the case of a contract for the supply of electricity or natural gas, the Group transfers control gradually, while the buyer obtains and uses the benefits that derive from the fulfilment of the Group's obligation as seller when that obligation is being fulfilled. The Group thus fulfils its performance obligation and recognises proceeds gradually by measuring progress towards the complete fulfilment of the performance obligation to supply electricity or natural gas according to the output method, i.e. according to charged amounts that are based on supplied quantities of electricity or natural gas. The same method is used for sales of small solar power plants and services.

The Group generates the majority of revenue from trading, and a smaller amount from the sale of electricity and natural gas to end-customers. The Group also generates revenue from certain other sources, which are negligible in the overall structure of revenue.

The Group recognises revenue when it fulfils its performance obligation through the transfer of promised goods or services, i.e. when it supplies electricity, natural gas or small solar power plants, or when a customer takes control of such assets. The Group takes into account contractual conditions when setting the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the transfer of electricity, natural gas or small solar power plants to a customer, except amounts collected on behalf of third parties. The consideration promised in a contract with a customer includes the fixed amounts of supplied quantities of electricity and natural gas, both in the area of trading and in supply to end customers.

For energy supplied to a customer during the current period that will be invoiced at the beginning of the next period, the Group recognises a contract asset in the amount of the estimated value of supplied energy (electricity or natural gas). That amount is estimated based on concluded agreements and data regarding energy supplied to an individual customer.

Amounts that are charged on invoices to end-customers and that represent amounts collected on behalf of third parties are not recognised in revenue.

Revenue is recognised as:

- **Sale of goods**
  The sale of goods is recognised when the Group delivers goods to a customer, the goods have been accepted by the customer and the recoverability of the related claims is reasonably assured. From the time of sale, the Group no longer has control over the goods sold.
- **Sale of services**
  The sale of services is recognised in the accounting period in which the services were rendered, with respect to the conclusion of the transaction, assessed based on the service actually rendered as a proportion of all services rendered. In the case of long-term projects, the method of percentage of completion of works as at the balance-sheet date is used to recognise revenue from services rendered. According to this method, revenue is recognised in the accounting period in which the services are rendered.

- **Other operating revenue**
  Other operating revenue comprises calculations of capitalised own products and services, revenue from the reversal and use of other liabilities, compensation received, contractual penalties and similar revenue.

RENTAL INCOME

Rental income is recognised on a straight-line basis over the term of the lease.

FINANCIAL INCOME

Financial income comprises revenue from interest on financial assets, income from the disposal of financial assets at fair value through other comprehensive income, recovered, written-off or impaired receivables, changes to the fair value of financial assets at fair value through profit or loss, positive exchange rate differences, and gains from hedging instruments recognised in the income statement. Interest income is recognised using the effective interest rate method.

4.3.17 Expenses

OPERATING EXPENSES

Expenses are recognised if a decrease in economic benefits in the accounting period gives rise to a decrease in assets or an increase in liabilities, and that decrease can be reliably measured.

Expenses comprise the costs of goods, materials and services, labour costs and write-offs, and other operating expenses.

The costs of goods, materials and services comprise the historical costs of goods, materials and services purchased.

Write-downs include amortisation/depreciation costs that relate to the consistent transfer of the value of depreciable property, plant and equipment and amortisable intangible assets. Write-downs also include losses from the write-off and sale of fixed assets.

Labour costs comprise historical costs relating to accrued wages and other gross payments to employees, and to levies charged on that basis and that are not an integral part of gross amounts. Labour costs also include provisions created for long-service bonuses and severance payments at retirement.

Other operating expenses include concession fees, environmental protection expenditure and other levies. Other operating expenses also include donations.

FINANCIAL COSTS

Financial costs comprise borrowing costs (if they are not capitalised), negative exchange rate differences, changes in the fair value of financial assets through profit and loss, impairment losses on financial assets, adjustments to the value of receivables, and losses from hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method. Financial costs are also recognised from the recognition of investments using the equity method.

4.3.18 Taxes

Taxes include liabilities for accrued and deferred tax. Tax is recognised in the income statement, except where it relates to business combinations or items that are disclosed directly in other comprehensive income.

Current tax liabilities are based on taxable profit for the period. Taxable profit differs from the net profit reported in the income statement because it excludes revenue and expense items that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Group's liability for accrued tax is calculated applying the tax rates that were valid for the reporting period.

Each Group company is liable to pay corporate income tax. Consolidated corporate income tax comprises the sum of taxes of Group companies.

Deferred tax is disclosed by taking into account the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the relevant amounts for tax reporting purposes. Deferred tax is disclosed in the amount that must be calculated (i.e. received or paid) when temporary differences are reversed based on laws that are in force at the end of the reporting period.

4.3.19 Cash flow statement

The Group compiles its cash flow statement according to the indirect method.

4.3.20 Risk management

The Group is exposed to strategic, financial and operational risks in its operations.

The GEN Group's prudent approach to risk management helps it maintain its high level of operational quality and is crucial for achieving its business goals. The use of standard methodologies and risk management procedures facilitates high-quality risk assessment, timely responses and the reduction of the Group's exposure to all major risks. Disclosures can also be found in point 6.2 Risk management.

4.3.21 Segment reporting

The Group does not disclose business segments in the annual report, as GEN, as the controlling company of the GEN Group, does not have debt or equity instruments that are traded on the public market.

4.4. Changes in accounting policies

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period (2020):

4.4.1 Initial application of new amendments to existing standards

The following amendments to existing standards issued by the IASB and adopted by the EU are effective in the current accounting period:

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on 29 November 2019 (apply to annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 3 Business Combinations** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** – Interest Rate Benchmark Reform (apply to annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material (apply to annual periods beginning on or after 1 January 2020); and
- **Amendments to References to the Conceptual Framework in IFRS** (apply to annual periods beginning on or after 1 January 2020).

The adoption of these amendments to existing standards did not lead to any significant changes in the Group's financial statements.

4.4.2 Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

By the day these financial statements were approved, the International Accounting Standards Board (IASB) had issued amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9. Those amendments were adopted by the EU on 16 December 2020, but had not yet entered into force (the expiry date for the temporary exemption was deferred to annual periods beginning on or after 1 January 2023).

4.4.3 New standards and amendments to existing standards that are in the process of being issued but are not yet effective

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the IASB, with the exception of the following new standards and amendments to existing standards, which on 5 May 2021 had not yet been adopted by the EU (the dates of application stated below apply to the IFRS as issued by the IASB):

- **IFRS 14 Regulatory Deferral Accounts** (applies to annual periods beginning on or after 1 January 2016). The European Commission opted not to begin procedures to adopt this interim standard, but will wait for the issue of the final version;
- **IFRS 17 Insurance Contracts**, including amendments to IFRS 17 (applies to annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (applies to annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 16 Property, Plant and Equipment** – Proceeds Before Intended Use (apply to annual periods beginning on or after 1 January 2022);
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts — Cost of Fulfilling a Contract (applies to annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3 (applies to annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of

Assets between an Investor and its Associate or Joint Venture and Subsequent Amendments (date of application postponed indefinitely until the completion of a research project in connection with the equity method);

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Interest Rate Benchmark Reform – Phase 2 (apply to annual periods beginning on or after 1 January 2021); and
- **Amendments to various standards (Improvements to IFRS, 2018–2020 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 1, IFRS 9 and IAS 41 apply to annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 relates solely to an illustrative example. The date of application is thus not stated).

The Group does not expect the introduction of new standards and amendments to existing standards to have a significant impact on its financial statements during initial application.

Hedge accounting in connection with the portfolio of financial assets and liabilities is not yet regulated, as the EU has not adopted the relevant principles.

The Group assesses that the application of hedge accounting in connection with financial assets and liabilities under IAS 39 Financial Instruments: Recognition and Measurement would not have had a significant impact on its financial statements if it had been applied on the balance-sheet date.

5. Notes to and disclosures of items in the financial statements of the GEN Group

5.1. Intangible assets

Changes in intangible assets (in EUR)	Long-term property rights	Goodwill	Other intangible assets	Non-current deferred development costs	Total
HISTORICAL COST					
31. 12. 2019	**21,804,845**	**29,238,153**	**10,670,678**	**21,588**	**61,735,264**
Acquisitions	6,406,277	111,764	12,816	525,182	7,056,039
Transfers	932,915	0	-420,726	-526,559	-14,370
Disposals	-170,372	0	-246,406	0	-416,778
Exchange rate differences	0	0	-6,747	0	-6,747
31. 12. 2020	**28,973,665**	**29,349,917**	**10,009,615**	**20,211**	**68,353,408**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
31. 12. 2019	**8,673,198**	**0**	**7,272,071**	**0**	**15,945,269**
Amortisation	663,157	0	600,097	0	1,263,254
Transfers	0	0	0	0	0
Disposals	-170,372	0	-553	0	-170,925
Exchange rate differences	0	0	-201	0	-201
31. 12. 2020	**9,165,983**	**0**	**7,871,414**	**0**	**17,037,397**
CARRYING AMOUNT					
31. 12. 2019	**13,131,647**	**29,238,153**	**3,398,607**	**21,588**	**45,789,995**
31. 12. 2020	**19,807,682**	**29,349,917**	**2,138,201**	**20,211**	**51,316,011**
HISTORICAL COST					
31. 12. 2018	**21,141,624**	**29,238,153**	**9,006,650**	**18,651**	**59,405,078**
Acquisitions	665,837	0	1,662,979	2,937	2,331,753
Transfers	8,359	0	2,072	0	10,431
Disposals	-10,975	0	-1,023	0	-11,998
31. 12. 2019	**21,804,845**	**29,238,153**	**10,670,678**	**21,588**	**61,735,264**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
31. 12. 2018	**8,100,356**	**0**	**6,571,073**	**0**	**14,671,429**
Amortisation	583,817	0	698,173	0	1,281,990
Transfers	0	0	0	0	0
Disposals	-10,975	0	0	0	-10,975
Exchange rate differences	0	0	2,825	0	2,825
31. 12. 2019	**8,673,198**	**0**	**7,272,071**	**0**	**15,945,269**
CARRYING AMOUNT					
31. 12. 2018	**13,041,268**	**29,238,153**	**2,435,577**	**18,651**	**44,733,649**
31. 12. 2019	**13,131,647**	**29,238,153**	**3,398,607**	**21,588**	**45,789,995**

Long-term property rights comprise the transfer of concession rights for the Boštanj HPP, Arto-Blanca HPP, Krško HPP and Brežice HPP in exchange for consideration, co-financing and investments in connection with concession rights and software used in the production, trading and sale of electricity.

Goodwill comprises the surplus of the sum of the fair value of transferred consideration on the day of acquisition (acquired participating interests) and the fair value of the previous acquirer's participating interest over the net amounts of identifiable assets and assumed liabilities. It relates almost entirely (i.e. in the amount of EUR 29,007,234) to the effects of the business combination of GEN-I, for which impairment testing for goodwill was carried out on 31 December 2020.

GEN-I, from which the goodwill derives, is deemed a cash-generating unit. The income approach was used to determine the company's value, specifically the discounted cash flow method. That valuation used cash flow projections for the next four years, taking into account a discount rate of 8.64% and an average annual growth rate of 1% based on previous experience. Because the recoverable amount of the cash-generating unit exceeds its carrying amount, including goodwill, goodwill need not be impaired.

GEN Group companies made investments in the amount of 6,482,671 in 2020, primarily in connection with software intended for information support of joint services and trading, support for the sale of electricity to end-customers, and server support.

The disclosed intangible assets are the property of the Group and are free of any encumbrances.

5.2. Property, plant and equipment

Property, plant and equipment (in EUR)	Land	Buildings	Production plant and machinery	Other devices and small inventory	Assets under construction and production	Advances	Total
HISTORICAL COST							
31. 12. 2019	**24,735,941**	**482,098,890**	**1,133,618,451**	**50,898,553**	**56,364,754**	**4,892,279**	**1,752,608,868**
Acquisitions	5,811	53,004	1,353,094	542,411	48,533,028	83,908	50,571,256
Activations	10,333	3,289,004	6,134,442	3,136,577	-12,568,764	0	1,592
Disposals	-110,840	-49,088	-1,469,659	-736,118	0	-3,640,407	-6,006,112
Transfers, reclassifications	0	10,521	0	95,501	-47,663	0	58,359
31 December 2020	**24,641,245**	**485,402,331**	**1,139,636,328**	**53,936,924**	**92,281,355**	**1,335,780**	**1,797,233,963**
IMPAIRMENT LOSSES AND WRITE-DOWNS							
31 December 2019	**0**	**233,819,718**	**770,582,430**	**41,710,366**	**0**	**0**	**1,046,112,514**
Depreciation	0	8,886,307	38,344,577	2,786,565	0	0	50,017,449
Disposals	0	-48,253	-1,456,304	-697,786	0	0	-2,202,343
Transfers, reclassifications	0	0	0	324,874	0	0	324,874
Exchange rate differences	0	0	0	909	0	0	909
31 December 2020	**0**	**242,657,772**	**807,470,703**	**44,124,928**	**0**	**0**	**1,094,253,403**
CARRYING AMOUNT							
31. 12. 2019	**24,735,941**	**248,279,172**	**363,036,021**	**9,188,187**	**56,364,754**	**4,892,279**	**706,496,354**
31 December 2020	**24,641,245**	**242,744,559**	**332,165,625**	**9,811,996**	**92,281,355**	**1,335,780**	**702,980,560**
HISTORICAL COST							
31 December 2018	**22,724,286**	**481,574,178**	**1,091,248,776**	**48,274,263**	**50,858,996**	**2,087,768**	**1,696,768,267**
Transition to IFRS 16				-1,085,014			-1,085,014
1 January 2019	**22,724,286**	**481,574,178**	**1,091,248,776**	**47,189,249**	**50,858,996**	**2,087,768**	**1,695,683,253**
Acquisitions	0	8,555	4,866	162,448	53,499,630	7,088,724	60,764,223
Activations	2,069,588	962,101	31,191,543	4,253,544	-36,407,188	-2,069,588	0
Disposals	-44,283	-417,516	-863,197	-541,578	-95,800	-2,214,625	-4,176,999
Transfers, reclassifications	-13,650	-28,428	12,036,463	-165,177	-11,490,884	0	338,324
Exchange rate differences	0	0	0	67	0	0	67
31 December 2019	**24,735,941**	**482,098,890**	**1,133,618,451**	**50,898,553**	**56,364,754**	**4,892,279**	**1,752,608,868**
IMPAIRMENT LOSSES AND WRITE-DOWNS							
31 December 2018	**0**	**225,094,035**	**748,087,613**	**40,245,239**	**0**	**0**	**1,013,426,887**
Transition to IFRS 16	0	0	0	-840,233	0	0	-840,233
1 January 2019	**0**	**225,094,035**	**748,087,613**	**39,405,006**	**0**	**0**	**1,012,586,654**
Depreciation	0	8,872,651	23,339,149	2,986,018	0	0	35,197,818
Disposals	-14,637	-267,049	-844,332	-519,124	0	0	-1,645,142
Transfers, reclassifications	14,637	120,081	0	-161,534	0	0	-26,816
31 December 2019	**0**	**233,819,718**	**770,582,430**	**41,710,366**	**0**	**0**	**1,046,112,514**
CARRYING AMOUNT							
1 January 2019	**22,724,286**	**256,480,143**	**343,161,163**	**7,784,243**	**50,858,996**	**2,087,768**	**683,096,599**
31 December 2019	**24,735,941**	**248,279,172**	**363,036,021**	**9,188,187**	**56,364,754**	**4,892,279**	**706,496,354**

Acquisitions by GEN Group companies in 2020 primarily comprised investments and capital expenditure, such as:

- technological upgrades to systems and the implementation of safety upgrade programmes that ensure the safe and reliable functioning of the NEK in the total amount of EUR 28,944,612;
- property, plant and equipment under construction and manufacture at the TEB in the amount of EUR 14,033,583 for the project to replace gas turbine unit nos. 1 to 3 with the construction of 40–70 MW gas turbines (phase 1B), and the purchase of equipment for the computer-communications centre; and
- the purchase of land in Ljubljana, vehicles, computer equipment, furniture and other equipment, and investments in foreign fixed assets in the total amount of EUR 2,962,630.

Disposals by GEN Group companies in 2020 primarily comprise the use of advances paid for the project to replace gas turbine unit nos. 1 to 3 with the construction of 40–70 MW gas turbines in the amount of EUR 3,604,486, and annual sales and write-offs of fixed assets.

While checking for indicators of asset impairment, the Group found that such indicators do not exist and that the carrying amounts of assets do not exceed their fair value and value in the use.

Assets are unencumbered and not subject to finance lease.

5.3. Investment property

Investment property in 2020 (in EUR)	31 December 2019	Acquisitions	Revaluation	Depreciation	31 December 2020
Historical cost	2,056,115	0	0	0	2,056,115
Impairments and write-downs	148,732	0	0	66,104	214,836
Present value	1,907,383	0	0	-66,104	1,841,279

Investment property in 2019 (in EUR)	31 December 2018	Acquisitions	Revaluation	Depreciation	31 December 2019
Historical cost	2,056,085	0	30	0	2,056,115
Impairments and write-downs	82,629	0	0	66,103	148,732
Present value	1,973,456	0	30	-66,103	1,907,383

In 2018, GEN-I Sofia acquired additional investment property in Bulgaria in bankruptcy proceedings against a Bulgarian electricity supplier. The carrying amount of investment property does not exceed its fair value. There was thus no need for impairment.

5.4. Right-of-use assets

Right-of-use assets (in EUR)	Lease of buildings	Lease of equipment	Total
HISTORICAL COST			
31 December 2019	**3,170,771**	**824,788**	**3,995,559**
Acquisitions	598,047	0	598,047
Disposals	-87,191	-64,068	-151,259
Transfers, reclassifications	0	120,532	120,532
31 December 2020	**3,681,627**	**881,252**	**4,562,879**
IMPAIRMENT LOSSES AND WRITE-DOWNS			
31 December 2019	**616,480**	**708,746**	**1,325,226**
Depreciation	834,332	115,356	949,688
Disposals	-48,508	-64,068	-112,576
Transfers, reclassifications	0	80,058	80,058
31 December 2020	**1,402,304**	**840,092**	**2,242,396**
CARRYING AMOUNT			
31 December 2019	**2,554,291**	**116,042**	**2,670,333**
31 December 2020	**2,279,323**	**41,160**	**2,320,483**
HISTORICAL COST			
31 December 2018	**0**	**0**	**0**
Change due to introduction of IFRS 16	982,846	1,085,014	2,067,860
1 January 2019	**982,846**	**1,085,014**	**2,067,860**
Acquisitions	2,187,925	0	2,187,925
Disposals	0	-260,226	-260,226
31 December 2019	**3,170,771**	**824,788**	**3,995,559**
IMPAIRMENT LOSSES AND WRITE-DOWNS			
31 December 2018	**0**	**0**	**0**
Change due to introduction of IFRS 16	0	840,233	840,233
1 January 2019	**0**	**840,233**	**840,233**
Depreciation	616,480	116,664	733,144
Disposals	0	-248,151	-248,151
31 December 2019	**616,480**	**708,746**	**1,325,226**
CARRYING AMOUNT			
1 January 2019	**982,846**	**244,781**	**1,227,627**
31 December 2019	**2,554,291**	**116,042**	**2,670,333**

The Group has business premises under lease in Ljubljana and Maribor, which it has capitalised in accordance with IFRS 16. Lease terms vary from two to 10 years. The values of right-of-use assets and lease liabilities are estimated based on the discounting of future cash flows for the lease term. Cash flows are discounted using the interest rates that the Group achieves in the financing of long-term leases. Those rates range from 1.7% to 2.8%. Depreciation costs are calculated using depreciation rates estimated based on the remainder of the lease term. (Disclosures can also be found in point 5.32.)

Lease payments are not secured. The Group applies the exemption provided for by the aforementioned standard to short-term leases and leases where the underlying asset has a low value. Lease payments are contractually defined and fixed.

5.5. Shares and participating interests in associates

Shares and participating interests in associates (in EUR)	31 December 2020	31 December 2019
SRESA d.o.o.	21,207	23,469
Total	**21,207**	**23,469**

In accordance with the equity method, the GEN Group reduced its investment in an associate for the corresponding share of losses generated in 2020 in the amount of EUR 2,261.

5.6. Other non-current financial assets and loans

Other non-current financial assets and loans in 2020 (in EUR)	31 December 2019	Acquisition	Disposal/ transfer	Revaluation	31 December 2020
Equity instruments	**3,383,101**	**0**	**95,164**	**-312,694**	**3,165,571**
Zavarovalnica Triglav d.d.	3,155,374	0	0	-312,694	2,842,680
Other equity instruments	227,727		95,164	0	322,891
Other non-current financial assets	**2,719,037**	**16,011,293**	**-12,952,030**	**-5,962**	**5,772,338**
Zavarovalnica Triglav d.d. – life insurance	196,878	56,306	0	0	253,184
Loans to employees	13,800	0	-731	-5,962	7,107
Loans to other legal entities	2,508,359	15,954,987	-12,951,299	0	5,512,047
Total	**6,102,138**	**16,011,293**	**-12,856,866**	**-318,656**	**8,937,909**

Other non-current financial assets and loans in 2019 (in EUR)	31 December 2018	Acquisition	Disposal/ transfer	Revaluation	31 December 2019
Equity instruments	**3,174,525**	**0**	**-75,692**	**284,268**	**3,383,101**
Zavarovalnica Triglav d.d.	2,871,106	0	0	284,268	3,155,374
Other equity instruments	303,419	0	-75,692	0	227,727
Other non-current financial assets	**176,062**	**10,589,233**	**-8,046,258**	**0**	**2,719,037**
Zavarovalnica Triglav d.d. – life insurance	156,723	40,155	0	0	196,878
Loans to employees	19,339	1,256	-6,795	0	13,800
Loans to other legal entities	0	10,547,822	-8,039,463	0	2,508,359
Total	**3,350,587**	**10,589,233**	**-8,121,950**	**284,268**	**6,102,138**

Equity instruments comprise investments in shares and participating interests in companies. They are measured at fair value through other comprehensive income, and were reduced by EUR 318,656 on account of revaluation to fair value as at 31 December 2020.

Loans to other legal entities comprise long-term deposits placed with Slovenian banks, which are assessed to be low-risk given the diversification of investments and the ongoing monitoring of market conditions.

5.7. Non-current operating receivables

Non-current operating receivables (in EUR)	31 December 2020	31 December 2019
Trade receivables	11,084,662	7,482,498
Receivables for building land	364,951	409,471
Receivables for advances paid	203,787	0
Other	7,261	0
Total	**11,660,661**	**7,891,969**

Trade receivables comprise receivables from the sale of small-scale solar power plants. Receivables for building land comprise receivables arising from the repayment of the overpaid contribution for the building land of the Municipality of Radeče.

5.8. Deferred taxes

Deferred tax assets in 2020 (in EUR)	31 December 2019	Transfers between items	Disclosed in profit or loss	Disclosed in other comprehensive income	Offsetting of deferred assets and deferred liabilities	31 December 2020
Intangible assets, and property, plant and equipment	189,566	6,506	6,153	0	0	202,225
Financial instruments	174,803	0	0	25,948	0	200,751
Operating receivables	653,088	149,906	-95,993	0	0	707,001
Provisions for long-service bonuses and severance payments	639,724	-156,412	83,264	47,131	-185,310	428,397
Unused tax relief	885,145	0	-147,570	0	0	737,575
Total	**2,542,326**	**0**	**-154,146**	**73,079**	**-185,310**	**2,275,949**

Deferred taxes are accounted for based on uncertainty in connection with the timing of receivables and are calculated applying a 19% tax rate when a certain part of the liabilities is expected to be paid and deferred tax assets settled as a result.

Deferred tax assets that affect operating results are recognised in the income statement.

Deferred tax liabilities in 2020 (in EUR)	31 December 2019	Disclosed in profit or loss	Disclosed in other comprehensive income	Offsetting of deferred assets and deferred liabilities	31 December 2020
Undisclosed provisions at time of merger	139,050	-10,590	0	-125,843	2,617
Financial instruments	118,431	0	-59,413	-59,018	0
Provisions for onerous contracts	6,339,997	323,572	0	0	6,663,569
Provisions for long-service bonuses and severance payments	449	0	0	-449	0
Total	**6,597,927**	**312,982**	**-59,413**	**-185,310**	**6,666,186**

Non-current deferred tax liabilities, which totalled EUR 6,663,569 as at 31 December 2020, are the result of the transition to the IFRS in 2016 due to reversal of provisions from the NEK's onerous contracts because the NEK is recognised in the consolidated financial statements as a joint arrangement in the form of a joint operation.

Deferred tax assets and deferred tax liabilities are not offset because there is no enforceable right to do so.

5.9. Inventories

Inventories (in EUR)	31 December 2020	31 December 2019
Fuels used in production	26,655,584	21,730,942
Spare parts	14,929,207	13,176,555
Inventory of natural gas in gas storage facility	993,972	0
Other materials	5,060,480	3,551,480
Total	**47,639,243**	**38,458,977**

Inventories held by the NEK accounted for the majority of the Group's total inventories as at 31 December 2020, and comprised nuclear fuel inventories in the amount of EUR 26,300,113, inventories of spare parts in the amount of EUR 14,009,610 and inventories of other materials in the amount of EUR 2,303,094. Due to certain specifics, it is very difficult to estimate the net realisable value of inventories of spare parts and other materials, as there are only two other similar power plants in operation worldwide that install similar components and spare parts for maintenance purposes. It is therefore assessed that there is no market demand for such inventories and that selling costs would exceed the proceeds of such a sale. The useful value of the inventories of spare parts, particularly those in connection with maintaining safety, is extremely important for ensuring the power plant's safe operation.

GEN-I made the decision in 2020 to store physical quantities of natural gas intended for resale. Natural gas is valued at the current market price (fair value) less costs to sell on the day it is transferred to inventories. The market price on the day a transfer is made to inventories represents fair value. Inventories are revalued to the current market value less costs to sell on the day the Group's statement of financial position is compiled. All differences (positive or negative) between the fair value calculated as such on the balance-sheet date and the carrying amount of inventories are recorded in the income statement.

Other materials in the amount of EUR 2,087,286 comprise inventories of materials in connection with production by small solar power plants for the self-sufficient supply of energy, and materials required for the functioning of the NEK in the amount of EUR 2,303,094.

The majority of adjustments to the value of inventories within the GEN Group relate to the creation of allowances for obsolete spare parts, which amounted to EUR 645,433 in 2020. These comprise spare parts that did not generate turnover for the needs of the nuclear power plant for six years or more. There were no significant inventory surpluses or deficits in inventories of materials in 2020.

All inventories are disclosed as current assets in accordance with the applicable regulations. Inventories of spare parts and nuclear fuel have a long useful life of 779 days.

The carrying amount of inventories is not pledged as collateral for liabilities.

5.10. Current financial assets

Current financial assets (in EUR)	31 December 2020	31 December 2019
Current financial assets, excluding loans	**18,041,188**	**195,164**
Other shares and interests held for trading	0	195,164
Derivatives	18,041,188	0
Short-term loans	**101,503,569**	**98,101,059**
Short-term bank deposits	101,503,569	98,101,059
Total	**119,544,757**	**98,296,223**

Current derivatives	31 December 2020	31 December 2019
Options, swaps and other derivatives in connection with operations	-249,222	31,709
Derivatives used as hedges against currency risks	235,008	-183,748
Firm commitments recognised for fair value hedges	-2,219,891	-6,695,954
Fair value of commodity contracts	20,275,293	3,892,624
Other current financial liabilities	0	-473,904
Total – disclosure for Note 5.17 Current financial liabilities		**-3,429,273**
Total – disclosure for Note 5.10 Current financial assets	**18,041,188**	

The fair value of commodity contracts under IFRS 9 in the amount of EUR 20,275,293 relates to the following periods:

- the 2021 financial year in the amount of EUR 17,490,593;
- the 2022 financial year in the amount of EUR 2,461,077;
- the 2023 financial year in the amount of EUR 199,656; and
- the 2024 financial year in the amount of EUR 123,967.

Firm commitments recognised for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that are hedged using derivatives (standardised forward contracts) and relate to the following period:

- the 2021 financial year in the negative amount of EUR 2,219,891.

Agreements signed with financial institutions in Slovenia form the basis for recognising investments in short-term deposits. The high balance of deposits is the result of the slower pace of investments in technological upgrades and the slower implementation of other activities in recent years. These funds are earmarked entirely for investments in technological upgrades in accordance with the investment plans adopted by GEN Group companies.

5.11. Current operating receivables

Current operating receivables (in EUR)	31 December 2020	31 December 2019
Receivables prior to impairments and write-downs	82,838,214	89,829,662
Impairments and write-downs	-16,210,383	-8,222,779
Receivables for interest	235,444	336,625
Other receivables relating to financial effects	10,521	9,533
Other operating receivables	32,755,502	37,960,771
Operating receivables on behalf of third parties	718,212	975,215
Total	**100,347,510**	**120,889,027**

Receivables prior to the creation of allowances comprise trade receivables from the sale of electricity and system services on the basis of concluded annual contracts. As a rule, they are secured by blank bills of exchange with accompanying declarations of surety or by bank guarantees. Certain trade receivables on the wholesale electricity market in Southeast Europe are secured via specialised credit insurers.

Other operating receivables primarily comprise deductible VAT in the amount of EUR 24,923,347 (EUR 33,470,047 as at 31 December 2019) and receivables for advances and security deposits paid by the Group for the purchase of electricity and natural gas in the amount of EUR 4,328,759 (EUR 3,212,940 as at 31 December 2019).

Receivables are not pledged as collateral.

5.12. Contract assets

Current assets from contracts (in EUR)	31 December 2020	31 December 2019
Accrued revenue	47,001,225	44,553,041
Total	**47,001,225**	**44,553,041**

Assets from contracts with customers primarily comprise current accrued revenue for electricity and natural gas sold in 2020 and for which invoices will be issued to customers in early 2021 in accordance with the provisions of valid contracts.

Assets from contracts with customers were not impaired.

5.13. Cash and cash equivalents

Cash and cash equivalents (in EUR)	31 December 2020	31 December 2019
Cash on account	89,522,664	52,389,221
Call deposits	30,159,533	22,145,737
Cash on hand	1,033	2,157
Total	**119,683,230**	**74,537,115**

5.14. Other current assets

Other current assets (in EUR)	31 December 2020	31 December 2019
Current deferred costs and expenses	6,884,249	8,049,967
Current accrued revenue vis-à-vis others	51,506	0
VAT on advances received	623,425	0
Total	**7,559,180**	**8,049,967**

The majority of current deferred costs or expenses comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 5,149,127 relating to the first quarter of 2021, and the deferred costs of insurance premiums, membership fees and other costs related to the operations of GEN Group companies.

5.15. Equity

Structure of equity (in EUR)	31 December 2020	31 December 2019
Equity attributable to owners of the controlling company	**771,872,765**	**720,322,953**
Called-up capital	250,000,000	250,000,000
Share premium	134,682,435	134,682,435
Legal reserves	13,088,728	12,644,318
Other revenue reserves	141,582,144	110,677,001
Fair value reserves	-808,520	443,988
Retained earnings	234,324,901	212,614,086
Translation adjustment to equity	-996,923	-738,875
Equity attributable to owners of non-controlling interest	**140,607,673**	**139,512,992**
Total	**912,480,438**	**859,835,945**

Called-up capital, in the amount of EUR 250,000,000, relates entirely to the share capital of the controlling company.

The share premium account comprises:

- the share premium account in the amount of EUR 134,682,435 as at 31 December 2020 (unchanged relative to 31 December 2019), which is accounted for almost entirely by the share premium account of the controlling company arising from share premiums paid to GEN Group companies;
- revenue reserves as at 31 December 2020 in the total amount of EUR 154,670,872 (EUR 123,321,319 as at 31 December 2019), which comprise:

  - the legal reserves of Group companies in the amount of EUR 13,088,728, which were increased in 2020 by EUR 444,410 from retained earnings for the reporting period (that increase amounted to EUR 1,209,948 in 2019),

  - other revenue reserves in the amount of EUR 141,582,144, which were increased by EUR 30,905,143 in 2020 on account of the reallocation of a portion of profit from previous years based on decisions made by the bodies of Group companies (that increase amounted to EUR 24,380,077 in 2019); and
- fair value reserves in the negative amount of EUR 808,520 as at 31 December 2020, which primarily comprised changes in 2020 due to the recognition of actuarial gains and losses and the valuation of financial assets at fair value, including deferred taxes. Fair value reserves decreased by EUR 1,252,508, compared with a decrease of EUR 690,148 in 2019.

Retained earnings in the amount of EUR 234,324,901 changed compared to the previous year, when they totalled EUR 212,614,086, primarily for the following reasons:

- the payment of profit participation in 2020 in the amount of EUR 9,500,000 (EUR 7,000,000 in 2019),
- net profit generated in 2020 attributable to the owners of the controlling company in the amount of EUR 63,046,134 (EUR 47,313,329 in 2019);
- allocation of a portion of retained earnings in 2020 in the total amount of EUR 31,349,553 (EUR 25,590,025 in 2019) to other revenue reserves based on decisions made by the bodies of GEN Group companies in the amount of EUR 30,905,143 (EUR 24,380,077 was allocated to other reserves in 2019) and to legal reserves in the amount of EUR 444,410 (EUR 1,209,948 in 2019); and
- reductions for other reversals of retained earnings for the financial year in the amount of EUR 484,328 primarily as the result of the write-off of receivables at GEN-I Beograd charged to retained earnings in the amount of EUR 450,455.

Exchange rate differences arising from the translation of the financial statements of foreign subsidiaries are recognised as a translation reserve in other comprehensive income.

5.16. Provisions

Provisions in 2020 (in EUR)	31 December 2019	Created	Decreases	31 December 2020
Provisions for long-service bonuses, severance payments and other payments to employees	10,785,062	2,412,909	-751,417	12,446,554
Provisions for maintenance, decommissioning and disposal of equipment	104,656	0	-100,000	4,656
Other provisions	0	169,252	0	169,252
Total	**10,889,718**	**2,582,161**	**-851,417**	**12,620,462**

The estimate of provisions for long-service bonuses, severance payments and other payments to employees is made based on an actuarial calculation taking into account the following assumptions: an employee turnover rate of up to 1.5%, a discount rate of 0.5% and wage growth of up to 4% (2019: employee turnover of up to 4.1%, a discount rate of 1.6% and wage growth of up to 3%).

5.17. Financial liabilities

Non-current financial liabilities (in EUR)	31 December 2020	31 December 2019
Non-current financial liabilities to banks	73,831,603	79,789,735
Non-current financial liabilities from bonds	31,200,000	34,000,000
Other non-current financial liabilities	1,930,649	1,923,226
Total	**106,962,252**	**115,712,961**

Current financial liabilities (in EUR)	31 December 2020	31 December 2019
Current financial liabilities to banks	6,012,258	11,017,193
Current financial liabilities from bonds	393,909	430,405
Commercial paper issued	24,855,010	24,864,768
Current financial liabilities from options for the purchase of participating interest	23,901,744	24,203,894
Other current financial liabilities	143,818	3,429,273

Total	**55,306,739**	**63,945,533**

5.17.1 Liabilities to banks

As at the reporting date, the GEN Group had the following liabilities to banks in the amount of EUR 79,843,861:

- a long-term loan raised at a Slovenian commercial bank in the amount of EUR 5,000,000, which falls due for payment in 2022. The loan is secured by bills of exchange, and bears a variable interest rate tied the 3- and 6-month EURIBOR. Interest for the period amounted to EUR 130,266;
- long-term loans for the investment in hydroelectric power plants on the lower course of the Sava River raised at SID d.d. in the amount of EUR 13,043,479 as at the balance-sheet date (31 December 2019: EUR 14,782,610) and from a Slovenian commercial bank in the amount of EUR 27,826,087 (31 December 2019: EUR 31,304,348). Long-term loans fall due for payment in 2029, are secured by bills of exchange and bear interest rates tied to the 6-month EURIBOR. Liabilities for interest are settled semi-annually and were recognised in other current liabilities as accrued expenses in the total amount of EUR 593,703 in 2020 (EUR 654,768 in 2019). Principal in the amount of 5,217,391 was repaid in 2020, while liabilities for the repayment of principal in 2021 in the total amount of EUR 5,217,391 were transferred to current financial liabilities. Non-current financial liabilities in the amount of EUR 20,869,565 fall due for payment by the end of 2025, while the remaining EUR 21,930,650 falls due for payment by the end of 2029;
- a long-term loan for the investment in the construction of a new gas turbine unit at the Brestanica Thermal Power Plant raised at SID d.d. in the amount of EUR 7,037,037 as at the balance-sheet date (EUR 7,777,778 as at 31 December 2019), which falls due for payment in 2031. The loan is secured by bills of exchange and a letter of comfort, and bears a variable interest rate tied to the 6-month EURIBOR. Interest for the period amounted to EUR 110,126 and is disclosed in financial costs, while the outstanding portion of interest in the amount of EUR 54,127, together with the loan that falls due for payment in 2021 in the amount of EUR 740,740 are disclosed in current financial liabilities; and
- a long-term loan for financing investments from the NEK Safety Upgrade Programme in the amount of EUR 20,925,000, which was raised in November 2019 at a foreign commercial bank. Loan liabilities will be gradually reduced over ten years, from 2022 onwards, when the repayment of principal begins. Final repayment falls due in 2031. Principal bears a fixed-term interest rate.

5.17.2 Liabilities based on bonds

Financial liabilities arising from bonds issued by the subsidiary GEN-I in the amount of EUR 31,200,000 (EUR 34,000,000 as at 31 December 2019) were also disclosed on the reporting date. Bonds were issued in different periods, i.e. in 2018 and 2017, and fall due for payment in 2022 and 2024. Bonds were listed on the organised market of the Ljubljana Stock Exchange in 2018. Interest expense in connection with the bonds amounted to EUR 664,121 during the reporting period.

5.17.3 Issued commercial paper

The GEN Group also discloses issued commercial paper in its financial statements in the amount of EUR 24,855,010. Commercial paper in the amount of EUR 25,000,000 was issued in 2020 and falls due for payment in June 2021.

5.17.4 Financial liabilities from options

Liabilities from options to purchase a participating interest in the amount of EUR 23,059,816 derive from options contracts for the purchase of a participating interest in GEN-EL concluded between:

- GEN and Elektro Ljubljana in the amount of EUR 11,784,816. The option becomes exercisable on 31 May 2021; and
- GEN-I and Gorenjska banka in the total amount of EUR 11,275,000. The option becomes exercisable on 30 June 2021.

Because put and call options exist under the same conditions, in particular at a fixed price, this indicates that GEN

Group companies have become the economic owners of GEN-EL. The latter is treated as a subsidiary of the GEN Group. As a result, the Group recognises consideration, the associated interest and agreed dividends from those options as a financial liability in the amount of EUR 23,901,744.

5.17.5 Other financial liabilities

Other non-current financial liabilities include the fair value of a derivative in the form of an interest-rate swap as a hedge against interest rates on loans for the investment in HPPs on the lower Sava River in the amount of EUR 1,930,649 (31 December 2019: EUR 1,794,080).

5.17.6 Changes in financial liabilities

Changes in financial liabilities (in EUR)	2020	2019
Balance as at 1 January	**179,658,494**	**166,709,677**
Inflows from loans received	55,050,000	169,390,000
Inflows from commercial paper	25,286,692	25,268,990
Inflows from issued bonds	0	152,961
Inflows from other financial liabilities	0	85,538
Inflows from financial liabilities	**80,336,692**	**194,897,489**
Outflows for loans received	-66,013,067	-154,547,662
Outflows for commercial paper	-25,296,450	-25,272,000
Outflows for issued bonds	-3,500,620	-5,920,014
Outflows from options for the purchase of participating interest	-1,000,000	-1,000,000
Outflows for other financial liabilities	-29,497	-224,991
Outflows for financial liabilities and interest	**-95,839,634**	**-186,964,667**
Changes from options for participating interest in GEN-EL	-302,565	1,089,303
Changes in derivatives	-2,955,365	2,912,423
Changes in current financial liabilities from bonds	664,124	0
Other changes in financial liabilities	707,245	1,014,269
Outflows for financial liabilities and interest	**-1,886,561**	**5,015,995**
Balance as at 31 December	**162,268,991**	**179,658,494**

5.17.7 Maturity of non-current financial liabilities

Maturity of non-current financial liabilities as at 31 December 2020 (in EUR)	
from 1 to 3 years	52,301,264
from 3 to 5 years	16,842,004
more than 5 years	37,818,984
Total	**106,962,252**

5.18. Other non-current liabilities

Other non-current liabilities (in EUR)	31 December 2020	31 December 2019
Non-current trade payables and other non-current operating liabilities	273,033	291,773
Non-current liabilities from contracts	199,272	249,713
State aid	820,754	754,558
Non-current deferred revenue, and other accruals and deferrals	120,483	235,231
Non-current deferred overhaul costs – NEK	1,948,743	0
Total	**3,362,284**	**1,531,275**

5.19. Lease liabilities

Lease liabilities (in EUR)	31 December 2020	31 December 2019
Non-current lease liabilities	1,473,875	1,785,775
Current lease liabilities	871,584	903,823
Total	**2,345,459**	**2,689,598**

Changes in lease liabilities (in EUR)	2020
Balance at 1 January 2020	2,689,597
Increase	596,554
Interest	40,748
Lease payments	-966,284
Adjustments	16,599
Termination	-31,755
Balance at 31 December 2020	**2,345,459**

Lease liabilities by maturity (in EUR)	2020
Current lease liabilities	871,584
Lease liabilities with a maturity from 1 to 3 years	1,407,658
Lease liabilities with a maturity from 3 to 5 years	19,136
Lease liabilities with a maturity from 5 to 10 years	47,081
Total	**2,345,459**

5.20. Current operating liabilities

Current operating liabilities (in EUR)	31 December 2020	31 December 2019
Current trade payables	74,016,543	55,898,608
Current operating liabilities for advances	108,217	0
Current liabilities to employees	8,062,818	6,518,287
Other current liabilities to the state	9,258,931	11,354,768
Other current operating liabilities	2,359,174	1,868,664
Total	**93,805,683**	**75,640,327**

Current operating liabilities comprise trade payables for goods, services and materials that are not yet due, and that relate to operations and investments in fixed assets.

Current liabilities to employees comprise December wages, bonuses and other employment earnings.

A significant portion of current operating liabilities are liabilities to state and other institutions, and primarily include liabilities for VAT, excise duty liabilities, liabilities for December social security contributions, and contributions for December wages, and for taxes and contributions on other employment earnings payable by the employer.

5.21. Current liabilities from contracts

Current liabilities from contracts comprise current liabilities based on advances received for electricity and natural gas sales to domestic and foreign entities. They amounted to EUR 7,372,827 at the end of the reporting period (EUR 7,742,132 as at 31 December 2019).

Current liabilities from contracts (in EUR)	31 December 2020	31 December 2019
Current trade payable for advances	7,372,827	7,742,132
Total	**7,372,827**	**7,742,132**

5.22. Current corporate income tax liabilities

Current corporate income tax liabilities (in EUR)	31 December 2020	31 December 2019
Current corporate income tax liabilities	8,052,356	2,976,040
Total	**8,052,356**	**2,976,040**

5.23. Other current liabilities

Other current liabilities (in EUR)	31 December 2020	31 December 2019
Accrued costs and expenses	13,274,064	10,307,145
Current deferred revenue, and other deferrals and accruals	1,306,629	1,017,242
Total	**14,580,693**	**11,324,387**

Accrued costs or expenses are primarily created by subsidiaries. They totalled EUR 8,661,823 (EUR 9,005,651 as at 31 December 2019) and related to the costs of electricity and natural gas purchases that were taken into account in the compilation of the financial statements based on contracts from 2020, but for which invoices have not yet been received. Accrued costs in the amount of EUR 3,773,199 comprise the current portion of accrued costs for overhaul services for the next three-year period (costs were not accrued for overhaul services as at 31 December 2019).

5.24. Contingent assets and liabilities

Contingent assets and liabilities (in EUR)	31 December 2020	31 December 2019
Bank guarantees issued as collateral for payment	160,195,633	152,667,443
Bank guarantees issued as performance bonds	15,379,690	34,887,574
Loss generated in previous years by subsidiary	76,437,924	76,437,924
Bank guarantees received as performance bonds	6,105,360	4,463,100
Bank guarantees received as collateral for payment	27,446,584	40,735,244
Sureties	37,174,229	49,360,930
Inventories of the Agency of the Republic of Slovenia for Commodity Reserves	18,940,762	21,296,031
Other forms of payment collateral – bills of exchange	12,860,484	4,210,410
Blanket credit lines	47,673	47,673
Other	113,800	113,800
Total	**354,702,139**	**384,220,129**

Contingent liabilities comprise liabilities from bank guarantees that were issued to various beneficiaries at the request of GEN Group companies. They may include performance bonds, bid bonds and guarantees issued by banks for the timely payment of goods and services.

The losses from previous years recorded by a subsidiary of the GEN Group comprise unused tax losses that were not recognised under deferred tax assets because there is no firm evidence that the aforementioned subsidiary will generate taxable profits in the future.

Contingent assets comprise assets from guarantees, sureties and other contingent assets received in the form of guarantees for timely and reliable payment, and performance bonds.

Inventories of the Agency of the Republic of Slovenia for Commodity Reserves comprise inventories of extra light fuel oil and diesel fuel, stored in accordance with the provisions of the contract with the aforementioned agency. Those inventories are valued at the last known retail price.

Total guarantees as at 31 December 2020 comprised guarantees issued in the amount of EUR 1,400,000 and guarantees received in the amount of EUR 35,774,229. They comprise guarantees for timely and reliable payment, and performance bonds.

Blanket credit lines comprise unused approved loan limits.

5.25. Revenue

Sales revenue by type (in EUR)	2020	2019
Revenue from the sale of goods and materials	2,107,107,665	2,162,703,018
Revenue from the sale of services	52,732,337	52,935,144
Rental income	74,238	58,550
Total	**2,159,914,240**	**2,215,696,712**

Sales revenue comprises revenue from contracts with customers and, in terms of revenue from the sale of goods and materials, primarily comprises revenue from the sale of electricity and natural gas. In terms of sales of services, revenue relates to electricity-rated services, services in connection with cross-border transmission capacities and services in connection with the manufacture of small solar power plants.

Sales revenue by market (in EUR)	2020	2019
Revenue on the domestic market	496,945,389	521,918,056
Revenue on the EU market	1,299,563,096	1,338,593,356
Revenue on markets outside the EU	363,405,755	355,185,300
Total	**2,159,914,240**	**2,215,696,712**

5.26. Other operating revenue

Other operating revenue (in EUR)	2020	2019
Change in value of inventories of products and work in progress	-293,040	105,496
Capitalised own products and services	50,589	101,863
Reversal of non-current provisions	122,351	200,229
Revaluation operating revenue	715,211	220,650
Other operating revenue	32,315,739	28,630,659
Total	**32,910,850**	**29,258,897**

The majority of other operating revenue in 2020 comprised other operating revenue. The most important items are presented below:

Material items of other operating revenue/expenses (in EUR)	2020	2019
Fair value from commodity contracts	21,260,738	54,095,018
Fair value from financial contracts	8,200,464	-31,126,680
Ineffective portion of fair value hedging	-252,016	-109,846
Fair value from currency contracts	-1,766,340	-123,854
Other recurring operating revenue	947,219	369,436
Revenues from the European Commission's FutureFlow project	612,146	2,065,155
Revenue in the form of state aid due to the COVID-19 epidemic	1,379,484	0
Operating revenue from supplementary activity	600,045	776,854
Revenue from reminders, damages and other sources	903,154	2,210,244
Disclosure for Note 5.26 Other operating revenue	**31,884,894**	**28,156,327**

5.27. Expenses

Expenses and costs (in EUR)	2020	2019
Costs of goods, materials and services	1,956,773,337	2,062,777,313
Labour costs	65,054,973	56,836,978
Write-downs	58,334,003	38,969,929
Other operating expenses	26,471,171	22,972,209
Financial costs	6,641,806	4,965,097
Total	**2,113,275,290**	**2,186,521,526**

5.28. Costs by type

Costs of goods, materials and services (in EUR)	2020	2019
Historical cost of goods sold and materials sold	1,889,885,317	1,999,604,247
Costs of materials used	25,554,968	23,461,257
Costs of services	41,333,052	39,711,809
Total	**1,956,773,337**	**2,062,777,313**

The historical cost of goods sold relates to the purchase of electricity and natural gas at the purchase price and associated costs. The costs of materials used primarily comprise the costs of fuel consumed for the production of electricity. The costs of services primarily comprise the costs of maintaining property, plant and equipment, the costs of intellectual services, the cost of services in the production of products and other costs.

5.29. Labour costs

Labour costs (in EUR)	2020	2019
Wages and salaries	47,472,140	40,944,751
Social security costs	10,272,645	9,253,632
Other labour costs	7,310,188	6,638,595
Total	**65,054,973**	**56,836,978**

The Group calculated labour costs in 2020 based on the collective labour agreement for the electricity sector and enterprise agreements in accordance with the job classification system of individual GEN Group companies, and on the basis of the provisions of employment contracts that are not subject to the tariff section of the collective labour agreement. The number of employees by individual GEN Group company and by educational structure is presented in the Business Report in section 8.1 Number of employees and educational structure.

5.30. Write-downs

Write-downs (in EUR)	2020	2019
Amortistion of intangible assets	1,263,254	1,281,990
Depreciation of property, plant and equipment	50,017,449	35,197,818
Depreciation of assets under lease	949,688	733,144
Depreciation of investment property	66,104	66,103
Total amortistion and depreciation	**52,296,495**	**37,279,055**
Impairment of fixed assets	53,618	287,425
Impairment of inventories	697,879	1,223,404
Impairment of trade receivables and contract assets	5,286,011	180,045
Total impairment losses	**6,037,508**	**1,690,874**

5.31. Other operating expenses

Other operating expenses (in EUR)	2020	2019
Creation of provisions	169,252	0
Grants and assistance	136,398	60,438
Environmental protection levies	19,614,132	15,740,325
Levies independent from other types of costs	4,793,377	4,396,143
Other operating expenses	1,758,012	2,775,303
Total	**26,471,171**	**22,972,209**

Environmental protection charges comprise water treatment levies, compensation for the restricted use of space, and contributions paid to the Fund for Financing the Decommissioning of the NEK.

5.32. Financial costs

Financial costs (in EUR)	2020	2019
Financial costs for other financial liabilities	2,081,148	2,097,274
Financial costs for other operating liabilities	2,438,939	382,286
Financial costs for bonds issued	664,121	1,339,434
Financial costs for loans from banks	1,269,507	996,431
Financial costs expenses for investment interests according to equity method	2,261	52,957
Financial costs for trade payables bill of exchange liabilities	57,468	78,016
Financial costs for lease liabilities	40,748	18,699
Financial costs due to impairment and write-offs of financial assets	87,614	0
Total	**6,641,806**	**4,965,097**

5.33. Costs by functional group

Costs by functional group (in EUR)	2020	2019
Historical cost of goods sold	2,024,149,088	2,104,152,349
Selling costs	41,953,689	40,632,874
General and administrative costs	39,988,040	35,460,834
Total	**2,106,090,816**	**2,180,246,057**

5.34. Taxes

Pursuant to the Corporate Income Tax Act, GEN Group companies are obligated to calculate and pay corporate income tax at a rate of 19% for the 2020 financial year. Deferred tax assets were created applying a rate of 19%, which will also apply for the payment of taxes in 2021.

Ratio of tax expenditure to profit or loss for the period (in EUR)	2020	2019
Pre-tax profit or loss	80,284,370	59,658,675
Applicable tax rate	19%	19%
Tax at applicable tax rate	**15,254,030**	**11,335,148**
Tax from non-taxable revenue	211,868	189,600
Tax from revenue that reduces the tax base	152,453	-23,536
Tax from non-deductible expenses	1,316,865	1,155,811
Tax from tax relief	-1,124,099	-1,441,702
Tax losses	-808	-62,496
Different tax rates and adjustments	-146,800	-1,234,517
Tax from revenue that increase the tax base	-14,144	9,131
Deferred taxes	444,958	1,243,595
Current and deferred tax	**16,094,324**	**11,171,034**
Effective tax rate	**20,05%**	**18,72%**

5.35. Cash flow statement

The cash flow statement is compiled according to the aggregate method in terms of combining relevant shares and eliminating the cash flows generated within the Group.

Inflows and outflows in the cash flow statement for 2020 comprise:

- cash flows from operating activities, which include:
    - operating revenue and operating expenses, corporate income tax and other taxes, adjusted for changes in net working capital in statement of financial position items;
- cash flows from investing activities, which include:
    - inflows from interest on current financial assets in the form of time deposits in the amount of EUR 62,272 and profit participation in the amount of EUR 523,060,
    - inflows from the disposal of property, plant and equipment in the amount of EUR 240,328,
    - inflows from the disposal of financial assets in the amount of EUR 1,465,145,761,
    - outflows for the acquisition of intangible assets in the amount of EUR 6,377,315 and for property, plant and equipment in the amount of EUR 52,465,704, and
    - outflows for the acquisition of financial assets in the form of deposits that are intended to generate returns and are not deemed cash equivalents, in the amount of EUR 1,485,613,346; and

- cash flows from financing activities, which include:
    - inflows from the increase in financial liabilities in the amount of EUR 80,336,692,
    - outflows for interest associated with financing activities in the amount of EUR 1,969,724,
    - outflows for the repayment of lease liabilities comprising interest in the amount of EUR 40,748 and principal in the amount of EUR 966,284,
    - outflows for the repayment of financial liabilities in the amount of EUR 93,869,910, and
    - outflows for the payment of profit participation in the amount of EUR 9,500,000.

The opening balance of cash and cash equivalents includes cash on business accounts and funds held at commercial banks and available on call.

The closing balance of cash and cash equivalents includes cash on business accounts and funds held at commercial banks and available on call.

5.36. Disclosures of earnings

Individual groups and remuneration for performance of tasks (in EUR)	2020
Members of senior management – wages and annual leave allowance	2,371,445
Other employees not subject to the tariff section of the collective agreement – wages and annual leave allowance	2,215,754
External members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	160,950
Internal members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	39,976

5.37. Disclosures of payments to auditors

Amount spent in connection with auditors (in EUR)	2020	2019
For auditing of annual report	**192,308**	**181,946**
Deloitte	156,935	46,050
Ernst & Young	23,608	135,896
BDO	11,765	0
For other auditing services	**6,370**	**3,350**
Deloitte	2,000	0
Ernst & Young	3,850	3,350
BDO	520	0
Total	**198,678**	**185,296**

The auditors did not provide non-audit services in 2020.

5.38. IAS 24 Related Party Disclosures

The controlling company GEN is under the 100% ownership of the Republic of Slovenia. Profit participation in the amount of EUR 9,500,000 was paid to the company's sole owner in 2020.

Related parties include GEN Group companies and companies that the Slovenian government controls or over which it has a significant influence.

Presented below are material transactions with related parties that involve:

- transactions with companies under the direct or indirect ownership of the Republic of Slovenia, which directly or indirectly holds a participating interest of 50% or more; and
- transactions where revenue and expenses/costs exceeded EUR 500,000 in 2020.

IAS 24 Related Party Disclosures (in EUR)	Open receivables as at 31 December 2020	Open liabilities as at 31 December 2020	Revenue in 2020	Expenses/costs in 2020
Energy companies				
BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO, D.O.O.	24,323	21,982	3,105,748	5,216,537
BSP – regional energy exchanhge	316,109	607,585	10,439,705	20,284,265
E 3, d.o.o. N.Gorica	0	122,338	291,342	952,117
Elektro Celje Energija d.o.o.	107,787	0	1,053,900	0
ELEKTRO MARIBOR ENERGIJA PLUS D.O.O.	1,484,003	3,182	15,563,012	572,919
ELEKTRO-SLOVENIJA D.O.O.	2,815,106	15,398	28,477,982	197,144
Gorenjske elektrarne, d.o.o., Kranj	0	129,260	5,933	1,708,814
HOLDING SLOVENSKE ELEKTRARNE D.O.O.	1,598,720	115,415	9,896,874	1,277,100
SODO D.O.O.	0	11,988,857	0	105,334,669
Banks and insurance companies				
ZAVAROVALNICA TRIGLAV, D.D.	0	66,517	0	767,206
SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D.D.	0	22,616,513	1,614	287,716
Other				
DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI, D.D. CELJE	129,751	0	1,384,892	0
EPPS, d.o.o.	0	171,080	0	1,455,068
KAPITALSKA DRUŽBA D.D.	0	13,591	8,271	579,319
POŠTA SLOVENIJE, D.O.O.	-14,249	274,262	0	727,974
Sava Turizem, d.d. (previously Sava Hoteli Bled, d.d. and G&P Hoteli Bled d.o.o.)	44,299	0	806,186	1,373
TALUM D.D.	0	80,395	438	1,030,302
	6,534,717	36,401,836	71,785,945	141,416,289

6. Financial instruments – carrying amount, fair value and risk management

6.1. Carrying amount and fair value

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The Group defined the fair values of individual groups of assets for measurement and accounting purposes based on the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment from business combinations is equal to their market value. The market value of property is equal to the estimated value for which property, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment and small inventory is based on the quoted market price of similar objects.

INTANGIBLE ASSETS

The fair value of patents and trademarks acquired through business combinations is based on the discounted estimated future value of royalties whose payment will not be necessary thanks to the ownership of the patent or trademark. The fair value of customer relationships obtained through business combinations is determined based on a special multi-period excess earnings method, while the value of individual assets is determined after the fair return from all assets that contribute to the cash flow is deducted.

INVESTMENT PROPERTY

The value of investment property is estimated using the total value of expected future cash flows from the leasing of that property. The yield that reflects specific risks is included in the calculation of the value of property based on annual net discounted cash flows.

INVENTORIES

The fair value of inventories in business combinations is determined on the basis of their expected sales value in ordinary operations, less estimated costs to sell.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined in accordance with the predetermined fair value hierarchy.

INVESTMENTS IN ASSOCIATES

The company determines the fair value of investments in associates and jointly controlled companies in accordance with the predetermined fair value hierarchy. The methods used to determine the values and input assumptions for each investment are presented separately in the disclosures.

RECEIVABLES AND LOANS GRANTED

The fair value of operating and other receivables is calculated as the present value of future cash flows, discounted using the market interest rate at the end of the reporting period.

DERIVATIVES

The fair value of forward contracts is equal to their quoted market price at the end of the reporting period if the market price is available. If the market price is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the remaining maturity of the transaction in question and using a risk-free interest rate (based on government bonds).

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at the market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

CLASSIFICATION AND FAIR VALUE OF ASSETS AND LIABILITIES

The value of derivatives relates to financially and physically settled forward transactions, FOREX transactions and other derivatives connected with trading.

Financially and physically settled exchange transactions that do not meet own-use exemption conditions are valued based on the relevant quoted exchange prices. Settlement prices from the relevant exchanges for related products are used for valuation. FOREX transactions are valued based on the relevant FX rate (official middle exchange rate or forward exchange rate). Official middle exchange rates or forward exchange rates are used for valuation. Data regarding official middle exchange rates are obtained from the relevant central banks, while forward exchange rates are determined based on market data. These assets and liabilities are classified to Level 1 of the fair value hierarchy.

Other physically settled forward transactions that do not meet own-use exemption conditions are valued based on the relevant forward price curves. Cross-border transfer capacities are valued based on the relevant differences between forward prices curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL comprise equity investments that are not quoted on an exchange and that the Group intends to hold for the long term.

The fair value of other current assets and liabilities is roughly equal to their carrying amount. The fair value of non-current assets and liabilities is roughly equal to their amortised cost. These assets and liabilities are classified to Level 3 of the fair value hierarchy.

	31 December 2020			
Fair value of assets (in EUR)	Level 1	Level 3	Total fair value	Total carrying amount
Assets measured at fair value				
Derivatives	18,041,188	0	18,041,188	18,041,188
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial assets measured at fair value through comprehensive income	0	2,846,306	2,846,306	2,846,306
Total	**18,041,188**	**2,846,306**	**20,887,494**	**20,887,494**
Financial assets measured at amortised cost				
Non-current financial assets	0	572,449	572,449	572,449
Long-term deposits	0	5,519,154	5,519,154	5,519,154
Short-term deposits	0	101,503,569	101,503,569	101,503,569
Trade receivables	0	77,712,494	77,712,494	77,712,494
Assets from contracts	0	47,001,225	47,001,225	47,001,225
Cash and cash equivalents	0	119,683,230	119,683,230	119,683,230
Total	**0**	**351,992,121**	**351,992,121**	**351,992,121**

				31 December 2019
Fair value of assets (in EUR)	Level 2	Level 3	Total fair value	Total carrying amount
Assets measured at fair value				
Derivatives	0	0	0	0
Financial assets measured at fair value through profit or loss	0	100,000	100,000	100,000
Financial assets measured at fair value through comprehensive income	0	3,283,101	3,283,101	3,283,101
Total	**0**	**3,383,101**	**3,383,101**	**3,383,101**
Financial assets measured at amortised cost				
Non-current financial assets	0	196,878	196,878	196,878
Long-term deposits	0	2,522,160	2,522,160	2,522,160
Short-term deposits	0	98,101,059	98,101,059	98,101,059
Trade receivables	0	89,089,382	89,089,382	89,089,382
Assets from contracts	0	44,553,041	44,553,041	44,553,041
Cash and cash equivalents	0	74,537,115	74,537,115	74,537,115
Total	**0**	**308,999,635**	**308,999,635**	**308,999,635**

				31 December 2020
Fair value of liabilities (in EUR)	Level 2	Level 3	Total fair value	Total carrying amount
Liabilities measured at fair value				
Derivatives	0	1,930,650	1,930,650	1,930,650
Total	**0**	**1,930,650**	**1,930,650**	**1,930,650**
Liabilities measured at amortised cost				
Unsecured bank loans	0	79,843,861	79,843,861	79,843,861
Other financial liabilities	0	49,294,480	49,294,480	49,294,480
Lease liabilities	0	2,345,459	2,345,459	2,345,459
Bonds	0	31,200,000	31,200,000	31,200,000
Liabilities from contracts	0	7,572,099	7,572,099	7,572,099
Trade payables	0	74,113,319	74,113,319	74,113,319
Total	**0**	**244,369,218**	**244,369,218**	**244,369,218**

				31 December 2019
Fair value of liabilities (in EUR)	Level 2	Level 3	Total fair value	Total carrying amount
Liabilities measured at fair value				
Derivatives	2,257,374	1,794,080	4,051,454	4,051,454
Total	**2,257,374**	**1,794,080**	**4,051,454**	**4,051,454**
Liabilities measured at amortised cost				
Unsecured bank loans	0	90,806,928	90,806,928	90,806,928
Other financial liabilities	0	50,800,112	50,800,112	50,800,112
Lease liabilities	0	2,689,598	2,689,598	2,689,598
Bonds	0	34,000,000	34,000,000	34,000,000
Liabilities from contracts	0	7,991,845	7,991,845	7,991,845
Trade payables	0	55,898,608	55,898,608	55,898,608
Total	**0**	**242,187,091**	**242,187,091**	**242,187,091**

6.2. Risk management

This section presents disclosures in connection with financial instruments and risks, while risk management is explained in the risk management section of the business report in this annual report. The Group is exposed to the following risks arising from financial instruments:

- liquidity risk,
- credit risk, and
- market risks (currency risk, interest-rate risk and commodity price risk).

6.2.1 Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulties meeting its obligations associated with financial liabilities that are settled using cash or other financial means. The Group manages liquidity risk by ensuring that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Group's reputation.

Liquidity risk – liabilities in 2020 (in EUR)	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured bank loans	79,843,861	79,933,110	3,075,927	3,022,511	13,794,440	24,892,635	35,147,597
Issued bonds	31,200,000	32,480,477	3,456,011	0	23,292,337	5,732,129	0
Other liabilities	77,536,410	77,288,157	75,159,476	152,250	45,782	0	1,930,649
Lease liabilities	2,345,459	3,429,180	539,831	390,612	1,024,595	943,202	530,940
Operating liabilities							
Operating liabilities	74,113,319	74,113,319	73,905,787	100,624	106,908	0	0
Derivative financial liabilities							
Other forward exchange contracts:							
Outflows	0	0	0	0	0	0	0
Inflows	-18,739,181	-18,739,181	-18,739,181	0	0	0	0
Total	**246,299,868**	**248,505,062**	**137,397,851**	**3,665,997**	**38,264,062**	**31,567,966**	**37,609,186**

Liquidity risk – liabilities in 2019 (in EUR)	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities							
Unsecured bank loans	90,806,928	91,068,539	3,124,070	8,065,484	12,002,444	25,419,056	42,457,485
Issued bonds	34,000,000	36,201,107	700,014	0	3,500,616	29,156,353	2,844,124
Other liabilities	50,800,112	50,938,305	50,226,598	536,012	175,695	0	0
Lease liabilities	2,689,598	2,902,920	509,928	740,160	609,804	1,043,028	0
Operating liabilities							
Operating liabilities	63,890,453	63,890,453	63,790,963	99,490	0	0	0
Derivative financial liabilities							
Other forward exchange contracts:							
Outflows	4,051,454	4,051,454	516,434	149,535	2,683,725	701,760	0
Inflows	0	0	0	0	0	0	0
Total	**246,238,545**	**249,052,778**	**118,868,007**	**9,590,681**	**18,972,284**	**56,320,197**	**45,301,609**

The liquidity risk to which the Group is exposed is managed by GEN Group companies, which carefully and conscientiously monitor and plan short-term solvency on a daily basis, and ensure it by coordinating and planning all cash flows within the Group. To that end, risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the Group's investment activities, are taken into account to the greatest extent possible.

The Group also constantly monitors and optimises short-term surpluses and shortages of monetary assets, both at the level of individual companies and at the Group level. A liquidity reserve in the form of credit lines approved by commercial banks, the diversification of financial liabilities, the constant adjustment of the maturities of liabilities and receivables, and the consistent collection of receivables are all factors that facilitate the GEN Group's successful cash-flow management, thus ensuring its purchasing power and reducing the level of short-term solvency risks. Thanks to the Group's active approach to financial markets, its good performance in the past and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely manageable.

The Group ensures its long-term solvency by preserving and increasing its share capital, and maintaining an appropriate financial balance. The Group achieves this by continuously ensuring an appropriate balance-sheet structure with regard to the maturity of financial liabilities. As part of liquidity risk management activities, the senior management intends to further strengthen the Group's long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Group companies also manage liquidity risks through well-defined contractual provisions, by regularly and precisely planning cash flows on a daily, monthly and yearly basis, by verifying contractual partners and their solvency, and through the prudent and safe placement of surplus cash. Liquidity risk is further mitigated at the Group level:

- through the diversification of financial liabilities;
- through the continuous matching of maturities of receivables and liabilities;
- by limiting exposure to partners known to be unreliable payers; and
- through the consistent collection of overdue receivables.

Companies are also exposed to risks associated with the management of surplus cash. To manage these risks, GEN has in place an investment strategy that serves as the basis for more effective investment risk management. To further manage risks associated with specific trends on the global banking markets (a further decline in the EURIBOR) and special additional requirements imposed by financial institutions, Group companies monitor fluctuating trends and adjust to them accordingly.

6.2.2 Credit risks

The Group is exposed to credit risk primarily with respect to trade receivables for electricity and natural gas, which together amount to EUR 77,712,494.

Credit risk – trade receivables at carrying amount (in EUR)	2020	2019
Domestic	33,294,419	34,902,617
Euro area countries	10,891,282	17,947,838
Other European countries	14,881,454	15,047,313
Countries of the former Yugoslavia	8,362,036	10,864,175
Other regions	10,283,303	10,327,439
Total	**77,712,494**	**89,089,382**

Credit risk – wholesale and retail trade receivables (in EUR)	2020	2019
Wholesale customers	61,860,516	55,967,628
Retail customers	15,851,978	33,121,754
Total	**77,712,494**	**89,089,382**

GEN Group companies use an active approach to managing credit risks and financial exposure to individual business partners. That approach is based on the consistent application of internal bylaws and precisely defined procedures for identifying credit risks and assessing exposure to them, determining the permissible limits of risk exposure, and the constant monitoring of the Group's exposure to risks in its dealings with individual business partners. In line with credit risk management rules, the GEN Group's risk management department analyses the creditworthiness of each new trading partner and large customer that wishes to purchase electricity and natural gas, and assesses the associated risks. This risk assessment serves as the basis for future cooperation, enabling the Group to define credit lines to hedge risks and offer the appropriate payment and delivery conditions with respect to an individual contractual relationship.

When monitoring credit risks and daily credit line exposure, individual partners are divided into groups according to their credit characteristics (whether it is a company or a group of companies, trading partner, end-customer, or retail customer), geographical position, industry, age structure and maturity of receivables, financial difficulties in the past, and any breaches of contractual obligations based on the estimated level of risk. In order to minimise risks associated with business partners' inability to settle outstanding receivables, the Group pays particular attention to the use of appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are met. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and relevant risk assessments.

Impairment losses on financial assets and contract assets recognised in profit or loss are presented below.

	31 December 2020		
Maturity of operating receivables (in EUR)	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount
Not due	77,104,840	-4,775,062	72,329,778
Past due up to 90 days	5,899,513	-1,238,727	4,660,786
Past due from 91 to 180 days	102,277	-16,752	85,525
Past due from 181 to 365 days	378,580	-579,401	-200,821
More than 365 days past due	6,629,207	-5,791,981	837,226
Total	**90,114,417**	**-12,401,923**	**77,712,494**

	31 December 2019		
Maturity of operating receivables (in EUR)	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount
Not due	81,611,940	-60,132	81,551,808
Past due up to 90 days	6,981,984	-50,872	6,931,112
Past due from 91 to 180 days	215,993	-251,299	-35,306
Past due from 181 to 365 days	126,954	-155,158	-28,204
More than 365 days past due	8,375,291	-7,705,319	669,972
Total	**97,312,162**	**-8,222,780**	**89,089,382**

Changes in impairments and write-downs	2020	2019
Opening balance	**12,371,589**	**13,357,057**
Creation of impairments and write-downs	5,217,122	193,585
Reversal of impairments and write-downs	-1,320,090	-474,993
Use of impairments and write-downs	-68,550	-703,109
Exchange rate differences	10,312	-951
Closing balance	**16,210,383**	**12,371,589**

The closing balance of ECLs and impairment losses comprises ECLs and impairment losses on trade receivables and contract assets in the amount of EUR 16,210,383 and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 3,808,461, which relates to impairment losses created by the subsidiary GEN-I Sofia. The increase in credit losses derives from estimates due to conditions in connection with the COVID-19 epidemic, as explained in Section 4.2.6. c).

6.2.3 Currency risk

Currency risk as at 31 December 2020 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM
Trade receivables	**77,712,494**	62,182,625	0	0	2,592,031	4,678,991	1,504,116
Unsecured bank loans	**-79,843,861**	-79,843,861	0	0	0	0	0
Trade payables	**-74,113,319**	-58,636,402	37,025	-23,468	-2,049,049	-362,308	-6,270,408
Gross exposure in the statement of financial position	**-76,244,686**	-76,297,638	37,025	-23,468	542,982	4,316,683	-4,766,292
Net exposure of receivables and liabilities		**3,546,223**	**37,025**	**-23,468**	**542,982**	**4,316,683**	**-4,766,292**

Currency risk as at 31 December 2019 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM
Trade receivables	**89,089,382**	75,962,942	0	0	1,824,662	7,495,478	2,531,316
Unsecured bank loans	**-90,806,928**	-90,806,928	0	0	0	0	0
Trade payables	**-55,898,608**	-37,402,427	-2,959	-25,555	-1,001,477	-833,229	-7,177,429
Gross exposure in the statement of financial position	**-57,616,154**	-52,246,414	-2,959	-25,555	823,185	6,662,249	-4,646,113
Net exposure of receivables and liabilities		**38,560,514**	**-2,959**	**-25,555**	**823,185**	**6,662,249**	**-4,646,113**

Within the GEN Group, GEN-I is actively involved in establishing a suitable infrastructure for foreign currency transactions and implementing other currency-hedging mechanisms, including forward contracts and currency clauses, particularly on foreign markets outside the euro area.

The Group is primarily exposed to currency risks when performing its core activities, i.e. trading and selling electricity and natural gas, and cross-border transfer capacities, and also with regard to loans and participating interests in foreign subsidiaries. Given the scope of its operations, the GEN Group is most exposed to currency risks associated with the Croatian kuna (HRK), Macedonian denar (MKD), Romanian leu (RON) and Turkish lira (TRY).

The Group mitigates currency risks by linking the selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks to which individual subsidiaries are exposed are 'naturally' hedged because a portion of expected inflows is covered by the expected outflows in the same currency. If necessary, the Group also uses derivatives and a number of forward currency contracts to hedge against these risks.

The Group regularly monitors its open position in all currencies to which it is exposed. The Group's highest net exposure is to currencies where fluctuations in the exchange rate are very low or do not exist due to a fixed rate.

	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
	0	384,768	10,191	0	0	61,295	112,994	6,185,483	0	0
	0	0	0	0	0	0	0	0	0	0
	-604	-350,190	-11,837	-106,324	-96	-238,038	-20,124	-6,081,401	-95	0
	-604	34,578	-1,646	-106,324	-96	-176,743	92,870	104,082	-95	0
	-604	**34,578**	**-1,646**	**-106,324**	**-96**	**-176,743**	**92,870**	**104,082**	**-95**	**0**

	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
	0	448,773	25,271	100	226,738	319	10,397	238,596	0	324,789
	0	0	0	0	0	0	0	0	0	0
	-326	-599,211	-73,040	-256,271	-96,495	-30,334	-2,172,743	-6,223,667	-3,445	0
	-326	-150,438	-47,769	-256,170	130,243	-30,015	-2,162,346	-5,985,071	-3,445	324,789
	-326	**-150,438**	**-47,769**	**-256,170**	**130,243**	**-30,015**	**-2,162,346**	**-5,985,071**	**-3,445**	**324,789**

6.2.4 Interest-rate risk

Interest rate risk – carrying amount of financial instruments (in EUR)	31 December 2020	31 December 2019
Fixed-rate instruments		
Financial assets	107,022,723	100,623,218
Financial liabilities	-155,662,862	-164,689,101
Variable-rate instruments		
Financial liabilities	-5,129,147	-10,258,294

The Group manages interest-rate risks by constantly assessing risk exposure and the possible effects of changing reference interest rates (the variable part) on its costs from financing activities. The Group also monitors its loan portfolio, which could be affected by a change in the relevant interest rates. As part of its risk management activities, the Group monitors interest rate fluctuations on the domestic and foreign markets, and on the derivative markets. The purpose of continuous monitoring and analyses is to propose timely protective measures by balancing assets and liabilities in the statement of financial position.

The proportion of total liabilities bearing a variable interest rate is immaterial. Interest-rate risk is therefore assessed as low.

6.2.5 Commodity price risk and hedge accounting

The GEN Group's core activities in the scope of the GEN-I Group include trading electricity and natural gas internationally, selling electricity and natural gas to end-customers, and purchasing the necessary quantities from producers for both activities.

The nature of its business activity requires the Group to carry out continuous hedging activities to mitigate market risk. Hedging activities are carried out by GEN-I, d.o.o., which is responsible for the centralised management of the Group's portfolio. The aforementioned company has the necessary infrastructure in place to carry out hedging activities on commodity exchanges.

Hedging activities to mitigate market risk are carried out according to the policy and procedures defined by the risk management department.

Commodity price risk arises from changes in prices due to the market structure, demand/supply, import/export fees, and changes in the price of cross border capacities. Specifically, this entails the risk of financial losses due to changing prices on the energy markets. These market risks are managed using predefined strategies based on sensitivity analyses of portfolios, analyses of the price elasticity of sales portfolios, analyses of CVaR Conditional Value at Risk indicators and quantity exposure, as well as an overview of the depth and liquidity of the markets of all portfolios within the GEN-I Group.

A hedged item is a firm commitment. A firm commitment is a binding agreement regarding the exchange of a precisely defined quantity of resources at a precisely defined price on a precisely defined future date or dates. The Group's hedged items (commodities) comprise physical electricity and natural gas transactions.

A hedging instrument is a standardised forward contract (future). The Group is active on several commodity exchanges and uses standardised forward contracts for electricity, natural gas and other commodities as hedging instruments.

A hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item, taking into account their relative weightings. In general, a hedged item and hedging instrument may relate to the same or a different commodity, and are executed at same or different times and on same or different markets. However, the hedge must be effective, meaning that there should be a strong correlation between the hedged item and hedging instrument. The hedged item and hedging instrument typically relate to the same commodity and have the same or a similar deadline for execution.

Sources of ineffectiveness that are expected to affect hedging relationships during their term are as follows:

- profile differences,
- location differences,
- timing differences,
- differences in quantities or nominal amounts,
- proxy hedging,
- early termination, and
- credit risk.

To demonstrate the existence of an economic relationship, it must be expected that the value of the hedging instrument and the value of the hedged item will move in the opposite direction as a result of the common underlying or hedged risk. For the purpose of assessment, we typically use a qualitative test, i.e. an assessment of whether material terms match. When a hedge relationship is not obvious, we also use a quantitative test, i.e. a simple scenario analysis method, to assess the economic relationship.

HEDGING INSTRUMENTS

Profile of the timing of the nominal amount of hedging instruments for 2020	Nominal amount (in EUR)		
	up to 1 year	from 1 to 5 years	more than 5 years
Risk of changes in commodity prices	34,256,418	0	0

Hedging instruments for 2020	Nominal amount of the hedging instrument (in EUR)	Carrying amount of hedging instrument		Line item in the statement of financial position where hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness for 2019 (in EUR)
		Assets	Liabilities		
Risk of changes in commodity prices	34,256,418	n/a*	n/a*	n/a*	2,384,144

* A financial instrument is a standardised forward contract that is cash-settled daily.

Profile of the timing of the nominal amount of hedging instruments for 2019	Nominal amount (in EUR)		
	up to 1 year	from 1 to 5 years	more than 5 years
Risk of changes in commodity prices	35,080,222	27,062,268	0

Hedging instruments for 2019	Nominal amount of the hedging instrument (in EUR)	Carrying amount of hedging instrument		Line item in the statement of financial position where hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness for 2019 (in EUR)
		Assets	Liabilities		
Risk of changes in commodity prices	62,142,490	n/a*	n/a*	n/a*	5,873,606

* A financial instrument is a standardised forward contract that is cash-settled daily.

HEDGED ITEM

Hedged item	Carrying amount of hedged item		Total change in fair value of firm commitment (in EUR)		Line item in the statement of financial position where firm commitment is included	Changes in fair value used for calculating hedge ineffectiveness for 2020 (in EUR)
	Assets	Liabilities	Assets	Liabilities		
Commodity price risk – due items	n/a*	n/a*		-2,219,891	Derivatives*	2,185,351
Commodity price risk – items not due	n/a*	n/a*	8,674,991			-6,423,363

* A hedged item is an unrecognised firm commitment.

INEFFECTIVE HEDGE

Fair value hedging	Ineffective hedging recognised in profit or loss (in EUR)	Line item in statement of comprehensive income that includes hedge ineffectiveness
Risk of changes in commodity prices	198,792	Other recurring operating revenue or expenses

7. Events after the reporting period

The GEN Group assesses that there were no business events between the reporting date and the compilation of this annual report that would have a material impact on its financial statements for 2020.

At the invitation of the TEB, GEN submitted a bid for a loan in the amount of EUR 7.8 million in February 2021. A draft loan agreement and the execution of the loan were approved by GEN's Supervisory Board in March 2021. That agreement was signed on 2 April 2021.

With the threat to the Slovenian population due to COVID-19, GEN Group companies continue to advise employees to take preventive measures to prevent the spread of COVID-19, to limit business travel and to continue to perform work remotely, with some exceptions. GEN Group companies made the appropriate adaptations to their work processes to ensure the safe and reliable functioning of all of the Group's production facilities, which have operated smoothly and without interruptions until the present. Due the placement of surplus cash in the form of short-term deposits and the delay in planned investments, the Group has at its disposal sufficient liquid funds to facilitate smooth financial operations during brief periods of extreme conditions.

On 5 May 2021, the company's senior management approved the consolidated financial statements of the GEN Group and the annual report for the financial year that ended on 31 December 2020.

V INFORMATION REGARDING THE CORPORATE REPORTING OF THE GEN GROUP

1. Compliance with reporting policies

At the beginning of each year, the GEN Group publishes an annual business report for the preceding year, covering the period from 1 January to 31 December. Information regarding the sustainable operations of GEN and the GEN Group are compiled in a single annual report that includes information regarding financial and non-financial operations. The most recent annual report was published on 31 August 2020.

The annual report of the GEN Group for 2020 meets the requirements set out in the new Companies Act (ZGD-1J) (Directive 2014/95/EU) as regards the disclosure of non-financial and diversity information. The introductory section (sections I.7 and I.8) and business section of the annual report include key content regarding business, environmental, HR and social matters that are required to understand the development, performance and position of the GEN Group. Our reporting is in line with guidelines on the transparency of operations and reporting, as set out in point 8 of the Corporate Governance Code for Companies with Capital Assets of the State (SDH, d. d., November 2019).

The annual report strives to provide a comprehensive picture of the Group's operations and presents the inextricable link between the results of our financial and non-financial operations. Through reporting regarding non-financial operations, we comply with the three pillars of the GEN Group's sustainability policies, which include:

- **operational efficiency and business excellence,**
- **environmental responsibility,** and
- **care for society** in everything that companies and the GEN Group as a whole do.

To understand the situation, development or results, individual sections of the annual report summarise key policies and other bylaws we follow in the achievement of non-financial operational goals.

In reporting on the non-financial aspects of operations, we apply **the international sustainability reporting framework pursuant to the GRI Standards, together with disclosures specific to electricity companies.** We thus ensure the clarity and transparency of data regarding our operations, results and plans, and ensure their comparability at the national and international levels.

We continue to **implement integrated reporting in line with the principles and guidelines of the IIRC (International Integrated Reporting Council)**, with an emphasis on thinking via different types of capital and their link with operating results. Our starting point is the synergetic linking of activities to fulfil the mission of the GEN Group. We are aware that further steps are needed to improve our overall thinking and reporting, with the primary focus in this regard on creating concrete value for our key stakeholders.

For the first time, the annual report shows the link between the sustainable operations of the GEN Group and the achievement of Sustainable Development Goals (SDG). Details are provided in the tables in points 3 and 4 of this section. Those tables illustrate the link between the types of capital of the GEN Group and specific Sustainable Development Goals.

If you have any questions about the annual report, contact us at info@gen-energija.si.

2. Sustainable reporting according to the GRI guidelines

General standard disclosures

GENERAL STANDARD DISCLOSURES		
Indicator	**Disclosure**	**Section**
GRI 101: 2016 BASIS		
GRI 102: GENERAL DISCLOSURES 2016		
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	I.5
102-2	Activities, brands, products and services	I.6
102-3	Location of headquarters	I.5
102-4	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	I.5.2, II.4
102-5	Ownership and legal form	I.5, I.6, IV.3.1, IV.3.2
102-6	Markets served (geographic locations where products and services are offered, sectors served, and types of customers and beneficiaries)	I.5.2, II.4, II.5
102-7	Scale of the organisation (total number of employees, total number of operations, net sales, debt/equity ratio, quantity of products or services provided)	I.1, I.5, I.6, II.4, II.5, II.7, II.8, III.5, IV.5
102-10	Significant changes to the organisation's size, structure, ownership, or supply chain during the reporting period	I.2, I.5.2, I.6, I.8.4, I.9
102-11	Explanation of whether and how the organisation applies the precautionary principle or approach	II.11, III.2, IV.2
102-13	Lists of externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	I.4, II.8, II.10
STRATEGY AND ANALYSIS		
102-14	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	I.2
ETHICS AND INTEGRITY		
102-16	Description of the organisation's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics	I.4, I.7, I.8, II.10, II.11.1, II.11.7
GOVERNANCE		
102-18	Governance structure of the organisation, including committees of the highest governing body	I.4, I.5, I.6

GENERAL STANDARD DISCLOSURES		
STAKEHOLDER ENGAGEMENT		
102-40	**List of stakeholder groups engaged by the organisation**	**I.8.4**
REPORTING PRACTICE		
102-45	List of all entities included in the organisation's consolidated financial statements	IV.3.1, IV.3.2
102-46	Explanation of the process for defining the report content and the topic boundaries	I.8
102-50	Reporting period	V.1
102-51	Date of most recent previous report (if any)	V.1
102-52	Reporting cycle	V.1
102-53	Contact point for questions regarding the report or its contents	V.1
102-54	Claims of reporting in accordance with the GRI Standards	V.1, V.2
102-55	GRI content index	V.2

General standard disclosures for electricity companies

Indicator	Disclosure	Section
ORGANISATIONAL PROFILE		
EU1	Installed capacity and breakdown by primary energy source	II.2.1
EU2	Net energy production broken down by primary energy source	II.2.1

Specific standard disclosures

CATEGORY **SUB-CATEGORY** *Management approach and disclosures*		Material topics	Section
ECONOMIC ASPECTS			
GRI 201: Economic performance	103-1	Explanation of the material topic and its boundary	I.8, III.3, III.7, IV.4
	201-1	Direct economic value generated and distributed (revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to the government (taxes))	I.1, III.6, IV.4.3
GRI 203: Indirect Economic Impacts	103-1	Explanation of the material topic and its boundary	II.6
	203-1	Development and impacts of infrastructure investments	II.6.1
ENVIRONMENTAL ASPECTS			
GRI 305: Emissions	103-1	Explanation of the material topic and its boundary	II.2.1
	305-1	Direct greenhouse gas emissions	II.2.1
SOCIAL ASPECTS			
GRI 401: Employment	103-1	Explanation of the material topic and its boundary	II.8
	401-1	New employee hires and employee turnover	II.8
GRI 404: Training and education	103-1	Explanation of the material topic and its boundary	II.8.2
	404-1	Average hours of training per year per employee	II.8.2
GRI 413: Local communities	103-1	Explanation of the material topic and its boundary	I.8.4., II.9
	413-1	Operations with local community engagement, impact assessments and development programmes	I.8.4., II.9

Specific standard disclosures for electricity companies

CATEGORY **SUB-CATEGORY** *Management approach and disclosures*		Management approach (DMA) and/or indicators	Section
ECONOMIC ASPECTS			
Availability and reliability	G4 DMA and EU 10	Management approach to ensure short- and long-term availability and reliability of electricity supply (DMA). Planned production capacities by demand for electricity.	I.7, I.8, II.6
Research and development	G4-DMA	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	II.6
Decommissioning of nuclear facilities	G4-DMA	Establishment of conditions for the decommissioning of nuclear facilities	II.7.2
System efficiency	EU 11	Average production efficiency of thermal power plants by energy source and operating regime	II.2.2 (ancillary services)
ENVIRONMENTAL ASPECTS			
Emissions	G4-EN15	Direct greenhouse gas emissions	II.2.1
SOCIAL ASPECTS			
LABOUR PRACTICES AND DECENT WORK			
Employment	G4-DMA	Programmes and processes to ensure the availability of a skilled workforce	II.8
SOCIETY			
Local communities	G4-DMA	Stakeholder participation in decision-making processes related to energy planning and infrastructure development	II.8, II.9
PRODUCT/ SERVICE RESPONSIBILITY			
Provision of information	G4-DMA	Practices to address barriers to accessing and safely using electricity	II.9

3. Link between various types of capital and financial and non-financial information regarding operations

The table below provides an overview of the links between individual types of capital from which the GEN Group generates value for its stakeholders and the financial and non-financial information regarding the GEN Group's operations in 2020. We also provide a link between types of capital and the Sustainable Development Goals (SDG) defined by the United Nations in its Agenda 2030 for sustainable development.

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2020
Infrastructural capital	Electricity production: • at the nuclear power plant (NEK) • at hydroelectric power plants (SEL and HESS) • at the gas-fired thermal power plant (TEB). Operational efficiency	II.2 Electricity production and ancillary services
	Electricity purchase portfolio: internal and external production sources (domestic and foreign producers) Electricity purchased (in GWh) Advanced (software and IT) infrastructure for satisfying customer needs	II.3 Electricity purchases
	Electricity sales and trading volume (in GWh) Advanced (software and IT) infrastructure for cross-border trading that provides data for the optimal utilisation of production sources	II.4 Electricity trading and sales
	Infrastructure for purchasing natural gas on European energy markets Natural gas purchased (in GWh)	II.5 Sales of natural gas
	Safety aspects of the NEK's operations and the preparation of the JEK2 project: • continuous monitoring of best practices in the field of nuclear safety, • modernisation of equipment, • assessment of operational safety and work processes (International Atomic Energy Agency, IAEA).	II.10 Quality policy and ensuring safety
	Management of risks associated with infrastructural capital.	II.11 Management of risks and opportunities

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2020
Natural capital	Low-carbon energy source portfolio: • 99.1% of our electricity output comes from sustainable and renewable energy sources, • CO_2 emissions per kWh generated.	II.2 Electricity production and ancillary services
	Activities involving the environmental management system according to the ISO 14001 standard	II.10 Quality policy and ensuring safety
	Management of environmental and climate risks and opportunities	II.11 Management of risks and opportunities
Financial capital	Level of investments and capital expenditures (by GEN Group company; in EUR million)	II.6 Research and development, capital expenditures and investments by GEN Group companies
	Information regarding financial operations: • servicing of operations and borrowing, • settlement of liabilities to the NEK Fund, • securing of funding to cover the NEK's fixed annual costs, • investment of surplus cash.	II.7 Financial operations
	Management of financial risks and opportunities	II.11 Management of risks and opportunities
Employees and intellectual capital	The knowledge and skills of employees to ensure the operational efficiency of production units	II.2 Electricity production and ancillary services
	Development of comprehensive brokerage services and flexibility (from intra-day to multi-year deals)	II.3 Electricity purchases
	Entering new markets and increasing economies of scale Establishment of instruments and authorisations for the comprehensive management of surplus electricity and electricity shortfalls Development of new forms of business cooperation that facilitate improved risk management	II.4 Electricity trading and sales
	Growth in the number of electricity customers (domestic market – "Affordable Natural Gas" (*Poceni plin*) brand and entry on foreign markets)	II.5 Sales of natural gas

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2020
Employees and intellectual capital	Research and development (overview of studies and research and development activities by GEN Group company)	II.6 Research and development, capital expenditure and investments of GEN Group companies
	Number and educational structure of employees Professional education and training	II.8 Employees, knowledge and human resource development
	Substantive and organisational development of activities to strengthen energy literacy and employee engagement (overview by GEN Group company)	II.9 Strengthening knowledge about energy and the energy industry
	Quality management systems and the direct engagement of all employees Safety culture – at the very heart of responsible conduct at all levels: • nuclear safety as the top priority, • maintenance and improvement of the safety culture and awareness among all employees Activities involving the occupational health and safety system	II.10 Quality policy and ensuring safety
	Management of risks and opportunities associated with human resources	II.11 Management of risks and opportunities
Social capital	Overview of the economic and political environment in 2020: • economic trends (economic growth, inflation, growth in industrial production), • process of drawing up the Energy Concept of Slovenia.	II.1 Economic trends and their impact on the electricity sector
	Ancillary services, stabilisation of critical operational conditions in the power grid, tertiary frequency control	II.2 Electricity production and ancillary services
	Overview of regulatory frameworks and social acceptability challenges with regard to: • the maintenance of the existing and • construction and planning of new production capacities, primarily: the JEK2 project, ZEL-EN development projects and projects undertaken by other GEN Group companies.	II.6 Research and development, capital expenditure and investments of GEN Group companies
	Settlement of liabilities to suppliers Activities in connection with the Intergovernmental Agreement on the NEK	II.7 Financial operations

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2020
Social capital	Development of human resources and management of long-term strategic HR challenges	II.8 Employees, knowledge and human resource development
	Strengthening knowledge about energy and the energy industry among various target groups, primarily: • school children and youth, • local communities, • electricity customers, • professional public circles, • decision-makers at the national and local levels, • NGOs, and • the media, and other key stakeholders. Support for energy-related projects and events	II.9 Strengthening knowledge about energy and the energy industry

Table of links between the types of capital of the GEN Group and the Sustainable Development Goals (SDG)

Capital of the GEN Group	Link with SDG
Infrastructural capital	SDG 7: Affordable and clean energy SDG 9: Industry, innovation and infrastructure SDG 12: Responsible consumption and production
Natural capital	SDG 7: Affordable and clean energy SDG 11: Sustainable cities and communities SDG 12: Responsible consumption and production SDG 13: Climate action
Financial capital	SDG 7: Affordable and clean energy SDG 8: Decent work and economic growth SDG 9: Industry, innovation and infrastructure
Employees and intellectual capital	SDG 4: Quality education SDG 8: Decent work and economic growth SDG 9: Industry, innovation and infrastructure SDG 12: Responsible consumption and production
Social capital	SDG 4: Quality education SDG 8: Decent work and economic growth SDG 11: Sustainable cities and communities SDG 13: Climate action

4. Contribution to the achievement of Sustainable Development Goals

In 2020, the GEN Group defined the key Sustainable Development Goals (SDG) on which its operations have an impact. We selected seven of the 17 Sustainable Development Goals that the Group addresses directly through its sustainability-oriented operations. The focus of our attention is on goal no. 7, which focuses on affordable and clean energy. We also contribute to the achievement of goal nos. 4, 8, 9, 11, 12 and 13.

The GEN Group contributes to the achievement of the following Sustainable Development Goals (presented in the table below):

Sustainable Development Goal (SDG)	Brief description of goal	Indicators for measuring the achievement of goal
Main goal		
SDG 7: Affordable and clean energy	Provide everyone access to affordable, reliable, sustainable and contemporary energy sources.	Progress in reducing energy consumption, ensuring the sustainable supply of energy and improving accessibility to affordable energy.
Other goals		
SDG 4: Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Progress in basic education, tertiary education and adult education.
SDG 8: Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Progress in promoting sustainable economic growth, increasing employment and ensuring decent work opportunities.
SDG 9: Industry, innovation and infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	Progress in strengthening research and development, and in promoting sustainable transport.
SDG 11: Sustainable cities and communities	Make cities and human settlements inclusive, safe, resilient and sustainable.	Progress in improving the quality of life in cities and communities; progress in promoting sustainable transport and in reducing harmful impacts on the environment.
SDG 12: Responsible consumption and production	Ensure sustainable consumption and production patterns.	Progress in separating environmental impacts from economic growth; progress in reducing energy consumption and progress in resolving issues in connection with waste generation and management.
SDG 13: Climate action	Take urgent action to combat climate change and its impacts.	Progress in reducing the impacts of climate change, in reducing impacts on the climate and in implementing climate initiatives.

Our sustainable operations and cooperation with stakeholders, such as the suppliers of products and services and partner organisations, contribute indirectly to the achievement of numerous other Sustainable Development Goals, particularly in the area of health and well-being, reducing inequalities, life below the water and on land, and strong institutions and partnerships.

Table of links between SDG and the types of capital of the GEN Group

Sustainable Development Goal	Links with the types of capital of the GEN Group
7. Affordable and clean energy	• Infrastructural capital • Natural capital • Financial capital
4. Quality education	• Employees and intellectual capital • Social capital
8. Decent work and economic growth	• Financial capital • Employees and intellectual capital • Social capital
9. Industry, innovation and infrastructure	• Infrastructural capital • Financial capital • Employees and intellectual capital
11. Sustainable cities and communities	• Natural capital • Social capital
12. Responsible consumption and production	• Infrastructural capital • Natural capital • Employees and intellectual capital
13. Climate action	• Natural capital • Social capital

ACRONYMS AND ABBREVIATIONS

ARJE	ARJE, analize in raziskave na področju jedrske energetike, d.o.o.
CEO	Chief Executive Officer
COO	Chief Operating Officer
CPA	Slovenian Competition Protection Agency
ARAO	Agency for Radwaste Management
GDP	gross domestic product
CO_2	carbon dioxide
COVID-19	the coronavirus disease 2019, an infectious disease caused by SARS-CoV-2. It is spread primarily through respiratory droplets discharged when an infected person coughs or sneezes
d.d.	joint stock company
CIT	corporate income tax
Deloitte	Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana
d.o.o.	limited liability company
Dr	doctor
ECB	European Central Bank
EEX	European Energy Exchange in Leipzig
ECS	Energy Concept of Slovenia
ELES	ELES, d.o.o., electrical power transmission system operator
ERDF	European Regional Development Fund
EU	European Union
EUR	euro
FURS	Ministry of Finance, Financial Administration of the Republic of Slovenia
GEN	GEN energija d.o.o.
GEN-EL	GEN-EL d.o.o.
GEN-I	GEN-I, trgovanje in prodaja električne energije, d.o.o.
Gorenjska banka	Gorenjska banka d.d., Bleiweisova cesta 1, Ljubljana
GRI	Global Reporting Initiative
GWh	gigawatt-hour
HPP	Hydroelectric power plant
HEP	Hrvatska elektroprivreda d.d.
HESS	Hidroelektrarne na Spodnji Savi, d.o.o.
HSE	Holding Slovenske elektrarne d.o.o.
HSE Invest	HSE Invest, d.o.o.
ICJT	ICJT Nuclear Training Centre
GEN IC	GEN's Information Centre
ISO standards	international standards on environmental management systems IT – information technology
JEK2	Krško Nuclear Power Plant, second unit
kV	kilovolt
kW	kilowatt
kWh	kilowatt hour
Ljubljana Stock Exchange	Ljubljanska borza, d.d., Ljubljana
m^2	square metre
m^3	cubic metre
MSc	master's degree
Intergovernmental Agreement on the NEK	agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia governing status and other legal relationships in connection with investments in the Krško Nuclear Power Plant, and the operation and decommissioning thereof
IFRS	International Financial Reporting Standards as set out in Regulation (EC) 1606/2002, Regulation (EC) 1725/2003 and Regulation (EC) 1126/2008
SPPP	small photovoltaic power plant
SHPP	small hydroelectric power plant
MW	megawatt

Natura 2000	a European network of special protected areas designated by EU Member States with the central aim of preserving biodiversity
NEA OECD	Nuclear Energy Agency within the Organisation for Economic Co-operation and Development
NEK	Nuklearna elektrarna Krško, d.o.o. (Krško Nuclear Power Plant)
NEP	National Energy Programme
NLB	Nova Ljubljanska banka, d.d.
SB	Supervisory Board
LILW	low and intermediate level radioactive waste
OSART	Operational Safety Review Team
RES	renewable energy sources
PIP	pre-investment plan
CoI	certificate of origin
FVTPL	fair value through profit or loss
FVTOCI	fair value through other comprehensive income
PWR	pressurised water reactor
ReNEP	resolution on the National Energy Programme
RTD	resistor temperature detector
SEL	Savske elektrarne Ljubljana d.o.o.
NEK Fund	Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK
SKB	SKB banka, d.d. Ljubljana
Fund for Craftsmen and Entrepreneurs	Fund for Craftsmen and Entrepreneurs, Vošnjakova ulica 6, Ljubljana
GEN Group	GEN Energija Group
HCP	high-efficiency cogeneration plants
SRESA	Srednjesavske elektrarne d.o.o.
SAS	Slovenian Accounting Standards
TALUM	TALUM Tovarna aluminija d.d., Kidričevo
TEB	Termoelektrarna Brestanica, d.o.o.
UCTE	Union for the Coordination of the Transmission of Electricity
UniCredit Banka	UniCredit Banka Slovenija d.d
WANO	World Association of Nuclear Operators
USA	United States of America
NEK Fund Act	Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act (Official Gazette of the Republic of Slovenia, No. 75/1994 with amendments)
ZEL-EN	ZEL-EN, razvojni center energetike, d.o.o.
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia No. 42/06 with amendments)
ZPOmK-1	Prevention of Restriction of Competition Act (Official Gazette of the Republic of Slovenia, No. 36/08 with amendments)
ZZZS	Health Insurance Institute of Slovenia

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