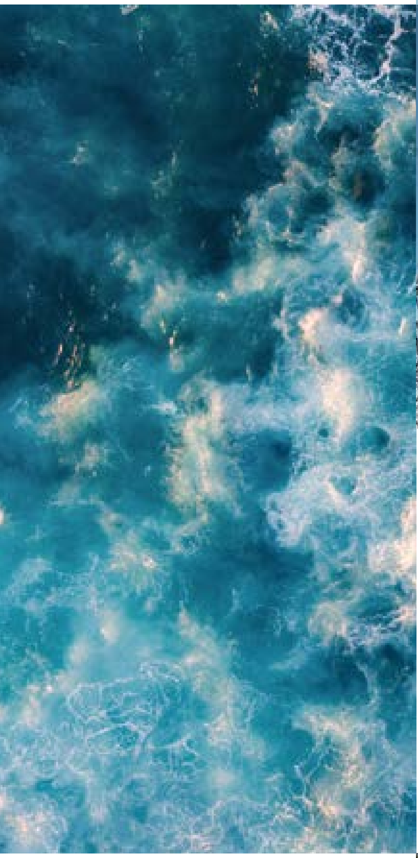
ANNUAL REPORT OF GEN ENERGIJA AND THE GEN GROUP FOR **2021**



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OVERVIEW OF ENERGY IN THE FUTURE

CLIMATE NEUTRALITY

Climate change is a challenge that we are facing in Slovenia, Europe and across the globe. The global energy sector is facing the historical and complex challenges of transformation and decarbonisation.

In the scope of the European Green Deal, the EU has committed to a carbon-neutral Europe by 2050. It took an additional step in that direction in 2021 with the adoption of the Fit for 55 package. By reducing emissions, the Slovenian energy sector can contribute significantly to the achievement of the goals set out in the Climate Strategy (Resolution on Slovenia's Long-Term Climate Strategy until 2050). That strategy lays out the clear vision of a climate-neutral Slovenia by 2050 and a society resistant to climate change that will manage energy and natural resources effectively, while maintaining a highly competitive low-carbon circular economy.

The goals of the Climate Strategy and comprehensive National Energy and Climate Plan (NECP) are based on aggregate projections of sectoral greenhouse gas emissions. The aforementioned documents set a target for the energy sector of reducing emissions in 2030 by 34% relative to 2005 (for that part of the energy sector not included in the emission trading system). Ambitious decarbonisation goals thus lie ahead of the Slovenian energy sector, together with the associated energy transition to a low-carbon future.

REDUCTION OF EMISSIONS BY 34%:

Goal set out in the NECP and Climate Strategy: reduction of the energy sector's emissions by 34%.

AFFORDABILITY

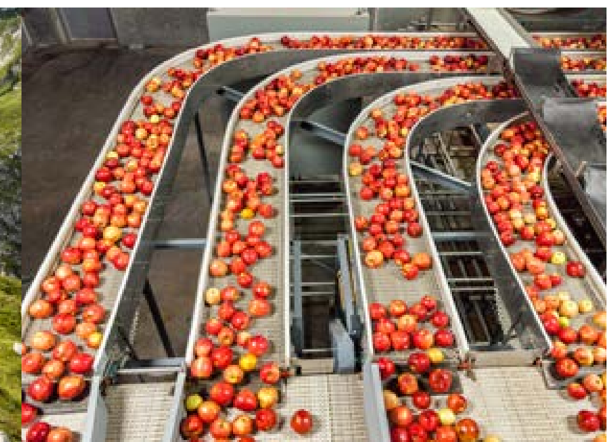
The energy sector drives society by providing support for its key systems: the commercial sector, healthcare, education, agriculture, and research and development

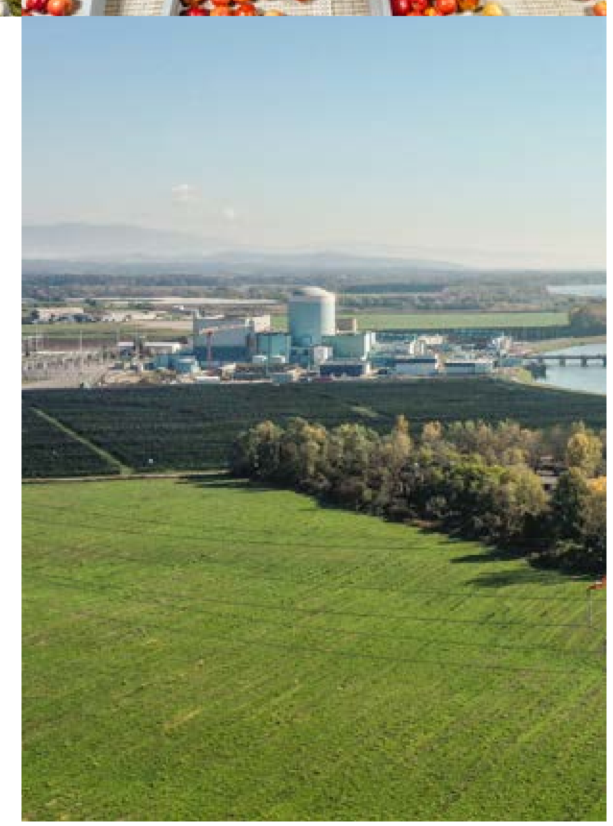
The reliable supply of affordable energy facilitates the equitable and sustainable development of society. Energy prices and thus the price of electricity rose sharply in 2021. The energy crisis has had a sobering effect and, after a prolonged period of low energy prices, we are facing a new energy reality.

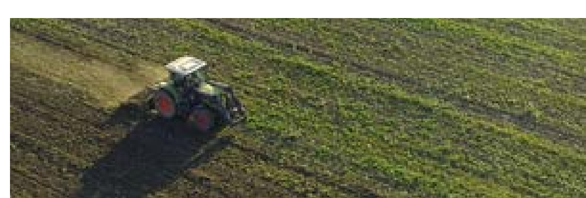
Key to the effective energy transition to a low-carbon future are prudent investments that also bring a certain level of financial uncertainty. This could lead to an increase in prices for end-customers. The energy mix for the future supply of energy to Slovenia must therefore include technologies that ensure the affordable and reliable supply of low-carbon energy to all categories of customers.

NUCLEAR + RES:

Low-carbon mix for the future supply of affordable electricity to Slovenia: nuclear energy + renewable energy sources.







RELIABILITY OF SUPPLY

The reliability of the supply of energy is one of the foundations for the smooth functioning of society and the economy. It brings quality jobs, and contributes to social well-being and the quality of life.

The Slovenian industrial sector contributes 24% to national GDP, which is well above the European average of 16%. An energy-intensive industrial sector that ensures the development of materials for a successful and effective energy transition provides 25 thousand jobs. This means 10% of all employees in the industrial sector, which generates revenue of EUR 6 billion.

The Slovenian industrial sector is thus part of the solution to the energy-climate transition, not part of the problem. To make that transition it requires a stimulating business environment, where the central focus is the reliable supply of energy at affordable and competitive prices.

CONTRIBUTION OF THE INDUSTRIAL SECTOR TO GDP: 24%

Slovenia's energy-intensive industrial sector is part of the solution. It currently generates 24% of Slovenian GDP and provides 25 thousand jobs. It requires the reliable supply of energy at affordable prices.

ENERGY IMPORT INDEPENDENCE

Energy, water and food are key strategic commodities on which the independence and sovereignty of every country are based. The COVID-19 pandemic and energy crisis serve as clear indicators of the importance of energy import independence, which we must decisively strive to achieve over the long term.

The instability of the energy market and the geopolitical uncertainty that has arisen as the result of the Russian-Ukrainian conflict have strengthened the understanding of the importance of the reliability of supply and thus import independence. Slovenia needs a development path for its future energy policy that will improve (not worsen) the competitiveness of the national economy while pursuing the goals of climate neutrality and energy import independence.

Together with the public sector, the industrial sector is the largest electricity consumer: three quarters of electricity in Slovenia is consumed by the commercial and public sectors, while the other quarter is consumed by households. Slovenia cannot afford to import more than 10% of energy when planning the long-term supply of electricity.

DEPENDENCE ON ENERGY IMPORTS: MAXIMUM OF 10%

Electrification based on domestic production can contribute significantly to the reduction of dependence on imports. In terms of electricity supply, Slovenia must pursue the goal of ensuring that energy imports do not exceed 10%.

PATH TO THE SUSTAINABLE SUPPLY OF ENERGY

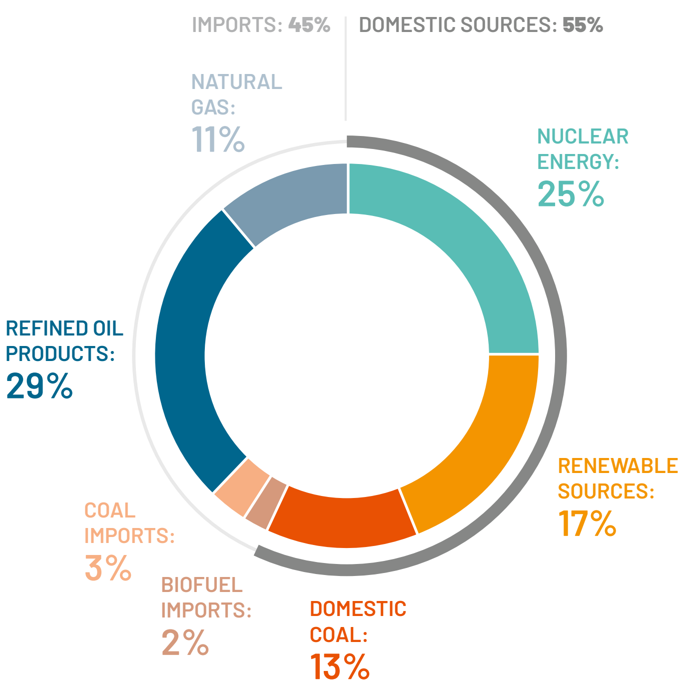
ENERGY SUPPLY TODAY

More than half of energy consumed in Slovenia is produced from domestic sources, but fossil fuels remain the most important sources. The majority of electricity in Slovenia is produced by the Krško Nuclear Power Plant, with half of that amount earmarked for domestic consumption.

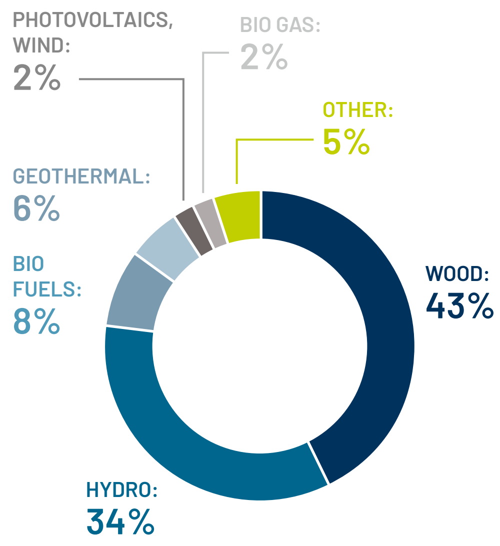
Nuclear energy thus represents Slovenia's most important low-carbon energy source and is followed by hydro energy, while we also make use of solar energy and wind power. Slovenia already boasts a reliable, modern and stable electric power grid.

In the coming years, the grid will be subject to significant changes due to the realisation of the goals of decarbonisation, the phase-out of fossil fuels, electrification and digitalisation, and the increased burden on the grid due to unstable renewable energy sources. An untimely response and poor preparations could lead to the deterioration of the grid, while increasing Slovenia's dependence on imports, which we are already seeing today.

ENERGY SUPPLY IN SLOVENIA

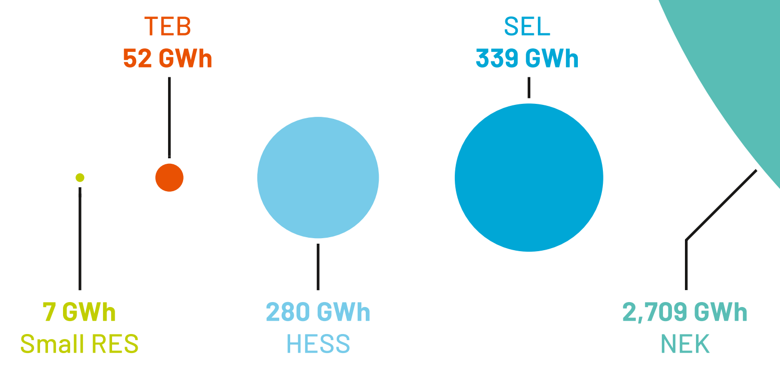


STRUCTURE OF RENEWABLE SOURCES



Source: Statistical Office of the Republic of Slovenia, 2020

PRODUCTION PORTFOLIO OF THE GEN GROUP: **3,388 GWh**



ENERGY SUPPLY TOMORROW: GLANCE FORWARD TO 2050

The decarbonisation of the energy sector will bring a sharp increase in electricity consumption in the coming decades, primarily as the result of the electrification of transport, heating and cooling, which are currently based on fossil fuels. Electrification and thus energy efficiency will reduce final energy consumption and dependence on imported commodities (e.g. oil and natural gas) in the coming decades, but drive up demand for electricity. As the most efficient energy source, which requires very little space to operate, nuclear energy, together with renewable energy sources, can make an important contribution to energy self-sufficiency.

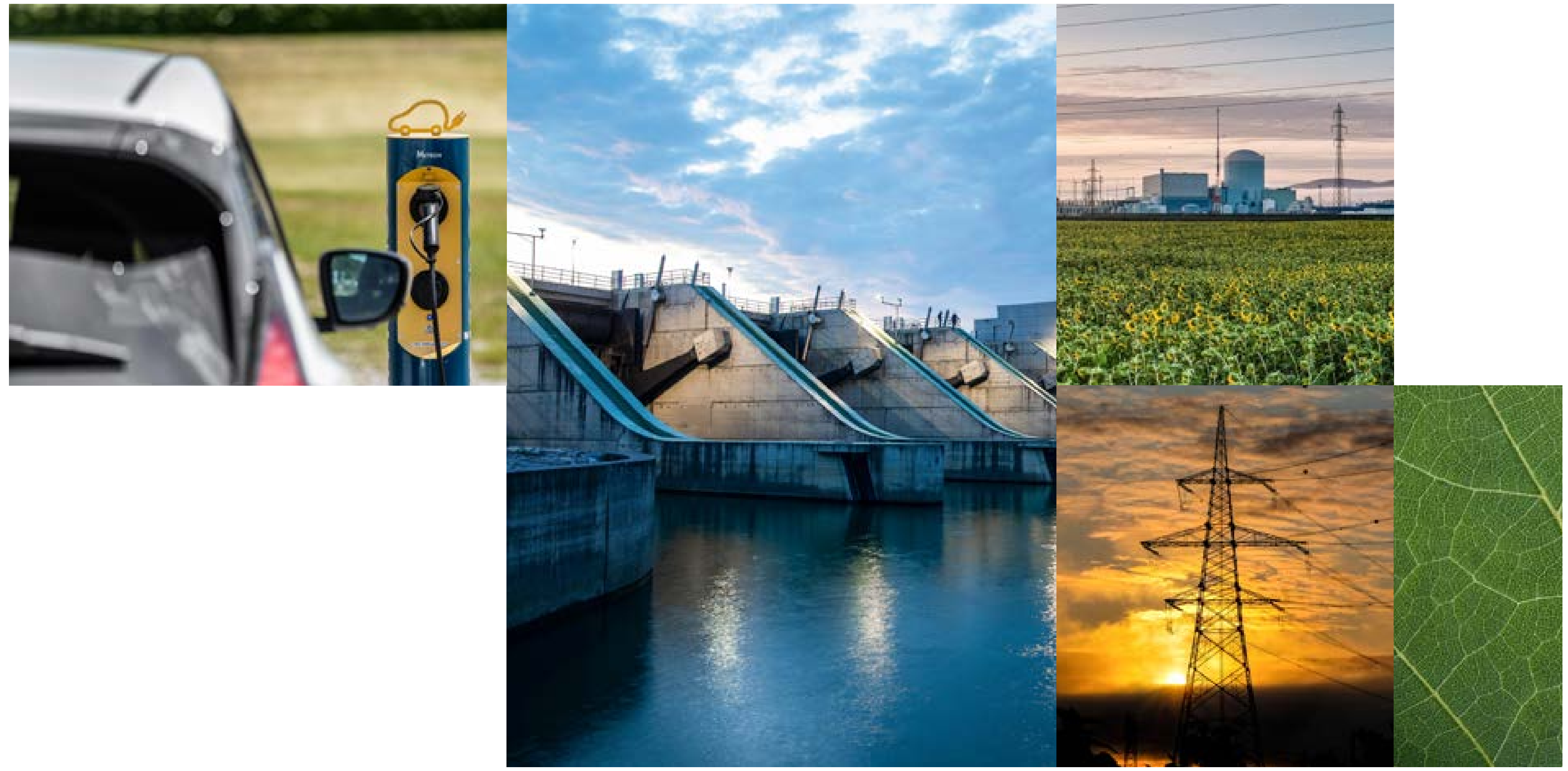
Electric mobility

Heating and cooling

Digitalisation

Electricity consumption will rise in the coming decades as the result of an increase in e-mobility, the electrification of heating and cooling, and the digitalisation of society.

CHALLENGES ON THE PATH



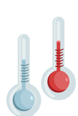
Through the European Green Deal, the EU has embarked on the path to a low-carbon, sustainable society. Like every transformation, the energy transition will bring numerous challenges. The world has already begun to address questions regarding the reliability and affordability of energy supply, and we will continue to face certain challenges in the years and decades to come.

The **phasing out of coal** will cut electricity production by 1/3 in Slovenia.

E-mobility will consume close to 2 TWh of electricity in the future.

The **electrification and digitalisation of services** will lead to an increase in the need for electricity by 1 TWh.

Ensuring the **reliability and stability of the electric power** grid due to the increased proportion of renewable sources that are dependent on weather and natural resources.



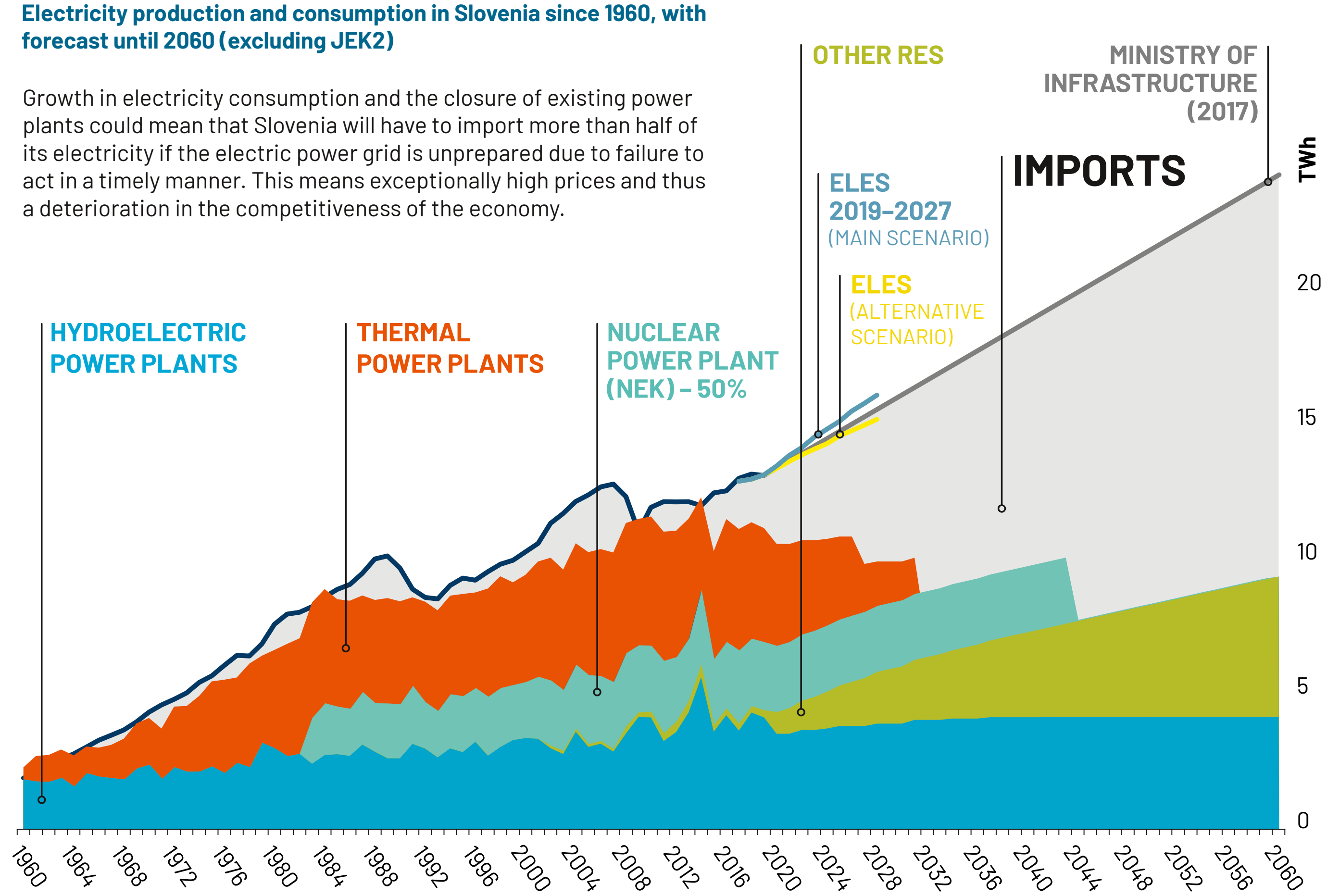
Heating and cooling will lead to an increase in the need for electricity by 3 TWh.

Ensuring **energy self-sufficiency** is one of the fundamental prerequisites for the sovereignty of every nation.

Long-term impact of energy policy and the appropriate energy mix on the **competitiveness of industry.**

Electricity production and consumption in Slovenia since 1960, with forecast until 2060 (excluding JEK2)

Growth in electricity consumption and the closure of existing power plants could mean that Slovenia will have to import more than half of its electricity if the electric power grid is unprepared due to failure to act in a timely manner. This means exceptionally high prices and thus a deterioration in the competitiveness of the economy.



KEY TO THE DECARBONISATION OF THE SLOVENIAN ELECTRICITY SECTOR

GEN IS THE ANSWER

The GEN Group's vision is the key to the decarbonisation of the Slovenian electricity sector. With the low-carbon energy sources in the existing and planned future enhanced production portfolio of the GEN Group, **Slovenia can decarbonise all Slovenian electricity production by 2035**, while **meeting electricity demand**, which is expected to at **least double by 2050** according to energy balances.

NUCLEAR ENERGY

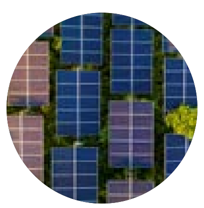
1,100 MW of new nuclear production capacities – JEK2 project

HYDRO ENERGY

Completion of the chain of hydroelectric power plants: Mokrice / SRESA HPP and other hydro potential in Slovenia

LOW-CARBON SOURCES contribute to the achievement of the goal of climate neutrality.

3



SOLAR ENERGY

1,000 MW of new production capacities of photovoltaic power plants

+

1

NATURAL GAS

System reserves for three key low-carbon sources

RESERVES to ensure the stability of the grid.

ENERGY SOURCES

ELECTRICITY PRODUCED

9 TWh OF NUCLEAR ENERGY

1 TWh OF HYDRO AND SOLAR ENERGY

Stable, cost-competitive and low-carbon electricity plan **for Slovenia** and **the wider region.**

10 TWh OF LOW-CARBON ELECTRICITY A YEAR IS SUFFICIENT:

To compensate for the loss of electricity due to the phase-out of fossil fuels **(4 TWh)**

+

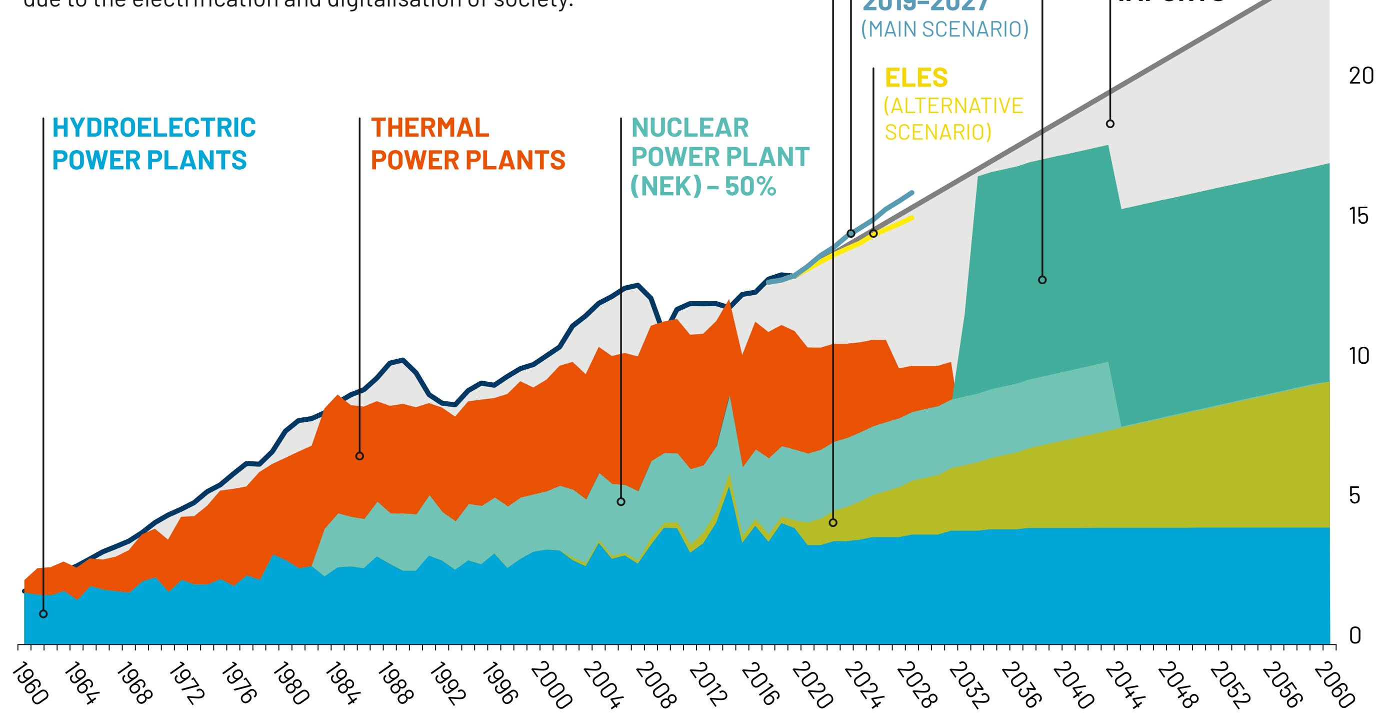
For e-mobility (the electrification of 1/3 of private transport; **2 TWh**)

For heating and cooling **(3 TWh)**

For the digitalisation of society **(1 TWh)**

Electricity production and consumption in Slovenia since 1960, with forecast until 2060 that includes JEK2

Prudent action today on the energy market means a reliable, self-sufficient and stable energy system in the future. Through renewable energy sources, JEK2 could compensate for the loss of electricity due to the phase-out of fossil fuels, and ensure sufficient energy to cover increased consumption due to the electrification and digitalisation of society.



THE GEN GROUP

The GEN Group is one of the largest and strongest business groups in investment terms in Slovenia. We manage an integrated electricity supply chain:

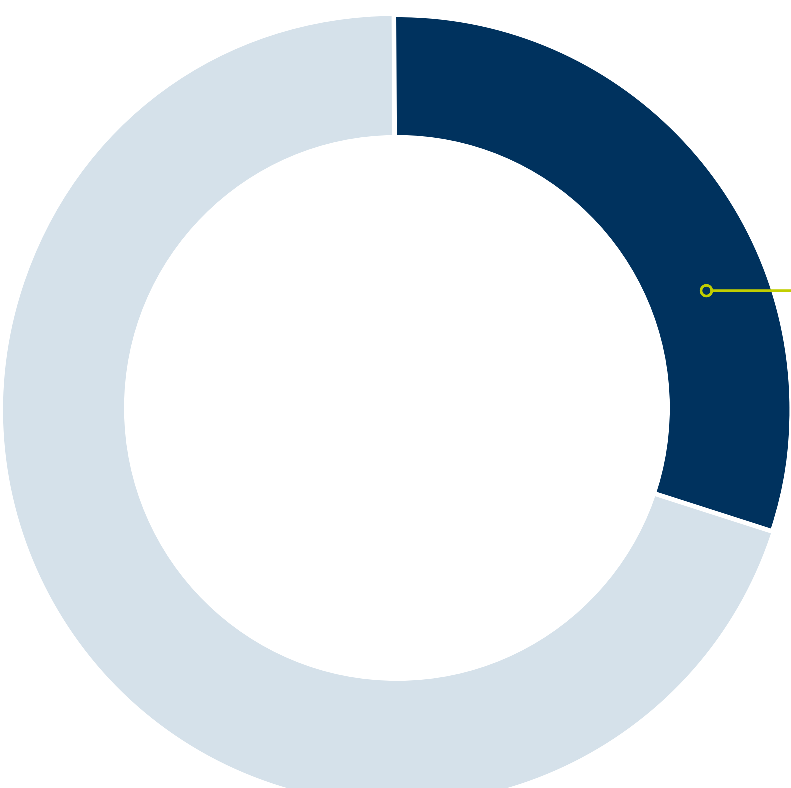
- we **produce** electricity from low-carbon sources: nuclear and hydro;
- we **trade** and **sell** electricity on the domestic market, and on more than 20 retail and wholesale markets across Europe; and
- we channel our capital into development and **investments**, in particular the continuous and 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
(taking into account 100% production by the NEK)

Average annual electricity production of our power plants

22

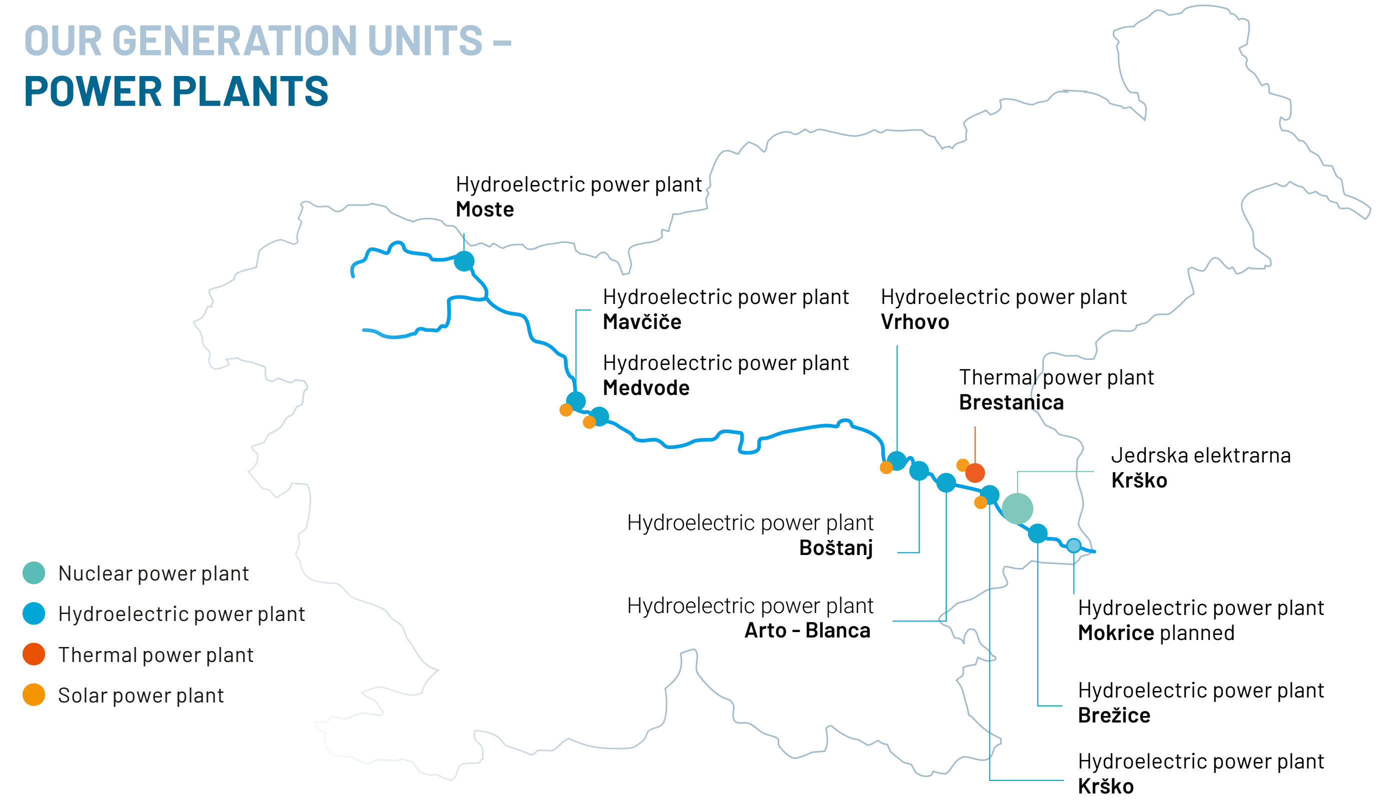
European markets where we are present with trading and sales activities



30%

SHARE OF THE SLOVENIA'S TOTAL ELECTRICITY PRODUCTION

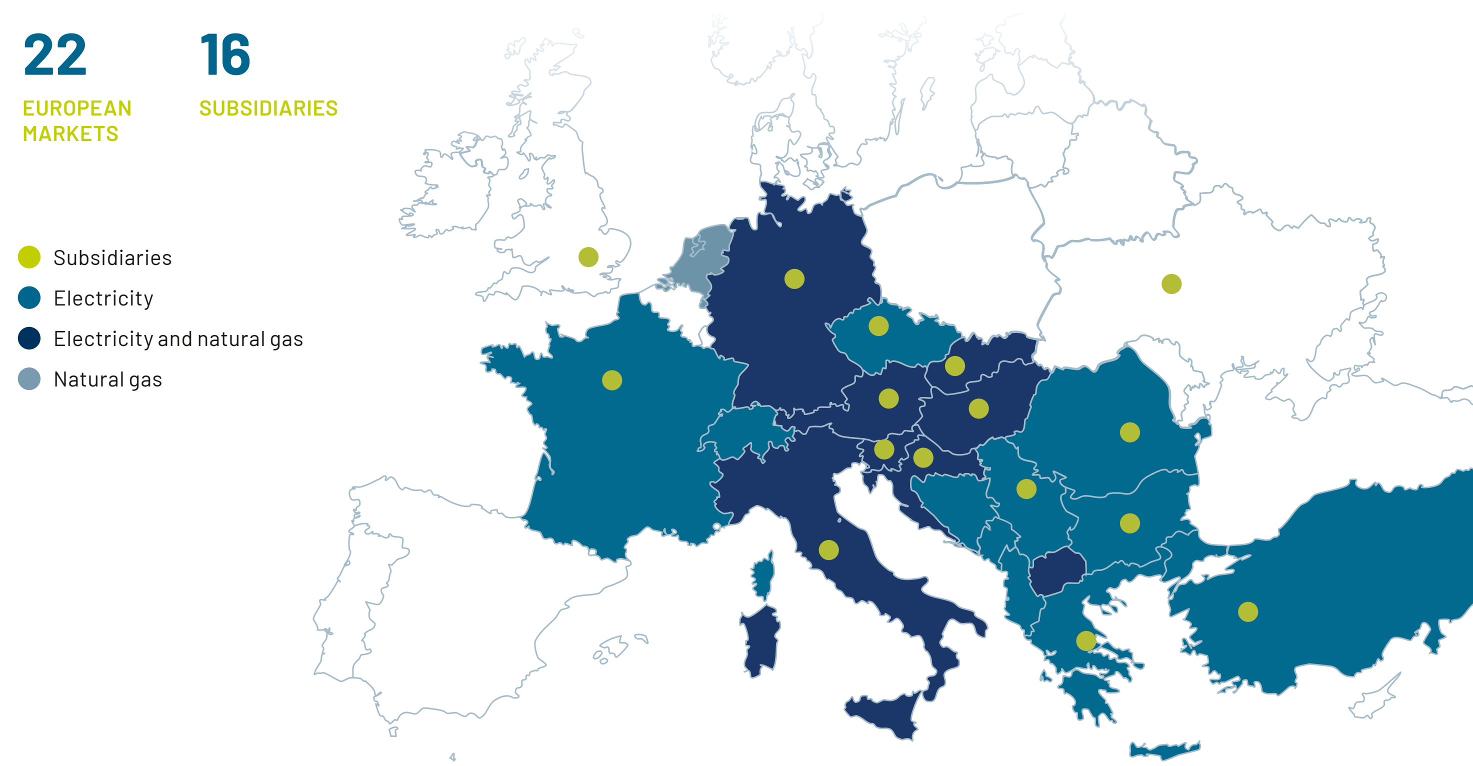
OUR GENERATION UNITS – POWER PLANTS



PRESENCE OF GROUP COMPANIES ON EUROPEAN ELECTRICITY AND NATURAL GAS MARKETS

22 EUROPEAN MARKETS

16 SUBSIDIARIES



OUR RESPONSE TO THE CHALLENGES OF THE FUTURE IS A STABLE, RELIABLE AND LOW-CARBON ENERGY MIX

The world entered the second year of its battle against the COVID-19 pandemic in 2021, while climate and energy issues returned to the fore after a year-long focus on the health crisis. Despite the complex challenges faced by the world, the GEN Group reliably supplied Slovenia affordable, low-carbon energy, and performed well in unstable market conditions.

We spoke with the senior management of the GEN Group about the results achieved in 2021, which were based on synergies between the group's production, sales and marketing and development and investment activities, about the management of the company in demanding economic and environmental conditions, and about the group's future plans. The latter will ensure that the group is able to respond reliably to energy challenges in the future.

Despite difficult market conditions, 2021 was a successful year for the GEN Group in business and operational terms. Which results would you like to highlight?

Blaž Košorok: The GEN Group's energy facilities operated very stably in 2021 and, for the most part, achieved or even exceeded planned results. A scheduled major overhaul was completed successfully at the Krško Nuclear Power Plant. Otherwise, the NEK operated at full power at all times and thus exceeded planned production. It produced 5,419 GWh of electricity during the year.

At 619 GWh, HESS and SEL produced more energy than the previous year in changing hydrological conditions. Both companies achieved record production in May, but generated near-record low production during the second half of the year in the context of poor hydrological conditions. HESS continued with preparations for the construction of the Mokrice HPP. At the end of September 2021, the Administrative Court annulled the Slovenian government's decision overriding the public benefit of nature conservation and sent the matter back for reconsideration. We respect legal frameworks, but feel obliged to point out that formally delaying the construction of a new hydroelectric power plant is very harmful for Slovenia and its citizens during the current energy and climate crisis.

The Brestanica Thermal Power Plant (TEB) was activated and started up 10 and 12 times, respectively, for the purpose of balancing the Slovenian electric power grid. I should also point out that the TEB, together with the NEK, even saved the European electric power grid from collapse on occasion.

We generated more than EUR 3.5 billion in turnover, while profit was up by 64% relative to 2020. Careful planning over the decades has paid dividends, not only in terms of stable operations, but also in terms of improving financial indicators.

Group companies made investments of more than EUR 79 million. The NEK invested primarily in dry cask storage for spent nuclear fuel, while the TEB successfully completed the project to replace gas turbine PB7. SEL began a project to replace the spillway gates at the Medvode HPP, while HESS focused on the Mokrice HPP and the construction of a 6 MWp photovoltaic power plant at the D3 sediment depot alongside the run-of-the-river Brežice HPP. The GEN Group ranks among the strongest groups in Slovenia in terms of investments.

Contributing significantly to business excellence was the sales and marketing function of

BLAŽ KOŠOROK
CEO
of GEN energija d.o.o.

the GEN Group, which achieved excellent results last year. Record results were driven by well-planned investments in the data infrastructure, which have facilitated the rapid development of the digitalisation of support activities, and rapid, analytically supported decision-making using the most advanced tools. Global trading contributed most to the group's record results.

You mentioned the difficult conditions on the energy market, which were felt by everyone, from households to the industrial sector, and which had an indirect impact on the state of the national economy. The overall situation was further exacerbated by the war in Ukraine. How has the GEN Group addressed the energy crisis? What conditions can we expect on the energy market in the future?

Blaž Košorok: The energy crisis and rising energy prices were very evident in Slovenia at the end of last year, when prices began to spike. Of course, we saw the initial signs of the energy crisis well before that. For several years now, I myself have been watching with suspicion the German understanding of the electricity transition, the so-called Energiewende. Not only because of that country's reliance on Russia, but also because the closure of nuclear power plants has proven to be a disaster, as Germans themselves are discovering. Despite an increase in wind and solar capacities, which are unreliable and reduce the stability of the electric power grid due to their dependence on weather conditions, all of the effort invested by Germany has failed to reduce carbon dioxide emissions. The only tangible results of that country's transition are higher energy prices and the reduced stability of the electric power grid.

Because Germany was dictating the tempo of the energy transition, all of Europe, including Slovenia, has been put in a tenuous position. Fortunately, Slovenia did not recklessly follow Germany's utopian ideas. For this reason, in part thanks to the GEN Group, we have a significantly smaller carbon footprint, lower prices and a more stable grid today than in Germany.

The war in Ukraine has exacerbated an already difficult energy situation in Europe. Analysts predicted that conditions on the energy market would ease with the end of winter. However, prices turned volatile again on 24 February when the Russian Federation attacked Ukraine. That conflict represents an entirely new geopolitical and energy paradigm. Such price fluctuations and the situation on the international markets highlight the need for Slovenia to be as independent as possible in a number of areas, including energy. We must therefore be aware that the challenges we face are a wake-up call and a sign that the time for change is now. It is time to plan and invest effectively in our energy future; it is time to consider ways to increase energy efficiency, how to actively involve citizens in the energy sector, how to successfully electrify sectors and how to digitalise society. For all of this we need a stable, reliable and low-carbon energy mix. The GEN Group has just such a vision. We call it Vision 3 + 1.

Danijel Levičar: The energy crisis has brought to light the market's poor resilience to unreliable energy supply and rising natural gas prices, which in turn is reflected in the price of electricity. This has brought to light the over-dependence of European electricity production on imported natural gas. Moreover, unstable prices do not encourage investments in long-term sources. The GEN Group is prepared to respond to the complex energy challenges that we face. Through projects such as the construction of a new nuclear power plant unit in

DANIJEL LEVIČAR
COO
of GEN energija d.o.o.

the form of JEK2, increased solar energy capacities and completion of the construction of a chain of hydroelectric power plants on the lower course of the Sava River, we will ensure Slovenia's effective energy transition and provide customers stable and affordable electricity. The diversification of sources and an increase in self-sufficient supply protect us against the impacts of developments on foreign energy markets. Our plans are based on decades of experience, the knowledge of experts and, most importantly, a sound understanding of the energy market, environment and needs of our customers.

Through carefully weighed decisions, the optimisation of technological and business processes, and prudent investments in the future, we have proven over the years that we are ready to face even the most demanding conditions. Thus, last year, when electricity prices skyrocketed, our residential customers paid for their electricity at the pre-crisis price.

But you also achieved high profits.

Gordana Radanovič: The expertise, professionalism and commitment of employees on the one hand, and the prudent management of production and the exploitation of market opportunities in the context of the sound management of risks and liquidity are the factors that provide the group a high level of added value and the possibility to generate profit. 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. Worthy of mentioning in connection with achieved profit is the fact that GEN is owned by the state. This means that all added value that the company generates is reinvested in the functioning of group companies, either in the form of funds for maintenance or funds for investments in new sources. In the future, that profit will be felt by each and every citizen, in particular because they will have at their disposal a stable source of low-carbon electricity.

What would you say about price setting in light of geopolitical developments?

Gordana Radanovič: Slovenia is part of the European energy sector and prices are formulated by the market. To understand the market, we must also understand that prices are not set by GEN, Slovenia or any other individual player on the electricity market. The price of electricity is affected by several factors, the most important being the prices of natural gas, coal and carbon emission allowances, and also geopolitical conditions.

Below-average temperatures in the spring of last year and periods of extreme drought led to a sharp increase in demand for natural gas on three continents. With the aim of achieving climate neutrality by 2050, the EU began reducing the number of allowances on the market, resulting in rising prices of allowances that limit CO_2 emissions into the atmosphere. Coal prices also began to rise due to epidemiological measures and major problems in the supply of coal. Having a major impact on rising natural gas prices were political tensions between Russia, Ukraine and the EU regarding the newly built Nord Stream 2 pipeline, which bypasses Ukraine as a transit country for the supply of natural gas to Europe. For this reason, Russia has only sent minimal quantities of natural gas through Ukraine, which has greatly increased concerns about the supply of natural gas to the European population for the coming winter. The war in Ukraine

GORDANA RADANOVIČ, MSc
CFO
of GEN energija d.o.o.

has further exacerbated the situation.

The sum of these effects can be seen in the final price of baseload electricity, which has increased more than sixfold. At the beginning of 2021, that price was EUR 50/MWh, but had risen to a dizzying EUR 330/MWh by the end of the year.

Let's get back to investments by the GEN Group, which is one of the largest groups in Slovenia in that regard. What were its key investments in 2021 and what investments are planned in the future?

Danijel Levičar: Excellent performance by all GEN Group companies in 2021 facilitates investments in the infrastructure, which in turn facilitate an effective energy transition and the reliable supply of energy in the future. Our key investment project remains the construction of the new JEK2 unit. One major project where we expect to see progress in the future is the construction of the Mokrice HPP.

Of great importance to the GEN Group, in addition to expanding and upgrading the energy infrastructure, is the development of new, innovative and advanced services for our customers. Most active in that regard is GEN-I, as the leading supplier of green solutions. To that end, we are following the global trends of decarbonisation, decentralisation and digitalisation. We carefully link the supply of electricity with a wider range of related services to allow increasingly flexible residential, industrial and service-sector customers and producers to pursue the green transformation. The number of solar power plants set up by GEN-I rose to more than 3,000 in 2021. A major project completed in 2021 was the construction of replacement gas turbine unit PB7 at the TEB.

You have already presented your response to energy challenges to Slovenia. Why is Vision 3 + 1 the right path for the Slovenian energy sector?

Danijel Levičar: Mostly importantly, Vision 3 + 1 includes domestic energy sources that Slovenia is already using, i.e. nuclear, hydro and solar energy, and natural gas as a system reserve. In that vision, we have captured all of the GEN Group's planned projects that have been developed over recent decades, and that will ensure the stable supply of low-carbon electricity to Slovenia. This will be a successful response to growing needs for electricity due to the electrification of transport, heating and cooling, the digitalisation of society and the abandonment of coal.

Why these sources? Nuclear, hydro and solar energy are low-carbon sources that we need urgently to make a successful energy transition. Nuclear power plants generate almost no emissions in the production of electricity. According to research by the Intergovernmental Panel on Climate Change, those power plants generate just 12 g of greenhouse gas emission per kWh of electricity, which is similar to the level generated by wind power and even less than the emissions generated by solar energy. The functioning of nuclear power plants does not depend on weather conditions, nor do they require a great deal of space to operate. They are thus an ideal source for ensuring the stability of the electric power grid. The NEK will be shut down in the coming decades, which will leave a major gap in the energy mix as fossil fuels are abandoned. We will lose two-thirds of energy production. Slovenia is thus in urgent need of a new nuclear power plant to fill that gap.

Hydro energy is very important in Slovenia, but its potential has been nearly exhausted. Solar energy is a renewable source that facilitates the active inclusion of the general population in production. Due to solar energy's dependence on the weather, Slovenia urgently needs stable energy bases such as nuclear and hydro energy to ensure the reliability of the electric power grid. These three sources, together with natural gas as a system reserve, can lead Slovenia to energy independence and climate neutrality.

One of the main projects in the scope of Vision 3 + 1 is JEK2. How is the project progressing?

Danijel Levičar: Major progress was made on the JEK2 project last year. We completed the first phase of the strategic decision-making process, when the Ministry of Infrastructure adopted the strategic decision in July to issue GEN an electricity generation licence for JEK2. Through the project, we are facilitating the implementation of Slovenia's National Energy and Climate Plan, according to which a final investment decision regarding the project must be made by 2027. We are continuing with the spatial planning of JEK2. For this reason, we took the next major step at the end of 2021 and submitted an initiative for the national spatial plan.

Blaž Košorok: GEN will continue to be active in the future, and will take the steps required to achieve climate and energy goals without delay. Our aim is to ensure that other stakeholders are as diligent as we are in following the established timetable. We will do everything in our power to ensure they are.

Is the project timetable already known? How will you manage the investment?

Gordana Radanovič: Steps forward are like extra fuel for the project and serve as an impetus for the bold planning of key activities. In terms of the complexity of the project, the planned timetable is demanding, meaning deadlines are only achievable through the mutual cooperation and support of all stakeholders. If we want to achieve the goals of a carbon-neutral Slovenia by 2050 and a society resistant to climate change, the investment decision must be made before 2027, most likely by 2025, for the power plant to begin functioning in 2033.

Similar to the construction of other nuclear production capacities, the initial phase of the construction of JEK2 requires a high level of investment that will be returned through the long-term functioning of the power plant. It is crucial that the return on investment be achieved during the first third of the power plant's useful life. All nuclear power plants in operation today are successful projects that provide users the reliable supply of low-carbon and affordable energy, while providing owners a stable return on their investment. An excellent example of best practices in Slovenia is the NEK. The rough financial frameworks are known, but the bases are not yet in place to begin the collection of offers. We believe that we will manage this investment rationally and reliably, as we have all other investments by the group to date, with the awareness that the achievement of such an ambitious goal requires the commitment of all stakeholders.

How would you assess support for the JEK2 project?

Blaž Košorok: In the scope of the JEK2 project, we are already holding public debates with the local and broader communities, the commercial sector and industry. Following discussions with the local community, we have determined that support for the project is high. The local community is aware of the benefits of the project, including new job opportunities and the economic development of the Posavje region. Because their lives are already characterised by a nuclear power plant, they are well informed about the latter. Through dialogue, we are attempting to address potential concerns that arise as quickly as possible. We are also not aware of negative opinions about nuclear energy in Slovenia in a broader sense. Of course, concerns and myths about nuclear energy arise, and our Slovenian nuclear experts strive to address them as thoroughly as possible.

Our aim is to provide the citizens of Slovenia with information and knowledge about the energy sector, which is a crucial area of life. We are striving to ensure that these topics are a part of the curriculum to support education and strengthen knowledge, while at the same time educating, involving and informing ourselves as much as and wherever possible via informal channels. Through such programmes, we also learn about the real predicaments of different groups of the Slovenian population and attempt to address them.

Danijel Levičar: The general public plays an important role in the energy transition, as all citizens of Slovenia will be affected by the positive and negative effects of such and other decisions. It is therefore important that this discussion be included in the broader context of the debate regarding Slovenia's energy future, which does not address individual projects, but provides a broader view of where we are and where we can go as a society in terms of energy supply.

The 3 + 1 scenario offered by the GEN Group, which represents the responsible synergy of low-carbon energy sources, is no doubt one of the easier paths on which nuclear and renewable energy sources go hand in hand. We must keep in mind that Slovenia is a recognised nuclear country with a large number of experienced nuclear, energy, economic and other experts who have assessed, based on decades of experience, knowledge and reflection, that Slovenia needs nuclear energy. Support for nuclear energy is also expressed by an increasing number of other groups that have reached similar conclusions and recognised the advantages of this particular energy source. We would like the general public to hear and embrace the voice of experts, and for those experts to understand the needs and recognise the potential fears of the people, and provide them information in a way that is understandable and accessible.

GEN GROUP COMPANIES IN 2021

With the planned decarbonisation of the electric power grid by 2035, the GEN Group is not only meeting but is exceeding Slovenian and European energy and environmental goals, while maintaining the competitiveness and reliability of supply to small and large customers.

NEK IN 2021

- Production of **5,419 GWh** of electricity.
- The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was **2,709 GWh.**
- Actual results higher than planned: 1**02%**
- Capability factor: **90.15%**
- Availability factor: **90.65%**
- Capacity facto**r: 92.88%**

SEL IN 2021

- **339 GWh** of electricity produced.
- Launch of a two-year project to replace the spillway gates at the Medvode HPP.
- Successfully completed activities to purchase MHE Bistrica.
- **102.8%** of plan for 2021 achieved.

HESS IN 2021

- **280 GWh** of electricity produced (share attributable to GEN).
- **95.3%** of plan for 2021 achieved.
- Continuation of procedures in connection with the construction of the Mokrice HPP and acquisition of a building permit for the construction of a photovoltaic power plant at the Brežice HPP.

TEB IN 2021

- Total of 10 activations and 12 start-ups of gas turbine unit nos. PB1 to PB6.
- Total electricity production of **52.3 GWh** (**46.1 GWh** net).
- The TEB also functioned for commercial purposes due to favourable conditions on the electricity market.
- Completion of technical inspection of gas turbine unit no. PB7

GEN-I IN 2021

- Electricity trading volume: **44.71 TWh**.
- Main purchase and sales markets: Central, Southeast and Western Europe.
- More than **24 thousand** new customers.
- Leading supplier of green solutions.
- More than **3,000 new solar power plants** on the roofs of Slovenian houses.
- Maintenance of stable electricity prices in demanding market conditions.

TYPES OF CAPITAL AND RESULTS IN 2021

TYPES OF CAPITAL OF THE GEN GROUP

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

NATURAL CAPITAL:
Low-carbon energy sources: primarily nuclear and hydro energy, and solar energy to a lesser degree.

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 the provision of comprehensive electricity supply services. Strengthening understanding of the importance of energy supply for our daily lives and sustainable social well-being.

RESULTS OF THE GEN GROUP IN 2021

INFRASTRUCTURAL CAPITAL

total production:
3,388 GWh
of electricity

production by the NEK:
5,419 GWh
(**2,709 GWh** for Slovenia)

production by HPPs:
619 GWh

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

NATURAL CAPITAL

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

FINANCIAL CAPITAL

Net profit:
EUR 105.6 million

Turnover:
EUR 3.5 billion

EMPLOYEES AND INTELLECTUAL CAPITAL

1,232
employees

66% of employees with at **least higher education qualifications**

Implementation of a**ction plan to optimise operations expenditure for research and development**

Capital expenditure and investments to ensure long-term stability:
EUR 79.35 million

Preparation of studies for **JEK2** project

SOCIAL CAPITAL

Safe, reliable and environmentally friendly supply of electricity to customers

Advanced services for customers – realisation of the **green transformation**

Strengthening understanding of energy and the energy sector amongst key stakeholders

Through our operations, we are contributing to the achievement of the following sustainable development goals:

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I. INTRODUCTION

KEY PERFORMANCE DATA

The GEN Group performed very well in 2021, which was characterised by the continuation of the COVID-19 pandemic and the instability of the energy market. Despite the extremely demanding conditions on the energy market, operations were very stable, while the supply of electricity to customers from low-carbon sources was reliable. Hydroelectric power plants functioned well and the Krško Nuclear Power Plant exceeded planned production in the context of difficult hydrological conditions. The GEN Group achieved a new milestone in 2021, when it generated turnover of three billion euros and thus consolidated its position as one of the largest business groups in Slovenia. GEN has also been one of the most active business groups in Slovenia in terms of investments for several years. Reliable operations provide a bright outlook for future energy challenges. The GEN Group is responding to those challenges with its Vision 3+1, which offers a clear and feasible response to the challenges of the existing energy system, and will be the key to the decarbonisation of the Slovenian energy sector and thus society as a whole.

OPERATING RESULTS

The GEN Group ended 2021 very successfully, with a **net profit of EUR 105.6 million**, an increase of 64% relative to 2020. The primary bases for achieving good results are the stable, safe and reliable functioning of all production facilities of GEN Group companies, better-than-planned production, an appropriate marketing strategy, successful risk management, an appropriate response to the epidemic and cost control. Such truly remarkable results were driven by exceptional market conditions and the most successful financial year ever for the GEN-I Group. Investments in the data infrastructure have facilitated the rapid development of the digitalisation of support activities, and rapid, analytical decision-making using the most advanced tools. Global trading contributed most to the group's record results. Market opportunities emerged in 2021 and we took full advantage of them. Without development and adaptations, those opportunities would have gone unexploited or might never have been identified.

See page 152 for more information.

We continue to grow. With **EUR 3.5 billion in turnover**, the group consolidated its position as one of the largest business groups in Slovenia and ranked among **the country's strongest business groups in terms of investment**.

See page 152 for more information.

ELECTRICITY PRODUCTION

The production units of GEN Group companies generated a combined total of **3,388 GWh of electricity**. We are satisfied with those results, as they were 2% higher than planned in the context of a scheduled major overhaul at the NEK and changing hydrological conditions on the Sava River. The year was characterised by above-average hydrological conditions in the first half of the year and below-average hydrological conditions during the second half of the year, when production by hydroelectric power plants was below the planned level over that entire period. Worthy of special mention are the months of May, when SEL and HESS achieved record-high production, and September, when both companies recorded near record-low production.

See page 66 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 5,419 GWh of electricity, **2,709 GWh** of which is the property of GEN, or effectively the Republic of Slovenia, under the Intergovernmental Agreement on the NEK. That amount was 2% higher than planned. Production by the NEK was above the planned level in all months, except for September when it reached 99.3% of the planned level. A scheduled major overhaul was successfully carried out from 1 April to 5 May 2021. Contributing significantly to the NEK's results are highly committed employees, and an effective and proactive response following the outbreak of the COVID-19 pandemic.

See page 68 for more information.

In the context of changing hydrological conditions in 2021, our **hydroelectric power plants** generated **619 GWh** of electricity thanks to their reliable and successful operation.

See page 68 for more information.

Through reliable start-ups, the Brestanica Thermal Power Plant (TEB) also confirmed its role in **ensuring power grid stability**. The aforementioned power plant was started up 12 times in 2021 for grid balancing purposes. With electricity market prices reaching record highs, the functioning of the new PB6 gas turbine unit, in particular, was a commercially interesting option, despite higher fuel and emission allowance prices.

See page 69 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 66 for more information.

LOW-CARBON PORTFOLIO

A total of **99% of all electricity** generated by GEN Group companies **came from low-carbon, sustainable and renewable sources, i.e. nuclear, hydro and solar.**

See page 70 for more information.

DEVELOPMENT AND INVESTMENTS

We were also active in the area of investments, as the GEN Group is aware that **Vision 3 + 1 for the electricity transition is the key to the decarbonisation of the Slovenian electricity sector and thus society as a whole**. Total investments amounted to EUR 79.39 million in 2021.

Key investments were as follows:

- Investments made by the **NEK** in 2021 related primarily to dry cask storage for spent nuclear fuel, an additional water source and injection pumps, and alternative cooling in the primary core and reactor building. Following 18 months of operation and the production of more than 8.5 billion kilowatt hours of electricity, the NEK was shut down on 1 April 2021 for a scheduled major overhaul. The power plant was reconnected to the electric power grid on 5 May 2021. Despite the difficult epidemiological conditions, which hampered the delivery of goods and services, more than 40 thousand activities were carried out, without delay and to the planned extent during that overhaul, thanks to the professional and responsible work of all those involved.
- An environmental impact report was drafted in connection with the process of extending the operational life of the NEK. At the beginning of October 2021, the NEK submitted a request to the Ministry of the Environment and Spatial Planning (MESP) for the issue of environmental protection approval. The MESP called on the responsible ministries and organisations to issue opinions regarding the acceptability of the intended action. Those opinions were forwarded to the NEK in the middle of December, with a request to take a position regarding those opinions and the findings of the ministry.
- The beginning of October marked 40 years since the NEK was first synchronised by the electric power grid. During that period, the NEK demonstrated a high level of the stability and efficiency of its functioning, which contributes significantly to the reliability of Slovenian and European electric power grids.
- The **TEB** successfully completed the project to replace gas turbine unit no. 7. An internal technical inspection was carried out on 22 February 2021, while an additional technical inspection was successfully completed on 1 April 2021. A six-month test period was ordered based on the results of the technical inspection. A decision was received on 1 December 2021, extending the test period for another six months. This will be followed by receipt of an operating permit and placement of the gas-fired production unit into use. With the establishment of

a second gas turbine unit (PB7), the TEB completed its investment in two new gas turbine units that will gradually replace three old units built in 1974.

- In March, **SEL** began works on a two-year project to replace the spillways at the Medvode HPP, which is currently that company's largest investment in terms of value and complexity. The no. 1 spillway was replaced on time and within financial constraints, while the replacement of the no. 2 spillway is in progress. Activities to purchase MHE Bistrica (a small hydroelectric power plant), which began back in 2019, were successfully completed in 2021. The merger of MHE Bistrica d.o.o. with SEL was entered in the companies register at the end of 2021.
- **HESS** continued with preparations for the construction of the last hydroelectric power plant in the chain, the Mokrice HPP. At the end of September 2021, the Administrative Court annulled the Slovenian government's decision overriding the public benefit of nature conservation and sent the matter back for reconsideration. As the investor, HESS met all necessary conditions for the requisite building permit. According to the court, however, the administrative authority did not include the findings of the environmental impact assessment in its decision in accordance with the General Administrative Procedure Act (ZUP). The Slovenian government must therefore repeat the procedure in accordance with the court's findings.
  In September 2021, HESS received a building permit for the construction of a photovoltaic power plant with a rated power of 6 MWp at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP.

See page 78 for more information.

EXPANSION OF NUCLEAR PRODUCTION CAPACITIES

Based on the Resolution on Slovenia's Long-Term Climate Strategy until 2050 (ReDPS50) and the comprehensive National Energy and Climate Plan (NECP), the Ministry of Infrastructure issued an **electricity generation licence for the JEK2 project** on 19 July, and thus opened the door for the implementation of administrative procedures and the preparation of documentation for the decision on the investment in JEK2. This is a necessary basis for a final decision regarding the optimal energy scenario for the future supply of low-carbon electricity to Slovenia. The electricity generation licence became official on 20 August. The next step in the JEK2 project is the start of spatial planning. At the end of 2021, GEN submitted materials to the Ministry of Infrastructure in response to the latter's proposal to begin the spatial planning of JEK2.

In accordance with the GEN Group's Vision 3 + 1, the JEK2 project has been designed so that it will have a key impact on the achievement of goals regarding the reliability and competitiveness of supply and the achievement of climate goals, and will contribute to reducing Slovenia's reliance on imported energy. JEK2 is thus needed today. 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 our energy and climate future**. Construction of JEK2 is also urgent in terms of increasing the proportion of diversified sources, as growth in the proportion of those sources in the production of electricity is also conditional on production from a stable facility such as JEK2.

See page 78 for more information.

TRADING

The 2021 financial year was a breakthrough for the GEN-I Group. The **green transformation, digitalisation, the health crisis and above all the energy crisis that drove energy prices to record highs** tested the capacities of the GEN-I Group and the expertise of its employees. Despite the aforementioned crises, achieved results exceeded all expectations, and serve as proof that the GEN-I Group is built on solid foundations and is prepared for crisis situations. Preparedness for such a crisis and innovative operations meant that electricity and natural gas prices for GEN-I's residential customers remained unchanged.

The reason that planned results were exceeded lies in **past investments** that facilitated the exploitation of unexpected business opportunities due to very unusual market conditions. We adapted very quickly to the new conditions; by analysing energy markets, we identified business opportunities that our experienced team exploited.

In terms of revenue generated, the GEN-I Group ranks amongst the largest companies in Slovenia and one of the **50 most successful companies in the region**. No company in Slovenia generated more revenue on foreign markets than the GEN-I Group.

Through a successful strategy and conservative liquidity risk management policy, the GEN-I Group **successfully managed liquidity** during the current energy crisis.

The GEN-I Group also recorded significant achievements in the **supply** of electricity and natural gas to end-customers. Our portfolio grew by more than 24 thousand new customers in 2021, and by an additional 10 thousand on 1 January 2022. Continuous growth in the number of loyal customers is the result of built trust, a transparent and stable pricing policy, and a superior customer experience. We thus further strengthened trust and enhanced the loyalty of customers, which in itself is an investment for the long term. The latter is evidenced by **recognition as the most Trusted Brand**, a title the GEN-I Group has received for eight consecutive years.

See page 68 for more information.

DEVELOPMENT OF SERVICES FOR CUSTOMERS

The GEN Group develops advanced services for its customers. We upgraded our core service again in 2021 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**. We continued to follow the global trends of decarbonisation, decentralisation and digitalisation. Through participation in development projects, we carefully linked the supply of electricity with a wider range of related services to allow increasingly flexible residential, industrial and service-sector customers and producers to pursue the green transformation. As the **leading provider of green solutions**, GEN-I increased the number of solar power plants to more than 3,000 in 2021. Through its innovative solar energy community, GEN-I has made it possible for those who are unable to set up a solar power plant on their own roof to be actively involved in the energy transition.

See page 68 for more information.

OPTIMISATION OF OPERATIONS

In 2021, we successfully continued our intense efforts to implement our action plan for optimising the operations of both GEN and the GEN Group. Despite the difficult conditions on the energy market, we successfully **managed risks and exceeded profit targets** through good coordination, internal optimisation processes and market activities. Successful operations represent the basis for the future supply of energy, as they facilitate the reliable management of investments in the development of the energy infrastructure.

See page 152 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 **1,232 employees** in 2021, **with more than 66% of them holding at least higher education qualifications**. We upgraded and further developed our internal education and training programmes.

See page 89 for more information.

ENERGY EDUCATION AND RAISING PUBLIC AWARENESS

We strengthened the **understanding of topics related to energy and the energy sector** among various target groups. 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.

We enhanced **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 96 for more information.

Pursuant to sustainability reporting guidelines, the annual report of GEN and the GEN Group for 2021 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 54 for more about our sustainability policies and the associated results for 2021, and the table on page 228.

KEY FIGURES		GROUP		COMPANY	
		2021	2020	2021	2020
Revenue	in EUR thousand	3,483,568	2,193,560	239,522	231,350
EBIT	in EUR thousand	134,993	86,192	30,564	53,607
EBITDA	in EUR thousand	179,719	144,526	31,323	54,329
Net profit	in EUR thousand	105,555	64,189	27,054	45,664
Assets	in EUR thousand	1,397,959	1,223,555	641,955	634,934
Equity	in EUR thousand	1,005,911	912,480	536,835	522,710
Debt	in EUR thousand	146,469	162,269	70	11,866
Investments	in EUR thousand	47,458	57,147	4,359	19,160
Electricity produced	GWh	3,388	3,674		
Electricity sold	GWh	48,685	45,281	3,972	3,930
Number of employees at year-end		1,232	1,159	66	64

PERFORMANCE INDICATORS		GROUP		COMPANY	
		2021	2020	2021	2020
Self-financing ratio	%	71.96	74.58	83.63	82.33
Long-term financing ratio	%	78.22	85.29	95.58	93.56
Fixed asset investment ratio	%	54.70	61.65	3.09	3.07
Long-term investment ratio	%	56.53	63.33	80.26	80.11
Equity to fixed assets ratio		1.32	1.21	27.08	26.78
Non-current debt to currents assets ratio		1.37	1.34	1.17	1.15
Cash ratio		0.98	1.33	2.79	2.18
Quick ratio		1.78	2.15	4.32	2.99
Current ratio		1.97	2.46	4.32	2.99
Operating efficiency ratio		1.04	1.04	1.15	1.31
Net return on equity (ROE)	%	11.00	7.24	5.11	9.05
Net return on assets (ROA)	%	8.05	5.39	4.24	7.46
Value added	in EUR thousand	267,364	209,581	36,210	58,810
Value added per employee	EUR	223,642	185,224	557,073	948,548
Debt to equity ratio		0.15	0.18	0.00	0.02
Total financial liabilities/EBITDA		0.81	1.12	0.00	0.22
EBITDA margin	%	5.16	6.59	13.22	23.74
EBITDA/financial expenses for loans raised		40.36	35.64	0.00	0.00
Total financial liabilities/assets		0.10	0.13	0.00	0.02
Net financial liabilities/EBITDA		-0.84	-0.53	-2.46	-1.39

LETTER FROM THE SENIOR MANAGEMENT

Dear Business Partners and Colleagues,

The GEN Group ended the 2021 financial year successfully and exceeded expectations, despite the pandemic and global energy and economic challenges. We generated EUR 3.5 billion in revenue and achieved a new milestone that established GEN as one of the largest business groups in Slovenia. We also regained our position as one of the strongest business groups in terms of investments, as group companies implemented investments in the total amount of nearly EUR 80 million. The acquisition of an electricity generation licence in connection with the project to construct a second nuclear power plant unit in Krško (JEK2) in July was an important milestone that gave the project new impetus. At the end of the year, we submitted materials in response to the Ministry of Infrastructure's proposal to begin the spatial planning of JEK2.

We are guided in our operations by a long-term, sustainable policy through which we take a balanced approach to achieving the objectives of operational efficiency, responsibility for the environment and climate, and concern for society. We successfully addressed the extraordinary market and economic conditions, and confirmed that the GEN Group is distinguished by experienced and extremely capable management staff and employees who, through the establishment of timely and prudent measures, ensured the reliable and affordable supply of low-carbon energy from local sources in a year of great uncertainty. We will continue to respond to energy challenges in the future through clear and achievable plans.

BUSINESS EXCELLENCE

The GEN Group generated EUR 3.5 billion in revenue in 2021, and ended the year with a net profit of EUR 105.6 million, an increase of nearly two-thirds on the previous year. Added value per employee amounted to EUR 224 thousand. The controlling company generated EUR 240 million in revenue, and ended the year with a net profit of EUR 27 million, which was more than planned. With such results, we fulfilled all of the expectations of our owner and 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 Krško Nuclear Power Plant (NEK) operated stably, safely and at full capacity for most of the year. It generated 5,419 GWh of electricity, half of which, i.e. 2,709 GWh, is the property of GEN, or effectively the Republic of Slovenia, under the Intergovernmental Agreement on the NEK. We completed a scheduled major overhaul at the NEK in April, despite the difficult epidemiological conditions. In the context of above-average hydrological conditions in the first half of the year and below-average hydrological conditions during the second half of the year, when production by hydroelectric power plants was below the planned level over that entire period, hydroelectric power plants on the Sava River produced a total of 619 GWh of electricity. The Brestanica Thermal Power Plant (TEB) confirmed its role in ensuring grid stability, and was started up reliably 12 times for the purpose of balancing the Slovenian power grid. Despite higher fuel and emission allowance prices, the favourable conditions on the electricity market in 2021 prompted the more frequent commercial operation of the new PB6 gas turbine unit at the TEB. The GEN Group's production units operated failure-free in 2021, which is a remarkable achievement.

TRADING

In the area of trading and sales, GEN-I successfully adapted to dynamic market conditions and seized market opportunities in 2021, in spite of the adverse conditions on the energy market.

Prudent investments in the past and new business approaches and services related to the green transformation, e-mobility and digitalisation facilitated the exploitation of unexpected business opportunities and the stable management of crisis conditions. Despite all the crises, achieved results exceeded expectations, and serve as proof that the GEN-I Group is built on solid foundations and the expertise of its employees. It made a significant contribution to the successful and efficient management of risks. GEN-I's portfolio grew by more than 24 thousand new customers in 2021, and by an additional 10 thousand on 1 January 2022. Continuous growth in the number of loyal customers is the result of built trust, a transparent and stable pricing policy, and a superior customer experience. Electricity and natural gas prices for GEN-I's residential customers remained unchanged in 2021.

VISION 3 + 1

The GEN Group formulated Vision 3 + 1 in 2021. Through a low-carbon mix of nuclear, hydro and solar energy, and natural gas as a system reserve, that vision represents the key to the decarbonisation of the Slovenian electricity sector and a successful energy transition. In a combination of today's and tomorrow's increased production capacities, these three energy sources ensure a stable, cost-competitive and low-carbon electric power grid for Slovenia and the wider region, and contribute to the achievement of the goal of climate neutrality. With the additional 10 TWh of energy that the GEN Group is planning in the scope of that vision, we will be able compensate for the drop in energy due to the abandonment of fossil fuels, and supply sufficient quantities of electricity for the planned electrification and digitalisation of society.

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 electricity production is the result of continuous investments in expertise and equipment. The investment expenditure of GEN Group companies amounted to EUR 79 million in 2021. We carried out a scheduled major overhaul at the Krško Nuclear Power Plant, and completed construction of the additional PB7 gas turbine unit at the Brestanica Thermal Power Plant, which plays an important role in ensuring the stability of the Slovenian electric power grid. The TEB also functioned for commercial purposes 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. Based on the Resolution on Slovenia's Long-Term Climate Strategy until 2050 (ReDPS50) and the comprehensive National Energy and Climate Plan (NECP), the Ministry of Infrastructure issued an electricity generation licence for the JEK2 project on 19 July, and thus opened the door for the implementation of administrative procedures and the preparation of documentation for the decision on the investment in JEK2. We continued with official activities in December, when we submitted materials in response to the Ministry of Infrastructure's proposal to begin the spatial planning of JEK2, i.e. to start the drafting of the national spatial plan.

JEK2 is the core project of our Vision 3 + 1 and will contribute 9 TWh of electricity. The project is crucial for the reliable supply of domestically produced electricity to Slovenia, and is the appropriate response to the key challenges of our energy and climate future. It represents a stable and reliable foundation of the future electric power grid which, in the context of an increase in diverse, weather-dependent renewable energy sources, will be crucial for maintaining the reliable supply of energy.

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 seen again in 2021, when market conditions demanded their expertise and experience for the good of the GEN Group and its customers and business partners. There was a total of 1,232 employees in 2021, 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 accessible prices.

We would like to sincerely thank all employees for their dedicated and professional work, and for their invaluable contribution to excellent results in 2021 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.

Radanović

Gordana Radanovič, MSc
CFO

Danijel Levičar
COO

Blaž Košorok

Blaž Košorok
CEO

REPORT OF THE SUPERVISORY BOARD OF GEN ENERGIJA D.O.O. FOR 2021

Pursuant to the Companies Act (hereinafter: the ZGD-1), the articles of incorporation of the limited liability company GEN energija d.o.o. (hereinafter: the articles of incorporation) and the rules of procedure of the Supervisory Board of GEN energija d.o.o. (hereinafter: the rules of procedure), and in accordance with the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), the Supervisory Board of GEN energija d.o.o. (hereinafter: the Supervisory Board) hereby adopts the

REPORT OF THE SUPERVISORY BOARD OF GEN ENERGIJA D.O.O. FOR 2021

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 2021 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 2021

The Supervisory Board functioned with nine members in 2021.

COMPOSITION OF THE SUPERVISORY BOARD

From 1 January 2021 to 31 August 2021

- Dr Marko Čepin
- Mateja Čuk Orel, MSc
- Ksenija Flegar
- Aleksander Kavčič, MSc
- Jure Soklič, MSc
- Cvetko Sršen
- Samo Fürst
- Rene Jeromel
- Marjanca Molan Zalokar

From 1 September 2021 to 31 December 2021

- Mateja Čuk Orel, MSc
- Patricia Čular
- Ksenija Flegar
- Aleksander Kavčič, MSc
- Jure Soklič, MSc
- Cvetko Sršen
- Samo Fürst
- Rene Jeromel
- Marjanca Molan Zalokar

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 diverse both in terms of age and gender. Supervisory Board members strive to be independent in their work and to prevent conflicts of interest in the performance of their tasks. Potential conflicts of interest were identified in 2021, with one member excusing themselves by resolution and another member failing to perceive a conflict of interest after being warned. Supervisory Board members strove to perform 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 decisions.

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

The work of both committees was performed in accordance with the rules of procedure of the Supervisory Board and the rules of procedure of the committees. 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 2021

COMPOSITION OF THE AUDIT COMMITTEE

From 1 January 2021 to 31 December 2021

- Jure Soklič, MSc
- Ksenija Flegar
- Aleksander Kavčič, MSc
- Alojz Dimič
- Samo Fürst

COMPOSITION OF THE HR COMMITTEE

From 1 January 2021 to 31 August 2021

- Cvetko Sršen
- Mateja Čuk Orel, MSc
- Dr Marko Čepin
- Ksenija Flegar
- Katja Simončič Stropnik

From 1 September 2021 to 21 October 2021

- Cvetko Sršen
- Mateja Čuk Orel, MSc
- Ksenija Flegar
- Katja Simončič Stropnik

From 22 October 2021 to 31 December 2021

- Cvetko Sršen
- Mateja Čuk Orel, MSc
- Patricia Čular
- Ksenija Flegar
- Katja Simončič Stropnik

DATA REGARDING THE WORK OF THE SUPERVISORY BOARD AND ITS COMMITTEES

In its first composition, the members of the Supervisory Board met at twelve (12) ordinary sessions, one (1) correspondence sessions and two (2) extraordinary sessions in 2021 for a total of fifteen (15) sessions, at which they adopted 147 resolutions.

One member who represents the interests of the founder was absent from one session, while the other members were present at all sessions.

The Supervisory Board's audit committee met at five (5) ordinary sessions, at which it adopted 29 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 eight (8) ordinary sessions and one (1) extraordinary session, at which it adopted 48 resolutions. Two members who represent the interests of the founder were absent from one session, while the other members were present at all 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[1]

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 2021:

- 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 two times in 2021, specifically for the proposal to the founder[2] on the disposal of the participating interests in a subsidiary and associate, and for the adoption of the bases for the business policy[3].

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 2021:

1 Item 8.4 of the Code
2 Resolution adopted by SSH on 15 December 2021.
3 Approval of the electricity trading strategy for 2021 and 2022, and beyond.

- the business plan of the company and the GEN Group;
- appointment, discharge and remuneration of the Head of Internal Audit,
- 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;
- specific transactions of senior management in accordance with the articles of incorporation; and
- the rules of procedure of the senior management.

In 2021, 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 four times for voting at the general meeting of GEN-I, gave its consent four times for voting at the general meeting of GEN-EL, gave its consent ten times for the commissioning of analyses and studies in connection with a second unit at the NEK, and gave its consent to the annual work plan of the internal audit department for 2021 and to that department's multi-year audit plans for the periods 2021 to 2023 and 2022 to 2024.

In accordance with Article 14 of the articles of incorporation, the Supervisory Board appointed a new member to senior management (Chief Financial Officer) based on pre-defined and measurable performance criteria, and concluded annexes to the employment contracts of the members of senior management in 2021.

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 2021 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 once in 2021 for the acquisition, disposal or encumbrance of business interests in subsidiaries and other companies, once for the sale of real estate owned by the company, and twice for legal transactions, where the value of a single transaction or several related transactions exceeded 1% of the company's share capital or EUR 2,500,000.00.

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 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 GEN 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.

MAJOR DECISIONS BY THE SUPERVISORY BOARD

APPROVAL OF THE ANNUAL REPORT OF THE COMPANY AND THE GEN GROUP FOR 2020

At its 5th ordinary session held on 17 May 2021, the Supervisory Board reviewed the composition of the annual report of the company and the GEN Group for 2020 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 2020

While reviewing the annual report of the company and the GEN Group for 2020, 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 2020;
- 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 Deloitte Revizija d.o.o., Ljubljana, which was appointed on 7 December 2020 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 2020, 2021 and 2022 financial years. 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 23 June 2021:

- it was briefed on the annual report of GEN energija d.o.o. and the consolidated annual report of the GEN Group for 2020, together with the auditor's reports, and on the Supervisory Board's report on the verification of the annual report;
- distributable profit for 2020 in the amount of EUR 27,831,907.85 was allocated as follows: EUR 13,000,000.00 was paid to the sole owner as profit participation, while EUR 9,831,907.85 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 2020 financial year.

CONSENT TO THE BUSINESS PLAN OF GEN ENERGIJA D.O.O. AND THE GEN GROUP FOR 2022, WITH A FORECAST OF OPERATIONS FOR 2023 AND 2024

At its 10th ordinary session held on 21 October 2021, the Supervisory Board gave its consent to the business plan of GEN energija d.o.o. and the GEN Group for 2022, with a forecast of operations for 2023 and 2024, 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 3rd ordinary session held on 22 February 2021, the Supervisory Board gave its consent to the electricity trading strategy of GEN energija d.o.o. for 2022 and the years that follow.

APPOINTMENT OF THE COMPANY'S SENIOR MANAGEMENT

At its 6th ordinary session held on 1 June 2021, the Supervisory Board appointed the Chief Financial Officer of GEN energija to serve as a member of senior management, with a term of office from 1 July 2021 to 1 July 2025.

SELF-ASSESSMENT AND DISCLOSURES PURSUANT TO THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH CAPITAL ASSETS OF THE STATE

SELF-ASSESSMENT

A performance assessment of the Supervisory Board for 2021 was carried out in March 2022 in the form of a self-assessment matrix completed by members of the Supervisory Board who performed their functions in 2021 and during the assessment period. The company's founder was briefed following the completion of the self-assessment procedure, and the Supervisory Board adopted an action plan.

DISCLOSURES

- Pursuant to the Code,[4] the company clearly and specifically discloses 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,[5] 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.

The costs of additional education and training for Supervisory Board members amounted to EUR 1,390.50 (excluding VAT) in 2021. Travel costs are presented on page 142, while there were no other costs in 2021.

APPROVAL OF THE ANNUAL REPORT OF THE GEN GROUP FOR 2021

At its 17th regular session held on 14 June 2022, the Supervisory Board adopted the following resolutions:

Resolution no. 244/17.RS/Ad7:

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 2021 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 2021.

Resolution no. 245/17.RS/Ad7:

Based on the review of the annual report of the company and the GEN Group for 2021, 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. 246/17.RS/Ad7:

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. 247/17.RS/Ad7:

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 2021 totalling EUR 18,526,970.60 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 2021. 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.

Ksenija Flegar
Chairwoman of GEN energija's Supervisory Board

4 Item 8.3 of the Code
5 Item 8.4 of the Code

CORPORATE GOVERNANCE STATEMENT OF GEN ENERGIJA D.O.O.

Pursuant to Article 70, paragraph 5 of the Companies Act (hereinafter: the ZGD-1) and points 3.4 and 3.4.1 of the Corporate Governance Code for Companies with Capital Assets of the State issued by SSH in March 2021 (hereinafter: the SSH Code), GEN energija d.o.o., Vrbina 17, 8270 Krško (hereinafter: GEN), hereby issues its corporate governance statement for the period from 1 January 2021 to 31 December 2021.

The senior management of GEN energija d.o.o. (hereinafter: the senior management) hereby declares that GEN was governed in 2021 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 (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 2021, the company followed the SSH Code valid in 2021 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 2021, 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: A succession plan for the company's senior management has not yet been developed. When appointing members of senior management, 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.

Item 6.7.2: The issue of a conflict of interest arose in connection with a member of GEN's Supervisory Board in 2021. That matter was referred to the Commission for the Prevention of Corruption and is still pending.

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 6.17: The Supervisory Board adopts and publishes an annual work plan.

Item 9.2.3: The internal audit function is performed by an external service provider.

Item 11.2.1: The function of compliance and integrity officer covers the entire organisation and is performed in the scope of the work of GEN's employees.

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 2021. Explanations of specific deviations are given below:

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

INTRODUCTION
BUSINESS REPORT
FINANCIAL REPORT

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 2021 by Slovenian Sovereign Holding (hereinafter: SSH) acting on the authorisation of the company's sole owner, the Republic of Slovenia. The senior management, comprising the CEO, COO and CFO (since 1 July 2021), serves as GEN's management body, while the company's supervisory body is the nine-member 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 2021, 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 11 (eleven) 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 2021

The relevant information is included in the Report of the Supervisory Board in 2021.

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 2021.

Radanović

Gordana Radanovič, MSc
CFO

Danijel Levičar
COO

Blaž Košorok
CEO

GENERAL INFORMATION REGARDING GEN

Profile of GEN as at 31 December 2021

REGISTERED NAME **GEN energija d.o.o.**			
ABBREVIATED REGISTERED NAME **GEN d.o.o.**	REGISTERED OFFICE **Vrbina 17, 8270 Krško**	E-MAIL **info@gen-energija.si**	WEBSITE **www.gen-energija.si**
ACTIVITY CODE **K/64.200 – Activities of holding companies** **D/35.140 – Electricity trading, and other registered activities**			
YEAR OF ESTABLISHMENT **2001**		REGISTRATION **District Court of Krško, reg. application no. 10425000**	
VAT ID NUMBER **SI44454686**		REGISTRATION NUMBER **1646613**	
SHARE CAPITAL **250,000,000.00 EUR** NUMBER OF EMPLOYEES **66**		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** **BKS Bank d.d.: SI56 3500 1000 2139 538**	
CHAIRMAN OF THE SUPERVISORY BOARD **Cvetko Sršen**		CEO **Martin Novšak** COO **Danijel Levičar** CFO **Gordana Radanovič, MSc**	

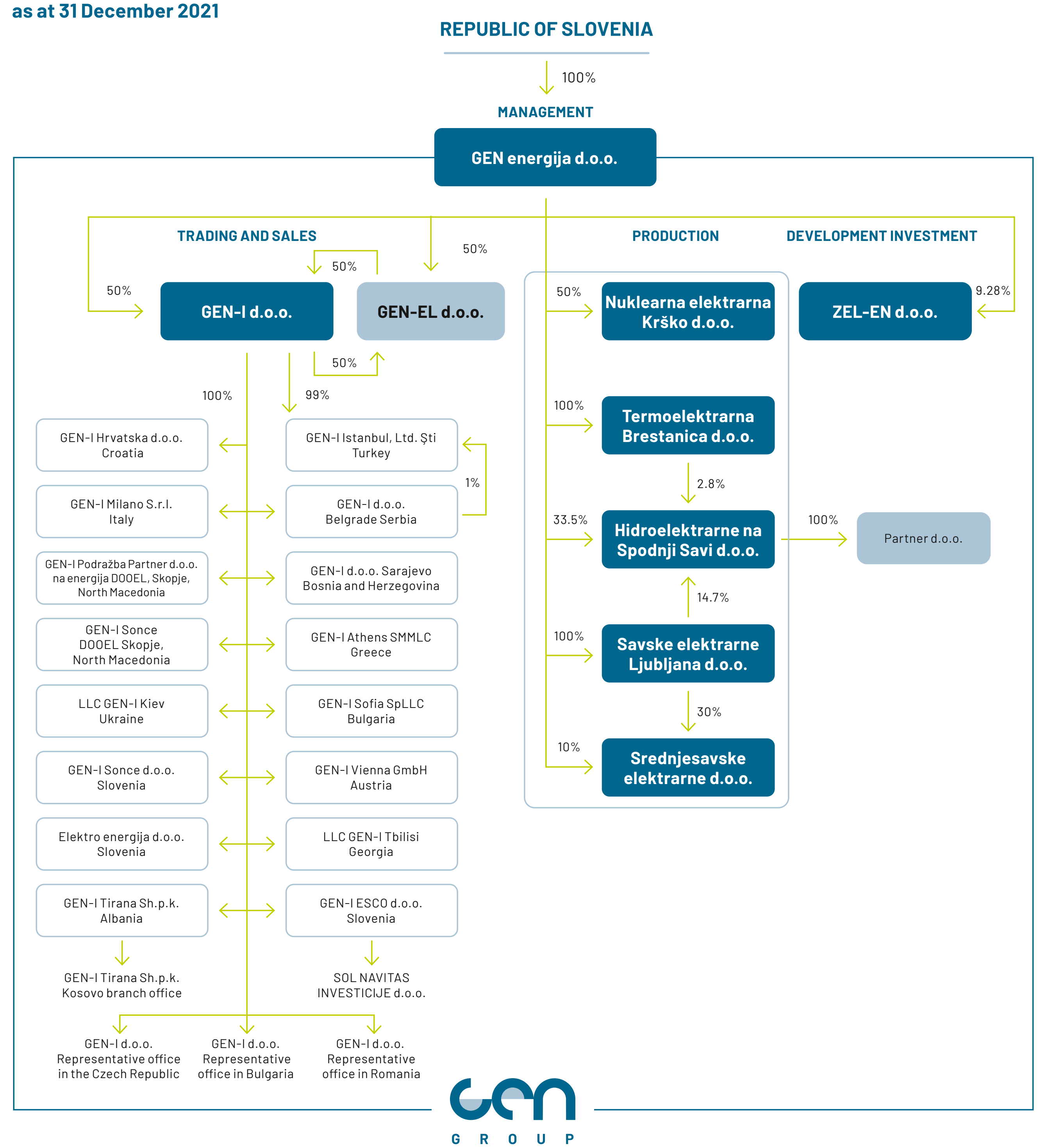
BODIES OF THE COMPANY

Bodies of GEN as at 31 December 2021

FOUNDER **Republic of Slovenia, represented under the law by SSH**						
SUPERVISORY BOARD						
CHAIRMAN **Cvetko Sršen**			DEPUTY CHAIRWOMAN **Mateja Čuk Orel, MSc**			
MEMBERS						
Jure Soklič, MSc	**Aleksander Kavčič, MSc**	**Patricia Čular**	**Ksenija Flegar**	**Samo Fürst**	**Rene Jeromel**	**Marjanca Molan Zalokar**
SENIOR MANAGEMENT						
CEO **Martin Novšak**		COO **Danijel Levičar**		CFO **Gordana Radanovič, MSc**		

ASSOCIATES

GEN Group companies as at 31 December 2021



Pursuant to IFRS 11, the consolidated financial statements of the GEN Group for 2021 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.

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

PRINCIPAL ACTIVITY
Electricity production at a nuclear power plant

COMPANY MANAGEMENT
Stane Rozman, President of the Management Board
Saša Medaković, member of the Management Board

CHAIRMAN OF THE SUPERVISORY BOARD
Kažimir Vrankić

COMPANY STATUS ACCORDING TO IFRS
Joint operation

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.

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.

Savske elektrarne Ljubljana d.o.o.
Gorenjska cesta 46, 1215 Medvode
www.sel.si

PRINCIPAL ACTIVITY
Electricity production at hydroelectric power plants

COMPANY MANAGEMENT
Uroš Koselj, MSc, Director

CHAIRMAN OF THE SUPERVISORY BOARD
The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS
Subsidiary

COMPANY STATUS ACCORDING TO IFRS
100% owned by GEN.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY
SEL's large hydroelectric power plants (Moste HPP, Mavčiče HPP, Medvode HPP and Vrhovo HPP) produce around 320 GWh of electricity a year.

Termoelektrarna Brestanica d.o.o.
Cesta prvih borcev 18, 8280 Brestanica
www.teb.si

PRINCIPAL ACTIVITY
Electricity production at a thermal power plant, and provision of back-up power supply for the power grid

COMPANY MANAGEMENT
Tomislav Malgaj, Director

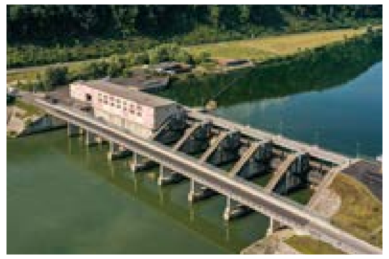
CHAIRMAN OF THE SUPERVISORY BOARD
The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS
Subsidiary

OWNERSHIP STRUCTURE
100% owned by GEN.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY
TEB supplies electricity during outages of major production units and is a reliable standby power source for Slovenia's power grid.

PRODUCTION



Hidroelektrarne na Spodnji Savi d.o.o.
Cesta bratov Cerjakov 33a, 8250 Brežice
www.he-ss.si

PRINCIPAL ACTIVITY
Electricity production at hydroelectric power plants

COMPANY MANAGEMENT
Bogdan Barbič, Director

CHAIRMAN OF THE SUPERVISORY BOARD
Janez Keržan, MSc

COMPANY STATUS ACCORDING TO IFRS
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.

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.

Srednjesavske elektrarne d.o.o.
Ob železnici 27, 1420 Trbovlje

PRINCIPAL ACTIVITY
Electricity production at hydroelectric power plants

COMPANY MANAGEMENT
Dr Matjaž Eberlinc, Director

CHAIRMAN OF THE SUPERVISORY BOARD
The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS
Associate

OWNERSHIP STRUCTURE
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.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY
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.

TRADING AND SALES

GEN-I, d.o.o.
Vrbina 17, 8270 Krško
www.gen-i.si

PRINCIPAL ACTIVITY
Trading, sale and purchase of electricity

COMPANY MANAGEMENT
The company has been managed by court-appointed representatives since 18 November 2021, until a decision is issued by the court or decision is made by its owners.

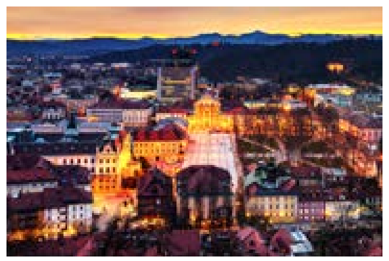
CHAIRMAN OF THE SUPERVISORY BOARD
The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS
Subsidiary

OWNERSHIP STRUCTURE
GEN and GEN-EL each hold a 50% stake in the company's share capital.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY
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



ELEKTRO ENERGIJA

Elektro energija d.o.o.
Dunajska cesta 119, 1000 Ljubljana
www.elektro-energija.si

PRINCIPAL ACTIVITY

Sales of electricity and natural gas to end-customers and purchase of electricity. Electricity and natural gas portfolio management.

COMPANY MANAGEMENT

Bojan Kumer, Director

CHAIRMAN OF THE SUPERVISORY BOARD

The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS

Subsidiary

OWNERSHIP STRUCTURE

GEN-I holds a 100% equity interest 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.

DEVELOPMENT, RESEARCH, SERVICES AND OTHER

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

ZEL-EN, razvojni center energetike d.o.o.
Vrbina 18, 8270 Krško
www.zel-en.si

PRINCIPAL ACTIVITY

Research and development for the energy industry

COMPANY MANAGEMENT

Domen Zorko, Director

CHAIRMAN OF THE SUPERVISORY BOARD

The company has no supervisory board.

COMPANY STATUS ACCORDING TO IFRS

Investment

OWNERSHIP STRUCTURE

GEN holds a 9.28% business interest in ZEL-EN.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY

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.

GEN-EL, d.o.o.
Vrbina 17, 8270 Krško

PRINCIPAL ACTIVITY

Investment management

COMPANY MANAGEMENT

Martina Pohar, Director

CHAIRMAN OF THE SUPERVISORY BOARD

Andrej Ribič

COMPANY STATUS ACCORDING TO IFRS

Subsidiary

OWNERSHIP STRUCTURE

GEN and GEN-I each hold a 50% equity stake in the company.

BRIEF DESCRIPTION AND SPECIFICS OF ACTIVITY

The company was established for the purpose of the ownership consolidation of the GEN-I Group.

BUSINESS POLICY OF GEN

Link between GEN's vision, mission and values

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.

VISION

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

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.

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).

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.

Capitals of the GEN Group

INFRASTRUCTURAL CAPITAL

- Nuclear power plant, hydroelectric power plants on the Sava River, 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.

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.

FINANCIAL CAPITAL

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

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

1. PRODUCTION SOURCES

- Start of construction of a second nuclear power plant unit, to be completed by 2030[6];
- 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; 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
- 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 digitisation 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.

6 The target year of 2030 derives from the development plan of the company and GEN Group for the period 2020 to 2024. The revision of the development plan is planned and envisages the completion of construction of JEK2 in 2033

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 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.

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.

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.

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.

IMPLEMENTATION OF THE GEN GROUP'S BUSINESS POLICY

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.

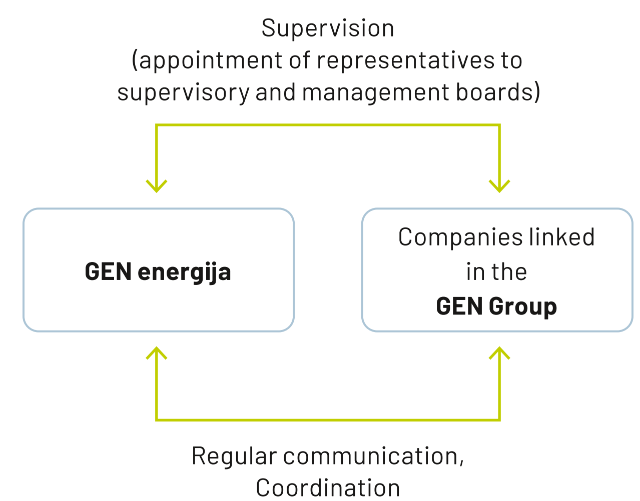
COOPERATION, COORDINATION AND COMMUNICATION BETWEEN THE COMPANIES

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.

GEN's cooperation with GEN Group companies

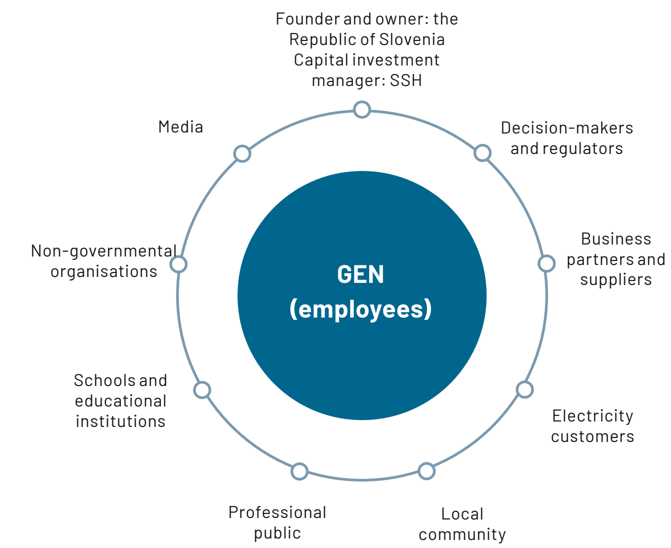


STAKEHOLDER RELATIONS

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.

GEN and stakeholders



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, residential customers 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 residential 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.

SIGNIFICANT EVENTS AT GEN GROUP COMPANIES

JANUARY

TEB

The first start-up of the PB7 gas turbine was carried out on 15 January 2021.

Load testing of the new PB7 continued following the synchronisation of the aforementioned gas turbine on 28 January 2021.

HESS

On 21 January 2021, the administrative authority of the MESP issued a decision on the continuation of the integrated procedure for the acquisition of a building permit for the Mokrice HPP, and invited those responsible to submit their opinions regarding the acceptability of construction.

FEBRUARY

TEB

The first operation of PB7 gas turbine on diesel fuel was carried out on 3 February 2021.

An internal technical inspection of the new PB7 gas turbine was carried out on 22 February 2021 and included a review of submitted documentation: evidence of facility reliability, the project works plan prepared by contractors and the project designer, and the condition of facilities and technological systems.

HESS

The investment plan and an addendum thereto were approved for the construction of a photovoltaic power plant at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP.

The draft detailed municipal spatial plan (DMSP) for the construction of the aforementioned power plant was approved.

GEN-I

GEN-I organised the now-traditional 13th annual meeting of its partners, this time in the form of a virtual meeting. During the meeting, business partners were briefed on price trends on the energy markets (oil, coal, emission allowances, natural gas and electricity), the purchasing strategy for the coming years and recommendations for a successful adaptation to future changes.

MARCH

SEL

On 22 March 2021, works began on a two-year project to replace the spillway gates at the Medvode HPP, which is currently that company's largest investment in terms of value and complexity.

TEB

The President of the Management Board of Slovenian Sovereign Holding, Dr Janez Žlak, visited the TEB on 17 March 2021.

HESS

A 13.158% business interest in HSE Invest was purchased. HSE Invest has extensive experience in the areas of energy, hydro energy, thermal energy and renewable energy sources. The objectives of HESS include an increase in the production of electricity from renewable energy sources through the construction of hydroelectric and photovoltaic power plants. The synergies between HESS and HSE Invest will thus facilitate the achievement of common objectives and ensure the long-term development of both companies.

The ARSO issued a preliminary decision under which it was decided that an environmental impact assessment is not required for the photovoltaic power plant project at the D3 sediment depot alongside the Brežice HPP reservoir.

Successfully completed were the associated public tenders, and the conclusion of agreements on project design, supervision of construction of the aforementioned power plant and construction of medium-voltage cable duct.

GEN-I

We made electricity from 100% hydro energy available to all customers. Hydro energy was made an option because it is considered a renewable energy source with great potential for use in the local environment. Close to 30% of all domestic electricity is produced from this natural source.

APRIL

SEL

On 1 April 2021, based on an agreement on the sale of a 100% business interest in Bistrica, d.o.o., Bohinjska Bistrica, SEL purchased the entire business interest in the aforementioned company, which owns the Bistrica SHPP. The Bistrica SHPP is the sixth largest SHPP in Slovenia, with a rated power of 2.5 MW and estimated annual production of 7,500,000 kWh, meaning a significant increase in the rated power and production by SHPPs owned by the company.

TEB

A technical inspection of the new PB7 gas turbine, representing the symbolic completion of the project, was successfully carried out on 1 April 2021.

The height of the chimneys on gas turbines PB1 to PB3 was reduced from 60 m to 45 m between 13 and 15 April 2021. The thickness of the chimney jackets has thinned due to the long lifecycle of the aforementioned gas turbines and the associated corrosion and other weather effects, which could affect the static stability of the chimneys.

On 29 April 2021, the TEB successfully tested the black-start-up of gas-turbine units and island mode operation for delivering power to the NEK, as part of the scheduled major overhaul at the latter. Gas turbines PB6 and PB2 were activated, and began supplying electricity to the TEB-NEK power island 16 minutes after the request for start-up.

NEK

A scheduled major overhaul began on 1 April 2021. Due to the extensive scope of maintenance works and upgrades, that overhaul lasted until 5 May 2021, when the power plant was reconnected to the electric power grid. The overhaul took 34 days to complete, in accordance with plans.

MAY

GEN

On 3 May 2021, GEN successfully completed certification according to TÜV SÜD Standards CMS 83: Erzeugung EE (07/2019), and received a certificate confirming the company's commitment to investing in clean and renewable energy sources.

HESS

The hydroelectric power plants of HESS achieved record production of 94 GWh electricity in May 2021, which is 9% higher than the previous monthly record of 85 GWh recorded in November 2019.

JUNE

GEN

GEN energija marked the 20th anniversary since its founding.

On 1 June 2021, the Supervisory Board appointed Gordana Radanovič to serve as member of the Management Board and Chief Financial Officer from 1 July 2021 to 1 July 2025.

TEB

The TEB signed an agreement with the Slovenian Ministry of Defence regarding cooperation in the renovation of the aviation fuel depot in Stara vas near Krško. That depot is located at a site co-owned by the TEB.

A ceremony was held on 28 June 2021 to mark the start-up of the PB7 gas-turbine. Slovenian Prime Minister, Janez Janša, was the keynote speaker.

GEN-I

GEN-I was selected the most trustworthy brand amongst electricity suppliers for the eighth year in a row.

JULY

GEN

On 19 July 2021, the Ministry of Infrastructure issued GEN energija an electricity generation licence for the JEK2 project.

HESS

Start of public procurement of MV equipment for the upgrade of the 10.5 kV switching station at the Brežice HPP for purpose of connecting the photovoltaic power plant at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP, and for other renewable energy sources.

GEN-I

President of the Management Board, Dr Robert Golob, was selected European Climate Pact Ambassador. That pact, which was adopted by the European Commission last year, is an EU-wide initiative that invites people, communities and organisations to address climate change and contribute to the building of a greener Europe.

AUGUST

TEB

The TEB began the process of acquiring the Socially Responsible Employer Certificate, the objective of which is to improve the socially responsible governance of the company and relations with employees. To that end, the company opted for a certificate that covers four areas: work-life balance, occupational safety and health, the implementation of activities for socially responsible and sustainable development, and intergenerational cooperation.

Hot testing of the PB7 gas turbine was completed at the beginning of August. This was followed by the start of contractual and operational testing. Testing was carried out on liquid fuel and natural gas, while functional requirements and technical parameters were verified. The purpose of the aforementioned testing was to confirm all contractually defined technical requirements for the gas turbine.

SEPTEMBER

HESS

A building permit was received for the construction of a photovoltaic power plant with a rated power of 6 MW at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP.

TEB

Activities were carried out in the scope of the project to construct the SPPP TEB4 solar park, which is planned on an unused grassy bank to the south of the covered landfill site. In progress is the drafting of documentation for the acquisition of a building permit, project documentation with the associated lists, and tender documentation.

GEN-I

The GEN-I Group attributes a great deal of importance to innovations and progress. These are often rewarded, most recently by the Primorska and Posavje Chamber of Commerce and Industry, from which a total of five awards were received:

- SILVER medal for the use of artificial intelligence in the analysis of satellite images
- SILVER medal for the Budanje RES project
- SILVER medal for the eTURN project
- BRONZE medal for the supply of carbon-free electricity
- AWARD FOR CONTRIBUTION TO INNOVATIVENESS for green onboarding

OCTOBER

SEL

An internal technical inspection was completed on 21 October 2021 for the first phase of the project to replace the spillway gates at the Medvode HPP (spillway gate no. 1).

NEK

The NEK marked 40 years since the transmission of the first kilowatt of electricity to the electric power grid. With the high level of stability and predictability of its operations, the power plant contributes to a reliable electric power grid and is an important factor in the stabilisation of disruptions in the European electric power grid.

HESS

HESS received a ruling from the Administrative Court, which upheld the appeal of the Slovenian Native Fish Society against the decision of the Slovenian government, in which the latter stated that the public benefit of renewable energy sources overrides the public benefit of nature conservation. The aforementioned court reversed the government's decision and sent the matter back to the administrative authority for reconsideration.

NOVEMBER

GEN-I

The five-year term of office of GEN-I, d.o.o.'s Management Board expired on 17 November.

DECEMBER

SEL

The merger of MHE Bistrica d.o.o. with SEL was entered in the companies register on 24 December 2021, when the aforementioned company was wound up and deleted from the companies register.

HESS

Documentation in connection with the Renewable Energy Centre (REC) project was approved.

TEB

Tender documentation and a call for the submission of tenders were published for the construction of the SPPP TEB4 solar park.

Based on an analysis of the current situation, previously implemented core measures and an implementation plan for selected measures, the audit council of Ekvilib Institute issued the TEB an entry-level Socially Responsible Employer Certificate for the area of organisational governance.

GEN-EL

On 30 December 2021, GEN was entered in the companies register as the owner of an additional 25% participating interest in GEN-EL.

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 2021.

The direct and indirect threats to the GEN Group due to the war in Ukraine are low, taking into account implemented measures, and should not have a material impact on the operations of the GEN Group according to the latter's senior management. There is currently no information or signs to indicate that the achievement of the 2022 plan is not feasible.

In connection with the coronavirus, the GEN Group will implement effective and tested measures again in 2022 to ensure reliable and safe operations. In the event of the continued deterioration and tightening of conditions associated with the coronavirus, preventive measures will be adjusted to the current situation.

On 23 February 2022, GEN's Supervisory Board recalled Martin Novšak from his position as the company's CEO. Gordana Radanovič, MSc was temporarily appointed to that function. GEN's Supervisory Board then appointed Blaž Košorok to serve as the company's CEO on 30 March 2022. The new CEO's four-year term of office began on 1 April 2022.

At the end of January 2022, SSH recalled members of GEN's Supervisory Board Mateja Čuk Orel and Aleksander Kavčič, and appointed Gaber Kontelj and Veljko Flis as new members. A month following the appointment of new members, the Supervisory Board appointed a new chair. Ksenija Flegar became Chairwoman of GEN's Supervisory Board, while Patricia Čular was appointed Deputy Chairwoman.

The term of office of GEN-I d.o.o.'s Management Board expired on 18 November 2021. Because the company's owners did not reach consent on the appointment of the Management Board to a new five-year term of office when the previous term expired, GEN-I, d.o.o. and its owners, GEN energija d.o.o. and GEN-EL naložbe d.o.o., submitted proposals for the court appointment of a Management Board. On 16 February 2022, the District Court of Krško issued a decision under which the following persons were temporarily appointed members of the Management Board: Dr Igor Koprivnikar as President of the Management Board, and Primož Stropnik, Dr Dejan Paravan and Andrej Šajn, MSc, as members. The court-appointed Management Board represents the company in pairs based on the rules on joint representation. Following the waiving of appeals by all parties to the proceedings, the decision on the court appointment became final on 18 March, 2022, when the Management Board assumed full powers to manage the company's operations from that date until the appointment of a new Management Board in accordance with GEN-I's Memorandum of Association, for a maximum period of one year. During the period from the expiry of the term of office of the Management Board headed by Dr Robert Golob until the finalisation of the decision on the court appointment of the Management Board headed by Dr Igor Koprivnikar, GEN-I, d.o.o. conducted its business and signed documents according to the relevant powers, which enabled it to conduct its day-to-day operations without interruption.

At its 109th session, the Slovenian government set a new amount for GEN's payments to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK. Effective 1 January 2022, GEN must pay EUR 0.012 to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK for every kWh of electricity produced by the Krško Nuclear Power Plant.

In connection with the ownership consolidation of GEN-I, and in accordance with the relevant agreement and based on the statement of consent of SSH, GEN notified Elektro Ljubljana on 24 June 2021 of the exercising of the call option for both of Elektro Ljubljana's participating interests (totalling 25%) in GEN-EL. GEN paid the requisite consideration and proposed that the competent court in Krško enter the change in the owner of participating interests. Due to the appeal filed by Elektro Ljubljana, the court did not issue a decision regarding the entry of GEN's ownership rights on Elektro Ljubljana's participating interest (25%) until the end of 2021. GEN thus became the owner of a 50% participating interest in GEN-EL. Following the end of the reporting period, the Ljubljana Higher Court, in the appeal proceedings brought by Elektro Ljubljana against the decision to enter the change in GEN's ownership right on the participating interest of Elektro Ljubljana by the competent registry court in Krško, ruled in favour of that appeal, annulled the contested decision and sent the case back to the registry court for a new decision. On 13 May 2022, the registry court re-entered Elektro Ljubljana as the owner of the participating interest in question. GEN filed an appeal against that decision on 23 May 2022.

Following a new procedure, the Slovenian government issued a decision in May 2022 under which it determined that the public benefit of renewable energy sources overrides the public benefit of nature conservation in connection with the integrated procedure for the issue of a building permit for the Mokrice HPP. The overriding of that public benefit is permitted under the condition that all mitigation and compensatory measures are implemented.

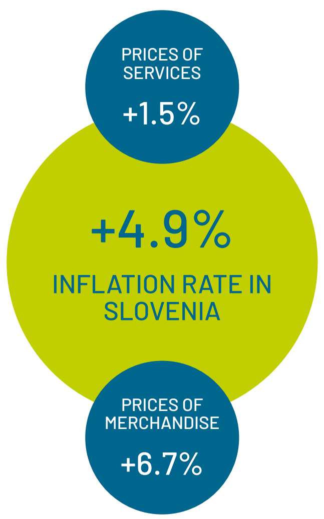
INTRODUCTION
BUSINESS REPORT
FINANCIAL REPORT

II. BUSINESS REPORT

ECONOMIC TRENDS AND THEIR IMPACT ON THE ELECTRICITY SECTOR

Economic growth in the euro area was 5.3%

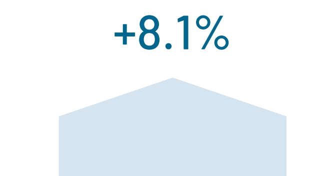
Average annual inflation



Industrial production grew for the seventh year in a row

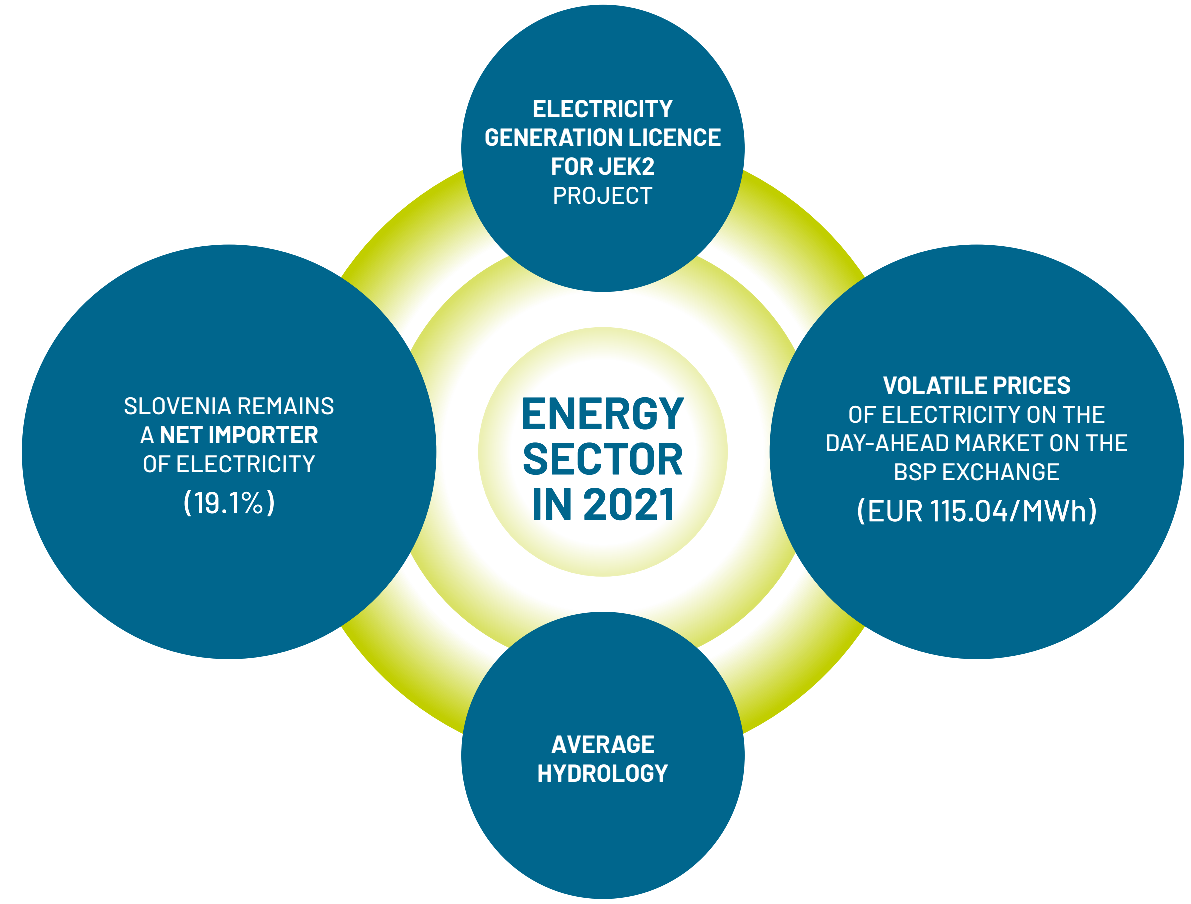
Growth in industrial production is important for the electricity sector, as it is a major driver of growth in the consumption of electricity and other energy products.

Slovenia recorded GDP growth of 8.1%



Unemployment fell in Slovenia

Factors affecting Slovenia's energy sector in 2021



ADOPTION OF RESOLUTION ON SLOVENIA'S LONG-TERM CLIMATE STRATEGY UNTIL 2050

The Resolution on Slovenia's Long-Term Climate Strategy until 2050 (hereinafter: 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. With its climate strategy document, Slovenia has 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 others.

At the beginning of April 2021, the Ministry of the Environment and Spatial Planning sent the Slovenian government and National Assembly a draft resolution on Slovenia's Long-Term Climate Strategy until 2050 (ReDPSS50). The Slovenian government adopted that resolution on 21 April, followed by the National Assembly on 13 July.

ELECTRICITY GENERATION LICENCE FOR JEK2 PROJECT

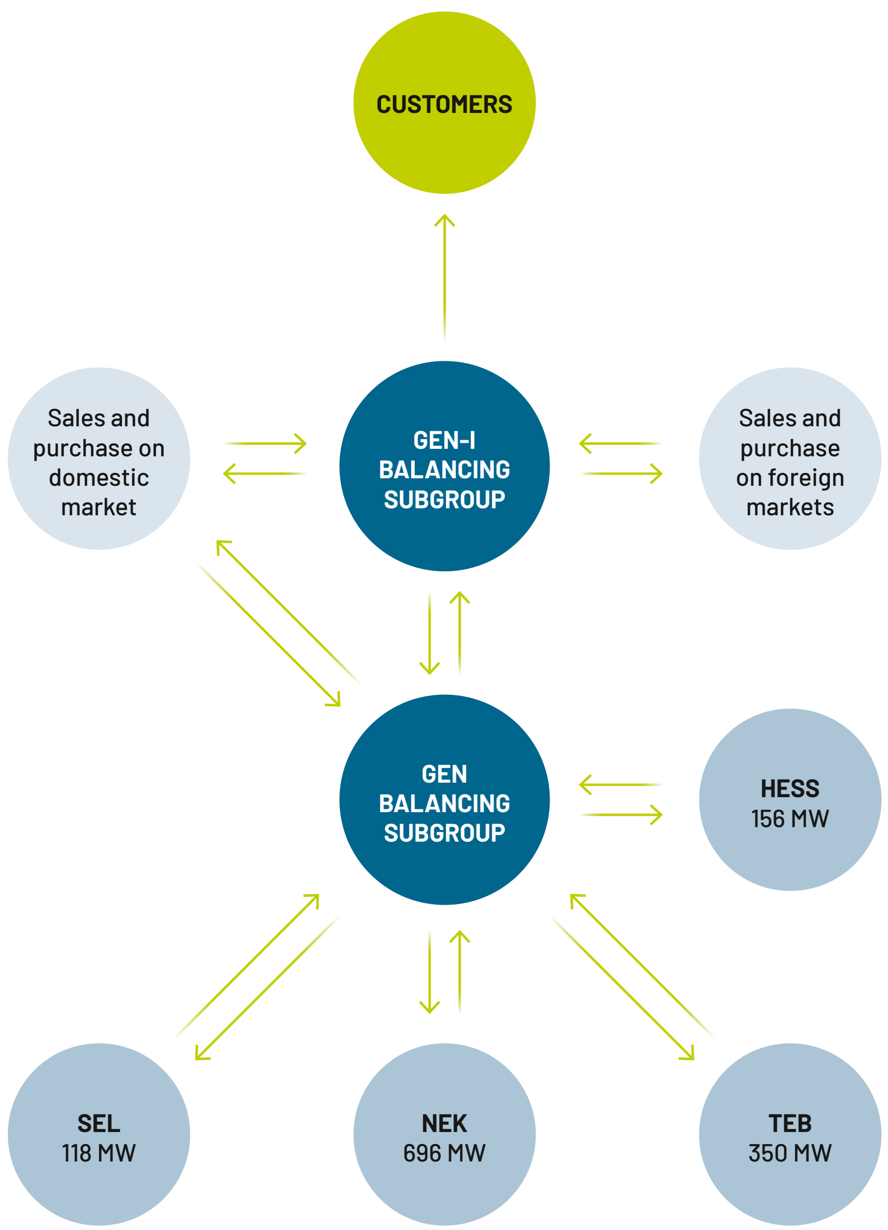
Based on the Resolution on Slovenia's Long-Term Climate Strategy (ReDPS50) and the comprehensive National Energy and Climate Plan (NECP), the Ministry of Infrastructure issued electricity generation licence no. 360-52/2020/17-02711771 to the investor GEN energija d.o.o. for the JEK2 project on 19 July 2021. The electricity generation licence became official on 20 August 2021.

ELECTRICITY PRODUCTION AND ANCILLARY SERVICES

ELECTRICITY PRODUCTION

The large production units in the GEN balancing subgroup generated a combined total of 3,381 GWh of electricity in 2021. A total of 80.1% of electricity was produced by the nuclear power plant. Hydroelectric power plants and the gas-fired power plant accounted for 18.3% and 1.5% 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



Electricity production units of GEN Group companies

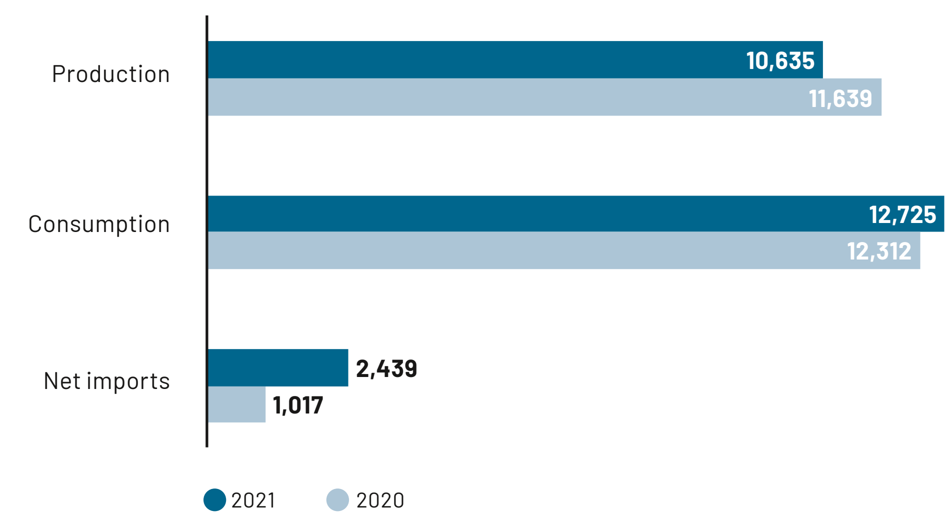
NEK		NEK	TOTAL
Net electrical output	MW	696.0	**696.0**
Generator power rating	MVA	850.0	**850.0**

SEL	No. of production units	Moste	Završnica	Mavčiče	Medvode	Vrhovo	SHPP	TOTAL
		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	m^3/s	26.0	6.0	260.0	150.0	500.0		

HESS	No. of production units	Boštanj	Arto - Blanca	Krško	Brežice	TOTAL
		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	m_3/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**

Slovenian electricity market
in GWh



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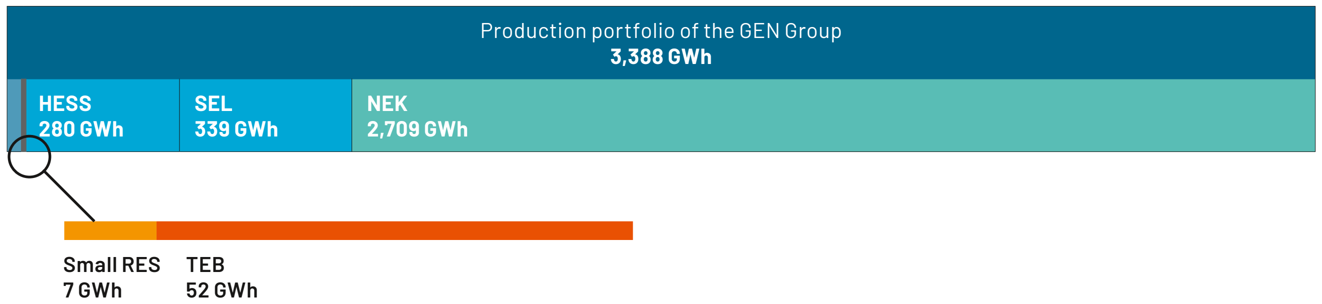
Production portfolio of the GEN Group

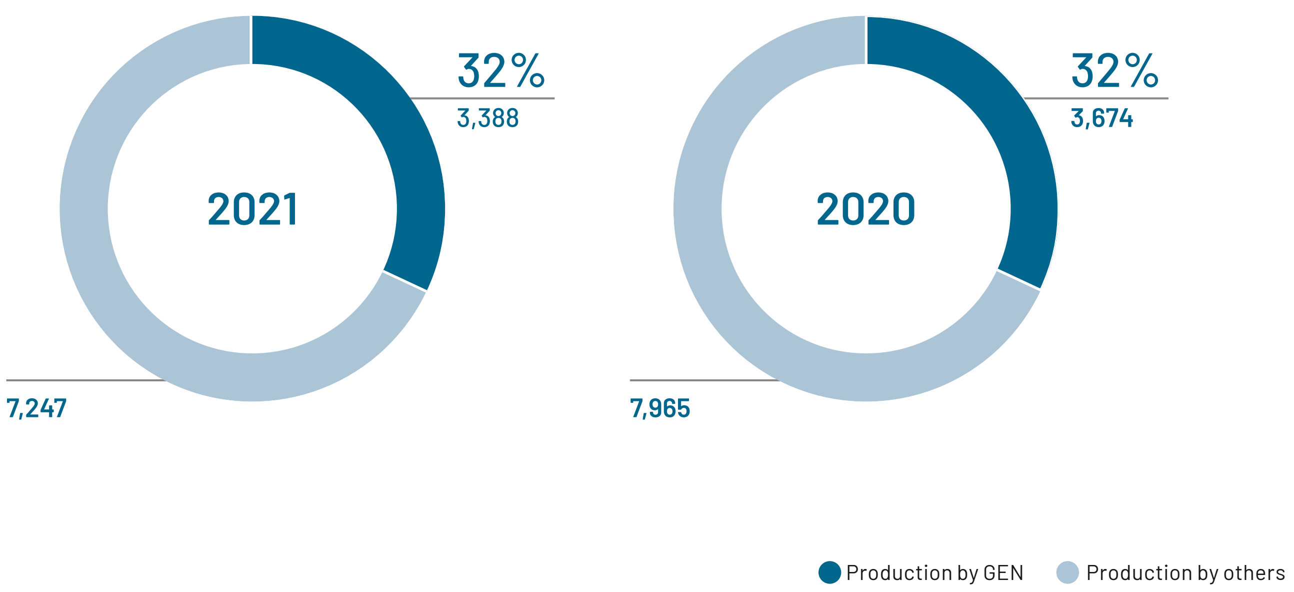


Electricity production by GEN Group companies[7]

in GWh	2021	2020	Reach %
NEK	2,709	3,020	90
HESS for GEN	280	268	105
SEL	339	327	104
TEB	52	53	99
Small RES	7	7	101
TOTAL	**3,388**	**3,674**	**92**

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 6.59 GWh of electricity from renewable energy sources in 2021.

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



7 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 2021 was down relative to 2020. Production at hydroelectric power plants was up slightly relative to 2020, while production at the NEK was lower primarily due to the scheduled major overhaul carried out in 2021, while no such overhaul was performed in 2020. Production by the TEB was at the same level as the previous year, as the latter was started up several times, primarily at the end of the year, to meet the needs of the market, where we recorded record prices.

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 and the Brežice HPP last year. 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 the 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).

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 5,419 GWh of electricity in 2021, which was 1.66% higher than planned. The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was 2,709 GWh.

The power plant operated safely throughout the year. The power plant was disconnected from the grid on the first day of April for a scheduled major overhaul, which lasted for a little more than a month. That particular overhaul was particularly demanding due to the epidemiological situation, as such overhauls include the power plants own employees and close to 1,800 workers from Slovenia and Croatia, as well as international contractors of specific works from the nuclear sector. A total of 56 of 121 existing fuel elements were replaced with fresh elements. An extensive standard maintenance programme was carried out, while hardware, electrical and measurement-regulation equipment was inspected. There was thus a total of 13 major technological upgrades performed that could not be completed during normal operation. The majority of upgrades related to the Safety Upgrade Programme.

Capability, availability and capacity factors for the NEK in 2021

NEK capability factor (according to WANO): 90.15%

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.

NEK availability factor: 90.65%

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.

NEK capacity factor: 92.88%

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 339 GWh in 2021, an increase of 3.8% relative to the previous year. The higher production output relative to the previous year was the result of very favourable hydrological conditions on the Sava River during the first half of the year. SEL's actual production for 2021 was 102.8% of the target set out in the business plan.

The company successfully completed all scheduled major overhauls and inspections of its production units in 2021.

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 52.3 GWh of electricity in 2021. 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 46.1 GWh.

For the purpose of the tertiary frequency control of the power grid, a total of 10 activations and 12 start-ups of individual gas turbine units at the TEB were recorded in 2021, as well as nine start-ups at SEL and one start-up of Talum. A total of 0.8 GWh of electricity was thus produced. Despite the small number of start-ups for the needs of tertiary frequency control, production by the TEB was quite high due to the increased scope of operations for commercial purposes during the fourth quarter of 2021, when prices on the short-term electricity market reached record highs on account of high energy prices, in particular the price of natural gas.

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 new PB7 gas turbine was tested in 2021, while testing will continue in 2022 due to problems operating on diesel fuel.

HESS

GEN received 280 GWh of electricity from HESS in 2021, an increase of 4.8% relative to the previous year. The higher production was the result of slightly more favourable hydrological conditions on the Sava River than the previous year. The actual production of HESS in 2021 was 95.3% of the target set out in the business plan.

LOW-CARBON PORTFOLIO OF ENERGY SOURCES

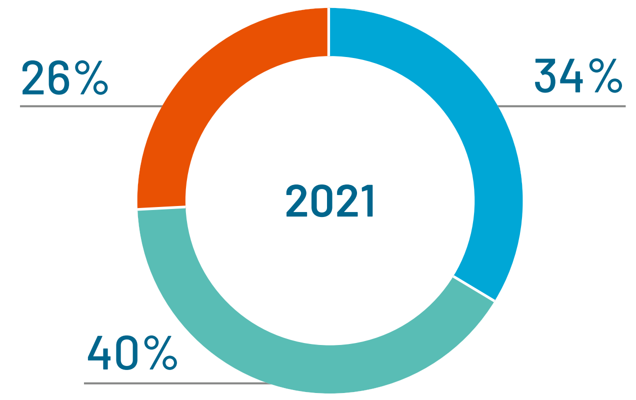
A total of 99% of all the electricity produced by the power plants of GEN Group companies comes from sustainable and renewable sources in the form of nuclear, hydro and solar energy.

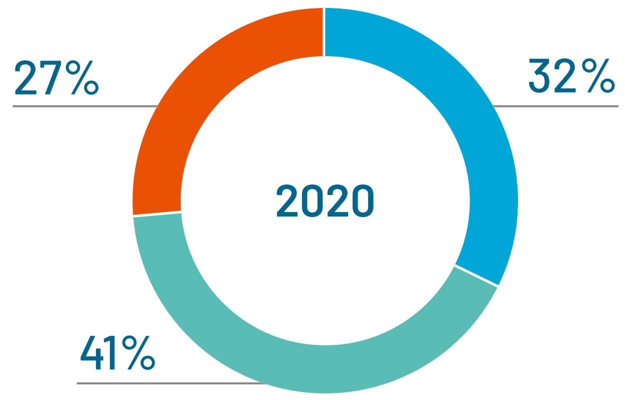
We thus contributed significantly to the realisation of the low-carbon production of electricity in 2021. The aforementioned type of production is efficient and safe, with a view to maintaining and improving the quality of the environment and mitigating climate change.

Sustainable and renewable energy sources in the electricity production portfolio

	Power plant	Electricity produced in GWh	Proportion of total production in %
Nuclear energy	NEK	2,709	81.2
Hydro energy	HESS for GEN	280	18.6
	SEL	339	
Small RES	GEN Group companies	7	0.2
TOTAL		**3,336**	**100**

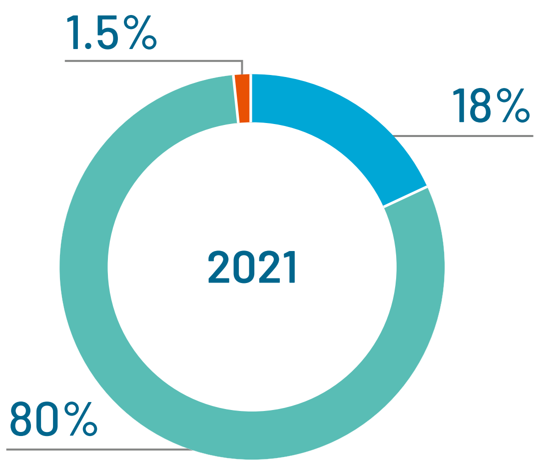
Structure of electricity production sources in Slovenia

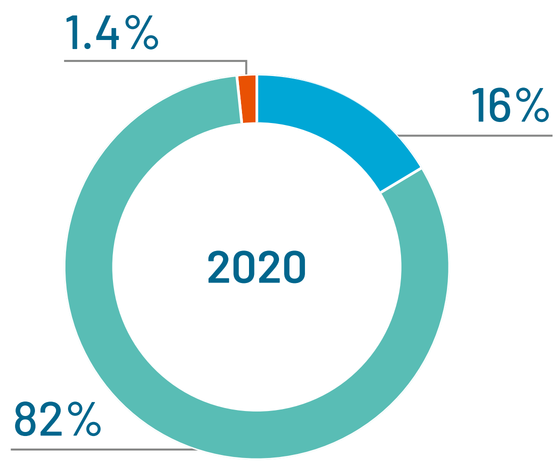




Hydroelectric power plants · Nuclear power plant · Thermal power plants

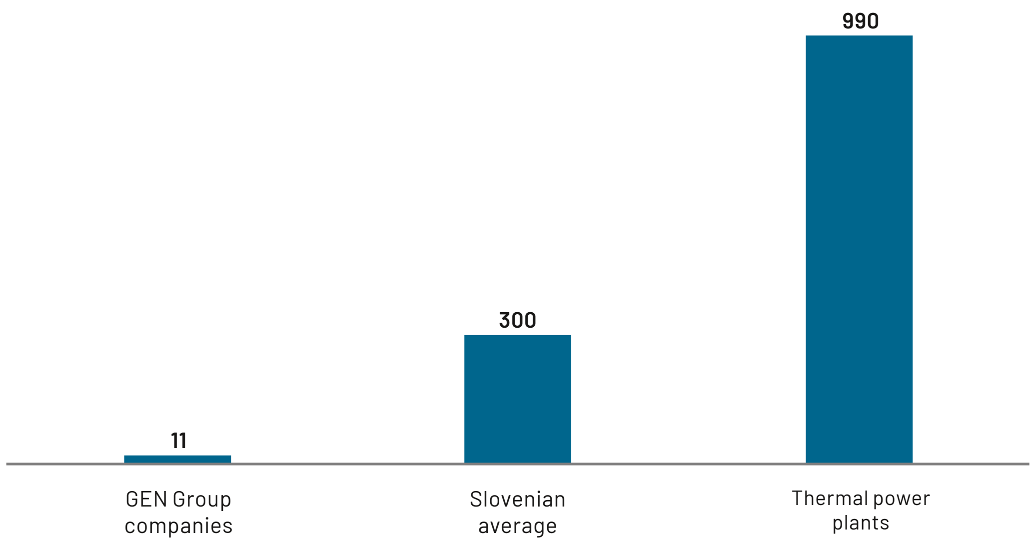
Structure of electricity production sources at GEN Group companies





SEL + HESS NEK TEB

Comparison of CO_2 emissions generated by functioning power plants (g/kWh)



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 11 g per kWh in 2021. 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 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.

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.

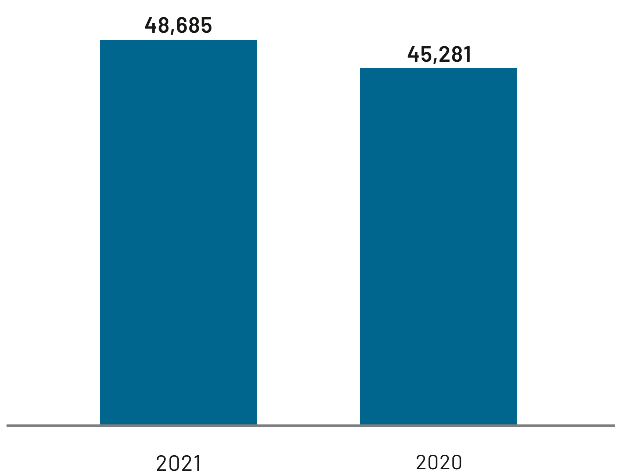
SEL and HESS units provide primary and tertiary frequency control and reactive power. Some of SEL's generating units can also be started up without an external power supply.

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, installation 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.

PURCHASE OF ELECTRICITY

GEN Group companies purchased 48,685 GWh of electricity in 2021. That volume was up by 7.5% relative to the previous year, which reflects the increased volume of trading.

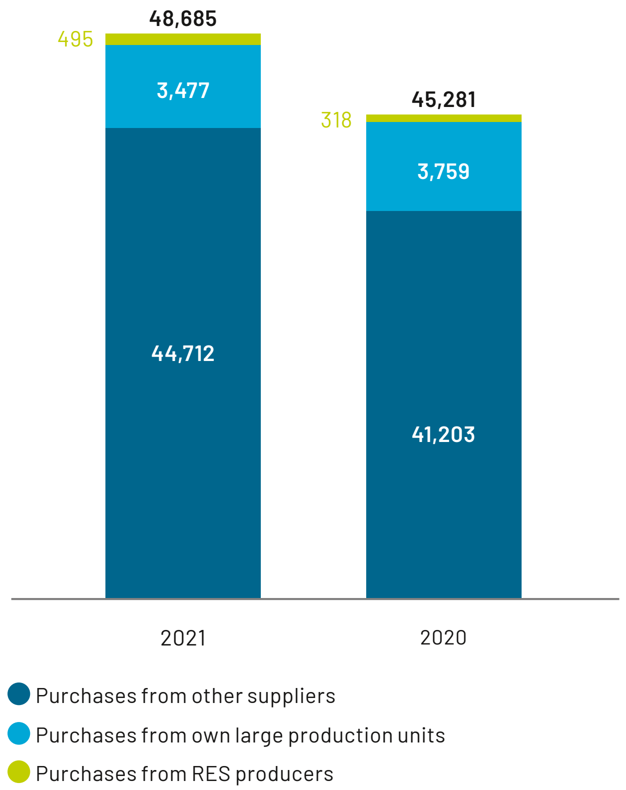
Amounts of electricity purchased by GEN Group companies
in GWh



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 3,477 GWh of electricity was purchased in 2021 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 44,712 GWh of electricity in 2021.

Electricity purchased by GEN Group companies, by source
in GWh



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 495 GWh of electricity was purchased from those sources in 2021.

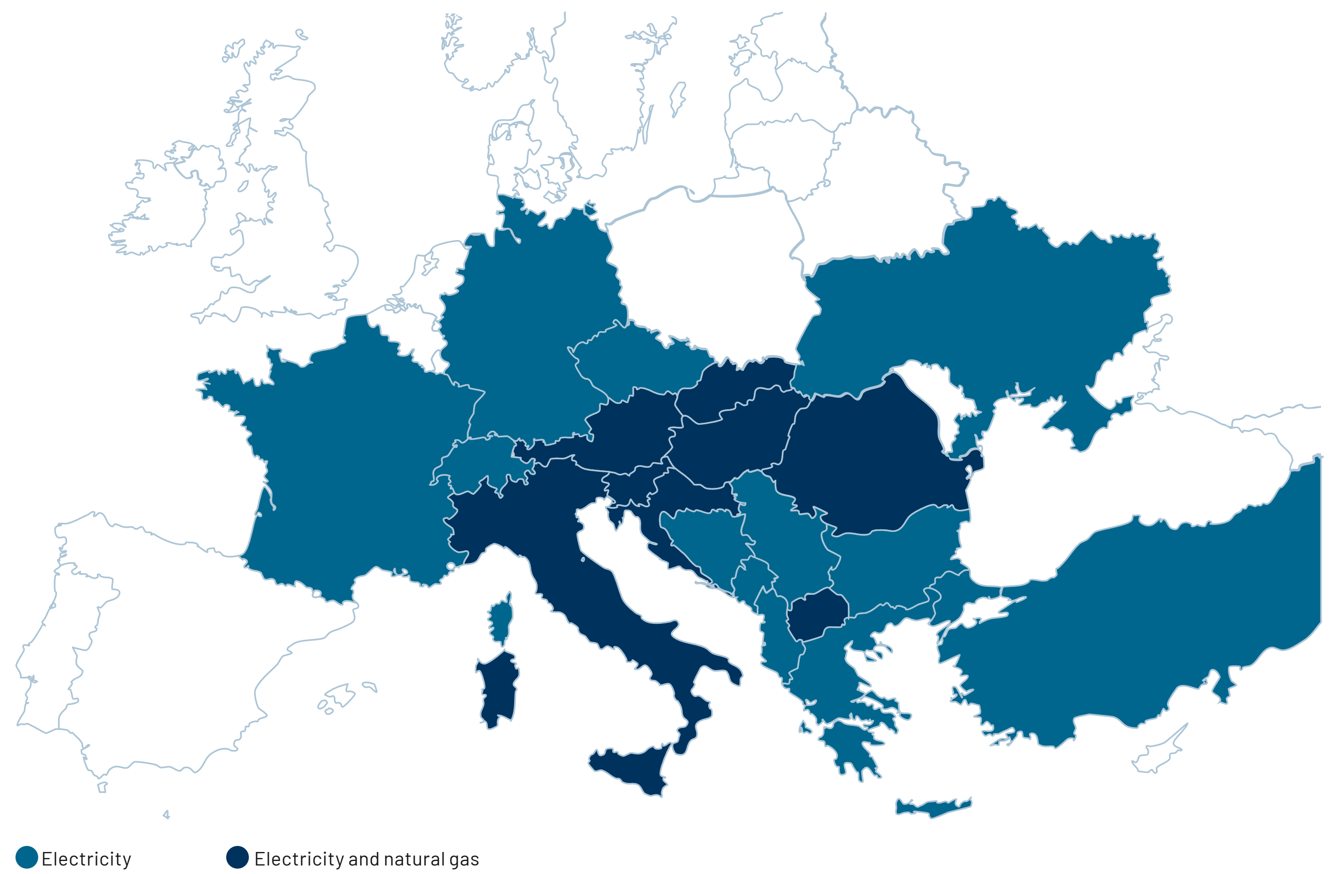
It is precisely the flexibility facilitated by purchases from various producers and its focus on development that allow the GEN Group to be able to meet the demands of both large and small customers through a comprehensive range of brokerage services to support market sales, from intra-day to multi-year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

ELECTRICITY TRADING AND SALES

In 2021, we remained on course in electricity trading and sales, and sold an increasingly 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.

Geographical presence of GEN Group companies



TRADING

The volume of trading was up in 2021 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.

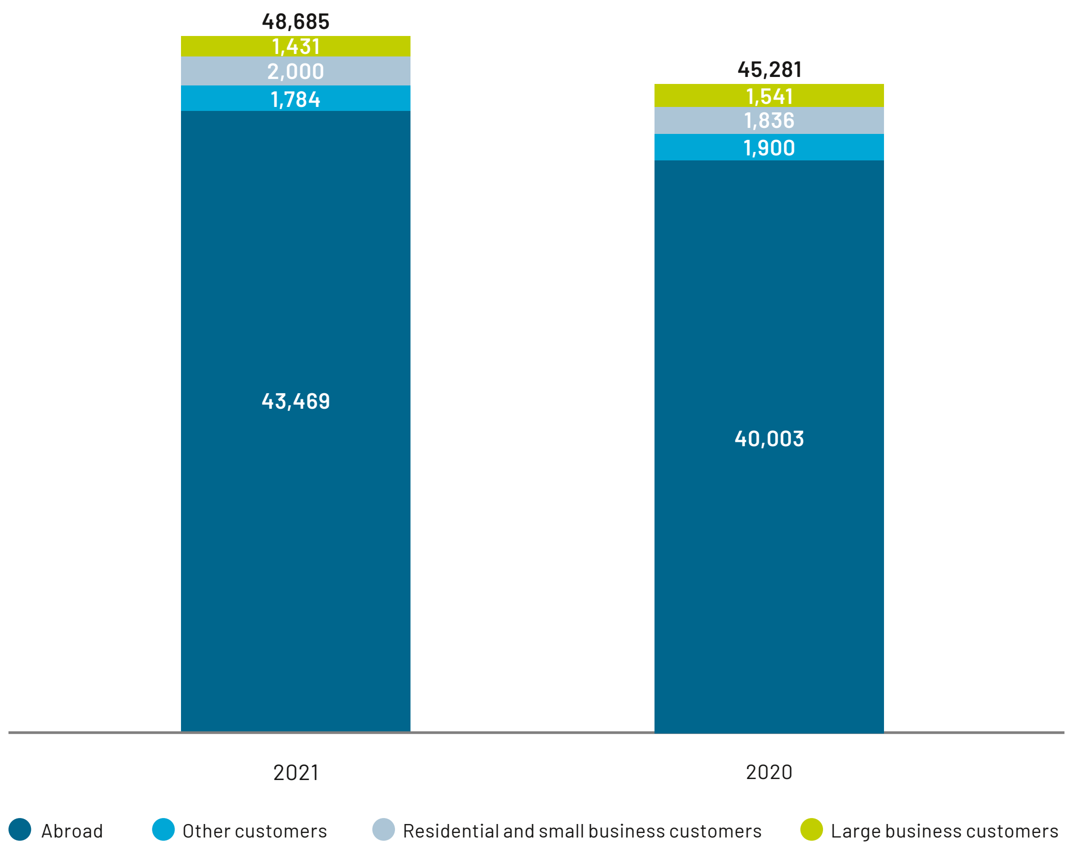
SALES

Increasing sales of electricity to end-customers and our entry in the residential 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 mid-sized enterprises and residential customers.

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.

Electricity sales by GEN Group companies
in GWh

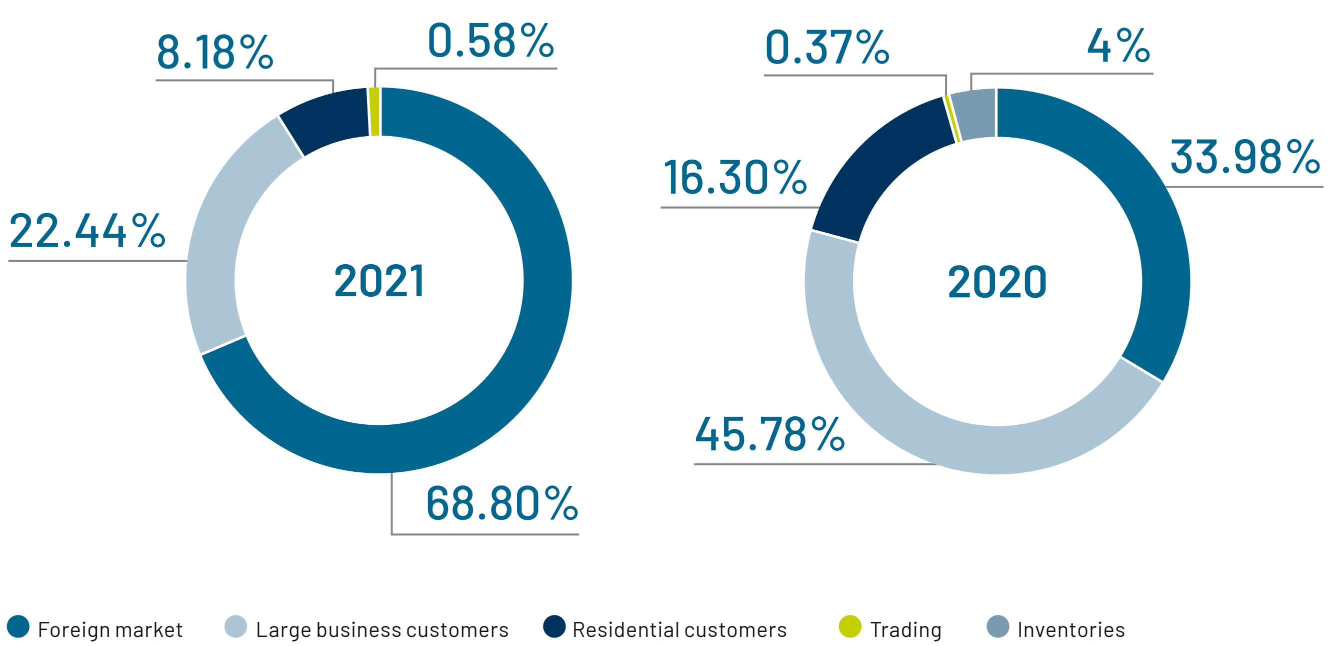


The highest growth in 2021 (of 8.9%) was recorded in the segment of residential and small business customers. Sales of electricity abroad were also up (by 8.7%). At the same time, sales to business customers and other domestic customers were down by 7.1% and 6.1% respectively.

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.

Structure of natural gas sales by GEN Group companies



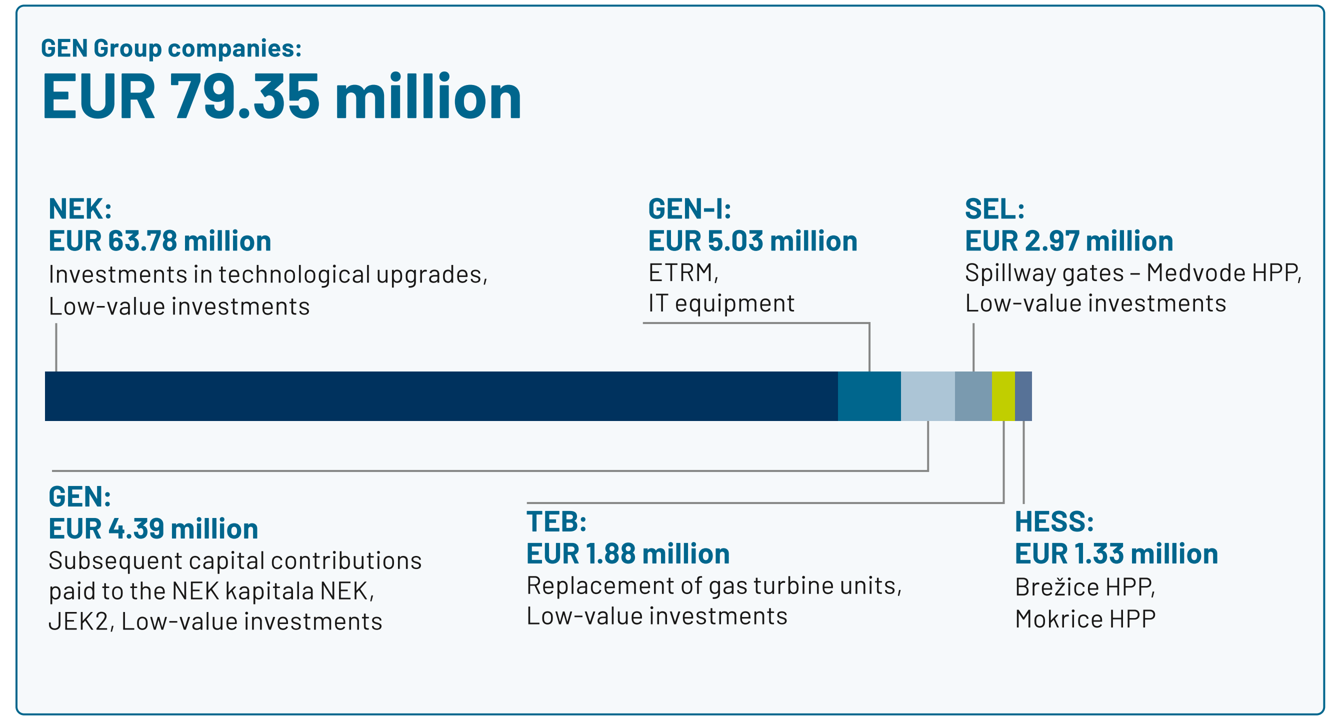
GEN-I purchases natural gas on European power exchanges, where natural gas prices are dictated by both fluctuations in oil prices and actual supply. In this way, our natural gas supply sources are diversified among the most trusted and best-known Western European partners. At the end of 2021, we supplied natural gas to nearly 24.7 thousand residential customers and around 190 business customers in the total amount of 379.8 million Sm^3.

Significant growth was recorded in sales of natural gas on foreign markets in 2021, while sales of natural gas to residential and business customers were down slightly.

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 79.35 million for those purposes in 2021. Taking into account consolidation rules, the value of investments in the GEN Group amounted to EUR 44.21 million.

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



RESEARCH AND DEVELOPMENT, CAPITAL EXPENDITURE AND INVESTMENTS AT THE CONTROLLING COMPANY

GEN earmarked EUR 4.39 million for research and development, capital expenditure and investments in 2021.

Research and development, capital expenditure and investments at GEN

(in EUR thousand)	2021	2020
RESEARCH AND DEVELOPMENT	**33**	**43**
Research studies	33	43
CAPITAL EXPENDITURE	**1,109**	**985**
Expansion of nuclear production capacities – JEK2	788	506
Low-value capital expenditure	322	479
INVESTMENTS	**3,250**	**18,175**
Subsequent capital contributions paid to the NEK	2,750	18,175
Increase in investment in GEN-EL	500	0
TOTAL	**4,392**	**19,203**

JEK2

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.

How the JEK2 project meets sustainable development criteria

Sustainable development criteria	Characteristics of JEK2 project
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.

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.[8]

ENERGY REGULATORY FRAMEWORK

One of the most important energy-related documents is the Energy Act (EZ-1), which was adopted in 2014, and amended several times between 2019 and 2021. 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 EZ-1 also mentions the comprehensive National Energy and Climate Plan (NECP). As a result, the process of adopting the ECS was halted in 2018 because the adoption of the NECP took priority. The Ministry of Infrastructure prepared the first draft of the NECP at the end of 2018. In 2019 and 2020, 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, which envisages a climate neutral Slovenia by 2050 and a society resistant to climate change on the foundations of sustainable development. In essence, the strategy summarises the conclusions of the NECP and includes the construction of JEK2 as one of the two strategies. At the beginning of April 2021, the Ministry of the Environment and Spatial Planning sent the Slovenian government and National Assembly a draft resolution on Slovenia's Long-Term Climate Strategy until 2050 (ReDPSS50), which the government and National Assembly adopted on 21 April and 13 July, respectively.

8 The target year of 2030 derives from the development plan of the company and GEN Group for the period 2020 to 2024. The revision of the development plan is planned and envisages the completion of construction of JEK2 in 2033.

energy scenario for the future supply of low-carbon electricity to Slovenia.

We completed project activities in 2021 in connection with the *analysis of the operational reliability of Slovenia's electric power grid*. The results indicated that reliability cannot be maintained solely through additional diversified renewable sources, but will

PHASES OF JEK2 PROJECT

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.

The 2021 financial year was characterised by several events, the most important being that, based on the Resolution on Slovenia's Long-Term Climate Strategy (ReDPS50) and the comprehensive National Energy and Climate Plan (NECP), the Ministry of Infrastructure issued electricity generation licence no. 360-52/2020/17-02711771 to the investor GEN energija d.o.o. for the JEK2 project on 19 July 2021. The electricity generation licence became official on 20 August 2021. In the meantime, a lawsuit was filed by certain non-governmental organisations (NGOs) against the Ministry of Environment and Spatial Planning (MESP) and the Ministry of Infrastructure (MI) challenging the ReDPS50. That lawsuit was rejected at the beginning of March 2022. All three plaintiffs then filed an appeal against the court's decision. A final electricity generation licence is required to continue the spatial planning process (drafting and submission of a proposal). As a result, that lawsuit has no impact on the continuation of that process. The ministry thus opened the door to initiate administrative proceedings and begin drawing up the necessary documentation for an investment decision regarding JEK2 that will serve as the basis for a final decision regarding the optimal also require the construction of a highly available power plant that has a generator with a high rotating mass, such as a nuclear power plant, which will improve the reliability of the Slovenian electric power grid considerably. Also worthy of mentioning is the completion of the evaluation of the *Probabilistic Seismic Hazard Analysis (PSHA) and development of engineering solutions for the establishment of JEK2 (EvPSHA and IR JEK2)*, which included a review of the existing seismic analysis and the development of engineering solutions to improve the seismic resilience of JEK2. The *Peer Review Process of Non-Ergodic GMM for JEK2* was also completed. In that process, the non-ergodic ground motion model for the JEK2 site, developed in the scope of the EvPSHA and IR JEK2 project, was reviewed in detail and fully supported by an expert panel. The next step in the JEK2 project is the start of the spatial planning process. The preparation of *materials in response to the proposal* to start spatial planning began in the final quarter of 2021. Those materials were presented to MI and MESP in December and then officially submitted to the MI. In the scope of preparations for the spatial planning of the JEK2 project, we also enhanced communication activities in support of that project. We published information regarding the JEK2 project on the website www.gen-energija.si, and began drafting a JEK2 communication plan as part of materials for the national spatial plan. We began to design a project website that will serve as a support tool for public consultations when the drafting of the national spatial plan begins. We began preparing a presentation brochure that will include key information regarding the JEK2 project. Representatives of senior management and specialist departments have presented the project at professional, economic, media and other events at the local and national levels.

Funds in the amount of EUR 788 thousand were invested in the JEK2 project in 2021.

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. Project implementation began in March 2017, with completion expected in 2022.
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. Implementation of the NARSIS project began on 1 September 2017, with completion expected at the end of the first quarter of 2022.
c) 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 began in June 2019 and is expected to be completed in 2022.
d) 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 during 2022.
e) A project managed by the consortium of NUCCON and GEN energija was approved at the beginning of 2019 by the Joint Research Centre, which operates under the auspices of the European Commission. The aim of that project is the organisation of training programmes on the subject of operational experiences in nuclear power plants. The project will run until 2023.

COOPERATION WITH INTERNATIONAL INSTITUTIONS

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. An assessment of the Korean APR1000 reactor core design is currently in progress. GEN is also part of a task force that is drawing up technical requirements for small modular reactors (SMR). Membership in the EUR facilitates participation in various activities relating primarily to new nuclear power plants (e.g. new revisions, the assessment of projects, etc.). Such cooperation brings important benefits to the JEK2 project, as well as references for the potential provision of services for other contracting authorities.

GEN also works actively with other institutions, such as 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 2022

The upcoming period will see the acceleration of *activities in connection with the administrative process of spatial planning*, such as an analysis of alternative solutions, an analysis of guidelines, environmental reporting, a special safety analysis, conceptual designs, the study of different variants, the drafting of a special law, etc. *Studies of sites* will continue, where content is important in terms of mitigating project risk, and reducing regulatory risks and thus economic risks due to time overruns in project implementation. Activities will also include *various technical-technological analyses*, such as an analysis of the impacts of cooling towers, a review of the relevant transport study and the arrangement of the JEK2 site, all of which will serve as input data for a number of analyses in the administrative process, *economic-financial analyses*, etc.

Also continuing will be cooperation with various organisations, and service and other activities, such as preparations for the purchase of land in the direct vicinity of the JEK2 project, etc.

These activities will be carried out in part by our own staff. We will monitor the drafting of different strategic documents and 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.

KEY BENEFITS OF THE PLANNED JEK2 PROJECT

- the stable, safe and reliable supply of CO_2-free electricity;
- domestic energy sources and reduced reliance on imported electricity;
- competitive energy sources that ensure 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;
- reduced quantities of radioactive waste (primarily as a result of improved operational systems and processes of third-generation nuclear power plants, which reduce the amounts of low- and intermediate-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 waste heat sharing (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.

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 2021 at the organisational units of individual stakeholders.

Activities were completed by the nuclear technology organisational unit in September 2021. Since that time, there are no longer employees in that organisational unit.

CONTROLLING COMPANY'S RESEARCH AND DEVELOPMENT, CAPITAL EXPENDITURE AND INVESTMENT PLANS FOR 2022

We will continue to follow the set course in terms of investments and capital expenditure in 2022. 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 37 million for those purposes.

GEN will continue activities in 2022 aimed at implementing the project to expand production capacities (JEK2). 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 capital expenditure. The operational readiness of equipment is ensured through the appropriate control, maintenance and modernisation. In 2021, most maintenance activities were carried out according to maintenance schedules.

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.

Investments made by the NEK amounted to EUR 64 million in 2021 and related primarily to dry cask storage for spent nuclear fuel, an additional water source and injection pumps, and alternative cooling in the primary core and reactor building. Following 18 months of operation and the production of more than 8.5 billion kilowatt hours of electricity, the NEK was shut down on 1 April 2021 for a scheduled major overhaul. The power plant was reconnected to the electric power grid on 5 May 2021. Despite the difficult epidemiological conditions, which hampered the delivery of goods and services, more than 40,000 activities were carried out, without delay and to the planned extent during that overhaul, thanks to the professional and responsible work of all those involved.

An environmental impact report was drafted in connection with the process of extending the operational life of the NEK. At the beginning of October 2021, the NEK submitted a request to the Ministry of the Environment and Spatial Planning (MESP) for the issue of environmental protection approval. The MESP called on the responsible ministries and organisations to issue opinions regarding the acceptability of the intended action. Those opinions were forwarded to the NEK in the middle of December, with a request to take a position regarding those opinions and the findings of the ministry.

Forty years since the NEK was first synchronised by the electric power grid passed on 2 October 2021. During that period, the NEK demonstrated a high level of the stability and efficiency of its functioning, which contributes significantly to the reliability of Slovenian and European electric power grids. With a highly developed technical culture, the power plant ranks at the top internationally, and can even serve as an example for the best nuclear power plants in the world in terms of safety, technology and organisation. Through the implementation of a number of investments and upgrades over the last ten years, the power plant is comparable with the most advanced new-generation power plants, and is prepared to operate for the long term.

The main challenges for the NEK in 2022 will be maintaining a high level of safety and operational efficiency, the implementation of a major overhaul, investments in technological upgrades and administrative procedures, i.e. assessments 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.

A total of EUR 45 million in funds is earmarked for investments in 2022.

SEL

SEL ensures the periodic maintenance of its equipment and development in the area of utilising hydro energy. SEL planned EUR 3 million in depreciation and other own resources for investments and development in 2021.

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. Due to good hydrological conditions, only the planned timing of revisions and major overhauls was adjusted. Deposits were regularly removed from traps, while alluvial deposits were also removed from the Hrušica retention basin.

Investment projects were implemented in their entirety, despite the still-adverse health conditions. The largest investment project, which was started back in 2020, was the replacement of spillways at the Medvode HPP after 63 years of operation. The third quarter of the year saw the installation of the upper and lower gate plates, together with the new drive chains. The two-month testing of the functioning of the spillway was completed in December, while elements for the no. 2 spillway were manufactured.

With the signing of an agreement on the purchase of the sixth largest small hydroelectric power plant in Slovenia on 1 April 2021, the company acquired the Bistrica SHPP. This nearly doubled the company's electricity production from its own small hydroelectric power plants.

The renovation of the small Hrušica hydroelectric power plant began in 2021. That renovation primarily comprises the replacement of electrical equipment and machinery, and the refurbishment of hydromechanical equipment. The power plant was successfully synchronised with the grid in December. However, not all works have been completed due to delays in the supply of hydromechanical equipment.

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.

SEL will continue to invest in and develop its existing production facilities in 2022, 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 2 million in own resources for investments and development in 2021.

The majority of investments relate to the project to replace gas turbine units 1 to 3, and the implementation of the first phase of 1B.

Hot testing, start-up testing of individual gas unit systems, load and functional testing and contractual testing on liquid and gaseous fuels were carried out in 2021.

The first start-up of the gas-powered turbine was carried out on 15 January 2021. The first synchronisation of PB7 with the network was performed on 28 January 2021, while the first operation of PB7 on diesel fuel (D2) was carried out on 3 February 2021. Problems arose during start-up testing on diesel fuel (D2). Siemens, as the equipment manufacturer, developed and implemented the necessary solutions.

All other mechanical, electro-installation, construction and landscaping works, and the elimination of minor deficiencies were completed in 2021. The design of the implementing works and the preparation of supporting documentation were also carried out during the year.

An internal technical inspection was successfully carried out on 22 February 2021. Results indicated that the status of documentation and implementing works was acceptable, and that the bases are in place for the continuation of testing and the preparation of a request for the issue of the necessary operating permit.

A successful technical inspection was performed on 1 April 2021 by the Ministry of the Environment and Spatial Planning, which issued a building permit.

Based on that inspection, a decision was issued on 1 June 2021 regarding a six-month functional trial, which was extended for six months on 1 December 2021 based on the aforementioned ministry's decision.

The TEB is planning investments and development in the amount of EUR 2 million in 2022. The TEB's role, which was effectively upgraded with the completion of gas turbine unit PB7, is guiding the company to the start of preparations for the construction of additional production capacities. The TEB is thus following its established development plan with the drafting of the documentation necessary to implement the second phase of the project to replace gas turbines PB1 to 3.

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.

While there were no serious effects from the coronavirus on the course of activities at the company as the result of infections, broken supply chains for equipment and spare parts had a major impact, which was taken into account in the planning of scheduled major overhauls and revisions. In this case, the spare parts that the company had on hand were crucial for the reliable functioning of hydroelectric power plants, as it was able to make good use of inventories of spare parts during complex overhauls, which included the replacement of more worn-out equipment than expected. The company was also able to upgrade generators and place them back into production quickly, without any loss of production. HESS ended 2021 in line with expectations and the targets set out in its business plan, despite somewhat less favourable hydrological conditions for the production of electricity, and delays in certain maintenance and investment activities during the year.

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. The largest overhaul was the replacement of generator shaft seals at the Boštanj HPP, where the dismantling of equipment indicated greater wear of parts than expected. However, those parts were successfully replaced. 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.

In terms of hydrological conditions, there were fewer emergencies, i.e. high water levels, last year, which meant less flood debris and thus lower operating costs. Increased costs relative to the previous year were recorded in the maintenance of reservoirs that the company took over from Infra, which was planned and carried out in the scope of available funds. This involves large areas around reservoirs that the company 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. The following activities were carried out for the Mokrice HPP last year: the acquisition of the requisite building permit; an assessment by the Slovenian government as to whether the public benefit of the project overrides the benefit of nature conservation; and a public hearing on documentation for the issuance of a building permit, which was not issued because the Administrative Court refrained from issuing that permit until the completion of the public benefit override process. At the end of the year, the Administrative Court sent the override procedure back to the MESP with the explanation that part of the administrative procedure required repeating. As the investor, the company submitted a comprehensive request for both the override and building permit, and is now waiting for the outcome of the administrative procedure. The procedure for issuing a building permit is thus still in progress.

The second largest investment, the construction of a 6 MWp photovoltaic power plant alongside the Brežice HPP, was successfully kicked off with the signing of two agreements on the construction and supply of the switching station and power plant itself. The company received the building permit in September, while the aforementioned agreements were signed at the end of November. Key project activities will be carried out in 2022, when the project will also be completed.

HESS earmarked EUR 1 million for investments and development in 2021.

HESS will spend the majority of its investment potential in 2022 on preparations for the Mokrice HPP and the construction of a 6 MWp photovoltaic power plant alongside the Brežice HPP. The total value of planned investments in HESS is EUR 17 million.

GEN-I

GEN-I earmarked EUR 5 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 33 million in 2022, primarily for the deployment and upgrading of comprehensive data management systems, for upgrading other IT systems and for investments in solar power plants.

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.

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.

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 13 million was thus paid into the NEK Fund in 2021.

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 long-term 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 long-term 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 5,416 thousand in 2021, and thus totalled EUR 75,559 thousand at the end of 2021. GEN will continue to follow the strategy of creating and adjusting provisions in accordance with the NEK's economic plans.

PLACEMENT OF SURPLUS CASH

Due to the need for short-term availability of funds, the investment strategy intended to cover long-term 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) does not provide for investments in debt and equity securities and only allows deposits with financial institutions with a maximum maturity of twelve months, as well as appropriate investments in the electric utility 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.

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 1,554 employees in 2021, or 1,232 according to consolidation rules. The number of employees is in line with the group's growth and development and the challenges they bring.

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.

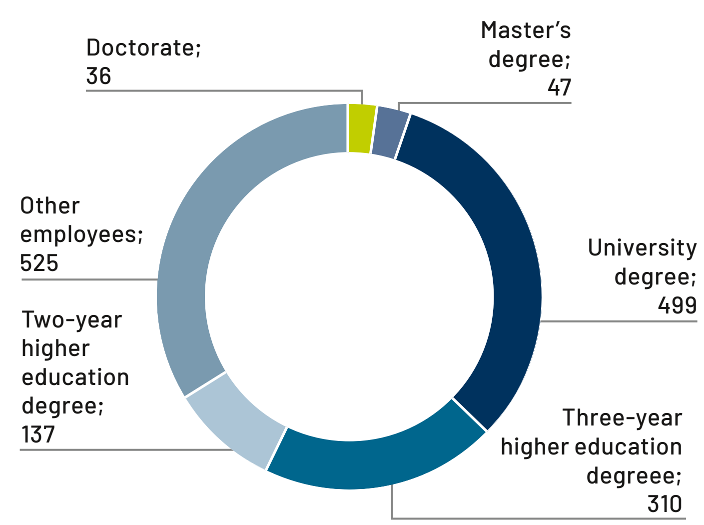
A low employee turnover rate is evidence that our employees are highly dedicated and motivated to work in an environment that promotes knowledge, responsibility and networking.

Number of employees by level of education

GEN Group	31 December 2021											31 December 2020
	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	TOTAL	
GEN	0	0	0	0	5	7	8	38	3	5	**66**	64
GEN-I	1	0	0	9	105	29	214	196	24	19	**597**	531
NEK	0	1	1	11	270	69	54	212	16	10	**644**	630
SEL	3	0	0	18	34	11	10	16	3	0	**95**	96
TEB	0	2	0	16	28	18	14	21	0	1	**100**	102
HESS	0	0	0	3	16	4	11	16	1	1	**52**	51
TOTAL	4	3	1	57	458	138	311	499	47	36	**1,554**	1,474

The data in the above 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.

Employees by level of professional qualifications



GEN Group companies had 36 employees with a doctorate, 47 with a master's degree and 499 with a university-level degree in 2021. 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.

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.

Key professional education and training topics

Company	Focus of professional education and training	Specialised education and training in the area of nuclear energy
GEN	• Employees received an average of 60.7 hours of training in 2021 (22.1 hours organised outside of the company and 38.6 hours organised internally), which is the highest figure of the last five years. • We organised the first entirely internal training for new employees in 2021. That training was broken down into six modules, and comprised 50 hours of lectures and 100 hours of independent work. The first two modules were attended by five participants, the next four modules by three participants. Each module was followed by an exam that all participants passed successfully. A total of seven persons completed training for new employees. In the first module, each organisational unit presented its own work area and emphasised important matters that are key for the cooperation of the entire organisation. The second module presented the energy sector and sustainable development, and was followed by the third module, which presented the functioning of the nuclear power plant, the fourth module, which presented the JEK2 project, the fifth module, which presented the field of nuclear energy and international organisations, and the sixth module, which presented communication activities in the scope of the World of Energy. • We organised both internal and external training for existing employees. The number of hours of training per employee was up sharply in 2021 relative to the previous year, when training was not organised for a specific period of time due to the epidemic. • Employees attended professional conferences, seminars, consultations and meetings, which were still held for the most part remotely. • Internal technical training of dispatchers on GEN's simulator. Training was carried out in five segments, including remotely at the height of the epidemic. A total of 16 hours of training per year for dispatchers.	Two employees attended extended training courses at the ICJT last year.
NEK	• Systematic training in accordance with the competences required 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 2021), as well as some studies at the doctorate level. • A total of 261 courses organised, with 18,191 attendees. A total of 151 of those courses were organised internally and externally for NEK and attended by 9,783 employees, while 110 courses were organised for external contractors and attended by 8,408 persons. • The total scope of education and training rose by more than 44% relative to 2020 as the result of the successful adaptation to the epidemiological conditions. A great deal of education and training was shifted to the web, using various communication tools. • A total of 94,024 training hours were organised in 2021. The NEK accounted for 56,627 hours of that amount or 94 hours per employee.	Continuous professional training of operational staff: a minimum of 140 hours a year for reactor operators and senior reactor operators; a minimum of 80 hours a year for shift engineers; and a minimum of 140 hours a year for equipment operators;
SEL	• Despite the difficult conditions in 2021, employees were afforded the opportunity to attend various training courses to acquire new knowledge. Those courses were attended by employees with an educational level ranging from Level 4 to Level 9, and were intended for management and engineering staff, and operational and maintenance staff. • Employees attended various education and training events and seminars (organised both live and remotely). The primary objectives of those events were the refreshment of employees' knowledge in the area of occupational health and safety, the acquisition of periodic certificates for the managers of energy devices, and the acquisition of knowledge from specific areas of the company's operations (electrical engineering, construction, the environment, accounting, etc.) • Employees received an average of 6.89 hours of training in 2021 (including periodic training in the occupational health and safety), or an average of 8.99 hours taking into account the periodic training of operational staff. • A total of 53 employees attended education and training courses in 2021, some attending more than one course.	

Company	Focus of professional education and training	Specialised education and training in the area of nuclear energy
HESS	• Professional education and training according to field of specialisation; participation in professional seminars, workshops, conferences, consultations and training courses, largely in the form of webinars: 1,041 hours of education and training, primarily in the form of webinars, attended by 44 employees (23.66 hours per employee); • employee training in the area of soft skills (creativity); • joint workshops on the topic of construction contracts; and • several specific training courses in the area of occupational health and safety, with the use of equipment and means for safe work at heights using a rope technique.	
TEB	• The company organised training in the following areas is 2021: information security, the use of handheld fire extinguishers, fire evacuation drills and the management of procedural safety at the TEB for employees, the basic processing and protection of classified information for employees with internal access to classified information, occupational safety and health and fire safety examinations for all employees, and individual professional education and training. • For management and executive staff, the company organised successful leader training for constructive communication, intergenerational cooperation and leadership training, and a seminar on health and social care challenges posed by the COVID-19 pandemic. • The COVID-19 epidemic affected the number of education and training events organised, with those events being organised remotely and online as required.	
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. • The GEN-I Academy: an online tool that includes several different types of educational content: onboarding (training for new employees for their introduction to the work process), green onboarding (a programme that includes all new employees with the aim of promoting a green mindset and sustainable development). • Employees received an average of 9.33 hours of education and training.	

BALANCING FAMILY LIFE AND CAREER

Družini prijazno podjetje

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

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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 seven scholarship recipients and the GEN Group had 39 scholarship recipients as at 31 December 2021.

Scholarship recipients at GEN Group companies

	31 December 2021
GEN	7
GEN-I	8
NEK	22
SEL	0
TEB	2
HESS	0
TOTAL	**39**

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.

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.

Key professional education and training topics

Company	Topics	Target audience	Results in 2021
GEN	• The World of Energy was closed during the first half of the year. 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 2021: – Young in the World of Energy. – The Young Geniuses energy competition (in cooperation with the NEK) was postponed until the 2021/22 scholastic year. – 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.	School children and adolescents, teachers and professors/mentors, families, the wider professional public, different interest groups (associations, companies, etc.).	• A total of 71,229 visitors from the opening of the centre until 31 December 2021; 3,478 visitors in 2021 (by the end of the year, we had turned back 33 previously planned groups or around 1,650 visitors following the closure of the centre in accordance with the recommendations of the NIJZ). • Summer camp for 10 talented students in cooperation with the Faculty of Energy Technology at the University of Maribor (building of a smart house). • More than 500 Slovenian children and adolescents took part in the Young in the World of Energy competition, and produced more than 250 products. • More than 500 visitors to online events in the scope of the European Researchers' Nights event and the 'Night Has Its Power' project. • 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 2021. • 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 operations 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.

Company	Topics	Target audience	Results in 2021
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 70) 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 groups of visitors to hydroelectric power plants were limited due to conditions in connection with COVID-19 (fulfilment of RVT conditions and compliance with rules to prevent the spread of the virus). • 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.	Local communities and general public	• A total of 123 visits to the Brežice HPP were recorded in 2021. • 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. • Regular publication of newsletters and notifications on the website and social networks regarding the operations of the company and its active concern for the environment.
TEB	• Guided tours of the power plant were limited. • 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.	• Five tours; total of 93 visitors. • Notices on the TEB's website and in other media. • Two 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.

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 2021, the aforementioned interactive multimedia centre on energy and energy technologies recorded 71,229 visitors. However, the number of visitors was down sharply in 2021, to just 3,478. In line with the recommendations of the Ministry of Health and National Institute of Public Health (NIJZ), we limited access to the centre due to the increased risk of the spread of the new coronavirus. The World of Energy began receiving small groups again in July, while RVT conditions were introduced in September for visitors aged 15 years and older. By the end of the year, we had turned away 33 groups or 1,650 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 during the previous year. This was primarily due to the fact that schools primarily organised various forms of remote learning and focused on basic content.

Due to 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 amongst young people. We therefore enhanced virtual visits with the possibility of live participation in the form of video conferences. In March 2021, we organised an online training event entitled 'Energy consumption and savings in a contemporary society', which was attended by 144 primary and secondary school mentors from the Eco-School programme. In May, we organised an online workshop regarding energy for 25 participants from Ljudska univerza in Krško, an adult education centre. In September, we again participated in live events, such as *Elektrofest* in Ljubljana, *Parada učenja* in Krško and European Researchers' Night in Ljubljana. We were visited by around 900 participants in the scope of those presentations.

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.

With the help of online visits and events, we recorded 1,309 visitors in 2021.

- At the beginning of January, we used YouTube to broadcast the first educational film in the 'Secrets of the World of Energy' series, entitled 'Electricity consumers in our home'.
- As part of our cooperation with the Eco-School programme, we prepared materials for the national Eco Quiz competition on the subject of energy for eighth graders, in which 208 pupils participated.
- We prepared an educational film on electricity for fourth graders entitled 'Exploration Hours'. We shared the film and, at the end of March, we presented it on the Facebook profile of the World of energy and YouTube, and directly to schools in cooperation with the National Education Institute.
- In cooperation with Nik Škrlec, we presented a new educational film from the 'Secrets of the World of Energy' series at the end of August 2021 on the topic of energy consumption throughout history and the impact of energy consumption on air quality. We presented the film to the general public at the beginning of September via social networks.
- In September, we participated in preparations for and the organisation of presentations at *Elektrofest* in Ljubljana, which is traditionally intended for the students of electrical and vocational secondary schools, and in *Parada učenja* in Krško and European Researchers' Night. We participated in the 'Night Has Its Power' project, in the scope of which we set up a stall on Prešern Square in the centre of Ljubljana to present content from the World of Energy.
- In December, we released a new film in the 'Exploration Hours' series: 'Electrostatics – the Van de Graaff generator'.
- At the end of the year, we recorded a New Year's message from the GEN Group's senior management, 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 2021:

- **'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. Despite the epidemiological conditions, a new Young in the World of Energy contest (*MladiVSE*) was announced at the beginning of the 2020/21 scholastic year for the development of creative products on the subject: *Low-carbon is the Best!* As expected, fewer people registered for the competition relative to the previous year due to remote learning for part of the year. We received more than 250 different products, while the contest involved more than 500 children and adolescents from all over Slovenia.

Primary and secondary school students and their mentors who produced the best products during the 2020/21 scholastic year according to a panel of experts were recognised on 20 September 2021 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 2021/22 scholastic year.

- **'Young Geniuses' quiz**

In association with the NEK, we have organised the 'Young Geniuses' project, a quiz on energy topics, for the last eight years. During the 2020/21 scholastic year, we cancelled the aforementioned competition due to the adverse epidemiological conditions and uncertain situation. Schools reduced the scope of extracurricular events and competitions on account of the unpredictable situation, the absence of both pupils and teachers, and the distance learning regime.

In order to keep attention focused on the project, which encourages pupils to take an in-depth approach to the exploration of the entire history of energy, sustainability and renewable sources, we prepared a short video during the 2020/21 scholastic year that presents highlights from the quiz. In May 2021, we published the video on the project website and social networks.

Preparations were made during the 2021/22 scholastic year for the new 'Young Geniuses' project, which is intended for all primary school pupils in the Posavje region.

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 2021 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, including:

- online 'Linking Energy Sectors' consultations organised by the Slovenian Energy Association;
- the En.Odmev conference organised by Energetika.net;
- the Strategic Council of the Chamber of Commerce and Industry of Slovenia (GZS) for the energy transition;
- an OECD webinar entitled: 'Policy perspectives on nuclear fuel cycle technologies';
- the Croatian Nuclear Society Forum in Zadar;
- the City Council of the Municipality of Krško;
- regional branches of the GZS;
- the International Conference of Nuclear Experts organised by the Nuclear Society of Slovenia;
- the alumni meeting of the Faculty of Energy Technology;
- Energy Days organised by the Finance Academy;
- the IFNEC Conference on the Financing of Nuclear projects;
- consultations of the Energy Section of the Dolenjska and Bela Krajina chambers of commerce and industry;
- professional consultations on the role of nuclear energy as a low-carbon energy source; and
- the Municipality of Brežice and Brežice Administrative Unit.

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. The number of visits doubled during the 2020/21 scholastic year relative to pre-corona years. The website received 41,113 visits in 2021. 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 that currently function 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.);
- scientific centres (in particular the House of Experiments in Ljubljana and Tehnopark Celje), and by participating in the creation of a new science centre in Ljubljana; and
- other programmes and projects that promote sustainable development and energy literacy in Slovenian schools.

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 2021, nearly 51% of all funds were earmarked for the local environments in which our companies operate, while 49% of funds were received by organisations throughout Slovenia.

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.

MANAGEMENT SYSTEMS

All employees of GEN Group companies are directly included in 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 (occupational health and safety system) and ISO 9001 standards.

The GEN Group places a great 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 2021 associated with the implementation, maintenance and development of management systems, and plans for 2022.

Activities in the area of management systems

Company	Certificate	Implemented activities	Key plans for 2022
GEN	ISO9001	• 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 of improvements to the management system.
NEK	ISO 14001	• In September 2021, an internal assessment of the environmental management system was performed in accordance with the ISO 14001:2015 standard, followed in November by a control assessment performed by a 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 in 2020. 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 second control assessment. That system will be verified by an external certification organisation.
	ISO 45001	• In September, an internal assessment was performed in accordance with the ISO 45001:2018 standard, followed in November by an assessment performed by an external certification organisation, which confirmed the compliance of the occupational health and safety system with the aforementioned standard. • Corrective measures are being implemented to eliminate deficiencies identified in an internal assessment as part of an internal analysis in the corrective programme. 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 in 2020.	• Review and analysis of the 2021 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. • Preparations for and the safe implementation of a scheduled major overhaul in 2022.
SEL	ISO 9001	• Performance of an internal assessment (May and June 2021) and management review (August 2021), which were delayed due to measures in connection with COVID-19. • A three-year control assessment was carried out to extend the validity of the ISO 9001 certificate (September 2021). • No cases of non-compliance were identified during the control assessment; recommendations and opportunities for improvements were issued and identified. The main finding was that the management system is mature and has been successfully implemented at all locations.	• A second control assessment is planned in 2022. • The substantive upgrading of the ISO 9001 quality management system is planned in 2022, as well as the establishment of a software module for the efficient use of the system. That module will facilitate the transparent monitoring of documentation, and the revision, review and approval thereof, as well as notification regarding the company's internal acts. • The company is planning to perform an internal assessment and management review prior to the external control assessment.
	Environmental management process (without ISO 14001 certification)	• The process was included in the internal assessment, management review and recertification in accordance with the ISO 9001 standard. • No findings were issued in connection with the environmental management process during the assessment. During the process, we followed guidelines on sustainable hydro energy.	• The substantive updating of the environmental management process will continue in 2022.
	The process of ensuring occupational health and safety, and fire safety (without ISO 45001:2018 certification).	• The process was included in the internal assessment, management review and recertification in accordance with the ISO 9001 standard. • In the process, we acted in accordance with the principles of the ISO 45001:2018 standard and according to various technical guidelines for fire safety. • The process of ensuring occupational health and safety was strongly characterised by COVID-19 again in 2021. The company adopted general and special protective measures to prevent the spread of the aforementioned infectious disease. It also carried out regularly planned activities, but to a lesser extent due to the poor epidemiological conditions.	• The substantive updating of the process of ensuring occupational health and safety is planned in 2022.
TEB	ISO 9001	• 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 an external control audit of the management system.
	ISO 14001	• Internal assessment of the management system performed. • Management review performed. • Performance of a follow-up external assessment of the management system.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of an external control audit of the management system.
	ISO 45001	• Internal assessment of the management system performed. • Management review performed. • Performance of a follow-up external assessment of the management system in conjunction with the transition to ISO 45001.	• Performance of an internal assessment of the management system. • Performance of a management review. • Performance of an external control audit of the management system. • Pursuit of goals and implementation of the work plan for the current year in the areas of occupational health and safety, and fire safety.
	Recognition for business excellence according to the EFQM	• Identification of the balanced and effective management of the needs and expectations of stakeholders, as well as the management and updating of internal processes and the strengthening of cooperation within the company.	• Continuation and/or updating of the identification of the balanced and effective management of the needs and expectations of stakeholders, as well as the management and updating of internal processes and the strengthening of cooperation at the TEB.

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.

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 2021, 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**

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, 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: 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 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, GEN 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.

PROJECT RISKS AND OPPORTUNITIES

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

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 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 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 in connection 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.

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 is present 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.

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 and 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.

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, 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.

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

INTRODUCTORY NOTES ON THE COMPILATION OF THE FINANCIAL STATEMENTS

Together with the financial statements and notes thereto, the financial report is an integral part of the annual report. It is presented in two separate sections, one for GEN and another for the GEN Group.

The audit firm Deloitte audited the individual financial statements of GEN and the consolidated financial statements of the GEN Group separately, and drafted two separate reports that are included in each section.

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; and
- consolidated financial statements for the GEN Group in accordance with the provisions of the Intergovernmental Agreement on the NEK, valid legislation and the IFRS in sections not explicitly governed by the Intergovernmental Agreement on the NEK.

The values presented in the financial statements of GEN and the GEN Group are in euros without cents.

STATEMENT ON THE RESPONSIBILITIES OF SENIOR MANAGEMENT

The senior management of GEN is responsible for compiling the annual report of GEN and the GEN Group, and the financial statements contained therein, that provides a true and fair picture of the financial position and operating results of GEN and its subsidiaries for the 2021 financial year.

Senior management hereby confirms:

- that selected accounting policies were applied consistently;
- that accounting estimates were made according to the principles of prudence and due diligence;
- that the financial statements and accompanying notes were compiled under the assumption that GEN and its subsidiaries are going concerns;
- that GEN's financial statements have been compiled in accordance with the provisions of the Intergovernmental Agreement on the NEK, valid legislation and the Slovenian Accounting Standards in sections not explicitly governed by the Intergovernmental Agreement on the NEK; and
- that the GEN Group's financial statements have been compiled in accordance with the provisions of the Intergovernmental Agreement on the NEK, valid legislation and the IFRS as adopted by the EU 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 the assets of GEN and the GEN Group, 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 and the GEN Group for the financial year ending 31 December 2021, together with the accompanying policies and notes, were approved by the company's senior management.

Vrbina, 3 June 2022

Radanović

Gordana Radanovič, MSc
CFO

Danijel Levičar
COO

Blaž Košorok

Blaž Košorok
CEO

FINANCIAL STATEMENTS OF GEN

BALANCE SHEET – ASSETS

Balance sheet – assets (in EUR)	Notes	31 December 2021	31 December 2020
ASSETS		641,955,378	634,934,444
Non-current assets		522,511,924	515,411,347
Intangible assets, and non-current deferred expenses and accrued revenue	1	**320,763**	**484,243**
Intangible assets		309,717	478,104
Long-term property rights		274,448	441,454
Other intangible assets		35,269	36,650
Non-current deferred expenses and accrued revenue		11,046	6,139
Property, plant and equipment	2	**19,503,216**	**19,036,081**
Land and buildings		5,184,199	5,586,912
Land		485,788	485,788
Buildings		4,698,411	5,101,124
Other plant and equipment, small inventory and other property, plant and equipment		702,474	627,108
Property, plant and equipment in acquisition		13,616,543	12,822,061
Non-current financial assets	3	**495,280,179**	**488,919,067**
Non-current financial assets, excluding loans		488,669,068	485,419,067
Shares and participating interests in group companies		290,642,389	290,142,388
Shares and participating interests in associates and joint venture		197,707,413	194,957,413
Other shares and participating interests		319,266	319,266
Long-terms loans		6,611,111	3,500,000
Long-term loans to group companies		6,611,111	0
Long-term loans to others		0	3,500,000
Non-current operating receivables		**122,541**	**203,787**
Non-current operating receivables from others		122,541	203,787
Deferred tax assets	4	**7,285,225**	**6,768,169**
Current assets		119,361,141	119,424,729
Inventories		**4**	**0**
Material		4	0
Current financial assets	5	**41,692,091**	**50,716,078**
Short-term loans		41,692,091	50,716,078
Short-term loans to group companies		789,232	0
Short-term loans to others		40,902,859	50,716,078
Current operating receivables	6	**42,338,768**	**32,010,252**
Current operating receivables from group companies		31,349,898	19,795,965
Current trade receivables		3,105,857	5,834,349
Current operating receivables from others		7,883,013	6,379,938
Cash and cash equivalents	7	**35,330,278**	**36,698,399**
Current deferred expenses and accrued revenue	8	82,313	98,368

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

BALANCE SHEET – EQUITY AND LIABILITIES

Balance sheet – equity and liabilities (in EUR)	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES		641,955,378	634,934,444
Equity	10	536,835,271	522,710,449
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		**136,745,379**	**113,386,501**
Legal reserves		2,605,980	2,605,980
Other revenue reserves		134,139,399	110,780,521
Fair value reserves		**-193,974**	**-264,855**
Retained earnings		**5,000,000**	**5,000,000**
Net profit or loss for the financial year		**13,526,971**	**22,831,908**
Provisions, and non-current accrued expenses and deferred revenue		76,686,423	71,239,641
Provisions, and non-current accrued expenses and deferred revenue	12	**76,686,423**	**71,239,641**
Provisions for severance payments and long-service bonuses		1,122,894	1,096,541
Other provisions		75,559,167	70,142,833
Non-current accrued expenses and deferred revenue		4,362	267
Non-current liabilities		41,955	110,672
Non-current operating liabilities		**41,506**	**110,224**
Non-current operating liabilities from advances		0	65,990
Other non-current operating liabilities		41,506	44,234
Deferred tax liabilities		**449**	**448**
Current liabilities		27,624,783	40,007,478
Current financial liabilities	13	**69,844**	**11,865,608**
Other current financial liabilities		69,844	11,865,608
Current operating liabilities	14	**27,554,939**	**28,141,870**
Current operating liabilities to group companies		11,916,936	8,186,177
Current trade payables		10,116,034	11,097,213
Current operating liabilities for advances		165,635	108,217
Other current operating liabilities		5,356,334	8,750,263
Current accrued expenses and deferred revenue	15	766,946	866,204

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

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BUSINESS REPORT
FINANCIAL REPORT

INCOME STATEMENT

Income statement (in EUR)	Notes	2021	2020
Net sales revenue	**17**	**236,828,392**	**227,655,344**
On the domestic market		236,644,281	227,447,041
On foreign markets		184,111	208,303
Other operating revenue	**17**	**139,066**	**1,147,241**
Cost of goods, materials and services	**20**	**182,228,677**	**154,720,646**
Historical cost of goods and materials sold		179,829,908	152,774,677
Costs of materials used		185,888	160,500
Costs of services		2,212,881	1,785,469
Labour costs	**20**	**4,886,901**	**4,481,368**
Wages and salaries		3,710,758	3,366,510
Social security costs		738,892	670,886
Other labour costs		437,251	443,972
Write-downs	**20**	**759,005**	**721,808**
Amortisation of intangible assets and depreciation of property, plant and equipment		759,005	719,268
Revaluation operating expenses for intangible assets and property, plant and equipment		0	2,540
Other operating expenses	**20**	**18,529,035**	**15,271,959**
Financial income from shares and participating interests	**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	**18**	**42,609**	**34,334**
Financial income from loans to group companies		31,504	0
Financial income from loans to others		11,105	34,334
Financial income from operating receivables		**17**	**1**
Financial income from operating receivables from others		17	1
Financial costs for financial liabilities		**137,422**	**199,271**
Financial costs for other financial liabilities		137,422	199,271
Financial costs for operating liabilities		**3,441**	**4,744**
Financial costs for trade payables		0	2
Financial costs for other operating liabilities		3,441	4,742
Other revenue		**411**	**905**
Other expenses		**113,801**	**159,382**
Corporate income tax	21	6,334,559	10,463,977
Deferred taxes	21	-524,496	-337,355
Net profit or loss for the period		**27,053,941**	**45,663,816**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

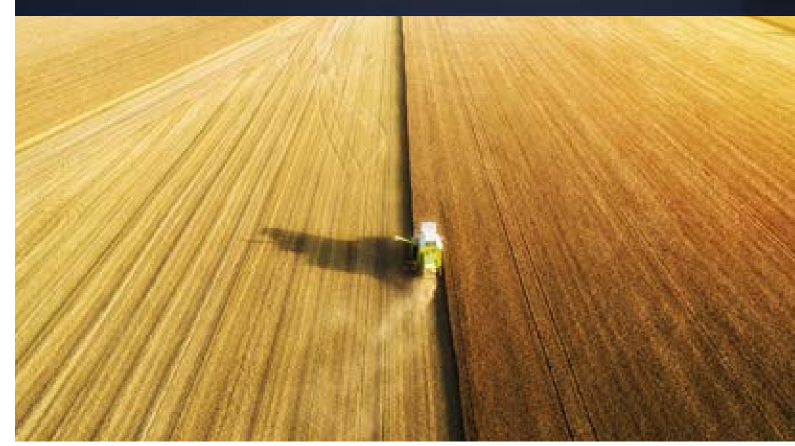
Statement of other comprehensive income (in EUR)	2021	2020
Net profit or loss for the period	**27,053,941**	**45,663,816**
Changes in fair value reserves	70,881	-184,045
Total comprehensive income for the period	**27,124,822**	**45,479,771**

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

CASH FLOW STATEMENT – VERSION II

Cash flow statement (version II; in EUR)	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income statement items	**22**	**21,515,959**	**51,510,094**
Operating revenue (excluding revaluation) and financial income from operating receivables		236,960,040	228,800,948
Operating expenses without amortisation/depreciation (excluding revaluation) and financial costs from operating liabilities		-200,238,007	-170,690,687
Corporate income tax and other tax not included in operating expenses		-15,206,074	-6,600,167
Changes in net working capital under balance-sheet operating items	**22**	**-2,188,084**	**-3,008,167**
Opening less closing operating receivables		-6,117,852	-5,220,269
Opening less closing accrued revenue and deferred expenses		11,148	125,994
Opening less closing inventories		-4	0
Closing less opening operating liabilities		4,024,067	2,371,950
Closing less opening accrued expenses and deferred revenue, and provisions		-105,443	-285,842
Net cash flow from operating activities		**19,327,875**	**48,501,927**
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows from investing activities	**22**	**57,204,523**	**81,356,175**
Inflows from interest and shares in profits of others related to investing activities		2,556,164	2,550,325
Inflows from the disposal of property, plant and equipment		59,470	5,850
Inflows from the disposal of financial assets		54,588,889	78,800,000
Outflows for investing activities	**22**	**-64,752,148**	**-94,359,952**
Outflows for the acquisition of intangible assets		-116,022	-178,052
Outflows for the acquisition of property, plant and equipment		-980,848	-606,900
Outflows for the acquisition of financial assets		-63,655,278	-93,575,000
Net cash flow from investing activities		**-7,547,625**	**-13,003,777**
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows from financing activities		**0**	**219,551**
Inflows from increase in financial liabilities		0	219,551
Outflows for financing activities	**22**	**-13,148,371**	**-9,719,551**
Outflows for interest related to financing activities		-148,371	-219,551
Outflows for the payment of dividends and other shares in profits		-13,000,000	-9,500,000
Net cash flow from financing activities		**-13,148,371**	**-9,500,000**
Closing balance of cash and cash equivalents		**35,330,278**	**36,698,399**
Net cash flow for the period		**-1,368,121**	**25,998,150**
Opening balance of cash and cash equivalents		**36,698,399**	**10,700,249**

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



STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2021 (in EUR)	Share capital	Share premium	Legal reserves	Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total
Balance at 1 January 2021	**250,000,000**	**131,756,895**	**2,605,980**	**110,780,521**	**-264,855**	**27,831,908**	**0**	**522,710,449**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**-13,000,000**	**0**	**-13,000,000**
Payment of dividends	0	0	0	0	0	-13,000,000	0	**-13,000,000**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**70,881**	**0**	**27,053,941**	**27,124,822**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	27,053,941	**27,053,941**
Changes in reserves due to the valuation of financial assets at fair value	0	0	0	0	70,881	0	0	**70,881**
Changes within equity	**0**	**0**	**0**	**23,358,878**	**0**	**-9,831,908**	**-13,526,970**	**0**
Other changes within equity	0	0	0	23,358,878	0	-9,831,908	-13,526,970	**0**
Balance at 31 December 2021	**250,000,000**	**131,756,895**	**2,605,980**	**134,139,399**	**-193,974**	**5,000,000**	**13,526,971**	**536,835,271**

Statement of changes in equity for 2020 (in EUR)	Share capital	Share premium	Legal reserves	Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total
Balance at 1 January 2020	**250,000,000**	**131,756,895**	**2,605,980**	**83,756,980**	**-80,810**	**18,691,633**	**0**	**486,730,678**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**-9,500,000**	**0**	**-9,500,000**
Payment of dividends	0	0	0	0	0	-9,500,000	0	**-9,500,000**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**-184,045**	**0**	**45,663,816**	**45,479,771**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	45,663,816	**45,663,816**
Changes in reserves due to the valuation of financial assets at fair value	0	0	0	0	-184,045	0	0	**-184,045**
Changes within equity	**0**	**0**	**0**	**27,023,541**	**0**	**-4,191,633**	**-22,831,908**	**0**
Other changes within equity	0	0	0	27,023,541	0	-4,191,633	-22,831,908	**0**
Balance at 31 December 2020	**250,000,000**	**131,756,895**	**2,605,980**	**110,780,521**	**-264,855**	**5,000,000**	**22,831,908**	**522,710,449**

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

NOTES TO THE FINANCIAL STATEMENTS OF GEN

The form and substance of GEN's financial report, as an integral part of the annual report, are defined in the Companies Act (ZGD-1). The financial report includes a separate 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 by GEN 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. GEN'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 the provisions of GEN's accounting rules governing materiality.

ACCOUNTING ASSUMPTIONS AND QUALITATIVE CHARACTERISTICS OF THE FINANCIAL STATEMENTS

In accounting for business events for the compilation of the financial statements, the company follows 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 and 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.

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.

SIGNIFICANT ACCOUNTING POLICIES OF GEN

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.

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 2021)
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 2021.

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 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 entire term of the lease. A short-term lease is a lease with a lease term of up to 1 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.

FINANCIAL ASSETS

Financial assets primarily comprise investments in financial instruments: in the equity of subsidiaries, associates and other companies, and debt investments.

On initial recognition, financial assets are classified to the following categories:

- financial assets measured at fair value through profit or loss;
- financial assets held-to-maturity;
- investments in loans; or
- available-for-sale financial assets.

Following initial recognition, financial assets and derivatives classified as financial assets must be measured at fair value, without subtracting the transactions costs that could arise in the sale or other disposal of those instruments, except:

- investments in loans that are measured at amortised cost using the effective interest rate method;
- financial assets held to maturity that are measured at amortised cost using the effective interest rate method; and
- 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; such financial assets are measured at historical cost.

Investments in the equity of subsidiaries, associates and other companies are measured and accounted for strictly at historical cost. If there is impartial evidence of the impairment of such a financial asset, the amount of the associated impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of expected future cash flows, discounted according to the current market yield for similar financial assets, and is recognised as a revaluation financial expense.

Investments comprise financial assets that are disclosed in the company's statement of financial position as non-current and current financial assets. Non-current financial assets are those assets that the company intends to hold to maturity over a period of more than one year, but not for trading purposes.

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

Participation in profit and dividends on equity instruments are recognised in profit or loss when the right to participation and/or dividends is obtained.

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.

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. If there is impartial evidence of a loss due to the revaluation of receivables to a lower recoverable amount, impairment losses are measured as the difference between the carrying amount of the receivables and the present value of expected future cash flows. The carrying amount of receivables must be reduced by the calculated adjustment to the value of the item in question.

Adjustments to the value of receivables that the company assesses will not be repaid in full are created individually. Value adjustments reduce the carrying amount of receivables and increase revaluation operating expenses, except for adjustments to the value of receivables for interest or dividends, which increase the value of revaluation financial expenses.

Risks in connection with trade receivables are managed using collateral in the form of blank bills of exchange or bank guarantees.

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.

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.

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.

Fair value reserves in connection with financial assets arise due to the measurement of financial assets at fair value and are adjusted to changes in fair value. They primarily comprise actuarial gains and losses from estimates for severance payments to employees at retirement. They are reversed through profit and loss.

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

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%, wage growth of up to 4% and a discount rate of 0.8039% (2020: employee turnover of up to 1.5%, wage growth of up to 4.0% and a discount rate of 0.3107%), 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.

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.

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.

REVENUE

Revenue is broken down into operating revenue, financial income and other revenue. Operating revenue and financial income are considered ordinary revenue.

OPERATING REVENUE

Operating revenue comprises sales revenue, other operating revenue in connection with products and services, and revaluation 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. They are 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 group companies and 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 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 a 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 directly 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 obtained 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.

GOVERNMENT GRANTS AND STATE AID

Other operating revenue in connection with products and services comprise 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 to 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.

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, and employee-related costs for benefits in kind (bonuses).

Other operating expenses include a concession fee, 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.

OFFSETTING

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

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. It 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.

SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS OF GEN

The notes are a constituent part of GEN's financial statements and must be read in connection with them

INTANGIBLE ASSETS (NOTE 1)

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 2020	**4,026,995**	**7,994**	**140,665**	**0**	**4,175,654**
Acquisitions	47,433	0	3,999	8,055	59,487
Reclassification	0	0	6,705	-6,705	0
Balance at 31 December 2021	**4,074,428**	**7,994**	**151,369**	**1,350**	**4,235,141**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2020	**3,593,468**	**67**	**104,015**	**0**	**3,697,550**
Amortisation	213,640	799	13,435	0	227,874
Balance at 31 December 2021	**3,807,108**	**866**	**117,450**	**0**	**3,925,424**
CARRYING AMOUNT					
Balance at 31 December 2020	**433,527**	**7,927**	**36,650**	**0**	**478,104**
Balance at 31 December 2021	**267,320**	**7,128**	**33,919**	**1,350**	**309,717**
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**	**0**	**3,505,019**
Amortisation	188,712	67	3,752	0	192,531
Balance at 31 December 2020	**3,593,468**	**67**	**104,015**	**0**	**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**

Intangible assets primarily comprise funds invested in the company's information systems that are required for operations. The balance of intangible assets was down relative to the previous period because investments in information systems to support GEN's operations did not exceed amortisation.

PROPERTY, PLANT AND EQUIPMENT (NOTE 2)

Changes in property, plant and equipment (in EUR)	Land	Buildings	Equipment	Assets in acquisition	Total
HISTORICAL COST					
Balance at 31 December 2020	**485,788**	**8,389,934**	**5,122,462**	**12,822,061**	**26,820,245**
Acquisitions	0	65	255,343	794,482	1,049,890
Disposals and derecognition	0	-93,710	-289,854	0	-383,564
Balance at 31 December 2021	**485,788**	**8,296,289**	**5,087,951**	**13,616,543**	**27,486,571**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2020	**0**	**3,288,810**	**4,495,354**	**0**	**7,784,164**
Depreciation	0	351,154	179,977	0	531,131
Disposals and derecognition	0	-42,086	-289,854	0	-331,940
Balance at 31 December 2021	**0**	**3,597,878**	**4,385,477**	**0**	**7,983,355**
CARRYING AMOUNT					
Balance at 31 December 2020	**485,788**	**5,101,124**	**627,108**	**12,822,061**	**19,036,081**
Balance at 31 December 2021	**485,788**	**4,698,411**	**702,474**	**13,616,543**	**19,503,216**
HISTORICAL COST					
Balance at 31 December 2019	**485,788**	**8,341,232**	**4,993,519**	**12,318,047**	**26,138,586**
Acquisitions	0	48,702	193,708	527,641	770,051
Reclassification	0	0	23,627	-23,627	0
Disposals and derecognition	0	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	**0**	**2,938,401**	**4,401,130**	**0**	**7,339,531**
Depreciation	0	350,409	176,329	0	526,738
Disposals and derecognition	0	0	-82,105	0	-82,105
Balance at 31 December 2020	**0**	**3,288,810**	**4,495,354**	**0**	**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**

The company's property, plant and equipment comprise land and buildings 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 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 6,923,884 (EUR 6,136,229 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 4,697,047 on the final day of the reporting period (EUR 5,045,797 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.

NON-CURRENT FINANCIAL ASSETS (NOTE 3)

Non-current financial assets (in EUR)	31 December 2021	31 December 2020
Subsidiaries	**290,642,389**	**290,142,388**
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	23,507,478	23,007,477
Associates	**197,707,413**	**194,957,413**
NEK	197,697,413	194,947,413
SRESA	10,000	10,000
Other shares and participating interests	**319,266**	**319,266**
ZEL-EN	124,101	124,101
PRVA GROUP	195,165	195,165
Long-term loans to others	**6,611,111**	**3,500,000**
Long-term loans to group companies	6,611,111	0
Bank deposits placed	0	3,500,000
Total	**495,280,179**	**488,919,067**

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 488,349,802 on the final day of the reporting period (EUR 485,099,801 on the final day of the same period last year).

Changes in non-current financial assets (in EUR)	31 December 2021	31 December 2020
Opening balance	**488,919,067**	**468,232,467**
Subsequent share premium payments to the associate NEK under general meeting resolution	2,750,000	18,175,000
Long-term bank deposits	-3,500,000	3,500,000
Long-term loans to group companies	6,611,111	0
Increase in investment in participating interest in GEN-EL based on options contract	500,001	0
Derecognition of investment in participating interest in GEN-EL according to provision of options contract	0	-1,183,565
Transfer of investment in PRVA GROUP from current to non-current financial assets	0	195,165
Closing balance	**495,280,179**	**488,919,067**

Subsidiaries and associates	Direct ownership as at 31 December 2021	Indirect ownership as at 31 December 2021	Value of equity as at 31 December 2021 (in EUR)	Net profit or loss in 2021 (in EUR)
Subsidiaries on account of majority stake				
SEL	100.00%	-	158,708,623	249,847
TEB	100.00%	-	74,391,139	5,232,106
HESS	33.50%	51.00%	289,752,033	2,381,695
GEN-EL	50.00%	100.00%	47,047,585	1,937,585
Subsidiaries on account of controlling influence for other reasons				
GEN-I	50.00%	50.00%	172,994,481	73,510,507
Associates				
NEK	50.00%	-	481,585,536	0
SRESA	10.00%	40.00%	49,927	-2,202

SUBSIDIARIES:

GEN exercises a controlling influence over GEN-I on the basis of 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 6 to the umbrella agreement on the purchase and sale of electricity of 9 November 2020, and the statement of senior management on the assessment of control over GEN-I.

GEN exercises its controlling influence over GEN-EL based on options contracts that allow GEN and/or GEN-I to acquire participating interests in GEN-EL. GEN officially acquired a 25% participating interest when it exercised an options contract with the payment of consideration on 28 June 2021. That change was entered in the companies register on 30 December 2021. Because GEN-I is a subsidiary of GEN, the latter is deemed to hold a 100% equity interest in GEN-EL in accordance with paragraph 4 of Article 528 of the ZGD-1. *(Disclosures can also be found in the second paragraph of the section Events after the reporting period at GEN.)*

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.

In connection with the equity interest in HESS:

- at any time between 1 June 2023 and 31 December 2023, HSE has the right, under certain conditions, to purchase a 35.6% participating interest in HESS, broken down as follows: 14.7% from SEL and 20.9% from GEN. HSE must exercise the aforementioned right vis-à-vis both GEN and SEL simultaneously; and
- in the event of an unplanned outage of the NEK lasting several months, GEN has the right, under certain conditions, to sell its participating interest in HESS of up to 20.9%, while HSE is obligated to purchase that participating interest at any time until 31 December 2023.

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 relevant general meeting resolution, subsequent payments to the share premium account in the total amount of EUR 2,750,000 were made to the associate NEK in 2021 (EUR 18,175,000 the previous year). Liabilities for subsequent payments to NEK under the aforementioned resolution are thus paid in full.

DEFERRED TAX ASSETS (NOTE 4)

Changes in deferred tax assets (in EUR)	31 December 2021	31 December 2020
Opening balance	**6,768,169**	**6,411,494**
Reversal and use of provisions	-593	-38,162
Increase due to the creation of provisions	517,649	394,773
Other	0	64
Closing balance	**7,285,225**	**6,768,169**

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 7,178,121 on the final day of the reporting period (EUR 6,663,596 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.

CURRENT FINANCIAL ASSETS (NOTE 5)

The company disclosed current financial assets in the amount of EUR 41,692,091 at the end of 2021, compared with EUR 50,716,078 at the end of 2020. Current financial assets at the end of the reporting period comprised investments in the form of bank deposits in the amount of EUR 40,902,859 at the end of the reporting period (EUR 50,716,078 at the end of 2020) and the current portion of a loan to TEB in 2021.

The basis for the recognition of assets in the form of long-term 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.

CURRENT OPERATING RECEIVABLES (NOTE 6)

Current operating receivables (in EUR)	31 December 2021	31 December 2020
Current operating receivables due from group companies	**31,349,898**	**23,253,140**
Current receivables from GEN-I	28,139,529	19,082,749
Current advances from TEB	2,765,740	3,457,175
Current receivables from SEL	340,812	587,454
Current receivables from TEB	102,600	124,545
Current receivables from GEN-EL	1,217	1,217
Other current trade receivables	**3,105,857**	**5,834,349**
Current operating receivables for electricity sold to others	3,091,408	5,757,356
Current operating receivables from others	14,449	76,993
Current operating receivables from state institutions	**7,736,736**	**2,801,111**
Current receivables for VAT	3,581,293	2,789,175
Other current receivables from state institutions	4,155,443	11,936
Other current operating receivables	**146,277**	**121,652**
Current advances	132,963	111,454
Security deposits paid	10,000	10,000
Other current receivables	3,314	198
Total	**42,338,768**	**32,010,252**

An adjustment was made on the cut-off date of 31 December 2020 in connection with the inclusion of a short-term advance to TEB in the amount of EUR 3,457,175, as that advance was erroneously disclosed in current operating receivables from others as at 31 December 2020. Because the short-term advance to TEB belongs in current operating receivables from group companies, an adjustment was made to the balance as at 31 December 2020 in the above-stated amount, while the amount of EUR 2,765,740 was also recognised as such as at 31 December 2021.

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.

Other current receivables from government institutions in the amount of EUR 4,129,418 relate to receivables for prepayments of corporate income tax in 2021, while the calculated liability for corporate income tax was lower by the aforementioned amount.

CASH AND CASH EQUIVALENTS (NOTE 7)

Cash and cash equivalents amounted to EUR 35,330,278 on the final day of the reporting period, compared with EUR 36,698,399 on the final day of 2020. 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 had not entered into an agreement on an automatic overdraft facility as at the last day of the reporting period.

DEFERRED EXPENSES AND ACCRUED REVENUE (NOTE 8)

Current deferred expenses and accrued revenue (in EUR)	31 December 2021	Created	Used	31 December 2020
Current deferred costs	80,555	138,158	153,909	96,306
Current accrued revenue	1,758	9,752	10,056	2,062
Total	**82,313**	**147,910**	**163,965**	**98,368**

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 2021.

CONTINGENT ASSETS AND LIABILITIES (NOTE 9)

Contingent assets and liabilities (in EUR)	31 December 2021	31 December 2020
Bank guarantees received as collateral for payment	960,458	6,815,330
Contingent liability for subsequent capital contributions	0	2,750,000
Enforcement draft as collateral for consideration from options contract	0	11,784,815
Performance bonds in the form of bank guarantees issued	650,000	1,150,000
Estimated current borrowings	53,330	47,673
Total	**1,663,788**	**22,547,818**

EQUITY (NOTE 10)

Structure of equity (in EUR)	31 December 2021	31 December 2020
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	**136,745,379**	**113,386,501**
Legal reserves	2,605,980	2,605,980
Other revenue reserves	134,139,399	110,780,521
Fair value reserves	**-193,974**	**-264,855**
Retained earnings	**5,000,000**	**5,000,000**
Net profit or loss	**13,526,971**	**22,831,908**
Total equity	**536,835,271**	**522,710,449**

The company's total equity increased by EUR 14,124,822 in 2021 (by EUR 35,979,771 in 2020) as the result of the net profit of EUR 27,053,941 generated in the current year, less the profit participation paid to the company's owner in the amount of EUR 13,000,000, and other minor changes in reserves due to revaluation.

Based on the owner's resolution, a portion of profit from 2020 in the amount of EUR 9,831,908 was transferred to other revenue reserves in 2021 (EUR 4,191,633 from 2019 was transferred in 2020). A total of EUR 13,526,970 of the net profit generated in 2021 was reclassified to other reserves based on the resolution of senior management (EUR 22,831,908 of the net profit generated in 2020 was transferred to other reserves in 2020).

DISCLOSURE OF DISTRIBUTABLE PROFIT (NOTE 11)

Distributable profit (in EUR)	2021	2020
Opening balance of distributable profit	**27,831,908**	**18,691,633**
Payments of shares in profit	-13,000,000	-9,500,000
Net profit for the financial year	27,053,941	45,663,816
Increase in revenue reserves under resolution of company's bodies	-23,358,878	-27,023,541
Closing balance of distributable profit	**18,526,971**	**27,831,908**

The senior management and Supervisory Board of GEN propose to the founder that distributable profit in the amount of EUR 18,526,971 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:

- expansion of the NEK's production capacities;
- subsequent capital contributions paid to HESS for the construction of the Mokrice HPP;
- payment for the purchase of equity interests in electricity companies;
- investments in information technology and other fixed assets necessary for the smooth operation of the company; and
- other purposes in 2022 and subsequent years in accordance with the business plan of GEN and the GEN Group for 2022, with a forecast of operations for 2023 and 2024, and the revised business plan.

PROVISIONS, AND NON-CURRENT ACCRUED EXPENSES AND DEFERRED REVENUE (NOTE 12)

Provisions, and non-current accrued expenses and deferred revenue (in EUR)	31 December 2021	Used	Created	31 December 2020
Provisions for onerous contracts	75,559,167	0	5,416,334	70,142,833
Provisions for severance payments and long-service bonuses	1,122,894	-6,247	32,600	1,096,541
Non-current accrued expenses and deferred revenue	4,362	-636	4,731	267
Total	**76,686,423**	**-6,883**	**5,453,665**	**71,239,641**

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.

CURRENT FINANCIAL LIABILITIES (NOTE 13)

Current financial liabilities (in EUR)	31 December 2021	31 December 2020
Current financial liabilities to others	**69,844**	**11,865,608**
Current financial liabilities to others from options contract	69,844	11,865,608
Total	**69,844**	**11,865,608**

Current financial liabilities comprise liabilities from options contracts, the right to which was exercised in 2021. They are also presented in Note 3 Non-current financial assets. Financial liabilities from options contracts comprise liabilities for accrued interest during the reporting period in the amount of EUR 69,844.

CURRENT OPERATING LIABILITIES (NOTE 14)

Current operating liabilities (in EUR)	31 December 2021	31 December 2020
Current liabilities to group companies	**11,916,936**	**8,186,177**
Current liabilities to SEL	2,486,078	2,047,842
Current liabilities to GEN-I	1,471,052	3,023,474
Current liabilities to TEB	6,887,853	1,984,356
Current liabilities to HESS	1,071,953	1,130,505
Other current trade payables	**10,116,034**	**11,097,213**
Current liabilities to associates	9,244,674	9,948,256
Current trade payables (domestic)	722,693	1,148,957
Current trade payables (foreign)	148,667	0
Current operating liabilities based on advances	**165,635**	**108,217**
Other current operating liabilities	**5,356,334**	**8,750,263**
Liabilities for value-added tax	2,804,383	1,551,922
Liabilities for corporate income tax (prepayments and current liabilities)	871,998	5,621,536
Liabilities for environmental protection levies	1,237,024	1,171,195
Other liabilities	442,929	405,610
Total	**27,554,939**	**28,141,870**

CURRENT ACCRUED EXPENSES AND DEFERRED REVENUE (NOTE 15)

Current accrued expenses and deferred revenue (in EUR)	31 December 2021	Created	Used	31 December 2020
Accrued costs and expenses	221,881	282,461	245,749	185,169
Current deferred revenue	590	298	523	815
VAT on advances paid	544,475	572,865	708,610	680,220
Total	**766,946**	**855,624**	**954,882**	**866,204**

REVENUE (NOTE 16)

Revenue (in EUR)	2021	2020
Operating revenue	236,967,458	228,802,585
Financial income	2,554,417	2,546,126
Other revenue	411	905
Total	**239,522,286**	**231,349,616**

OPERATING REVENUE (NOTE 17)

Operating revenue (in EUR)	2021	2020
Sales revenue on the domestic market	**236,644,281**	**227,447,041**
Revenue from transactions with group companies	201,147,053	171,828,942
Revenue from transactions with other companies	35,497,228	55,618,099
Sales revenue on foreign markets	**184,111**	**208,303**
Revenue on the EU market	184,111	208,303
Other operating revenue	**139,066**	**1,147,241**
Revenue from the reversal of accrued expenses and deferred revenue	7,900	11,395
Revenue from use of provisions in connection with the NEK	0	391,412
Other revenue	131,166	744,434
Total	**236,967,458**	**228,802,585**

Revenue from sales on the domestic market in the amount of EUR 236,468,525 in 2021 comprises revenue from the sales of electricity and directly related services (2020: EUR 227,271,346).

Other revenue and state aid in accordance (in EUR)	2021	2020
Reimbursement of paid interest under options contract	0	695,897
Unrealised options contract	57,316	0
Operational support for electricity produced by Borzen	10,835	11,431
State reimbursement – ZZZS	42,281	27,738
State aid in connection with COVID-19 – isolation	11,762	6,022
State aid in connection with COVID-19 – crisis bonus	0	304
Other	8,972	3,042
Total	**131,166**	**744,434**

FINANCIAL INCOME (NOTE 18)

Financial income (in EUR)	2021	2020
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	**42,609**	**34,334**
Financial income from loans to group companies	31,504	0
Financial income from loans to others	11,105	34,334
Financial income from operating receivables	**17**	**1**
Total	**2,554,417**	**2,546,126**

EXPENSES (NOTE 19)

Expenses (in EUR)	2021	2020
Operating expenses	206,403,618	175,195,781
Financial costs	140,863	204,015
Other expenses	113,801	159,382
Total	**206,658,282**	**175,559,178**

OPERATING EXPENSES (NOTE 20)

Operating expenses (in EUR)	2021	2020
Historical cost of goods and materials sold	180,015,796	152,935,177
Costs of services	2,212,881	1,785,469
Labour costs	4,886,901	4,481,368
Write-downs	759,005	721,808
Other operating expenses	18,529,035	15,271,959
Total	**206,403,618**	**175,195,781**

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 totalled EUR 88,570,458 (EUR 51,527,917 in 2020), while expenses incurred from transactions with the associate NEK amounted to EUR 88,367,357 (EUR 98,484,790 in 2020).

Costs of services (in EUR)	2021	2020
Costs of intellectual and personal services	703,164	453,566
Rental costs, leased domains	249,627	220,865
Costs of entertainment, sponsorships and advertising	343,709	386,713
Supervisory Board costs	241,210	142,408
Reimbursement of work-related costs to employees	57,931	20,111
Maintenance costs	308,631	358,420
Other	308,609	203,386
Total	**2,212,881**	**1,785,469**

Costs of intellectual and personal services (in EUR)	2021	2020
Business consulting costs	383,269	198,499
Professional training and education costs	63,995	35,937
Other costs of intellectual services	255,900	219,130
Total	**703,164**	**453,566**

Labour costs (in EUR)	2021	2020
Wages and salaries	3,710,758	3,366,510
Social security and pension insurance costs	738,892	670,886
- social security contributions	613,553	556,142
- supplementary pension insurance	125,339	114,744
Other labour costs	437,251	443,972
Total	**4,886,901**	**4,481,368**

GEN employed an average of 63.75 workers in terms of hours worked in 2021, while the presentation of employees by level of education is an integral part of the business report.

Other operating expenses (in EUR)	2021	2020
Costs in connection with the creation of provisions	5,416,333	3,797,412
Environmental protection levies	13,004,741	11,316,852
Other operating costs	107,961	157,695
Total	**18,529,035**	**15,271,959**

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, which since August 2020 amounts to EUR 4.8 per MWh of electricity produced by the NEK in accordance with the relevant Slovenian government resolution.

Costs by functional group (in EUR)	2021	2020
Historical cost of goods sold	179,829,908	152,774,677
Selling costs, including depreciation and amortisation	2,714,828	2,433,178
General and administrative costs, including depreciation and amortisation	23,858,882	19,987,926
Total	**206,403,618**	**175,195,781**

The costs of general activities were up primarily on account of the increased contribution to the NEK Fund and the additional creation of provisions by the NEK.

TAXES (NOTE 21)

Effective tax rate	2021	2020
Pre-tax profit or loss (in EUR)	32,864,004	55,790,438
Corporate income tax (in EUR)	-6,334,559	-10,463,977
Deferred taxes (in EUR)	524,496	337,355
Deferred taxes not affecting profit or loss (in EUR)	-7,441	19,320
Applicable tax rate	19.00%	19.00%
Ratio of tax expenditure to pre-tax profit or loss	**19.28%**	**18.76%**
Effective tax rate	**17.68%**	**18.15%**

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 financial year 2021. Deferred tax assets were created applying a rate of 19%.

CASH FLOW STATEMENT (NOTE 22)

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 2021 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 balance-sheet items; and
- cash flows from investing and financing activities, which include:

Cash flows from investing activities (in EUR)	2021	2020
Inflows from investing activities:	**57,204,523**	**81,356,175**
from interest on current financial assets – deposits	24,323	38,534
from interest on short-term debt investments – loans to group companies	20,050	0
from participation in the profit of group companies	2,500,000	2,500,000
from dividends from other companies	11,791	11,791
from the disposal of property, plant and equipment	59,470	5,850
from investments in current financial assets – deposits	54,200,000	78,800,000
from debt investments in the form of loans to group companies	388,889	0
Outflows for investing activities:	**-64,752,148**	**-94,359,952**
for the acquisition of intangible assets	-116,022	-178,052
for the acquisition of property, plant and equipment	-980,848	-606,900
for the acquisition of current financial assets – deposits	-40,900,000	-71,900,000
for the acquisition of non-current financial assets – deposits	0	-3,500,000
for the acquisition of investments in equity interests in subsidiaries according to options contract	-12,227,500	0
for subsequent capital contributions paid to the NEK	-2,750,000	-18,175,000
for the acquisition of financial assets – loans to group companies	-7,777,778	0
Net cash flow from investing activities	**-7,547,625**	**-13,003,777**

Cash flows from financing activities (in EUR)	2021	2020
Inflows from financing activities	**0**	**219,551**
Inflows from increase in financial liabilities	0	219,551
Outflows for financing activities	**-13,148,371**	**-9,719,551**
Outflows for interest related to financing under options contract	-148,371	-219,551
Outflows for the payment of dividends and other shares in profits	-13,000,000	-9,500,000
Net cash flow from financing activities	**-13,148,371**	**-9,500,000**

The final balance of cash and cash equivalents in the amount of EUR 35,330,278 (EUR 36,698,399 at the end of the previous year) includes cash on business accounts, and funds placed in the form of call deposits.

TOTAL AMOUNT OF REMUNERATION DURING THE FINANCIAL YEAR FOR THE PERFORMANCE OF TASKS AT THE COMPANY

Net remuneration for performance of tasks in 2021 (excluding annual leave allowance and reimbursed costs; in EUR)	2021
Remuneration of senior management	193,929

Net remuneration for performance of tasks in 2021 (excluding reimbursed costs; in EUR)	2021
Members of the Supervisory Board and its committees	151,039

Remuneration of members of GEN's Supervisory Board and members of its committees in 2021 (in EUR)		Payment for performance of function – gross (1)	Session fees of Supervisory Board and its committees – gross (2)	Total – gross (1) + (2)	Costs
Cvetko Sršen	Chairman of the Supervisory Board	19,500	4,070	**23,570**	121
	Chair of the HR committee	0	1,760	**1,760**	232
Mateja Čuk Orel	Deputy Chairwoman of the Supervisory Board	14,300	4,070	**18,370**	583
	Member of the HR committee	3,250	1,980	**5,230**	367
Ksenija Flegar	Member of the Supervisory Board	13,000	3,795	**16,795**	518
	Member of the audit committee	3,250	1,100	**4,350**	147
	Member of the HR committee	3,250	1,760	**5,010**	231
Jure Soklič	Member of the Supervisory Board	13,000	3,795	**16,795**	640
	Chair of the audit committee	4,875	1,100	**5,975**	240
Aleksander Kavčič	Member of the Supervisory Board	13,000	4,070	**17,070**	694
	Member of the audit committee	3,250	1,100	**4,350**	184
Marko Čepin	Member of the Supervisory Board	8,667	2,420	**11,087**	311
	Member of the audit committee	2,167	1,980	**4,147**	329
Patricija Čular	Member of the Supervisory Board	4,333	1,650	**5,983**	128
	Member of the HR committee	629	0	**629**	0
Marjanca Molan Zalokar	Member of the Supervisory Board	13,000	4,070	**17,070**	89
Samo Fürst	Member of the Supervisory Board	13,000	4,070	**17,070**	91
	Member of the audit committee	3,250	1,100	**4,350**	0
Rene Jeromel	Member of the Supervisory Board	13,000	4,070	**17,070**	165
Katja Simončič Stropnik	Member of the HR committee	3,250	1,980	**5,230**	232
Alojz Dimič	Member of the audit committee	4,875	1,100	**5,975**	59
Total		**156,845**	**51,040**	**207,885**	**5,359**

TRANSACTIONS WITH THE AUDIT FIRM

The contractual value of audit services in connection with the auditing of the financial statements and annual report for the 2021 financial year amounted to EUR 29,000 (the same as in 2020). The actual costs of audit services amounted to EUR 29,000 in 2021, and comprised the costs of audit services provided by the audit firm Deloitte for the final auditing of the annual financial statements for the previous period and the costs of preaudit services for the current period. Deloitte did not provide other audit and non-audit services in 2021.

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 2021 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 those financial risks were successfully managed in 2021.

EVENTS AFTER THE REPORTING PERIOD AT GEN

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 2021.

GEN presents an investment in a participating interest in GEN-EL in the third paragraph of Note 3 to the company's financial statements. Following the exercising of the related options contract, an entry was made in the companies register on 30 December 2021 based on the decision of the registry court on the entry of a change in ownership of a 25% participating interest in GEN-EL. That entry relates to a change in ownership from Elektro Ljubljana to GEN. Two appeals were filed in January 2022 against the decision of the registry court.

The Higher Court ruled in favour of those appeals and issued its own decision in which it stated that entry in the companies register at the request of the petitioner in this particular case is subject to the determination of facts that are disputed between the parties, and that such a preliminary issue cannot be resolved by the registry court. On 13 May 2022, the registry court annulled the change in ownership of the 25% participating interest in GEN-EL that was made on 30 December 2021, and re-entered Elektro Ljubljana in the companies register as the owner of the participating interest in question. GEN filed an appeal against that re-entry. Court proceedings are already in progress before the Ljubljana District Court in connection with the above-described disputed facts. Based on an assessment of the likelihood of an unfavourable outcome drawn up by lawyers, GEN's senior management believes that the outcome will be favourable for the company.

Due to the uncertain conditions on the electricity market as the result of rising prices and the associated risk in connection with the purchase of alternative energy sources in the event of both planned and unplanned reductions in output by the GEN Group's production units, the sustainability of liquidity could be questionable at certain times. For the purpose of managing such liquidity risks in 2022, GEN initiated proceedings in January 2022 to secure a short-term revolving loan in the amount of EUR 50,000,000. At its 14th ordinary session held on 23 February 2022 and 2 March 2022, GEN's Supervisory Board authorised the aforementioned short-term borrowing.

On 1 January 2022, the Slovenian government adopted a resolution, raising the contribution to the NEK Fund from 0.48 cents for every kWh of electricity produced by the Krško Nuclear Power Plant to 1.2 cents.

At its 14th ordinary session held on 23 February 2022 and 2 March 2022, GEN's Supervisory Board recalled Martin Novšak from his position as CEO and temporarily appointed Gordana Radanovič, MSc to fill that position.

The new articles of incorporation of the limited liability company GEN energija d.o.o. dated 19 January 2022 entered into force for GEN on the day they were entered in the companies register, i.e. on 27 January 2022. The new articles of incorporation have no material impact on GEN's financial statements.

The geopolitical situation between Russia and Ukraine deteriorated at the end of February 2022, while restrictive measures in that regard led to a temporary suspension of the operations of Slovenian branches of Sberbank, where GEN has placed deposits. The subsequent change of ownership of Slovenian branches of Sberbank eliminated risks in connection with the availability of deposited funds.

The war in Ukraine and the associated sanctions against the Russian Federation could impact the European and global economies. GEN is not directly exposed to Ukraine, Russia or Belarus. However, the impact of the conflict on the general economic situation could require adjustments to certain assumptions and judgements. This, in turn, could lead to material adjustments to the carrying amounts of certain assets and liabilities during the coming financial year. At this stage, the senior management is unable to reliably assess that impact, as events change from day to day. The long-term impact could also affect the volume of trading and cash flows, and thus liquidity and profitability. Nevertheless, the company continued to fulfil its obligations as they mature on the day these financial statements were compiled. For this reason, it will continue to compile its financial statements under the assumption of a going concern.

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 3 June 2022, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2021.

INDEPENDENT AUDITOR'S REPORT FOR GEN

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

Report on the Audit of the Financial 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 2021, 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 2021, and its financial performance and cash flows for the year then ended in accordance with 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 Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for 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

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requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter – basis for accounting

We draw your attention to the chapter *»Notes to the financial statements of GEN«* to the financial statements describing the basis for accounting. The Company conducts its accounting for the purposes of preparing financial statements of the Company and compiling an annual report of the Company 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 financial statements of the year ended 31 December 2021. 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 2021 amounted to EUR 236,828 thousand. As disclosed in chapter Significant accounting policies - Revenue, 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; - 88 % 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.

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Emphasis of matter

We draw your attention to the note *Events after the reporting period within the GEN Group* in the financial statements, which describes the management's assessment of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the company, and the explanation related to exercising the purchase option for shares in the company GEN-EL. Our opinion related to these matters is not modified.

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 audited 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.

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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 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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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 current 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

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Appointment of the Auditor and the 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 2 years.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 8 June 2022 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 which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Katarina Kadunc.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 8 June 2022

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

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FINANCIAL STATEMENTS OF THE GEN GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of the group (in EUR)	Notes	31 December 2021	31 December 2020
ASSETS		**1,397,958,813**	**1,223,555,380**
Non-current assets		**797,197,310**	**781,616,905**
Intangible assets	1	58,650,107	51,316,011
Property, plant and equipment	2	706,094,434	702,980,560
Investment property	3	1,775,176	1,841,279
Right-of-use assets	4	2,940,681	2,320,483
Shares and participating interests in associates	5	20,327	21,207
Other non-current financial assets and loans	6	9,075,074	8,937,909
Non-current operating receivables	7	16,439,952	11,660,661
Deferred tax assets	8	2,112,081	2,275,949
Other non-current assets		89,478	262,846
Current assets		**600,761,503**	**441,938,475**
Inventories	9	47,285,986	47,639,243
Current financial assets	10	90,837,035	119,544,757
Current operating receivables	11	172,844,730	100,347,510
Current assets from contracts	12	67,218,596	47,001,225
Current corporate income tax receivables	13	4,678,912	163,330
Cash and cash equivalents	14	206,315,212	119,683,230
Other current assets	15	11,581,032	7,559,180

Consolidated statement of financial position of the group (in EUR)	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES		**1,397,958,813**	**1,223,555,380**
Total equity	**16**	**1,005,911,231**	**912,480,438**
Equity attributable to owners of the controlling company		**863,795,912**	**771,872,765**
Called-up capital		250,000,000	250,000,000
Share premium		134,682,435	134,682,435
Legal reserves		13,341,014	13,088,728
Other revenue reserves		171,629,033	141,582,144
Fair value reserves		294,571	-808,520
Retained earnings		295,052,583	234,324,901
Translation adjustment to equity		-1,203,724	-996,923
Non-controlling interest		**142,115,319**	**140,607,673**
Total liabilities		**392,047,582**	**311,074,942**
Non-current liabilities		**87,581,563**	**131,085,060**
Provisions	17	12,945,553	12,620,462
Non-current financial liabilities	18	63,841,600	106,962,252
Non-current operating liabilities	21	170,853	273,033
Non-current liabilities from contracts	22	82,754	199,272
Deferred tax liabilities	8	7,795,591	6,666,186
Non-current lease liabilities	19	1,805,873	1,473,875
Other non-current liabilities	20	939,339	2,889,980
Current liabilities		**304,466,019**	**179,989,882**
Current financial liabilities	18	82,627,253	55,306,739
Current operating liabilities	21	174,181,303	93,805,683
Current contract liabilities	22	12,237,023	7,372,827
Current corporate income tax liabilities	13	14,770,921	8,052,356
Current lease liabilities	19	1,181,691	871,584
Other current liabilities	23	19,467,828	14,580,693

The notes to the consolidated financial statements of the GEN Group are a constituent part of those statements and must be read in connection with them.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement of the group (EUR)	Notes	2021	2020
Revenue	25	3,366,670,265	2,159,914,240
Other operating revenue	26	116,240,252	32,910,850
Costs of goods, materials and services	27	-3,188,096,467	-1,956,773,337
Labour costs	27	-87,645,485	-65,054,973
Amortisation and depreciation	27	-41,769,259	-52,296,495
Impairment losses	27	-2,956,819	-6,037,508
Other operating expenses	28	-27,449,693	-26,471,171
Operating profit or loss		**134,992,794**	**86,191,606**
Financial income		656,993	734,570
Financial costs	29	-5,070,898	-6,641,806
Total profit or loss		**130,578,889**	**80,284,370**
Taxes	31	-25,024,049	-16,095,286
Net profit or loss for the period		**105,554,840**	**64,189,084**
Net profit or loss attributable to owners of non-controlling interests		**1,196,328**	**1,142,950**
Net profit or loss attributable owners of controlling interests		**104,358,512**	**63,046,134**

The notes to the consolidated financial statements of the GEN Group are a constituent part of those statements and must be read in connection with them.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income of the group (in EUR)	2021	2020
Net profit or loss for the period	**105,554,840**	**64,189,084**
Other comprehensive income that will be subsequently reclassified to profit or loss	**953,406**	**-621,953**
Changes in fair value reserves (after tax)	521,915	-253,283
Gains and losses from translation of financial statements of companies based abroad (impact of changes in exchange rates)	-206,801	-258,048
Effective portion of gains and losses from cash flow hedges (after tax)	638,292	-110,622
Other comprehensive income that will not be subsequently reclassified to profit or loss	**207,920**	**-982,051**
Actuarial gains and losses from programmes with fixed earnings (after tax)	207,920	-982,051
Total comprehensive income (after tax)	**106,716,166**	**62,585,080**
Net profit or loss attributable to owners of non-controlling interests	**1,196,328**	**1,142,950**
Actuarial gains and losses from fixed-earning programmes attributable to owners of non-controlling interests (after tax)	**-1,446**	**5,935**
Effective portion of gains and losses from cash flow hedges attributable to owners of non-controlling interests (after tax)	**312,764**	**-54,204**
Total comprehensive income attributable to owners of non-controlling interests (after tax)	**1,507,646**	**1,094,681**
Total comprehensive income attributable to owners of controlling interests (after tax)	**105,208,520**	**61,490,399**

The notes to the consolidated financial statements of the GEN Group are a constituent part of those statements and must be read in connection with them

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income statement items	**36**	**148,464,368**	**144,806,895**
Operating revenue and financial income from operating receivables		3,481,009,688	2,192,838,605
Operating expenses, excluding amortisation/depreciation and financial costs from operating liabilities		-3,334,657,419	-2,046,119,156
Corporate income tax paid		2,112,099	-1,912,554
Changes in net working capital under balance-sheet operating items	**36**	**-6,329,419**	**4,834,138**
Opening less closing operating receivables		-57,489,358	55,962,270
Opening less closing current accrued revenue and deferred expenses		-7,410,480	2,546,985
Opening less closing deferred tax assets		143,139	115,748
Opening less closing inventories		353,113	4,645,392
Closing less opening operating liabilities		43,827,617	-50,415,276
Closing less opening accrued expenses and deferred revenue, and provisions		2,537,436	-8,778,441
Closing less opening deferred tax liabilities		11,709,114	757,460
Net cash flow from operating activities		**142,134,949**	**149,641,033**
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows from investing activities	**36**	**1,001,213,393**	**1,465,971,421**
Inflows from shares in the profit of others from investing activities		236,188	523,060
Inflows from interest received from investing activities		454,342	62,272
Inflows from the disposal of property, plant and equipment		151,970	240,328
Inflows from the disposal of financial assets		1,000,370,893	1,465,145,761
Outflows from investing activities	**36**	**-1,049,947,507**	**-1,544,456,365**
Outflows for the acquisition of intangible assets		-3,534,481	-6,377,315
Outflows for the acquisition of property, plant and equipment		-47,145,020	-52,465,704
Outflows for the acquisition of investment property		-50,000	0
Outflows for the acquisition of financial assets		-999,218,006	-1,485,613,346
Net cash flow from investing activities		**-48,734,114**	**-78,484,944**
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows from financing activities	**36**	**50,000,000**	**80,336,692**
Inflows from increase in financial liabilities		50,000,000	80,336,692
Outflows from financing activities	**36**	**-56,768,853**	**-106,346,666**
Outflows for interest related to financing activities		-2,639,892	-1,969,724
Outflows for the repayment of lease liabilities – interest		-31,912	-40,748
Outflows for the repayment of financial liabilities		-40,205,337	-93,869,910
Outflows for the repayment of lease liabilities – principal		-891,712	-966,284
Outflows for the payment of dividends and other shares in profits		-13,000,000	-9,500,000
Net cash flow from financing activities		**-6,768,853**	**-26,009,974**
Closing balance of cash and cash equivalents		**206,315,212**	**119,683,230**
Net cash flow for the period		**86,631,982**	**45,146,115**
Opening balance of cash and cash equivalents		**119,683,230**	**74,537,115**

The notes to the consolidated financial statements of the GEN Group are a constituent part of those statements and must be read in connection with them.

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BUSINESS REPORT
FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2021 (in EUR)	Called-up capital	Share premium	Legal reserves	Other revenue reserves	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
Balance at 1 January 2021	**250,000,000**	**134,682,435**	**13,088,728**	**141,582,144**	**-808,520**	**234,324,901**	**-996,923**	**771,872,765**	**140,607,673**	**912,480,438**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**-13,000,000**	**0**	**-13,000,000**	**0**	**-13,000,000**
Payment of dividends	0	0	0	0	0	-13,000,000	0	-13,000,000	0	-13,000,000
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**1,076,536**	**104,338,785**	**-206,801**	**105,208,520**	**1,507,646**	**106,716,166**
Net profit or loss for the financial year	0	0	0	0	0	104,358,512	0	104,358,512	1,196,328	105,554,840
Valuation of financial investments at fair value (after tax)	0	0	0	0	592,797	0	0	592,797	0	592,797
Other components of comprehensive income (after tax)	0	0	0	0	483,739	-19,727	-206,801	257,211	311,318	568,529
Changes within equity	**0**	**0**	**252,286**	**30,046,889**	**26,555**	**-30,611,103**	**0**	**-285,373**	**0**	**-285,373**
Allocation of net profit to other components of equity	0	0	252,286	30,046,889	0	-30,299,175	0	0	0	0
Other changes within equity	0	0	0	0	26,555	-311,928	0	-285,373	0	-285,373
Balance at 31 December 2021	**250,000,000**	**134,682,435**	**13,341,014**	**171,629,033**	**294,571**	**295,052,583**	**-1,203,724**	**863,795,912**	**142,115,319**	**1,005,911,231**

Statement of changes in equity for 2020 (in EUR)	Called-up capital	Share premium	Legal reserves	Other revenue reserves	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
Balance at 1 January 2020	**250,000,000**	**134,682,435**	**12,644,318**	**110,677,001**	**443,988**	**212,614,086**	**-738,875**	**720,322,953**	**139,512,992**	**859,835,945**
Changes in equity – transactions with owners	0	0	0	0	0	-9,500,000	0	-9,500,000	0	-9,500,000
Payment of dividends	0	0	0	0	0	-9,500,000	0	-9,500,000	0	-9,500,000
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**-1,296,249**	**63,044,696**	**-258,048**	**61,490,399**	**1,094,681**	**62,585,080**
Net profit or loss for the financial year	0	0	0	0	0	63,046,134	0	63,046,134	1,142,950	64,189,084
Other components of comprehensive income (after tax)	0	0	0	0	-1,296,249	-1,438	-258,048	-1,555,735	-48,269	-1,604,004
Changes within equity	**0**	**0**	**444,410**	**30,905,143**	**43,742**	**-31,833,881**	**0**	**-440,587**	**0**	**-440,587**
Allocation of net profit to other components of equity	0	0	444,410	30,905,143	0	-31,349,553	0	0	0	0
Other changes within equity	0	0	0	0	43,742	-484,328	0	-440,587	0	-440,587
Balance at 31 December 2020	**250,000,000**	**134,682,435**	**13,088,728**	**141,582,144**	**-808,520**	**234,324,901**	**-996,923**	**771,872,765**	**140,607,673**	**912,480,438**

The notes to the consolidated financial statements of the GEN Group are a constituent part of those statements and must be read in connection with them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN GROUP

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 a 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 GEN Group 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.

A subsidiary is a company controlled by the GEN Group, as it exercises influence over that company, is exposed to a variable return or has the right to a variable return from its participating interest in that company, and may affect that return through its influence over that company. After the loss of control, the group derecognises the assets and liabilities of the subsidiary and non-controlling interests, as well as other components of equity relating to that subsidiary.

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%
GEN-EL d.o.o.	GEN-EL	Vrbina 17, Krško	Subsidiary	100%	100%
HESS d.o.o. with group	HESS Group	C. bratov Cerjakov 33a, Brežice	Subsidiary	51%	51%

Disclosures in connection with the investment in the subsidiary GEN-EL are also given in the section Events after the reporting period within the GEN Group.

Subsidiary on account of controlling influence for other reasons	Abbreviation	Registered office	Status	Equity interest
GEN-I d.o.o. with group	GEN-I Group	Vrbina 17, Krško	Subsidiary	50%

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, Belgrade;
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb;
- GEN-I d.o.o. Sarajevo, Ul. Fra Anđela Zvizdovića 1, Sarajevo:
- 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, Sofia;
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milan;
- GEN-I Vienna GmbH, Heinrichsgasse 4, Vienna;
- GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No: 56/58, Kat No: 3, Daire No: 5, 34435 Beyoğlu, Istanbul;
- 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., Kiev;
- 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.

In addition to the controlling 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%

Company 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%

BASIS FOR THE COMPILATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN GROUP

STATEMENT OF COMPLIANCE

The consolidated financial reports of the GEN Group are compiled 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 3 June 2022.

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:

a) two consolidated statements of financial position with cut-off dates of 31 December 2020 and 31 December 2021;
b) two consolidated income statements, statements of other comprehensive income and cash flow statements for 2020 and 2021; and
c) two consolidated statements of changes in equity for 2020 and 2021.

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 the GEN Group's uniform accounting policies. They are included in the consolidated financial statements on the basis of:

a) full consolidation when companies have the status of subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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); **In the process of full consolidation**, all items that reflect the economic relationships between the individual companies subject to consolidation are eliminated from the financial statements. This is achieved as follows:
   - through the consolidation of equity (exclusion of the controlling company's investments in the equity of subsidiaries and a subsidiary's proportionate share of equity);
   - through the exclusion of mutual receivables and liabilities;
   - through the exclusion of gains and losses from mutual business events;
   - through the exclusion of mutual revenue and expenses;
   - by recalculating tax to take account of deferred tax; and
   - through the direct cash flow statement method.

b) accounting for the assets and liabilities and revenue and expenses of a joint arrangement. The **recognition of a joint arrangement** is carried out in accordance with IFRS 11, under which GEN (as joint operator) must recognise the following in connection with its participating interest in a joint arrangement:
   - its assets, including the proportion of any jointly owned assets;
   - its liabilities, including the proportion of liabilities that it assumes with other joint operators;
   - its revenue from the sale of a share of products from a joint arrangement;
   - its share of revenue from the sale of a joint arrangement's products; and
   - its expenses, including the proportion of expenses that it shares with others.

Whenever the company concludes a transaction with a joint arrangement in which it is a joint operator, such as the sale or contribution of assets, it concludes a transaction with other joint operators, where the parties must recognise gains and losses that derive from such a transaction only to the extent of the shares accounted for by the other parties to the joint arrangement.

When such transactions indicate a reduction in the net realisable value of assets sold or contributed to a joint arrangement or impairment losses on those assets, a joint operator must recognise such losses in full. When the company concludes a transaction with a joint arrangement in which it is a joint operator, such as the purchase of assets, it may not recognise its share of gains and losses until it resells those assets to a third party. When such transactions indicate a reduction in the net realisable value of assets purchased or impairment losses on those assets, a joint operator must recognise its share of such losses.

c) the equity methods of associates. **In the process of recognition under the equity method**, when the controlling company or a subsidiary that does not produce its own consolidated financial statements acquires an investment, i.e. a financial asset that meets the criteria for recognition under the equity method, such an investment in an associate is accounted for applying the equity method in the GEN Group's consolidated financial statements in accordance with IFRS, provided that the associate is not a subsidiary of the GEN Group.

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 statements for the period in question.

The financial statements are compiled on an historical cost basis, except for financial instruments measured at amortised cost or 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.

BUSINESS COMBINATIONS

With the help of IFRS 3, which requires acquired assets and assumed liabilities to be treated as a business, the GEN Group determines whether a transaction or other business event is a business combination that dictates the application of the aforementioned standard. If assets are not acquired from a business, GEN accounts for the transaction or other business event as the acquisition of assets.

PRESENTATION AND FUNCTIONAL CURRENCY

The presentation currency of the GEN Group is the euro. The consolidated financial statements are thus presented in EUR 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.

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.

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. *(Disclosures can also be found in the section Significant accounting policies of the GEN Group – Intangible assets, and property, plant and equipment, and in Notes 1, 2, 3, 4 and 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 Note 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 the section Significant accounting policies of the GEN Group – Right-of-use assets (leases), and in Note 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 Note 36.)*

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 could relate 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 the section Significant accounting policies of the GEN Group – Provisions, and in Note 17.)*

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 taxable 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 the section Significant accounting policies of the GEN Group – Deferred taxes and Taxes, and in Note 8.)*

g) Changes in significant accounting policies

There were no changes in accounting policies in 2021.

SIGNIFICANT ACCOUNTING POLICIES OF THE GEN GROUP

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 respective functional currencies of individual group companies at the exchange rate valid on the reporting date.

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 income or 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.

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 FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets (*see Note 36*). 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 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 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 expenses 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 the section Derivatives – hedging against risks).*

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.

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.

DERIVATIVES – HEDGING AGAINST RISKS

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, the group must place a security deposit 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, in accordance with IFRS 9.

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.

Ineffectiveness is measured as the difference between a change in the published price (exchange) with respect to the hedging instrument and hedged item. In accordance with the hedging policy of the GEN-I Group, the ineffective portion is represented by a deviation between a change in the price of a hedged item and hedging instrument.

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).

INTANGIBLE ASSETS, AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets, and property, plant and equipment are the non-current assets of GEN Group 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/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.

On every reporting date, the group verifies whether signs of the impairment of an asset exist. External and internal sources of information are used to check for signs of impairment. If such signs exist, it performs an impairment test and calculates the asset's recoverable value. An asset is impaired if its carrying amount exceeds its recoverable value. The group recognises impairment losses in revaluation operating expenses.

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; and
- in the separate financial statements of group companies in the merger of an acquired company, which ceases when assets are transferred to the acquiring company.

Following initial recognition, the group checks once a year for factors in connection with goodwill that could have a negative impact on the future cash flows of a cash-generating unit obtained through the acquisition of a subsidiary. A reduction in the value of a cash-generating unit is recognised in the financial statements as the impairment of goodwill and the assets of the cash-generating unit charged to the current year's profit or loss. Any impairment is immediately recognised in consolidated profit or loss and is not subsequently reversed. Upon the disposal of a subsidiary or asset, 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.

Estimated useful lives	% in 2021	% in 2020
Intangible assets		
Property rights	5.56 - 33.33	5.56 - 33.33
Rights 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

Depreciation and amortisation rates were unchanged in 2021.

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.

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. The lease terms vary from 2 to 10 years.

If at the end of the lease ownership of the leased asset is transferred to the group or if the group exercises 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 non-current and current lease 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.

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.

INVENTORIES OF MATERIALS

The group discloses in inventories of materials fuel and the materials that are initially valued at historical cost, 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.

INVENTORIES OF PRODUCTS

The group discloses in inventories of products physical inventories of natural gas held for sale. The latter are carried at fair value, which is equal to their market value on the reporting date less costs to sell.

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 adjustment 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. *(See Note 37 Credit risks)*

b) Cash and cash equivalents

ECLs on other financial assets are measured based on the credit rating of the country in which the financial assets are placed.

c) 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.

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 evaluates 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.

EQUITY

Equity is defined by the amounts invested by the owners and the amounts that occurred in the course of business and belong 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.

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 lawsuits.

a) 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 0.8% was set for the calculation of provisions 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.

GOVERNMENT GRANTS AND 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, 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.

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.

CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities do not have a direct effect on the size 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 GEN Group companies.

REVENUE

a) 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:

Sales 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 or services sold.

Sales 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 is used to recognise revenue from services rendered at the final day of the reporting period. According to this method, revenue is recognised in the accounting period in which the services are rendered.

b) 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.

c) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

d) Financial income

Financial income includes interest income, net gains on financial assets measured at fair value through profit or loss and positive exchange rate differences. Financial income is also recognised from the recognition of investments under the equity method.

Interest income is recognised when it arises at the effective interest rate. Dividend income is recognised in profit and loss on the date on which the group's right to receive payment is established.

EXPENSES

a) 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 a concession fee, environmental protection expenditure and other levies. Other operating expenses also include donations.

b) 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 contractual interest rate. Financial costs are also recognised from the recognition of investments under the equity method.

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.

The group nets deferred tax assets and liabilities if it has a legally enforceable right to do so and if these assets and liabilities relate to income tax for the same tax authority and the same taxable unit, or if the tax relates to different taxable units that intend to pay or receive the resulting net amount or settle their liabilities and reverse the assets.

CASH FLOW STATEMENT

The group compiles its cash flow statement according to the indirect method.

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 Note 37.)*

SEGMENT REPORTING

The group does not disclose business by 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.

INITIAL APPLICATION OF NEW AMENDMENTS TO EXISTING STANDARDS THAT ARE IN FORCE DURING THE CURRENT REPORTING PERIOD

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:

- 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, as adopted by the EU on 13 January 2021 (apply to annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 16 Leases** – COVID-19-Related Rent Concessions beyond 30 June 2021, adopted by the EU on 30 August 2021 (effective 1 April 2021 for business years beginning on or after 1 January 2021); and
- Amendments to **IFRS 4 Insurance Contracts** – Extension of the Temporary Exemption from Applying IFRS 9, as adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of these amendments to existing standards did not lead to any significant changes in the group's financial statements.

STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

On the day these financial statements were approved, the following new standards had been issued by the IASB and adopted by the EU but were not yet effective:

Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use, as adopted by the EU on 28 June 2021 (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, as adopted by the EU on 28 June 2021 (apply 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, as adopted by the EU on 28 June 2021 (apply to annual periods beginning on or after 1 January 2022).

IFRS 17 Insurance Contracts, including amendments to IFRS 17, as adopted by the EU on 19 November 2021 (applies to annual periods beginning on or after 1 January 2023).

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, as adopted by the EU on 28 June 2021 (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).

NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB BUT NOT YET ADOPTED BY THE EU

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, amendments to existing standards and new interpretations, which at 26 April 2022 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

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.

Amendment 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).

Amendment to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies (applies to annual periods beginning on or after 1 January 2023).

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (apply to annual periods beginning on or after 1 January 2023).

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (apply to annual periods beginning on or after 1 January 2023).

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).

IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 — Comparative Information (applies to annual periods beginning on or after 1 January 2023).

The group does not expect the introduction of these 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 reporting date because it applies IFRS 9 for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS OF THE GEN GROUP

INTANGIBLE ASSETS (NOTE 1)

Changes in intangible assets (in EUR)	Long-term property rights	Goodwill	Other intangible assets	Non-current deferred development costs	Total
HISTORICAL COST					
As at 31 December 2020	**28,973,665**	**29,349,917**	**10,009,615**	**20,211**	**68,353,408**
Acquisitions	4,540,033	1,836,330	2,485,948	61,266	8,923,577
Transfers	-1,066,227	0	1,066,227	0	0
Disposals	-81,359	0	-2,938	-933	-85,230
Exchange rate differences	0	0	-24,860	0	-24,860
As at 31 December 2021	**32,366,112**	**31,186,247**	**13,533,992**	**80,544**	**77,166,895**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
As at 31 December 2020	**9,165,983**	**0**	**7,871,414**	**0**	**17,037,397**
Amortisation	741,437	0	819,313	0	1,560,750
Disposals	-81,359	0	0	0	-81,359
As at 31 December 2021	**9,826,061**	**0**	**8,690,727**	**0**	**18,516,788**
CARRYING AMOUNT					
As at 31 December 2020	**19,807,682**	**29,349,917**	**2,138,201**	**20,211**	**51,316,011**
As at 31 December 2021	**22,540,051**	**31,186,247**	**4,843,265**	**80,544**	**58,650,107**
HISTORICAL COST					
As at 31 December 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
As at 31 December 2020	**28,973,665**	**29,349,917**	**10,009,615**	**20,211**	**68,353,408**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
As at 31 December 2019	**8,673,198**	**0**	**7,272,071**	**0**	**15,945,269**
Amortisation	663,157	0	600,097	0	1,263,254
Disposals	-170,372	0	-553	0	-170,925
Exchange rate differences	0	0	-201	0	-201
As at 31 December 2020	**9,165,983**	**0**	**7,871,414**	**0**	**17,037,397**
CARRYING AMOUNT					
As at 31 December 2019	**13,131,647**	**29,238,153**	**3,398,607**	**21,588**	**45,789,995**
As at 31 December 2020	**19,807,682**	**29,349,917**	**2,138,201**	**20,211**	**51,316,011**

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, a water permit and software used in the production, trading and sale of electricity. The balance of the aforementioned item was up in 2021, primarily as the result of the acquisition of a water permit in connection with the Bistrica SHPP in the amount of EUR 1,127,470, and in connection with the purchase of software intended for information support of joint services and trading, support for the sale of electricity to end-customers, and server support in the total amount of EUR 3,077,303.

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. The majority in the amount of EUR 29,007,234 relates to a business combination of GEN-I, while EUR 1,836,330 relates to goodwill recognised in the acquisition of MHE Bistrica d.o.o. and is calculated as the difference between the historical cost and fair value of the acquisition plus the effect of deferred tax liabilities.

An impairment test was performed on 31 December 2021 for goodwill arising from the effects of the business combination of GEN-I. GEN-I 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 8.79% 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.

There was no need to perform an impairment test for the goodwill that arose in the merger of the Bistrica SHPP because that process was completed at the end of 2021.

The company's other intangible assets in 2021 relate to the purchase of emission allowances in the amount of EUR 2,473,892.

The disclosed intangible assets are the property of the group and are free and clear of any encumbrances.

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PROPERTY, PLANT AND EQUIPMENT (NOTE 2)

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							
As at 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**
Acquisitions	13,643	2,363,373	354,203	297,907	40,610,152	-75,069	43,564,209
Activations	0	2,952,680	32,482,687	2,783,917	-38,219,284	0	0
Disposals	-5,105	-103,973	-740,155	-721,284	-1,065,837	-21,040	-2,657,394
Transfers, reclassifications	0	0	-52,579	0	-11,410	0	-63,989
As at 31 December 2021	**24,649,783**	**490,614,411**	**1,171,680,484**	**56,297,464**	**93,594,976**	**1,239,671**	**1,838,076,789**
IMPAIRMENT LOSSES AND WRITE-DOWNS							
As at 31 December 2020	**0**	**242,657,772**	**807,470,703**	**44,124,928**	**0**	**0**	**1,094,253,403**
Depreciation	0	8,844,753	27,394,299	2,940,277	0	0	39,179,329
Disposals	0	-52,349	-724,041	-673,987	0	0	-1,450,377
As at 31 December 2021	**0**	**251,450,176**	**834,140,961**	**46,391,218**	**0**	**0**	**1,131,982,355**
CARRYING AMOUNT							
As at 31 December 2020	**24,641,245**	**242,744,559**	**332,165,625**	**9,811,996**	**92,281,355**	**1,335,780**	**702,980,560**
As at 31 December 2021	**24,649,783**	**239,164,235**	**337,539,523**	**9,906,246**	**93,594,976**	**1,239,671**	**706,094,434**
HISTORICAL COST							
As at 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**
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
As at 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							
As at 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
As at 31 December 2020	**0**	**242,657,772**	**807,470,703**	**44,124,928**	**0**	**0**	**1,094,253,403**
CARRYING AMOUNT							
As at 31 December 2019	**24,735,941**	**248,279,172**	**363,036,021**	**9,188,187**	**56,364,754**	**4,892,279**	**706,496,354**
As at 31 December 2020	**24,641,245**	**242,744,559**	**332,165,625**	**9,811,996**	**92,281,355**	**1,335,780**	**702,980,560**

Property, plant and equipment comprise land and buildings as business premises in which the GEN Group operates and that are owned by the company, as well as equipment that is used exclusively for the operations of the group.

Acquisitions in 2021 relate primarily to investments in technological upgrades to production systems and the implementation of safety upgrade programmes that ensure the safe and stable functioning of the GEN Group's production units. Disposals in 2021 by GEN Group companies primarily relate to the write-off of investments in acquisition that will not be realised.

While checking for signs of asset impairment, the group found that such indicators do not exist and that the carrying amounts of items of property, plant and equipment do not exceed their fair value and value in the use.

Assets are unencumbered and not subject to finance lease.

INVESTMENT PROPERTY (NOTE 3)

Investment property in 2021 (in EUR)	31 December 2020	Depreciation	31 December 2021
Historical cost	2,056,115	0	2,056,115
Impairments and write-downs	214,836	66,103	280,939
Present value	1,841,279	-66,103	1,775,176

Investment property in 2020 (in EUR)	31 December 2019	Depreciation	31 December 2020
Historical cost	2,056,115	0	2,056,115
Impairments and write-downs	148,732	66,104	214,836
Present value	1,907,383	-66,104	1,841,279

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.

RIGHT-OF-USE ASSETS (LEASES) (NOTE 4)

Right-of-use assets (in EUR)	Lease of buildings	Lease of equipment	Total
HISTORICAL COST			
As at 31 December 2020	**3,681,627**	**881,252**	**4,562,879**
Acquisitions	1,583,275	0	1,583,275
Disposals	0	-251,098	-251,098
As at 31 December 2021	**5,264,902**	**630,154**	**5,895,056**
IMPAIRMENT LOSSES AND WRITE-DOWNS			
As at 31 December 2020	**1,402,304**	**840,092**	**2,242,396**
Depreciation	921,917	41,160	963,077
Disposals	0	-251,098	-251,098
As at 31 December 2021	**2,324,221**	**630,154**	**2,954,375**
CARRYING AMOUNT			
As at 31 December 2020	**2,279,323**	**41,160**	**2,320,483**
As at 31 December 2021	**2,940,681**	**0**	**2,940,681**
HISTORICAL COST			
As at 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
As at 31 December 2020	**3,681,627**	**881,252**	**4,562,879**
IMPAIRMENT LOSSES AND WRITE-DOWNS			
As at 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
As at 31 December 2020	**1,402,304**	**840,092**	**2,242,396**
CARRYING AMOUNT			
As at 31 December 2019	**2,554,291**	**116,042**	**2,670,333**
As at 31 December 2020	**2,279,323**	**41,160**	**2,320,483**

The group has business premises under lease in Ljubljana and Maribor, which it has capitalised in accordance with IFRS 16. Lease terms vary from 2 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 loans. 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 *(See also disclosures in Note 29).*

Lease payments are not secured. Lease payments are contractually defined and fixed.

SHARES AND PARTICIPATING INTERESTS IN ASSOCIATES (NOTE 5)

Shares and participating interests in associates (in EUR)	31 December 2021	31 December 2020
SRESA d.o.o.	20,327	21,207
Total	**20,327**	**21,207**

In accordance with the equity method, the GEN Group reduced its investment in an associate for the corresponding share of losses generated in 2021 in the amount of EUR 880.

OTHER NON-CURRENT FINANCIAL ASSETS AND LOANS (NOTE 6)

Other non-current financial assets and loans in 2021 (in EUR)	31 December 2020	Acquisition	Disposal/ transfer	Revaluation	31 December 2021
Equity instruments	**3,165,571**	**50,000**	**0**	**644,341**	**3,859,912**
Zavarovalnica Triglav d.d.	2,842,680	0	0	644,341	3,487,021
Other equity instruments	322,891	50,000	0	0	372,891
Other non-current financial assets	**5,772,338**	**13,507,030**	**-14,064,205**	**0**	**5,215,162**
Zavarovalnica Triglav d.d. - life insurance	253,184	51,348	0	0	304,532
Loans to employees	7,107	895	-4,883	0	3,118
Loans to other legal entities	5,512,047	13,454,787	-14,059,322	0	4,907,512
Total	**8,937,909**	**13,557,030**	**-14,064,205**	**644,341**	**9,075,074**

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	0	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**

Equity instruments comprise investments in shares and participating interests in companies. They are measured at fair value through other comprehensive income, and were up by EUR 644,341 on account of revaluation to fair value as at 31 December 2021.

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.

NON-CURRENT OPERATING RECEIVABLES (NOTE 7)

Non-current operating receivables (in EUR)	31 December 2021	31 December 2020
Trade receivables	15,980,394	11,084,662
Receivables for building land	315,235	364,951
Receivables for advances paid	122,541	203,787
Other	21,782	7,261
Total	**16,439,952**	**11,660,661**

Trade receivables primarily comprise receivables from the sale of small solar power plants by the subsidiary GEN-I Sonce. Receivables for building land comprise receivables arising from the repayment of the overpaid contribution for the building land of the Municipality of Radeče.

DEFERRED TAXES (NOTE 8)

Deferred tax assets in 2021 (in EUR)	31 December 2020	Disclosed in profit or loss	Disclosed in other comprehensive income	Offsetting of deferred assets and deferred liabilities	31 December 2021
Intangible assets, and property, plant and equipment	202,225	-2,275	-2,493	0	197,457
Financial instruments	200,751	0	-149,723	0	51,028
Operating receivables	707,001	-50,484	0	0	656,517
Provisions for long-service bonuses and severance payments	428,397	32,919	3,141	-23,228	441,229
Unused tax relief	737,575	28,275	0	0	765,850
Total	**2,275,949**	**8,435**	**-149,075**	**-23,228**	**2,112,081**

Deferred taxes are accounted for based on uncertainty in connection with the timing of receivables and are calculated applying a tax rate that will be applicable 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 2021 (in EUR)	31 December 2020	Disclosed in profit or loss	Disclosed in other comprehensive income	Offsetting of deferred assets and deferred liabilities	31 December 2021
Undisclosed provisions at time of merger	2,617	515,656	99,592	-395	617,470
Financial assets	0	0	22,833	-22,833	0
Provisions for onerous contracts	6,663,569	514,552	0	0	7,178,121
Total	**6,666,186**	**1,030,208**	**122,425**	**-23,228**	**7,795,591**

Non-current deferred tax liabilities, which totalled EUR 7,178,121 as at 31 December 2021, 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.

Due to incompatibility, deferred tax assets and deferred tax liabilities are not offset.

INVENTORIES (NOTE 9)

Inventories (in EUR)	31 December 2021	31 December 2020
Fuels used in production	14,250,619	26,655,584
Spare parts	14,688,574	14,929,207
Inventory of natural gas in gas storage facility	10,861,587	993,972
Other materials	7,485,206	5,060,480
Total	**47,285,986**	**47,639,243**

Inventories held by the NEK accounted for the majority of the group's total inventories as at 31 December 2021, and comprised nuclear fuel inventories in the amount of EUR 12,297,878, inventories of spare parts in the amount of EUR 13,724,160 and inventories of other materials in the amount of EUR 2,227,370. 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.

Inventories of natural gas held in storage facilities comprise 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 statement of financial position date and the carrying amount of inventories are recorded in the income statement.

A portion of other materials in the amount of EUR 4,898,791 relates to materials and work in progress for the manufacture of small solar power plants.

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 1,607,786 in 2021. 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 2021. *(See also the disclosures in Note 27.)*

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 733 days.

The carrying amount of inventories is not pledged as collateral for liabilities.

CURRENT FINANCIAL ASSETS (NOTE 10)

Current financial assets (in EUR)	31 December 2021	31 December 2020
Current financial assets, excluding loans	**3,105,613**	**18,041,188**
Derivatives	3,105,613	18,041,188
Short-term loans	**87,731,422**	**101,503,569**
Short-term bank deposits	87,731,422	101,503,569
Total	**90,837,035**	**119,544,757**

Current derivatives	31 December 2021	31 December 2020
Options, swaps and other derivatives in connection with operations	0	-249,222
Derivatives used as hedges against currency risks	-637,610	235,008
Firm commitments recognised for fair value hedges	-46,483,600	-2,219,891
Fair value of commodity contracts	50,226,823	20,275,293
Total	**3,105,613**	**18,041,188**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 50,226,823 relates to the following periods:

- the 2022 financial year in the amount of EUR 49,686,273;
- the 2023 financial year in the amount of EUR -2,930,325; and
- the 2024 financial year in the amount of EUR 3,470,875.

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 2023 financial year in the amount of EUR 46,483,600.

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 slower pace of investments in technological upgrades and 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.

CURRENT OPERATING RECEIVABLES (NOTE 11)

Current operating receivables (in EUR)	31 December 2021	31 December 2020
Trade receivables	124,820,423	66,627,831
Receivables for interest	209,392	235,444
Other receivables relating to financial effects	14,309	10,521
Other operating receivables	47,216,037	32,755,502
Operating receivables on behalf of third parties	584,569	718,212
Total	**172,844,730**	**100,347,510**

Trade receivables in the amount of EUR 124,820,423 (EUR 66,627,831 in 2020) comprise trade receivables from the sale of electricity, natural gas 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.

The sharp rise in this item relative to the previous financial year was the result of a global rise in energy prices.

Other operating receivables primarily comprise deductible VAT in the amount of EUR 32,876,097 (EUR 24,923,347 as at 31 December 2020) and receivables for advances and security deposits paid by the group for the purchase of electricity and natural gas in the amount of EUR 11,117,027 (EUR 4,328,759 as at 31 December 2020).

Information regarding the group's exposure to credit and market risks, and impairment losses for trade receivables is presented in Note 37.

Receivables are not pledged as collateral.

CURRENT ASSETS FROM CONTRACTS (NOTE 12)

Current assets from contracts (in EUR)	31 December 2021	31 December 2020
Accrued revenue	67,218,596	47,001,225
Total	**67,218,596**	**47,001,225**

Current assets from contracts primarily comprise accrued revenue for electricity and natural gas sold for 2021, which will be invoiced to customers in 2022 in accordance with contractual provisions.

CORPORATE INCOME TAX ASSETS AND LIABILITIES (NOTE 13)

Corporate income tax assets and liabilities (in EUR)	31 December 2021	31 December 2020
Receivables for corporate income tax	4,678,912	163,330
Liabilities for corporate income tax	14,770,921	8,052,356

Current corporate income tax assets and liabilities comprise receivables for over-paid corporate income tax and liabilities for corporate income tax based on the tax return for the 2021 financial year.

CASH AND CASH EQUIVALENTS (NOTE 14)

Cash and cash equivalents (in EUR)	31 December 2021	31 December 2020
Cash on account	187,545,368	89,522,664
Call deposits	18,769,103	30,159,533
Cash on hand	741	1,033
Total	**206,315,212**	**119,683,230**

OTHER CURRENT ASSETS (NOTE 15)

Other current assets (in EUR)	31 December 2021	31 December 2020
Current deferred costs and expenses	11,031,766	6,884,249
Current accrued revenue vis-à-vis others	50,526	51,506
VAT on advances received	498,740	623,425
Total	**11,581,032**	**7,559,180**

The majority of current deferred costs and expenses comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 10,022,024 relating to the first quarter of 2022.

EQUITY (NOTE 16)

Structure of equity (in EUR)	31 December 2021	31 December 2020
Equity attributable to owners of the controlling company	**863,795,912**	**771,872,765**
Called-up capital	250,000,000	250,000,000
Share premium	134,682,435	134,682,435
Legal reserves	13,341,014	13,088,728
Other revenue reserves	171,629,033	141,582,144
Fair value reserves	294,571	-808,520
Retained earnings	295,052,583	234,324,901
Translation adjustment to equity	-1,203,724	-996,923
Equity attributable to owners of non-controlling interest	**142,115,319**	**140,607,673**
Total	**1,005,911,231**	**912,480,438**

CALLED-UP CAPITAL

The GEN Group's called-up capital, in the amount of EUR 250,000,000, relates entirely to the share capital of the controlling company.

SHARE PREMIUM

The share premium of the GEN Group comprises:

- the share premium account in the amount of EUR 134,682,435 as at 31 December 2021 (unchanged relative to 31 December 2020), 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 2021 in the total amount of EUR 184,970,047 (EUR 154,670,872 as at 31 December 2020), which comprise:
  - the legal reserves of group companies in the amount of EUR 13,341,014, which were increased in 2021 by EUR 252,286 from retained earnings for the reporting period (that increase amounted to EUR 444,410 in 2020);
  - other revenue reserves in the amount of EUR 171,629,033, which were increased by EUR 30,046,889 in 2021 on account of the reallocation of a portion of profit from previous years based on decisions made by the bodies of GEN Group companies (that increase amounted to EUR 30,905,143 in 2020); and
- fair value reserves in the amount of EUR 294,571 as at 31 December 2021, which primarily comprised changes in 2021 due to the recognition of actuarial gains and losses and the valuation of financial assets at fair value, including deferred taxes. Fair value reserves increased by a total of EUR 1,103,091, compared with a decrease of EUR 1,252,508 in 2020.

RETAINED EARNINGS

The GEN Group disclosed retained earnings in the amount of EUR 295,052,583 at the end of the reporting period. Changes relative to the previous reporting period, when retained earnings totalled EUR 234,324,901, were primarily the result of the following:

- the payment of profit participation in 2021 in the amount of EUR 13,000,000 (EUR 9,500,000 in 2020),
- net profit generated in 2021 attributable to the owners of the controlling company in the amount of EUR 104,358,512 (EUR 63,046,134 in 2020);
- allocation of a portion of retained earnings in 2021 in the total amount of EUR 30,299,175 (EUR 31,349,553 in 2020) to other revenue reserves based on decisions made by the bodies of GEN Group companies in the amount of EUR 30,046,889 (EUR 30,905,143 was allocated to other reserves in 2020) and to legal reserves in the amount of EUR 252,286 (EUR 444,410 in 2020); and
- reductions for other reversals of retained earnings in the amount of EUR 311,928, which primarily relate to the effects of options contracts for participating interests in GEN-EL that were exercised in 2021 (EUR 484,328 in 2020, primarily as the result of the write-off of receivables at GEN-I Beograd charged to retained earnings).

Exchange rate differences arising from the translation of the financial statements of foreign subsidiaries are recognised as a translation reserve in other comprehensive income.

PROVISIONS (NOTE 17)

Provisions in 2021 (in EUR)	31 December 2020	Created	Decreases	31 December 2021
Provisions for long-service bonuses, severance payments and other payments to employees	12,446,554	844,567	-519,476	12,771,645
Provisions for maintenance, decommissioning and disposal of equipment	4,656	0	0	4,656
Other provisions	169,252	0	0	169,252
Total	**12,620,462**	**844,567**	**-519,476**	**12,945,553**

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 3%, a discount rate of 0.8% and wage growth of up to 4% (2020: employee turnover of up to 1.5%, a discount rate of 0.5% and wage growth of up to 4%).

FINANCIAL LIABILITIES (NOTE 18)

Non-current financial liabilities (in EUR)	31 December 2021	31 December 2020
Non-current financial liabilities to banks	54,484,675	73,831,603
Non-current financial liabilities from bonds	8,400,000	31,200,000
Other non-current financial liabilities	956,925	1,930,649
Total	**63,841,600**	**106,962,252**

Current financial liabilities (in EUR)	31 December 2021	31 December 2020
Current financial liabilities to banks	32,309,891	6,012,258
Current financial liabilities from bonds	20,356,340	393,909
Commercial paper issued	29,880,070	24,855,010
Current financial liabilities from options for the purchase of participating interest	69,844	23,901,744
Other current financial liabilities	11,108	143,818
Total	**82,627,253**	**55,306,739**

LIABILITIES TO BANKS

As at the reporting date, the GEN Group had the following liabilities to banks in the amount of EUR 86,794,566:

- 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 11,304,349 as at the balance-sheet date (31 December 2020: EUR 13,043,479) and from a Slovenian commercial bank in the amount of EUR 24,347,826 (31 December 2020: EUR 27,826,087). 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 478,159 in 2021 (EUR 593,703 in 2020). Principal in the amount of EUR 5,217,391 was repaid in 2021, while liabilities for the repayment of principal in 2022 in the total amount of EUR 5,217,391 were transferred to current financial liabilities. Liabilities with a maturity of up to five years amounted to EUR 20,869,564, while the remainder in the amount of EUR 15,739,536 falls due for payment until 2029; and
- a long-term loan for financing investments from the NEK Safety Upgrade Programme in the amount of EUR 18,832,500 (31 December 2020: EUR 20,925,000), which was raised at a foreign commercial bank. Because repayment was set to begin in 2022, EUR 2,092,500 of that loan was transferred to current financial liabilities as at 31 December 2021. Final repayment falls due in 2031. Principal bears a fixed interest rate and is not disclosed because it is deemed a trade secret. A total of EUR 10,462.50 falls due for payment over the next five years.
- short-term loans from Slovenian commercial banks in the amount of EUR 25,000,000 are secured with bills of exchange. Loans and borrowings bear fixed interest rates ranging from 0.85% to 2.4%. Interest expenses for the period amounted to EUR 773,592.

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., with a balance of EUR 7,037,037 as at 31 December 2020 and a maturity in 2031, was repaid early in March 2021 in accordance with contractual provisions.

LIABILITIES BASED ON BONDS

Financial liabilities arising from bonds issued by the subsidiary GEN-I in the amount of EUR 28,756,340 (EUR 31,200,000 as at 31 December 2020) were also disclosed on the reporting date. Long-term bonds in the amount of EUR 8,400,000 were issued in 2017 and fall due for payment in 2024. Short-term bonds in the amount of EUR 20,000,000 were issued in 2018 and fall due for payment in 2022. Those bonds were listed on the organised market of the Ljubljana Stock Exchange in 2018. Interest expenses in connection with bonds amounted to EUR 479,100 during the reporting period (EUR 664,121 in 2020).

ISSUED COMMERCIAL PAPER

The GEN Group also discloses issued commercial paper in its financial statements in the amount of EUR 29,880,070. That commercial paper falls due for payment in June 2022.

FINANCIAL LIABILITIES FROM OPTIONS

Liabilities from options to purchase a participating interest, which amounted to EUR 23,059,816 as at 31 December 2020 and related to the purchase of a participating interest in GEN-EL, were settled in 2021 due to the execution of contractually agreed transactions and options contracts. *(Disclosures in connection with the investment in the subsidiary GEN-EL are also given in the section Events after the reporting period within the GEN Group.)*

OTHER FINANCIAL LIABILITIES

Other non-current financial liabilities include the fair value of the derivatives 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 956,926 (31 December 2020: EUR 1,930,649).

CHANGES IN FINANCIAL LIABILITIES

Changes in financial liabilities (in EUR)	2021	2020
Balance as at 1 January	**162,268,991**	**179,658,494**
Inflows from loans received	20,000,000	55,050,000
Inflows from commercial paper	30,000,000	25,286,692
Inflows from financial liabilities	**50,000,000**	**80,336,692**
Outflows for loans received	-13,049,295	-66,013,067
Outflows for commercial paper	-25,252,840	-25,296,450
Outflows for issued bonds	-3,421,819	-3,500,620
Outflows from options for the purchase of participating interest	-24,909,692	-1,000,000
Outflows for other financial liabilities	-485,221	-29,497
Outflows for financial liabilities and interest	**-67,118,867**	**-95,839,634**
Interest	1,214,662	-302,565
Changes in derivatives	-788,017	-2,955,365
Other changes in financial liabilities	892,084	1,371,369
Outflows for financial liabilities and interest	**1,318,729**	**-1,886,561**
Balance as at 31 December	**146,468,853**	**162,268,991**

MATURITY OF NON-CURRENT FINANCIAL LIABILITIES

Maturity of non-current financial liabilities as at 31 December 2021 (in EUR)	
from 1 to 3 years	23,019,782
from 3 to 5 years	14,619,782
more than 5 years	26,202,036
Skupaj	**63,841,600**

LEASE LIABILITIES (NOTE 19)

Lease liabilities (in EUR)	31 December 2021	31 December 2020
Non-current lease liabilities	1,805,873	1,473,875
Current lease liabilities	1,181,691	871,584
Total	**2,987,564**	**2,345,459**

The group's lease liabilities comprise liabilities based on contracts for business premises under lease in Ljubljana and Maribor whose value was calculated in accordance with IFRS 16.

Changes in lease liabilities (in EUR)	2021	2020
Balance as at 1 January	2,345,459	2,689,597
Increase	1,779,749	596,554
Interest	37,456	40,748
Lease payments	-923,624	-966,284
Adjustments	33,398	16,599
Termination	-284,874	-31,755
Balance as at 31 December	**2,987,564**	**2,345,459**

Lease liabilities by maturity (in EUR)	2021
Current lease liabilities	1,181,690
Lease liabilities with a maturity from 1 to 3 years	1,724,871
Lease liabilities with a maturity from 3 to 5 years	81,003
Total	**2,987,564**

OTHER NON-CURRENT LIABILITIES (NOTE 20)

Other non-current liabilities (in EUR)	31 December 2021	31 December 2020
State aid	822,826	820,754
Non-current deferred revenue, and other accruals and deferrals	116,513	120,483
Non-current deferred overhaul costs – NEK	0	1,948,743
Total	**939,339**	**2,889,980**

CURRENT OPERATING LIABILITIES (NOTE 21)

Current operating liabilities (in EUR)	31 December 2021	31 December 2020
Current trade payables	134,287,146	74,016,543
Current operating liabilities for advances	165,635	108,217
Current liabilities to employees	23,909,386	8,062,818
Other current liabilities to the state	12,053,108	9,258,931
Other current operating liabilities	3,766,028	2,359,174
Total	**174,181,303**	**93,805,683**

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. The increase in this item was the result of rising electricity prices.

Current liabilities to employees comprise December wages, bonuses and other employment earnings. The increase in current liabilities to employees is the result of new hires and accrued bonuses on account of the extraordinary performance of the GEN-I Group in 2021.

Other current operating liabilities comprise liabilities to state and other institutions, and primarily include liabilities for VAT, excise duty liabilities, liabilities for contributions for December wages and for taxes and contributions on other employment earnings payable by the employer, and taxes on CO_2 emissions.

CURRENT LIABILITIES FROM CONTRACTS (NOTE 22)

Current liabilities from contracts (in EUR)	31 December 2021	31 December 2020
Current operating liabilities for advances	12,237,023	7,372,827
Total	**12,237,023**	**7,372,827**

Current liabilities based on advances relate to advances received for electricity and natural gas sales to domestic and foreign entities.

OTHER CURRENT LIABILITIES (NOTE 23)

Other current liabilities (in EUR)	31 December 2021	31 December 2020
Accrued costs and expenses	17,627,463	13,274,064
Current deferred revenue	1,066,048	396,894
Other deferrals and accruals	774,317	909,735
Total	**19,467,828**	**14,580,693**

Accrued costs and expenses in the amount of EUR 13,421,119 as at 31 December 2021 (EUR 8,661,823 as at 31 December 2020) primarily comprise the costs of electricity and natural gas purchases that were taken into account in the compilation of the financial statements based on contracts with business partners for transactions that were executed in 2021, but for which invoices have not yet been received at the time the financial statements were compiled. Accrued costs in the amount of EUR 2,770,652 comprise the current portion of accrued costs for overhaul services for the next three-year period (those costs amounted to EUR 3,773,199 as at 31 December 2020).

CONTINGENT ASSETS AND LIABILITIES (NOTE 24)

Contingent assets and liabilities (in EUR)	31 December 2021	31 December 2020
Bank guarantees issued as collateral for payment	170,223,870	160,195,633
Bank guarantees issued as performance bonds	17,499,879	15,379,690
Loss generated in previous years by subsidiary	76,536,759	76,437,924
Bank guarantees received as performance bonds	6,791,440	6,105,360
Bank guarantees received as collateral for payment	26,118,495	27,446,584
Sureties	51,341,355	37,174,229
Inventories of the Agency of the Republic of Slovenia for Commodity Reserves	19,677,343	18,940,762
Other forms of payment collateral – bills of exchange	27,642,331	12,860,484
Blanket credit lines	66,053,330	43,047,673
Other	113,800	113,800
Total	**461,998,602**	**397,702,139**

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 2021 comprised guarantees issued in the amount of EUR 1,400,000 and guarantees received in the amount of EUR 49,941,355. They comprise guarantees for timely and reliable payment, and performance bonds.

Blanket credit lines comprise unused approved loan limits. The disclosure of short-term blanket credit lines of a GEN Group subsidiary in the amount of EUR 43,000,000 was accidently omitted in 2020, as only the amount of EUR 47,673 was disclosed. As a result, total contingent assets and liabilities were disclosed in the lower amount of EUR 354,702,139.

REVENUE (NOTE 25)

Sales revenue by type (in EUR)	2021	2020
Revenue from the sale of goods and materials	3,286,864,131	2,107,107,665
Revenue from the sale of services	79,730,201	52,732,337
Rental income	75,933	74,238
Total	**3,366,670,265**	**2,159,914,240**

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-related 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)	2021	2020
Revenue on the domestic market	568,002,101	496,945,389
Revenue on the EU market	2,157,447,359	1,299,563,096
Revenue on markets outside the EU	641,220,805	363,405,755
Total	**3,366,670,265**	**2,159,914,240**

OTHER OPERATING REVENUE (NOTE 26)

Other operating revenue (in EUR)	2021	2020
Change in value of inventories of products and work in progress	1,316,095	-293,040
Capitalised own products and services	88,546	50,589
Reversal of non-current provisions	79,961	122,351
Revaluation operating revenue	189,333	715,211
Other operating revenue	114,566,317	32,315,739
Total	**116,240,252**	**32,910,850**

The majority of other operating revenue in 2021 comprised miscellaneous operating revenue. The most important items are presented below:

Material items of other operating revenue/expenses (in EUR)	2021	2020
Fair value from commodity contracts	173,630,690	21,260,738
Fair value from financial contracts	-62,903,661	8,200,464
Ineffective part of fair value hedges	146,168	-252,016
Fair value from currency contracts	-507,811	-1,766,340
Other recurring operating revenue/expenses	-4,050	947,219
Revenues from the European Commission's FutureFlow project	555,867	612,146
Revenue in the form of state aid due to the COVID-19 epidemic	208,610	1,379,484
Operating revenue from supplementary activity	804,482	600,045
Revenue from reminders, damages and other sources	2,039,824	903,154
Disclosure for the note 'Other operating revenue'	**113,970,119**	**31,884,894**

EXPENSES AND COSTS (NOTE 27)

Expenses and costs (in EUR)	2021	2020
Costs of goods, materials and services	3,188,096,467	1,956,773,337
Labour costs	87,645,485	65,054,973
Write-downs	44,726,078	58,334,003
Other operating expenses	27,449,693	26,471,171
Financial costs	5,070,898	6,641,806
Total	**3,352,988,621**	**2,113,275,290**

Costs by type (in EUR)	2021	2020
Historical cost of goods sold and materials sold	3,114,153,343	1,889,885,317
Costs of materials used	29,658,895	25,554,968
Costs of services	44,284,229	41,333,052
Total	**3,188,096,467**	**1,956,773,337**

The historical cost of goods sold comprises the purchase price of electricity and natural gas, and associated costs, as well as the historical cost of goods sold for the construction of small solar power plants.

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.

Labour costs (in EUR)	2021	2020
Wages and salaries	66,278,167	47,472,140
Social security costs	13,511,599	10,272,645
Other labour costs	7,855,719	7,310,188
Total	**87,645,485**	**65,054,973**

The group calculated labour costs in 2021 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 the section Number of employees and educational structure.*

Write-downs (in EUR)	2021	2020
Amortisation of intangible assets	1,560,750	1,263,254
Depreciation of property, plant and equipment	39,179,329	50,017,449
Depreciation of assets under lease	963,077	949,688
Depreciation of investment property	66,103	66,104
Total amortisation and depreciation	**41,769,259**	**52,296,495**
Impairment of fixed assets	1,084,150	53,618
Impairment of inventories	1,661,729	697,879
Impairment of trade receivables and contract assets	210,940	5,286,011
Total impairment losses	**2,956,819**	**6,037,508**

OTHER OPERATING EXPENSES (NOTE 28)

Other operating expenses (in EUR)	2021	2020
Creation of provisions	0	169,252
Environmental protection levies	20,801,081	19,614,132
Levies independent from other types of costs	4,443,782	4,793,377
Other operating expenses	2,204,830	1,894,410
Total	**27,449,693**	**26,471,171**

Environmental protection levies comprise water treatment levies, compensation for the restricted use of space, and contributions paid to the Fund for Financing the Decommissioning of the NEK.

FINANCIAL COSTS (NOTE 29)

Financial costs (in EUR)	2021	2020
Financial costs for other financial liabilities	2,441,863	2,081,148
Financial costs for other operating liabilities	555,592	2,438,939
Financial costs for bonds issued	479,100	664,121
Financial costs for loans from banks	1,494,705	1,269,507
Financial costs for investment interests according to equity method	881	2,261
Financial costs for trade payables and bill of exchange liabilities	61,301	57,468
Financial costs for lease liabilities	37,456	40,748
Financial costs due to impairment and write-offs of financial assets	0	87,614
Total	**5,070,898**	**6,641,806**

COSTS BY FUNCTIONAL GROUP (NOTE 30)

Costs by functional group (in EUR)	2021	2020
Historical cost of goods sold	3,243,373,232	2,024,149,088
Selling costs	53,034,061	41,953,689
General and administrative costs	50,101,015	39,988,040
Total	**3,346,508,307**	**2,106,090,816**

TAXES (NOTE 31)

Income tax for the financial year includes current and deferred tax. Current tax is calculated based on the taxable revenue for the relevant business year using tax rates that apply on the reporting date and based on any adjustments of tax payable for the previous years.

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.

Ratio of tax expenditure to profit or loss for the period (in EUR)	2021	2020
Current tax	24,550,531	15,650,590
Deferred tax	473,518	444,696
Total income tax	**25,024,049**	**16,095,286**
Pre-tax profit or loss	**130,578,889**	**80,284,370**
Tax calculated at applicable tax rate	**25,283,507**	**15,698,988**
Tax from non-taxable revenue	-191,165	211,868
Tax from revenue that reduces the tax base	-125,342	152,453
Tax from non-deductible expenses	2,348,549	1,316,865
Tax from tax relief	-1,491,728	-1,124,099
Tax losses	0	-808
Different tax rates and adjustments	-1,029,103	-146,800
Tax from revenue that increase the tax base	229,331	-13,181
Total income tax	**25,024,049**	**16,095,286**
Effective tax rate	**19.16%**	**20.05%**

CASH FLOW STATEMENT (NOTE 32)

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 2021 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; and
- cash flows from investing and financing activities, which include:

Cash flows from investing activities (in EUR)	2021	2020
Inflows from investing activities:	**1,001,213,393**	**1,465,971,421**
from interest on current financial assets in the form of time deposits	454,342	62,272
from dividends from other companies	236,188	523,060
from the disposal of property, plant and equipment	151,970	240,328
from the disposal of financial assets	1,000,370,893	1,465,145,761
Outflows from investing activities:	**-1,049,947,507**	**-1,544,456,365**
for the acquisition of intangible assets	-3,534,481	-6,377,315
for the acquisition of property, plant and equipment	-47,145,020	-52,465,704
for the acquisition of investment property	-50,000	0
for the acquisition of financial assets	-999,218,006	-1,485,613,346
Net cash flow from investing activities	**-48,734,114**	**-78,484,944**

Cash flows from financing activities (in EUR)	2021	2020
Inflows from financing activities	**50,000,000**	**80,336,692**
Inflows from increase in financial liabilities	50,000,000	80,336,692
Outflows from financing activities	**-56,768,853**	**-106,346,666**
Outflows for interest related to financing activities	-2,639,892	-1,969,724
Outflows for the repayment of lease liabilities – interest	-31,912	-40,748
Outflows for the repayment of financial liabilities	-40,205,337	-93,869,910
Outflows for the repayment of lease liabilities – principal	-891,712	-966,284
Outflows for the payment of dividends and other shares in profits	-13,000,000	-9,500,000
Net cash flow from financing activities	**-6,768,853**	**-26,009,974**

The opening and closing balance of cash and cash equivalents includes cash on business accounts and funds held at commercial banks and available on call.

DISCLOSURES OF EARNINGS (NOTE 33)

Individual groups and remuneration for performance of tasks (in EUR)	2021
Members of senior management – wages and annual leave allowance	6,076,887
Other employees not subject to the tariff section of the collective agreement – wages and annual leave allowance	2,099,335
External members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	221,478
Internal members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	44,702

DISCLOSURES OF PAYMENTS TO AUDITORS (NOTE 34)

Amount spent in connection with auditors (in EUR)	2021	2020
For auditing of annual report	**274,460**	**192,308**
Deloitte	265,035	156,935
Ernst & Young	0	23,608
BDO	9,425	11,765
For other auditing services	**12,907**	**6,370**
Deloitte	12,387	2,000
Ernst & Young	0	3,850
BDO	520	520
Total	**287,367**	**198,678**

The auditors did not provide non-audit services in 2021.

IAS 24 RELATED PARTY DISCLOSURES (NOTE 35)

The controlling company GEN is under the 100% ownership of the Republic of Slovenia. Profit participation in the amount of EUR 13,000,000 was paid to the company's sole owner in 2021.

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, expenses or costs exceeded EUR 500,000 in 2021, excluding banks for which all transactions are disclosed.

IAS 24 Related Party Disclosures (in EUR)	Open receivables as at 31 December 2021	Open liabilities as at 31 December 2021	Revenue in 2021	Expenses/ costs in 2021
Energy companies				
BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO d.o.o.	19,115	22,782	4,886,778	14,147,624
BSP – regional energy exchange	44,295	1,980	32,030,250	83,960,872
ELEKTRO LJUBLJANA OVE d.o.o.	0	0	1,606	596,342
Elektro Maribor Energija plus d.o.o.	407,866	0	3,936,306	967,438
ELES d.o.o.	2,284,407	13,455	23,183,800	693,489
GORENJSKE ELEKTRARNE d.o.o.	0	0	0	2,440,993
HOLDING SLOVENSKE ELEKTRARNE d.o.o.	1,524,595	84,189	103,755,693	92,802,098
PLINOVODI d.o.o.	0	32,935	1,046,463	2,442,077
SODO d.o.o.	0	0	4,641	119,932,237
Banks and insurance companies				
ZAVAROVALNICA TRIGLAV D.D.	0	66,568	131,043	761,886
SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA D.D.	0	13,043,478	0	185,087
Other				
EPPS d.o.o.	0	0	0	1,612,759
KAPITALSKA DRUŽBA D.D.	0	0	9,688	563,996
POŠTA SLOVENIJE d.o.o.	88	1,760	864	530,948
TALUM D.D.	0	48,722	8,800	769,675

FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE (NOTE 36)

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 the 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. As an appropriate assessment of the fair value of equity instruments not listed on the stock exchange, the group uses the purchase cost.

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 2021
Fair value of assets (in EUR)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Assets measured at fair value					
Derivatives	-26,483,041	29,588,654	0	3,105,613	3,105,613
Financial assets measured at fair value through profit or loss	0	0	50,000	50,000	50,000
Financial assets measured at fair value through comprehensive income	0	0	3,490,647	3,490,647	3,490,647
Total	**-26,483,041**	**29,588,654**	**3,540,647**	**6,646,260**	**6,646,260**
Financial assets measured at amortised cost					
Non-current financial assets	0	0	623,797	623,797	623,797
Long-term deposits	0	0	4,910,630	4,910,630	4,910,630
Short-term deposits	0	0	87,731,422	87,731,422	87,731,422
Trade receivables	0	0	140,800,817	140,800,817	140,800,817
Assets from contracts	0	0	67,218,596	67,218,596	67,218,596
Cash and cash equivalents	0	0	206,315,212	206,315,212	206,315,212
Total	**0**	**0**	**507,600,473**	**507,600,473**	**507,600,473**

					31 December 2020
Fair value of assets (in EUR)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Assets measured at fair value					
Derivatives	18,041,188	0	0	18,041,188	18,041,188
Financial assets measured at fair value through profit or loss	0	0	0	0	0
Financial assets measured at fair value through comprehensive income	0	0	2,846,306	2,846,306	2,846,306
Total	**18,041,188**	**0**	**2,846,306**	**20,887,494**	**20,887,494**
Financial assets measured at amortised cost					
Non-current financial assets	0	0	572,449	572,449	572,449
Long-term deposits	0	0	5,519,154	5,519,154	5,519,154
Short-term deposits	0	0	101,503,569	101,503,569	101,503,569
Trade receivables	0	0	77,712,494	77,712,494	77,712,494
Assets from contracts	0	0	47,001,225	47,001,225	47,001,225
Cash and cash equivalents	0	0	119,683,230	119,683,230	119,683,230
Total	**0**	**0**	**351,992,121**	**351,992,121**	**351,992,121**

Fair value of liabilities (in EUR)	Level 3	Total fair value	Total carrying amount
			31 December 2021
Liabilities measured at fair value			
Derivatives	956,926	956,926	956,926
Total	**956,926**	**956,926**	**956,926**
Liabilities measured at amortised cost			
Unsecured bank loans	86,794,566	86,794,566	86,794,566
Other financial liabilities	30,317,361	30,317,361	30,317,361
Lease liabilities	2,987,564	2,987,564	2,987,564
Bonds	28,400,000	28,400,000	28,400,000
Liabilities from contracts	12,319,777	12,319,777	12,319,777
Trade payables	134,287,146	134,287,146	134,287,146
Total	**295,106,414**	**295,106,414**	**295,106,414**

Fair value of liabilities (in EUR)	Level 3	Total fair value	Total carrying amount
			31 December 2020
Liabilities measured at fair value			
Derivatives	1,930,650	1,930,650	1,930,650
Total	**1,930,650**	**1,930,650**	**1,930,650**
Liabilities measured at amortised cost			
Unsecured bank loans	79,843,861	79,843,861	79,843,861
Other financial liabilities	49,294,480	49,294,480	49,294,480
Lease liabilities	2,345,459	2,345,459	2,345,459
Bonds	31,200,000	31,200,000	31,200,000
Liabilities from contracts	7,572,099	7,572,099	7,572,099
Trade payables	74,113,319	74,113,319	74,113,319
Total	**244,369,218**	**244,369,218**	**244,369,218**

FINANCIAL INSTRUMENTS – RISK MANAGEMENT (NOTE 37)

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).

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 2021 (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	86,794,566	86,880,969	27,695,098	4,701,197	7,309,891	21,929,675	25,245,108
Issued bonds	28,400,000	29,024,466	23,292,337	0	2,888,005	2,844,124	0
Other liabilities	46,699,677	46,819,608	46,819,608	0	0	0	0
Lease liabilities	2,987,564	3,163,402	611,443	598,113	1,014,587	744,149	195,110
Operating liabilities							
Operating liabilities	134,287,146	134,287,146	134,054,386	220,841	11,919	0	0
Derivative financial liabilities							
Other forward exchange contracts:							
Outflows	0	0	0	0	0	0	0
Inflows	-3,105,613	-3,105,613	-3,105,613	0	0	0	0
Total	**296,063,340**	**297,069,978**	**229,367,259**	**5,520,151**	**11,224,402**	**25,517,948**	**25,440,218**

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**

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. Because of the group's active approach to financial markets, its good performance and a stable cash flow from operating activities, liquidity risks are within acceptable limits 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 group intends to further strengthen its 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, the controlling company 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.

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 140,800,817.

Credit risk – trade receivables at carrying amount (in EUR)	2021	2020
Domestic	45,321,735	33,294,419
Euro area countries	15,887,373	10,891,282
Other European countries	23,150,814	14,881,454
Countries of the former Yugoslavia	34,336,770	8,362,036
Other regions	22,104,125	10,283,303
Total	**140,800,817**	**77,712,494**

Credit risk – wholesale and retail trade receivables (in EUR)	2021	2020
Wholesale customers	115,832,403	61,860,516
Retail customers	24,968,414	15,851,978
Total	**140,800,817**	**77,712,494**

GEN Group companies use an active approach to managing credit risks and financial exposure to individual business partners. Its 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.

Maturity of trade receivables (in EUR)	31 December 2021			31 December 2020		
	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount
Not due	137,719,873	-4,514,413	133,205,460	77,104,840	-4,775,062	72,329,778
Past due up to 90 days	7,448,166	-455,914	6,992,252	5,899,513	-1,238,727	4,660,786
Past due from 91 to 180 days	58,843	-14,454	44,389	102,277	-16,752	85,525
Past due from 181 to 365 days	-13,654	-9,368	-23,022	378,580	-579,401	-200,821
More than 365 days past due	7,094,036	-6,512,298	581,738	6,629,207	-5,791,981	837,226
Total	**152,307,264**	**-11,506,447**	**140,800,817**	**90,114,417**	**-12,401,923**	**77,712,494**

Changes in impairments and write-downs	2021	2020
Opening balance	**16,210,384**	**12,371,589**
Creation of impairments and write-downs	1,301,233	5,217,122
Reversal of impairments	-1,177,792	-1,320,090
Use of impairments and write-downs	-372,289	-68,550
Exchange rate differences	10,516	10,312
Closing balance	**15,972,052**	**16,210,384**

The closing balance of ECLs and impairment losses comprises ECLs and impairment losses on trade receivables in the amount of EUR 11,506,447 (2020: EUR 12,401,923) and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 3,808,461 (2020: EUR 3,808,461), which relate primarily to impairment losses created by the subsidiary GEN-I Sofia.

CURRENCY RISKS

Currency risk as at 31 December 2021 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
Trade receivables	**140,800,817**	92,592,788	0	0	3,311,306	18,311,745	1,711,682	0	11,373,840	1,059,424	0	0	26,193	38,880	12,374,959	0	0
Unsecured bank loans	**-86,794,566**	-86,794,566	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade payables	**-134,287,146**	-102,616,712	-398,658	-47,090	-2,519,006	-839,083	-14,971,954	-328	-500,715	0	-208,250	-1,360	-546,287	-12,184	-11,612,467	0	-13,052
Gross exposure in the statement of financial position	**-80,280,895**	-96,818,490	-398,658	-47,090	792,300	17,472,662	-13,260,272	-328	10,873,125	1,059,424	-208,250	-1,360	-520,094	26,696	762,492	0	-13,052
Net exposure of receivables and liabilities		**-10,023,924**	**-398,658**	**-47,090**	**792,300**	**17,472,662**	**-13,260,272**	**-328**	**10,873,125**	**1,059,424**	**-208,250**	**-1,360**	**-520,094**	**26,696**	**762,492**	**0**	**-13,052**

Currency risk as at 31 December 2020 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
Trade receivables	**77,712,494**	62,182,625	0	0	2,592,031	4,678,991	1,504,116	0	384,768	10,191	0	0	61,295	112,994	6,185,483	0	0
Unsecured bank loans	**-79,843,861**	-79,843,861	0	0	0	0	0	0	0	0	0	0	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	-604	-350,190	-11,837	-106,324	-96	-238,038	-20,124	-6,081,401	-95	0
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	-604	34,578	-1,646	-106,324	-96	-176,743	92,870	104,082	-95	0
Net exposure of receivables and liabilities		**3,546,223**	**37,025**	**-23,468**	**542,982**	**4,316,683**	**-4,766,292**	**-604**	**34,578**	**-1,646**	**-106,324**	**-96**	**-176,743**	**92,870**	**104,082**	**-95**	**0**

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, the 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.

INTEREST-RATE RISK

Interest-rate risk – carrying amount of financial instruments (in EUR)	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets	92,642,052	107,022,723
Financial liabilities	-141,101,405	-155,662,862
Variable-rate instruments		
Financial liabilities	-5,000,000	-5,129,147

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.

Exposure to interest-rate risk is low, as only one loan, in the amount of EUR 5,000,000, bears a variable interest rate. A change in that interest rate of +/-100 basis points would result in an increase/decrease in net profit or loss by +/- EUR 50,000.

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 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 (NOTE 38)

Profile of the timing of the nominal amount of hedging instruments for 2021	Nominal amount (in EUR)		
	up to 1 year	from 1 to 5 years	more than 5 years
Risk of changes in commodity prices	0	95,545,408	0

Hedging instruments for 2021	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 2021 (in EUR)
		Assets	Liabilities		
Risk of changes in commodity prices	95,545,408	n/a*	n/a*	n/a*	46,820,536

* 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 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 2020 (in EUR)
		Sredstva	Obveznosti		
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.

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 2021 (in EUR)
	Assets	Liabilities	Assets	Liabilities		
Risk of changes in commodity prices	n/a*	n/a*		-46,483,600	Derivatives*	46,820,536

* A hedged item is an unrecognised firm commitment.

INEFFECTIVE HEDGE

Fair value hedging	Ineffective hedge recognised in profit or loss (in EUR)	Line item in statement of comprehensive income that includes ineffective hedge
Risk of changes in commodity prices	344,959	Other recurring operating revenue or expenses

EVENTS AFTER THE REPORTING PERIOD WITHIN THE GEN GROUP

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 2021.

IMPACT OF THE WAR IN EUROPE

We assess that the GEN Group and GEN-I Group are directly exposed to the war and the resulting EU sanctions in the following areas:

- the supply of natural gas to end-customers. Comparatively speaking, the latter represents less than one-tenth of revenues from the supply of electricity to end-customers and approximately one percent of the GEN-I Group's total revenues. Another reason that direct exposure is low lies in the fact that most of GEN-I's natural gas purchases are made directly on exchanges; and
- participation on the Ukrainian wholesale electricity market. The GEN-I Group is not present on the Russian or Belarusian energy markets. It is, however, present in Ukraine via the subsidiary GEN-I Kiev. Exposure is assessed as low, as activities on the Ukrainian market generate less than one percent of the GEN-I Group's revenues. All activities on the Ukrainian market have been halted until further notice and refocused on nearby energy markets.

The direct threat to the GEN Group is low, according to analyses and taking into account implemented measures, and is assessed not to have a material impact on performance.

The group is also assessing its indirect exposure to the war, where risks derive primarily from the impact of the conflict on the energy crisis. In terms of the latter, the most significant risks derive from extremely volatile energy prices and the resulting pressure to ensure sufficient cash margins on energy exchanges. The group has a sound capital structure, generates a robust cash flow from operating activities and has a low level of debt. It is therefore prepared for any new undesirable effects of the current energy crisis. We also regularly study potential indirect risks that are the result of negative effects on business partners and customers. We have not identified increased credit risk or have appropriately minimised that risk with the necessary collateral.

The direct and indirect threats to the group are low, according to analyses and taking into account implemented measures, and are assessed not to have a material impact on performance. There is currently no information or signs to indicate that the achievement of the 2022 plan is not feasible.

The group is aware of increased cyber risks in the current conditions, and is managing those risks appropriately in the scope of its comprehensive risk management system.

APPOINTMENT OF GEN D.O.O.'S MANAGEMENT BOARD FOLLOWING THE END OF THE REPORTING PERIOD

On 23 February 2022, GEN's Supervisory Board recalled Martin Novšak from his position as CEO and temporarily appointed Gordana Radanovič, MSc to fill that position. Ms Radanovič's term of office expired on 31 March 2022 with the appointment of Blaž Košorok to the position of CEO.

APPOINTMENT OF GEN-I, D.O.O.'S MANAGEMENT BOARD FOLLOWING THE END OF THE REPORTING PERIOD

The five-year term of office of GEN-I's Management Board, comprising President of the Management Board Dr Robert Golob, and members Dr Igor Koprivnikar, Danijel Levičar, and Andrej Šajn, MSc, expired on 18 November 2021. Because the company's owners did not reach consent on the appointment of the Management Board to a new five-year term of office when the previous term expired, GEN-I, d.o.o. and its owners, GEN energija d.o.o. and GEN-EL naložbe d.o.o., submitted proposals for the court appointment of a Management Board. On 16 February 2022, the District Court of Krško issued a decision under which the following persons were temporarily appointed members of the Management Board: Dr Igor Koprivnikar as President of the Management Board, and Primož Stropnik, Dr Dejan Paravan and Andrej Šajn, MSc, as members. The court-appointed Management Board represents the company in pairs based on the rules on joint representation. Following the waiving of appeals by all parties to the proceedings, the decision on the court appointment became final on 18 March 2022, when the Management Board assumed full powers to manage the company's operations from that date until the appointment of a new Management Board in accordance with GEN-I's Memorandum of Association, for a maximum period of one year. During the period from the expiry of the term of office of the Management Board headed by Dr Robert Golob until the finalisation of the decision on the court appointment of the Management Board headed by Dr Igor Koprivnikar, GEN-I, d.o.o. conducted its business and signed documents according to the relevant powers, which enabled it to conduct its day-to-day operations without interruption.

OTHER EVENTS AFTER THE REPORTING PERIOD WITHIN THE GEN GROUP

GEN exercises its controlling influence over GEN-EL based on options contracts that allow GEN and/or GEN-I to acquire participating interests in GEN-EL. GEN officially acquired a 25% participating interest when it exercised an options contract with the payment of consideration on 28 June 2021. Following the exercising of that options contract, an entry was made in the companies register on 30 December 2021 based on the decision of the registry court on the entry of a change in ownership of a 25% participating interest in GEN-EL. That entry relates to a change in ownership from Elektro Ljubljana to GEN. Two appeals were filed in January 2022 against the decision of the registry court. The Higher Court ruled in favour of those appeals and issued its own decision in which it stated that entry in the companies register at the request of the petitioner in this particular case is subject to the determination of facts that are disputed between the parties, and that such a preliminary issue cannot be resolved by the registry court. On 13 May 2022, the registry court annulled the change in ownership of the 25% participating interest in GEN-EL that was made on 30 December 2021, and re-entered Elektro Ljubljana in the companies register as the owner of the participating interest in question. GEN filed an appeal against that re-entry. Court proceedings are already in progress before the Ljubljana District Court in connection with the above-described disputed facts. Based on an assessment of the possibility of an unfavourable outcome drawn up by lawyers, GEN's senior management assess that an unfavourable outcome for the company is very unlikely

The new articles of incorporation of the limited liability company GEN energija d.o.o. dated 19 January 2022 entered into force for GEN on the day they were entered in the companies register, i.e. on 27 January 2022. The new articles of incorporation have no material impact on GEN's financial statements.

INTRODUCTION BUSINESS REPORT FINANCIAL REPORT

Due to the uncertain conditions on the electricity market as the result of rising prices and the associated risk in connection with the purchase of alternative energy sources in the event of both planned and unplanned reductions in output by the GEN Group's production units, the sustainability of liquidity could be questionable at certain times. For the purpose of managing such liquidity risks in 2022, GEN initiated proceedings in January 2022 to secure a short-term revolving loan in the amount of EUR 50,000,000. At its 14th ordinary session held on 23 February 2022 and 2 March 2022, GEN's Supervisory Board authorised the aforementioned short-term borrowing.

On 1 January 2022, the Slovenian government adopted a resolution, raising the contribution to the NEK Fund from 0.48 cents for every kWh of electricity produced by the Krško Nuclear Power Plant to 1.2 cents.

Litigation in connection with the construction of the Brežice HPP relates to the construction of the Brežice HPP dam (LOT A2), in which HESS is being sued by the contractors CGP d.d. and Kostak d.d., while HESS is also suing the consortium partners. All three main hearings were held in January 2022. In the litigation involving CGP d.d. as plaintiff, the hearing was completed and the court will issue a decision, while proceedings continue in the other two matters. The next hearings are scheduled for May. We believe the court will hand down a ruling when the hearings have been completed. We cannot predict the outcome of the aforementioned lawsuits with any certainty.

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 operated smoothly and without interruptions. 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 3 June 2022, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2021.

INDEPENDENT AUDITOR'S REPORT FOR THE GEN GROUP

Deloitte.

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

Report on the Audit of the 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 2021, 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 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Group Accounting Policy as described in Note *Basis for the compilation of consolidated financial statements and 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 Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for 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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Emphasis of matter – basis for accounting

We draw your attention to the Note *»Basis for the compilation of the consolidated financial statements of the GEN group«* 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 2021. 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.

Revenue recognition in financial statements

Key audit matter	How our audit addressed the key audit matter
Sales revenue of the Group in the year ended 31 December 2021 amounted to EUR 3,366,670 thousand. As disclosed in chapter *Significant accounting policies - Revenue*, the Group 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 Group's accounting policies relating to the recognition of sales revenue and their compliance with relevant accounting principles, and performed the following procedures: - we checked the design and implementation of internal controls related to the recognition of sales revenue from the point of view of the adequacy of their recording; - we checked the effectiveness of the identified internal controls, which we judged to be important from the audit point of view; - based on the selected sample, we checked in detail the adequacy of the recording of recognized revenues; - on the basis of the selected sample, we checked in detail the adequacy of the controls on the electricity and natural gas procurement side; - on the basis of purchased and sold quantities and prices of electricity and natural gas for the last three years, and on the basis of a high degree of correlation between purchase and sale, we analytically estimated the revenues; we explained the deviations; - we reconciled the recognized revenues with related parties with independent confirmations. We also reviewed the information in the financial statements to assess whether the disclosures related to sales revenue were appropriate.

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Derivatives and hedging

Key audit matter	How our audit addressed the key audit matter
As of 31 December 2021, the group has EUR 3,106 thousand of derivative financial instruments as assets, which are mainly used to manage and hedge market and currency risks. As disclosed in the note *Derivatives – Hedging against risks*, they are measured at fair value, and changes in fair value are generally reflected in the group's profit or loss. When measuring fair value, management must determine appropriate methods and models for determining fair value and accounting for hedging against risks. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observable inputs. We treat derivative financial instruments as a key audit matter due to their importance for financial statements, the importance of assumptions in calculating fair value, and the complexity of accounting for hedging against risks.	As part of the audit procedures, we assessed the adequacy of the group's accounting policies regarding the recognition of derivative financial instruments and their compliance with the accounting framework, and performed the following audit procedures: - understanding of risk management policies and review of key controls for the use, recognition and measurement of derivative financial instruments; - comparison of the input data used in the group's valuation models with independent sources and externally available market data; - comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing the applicability and accuracy of risk hedging accounting based on the sample; - consideration of the adequacy of disclosures related to financial risk management, derivative financial instruments and hedging accounting. As part of the audit procedures, we used an expert who checked whether the valuation approach is appropriate, whether the used important assumptions are suitable for the given

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	purposes and whether the results of the valuations prepared by the group are accurate.

Emphasis of matter

We draw your attention to the note *Events after the reporting period within the GEN Group* in the financial statements, which describes the management's assessment of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the company, and the explanation related to exercising the purchase option for shares in the company GEN-EL. Our opinion related to these matters is not modified.

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 audited 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 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 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.

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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.

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 regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated financial statements of the current 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

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Appointment of the Auditor and the 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 2 years.

Confirmation to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 8 June 2022 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.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Katarina Kadunc.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 8 June 2022

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IV. INFORMATION REGARDING THE CORPORATE REPORTING OF THE GEN GROUP

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 2021.

The annual report of the GEN Group for 2021 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 (sections Business policy of GEN and Implementation of sustainability policies through responsible operations) 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 are continuing with the **implementation of integrated reporting in line with the principles and guidelines of the IIRC (International Integrated Reporting Council)**, with an emphasis on consideration through capitals and their connection with the results of our business operations. 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.

This year's report once again demonstrates how our operations contribute to the achievement of Sustainable Development Goals. Details are provided in the table in point 3, which illustrates the link between the types of capital of the GEN Group and financial and non-financial information regarding operations, and individual Sustainable Development Goals.

If you have any questions about the annual report, contact us at info@gen-energija.si.

Location of expected disclosures (in addition to legally prescribed financial and non-financial disclosures) in accordance with the Corporate Governance Code for Companies with Capital Assets of the State

Expected disclosure	Section
• Risks and the risk management system • Internal controls	• Management of risks and opportunities • Corporate governance statement of GEN energija d.o.o.
• Research and development	• Research and development, capital expenditure and investments at GEN Group companies
• Corporate governance (including an explanation of deviations from the provisions of the Code)	• Report of the Supervisory Board • Corporate governance statement of GEN energija d.o.o.
• Significant events and circumstances that impact the commercial position of the company and/or owners	• Economic trends and their impact on the electricity sector • Significant events at GEN Group companies • Electricity production and ancillary services • Purchase of electricity • Electricity trading and sales • Sales of natural gas • Financial operations
• Reporting on the company's sustainable development	• Corporate policy of GEN • Implementation of sustainability policies through responsible operations • Key performance data

SUSTAINABLE REPORTING ACCORDING TO THE GRI GUIDELINES

GENERAL STANDARD DISCLOSURES

Indicator	Disclosure	Section /page number
GRI 101: FOUNDATION 2016		
GRI 102: GENERAL DISCLOSURES 2016		
Organisational profile		
102-1	Name of the organisation	I. (page 46)
102-2	Activities, brands, products and services	I. (page 48)
102-3	Location of headquarters	I. (page 46)
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. (page 46) , II. (page 75)
102-5	Ownership and legal form	I. (page 46), I. (page 48), III. (page 156)
102-6	Markets served (geographic locations where products and services are offered, sectors served, and types of customers and beneficiaries)	I. (page 46), II. (page 75), II. (page 78)
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. (page 30), I. (page 46), I. (page 48), II. (page 75), II. (page 78), II. (page 89), II. (page 93), III. (str. 120), III. (str. 156)
102-10	Significant changes to the organisation's size, structure, ownership, or supply chain during the reporting period	I. (page 35), I. (page 46), I. (page 48), I. (page 54), I. (page 56)
102-11	Explanation of whether and how the organisation applies the precautionary principle or approach	II. (page 101), III. (page 111)
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. (page 43), II. (page 89), II. (page 98)
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. (page 35)
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. (page 43), I. (page 51), I. (page 54), II. (page . 98), II. (page 101)
GOVERNANCE		
102-18	Governance structure of the organisation, including committees of the highest governing body	I. (page 43), I. (page 46), I. (page 48)
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups engaged by the organisation	I. (page 54)
REPORTING PRACTICE		
102-45	List of all entities included in the organisation's consolidated financial statements	III. (page 156), III. (page 157)
102-46	Explanation of the process for defining the report content and the topic boundaries	I. (page 54)
102-50	Reporting period	IV. (page 226)
102-51	Date of most recent previous report (if any)	IV. (page 226)
102-52	Reporting cycle	IV. (page 226)
102-53	Contact point for questions regarding the report or its contents	IV. (page 226)
102-54	Claims of reporting in accordance with the GRI Standards	IV. (page 226), IV. (page 228)
102-55	GRI content index	IV. (page 228)

GENERAL STANDARD DISCLOSURES FOR ELECTRICITY COMPANIES

Indicator	Disclosure	Section /page number
ORGANISATIONAL PROFILE		
EU1	Installed capacity and breakdown by primary energy source	II. (page 66)
EU2	Net energy production broken down by primary energy source	II. (page 66)

GENERAL STANDARD DISCLOSURES FOR ELECTRICITY COMPANIES

CATEGORY SUB-CATEGORY *Management approach and disclosures*		Material topics	Section /page number
ECONOMIC ASPECTS			
GRI 201: Economic performance			
	103-1	Explanation of the material topic and its boundary	I. (page 54), III. (page 110), III. (page 120), III. (page 156)
	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. (page 30), III. (page 112), III. (page 150)
GRI 203: Indirect Economic Impacts			
	103-1	Explanation of the material topic and its boundary	II. (page 79)
	203-1	Development and impacts of infrastructure investments	II. (page 79)
ENVIRONMENTAL ASPECTS			
GRI 305: Emissions			
	103-1	Explanation of the material topic and its boundary	II. (page 66)
	305-1	Direct greenhouse gas emissions	II. (page 66)
SOCIAL ASPECTS			
GRI 401: Employment			
	103-1	Explanation of the material topic and its boundary	II. (page 89)
	401-1	New employee hires and employee turnover	II. (page 89)
GRI 404: Training and education			
	103-1	Explanation of the material topic and its boundary	II. (page 90)
	404-1	Average hours of training per year per employee	II. (page 90)
GRI 413: Local communities			
	103-1	Explanation of the material topic and its boundary	I. (page 54), II. (page 93)
	413-1	Operations with local community engagement, impact assessments and development programmes	I. (page 54), II. (page 93)

SPECIFIC STANDARD DISCLOSURES FOR ELECTRICITY COMPANIES

CATEGORY SUB-CATEGORY *Material impacts*		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. (page 51), I. (page 54), II. (page 79)
Research and development	G4-DMA	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	II. (page 79)
Decommissioning of nuclear facilities	G4-DMA	Establishment of conditions for the decommissioning of nuclear facilities	II. (page 87)
System efficiency	EU 11	Average production efficiency of thermal power plants by energy source and operating regime	II. (page 73)
ENVIRONMENTAL ASPECTS			
Emissions	G4-EN15	Direct greenhouse gas emissions	II. (page 66)
SOCIAL ASPECTS			
LABOUR PRACTICES AND DECENT WORK			
Employment	G4-DMA	Programmes and processes to ensure the availability of a skilled workforce	II. (page 89)
SOCIETY			
Local communities	G4-DMA	Stakeholder participation in decision-making processes related to energy planning and infrastructure development	II. (page 89), II. (page 93)
PRODUCT/SERVICE RESPONSIBILITY			
Provision of information	G4-DMA	Practices to address barriers to accessing and safely using electricity	II. (page 93)

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 financial and non-financial information regarding the GEN Group's operations in 2021. 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 2021
Infrastructural capital	Electricity production: • at the nuclear power plant (NEK), • at the hydroelectric power plants (SEL and HESS), and • at the gas-fired thermal power plant (TEB). Operational efficiency	II. Electricity production and ancillary services (page 66)
	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. Purchase of electricity (page 74)
	Electricity trading and sales volume (in GWh) Advanced (software and IT) infrastructure for cross-border trading which provides information and data for the optimal utilisation of production sources	II. Electricity trading and sales (page 75)
	• Infrastructure for purchasing natural gas in Europe's energy markets • Natural gas purchased (in GWh)	II. Sales of natural gas (page 78)
	Safety aspects behind NEK's operation and the preparation of the JEK2 project: • continuous monitoring of best practices in the field of nuclear safety, • modernisation of equipment, and • assessment of operational safety and work processes (International Atomic Energy Agency, IAEA).	II. Quality policy and ensuring safety (page 98)
	Management of risks associated with infrastructural capital.	II. Management of risks and opportunities (page 101)
Natural capital	Low-carbon energy source portfolio: • 99% of our electricity output comes from sustainable and renewable energy sources, and • CO_2 emissions per kWh generated.	II. Electricity production and ancillary services (page 66)
	Activities involving the ISO 14001 environmental management system	II. Quality policy and ensuring safety (page 98)
	Management of environmental and climate risks and opportunities	II. Management of risks and opportunities (page 101)
Financial capital	Volume of investments and capital expenditure (by GEN Group company; in EUR million)	II. Research and development, capital expenditure and investments by GEN Group companies (page 79)
	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, and • investment of surplus cash.	II. Financial operations (page 87)
	Management of financial risks andopportunities	II. Management of risks and opportunities (page 101)

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2021
Employees and intellectual capital	The knowledge and skills of employees to ensure the operational efficiency of production units	II. Electricity production and ancillary services (page 66)
	Development of comprehensive brokerage services and flexibility (from intra-day to multi-year deals)	II. Purchase of electricity (page 74)
	• Entering new markets and expanding the economy of scale • Implementation of instruments and authorisations for the comprehensive management of excess electricity and electricity shortfalls • Development of new forms of business cooperation to allow for more effective risk management	II. Electricity trading and sales (page 75)
	Growth of the number of electricity customers (domestic market – 'Affordable Natural Gas' (Poceni plin) brand and entry on foreign markets)	II. Sales of natural gas (page 78)
	Research and development (overview of studies and research and development activities by GEN Group company)	II. Research and development, capital expenditure and investments at GEN Group companies (page 79)
	• Number and educational structure of employees • Professional education and training	II. Employees, knowledge and human resource development (page 89)
	Substantive and organisational development of activities to strengthen energy literacy and employee engagement (overview by GEN Group company)	II. Strengthening knowledge about energy and the energy industry (page 93)
	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, and • fostering and improving the safety culture and awareness among all employees. Activities involving the occupational health and safety system	II. Quality policy and ensuring safety (page 98)
	Management of risks and opportunities associated with human resources	II. Management of risks and opportunities (page 101)

Type of capital	Description of content included in II. Business report	Location of content in Annual report of the GEN Group for 2021
Social capital	Overview of the economic and political situation in 2021: • economic trends (economic growth, inflation, growth in industrial production), and • process of drawing up the Energy Concept of Slovenia.	II. Economic trends and their impact on the electricity sector (page 64)
	Ancillary services, balancing of critical operational conditions in the power grid, tertiary frequency control	II. Electricity production and ancillary services (page 66)
	Overview of regulatory frameworks and social acceptability challenges with regard to: • the maintenance of existing, and • construction and planning of new production capacities, primarily: the JEK2 project, ZEL-EN development projects, and projects undertaken by the rest of the GEN Group companies.	II. Research and development, capital expenditure and investments at GEN Group companies (page 79)
	• Settlement of liabilities to suppliers • Activities in connection with the Intergovernmental Agreement on the NEK	II. Financial operations (page 87)
	Development of human resources and management of long-term strategic HR challenges	II. Employees, knowledge and human resource development (page 89)
	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. Strengthening knowledge about energy and the energy industry (page 93)

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

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:

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.

Source: Indicators of Sustainable Development Goals, Statistical Office of the Republic of Slovenia: https://www.stat.si/Pages/cilji

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

DEAR	deferred expenses and accrued revenue
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
Deloitte	Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana
d.o.o.	limited liability company
Dr	doctor
ECB	European Central Bank
EPG	electric power grid
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
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.
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	Nuclear Training Centre
ISO standards	international standards on environmental management systems
IT	information technology
etc.	et cetera
NPP	nuclear power plant

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
m	milion
bn	billion
IFRS	International Financial Reporting Standards as adopted by the EU, and the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU
MW	megawatt
MWh	megawatt-hour
GEN CC	GEN Control Centre
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)
NLB	Nova Ljubljanska banka, d.d.
e.g.	for example
SB	Supervisory Board
LILW	low- and intermediate-level radioactive waste
OSART	Operational Safety Review Team
RES	renewable energy sources

GU	gas unit
ECL	expected credit losses
senior management	senior management of GEN
senior management of the company	senior management of GEN
Prof.	professor
FVTPL	fair value through profit or loss
FVTOCI	fair value through other comprehensive income
PWR	pressurised water reactor
AC	audit committee of GEN's Supervisory Board
RS	Republic of Slovenia
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
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.
UniCredit Banka	UniCredit Banka Slovenija d.d.
WANO	World Association of Nuclear Operators
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)
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
IAEA	International Atomic Energy Agency
SMR	Small modular reactors
IFNEC	International Framework for Nuclear Energy Cooperation
IJS	Jožef Stefan Institute
IR JEK2	Development of engineering solutions for establishing JEK2

NECP	Comprehensive National Energy and Climate Plan
NIJZ	National Institute of Public Health
GEN CC	GEN Control Centre
NGO	Non-governmental organisations
SSH Code	Corporate Governance Code for Companies with Capital Assets of the State
EGL	Energy generation licence
ZPKEPS-1	Act Governing Conditions Regarding the Concession for Exploitation of the Energy Potential of the Lower Sava River
EUR	European Utility Requirements
EvPSHA	Evaluation of the Probabilistic Seismic Hazard Analysis (PSHA)
EZ-1	Energy Act
MladiVSE	GEN's Young in the World of Energy awareness project
MESP	Ministry of the Environment and Spatial Planning
ZUP	Administrative Procedure Act
ReDPS50	Resolution on Slovenia's long-term climate strategy until 2050
SSH	Slovenian Sovereign Holding
MI	Ministry of Infrastructure
SDG	Sustainable Development Goals

The formatted annual report and the English translation thereof represent unofficial versions of the annual report. The annual report in the form and content audited and approved by the Supervisory Board is the official version of the annual report and is accessible at the company's head office. In the event of differences between the information presented, the information presented in the official version shall prevail.

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