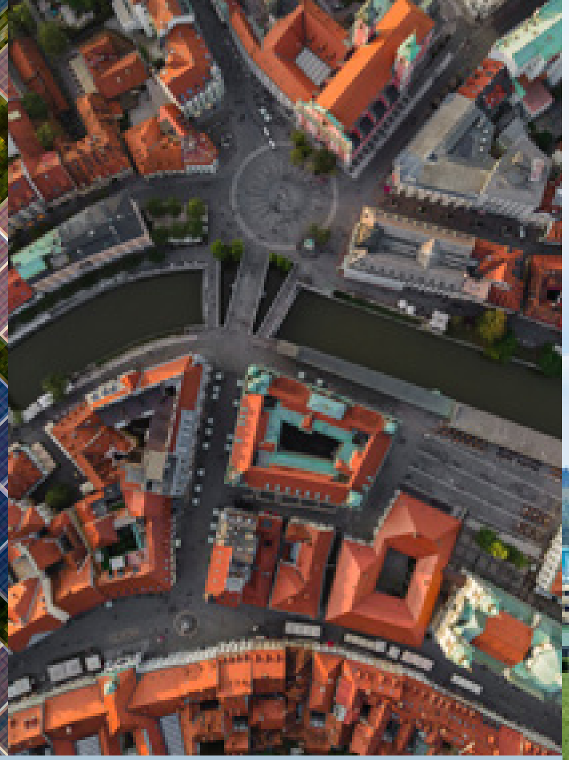
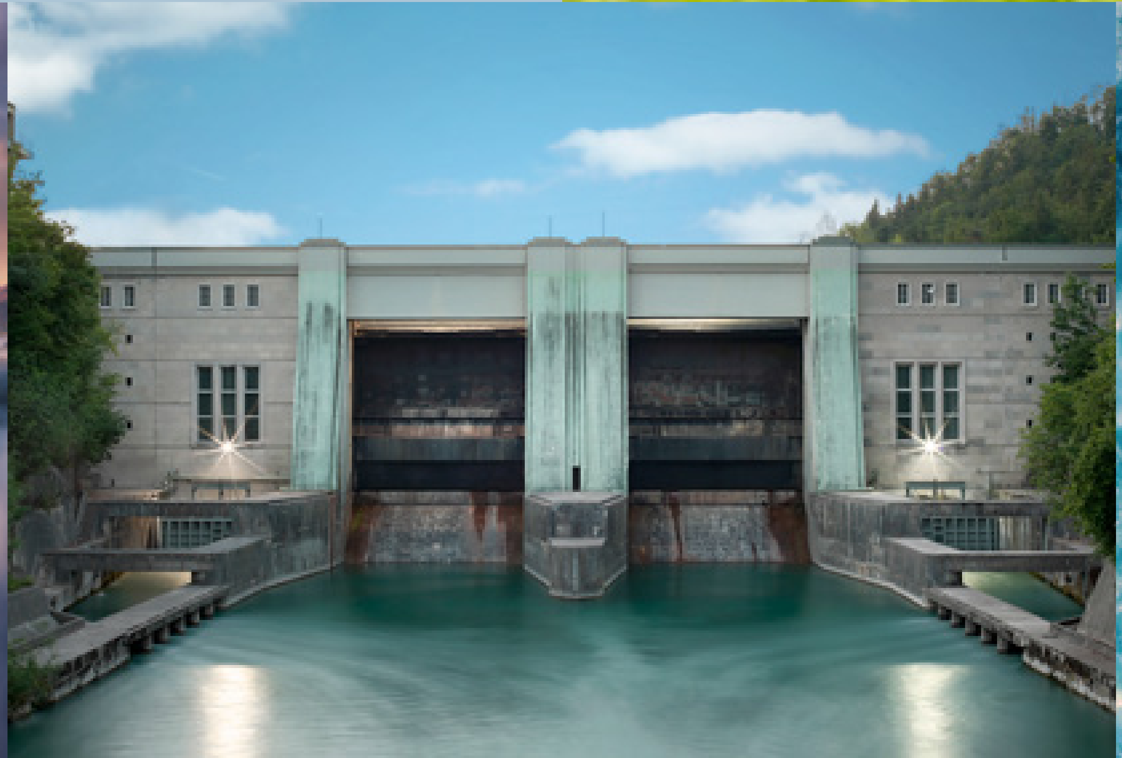
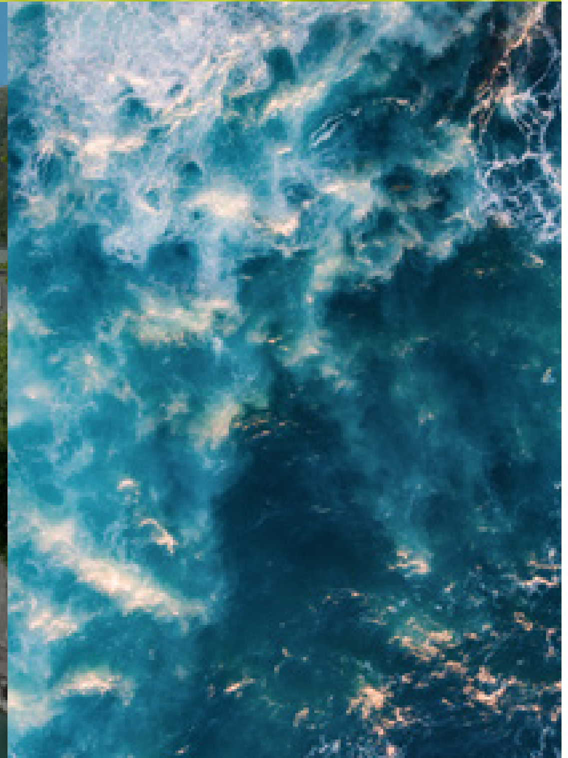



ANNUAL REPORT

OF GEN ENERGIJA
AND THE GEN GROUP
FOR **2022**

GEN GROUP

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Krško, July 2023

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INTRODUCTION

1.1. KEY PERFORMANCE DATA FOR THE GEN GROUP

Despite the energy crisis and dramatic conditions on the energy markets, the GEN Group successfully pursued its mission in 2022. We continuously supplied Slovenian customers reliable, affordable and low-carbon energy at contractually agreed prices, while achieving all investment, operational and safety objectives at production facilities. The group ended the 2022 financial year below plans, but nevertheless generated a profit in the amount of EUR 23,597 thousand.

ENERGY CRISIS

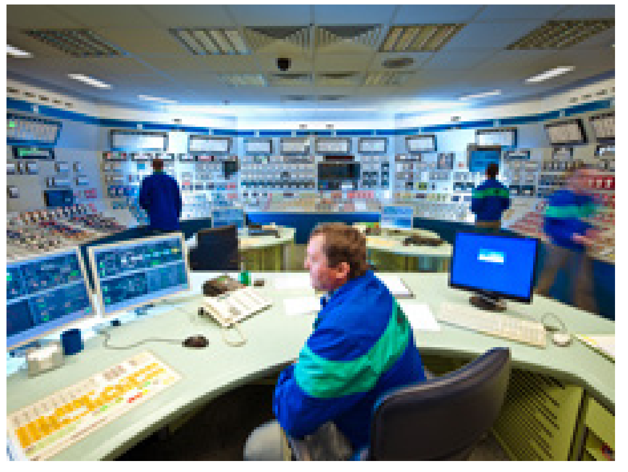
- The GEN Group's key priorities in 2022 were **addressing the energy crisis and the reliable supply of Slovenian customers**. We focused on the reliable supply of customers, the provision of the liquidity required for smooth operations, the reliable functioning of all production facilities and ensuring all necessary conditions for the potential integration of the GEN Group's units.

BUSINESS RESULTS

- The GEN Group ended 2022 relatively successfully, with a **net profit of EUR 23.6 million**, which was down by 78% relative to 2021, a record year in which the group's remarkable results were driven by exceptional market conditions and the most successful financial year to date for the GEN-I Group. Results in 2022 were a reflection of rising energy prices, a protracted drought and an extended major overhaul of the NEK, when additional electricity was purchased at record-high market prices to cover shortages.
- **We continue to grow. With more than EUR 4 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.**

OPERATING RESULTS

- The production units of GEN Group companies generated a combined total of **3,147 GWh of electricity**. This was less than planned due to a protracted drought and an extended major overhaul of the NEK. Production by SEL and HESS was lower than planned on account of extremely poor hydrological conditions throughout 2022, one of the poorest years on record in this regard. The NEK's production was also lower than planned, primarily due to the extension of the major overhaul for six days and the functioning of cooling towers on account of unfavourable hydrological conditions, which resulted in slightly reduced efficiency and thus lower production. Production by the TEB was higher than planned, primarily due to the functioning of gas turbine units for the needs of the market, where high prices from the end 2021 continued in 2022.
- 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 5,311 GWh of electricity, **2,655 GWh** of which is the property of GEN, or effectively the Republic of Slovenia, under the Intergovernmental Agreement on the NEK. A scheduled major overhaul was successfully completed in October. After 513 days of continuous operation, the production cycle was successfully completed and the last planned fuel replacement and overhaul was carried out within the originally planned operating life of the power plant.

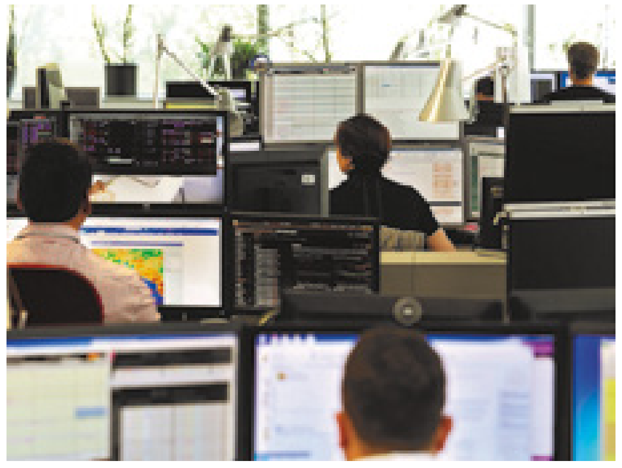


- In the context of unfavourable hydrological conditions in 2022, our **hydroelectric power plants** generated **429 GWh** of electricity thanks to their reliable and successful operation.
- Through reliable start-ups, the Brestanica Thermal Power Plant (TEB) also confirmed its role in **ensuring power grid stability**. There were a total of 212 start-ups in 2022. In an exceptional 2022, the TEB also played a special role in preparation for the functioning of the electric power grid in emergencies. Due to the planned increased scope of operations in the autumn and winter months, key project activities were the expansion of the fuel tank decanting station and the increased supply of diesel fuel.

- **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.

LOW-CARBON PORTFOLIO AND SUPPLY OF ENERGY

- A total of **98.5% of all electricity generated** by GEN Group companies **came from low-carbon, sustainable and renewable sources, i.e. nuclear and hydro**.
- **We supply all of our customers in Slovenia exclusively carbon-free energy**. Our end-customers were supplied electricity produced from nuclear, solar and hydro sources in 2022.
- In 2022, we took on **56,000 customers** who were abandoned overnight by certain suppliers due to their withdrawal from the market or significant price increases.



DEVELOPMENT AND INVESTMENTS

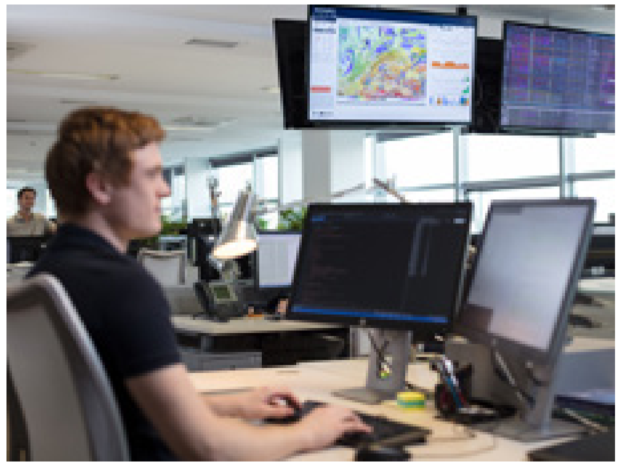
- The GEN Group's work addresses today's key energy challenges, in particular decarbonisation, the energy transition, and the self-sufficient supply of energy and energy self-sufficiency. The GEN Group's goal is to **become and remain the main implementer of the transition to a self-sustaining and carbon-free electric power grid**. Such an electric power grid is the most reliable and cost-competitive.
- The majority of investments in 2022 were aimed at **maintaining the high level of availability and functional reliability** of all of our production units.

- In terms of **investments in renewable energy sources**, solar energy represents an important source alongside the hydro energy production portfolios of HESS and SEL. We started up two large solar power plants in 2022, a 17-MW power plant in North Macedonia (with GEN-I as investor) and a 6-MW power plant in Brežice (with HESS as investor). Solar energy facilitates the active inclusion of households in the production of electricity. More than 5,500 small solar power plants have been set up under the auspices of the GEN-I Group.

- The **JEK2** project is currently in the initial phase of spatial planning.
- Total investments in 2022 amounted to **EUR 85.10 million**.

TRADING

- Despite the turbulent conditions on the energy markets, the GEN-I Group operated stably in 2022 and **exceeded the expectations set out in its business plan** for the financial year.
- We achieved excellent results primarily due to our **prudent approach to trading on the international energy markets**, where we sold 129.2 TWh of energy products, including 97.7 TWh of electricity. We thus became the **leading electricity trader on the markets of Southeast Europe**, where we also expanded the natural gas trading activity with the aim of diversifying the portfolio and ensuring safe supply to end-customers.



- Despite the fact that the energy markets face continuous challenges, the year 2022 was extreme in this respect, **making energy trading extremely difficult**. The most important risks in the past were business risks, while the most important risks in 2022 were financial and credit.
- Extremely high prices also resulted in **high margin requirements**, both for the purpose of maintaining the GEN-I Group's positions and for ongoing trading. The main focus was the successful management of credit and regulatory risks.
- We responded effectively to the new conditions on the energy markets thanks to **in-depth knowledge of markets** and continuous progress in the **optimisation of analytical support**. Also contributing to positive operations were synergies from the globally diversified portfolio, product diversification and the expansion of the range of energy products in the portfolio. The latter is also crucial in terms of diversifying and minimising business risks in order to hedge the portfolio, particularly in times of market volatility.
- In 2022, we completed the **establishment of an electricity trading infrastructure** in Kosovo, executed the first electricity transactions in Poland, and expanded natural gas trading to the Bulgarian and Greek markets.

ENERGY SERVICES AND SALES OF TECHNOLOGIES

- By the end of 2022, we had facilitated the green transformation of nearly 5,000 Slovenian **households** through solar energy. We set up 1,842 new small solar power plants in 2022, an increase of 58% relative to the previous year in terms of the number of small solar power plants set up in a single year. Of that number, we successfully connected 1,738 solar power plants to the grid in 2022.
- We expanded the self-sufficient energy supply market for **business customers** during the year. In 2022, we set up 33 solar power plants with a total installed capacity of 13,058 kW on the roofs of companies, hotels, shopping centres and other major electricity customers.

- We continued with the **self-sufficient communities, energy contractual partnership, solar power communities** and **e-mobility** projects.
- On account of our extensive network of customers, knowledge and established infrastructure, we are increasingly establishing ourselves as a **leading aggregator (consolidator) of active customers**.

ENERGY EDUCATION AND RAISING PUBLIC AWARENESS

- Our success in accomplishing the GEN Group's mission depends largely on public opinion regarding planned energy projects and the understanding of GEN's line of work among various external stakeholders, and is also closely tied to efforts to strengthen energy literacy. We thus strengthened the **understanding of topics related to energy and the energy sector** among various target groups again in 2022.

Pursuant to sustainability reporting guidelines, the annual report of GEN and the GEN Group for 2022 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.

KEY FIGURES		GROUP		COMPANY	
		2022	2021	2022	2021
Revenue	in EUR thousand	4,157,520	3,483,568	387,963	239,522
EBIT	in EUR thousand	34,319	134,993	-15,461	30,564
EBITDA	in EUR thousand	88,241	179,719	-14,685	31,323
Net profit	in EUR thousand	23,597	105,555	1,350	27,054
Assets	in EUR thousand	1,601,435	1,397,959	756,939	641,955
Equity	in EUR thousand	1,031,482	1,005,911	538,252	536,835
Debt	in EUR thousand	265,809	146,469	100,025	70
Investments	in EUR thousand	56,694	44,210	2,829	4,359
Electricity produced	in GWh	3,147	3,388	0	0
Electricity sold	in GWh	23,171	48,685	3,739	3,972
Number of employees at year-end		1,340	1,232	74	66

PERFORMANCE INDICATORS		GROUP		COMPANY	
		2022	2021	2022	2021
Self-financing ratio	in %	64.41	71.96	71.11	83.63
Long-term financing ratio	in %	69.18	78.22	81.14	95.58
Fixed asset investment ratio	in %	48.69	54.70	2.89	3.09
Long-term investment ratio	in %	50.40	56.53	68.21	80.26
Equity to fixed assets ratio		1.32	1.32	24.57	27.08
Non-current debt to currents assets ratio		1.36	1.37	1.17	1.17
Cash ratio		0.91	0.98	1.04	2.79
Quick ratio		1.43	1.78	1.62	4.32
Current ratio		1.59	1.97	1.62	4.32
Operating efficiency ratio		1.01	1.04	0.96	1.15
Net return on equity (ROE)	in %	2.32	11.00	0.25	5.11
Net return on assets (ROA)	in %	1.57	8.05	0.19	4.24
Value added	in EUR thousand	169,390	267,364	-8,780	36,210
Value added per employee	EUR	131,718	223,642	-125,432	557,073
Debt to equity ratio		0.26	0.15	0.19	0.00
Total financial liabilities/EBITDA		3.01	0.81	-6.81	0.00
EBITDA margin	in %	2.12	5.16	-3.93	13.22
EBITDA/financial expenses for loans raised		19.99	40.36	-26.21	0.00
Total financial liabilities/assets		0.17	0.10	0.13	0.00
Net financial liabilities/EBITDA		-2.07	-0.84	3.29	-2.46

1.2. LETTER FROM THE SENIOR MANAGEMENT

Dear Business Partners and Colleagues,

In the demanding conditions we faced in 2022, the GEN Group successfully pursued its mission and continuously ensured the reliable supply of low-carbon electricity to Slovenian households at acceptable and guaranteed contractual prices, while achieving all investment, operational and safety objectives at production facilities. Due to extreme growth in market prices, we failed to achieve planned results, but the group did generate a profit that we deem a success in the given conditions.

The energy crisis exposed Slovenia's high dependence on electricity imports, which reached an average of more than 32% in 2022. This is unacceptable in terms of national energy security and Slovenia's sovereignty. The large gap between electricity consumption and production will only widen in the coming years, meaning accelerated investments in carbon-free sources and the green transition, which is at the core of our mission, will be crucial.

The energy market was characterised in 2022 by sharp fluctuations in energy prices as the result of several factors, from the Russian invasion of Ukraine, which caused rising energy prices across all of Europe due to the reduced supply of natural gas, to a simultaneous and protracted drought and thus reduced production by hydroelectric power plants. Because certain suppliers withdrew from the market due to the dramatic conditions, we took on 56,000 new customers for whom we had not purchased energy. We covered the burden of those new customers and the regulation of electricity prices for households and small business customers introduced by the government in the summer through activities in the area of international trading, where we exceeded plans.

We were forced to compensate for the electricity shortage caused by poor hydrological conditions and the scheduled major overhaul at the NEK through purchases at record-high market prices, while trading volatility resulted in requirements for additional guarantees for trading purposes and additional funds to cover high prices. Mechanisms to ensure the liquidity of energy companies were adopted by nearly all EU Member States, including Slovenia. GEN energija raised a government-guaranteed loan in the amount of EUR 100 million to bridge liquidity outflows in connection with purchases of alternative electricity during the scheduled major overhaul of the NEK. The final instalment of that loan was repaid at the beginning of March 2023.

On account of external circumstances and the risks to which the GEN Group is exposed, the profit generated by the controlling company and the GEN Group in 2022 was lower than planned, but still positive. The GEN Group's net profit of EUR 23,597 thousand was 61% lower than planned, primarily due to the higher costs of purchases of alternative energy sources than planned during the scheduled major overhaul of

the NEK, a drop in production by hydroelectric power plants by one-third due to a record drought and the demanding and extended major overhaul at the NEK in the context of extreme growth in market prices. The controlling company GEN generated a net profit of EUR 1,350 thousand. Contributing most to the group's positive operating results were activities in the area of international trading, which exceeded plans, the stable and reliable functioning of the NEK in the area of electricity production, higher production by the TEB and the exceeding of plans in the set-up of solar power plants for self-sufficient supply.

All of the GEN Group's production units operated safely, stably and reliably in 2022. A total of 93.5% of planned electricity production was achieved by the GEN Group in 2022. At 98.3% of the planned amount, production by the NEK was slightly lower than planned primarily due to the extension of the major overhaul for six days and poor hydrological conditions throughout the year, which forced the NEK to function the majority of time with the help of cooling towers, which was reflected in slightly reduced lower efficiency and thus lower production.

Record poor hydrological conditions, some of the worst recorded in recent decades, resulted in a sharp drop in production by hydroelectric power plants on the Sava River, with SEL and HESS achieving 68.2% and 69.3% of planned production, respectively. In contrast to electricity production, the TEB exceeded plans, primarily due to the functioning of gas turbine units for the needs of the market, as electricity prices were up again in 2022.

In addition to investments in the maintenance of existing production units, the GEN Group's investments are highly focused on new production capacities and the effective linking of energy activities. Despite demanding conditions, we successfully implemented all planned investments in the NEK, where we completed a complex major overhaul with the replacement of the high-pressure turbine. In early 2023, based on its excellent operation, maintenance and the condition of its systems, the NEK obtained environmental protection approval for the extension of its operating life until 2043. Hydroelectric power plants on the Sava River are in excellent condition for the stable and reliable

production of electricity. Following the completion of testing, the TEB received an operating permit for gas turbine unit no. 7 in June 2022. At the same time, we carried out certain urgent adjustments at the TEB in connection with changing international conditions in the supply of energy. The GEN Group's investments totalled EUR 85.1 million in 2022.

We continued with activities on the GEN Group's core development project, JEK2. Following the receipt of an electricity generation licence in July 2021, GEN continued with activities relating to the spatial planning of JEK2, and supplemented materials for the proposal submitted to the Ministry of the Environment and Spatial Planning by the Ministry of Infrastructure. In addition to spatial planning, our activities also focused on the acquisition of information from the suppliers of technologies, the transfer of knowledge from other new buildings and the exploration of locations. In the scope of technical dialogue with potential suppliers, we are inspecting new-build sites for potential design ideas and verifying the readiness of supply chains. The action and HR plans for the JEK2 project were updated in 2022. We outlined and began to implement the HR plan with the aim of strengthening project staffing. GEN maintained close relations with the local community last year. We informed them about progress on the project and presented plans for the future.

We are looking to the coming period with optimism, despite the lingering energy crisis. We must therefore continue to implement measures to address that crisis, including energy efficiency measures. We will continue to focus on the reliable, safe, competitive and low-carbon supply of energy to customers. As a domestic producer and reliable supplier of electricity, we bear a significant portion of the burden of the regulation of electricity prices for households and small business customers that was introduced by the government. We can protect the most vulnerable customers because we have our own electricity production, which is not dependent on imports of natural gas. Our production portfolio is based on nuclear energy and renewable energy sources.

The GEN Group has always responded well to changes, as confirmed by past operating results. Adapting to continuously new challenges and to all current and future conditions will be crucial and will continue to be part of the GEN Group's development paradigm, as we simultaneously set future trends. In 2022, as a direct response to the crisis conditions of the last year, we began to draft the Strategic Development Plan of the GEN Group for the period 2023 to 2030. By standardising and clearly defining strategic objectives at the level of all group companies, the GEN Group will address the challenges of the future through its revised Strategic Development Plan. Our goal is to become the main player in Slovenia's transition to a self-sustaining and carbon-free electric power grid. Such an electric power grid is the most reliable and cost-competitive, and dictates comprehensive investments in new domestic energy sources for a long-term, reliable and cost-competitive energy mix.

The GEN Group is aware that employees represent the foundation of successful operations and the achievement of ambitious plans, which is further confirmed in challenging times. We thus continuously build on human potential, while the knowledge of employees represents the common denominator of sustainable development at all levels of operations. For this reason, we continuously strive to provide education and training opportunities to all employees of GEN Group companies, and to promote their professional

and personal growth. We are dedicating considerable attention to the intensive and even tighter linking of knowledge and experience, both at and between group companies, as this will make it easier for us to pursue our mission.

We would like to sincerely thank all employees for their dedicated and professional work, and for their valued contribution to stable results in a demanding 2022 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.

Vrbina, 22 May 2023

Danijel Levičar
COO

Dr Dejan Paravan
CEO

1.3. REPORT OF THE SUPERVISORY BOARD OF GEN ENERGIJA D.O.O. FOR 2022, TOGETHER WITH THE REPORT ON THE VERIFICATION AND APPROVAL OF THE ANNUAL REPORT OF THE COMPANY AND THE GEN GROUP FOR 2022

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

1.3.1. REPORT OF THE SUPERVISORY BOARD OF GEN ENERGIJA D.O.O. FOR 2022

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 2022 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 2022

The Supervisory Board functioned with nine members in 2022.

Composition of the Supervisory Board

from 1 January 2022 to 19 January 2022	from 20 January 2022 to 9 August 2022	from 10 August 2022 to 31 December 2022
Patricia Čular		Mateja Čuk Orel, MSc
Ksenija Flegar		Žiga Debeljak, MSc
Mateja Čuk Orel, MSc	Veljko Flis	Rok Marolt
Aleksander Kavčič, MSc	Gaber Kontelj	Ivana Nedižavec Korada
Jure Sokilč, MSc		Dr Miloš Pantoš
Cvetko Sršen (to 14 April 2022)		Marijan Penšek, MSc
Samo Fürst		Samo Fürst
Rene Jeromel		Rene Jeromel
Marjanca Molan Zalokar		Marjanca Molan Zalokar

The Supervisory Board assesses its work as successful and its composition appropriately diversified to be able to perform the tasks vested in it by applicable regulations and articles of incorporation. 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. Supervisory Board members 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 valid rules of procedure. 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 2022

Composition of the Audit Committee

from 1 January 2022 to 9 August 2022	from 10 August 2022 to 31 December 2022
Ksenija Flegar	Ivana Nedižavec Korada
Veljko Flis	Dr Miloš Pantoš
Jure Soklič, MSc	Marijan Penšek, MSc
Samo Fürst	Samo Fürst
Alojz Dimič	Alojz Dimič

Composition of the HR committee

from 1 January 2022 to 9 August 2022	from 10 August 2022 to 31 December 2022
Patricia Čular	Mateja Čuk Orel, MSc
Ksenija Flegar	Žiga Debeljak, MSc
Veljko Flis	Rok Marolt
Cvetko Sršen (to 14 April 2022)	Dr Miloš Pantoš
Katja Simončič Stropnik	Katja Simončič Stropnik

DATA REGARDING THE WORK OF THE SUPERVISORY BOARD AND ITS COMMITTEES[1]

In its various compositions, the members of the Supervisory Board met at ten (10) ordinary sessions, two (2) correspondence sessions, three (3) extraordinary sessions and one (1) constitutive session, for a total of sixteen (16) sessions in 2022, at which they adopted 197 resolutions.

Two members who represent the interests of employees were absent from two sessions, 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 27 resolutions. The participation of individual members of the Supervisory Board's audit committee was 99% at individual sessions. 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 HR committee met at twelve (12) ordinary sessions and one (1) extraordinary session, at which it adopted 70 resolutions. One member who represents the interests of the founder was 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

The Supervisory Board was regularly briefed on the operations of the company and the GEN Group, and on the implementation of the Supervisory Board's resolutions. It also discussed the legal transactions of subsidiaries and matters relating to the status thereof, for which the consent of the Supervisory Board is

1 Item 8.4 of the Code.

required in accordance with the company's articles of incorporation. It thus gave its consent to voting on proposed resolutions at the general meetings of GEN-I, trgovanje in prodaja električne energije d.o.o., GEN-EL naložbe d.o.o. and Nuklearna elektrarna Krško d.o.o., consent to the company's borrowings, consent to the conclusion of annexes to the umbrella agreement on the purchase and sale of electricity and consent to the commissioning of analyses and studies for JEK2.

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

Annual report of GEN energija and the GEN Group

Approval of the annual report of the company and the GEN Group for 2021
At its 17th ordinary session held on 14 June 2022, the Supervisory Board reviewed the composition of the annual report of the company and the GEN Group for 2021 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 for GEN energija d.o.o. and the GEN Group.

Financial statements and proposed use of distributable profit for 2021
While reviewing the annual report of the company and the GEN Group for 2021, 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 2021;
- 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 31 August 2022:

- it was briefed on the annual report of GEN energija d.o.o. and the consolidated annual report of the GEN Group for 2021, together with the auditor's reports, and on the Supervisory Board's report on the verification of the annual report;
- it agreed with the proposal to leave distributable profit for 2021 in the amount of EUR 18,526,970.60 undistributed in its entirety; and
- it conferred official approval on the senior management and Supervisory Board for their work during the 2021 financial year, whereby claims for liability may be asserted against the persons on whom official approval was conferred.

Business plan of the company and the GEN Group

Revised business plan for 2022
At its 14th ordinary session held on 2 March 2022, the Supervisory Board gave its consent to the revised business plan of the company and the GEN Group for 2022.

Business plan of the company and the GEN Group for 2023
At its 5th ordinary session held on 19 December 2022, the Supervisory Board gave its consent to the business plan of GEN energija d.o.o. and the GEN Group for 2023, with a forecast of operations for 2024 and 2025, and briefed the founder accordingly in accordance with paragraph 4 of Article 23 of the company's articles of incorporation.

Consent to the electricity trading strategy

At its 14th ordinary session held on 2 March 2022, the Supervisory Board gave its consent to the electricity trading strategy of GEN energija d.o.o. for 2023 and the years that follow.

Internal Auditing

GEN performs internal auditing with the external contractor KPMG d.o.o., which was selected on the basis of a public tender. At its 1st session held on 13 September 2022, the Supervisory Board gave its consent to the conclusion of an agreement with that audit firm.

The annual internal auditing plan for 2023 and the multi-year internal auditing plan for the period 2023 to 2025 were adopted in December 2022. The Supervisory Board gave its consent to both plans at its 5th ordinary session held on 9 December 2022.

Changes in the composition of the company's senior management

The year 2022 was exceptionally dynamic in terms of changes to the composition of the company's senior management. On 23 February 2022, the Supervisory Board recalled Martin Novšak from his position as CEO, and temporarily appointed then CFO, Gordana Radanovič, MSc to that position, for a term of office from 24 February 2022 until the appointment of a new CEO.

Blaž Košorok began his term of office on 1 April 2022. Mr Košorok's term office ended on 31 October 2022 based on his resignation. Following the completion of the recruitment process, the Supervisory Board appointed Dr Dejan Paravan to the position of CEO, for a term of office from 1 November 2022 to 1 November 2026.

Also ending on 30 November 2022 was the term of office of Gordana Radanovič, MSc based on her resignation.

Composition of senior management

	until 23 February 2022	from 24 February 2022 to 31 March 2022	from 1 April 2022 to 31 October 2022	from 1 November 2022 to 31 December 2022
CEO	Martin Novšak	Gordana Radanovič, MSc	Blaž Košorok	Dr Dejan Paravan
COO	Danijel Levičar			
CFO	Gordana Radanovič, MSc	/	Gordana Radanovič, MSc (until 30 November 2022)	

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

Self-assessment

An assessment of the effectiveness of the Supervisory Board for 2022 was carried out in March 2023 in the form of a self-assessment matrix. Following the completion of the self-assessment procedure, the Supervisory Board adopted an action plan, while the founder was also briefed accordingly.

Disclosures

- Pursuant to the Code,[2] 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,[3] 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 36,879.98 (excluding VAT) in 2022.

REPORT ON THE APPROVAL OF THE ANNUAL REPORT OF THE COMPANY AND THE GEN GROUP FOR 2022

In the scope of its competences in connection with the annual report of the company and the group, the audit committee of GEN energija d.o.o.'s Supervisory Board was briefed on the preaudit of the financial statements at its 5th ordinary session held on 13 February 2023. At its 8th ordinary session held on 25 May 2023, it verified the annual report of the company and the GEN Group for 2022, and assessed that the financial report of GEN for 2022 was prepared in accordance with the provisions of the Intergovernmental Agreement on the NEK and the Slovenian Accounting Standards, in parts that are not explicitly regulated by the Intergovernmental Agreement on the NEK, and that the financial report of the GEN Group for 2022 was prepared in accordance with the accounting policies of the GEN Group. The audit committee of GEN energija d.o.o.'s Supervisory Board had no comments regarding the annual report of the company and the GEN Group for 2022, and therefore proposed that it be approved, as is, by the Supervisory Board of GEN energija d.o.o. Representatives of the external auditor were present at both of the aforementioned sessions of the audit committee. The progress of the preaudit was presented at the 5th session in the form of a report on the audit plan for 2022; the performed audit and content of an additional report were presented at the 8th session.

At its 8th ordinary session held on 31 May 2023, the Supervisory Board reviewed the composition of the annual report of the company and the GEN Group for 2022 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 for GEN energija d.o.o. and the GEN Group. It also finds that the annual report appropriately presents operating, commercial and financial results in 2022.

Financial statements and proposed use of distributable profit for 2022
While reviewing the annual report of the company and the GEN Group for 2022, the Supervisory Board:

- verified the annual report of the company and the GEN Group;
- 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.

The company will send a proposal to Slovenian Sovereign Holding that the latter, in its capacity as the founder and sole owner of GEN, pass the following resolutions:

- briefing on the annual report of GEN energija d.o.o. and the consolidated annual report of the GEN Group for 2022, together with the auditor's reports, and on the Supervisory Board's report on the verification of the annual report;
- the retention of distributable profit for 2022 in the amount of EUR 19,201,980.35 as undistributed in its entirety; and
- the conferral of official approval on the senior management and Supervisory Board for their work during the 2022 financial year, where claims for liability may be asserted against the persons on whom official approval was conferred.

CONCLUSION

Due to the extraordinary conditions on the electricity market and given the scheduled major overhaul of the nuclear power plant, 2022 was an extremely challenging year for the company and the GEN Group. The unpredictable conditions on the electricity market triggered a thorough analysis of the internal controls and risk management system with the aim of ensuring safe, stable and reliable operations.

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.

Chairman of GEN energija's Supervisory Board:

Žiga Debeljak, MSc

2 Item 8.3 of the Code.
3 Item 8.4 of the Code

02

BUSINESS REPORT OF GEN ENERGIJA AND THE GEN GROUP

2.1. PRESENTATION OF THE GEN GROUP

2.1.1. GENERAL INFORMATION REGARDING THE CONTROLLING COMPANY GEN

General information regarding GEN as at 31 December 2022

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 **EUR 250,000,000.00**		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** **Sparkasse d.d.: SI56 3400 0102 1471 571** **BKS Bank d.d.: SI56 3500 1000 2139 538**	
NUMBER OF EMPLOYEES **74**			

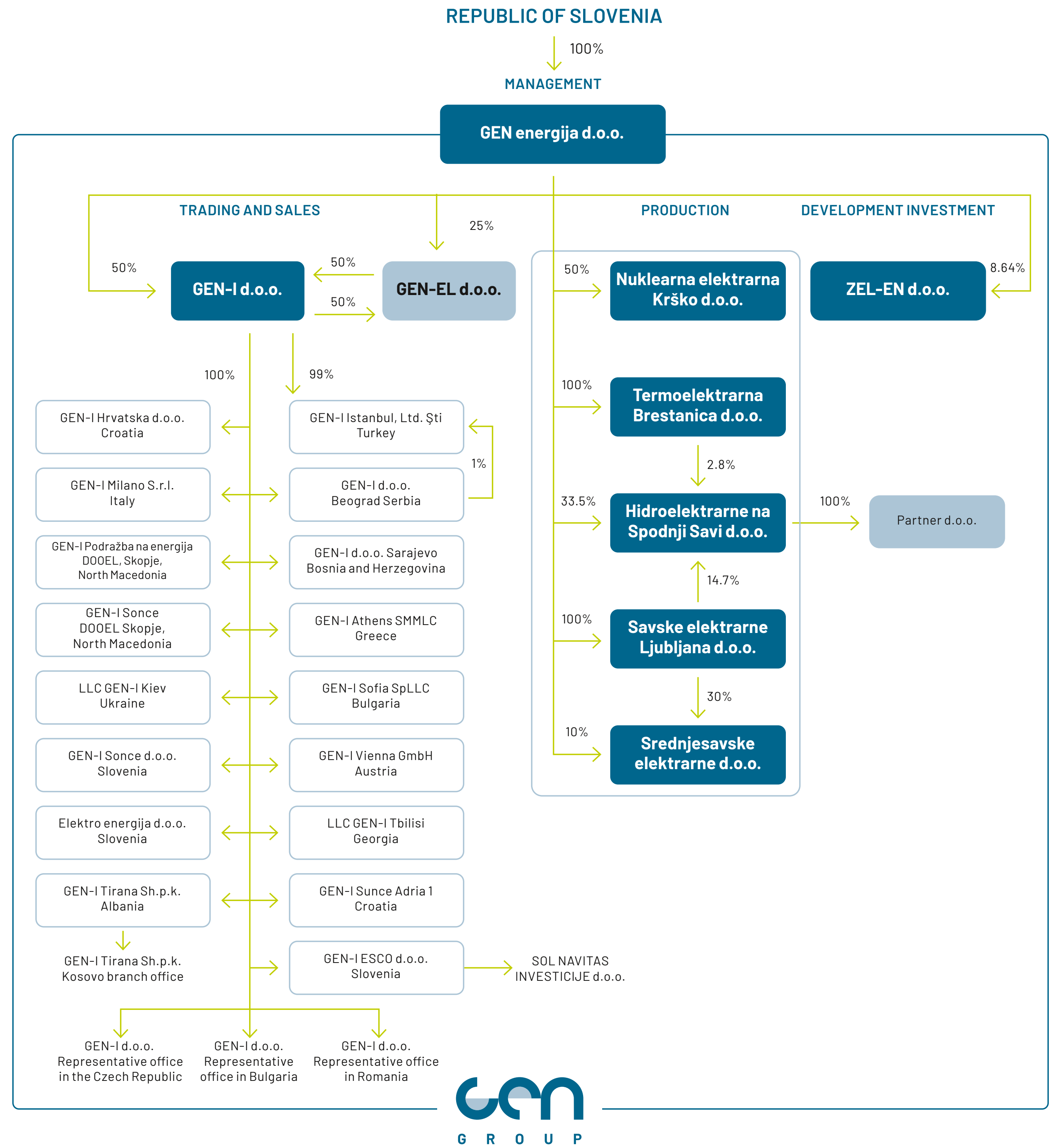
2.1.2. BODIES OF THE CONTROLLING COMPANY GEN

Bodies of GEN as at 31 December 2022

FOUNDER **Republic of Slovenia, represented under the law by SSH**						
SUPERVISORY BOARD						
CHAIRMAN **Žiga Debeljak, MSc**				DEPUTY CHAIRMAN **Mateja Čuk Orel, MSc**		
MEMBERS						
Marijan Penšek	**Rok Marolt**	**Dr Miloš Pantoš**	**Ivana Nedižavec Korada**	**Samo Fürst**	**Rene Jeromel**	**Marjanca Molan Zalokar**
SENIOR MANAGEMENT						
CEO **Dr Dejan Paravan**			COO **Danijel Levičar**			CFO **/**

2.1.3. ASSOCIATES

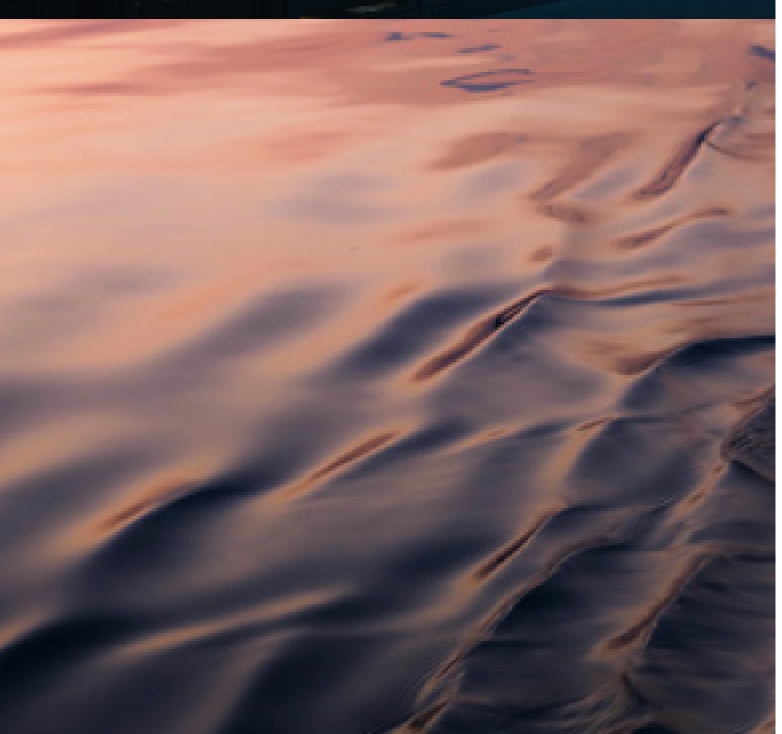
GEN Group companies as at 31 December 2022



Pursuant to IFRS 11, the consolidated financial statements of the GEN Group for 2022 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.

2.2. CORPORATE GOVERNANCE STATEMENT

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 and June 2022 (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 2022 to 31 December 2022.



The senior management of GEN energija d.o.o. (hereinafter: the senior management) hereby declares that GEN was governed in 2022 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 2022, the company followed the SSH Code valid in 2022 as its point of reference. In doing so, it also took into account the characteristics of its activities and the specific nature of its operations. In 2022, 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 discussed by the Commission for the Prevention of Corruption at its own initiative due the suspected breach of integrity by some members of the Supervisory Board. The matter was closed in 2022 with the identification of corruption risks and the issuance of recommendations to SSH and the Supervisory Board.

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 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 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 2022. 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).

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 2022 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 (until 1 December 2022), served as GEN's management body in 2022, 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 2022, 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 five 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 2022

The relevant information is included in the Report of the Supervisory Board in 2022.

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 2022.

Vrbina, 22 May 2023

Danijel Levičar
COO

Dr Dejan Paravan
CEO

2.3. STRATEGIC POLICIES

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.

Link between GEN's vision, mission and values

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

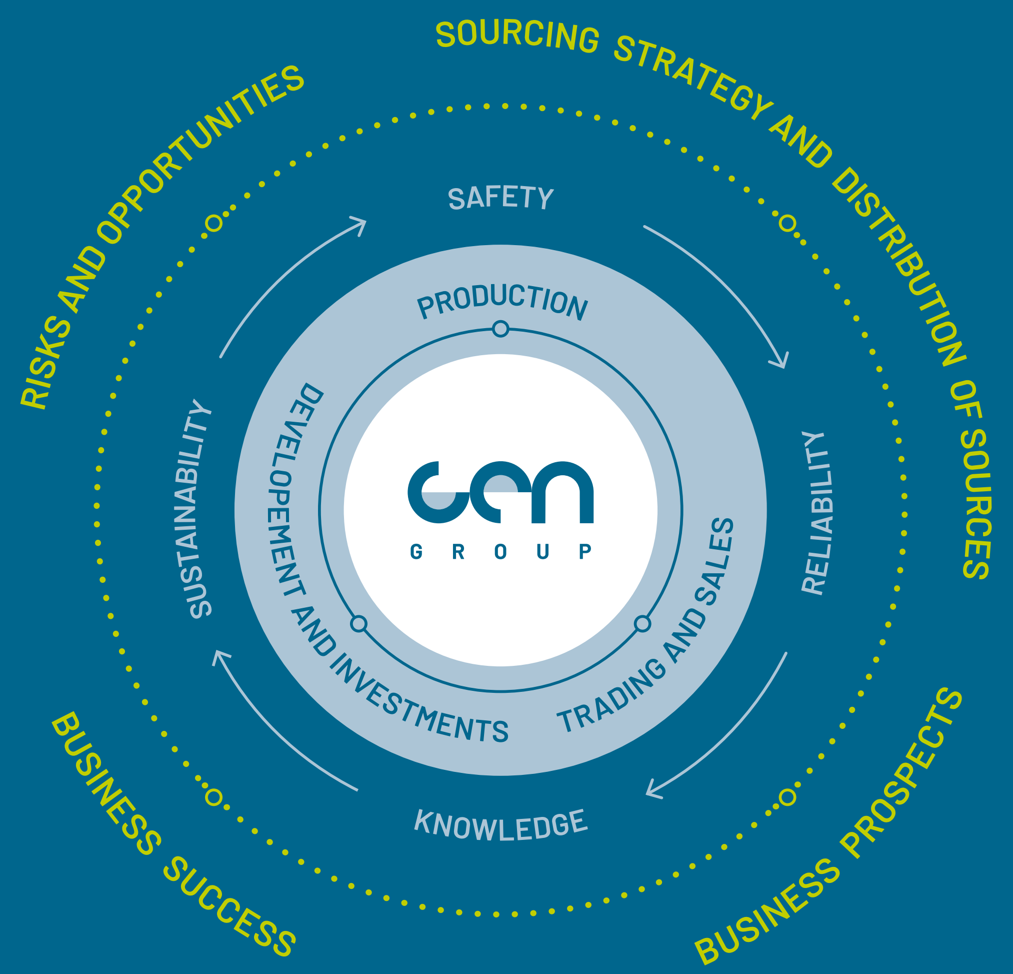
The core values that allow us to fulfil our vision and mission, now and in the future, are:

- **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 outlined in the development plan from 2019, which is in the process of being revised and will be adopted in 2023. Strategic goals 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.

NATURAL CAPITAL

- Low-carbon energy sources: primarily nuclear and hydro.

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.

FINANCIAL CAPITAL

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

EMPLOYEES

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

INTELLECTUAL CAPITAL

- Systematic development of knowledge and experience, and a system for transferring intellectual capital to new employees.

The GEN Group's strategic goals, which were outlined in 2019 and are in the process of being revised are:

1. PRODUCTION SOURCES

- Start of construction of a second nuclear power plant unit, to be completed by 2030;[4]
- 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.

4 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 in progress and is expected to be completed in the summer of 2023.

2.4. 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.

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

The table highlights some of the key activities in 2022 associated with the implementation, maintenance and development of management systems, and plans for 2023.

Activities in the area of management systems

COMPANY	CERTIFICATE	IMPLEMENTED ACTIVITIES	KEY PLANS FOR 2023
GEN	ISO9001:2015	• Internal assessment of the management system performed (February 2022) and start of an internal assessment for the coming period (December 2022). • Management review performed (February 2022). • Regular external assessment of the management system performed, during which no instances of non-compliance were identified (February 2022). • Continuous improvement based on recommendations of the external certification organisation, findings from the management review, internal assessment or proposals from employees.	• Performance of an internal assessment of the management system (February 2023). • Performance of a management review (February 2023). • Performance of a regular external audit of the management system (February 2023). • Discussion of findings from external and internal assessments and the management review, and the implementation of improvements via the task management application (TMA).
NEK	ISO 14001:2015	• Control assessment by Bureau Veritas carried out on 30 November and 1 December 2022; no deviations were identified.	• Recertification assessment by 1 December 2023.
	ISO 45001:2018	• In September 2022, an internal assessment was performed in accordance with the ISO 45001:2018 standard. No cases of non-compliance were identified. • A control assessment was performed from 30 November to 1 December by the external certification organisation Bureau Veritas, which confirmed the compliance of the occupational health and safety system with the aforementioned standard. • Corrective measures are being implemented to eliminate minor deviations, as are recommendations from internal and external assessments as part of an internal analysis in the corrective programme.	• Recertification assessment by 1 December 2023. • Review and analysis of the 2022 control assessment report, and the implementation of recommendations in the occupational health and safety system. • Implementation of development tasks relating to occupational safety and health. • Performance of ongoing tasks by the occupational safety department, which supports the management system and practical implementation of occupational safety and health measures. • Continued implementation of all WANO activities. • Preparations for and the safe implementation of a scheduled major overhaul in 2024.
SEL	ISO 9001:2015	• Internal assessment performed. • Management review performed. • A second three-year external control assessment was carried out to extend the validity of the ISO 9001 certificate. • No cases of non-compliance were identified during the external control assessment; five recommendations and one opportunity for improvement were recorded. Recommendations and opportunities for improvement primarily relate to maintenance procedures, replacement procedures and document management. • Measures were adopted, and are being implemented by the responsible persons and monitored by management.	• Recertification of the ISO 9001 management system is planned in 2023. • Internal assessments and a management review are planned prior to recertification.
	Environmental management process (without ISO 14001:2015 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 2023.
	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 9001:2015 standard. We followed the principles of the ISO 45001:2018 standard to that end. • Activities were implemented according to the occupational safety and health and fire safety action plans for 2022.	• The process of ensuring occupational health and safety, and fire safety will be monitored in the scope of the ISO 9001:2015 management system. • We pursued all objectives set for the current year.
TEB	ISO 9001:2015 ISO 14001:2015 ISO 45001:2018	• An integrated management system was introduced and certified in accordance with the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. Internal and external control assessments were performed in accordance with all three of the aforementioned standards.	• Both internal and external control assessments of the management system were performed. • Optimisation of procedures in connection with individual processes, and in the scope of the management system; promotion of improvements for the even greater digitalisation of processes.
GEN-I	ISO 9001:2015 ISO 14001:2015 (Both at GEN-I Sonce)	• Implementation of activities in accordance with the ISO 9001:2015 and ISO 14001:2015 standards.	• Continued implementation of planned activities.

2.4.2. TOP PRIORITY: CONTINUOUS IMPROVEMENTS TO SAFETY

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

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

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

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

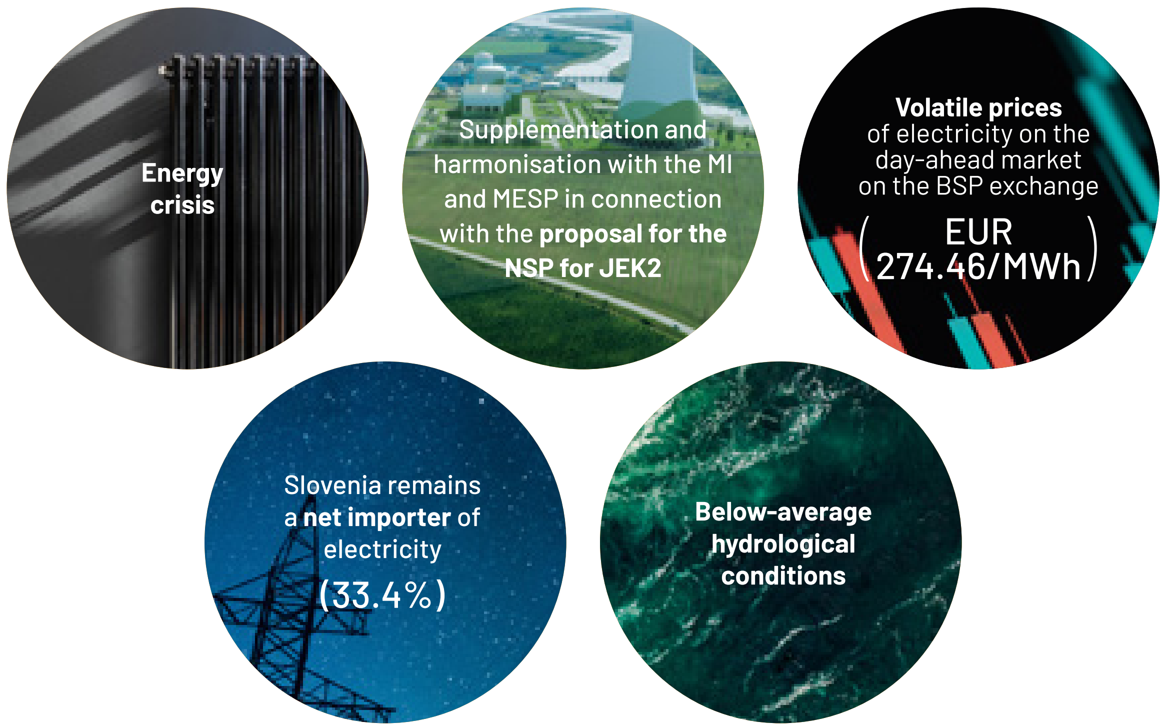
2.5. ECONOMIC TRENDS IN 2022 AND THEIR IMPACT ON THE ELECTRICITY SECTOR

Prices of services
+ 7.7%

Prices of merchandise
+ 11.5%

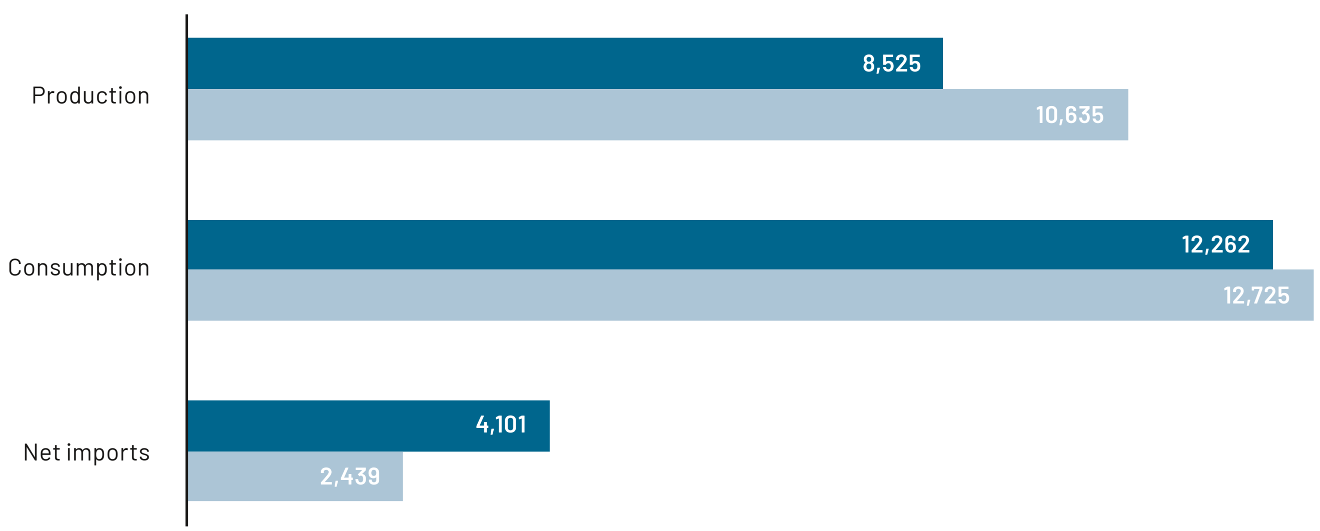
Growth in industrial production is important for the electricity sector, as it is a driver of growth in the consumption of electricity and other energy products.

Factors affecting Slovenia's energy sector in 2022



Slovenian electricity market

in GWh



2.6. ELECTRICITY PRODUCTION

The main reason for the GEN Group's ability to ensure a reliable supply of electricity lies in the high operational availability of its production facilities. This is the result of the expertise and experience of operational staff, the responsible preventive and predictive maintenance of production facilities, the continuous rectification of deviations, and the timely planning and execution of scheduled major overhauls, revisions, modifications and investments in equipment and work processes.

The aim of electricity production is to maximise the volume of electricity produced in such a way that all of the GEN Group's production facilities operate safely, reliably and with minimum impacts on the environment. Representing a fundamental example of operational excellence at the international level is the NEK, which benchmarks itself against the international environment and follows the best performance criteria when setting its own objectives, while taking into account the International 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 NEK. All other production facilities – hydro, solar and natural gas – follow the best international standards of excellence in their respective areas.

GEN's Control Centre, which combines production, trading, sales and the provision of ancillary services in all processes, is the intersection of the GEN Group's core activities. Production facilities function in harmony and balance potential unexpected external events in GEN's Control Centre, which coordinates the functioning of the entire GEN balancing subgroup. GEN's Control Centre facilitates the achievement of the synergistic effects of electricity production: it coordinates the production of baseload energy from the nuclear power plant, mid-merit energy from hydroelectric power plants and peak energy from gas-powered thermal power plants and solar power plants. Through coordinated management, we enhance the reliability of electricity supply to customers, as we respond more effectively to market conditions for the purchase and sale of electricity and to hydrological conditions in connection with the Sava River and sun.

2.6.1. ELECTRICITY PRODUCTION

The large production units in the GEN balancing subgroup generated a combined total of 3,131 GWh of electricity in 2022. A total of 84.8% of electricity was produced by the nuclear power plant. Hydroelectric power plants and the gas-fired power plant accounted for 13.7% 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.

The largest solar power plant, with a rated power of 17 MW, began operating in the scope of GEN-I's balancing group in October 2022, marking an important milestone for both the expansion of GEN-I in the implementation of large solar power plant projects and the production of carbon-free electricity, and as a key contribution to the so-called Green Scenario of the Republic of North Macedonia. The plan is for the aforementioned power plant to produce 25,000 MWh of electricity a year, to serve 5,500 North Macedonian households. It produced 4.7 GWh of electricity in 2022.

Large electricity production units of the GEN Group in Slovenia

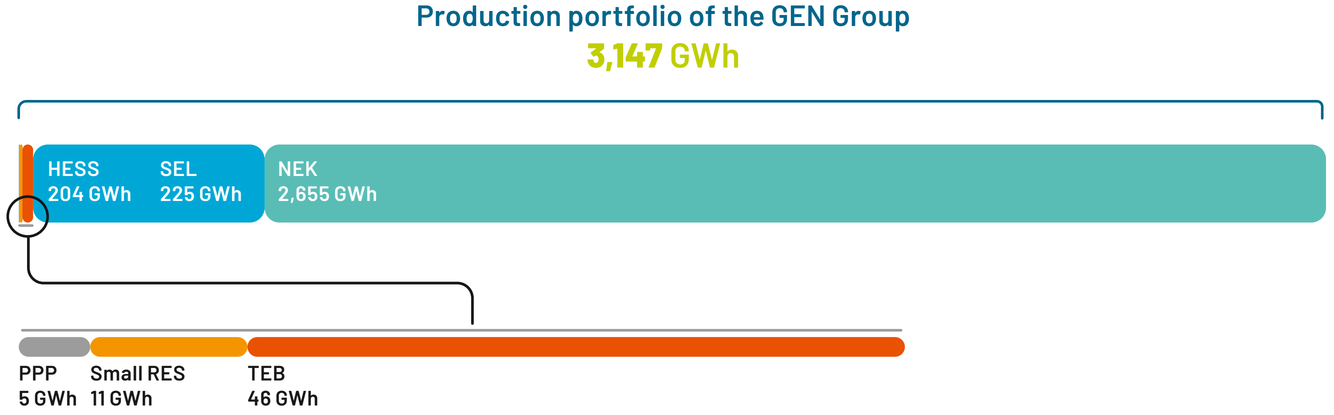
NEK		NEK	TOTAL
Net electrical output	MW	696.0	**696.0**
Generator power rating	MVA	850.0	**850.0**

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	3.7	**121.7**
Generator power rating	MVA	18.0	11.0	50.0	27.0	42.9	4.7	**153.6**
Gross head H_{BR}	m	70.0	177.0	17.5	20.8	8.7		**294.0**
Installed Qi flow rat	m³/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 H_{BR}	m	7.5	9.3	9.1	11.0	**36.9**
Installed Qi flow rat	m³/s	500.0	500.0	500.0	500.0	

TEB		PB1	PB2	PB3	PB4	PB5	PB6	PB7	TOTAL
Net electrical output	MW	23	23.0	23.0	114.0	114.0	53.0	56.0	**406.0**
Generator power rating	MVA	32	32.0	32.0	155.0	155.0	67.4	68.1	**541.5**

Production portfolio of the GEN Group

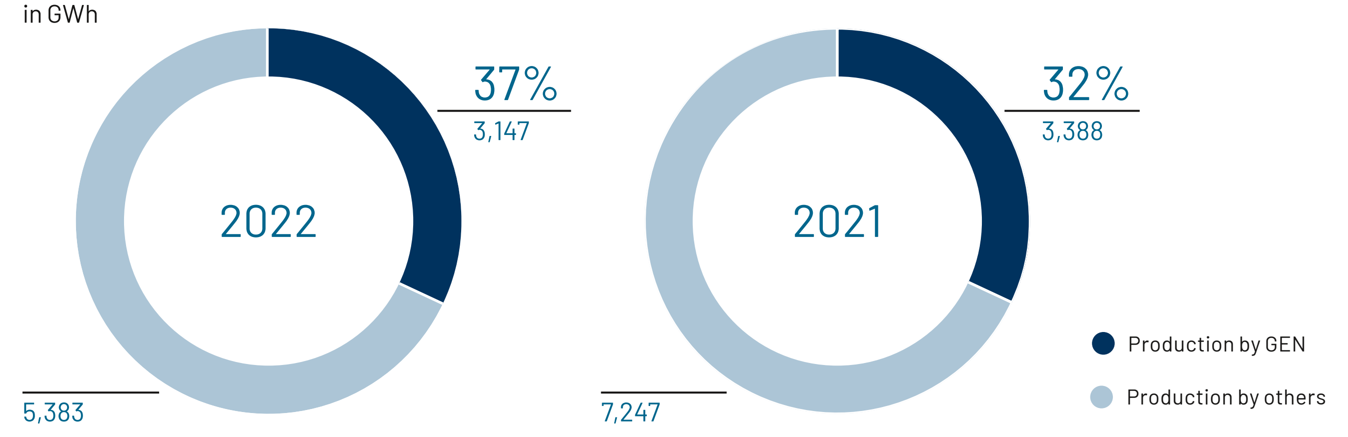


Electricity production by GEN Group companies[5]

in GWh	2022	2021	Reach in %
NEK	2,655	2,709	98
HESS za GEN	204	280	73
SEL	225	339	66
TEB	46	52	89
SE	5	0	
Small RES	11	7	157
TOTAL	**3,147**	**3,388**	**93**

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

in GWh



In addition to large production facilities, GEN Group companies also own small-scale production units and solar power plants in North Macedonia that are operated and managed independently and are excluded from the GEN balancing subgroup. Those production units of GEN Group companies produced a combined total of 15.8 GWh of electricity from renewable energy sources in 2022. Production from these solar power plants and small-scale RES production units was up relative to 2021, primarily on account of solar power plants in North Macedonia and the Bistrica SHPP, which produced energy for SEL throughout all of last year. Production by SHPPs was otherwise down relative to 2021 due to poor hydrological conditions, while production by SPPPs was up.

Operational efficiency

The production of the GEN Group's large units in 2022 was down relative to 2021. This was most notable at hydroelectric power plants, as last year's hydrological conditions were some of the worst ever. As a result, production by the NEK was also down slightly, as additional cooling with the help of cooling towers was required due to the low level of the Sava River. Production by the TEB was at the same level as the previous year, as the latter was started up several times again during the previous year to meet the needs of the market, where we recorded record prices.

5 In 2022, GEN received grants in the form of operational support for electricity production from renewable energy sources in the amount of EUR 11,260.60. 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).

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 electric power grid (frequency control reserve (FCR), manual frequency restoration reserve (mFRR), reactive power control, black start capabilities, etc.).

NEK

The largest production unit is the NEK, which covers base load power on the daily electricity consumption curve throughout the year. The NEK produced 5,311 GWh of electricity in 2022. The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was 2,655 GWh.

The power plant operated safely throughout the year. The power plant was disconnected from the grid on the first day of October for an annual major overhaul. In addition to the replacement of existing fuel elements with fresh elements, other activities included the replacement of the high-pressure turbine. This resulted in a slight increase in power. The overhaul lasted until 7 November 2022, when at 11:54 pm the power plant was reconnected to the electric power grid.

Capability, availability and capacity factors for the NEK in 2022

NEK capability factor (according to WANO): 89.06%

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: 89.60%

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

NEK capacity factor: 91.03%

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 225 GWh in 2022, a decrease of 33.6% relative to the previous year. The lower production output relative to the previous year was the result of poor hydrological conditions on the Sava River during the entire year. SEL's actual production for 2022 was just 68.2% of the target set out in the business plan.

The company successfully completed all scheduled major overhauls and inspections of its production units in 2022.

Availability factor of SEL's devices: 99.97%

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 46.5 GWh of electricity in 2022. 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 40.7 GWh.

Three activations were recorded in 2022 for the needs of manual frequency restoration reserve (tertiary frequency control), where three start-ups of the TEB's gas turbine units and three start-ups at SEL were carried out. A total of 49 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, 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. Testing of the new PB7 gas turbine unit continued in 2022, and will continue again in 2023 due to problems operating on diesel fuel.

Start-up reliability of the TEB's gas turbine units: 97.2%

HESS

GEN received 204 GWh of electricity from HESS in 2022, a decrease of 27.2% relative to the previous year. The lower production output was the result of poor hydrological conditions on the Sava River during the entire year. The actual production of HESS in 2022 was just 69.3% of the target set out in the business plan.

Availability factor of HESS's devices: 100%

Low-carbon portfolio of energy sources

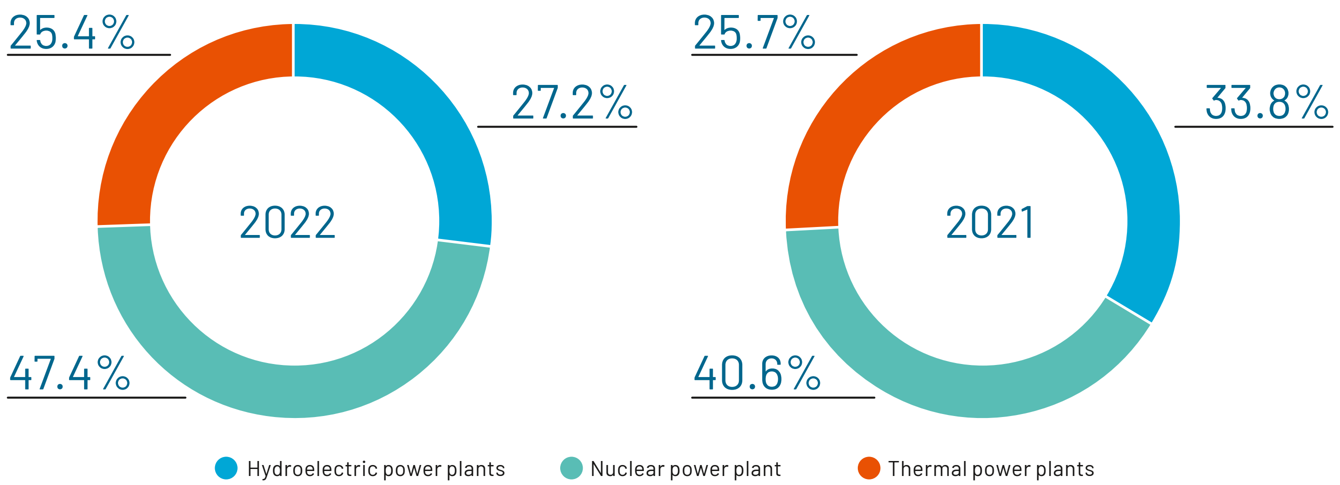
A total of 98.5% of all the electricity produced by the power plants of GEN Group companies comes from sustainable and renewable sources in the form of nuclear and hydro energy.

We thus contributed significantly to the realisation of the low-carbon production of electricity in 2022. 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.

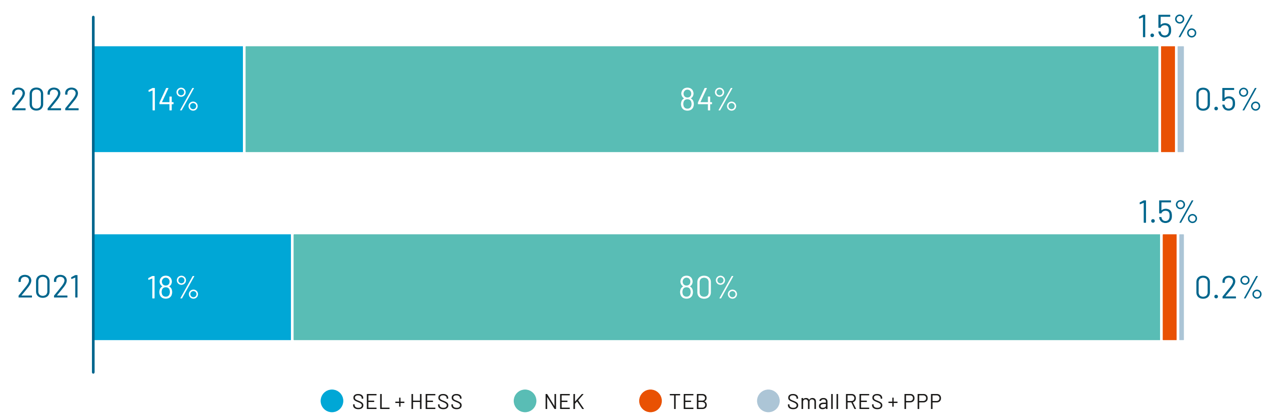
Sustainable and renewable energy sources in the electricity generation portfolio

	Power plant	Electricity produced in GWh	Proportion of total production in %
Nuclear energy	NEK za GEN	2,655	85.6
Hydro energy	HESS za GEN	204	13.8
	SEL	225	
Small producers	SHPP	10	0.5
	PPP	6	
TOTAL		**3,100**	**100**

Structure of electricity production sources in Slovenia

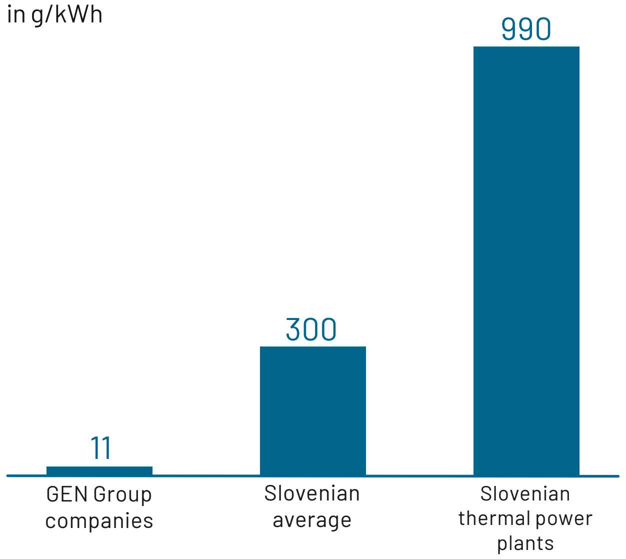


Structure of electricity production sources at GEN Group companies



Comparison of CO_2 emissions generated during the functioning of power plants

in 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 2022. 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.

2.7. SUPPLY OF ENERGY AND SERVICES

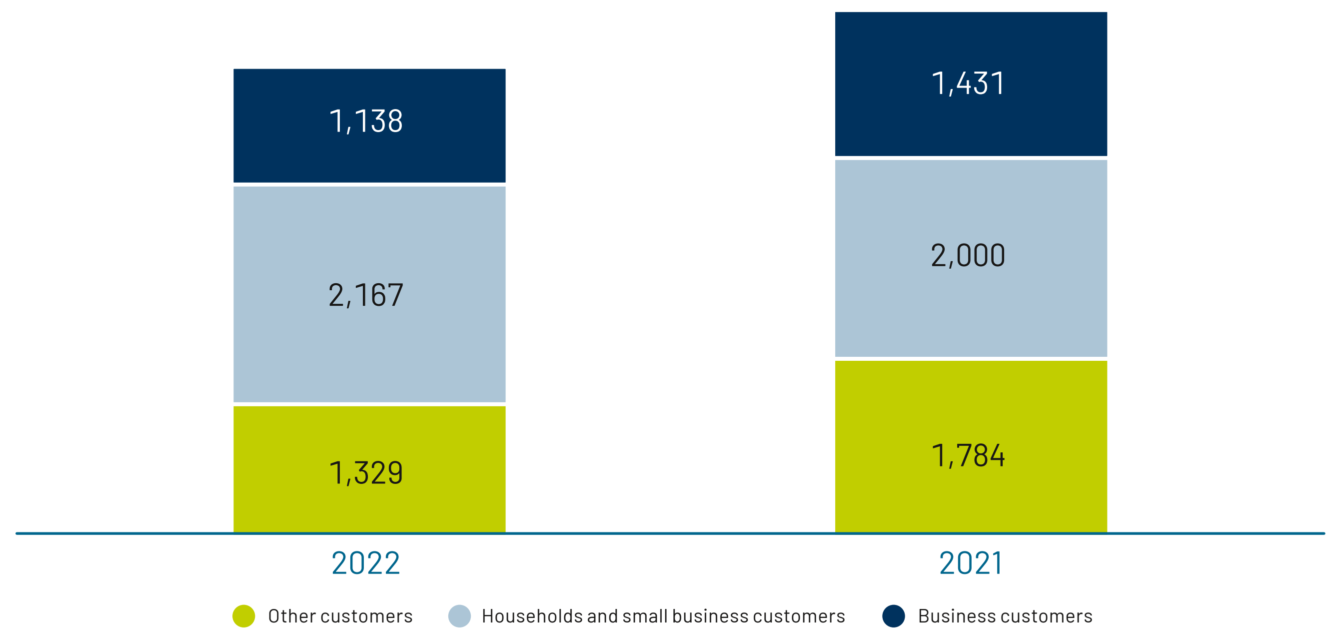
2.7.1. SUPPLY OF ELECTRICITY

GEN Group companies supplied 3,305 GWh of electricity to customers on the Slovenian market in 2022.

An additional 1,329 GWh was supplied to other Slovenian customers, such as the transmission system operator and other electricity suppliers. This resulted in a total of 4,634 GWh of electricity.

Amounts of electricity purchased by GEN Group companies in Slovenia

in GWh



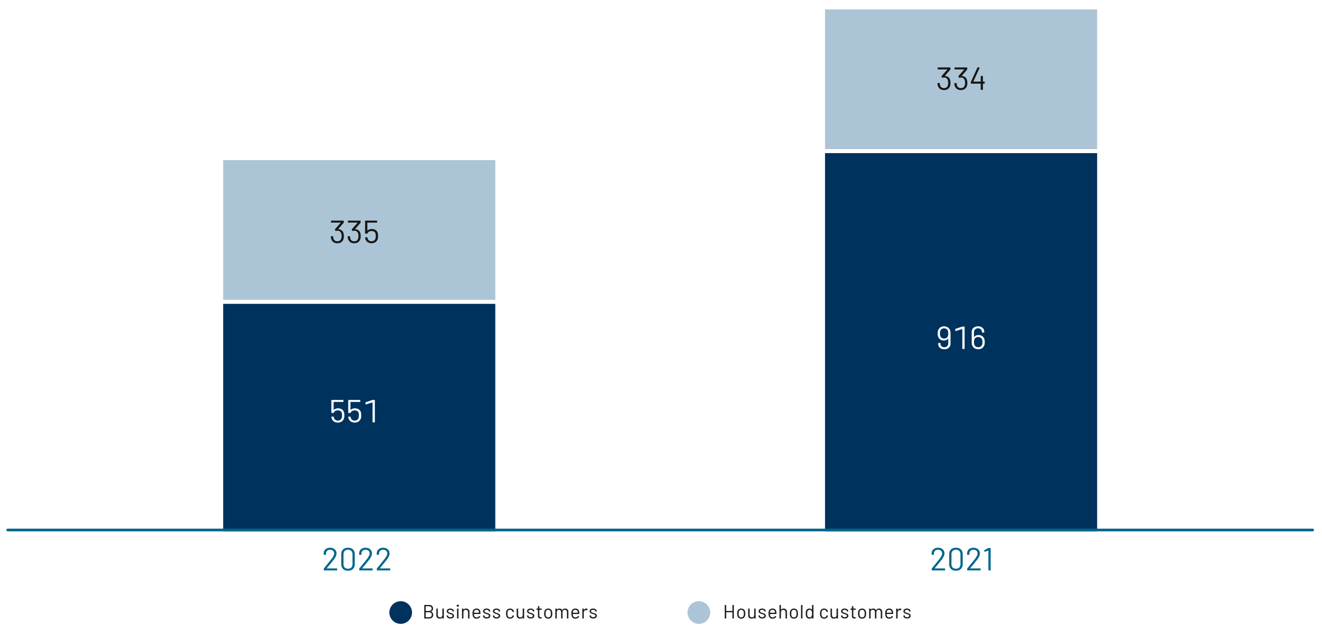
Direct supply to end-customers exceeded the GEN Group's own production significantly in 2022, i.e. by more than 200 GWh, despite one of the most difficult years for the GEN Group's production units. If we add other sales on the Slovenian market to direct supply, we find that we purchased 47% more energy for supply to domestic end-customers than the GEN Group's own production in Slovenia.

2.7.2. SUPPLY OF NATURAL GAS

Natural gas is supplied 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.

Supply of natural gas by GEN Group companies in Slovenia

in GWh



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 2022, we supplied natural gas in the broader region to slightly less than 33 thousand household customers and around 100 business customers. Total sales of natural gas thus amounted to 3,376 GWh.

2.7.3. 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.

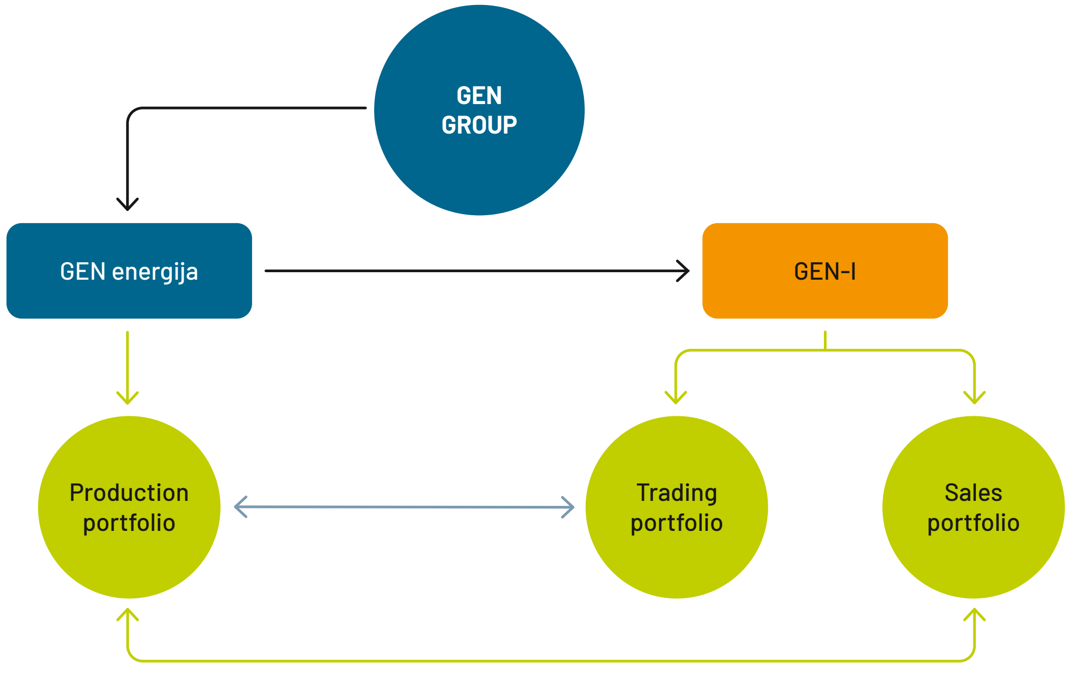
The TEB's principal function within Slovenia's electric power grid is to provide ancillary services (tertiary frequency control, the ability to ensure secondary frequency control when the larger gas turbine unit is in operation, the black-start-up of generators and island mode operation for delivering 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.

2.8. MANAGEMENT OF THE PRODUCTION PORTFOLIO

The GEN Group's business model is designed in such a way that the controlling company GEN energija purchases all energy from production companies at a predefined fixed price (pay as produced) and in line with the specific acts of the group's individual production companies. This means that GEN energija assumes all quantity risks, as well as market risks in connection with the sale of energy produced within the GEN Group. Taking into account the valid marketing strategy, regarding which GEN's Supervisory Board issues an opinion, the company sells produced energy on the wholesale market under currently valid market conditions, primarily to GEN-I, but also to other suppliers and customers on the Slovenian wholesale market.

In terms of balancing affiliation on the electricity market, the controlling company GEN is subordinated to GEN-I, as the latter covers the deviations of the entire balancing group of both GEN and all other producers, as well as all end-customers to whom it supplies electricity, while GEN is responsible for covering the deviations of the production units of the NEK, SEL, HESS and TEB. The controlling company GEN energija thus assumes all risks in connection with the aforementioned production units, while GEN-I assumes quantity and market risks vis-à-vis end-customer and other producers.

GEN Group – balancing affiliation



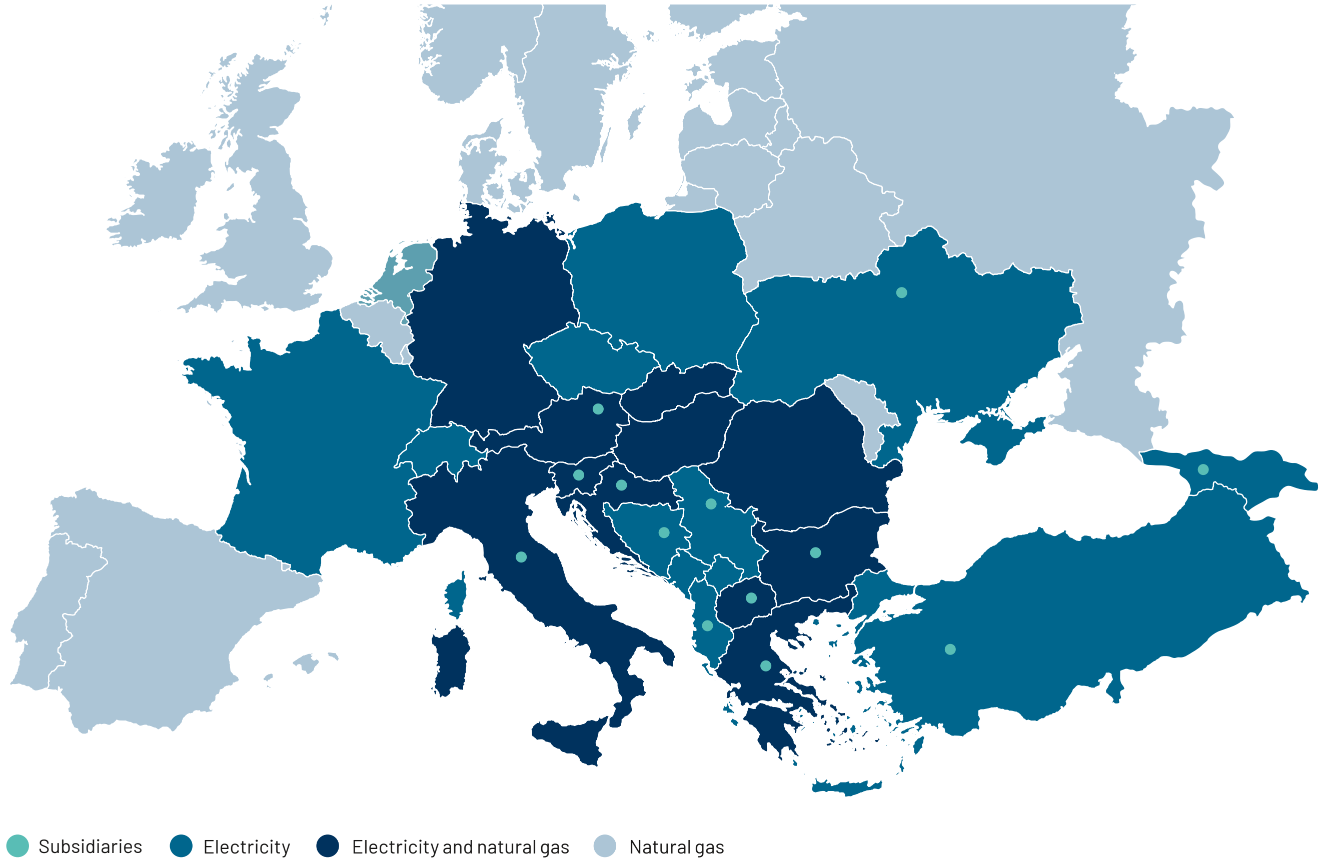
We remained on course in electricity management and sales in 2022. Due to a simultaneous increase in energy prices on the wholesale market in 2022 and record-poor hydrological conditions and the resulting low production by hydroelectric power plants, as well as the negative impact on the purchase of alternative energy during the scheduled major overhaul of the NEK, GEN energija did not achieve its established management targets in 2022, which had a negative impact on the operating results of the company and the GEN Group.

2.9. INTERNATIONAL TRADING

The scope of trading in 2022 was down sharply relative to the previous year due to the energy crisis. Nevertheless, trading by GEN-I contributed significantly to the positive results of the GEN Group.

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.

Geographical presence of GEN Group companies



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.

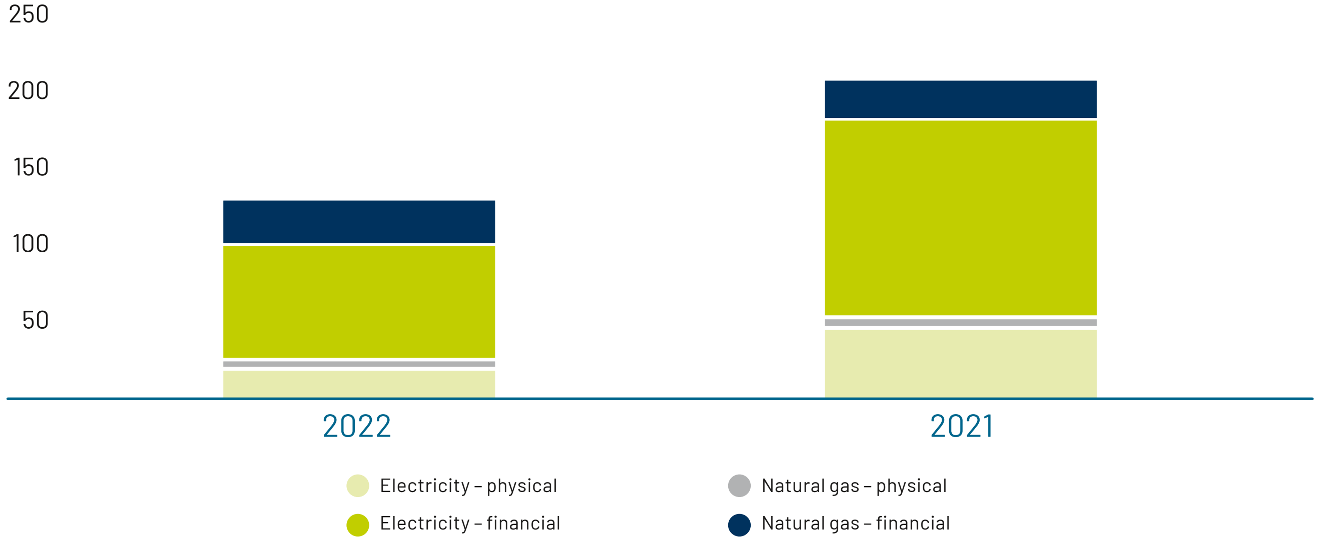
We continually develop new forms of business cooperation that allow us to better manage risks. Customers can therefore opt to buy electricity products at a predetermined price or to assume the risk of price movements, through price indexation, on a predetermined power exchange. These market options are 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.

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. 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.

Quantities of electricity and natural gas sold – physical and financial contracts

in TWh



In the area of international trading, the GEN Group traded 130 TWh of energy in 2022, broken down as follows: slightly more than 98 TWh of electricity and 31.5 TWh of natural gas. The proportion of trading accounted for by financial contracts is higher than the proportion accounted for by physical contracts, which was even more evident in 2022 than in 2021 as the result of market conditions. Physical volumes of electricity totalled 23,171 GWh in 2022, a decrease of 52% relative to 2021 when they totalled 48,685 GWh.

2.10. INVESTMENTS IN RES, FLEXIBILITY, ADVANCED SERVICES AND NUCLEAR TECHNOLOGIES

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 85.10 million for those purposes in 2022. Taking into account consolidation rules, the value of investments in the GEN Group amounted to EUR 56.96 million.

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

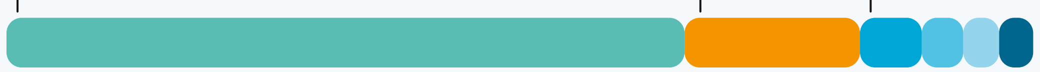
GEN Group companies:

EUR 85.10 million

NEK:
EUR 56.27 million
- Investments in technological upgrades
- Low-value investments

GEN-I:
EUR 14.56 million
- Solar power plant in North Macedonia, ETRM, IT equipment

HESS:
EUR 5.13 million
- Brežice PPP at the D3 sediment depot
- Brežice HPP
- Mokrice HPP



TEB:
EUR 3.44 million
- Renovation of fuel tank decanting station
- Replacement of gas turbine units
- Low-value investments

SEL:
EUR 2.97 million
- Spillway gates – Medvode HPP
- SPPP
- Low-value investments

GEN:
EUR 2.83 million
- JEK2
- Low-value investments

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

GEN earmarked EUR 2,829 thousand for research and development, capital expenditure and investments in 2022.

Research and development, capital expenditure and investments at GEN in EUR thousand	2022	2021
RESEARCH AND DEVELOPMENT	**33**	**33**
Research studies	33	33
CAPITAL EXPENDITURE	**2,796**	**1,109**
Expansion of nuclear production capacities – JEK2	2,257	788
Low-value capital expenditure	539	322
INVESTMENTS	**0**	**3,250**
Subsequent capital contributions paid to the NEK	0	2,750
Increase on investment in GEN-EL	0	500
TOTAL	**2,829**	**4,392**

PROJECT TO EXPAND NUCLEAR PRODUCTION CAPACITIES – JEK2

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 dictates planning of the expansion of the production capacities of the Krško Nuclear Power Plant by building at least one new unit before the existing power plant reaches the end of its service life.

GEN energija d.o.o. is responsible for planning and preparations for the construction of the second unit at the Krško Nuclear Power Plant (JEK2). The installed capacity of the planned JEK2 would be around 1,100 MWe, with connection to the grid possible between 2035 and 2040.

In 2022, GEN energija continued with steps to implement the JEK2 project, which is the core strategic development project of the GEN Group and will contribute significantly to the development of the modern, reliable, safe, environmentally friendly and forward-looking supply of electricity in Slovenia at a competitive price. JEK2 is crucial for the achievement of the goals of climate neutrality and the decarbonisation of the Slovenian electricity production system. As a domestic energy source, it will contribute to the reduction of dependence on electricity imports, which averaged 32.6% in 2022.

The GEN Group strives for the technically based, efficient, transparent and responsible progress of the JEK2 project in all phases of preparation and implementation.

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.

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, preservation of natural habitats and biodiversity.
Economic aspect	Price stability and competitiveness, both for Slovenian households and the economy.

Alignment of the JEK2 project with the energy strategy

- **Ordinance on the State-Owned Assets Management Strategy**

  The National Assembly of the Republic of Slovenia adopted the Ordinance on the State-Owned Assets Management Strategy in July 2015. That strategy states, inter alia, that GEN is responsible for planning the investment in the second unit of the Krško Nuclear Power Plant, which will be of strategic importance in the future for the long-term, reliable supply of electricity to Slovenia and for the transition to a low-carbon society.

- **National Energy and Climate Plan**

  On 28 February 2020, the Slovenian government adopted the comprehensive National Energy and Climate Plan of the Republic of Slovenia (NECP) that lays down goals, policies and measures for the five dimensions of the Energy Union for the period until 2030 (with a view to 2040):

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

  The NECP includes the following important provisions for the field of nuclear energy:

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

  During the second half of 2022, the Ministry of Infrastructure began initial activities to update the NECP, with adoption of that plan expected in 2024.

- **Resolution on Slovenia's long-term climate strategy until 2050**

  The Resolution on Slovenia's Long-Term Climate Strategy until 2050 (hereinafter: the climate strategy or ReDPS50) 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.

  A draft of the long-term climate strategy until 2050 was submitted for public debate in September 2020, and includes a summary of the conclusions of the NECP and the construction of JEK2 as one of 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. The government adopted that resolution on 21 April 2021, followed by the National Assembly on 13 July 2021.

Phases of the JEK2 project

PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5	PHASE 6
Preparation and strategic decision-making	Selection and confirmation of location	Decision regarding the investment	Construction	Operation	Decommissioning

Previous progress on the project, with an emphasis on steps taken in 2022

GEN carried out and developed a number of activities, analyses, surveys and studies in previous years, which have led, inter alia, to the completion of feasibility and viability studies for the project. The purpose of studies was to examine the energy, environmental, technological and economic viability of the project. Feasibility and viability studies for the JEK2 project were carried out to a degree that indicates that the project is necessary, feasible and consistent with all sustainable development objectives.

All ordered studies and analyses led the Ministry of Infrastructure to issue 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 based on the Resolution on Slovenia's Long-Term Climate Strategy (ReDPS50) and the comprehensive National Energy and Climate Plan (NECP). The electricity generation licence became final 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 energy scenario for the future supply of low-carbon electricity to Slovenia.

The following orders were completed in 2022:

(1) Preparation of the visualisation and 3D animation of JEK2, the purpose of which was to prepare a new animation of JEK2 that will serve as a presentation of the JEK2 project to all interested stakeholders;

(2) Analyses of alternative solutions for JEK2, the purpose of which was the drafting of technical bases for NSP process for JEK2, in particular with regard to the analysis and assessment of the JEK2 site;

(3) Analysis of emissions from JEK2's cooling towers into the environment, where the purpose was to draw up a numeric analysis of the dispersion of vapours from the JEK2 cooling tower into the atmosphere and the impact of those vapours;

(4) Consulting and Advisement Services for New NPP JEK2, where the purpose was to obtain useful information from an experienced investor and nuclear power plant manager (Southern Nuclear Development – USA) in different areas, such as the assessment of project risks (through the identification of risks and proposals to mitigate them), the planning and development of the project structure in different phases, analyses of potential business and delivery models with the segregation of responsibilities and sharing of risks between project stakeholders, and the building of the necessary public trust; and

(5) Review of the study of the transport of components for the JEK2, the purpose of which was to verify the feasibility of the transport of various equipment for JEK2 from different directions to the JEK2 site, and to determine the optimal conditions to facilitate the transport of the largest and/or heaviest equipment by individual transport routes in the preliminary phase.

Activities were also carried out in the preparation of materials for the spatial planning proposal, which we supplemented based on comments from the Ministry of Infrastructure. At the end of March 2022, the latter forwarded the materials to the Ministry of the Environment and Spatial Planning, which is managing the spatial planning process. In September 2022, the first meeting with the Ministry of Infrastructure and Ministry of the Environment and Spatial Planning was organised, and included the presentation of comments, which were then forwarded to GEN for resolution.

We established technical dialogue with the potential suppliers of technology in the scope of the Request for Vendor Information (RfVI) procedure. As part of that procedure, we presented the JEK2 project to potential suppliers, from whom we received information regarding the characteristics of reactor designs and basic commercial conditions. Dialogue is required in order to prepare for administrative procedures, licencing and supplier selection.

A communications infrastructure for JEK2 was established in 2022. A new website for the JEK2 project was launched and is currently part of the corporate website. Printed and multimedia materials were produced and a new exhibit was designed in the World of Energy to serve as an information point for the JEK2 project. The Vision 3 + 1 website was also launched and a brochure published, with a presentation of the production mix of nuclear energy and RES at its core. GEN energija further strengthened cooperation with the media in 2022, and promoted enhanced communication about nuclear energy and the JEK2 project via various national and regional media outlets.

Investments in research, project documentation, studies and analyses for the JEK2 project totalled EUR 2,257 thousand in 2022. Total investments in research, project documentation, studies and analyses for the JEK2 project, including 2022, amount to around EUR 20.2 million, which includes amounts for studies and analyses relating to the expansion of JEK2 production capacities, as shown in the annual reports of the company and GEN Group.

COOPERATION WITH INTERNATIONAL INSTITUTIONS

GEN is actively involved in the European Utility Requirement (EUR), which brings together all the major European nuclear operators. The EUR's purpose is to define technical requirements, specifically the development and harmonisation of standard requirements for light-water reactors in Europe based on scientific and technological advancements, and stringent safety requirements for new power plants. The final phases of the review of the Korean APR1000 design were completed in 2022, while the company KHNP received an EUR certificate of conformity at the beginning of 2023. In addition, a review of the F EUR document, which included experts from GEN, began at the end of 2022. Membership in the EUR facilitates participation in various activities relating primarily to new nuclear power plants, such as 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 is also actively involved in the Economic Development Committee of the OECD NEA, which is preparing analyses of the economic and business models of the entire nuclear energy system, from fuel to the construction and operation of nuclear power plants, to decommissioning and disposal. Under the auspices of the OECD and the International Framework for Nuclear Energy Cooperation (IFNEC), GEN is involved in the development of the economical and effective use of nuclear energy in all related activities, from the development of small modular reactors (SMR), to the new construction and development of a common international solution for the disposal or reuse of spent nuclear fuel, including the development of international repositories.

Controlling company's research and development, capital expenditure and investment plans for 2023

One of the key activities that began in 2022 under the leadership of the controlling company is the drafting of the **new Strategic Development Plan of the GEN Group**, which will lay the foundations for the group's further development. In parallel, GEN is also coordinating the establishment of comprehensive investment planning for RES projects (solar and wind) at the GEN Group level in 2023.

As the bearer of the nuclear energy option and holder of the electricity generation licence for the JEK2 project, GEN will continue in 2023 with the development of promotional and project activities that will serve as the basis for the long-term, safe and reliable consumption of such energy. The following activities will be crucial for JEK2 in the coming years:

- the spatial planning of the nuclear facility (NSP);
- a review of possible technologies and preliminary review of the market, as well as preparations for tender activities;
- support in the formulation of positive public opinion regarding nuclear energy; and
- support for the investment decision regarding the JEK2 project.

HSE's right to repurchase participating interests in HESS from GEN and SEL lapses in 2023. Activities are in progress to reach a timely agreement on the HSE-SEL-GEN-SSH relationship.

A total of EUR 45 million in funds is earmarked for investments in 2023.

2.10.2. 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 2022, most maintenance activities were carried out according to maintenance schedules.

NEK

The NEK pursues a strategy of continuous investments in technological modernisation and upgrades. In place is a five-year investment planning concept, while investments in 2022 amounted to EUR 56 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.

Technological upgrades are successfully carried out to support the long-term operation of the power plant.

After 513 days of continuous operation, the production cycle was successfully completed and the last planned fuel replacement and overhaul was carried out within the originally planned operating life of the power plant. The preconditions have thus been established for the safe extension of the power plant's useful life beyond 2023. Every scheduled major overhaul of the NEK, including the one carried out in 2022, is ambitiously planned and very well-prepared. In addition to the replacement of nuclear fuel, those overhauls include the maintenance of equipment, confirmation of the good condition of the power plant's systems and structures, which is crucial for the extension of useful life beyond 2023, and 14 complex modifications of the power plant's systems, including the de-energisation of welds on reactor vessel connections and the replacement of the high-pressure turbine. We hired nearly 300 external contractors for just two projects. All 40,000 planned overhaul activities were completed in full. The scheduled major overhaul was completed in 38 days, which was six days longer than planned. The main and only reason for that delay was the failure of the manufacturer's special equipment in the high-pressure turbine replacement project.

The NEK successfully completed the process of obtaining environmental protection approval, and thus formally received authorisation to extend the power plant's useful life by an additional 20 years. This extremely complex process, which included cross-border consultations with five European countries, was completed on time with a positive outcome. Success was achieved primarily on account of good preparations, coordination at the level of the organisation and external stakeholders, good communication, professionalism and the personal commitment of the employees involved.

The NEK's plans for 2023, which are based on completed works and the excellent cooperation and support of its owners, GEN and HEP, is to continue operating stably, safely and competitively. In 2023, the power plant will fulfil all preconditions for safe and stable long-term operations beyond 2023, when the original projected useful life of the power plant comes to an end. The NEK thus remains the foundation of the electric power grid of Slovenia and Croatia, and supplies its founders and owners with reliable, carbon-neutral and cost-competitive electricity.

A total of EUR 64 million in funds is earmarked for investments in 2023.

SEL

SSEL 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 2022.

Characteristic of 2022 were exceptionally poor hydrological conditions as the result of a protracted drought that began back in the second half of 2021. Conditions were so adverse that two power plants operated at the technical minimum in July and August. Despite those conditions, the production of electricity continued uninterrupted and above all safely. Availability factors were achieved and exceeded, which was reflected in the above-average quality of maintenance and operations. The largest investment, i.e. the replacement of the spillway gates at the Medvode HPP, was completed successfully and within the contractual framework, while the extensive investment cycle (electricity storage facilities, solar power plants, renovation of a switching station, etc.) continued. In terms of maintenance, all scheduled major overhauls and inspections were carried out by the planned or shortened deadlines.

The largest investment project started back in 2020 was the replacement of spillway gates at the Medvode HPP after 63 years of operation. Installation works and functional tests on the remaining spillway were completed at the end of October, when an internal technical inspection was also carried out. Following the successful completion of the functional testing, all hydromechanical equipment of the spillway was put into regular operation. While replacing the treatment device at the Medvode HPP, the decision was made to develop an alternate version with the replacement of the fine grates of the turbine inlets in order to eliminate cleaning problems and increase the efficiency of the power plant. An environmental project was also implemented with the aim of constructing sills on the Sava Dolinka, where the deepening of the riverbed was causing the overall instability of the riverbanks, while in recent years, erosion pools have appeared on the lower course, so that the sub-soils below the sills were several metres deep. The company strove to make investments in renewable sources again in 2022. In the area of solar power plants, the company continued with the spatial placement of two solar power plants in the vicinity of the Vrhovo HPP, and the coverage of parking lots in Medvode and Moste with solar panels.

SEL will continue to invest in and develop its existing production facilities in 2023, 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 3 million in own resources for investments and development in 2022.

The TEB successfully completed the backup gas-fired production unit 7 project. In the spring, the company continued with trial functioning, which was successfully completed with the receipt of an operating permit. The Ministry of the Environment and Spatial Planning issued that permit on 14 June 2022. 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.

The TEB also placed emphasis in 2022 on the selection of comprehensive technological upgrades with the aim of maintaining a high level of operational reliability and availability, and ensuring that those upgrades are state-of-the-art in specific areas and meet increasingly stringent environmental requirements. An underground process water reservoir with a capacity of 500 m^3 was built. That construction solved the problem of the shortage of process water during droughts. A new HCl tank was also installed as part of the chemical water treatment plant. The first phase of the expansion of the fuel tank decanting station was completed with two additional decanting points.

The TEB is planning investments and development in the amount of EUR 26 million in 2023. The TEB is planning to invest in a larger, more efficient energy storage system that will be set up on the TEB site to facilitate the smart management of energy from RES and the successful marketing thereof. The company is also planning the construction of a computer-communications centre at the site of the old 20-kV switching station, revision B of the PB6 gas turbine unit and the second phase of the renovation of the fuel tank decanting station.

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. HESS earmarked EUR 5 million for investments and development in 2022.

Hydrological conditions for electricity production were largely unfavourable in 2022. The average flow rate on the lower course of the Sava River in the vicinity of the Brežice HPP was down by 31% relative to the 30-year average flow rate. In the context of the effective management and maintenance and unfavourable hydrological conditions, HESS's hydroelectric power plants produced 400 GWh of electricity in 2022 or 69% of planned production.

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 interventions took place at the Boštanj and Brežice HPPs. The failure of the servomotor on the wicket gate of the no. 3 turbine at the Boštanj HPP was successfully rectified. Corrosion damage to generator drive blades was successfully repaired at the Brežice HPP. All maintenance activities were performed during off-peak hours, so 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. HESS assumed maintenance of the run-of-the-river Krško HPP in 2022. This involves large areas around reservoirs that the company is obligated to maintain in accordance with the ZPKEPS-1.

The process of obtaining a building permit for the construction of the Mokrice HPP continued, with a renewed public interest override procedure, and the definition and drafting of evidentiary documents to rebut an NGO's claims against the public interest override decision from May 2022. The Administrative Court issued a ruling dismissing the NGO's claim in the public interest override procedure on the grounds that it had been filed too late, and also dismissed the NGO's application for restitutio in integrum. In September, the NGO filed an appeal with the Supreme Court against the Administrative Court's ruling. The Supreme Court issued a ruling in November in which it upheld the appeal and returned the matter to the Administrative Court for retrial.

Works started at the beginning of May 2022 in connection with the construction of the largest photovoltaic power plant in Slovenia, with a rated power of 6 MW, at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP. The substructure was set up, photovoltaic modules with the associated inverters were installed, wire connections were made and the medium-voltage connector between the FEBR-D3 and the Brežice HPP was built. The expansion of the 10.5 kV switching station at the Brežice HPP facilitated the connection of the power plant to the grid. Construction of the FEBR-D3 was completed in November 2022. This was followed by functional testing and the acquisition of notification regarding operation. The FEBR-D3, which concluded 2022 with the production of the first 68.5 MWh of electricity, can function together with the Brežice HPP as a hybrid hydro- and photovoltaic power plant that will exploit the potential of water and sun.

HESS will spend the majority of its investment potential in 2023 on preparations for the Mokrice HPP and photovoltaic power plants. Investments are also planned in the development of a system for the storage of electricity surpluses – hydrogen (the project depends on co-financing and the obtainment of grants). The total value of planned investments in HESS is EUR 14 million.

GEN-I

GEN-I earmarked EUR 15 million for investments and development.

The GEN-I Group's changing business environment did not slow it down on its path to the green transformation. That group's largest solar power plant, with a rated power of 17 MW, began operating in North Macedonia, while the subsidiary GEN-I Sonce d.o.o. set up 1,842 new small solar plants on Slovenian rooftops in 2022.

Strategic investments in data analytics and the digitalisation of processes and services for customers continue.

The GEN-I Group is planning investments in the amount of EUR 32 million in 2023. While past investments by the GEN-I Group related primarily to the development of digitalisation and growth in employees' potential, investments in recent years have expanded to production and, to a lesser degree, to the storage of green energy.

2.11. 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.

2.11.1. FINANCING OF 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.

Due to the war in Ukraine and the resulting energy crisis, which was reflected in an increase in energy prices, GEN also ensured liquidity for the purchase of alternative electricity due to the scheduled major overhaul of the NEK by borrowing in accordance with the ZPKEEKP in 2022. GEN drew down EUR 100 million for that purpose in November and December 2022. The full amount was repaid by March 2023.

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 long-term borrowing and borrowing that extends beyond the calendar year 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.

2.11.2. SETTLEMENT OF LIABILITIES TO THE NEK FUND

Pursuant to the Intergovernmental Agreement on the NEK and the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act (Official Gazette of the Republic of Slovenia, No. 75/1994 with amendments), GEN is obligated to pay a contribution to the NEK Fund for each MWh of electricity it produces. According to Slovenian government resolution no. 36011-3/2021/7 of 13 January 2022, that contribution was raised from the previous amount of EUR 4.80/MWh to EUR 12.0/MWh, effective 1 January 2022. A total of EUR 31.9 million was thus paid into the NEK Fund in 2022.

2.11.3. SECURING FUNDING TO COVER THE NEK'S FIXED ANNUAL COSTS

Under the Intergovernmental Agreement on the NEK, GEN is obligated to cover the NEK's fixed costs incurred over a period of one year, regardless of whether the NEK is functioning or not. Because the NEK is the main production unit within the GEN Group, meaning the operations of the group are closely linked to the NEK's production, the group is exposed to considerable risk, even in the event of short outages of the power plant. To ensure coverage of the NEK's fixed costs, GEN adopted a decision back in 2003 to create 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).

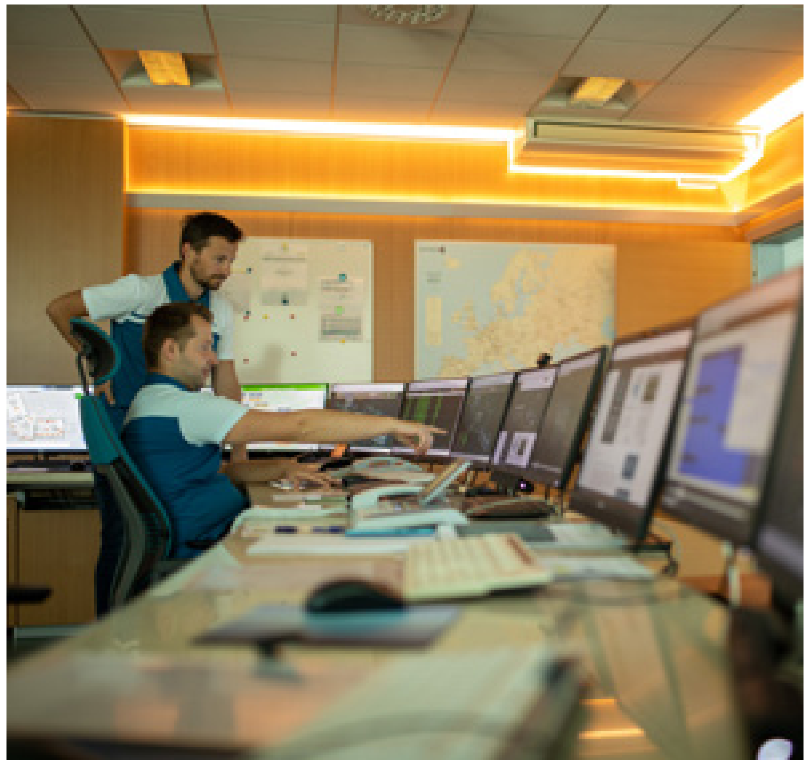
The total amount of planned long-term provisions was finalised by GEN at the end of 2009, but because the NEK's fixed operating costs vary, the amount of provisions is adjusted accordingly. To ensure that the amount of provisions is adjusted in as balanced and objective way as possible with the aim of ensuring an appropriate estimation of future expenses arising from an onerous contract, provisions are adjusted since 1 January 2014 in accordance with SAS based on the three-year average of fixed costs, as set out in the NEK's economic plan until the period January to September 2022, as so defined in Revision 2 to the Resolution on Provisions of the NEK.[6] Due to changes to key items in the NEK's 2023 economic plan dated 22 September 2022 and its long-term investment plan (rev. 23), GEN adopted Revision 3 to the Resolution on Provisions of the NEK,[7] the necessary amount of which is EUR 74,619 thousand. Due to the extension of the scheduled major overhaul of the NEK, provisions were used in the amount of EUR 1,300 thousand. For this reason, additional provisions in the amount of EUR 360 thousand were created at the end of the year.

6 Definition in section V.
7 Definition in section V.

2.11.4. PLACEMENT OF SURPLUS CASH

Due to the need for the 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 business model of banks, which during the first half of 2022 did not provide depositors suitable returns on available funds, but instead charged fees for excessive balances on deposits and current accounts, the company diversified the placement of funds to avoid unnecessary costs.



2.12. OVERVIEW OF SIGNIFICANT EVENTS

JANUARY

GEN

At a press conference held in Ljubljana, the senior management of GEN presented results from the successfully completed 2021 financial year and plans for 2022, with an emphasis on Vision 3 + 1 electricity transition as the key to a low-carbon Slovenian energy sector and thus society as a whole.

GEN-I

GEN-I Sonce's central warehouse in Celje was expanded to 1,700 m², and has 75 m of new shelving with more than 170 pallet spaces. The next step is the previously planned digitalisation of the warehouse, which will greatly facilitate and improve the efficiency of work.

FEBRUARY

GEN

GEN's Supervisory Board recalled CEO Martin Novšak and temporarily appointed Gordana Radanovič, MSc to that position.

TEB

The greenhouse gas emissions report was verified by an authorised institution based on the issued GHG permit.

Two projects were launched in February. The project to build a canopy for the set-up of an HCl tank envisages the construction of a storage building – canopy and the installation of a new HCl tank. The project to build a drainage water utilisation system envisages the construction of a 500 m³ reservoir. Following completion of the project, drainage water will be pumped into the newly planned reservoir and not into the storm drain.

HESS

In response to its application, HESS received a decision regarding the allocation of grants from the public tender to build a 6 MWp photovoltaic power plant (FEBR-D3). That application was approved in full with funds in the amount of EUR 871 thousand being allocated to HESS.

The MESP initiated a renewed procedure to determine whether the public benefit of energy 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 ministry called for notification of interest and the submission of comments regarding the associated materials.

MARCH

GEN

GEN's Supervisory Board appointed Blaž Košorok to serve as the company's CEO.

TEB

An external control assessment of the following management systems was successfully completed on 7 March 2022: the quality management system according to the ISO 9001:2015 standard, the environmental management system according to the ISO 14001:2015 standard and the occupational health and safety system according to the ISO 45001:2018 standard.

HESS

In accordance with the associated concession agreement, the company took over the maintenance of water and energy infrastructure facilities in the area of the Krško HPP.

The public unveiling of the Mokrice HPP project was carried out in the scope the renewed procedure to determine whether another public interest overrides the public interest of nature conservation and to notify interested parties.

GEN-I

With the finality of the decision on a court-appointed senior management, the company once again has a new senior management with full powers. During the senior management's appointment, the company was headed by the President of the Management Board Igor Koprivnikar, and members Dejan Paravan, Andrej Šajn and Primož Stropnik.

The newspaper publisher Dnevnik announced the most respected and successful Slovenian employers in 2021 in the scope of the Golden Thread project. The title of best employer in the category of large enterprises was awarded to GEN-I.

In North Macedonia, the construction site for GEN-I's largest solar power plant was opened and works began. A total of 31,772 solar panels with a combined power of 17 MW were set up on close to 300,000 square metres, which is equal to 30 football pitches, and will produce nearly 25,000 MWh of green electricity a year.

APRIL

GEN

The ninth Young Geniuses competition was held in Krško in April.

The 100th regular session of the Posavje Region Council was held in GEN's Information Centre. GEN's senior management presented the GEN Group and its Vision 3 + 1 to the mayors of Posavje region municipalities, with an emphasis on the key activities of the JEK2 project, and highlighted the active inclusion of local communities in the spatial planning of the facility and strict observance of the government's commitments.

TEB

The regular annual revision of the PB2 gas turbine unit was carried out from 11 to 15 April 2022.

HESS

HESS received grants of up to EUR 1,500 thousand for the Renewable Energy Centre (REC) project.

GEN-I

GEN-I Sonce became the first company in Slovenia to hold operational authorisation (PDRA-S01 and PDRA-S02) to conduct special category unmanned flights.

MAY

TEB

Revision A of the PB4 gas turbine unit was carried out from 9 to 20 May in accordance with the annual maintenance plan.

HESS

The Slovenian government issued a decision in the procedure to determine whether another public interest overrides the public interest of nature conservation, authorising the intervention of the Mokrice HPP.

The first construction works began to set up the Brežice photovoltaic power plant at the D3 sediment depot (FEBR-D3).

GEN-I

The redesigned gen-i.si website went live. That website combines all content that was previously accessible on the websites pocenielektrika.si, poceniplin.si and gen-i.si.

JUNE

GEN

The final event of the Young in the World of Energy competition was held at GEN's Information Centre.

The GEN Group's Vision 3 +1 and the status of the JEK2 project were presented at a meeting of the City Council of the Municipality of Brežice. Discussions elicited positive reactions in support of the project.

The Posavje Regional Chamber of Commerce recognised Posavje region innovations for 2022 at the Rajhenburg Castle. The jury tasked with assessing innovations presented a silver medal to the GEN Production Sector's team for the development of auxiliary application for the remote management of HESS's hydroelectric power plants.

TEB

The annual revision of the PB3 gas turbine unit was carried out from 6 to 10 June in accordance with the annual maintenance plan.

The trial functioning of the PB7 gas turbine unit was completed with the issue of the associated operating permit by the Ministry of the Environment and Spatial Planning on 14 June 2022.

HESS

Works began at the Brežice HPP for the upgrading of the MV switching station to which the FEBR-D3 will be connected.

GEN-I

Innovations were submitted again this year in response to the call for tenders issued by regional chambers of commerce: the smart automation of the sorting of customers' emails in the customer support process received a silver medal from the North Primorje Regional Chamber of Commerce; the Div-ee-ap platform for sharing the e-vehicle charging infrastructure received a silver medal from the Posavje Regional Chamber of Commerce; and GEN-I's solar community received a silver medal from the Central Slovenia Regional Chamber of Commerce. Achieving exceptional success was the Div-ee-ap platform, which ranked amongst the Chamber of Commerce and Industry of Slovenia's national selection of innovations.

JULY

GEN

Members of the European Parliament supported the inclusion of nuclear energy and natural gas in the taxonomy of green investments, which represents a classification system for sustainable investments, and serves primarily as a guide for financial investors in their decisions regarding investments in green activities that will help the European Union achieve its goal of zero greenhouse gas emission by 2050.

TEB

Taking into account the Slovenian government resolution of 14 July 2022, the requirements of the competent ministry and guidelines in connection with the future situation on the energy market, the TEB began upgrading and expanding the fuel tank decanting station for the decanting of fuel from fuel tanks to the existing reservoir, with a deadline for completion of 30 September 2022.

GEN-I

In changing energy conditions, where renewable sources are becoming even more important than before due to the limited supply of natural gas from Russia, GEN-I continued its green transformation efforts. This was also recognised by the European Union, which deems GEN-I one of the companies committed to taking action to mitigate climate change. With the commitment set out in the European Climate Pact, those companies have become part of a movement that brings people and businesses together with the common goal of building a more sustainable Europe for all.

AUGUST

GEN

The Institute of Energy Technology, GEN energija and the Faculty of Energy Technology of the University of Maribor co-organised the fifth energy summer camp in 2022.

TEB

On 3 August 2022, the TEB held a work meeting attended by management staff from GEN energija and the TEB, and representatives of Petrol regarding the increased supply of diesel fuel in the autumn and winter for the functioning of gas turbine units.

HESS

The photovoltaic power plant on the façade of the Arto-Blanca HPP, with a connection power of 55.3 kW, began operating.

A letter was received from the Ministry of the Environment and Spatial Planning on its unilateral withdrawal from the agreement on the co-financing of the Renewable Energy Centre.

SEPTEMBER

GEN

GEN energija hosted Slovenian and Croatian members of the European Parliament and members of the National Assembly from the Posavje region.

Together with ELES, Elektroinštitut Milan Vidmar and the Faculty of Electrical Engineering in Ljubljana, we organised the 10th Elektrofest, the largest educational event on the topic of electricity for secondary school students.

At the 31st international Nuclear Energy for New Europe (NENE) conference, 219 nuclear experts from 18 European countries, the US and Asia shared their knowledge and experience about the current and future importance of nuclear energy, the development of nuclear technology and the current energy-climate crisis. The experts included GEN energija employees.

NEK

On 22 September 2022, the Supervisory Board of NEK d.o.o. adopted the economic plan of the NEK for 2023.

HESS

The upgrading of the 10.5 kV switching station for the needs of connecting the FEBR-D3 to the grid was completed. Telecommunications equipment required to connect the FEBR-D3 to the Brežice HPP's systems was delivered.

An NGO filed an appeal against the ruling of the Administrative Court, under which the latter rejected the NGO's appeal against the government's decision that another public benefit overrides the public benefit of nature conservation in the Mokrice HPP project on the grounds that the appeal was filed too late.

GEN-I

The innovative Div-ee-ap platform for the sharing of the e-vehicle charging infrastructure was ranked amongst the Chamber of Commerce and Industry of Slovenia's national selection of innovations. The aforementioned innovation was awarded a silver medal during Innovation Day 2022.

GEN-I was recognised as a Reputable Employer for the fourth consecutive year by the Moje delo portal.

The solar power plant in North Macedonia was fully connected to the distribution network and produced its first MWh of electricity. That solar power plant, with a rated power of 17 MW, will produce 25,000 MWh of green electricity a year.

OCTOBER

GEN

The final event of the Slovenian leg of the climate relay, from Scotland to Egypt, took place in front of GEN's Information Centre. That relay, aptly named Running Out of Time, was the longest non-stop climate race to date. As a sign of support for young people in their efforts to preserve our planet, one of the stages was attended by the President of the Republic of Slovenia, Borut Pahor, who was accompanied by representatives of GEN.

GEN's Supervisory Board reached agreement with CEO Blaž Košorok on the early termination of his term of office. Dr Dejan Paravan was appointed new CEO of GEN energija.

TEB

The first phase of the expansion of the fuel tank decanting station was completed with two additional decanting points. The fuel tank decanting station was functionally set-up on 3 October 2022.

HESS

A transformer housing with equipment was delivered and installed, and electrical connection made for the FEBR-D3.

GEN-I

Two major projects were completed. The first project, referred to as Sales Runner or SALS for short, significantly simplified the process of concluding and managing agreements on the supply of electricity and natural gas. SALS is the biggest sales project in GEN-I's history, as it concerns most B2C processes, and links previously unlinked systems.

The second project, referred to as Metering Point (or TOČA as its known internally), was implemented on account of requirements set out in the System Operating Instructions for the Electricity Distribution System (SONDSEE). Future upgrades will allow customers to combine multiple metering points at a single metering point, i.e. a consumption point, a solar power plant and a charging station, which can be billed separately or together, which will stimulate the development of new business products.

NOVEMBER

GEN

GEN's Supervisory Board reached an agreement with CFO Gordana Radanovič, MSc on the early termination of her term of office.

TEB

In the scope of the cooling tower reconstruction project, the removal of the cooling tower casing, the so-called wreath and the first floor of the concrete-reinforced shell section began in mid-November.

A technical inspection, including an inspection of documentation and performed works, was completed for the project to construct a storage building with an HCl tank.

On 14 November 2022, an operating permit was received from the Ministry of the Environment and Spatial Planning for the project to build a drainage water utilisation system. The project was started in the winter. The necessary reservoir was built in the spring of 2022, while finishing works were completed in the summer.

HESS

The Supreme Court upheld the appeal filed by an NGO against the ruling of the Administrative Court, under which the latter rejected the NGO's appeal against the government's decision that another public benefit overrides the public benefit of nature conservation in the Mokrice HPP project on grounds that the appeal was filed too late. The ruling of the Administrative Court was overturned and the matter returned the aforementioned court for retrial.

Construction of the FEBR-D3 was completed and the testing of equipment started.

DECEMBER

SEL

Following an internal technical inspection at the end of October and a successful 60-day trial run, the hydromechanical equipment of spillways was put into regular operation. SEL thus successfully completed its largest two-year project: the replacement of the spillway gates at the Medvode HPP.

HESS

Notification of the temporary functioning of the FEBR-D3 was received. Functional testing and proof of operation of the FEBR-D3 began in accordance with the requirements of the associated consent for connection. The first MWh electricity was produced by the FEBR-D3.

GEN-I

GEN-I revised its sales strategy for Croatia. The company is halting the supply of electricity to households and small business customers, and focusing on sustainable solutions.

2.13. EVENTS AFTER THE END OF 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 2022.

Extension of the NEK's operating life

On 13 January 2023, the Ministry of the Environment and Spatial Planning issued environmental protection approval for the extension of the NEK's operating life from 40 to 60 years. That approval became final on 21 February 2023.

Regulation of electricity and natural gas prices

Due to rising electricity prices in 2022, the Slovenian government decided to regulate electricity prices for individual customer segments, and adopted the following four decrees at the end of 2022 for that purpose:

- Decree on the setting of electricity prices;
- Decree on the setting of the price of electricity for micro, small and medium-sized enterprises;
- Decree on the setting of the price of electricity for certain public law entities, for providers of publicly valid education and training programmes, and for providers of social protection services, social welfare programmes and family support programmes; and
- Decree on the definition of a mechanism for setting the price of electricity for business customers.

The Act on Emergency Intervention to Address High Energy Prices then entered into force in December 2022. Article 18 of that act states that if the Slovenian government sets a maximum price for electricity, gas or heat from the district heating system, it may set appropriate financial compensation or adopt another measure with the effect of appropriate compensation for damages for heat suppliers or distributors who would be significantly harmed by that measure. The Slovenian government prescribes by decree the method of determining that compensation or other measure, the eligibility conditions and criteria for that compensation or other measure, the method of payment of that compensation, the body that pays that compensation and the source of funds.

Adopted for that purpose in January 2023 was the Decree on the determination of compensation for electricity suppliers, which due to the adoption of the four above-described decrees on the regulation of electricity prices lays down two methods for setting compensation to electricity suppliers, as follows:

- the setting of appropriate financial compensation; and
- another measure with the effect of appropriate financial compensation.

The setting of appropriate financial compensation is a measure to which all suppliers are entitled for the quantities of electricity for which the maximum retail electricity price is set on the basis of the four decrees on the regulation of electricity prices, with the exception of suppliers subject to a measure with the effect of appropriate financial compensation. The other measure with the effect of appropriate financial compensation applies to so-called affiliated suppliers who are included in a consolidated annual report with electricity producers established in the Republic of Slovenia and who produce electricity in the Republic of Slovenia at the same company, or who have a direct or indirect ownership link with a partner at a company that produces electricity in the Republic of Slovenia. Here it is important that the suppliers produce themselves or at affiliated companies in the Republic of Slovenia all or part of the quantity of electricity required to be supplied to the regulated customer segment on the basis of the price setting decree and the decree covering business customers. It is for these quantities that they are eligible for measures with the effect of appropriate financial compensation.

GEN-I began generating a loss due to the regulation of electricity prices for household customers in August 2022 and the months that followed. This was in addition to the negative financial burden due to the assumption of 56,000 new customers, which could not have been foreseen and for which GEN-I had not purchased energy. GEN-I bore the financial burden of the regulation of retail prices and the assumption of new customers alone in 2022, and covered it with the surplus generated in international trading. The shortfall is so large in 2023 that GEN and GEN-I were forced to conclude a purchase and sales agreement in accordance with the Decree on the determination of compensation for electricity suppliers adopted at the beginning of January 2023, which states, inter alia, that controlling companies, producers or other related parties are obligated to provide their associated suppliers with missing quantities of electricity or conclude with them an annex to agreements for previously purchased electricity at an appropriate price, which in terms of the supplier's total average cost of procurement for the entire regulated customer segment under a specific decree, covers and reflects revenue based on the maximum permitted regulated retail price from a specific decree, as well as a reduction for the supplier's costs for supplies under the price setting decree. Because GEN is the controlling company and GEN-I is its associated supplier, those two companies first concluded a purchase and sales agreement at the end of December, under which GEN sold GEN-I the necessary quantities of electricity for households at the current market price, and then concluded an annex in January 2023 to the previously concluded purchase and sales agreement that took into account the supply conditions (appropriate prices) set out in the decree in question.

In the area of electricity supply to the business customer segment, GEN and GEN-I are regulating their relationship in 2023 based on another measure with the effect of appropriate financial compensation.

GEN-I will receive compensation for micro, small and medium-sized enterprises and public institutions directly from the government in accordance with the Decree on the determination of compensation for electricity suppliers.

Appointment of new senior management at GEN-I d.o.o.

Following the expiry of the one-year term of office of GEN-I d.o.o.'s court-appointed senior management, that company's two owners confirmed the new senior management, which will lead the company for the next five years, at GEN-I d.o.o.'s General Meeting of Shareholders held on 16 February 2023. The former director of GEN-I d.o.o.'s legal department, Maks Helbl, was appointed President of the Management Board, while the former director of trading, Andreja Zupan, and the head of the risk management department, Sandi Kavalič, were appointed members of the Management Board. GEN energija d.o.o.'s representative on the Management Board remains Primož Stropnik.

Contribution to the NEK Fund

In April 2023, 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. GEN must continue to 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.

2.14. MANAGEMENT OF RISKS AND OPPORTUNITIES

2.14.1. INTRODUCTION

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.

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 group is to manage both positive and negative effects on the operations of the group, or in other words, the management of risks and opportunities, which forms an integral part of governance. GEN Group companies continuously address risks and opportunities.

The GEN Group faced a number of new and very challenging risks in 2022, in particular the management of extraordinary events such as the war in Ukraine, developments on the market in connection with Nord Stream 1 and 2 (limits on the supply of natural gas), record poor hydrological conditions in the summer, and the resulting abnormally high prices, as well as poor liquidity on the market, making it almost impossible to conclude transactions.

The year 2022 was particularly challenging, as the NEK underwent its regular annual overhaul in October, and alternative electricity had to be provided for the duration of that overhaul. The overhaul was extended slightly due to challenges encountered, resulting in additional losses.

Increased quantity risk due to the provision of alternative energy during the scheduled major overhaul at the NEK was identified in the process of managing risks and opportunities. That risk was given special attention and recognised as a new risk due to the potential major negative impacts on the group's operations.

2.14.2. RISKS AND OPPORTUNITIES

GEN addresses all identified risks and opportunities of the group 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 group.

The most important risks and opportunities for the GEN Group's operations relate to ensuring safe, reliable and stable electricity production, as the survival and development of the company and GEN Group 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 of greenhouse gas emissions. Nuclear energy is one of the energy sources that can make this happen. And it is precisely nuclear energy from the NEK that is essential to the successful and environmentally friendly operation of the entire group. Renewable energy sources are an important strategic source of primary energy. In its awareness of the importance of renewable energy sources, GEN added hydroelectric power plants on the Sava River to the group through the acquisition of SEL and through active participation in the construction of hydroelectric power plants on the lower course (HESS) and the middle course (SRESA) of the Sava River. Hydro energy is the most widely used renewable energy source in Slovenia. With the construction of hydroelectric power plants on the Sava River, almost all potential for producing electricity from hydro energy will be exhausted. In addition to investments in hydroelectric power plants, 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 the basis for making the necessary decisions to move ahead with the construction of JEK2.

In addition to general risks, the company also identified risks 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 as these serve as a backup power supply to NEK and potentially to JEK2 and offer the possibility of serving as a grid-connected standby source, adding flexibility to 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. The majority of planned production is sold 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. Companies are 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. Companies are 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.

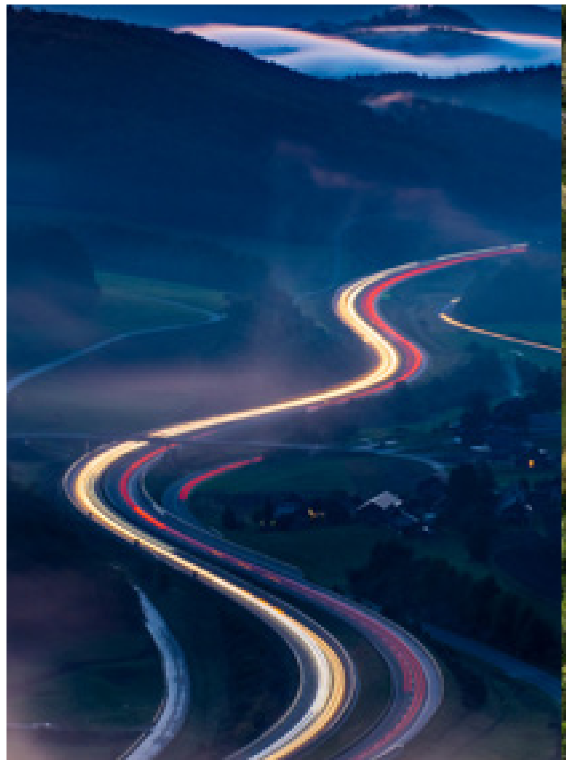
2.14.3. CONCLUSION

In the scope of the risk and opportunity management process, key risks are already being monitored more closely and frequently due to the challenges mentioned above. A comprehensive review of risks and weekly calculations have been developed with the aim of monitoring trends and ensuring sufficient funds to cover potential losses, while regular reporting to senior management is in place.

All activities within the GEN Group are carried out successfully and companies are operating stably. Following a successful major overhaul, the NEK, all of the hydroelectric power plants of HESS and SEL, and the gas-fired thermal power plant (TEB) are in excellent condition, and through their stable and reliable functioning represent a sound basis for the successful operations of the entire group. All energy deliveries under the auspices of GEN-I are likewise reliable and uninterrupted.

Despite the challenging conditions on the electricity market throughout the entire year, the GEN Group ended 2022 successfully.

All risks were reviewed in the scope of the regular management of risks and opportunities.



03 STATEMENT REGARDING NON-FINANCIAL OPERATIONS

We hereby declare that GEN Group companies comply with the GEN Group's policies relating to social and human resources, respect for human rights and diversity, equal opportunities and non-discrimination, the prevention of corruption and bribery, transparent governance, fair business practices, and the achievement of the group's goals to reduce environmental impacts and the implementation of other environmental measures.

This statement regarding non-financial operations relates to the entire GEN Group, in accordance with the EU directive governing the disclosure of non-financial information[8] and the Companies Act (ZGD-1). The information required in the statement regarding non-financial operations under the ZGD-1 is presented in an integrated manner throughout the report, as can be seen in section '4.8. Sustainable reporting according to the GRI Guidelines' in the form of references to GRI standards and disclosures (Global Reporting Initiative).

Key information is presented in the following manner:

- The GEN Group's business model is described in the business report section of the annual report in section '2. Business report';
- A description of policies, the results of policies and key performance indicators in connection with environmental, social and HR matters, the respect of human rights and the prevention of corruption and bribery are presented in section '2.2 Corporate governance statement' and in section '4. Sustainable development';
- The main risks in connection with the aforementioned areas are presented in section '2.14 Management of risks and opportunities' and in section '4. Sustainable development';
- Activities in the area of compliance and corporate integrity and the associated employee education and training, the handling of suspicions of irregularities, the management approach to non-discrimination and the respect of human rights in operations are described in section '2.2 Corporate governance statement' and in section '4. Sustainable development'.

In accordance with the Taxonomy Regulation,[9] the statement regarding non-financial operations and annual report include information regarding how and to what extent the group's activities relate to economic activities that are deemed environmentally sustainable. Information relating to disclosures required by the Taxonomy Regulation is presented in section '4.7 Taxonomy-related disclosures'.

General data regarding the report:

- The reporting period covered by the annual report is 1 January 2022 to 31 December 2022.
- For the second year, the GEN Group is reporting in accordance with the GRI Standards, which comprehensively illustrate progress in economic, governance, social and environmental areas.
- The last annual report of the GEN Group issued prior to this report was the annual report for 2021.
- The GEN Group's reporting cycle is once a year, when the annual report for the previous year is published, which is in line with legal-regulatory requirements.
- No new findings or deviations that would have a material impact on the situation have resulted in a change in the data presented in previous reports.

Questions regarding the report or the content thereof may be addressed to: info@gen-energija.si.

Vrbina, 22 May 2023

Danijel Levičar
COO

Dr Dejan Paravan
CEO

8 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.
9 Regulation (EU) 2020/852 of European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

04 SUSTAINABLE DEVELOPMENT

We took important steps in 2022 with regard to the integration of sustainability aspects in strategic planning and operations. We are actively updating the Strategic Development Plan of the GEN Group for the period until 2030. In the scope of this and related activities, we will define materiality and align policies in key areas accordingly, and adopt strategic objectives in the most important sustainability areas.

We will include guidelines for sustainable operations in the GEN Group's Sustainability Policy (ESG Policy), which will serve as the primary basis for the strategic sustainable management of the group in terms of environmental (E), social (S) and governance (G) aspects. That policy will define management approaches in key sustainability areas, and define core principles and efforts for sustainable operations that the GEN Group will follow in its operations along the entire value chain and in its relationships with different stakeholder groups, from suppliers to customers and subsidiaries of the GEN Group. The main objective of including the GEN Group's principles and approaches to sustainable management in management processes and business decisions is to improve the identification and management of sustainability risks and opportunities that may affect the performance of the GEN Group over the long term.

4.1. 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. 3, 4, 5, 6, 8, 9, 10, 11, 12, 13 and 15.

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		
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		
3 Good health and well-being	Ensure healthy lives and promote well-being for all at all ages.	Ensure conditions that allow employees to enjoy safety, health and satisfaction in the workplace.
4 Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Ensure the education of employees and customers, facilitate the development of employees.
5 Gender equality	Achieve gender equality and empower all women and girls.	Adapt internal processes to address inequalities, discrimination and/or any form of violence in the workplace, and promote diversity and gender equality on management and supervisory bodies.
6 Clean water and sanitation	Ensure availability and sustainable management of water and sanitation for all.	Ensure the protection of clean water in line with the highest international and EU standards, and preserve ecosystems and biodiversity in rivers over the long term.
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.
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.
10 Reduced inequalities	Reduce inequality within and among countries.	Zero-tolerance for discrimination and unequal treatment in the workplace.
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.
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.
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.
15 Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems.	Progress in improving the condition of ecosystems, in the reduction of land degradation and in the preservation of biodiversity.

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.

4.2. 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 2022.

The annual report of the GEN Group for 2022 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 and business sections 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 the Corporate Governance Code for Companies with Capital Assets of the State.[10]

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 section '4.3 Link between various types of capital and financial and non-financial information regarding operations', 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.

10 https://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja

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 statemen
• research and developme	Investments in RES, flexibility, advanced services and nuclear technologies
• corporate governance (including an explanation of deviations from the provisions of the Code)	Report of the Supervisory Board Corporate governance statement
• significant events and circumstances that impact the commercial position of the company and/or owners	Economic trends in 2022 and their impact on the electricity sector Significant events at GEN Group companies Electricity production Supply of energy and services Governance International trading Financial operations
• reporting on the company's sustainable development	Strategic policies Sustainable development Key performance data for the GEN Group

4.3. ENVIRONMENTAL ASPECT

We care for the environment and respect environmental regulations, and work with the local and wider community in that regard. We defined responsibility to the natural environment in our environmental policy and are thus committed to caring for the environment in the future, while preventing and reducing our impact on the environment to the greatest extent possible.

As one of the leading representatives of the energy sector and the promoter of the green transformation, the GEN Group is aware that its responsibility to the environment requires a new way of thinking and working.

The focus of the GEN Group's vision is a low-carbon society. Because we want to serve as an example of the green transformation, we have started that process with ourselves. We are adapting to the new conditions at all levels. In 2022, we prepared a calculation and analysis of the GEN Group's carbon footprint, through which we identified areas where the group can further contribute to the reduction of its own CO_2 emissions.

We have addressed the decarbonisation of the Slovenian electric power grid in two important ways: via the promotion and set-up of solar power plants for both households and businesses, and through cooperation in the expert planning of the decarbonisation of the grid. Between 2017 and the end of 2022, we set up more than 5,000 solar power plants for individual self-sufficient supply and more than 60 solar power plants for businesses, while at the same time promoting and developing a solar power community.

The revised Strategic Development Plan envisages extensive investments for the accelerated decarbonisation of Slovenia's electric power grid.

In addition to solar power plants on the GEN Group's own buildings, we set up and turned over for operation a solar power plant with a total rated power of 17 MW in North Macedonia, which represents an important step in the wider region and demonstrates our expertise and ability to plan and implement large and demanding projects. The GEN Group is raising awareness amongst the general public regarding the possibilities of renewable sources, both through its own broad-based marketing activities and investment projects, and through scientific articles regarding the decarbonisation of the Slovenian electric power grid and beyond, in part through our work with a number of research organisations. We are also educating the professional public through presentations and lectures in the scope of conferences and symposiums in Slovenia and abroad.

Since January 2021, we are the first in Slovenia to supply customers electricity produced from environmentally friendly, renewable sources (solar and hydro energy) and nuclear energy. By supplying customers energy from low-carbon sources, we are facilitating the reduction of our own carbon footprint and reducing our negative impact on the environment. We have been the leading buyer of energy from diversified renewable resources for more than ten years. Despite the especially challenging market conditions, we continued to supply electricity from low-carbon sources in 2022. Through our activities, we are fulfilling the GEN Group's commitments regarding decarbonisation and thus contributing to the achievement of the national goals to which the government has committed itself.

The GEN-I Group's innovative and sustainability-oriented business model, which can be seen in the systematic pursuit of environmental principles, responsible management and a positive relationship with the environment, provides measurable positive effects.

Carbon footprint of the GEN Group

The table below presents the GEN Group's environmental indicators that are in line with the expectations of SSH. The calculation of the carbon footprint was performed for Scope 1 – direct emissions.

ENVIRONMENTAL INDICATORS	2022
Overall carbon footprint (in t CO_2)	51,824
Consumption of drinking water (m^3)	38,915
Waste water (in m^3)	579,369,922
Non-hazardous waste (in t)	25,908,253
Hazardous waste (in t)	36,920
Processed waste (in t)	3,476
Environmental protection costs (in EUR thousand)	45,415

The carbon footprint is calculated based on a life cycle analysis according to production and power plant type, and actual data from the TEB. The overall carbon footprint was lower in 2022 as the result of lower electricity production by hydroelectric power plants and the nuclear power plant relative to 2021. One of the most important strategic commitments and objectives of the

GEN Group is to reduce its carbon footprint. We are thus planning to draft an action plan in 2023 for the reduction of greenhouse gas emissions in order to achieve the objectives of the green transition.

In terms of non-hazardous and hazardous waste, there was a major deviation in 2022 in quantities of non-hazardous waste at NEK due to the disposal of a very large quantity of waste soil and stones (as construction waste) during the construction of the spent fuel dry storage facility and the renovated parking lot, and in hazardous waste, likewise at NEK, due to the disposal of a large industrial battery. The value of processed waste was also up as a result.

There was a major deviation in terms of environmental protection costs at GEN in 2022 due to an increase in the contribution that GEN pays to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK. That amount was raised on 1 January 2022 from EUR 0.0048/kWh to EUR 0.012 for every kWh of electricity produced by the NEK and sold in Slovenia.

Comparison of the carbon footprint of the GEN Group by year (in t CO_2)

ENVIRONMENTAL INDICATOR	2022	2021	2020
Overall carbon footprint (in t CO_2)	51,824	54,271	48,408

Nuclear waste

The GEN Group carries out a number of activities in connection with the handling of nuclear waste. Those activities are designed to ensure safe and efficient waste management, and to prevent potential negative impacts on the environment and public health. The most important of those activities include the following:

- The handling of low- and intermediate-level radioactive waste (LILW): The NEK is equipped with various LILW management devices that are designed to ensure safe and efficient waste management.
- The handling of high-level radioactive waste (HLW): HLW is typically stored in concrete containers that are designed to contain the radioactive material and prevent its release into the environment. If necessary, waste can be buried in deep geological layers to ensure additional protection against emissions into the environment.
- Waste treatment and storage: The NEK carries out various waste treatment processes, such as decomposition processes, and the sorting, packaging, labelling and storage of waste. All processes are planned to ensure safe waste management.
- Environmental monitoring: The NEK regularly monitors radioactivity in the environment to ensure that there are no negative impacts on the environment and public health.
- Collaboration with experts and organisations: The NEK collaborates with Slovenian and global experts and organisations to gain the best possible knowledge and experience in nuclear waste management.

All of those activities are designed to ensure the safe and efficient management of waste generated by the NEK.

Concern for the natural environment in the scope of production by hydroelectric power plants

Hydroelectric power plants represent a renewable source of energy that does not generate greenhouse gas emissions or cause air pollution. Hydroelectric power plants have numerous positive effects on the environment, especially compared with other types of power plants that use fossil fuels:

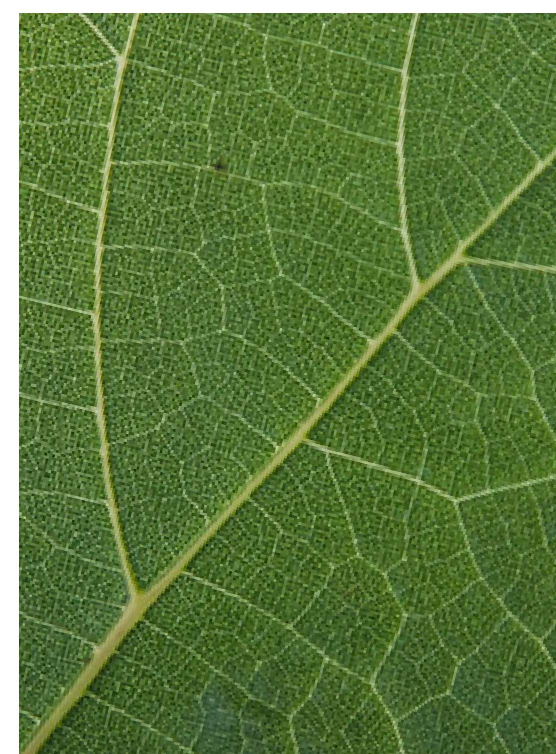
- Preservation of water sources: Hydroelectric power plants help to regulate the flow of water sources, and prevent droughts or floods.
- No greenhouse gas emissions.
- Improving the quality of water: Hydroelectric power plants help improve the quality of water in lakes, as water is collected and treated before being used to produce electricity.
- Support of tourism: Hydroelectric power plants have a positive impact on tourism.
- Preservation of the ecosystem: Hydroelectric power plants preserve ecosystems, as they preserve habitats for aquatic plants and animals, and contribute to the preservation of biodiversity.
- Long useful life: Hydroelectric power plants operate for decades and have a long useful life, which reduces the need to build new power plants and thus reduces impacts on the natural environment.

During the construction and functioning of hydroelectric power plants, the GEN Group takes into account safety measures and environmental regulations in order to reduce negative impacts on the environment. It is also crucial that we take into account the interests of local communities and culture, and ensure sustainable development when constructing and operating hydroelectric power plants.

Recycling of key components of solar power plants

Due to the increasing importance of the recycling of photovoltaic modules, GEN-I Sonce d.o.o., a subsidiary of GEN-I, is a member of the joint scheme for the management of electrical and electronic equipment managed by ZEOS d.o.o. Through that scheme, the latter guarantees the collection and management of waste electrical and electronic equipment, which also includes the recovery of used parts from solar power plants. GEN-I Sonce d.o.o. earmarks a portion of funds from every solar power plant sold for the recycling of those used parts, and thus ensures the recycling of used equipment (modules and components) and the reuse of materials in the production of new components.

Through recycling, photovoltaic power plants have a dual green value. In addition to reducing the quantity of waste materials, the recycling of photovoltaic modules also contributes to reduced electricity consumption. The latter is required in the process of obtaining those materials. This fulfils the photovoltaic industry's commitment to ensure the full ('closed') sustainable life cycle of photovoltaic modules.



4.4. SOCIAL ASPECT

The GEN Group places a great deal of emphasis on society and human resources. We are aware that employees and their knowledge, experience and cooperation represent a crucial source for achieving planned results.

Our success depends on the commitment of employees, sound and constructive mutual relationships, and contemporary and stable management practices that guide employees to work efficiently, be proactive, advance and develop, and thus uphold the GEN Group's values. We strive to ensure that our actions as a whole reflect our responsibility to employees, the environment and stakeholders. The GEN Group's values serve as a guide in the setting of objectives and the achievement of results, and in cooperation with employees, the management thereof and the development of their potentials. Together we forge a culture of mutual trust, respect, cooperation and teamwork, continuous learning, and responsible, efficient and sustainable operations. The GEN Group's employees are loyal, innovative, flexible, hard-working and focused on achieving business objectives and results.

4.4.1. EMPLOYEES, KNOWLEDGE AND DEVELOPMENT OF HUMAN RESOURCES

Employees are the GEN Group's most valuable asset, and serve as a key link in the development and growth of the group's operations.

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 1,664 employees in 2022, or 1,340 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

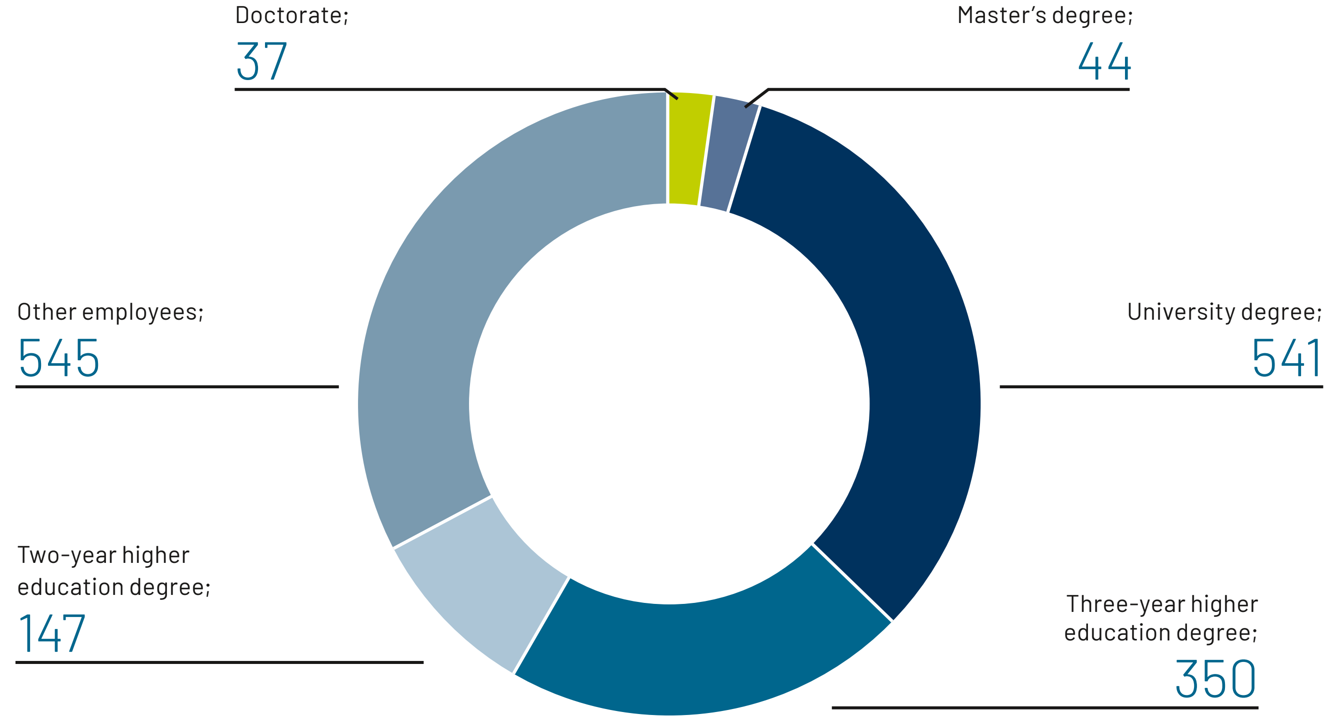
Due to the complexity and difficulty of work at GEN Group companies, more than half of employees have completed at least higher education.

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.

GEN GROUP	31 December 2022											31 December 2021
	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	TOTAL	TOTAL
GEN	0	0	0	0	5	7	10	44	2	6	**74**	**66**
NEK	0	0	1	9	266	71	58	219	14	10	**648**	**644**
SEL	3	0	0	16	36	11	11	17	3	0	**97**	**95**
TEB	0	1	0	14	33	18	19	21	0	1	**107**	**100**
HESS	0	0	0	3	14	5	10	22	2	1	**57**	**52**
GEN-I	0	2	0	13	129	35	242	218	23	19	**681**	**597**
TOTAL	**3**	**3**	**1**	**55**	**483**	**147**	**350**	**541**	**44**	**37**	**1,664**	**1,554**

The data in the previous 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 37 employees with a doctorate, 44 with a master's degree and 541 with a university-level degree in 2022. 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.

Key professional education and training topics

	Focus of professional education and training	Specialised education and training in the area of nuclear energy
GEN	• Employees received an average of 36.9 hours of training, 15 hours organised outside of the company and 21.9 hours organised internally. • Internal basic training for new employees continued. That training was broken down into seven modules, and comprised 76 hours of lectures. The first two modules were attended by seven participants, the next five modules by six 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 legislation in the field of nuclear energy and international organisations, and the sixth module, which presented communication activities in the scope of the World of Energy. • Both internal and external training for existing employees was maintained. • Employees attended professional conferences, seminars, consultations and meetings, live and remotely. • Internal technical training of dispatchers on GEN's simulator. Four blocks of training were organised, for a total of 20 hours for dispatchers during the year.	One employee attended extended training courses at the ICJT last year.
NEK	• The aim of professional training programmes based on a systematic approach is to acquire and refresh general and professional knowledge and skills that facilitate the performance of all work tasks at a high professional level and in line with international standards. • We ensure the retention of knowledge and the transfer of experience from more experienced to younger employees through on-the-job training programmes and mentoring. These programmes also assist in succession planning and the development of employees who assume key positions within the organisation. • The average number of education and training hours per employee was 109 (total of 70,802 hours).	Continuous professional training of operating personnel: a minimum of 140 hours per year for reactor operators and senior reactor operators; a minimum of 80 hours per year for shift engineers; a minimum of 140 hours per year for equipment operators.
SEL	• The company facilitates the participation of employees in various education and training courses with the aim of building on existing and acquiring new knowledge. In addition to attending in person, employees were also able to participate in remote education and training courses. The main objective of all courses was to train employees in various areas of the company's operations (accounting, the environment and spatial planning, energy, etc.), in occupational safety and health, and in the management of energy devices. • Employees received an average of 6.61 hours of training (including periodic training in occupational safety and health), or an average of 7.32 hours of training per employee taking into account the periodic training of operational staff. • A total of 54 employees attended education and training courses, some attending more than one course.	

	Focus of professional education and training	Specialised education and training in the area of nuclear energy
TEB	• An examination according to the Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) was organised for technical staff at the beginning of April, while training on safe work at heights was organised in June. • All employees received training in May on 15 communication habits. A lecture was organised in September in the scope of the promotion of occupational health. • In October, half of all employees received training on their knowledge and use of manual fire extinguishers, fire evacuation drills and the management of procedural safety at the TEB. • The average number of education and training hours per employee was 29.73.	
HESS	• A total of 44 employees received education and training in 2022. A total of 1,041 hours were earmarked for education and training, which translates to an average of 23.66 hours per employee included in that process. • Education and training was organised in the following areas: labour law, changes in the area of public procurement, public relations on social networks and in general, changes in construction, spatial planning and energy legislation, changes in tax legislation and accounting, training in the management of the programme for measuring greenhouse gas emissions from storage facilities, seminars and examinations for energy device managers, the ASSET management school, regular training in the area of occupational safety and health, ensuring and verifying the safety of solar power plants, electricity storage facilities, the management of sediments and the environment, the annual ADMA conference, cyber security and IT, risk management, maintenance, project management, etc. • In the technical sector, periodic training was organised regarding the safe use of heavy construction machinery and chainsaws, as well as periodic training on safe work at heights.	
GEN-I	• All employees are encouraged to participate in professional training. To that end, specific funds are earmarked to every area or directorate, and then used by the heads and directors of those areas and directorates for the professional development of their employees. The emphasis of professional training is on the development of tools for data analysis and the digitalisation of operations. • Employees received an average of 9.83 hours of education and training. The company organises training (i.e. in the area of information security) that is mandatory for all employees. Employees also receive self-initiated training through foreign and Slovenian digital platforms that are available to them. • Enhancement of professional training and individualised approaches that support the personal and professional development of employees (through coaching, mentoring and other approaches).	

In areas related to the generation of electricity from nuclear energy, we also run several specialized programmes. 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.

Balancing family life and career

Družini prijazno podjetje

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

Naložba v vašo prihodnost
Operacijo delno financira Evropska unija
Evropski socialni sklad

Parental leave

GEN Group	Men	Women
Number of employees entitled to parental leave	51	63
Number of employees who took parental leave	51	63
Total number of employees who returned to work during the reporting year following the completion of parental leave	47	27
Total number of employees who returned to work following parental leave and were still employed 12 months after that return	43	29

The rate of return to work following parental leave was 100% amongst both women and men in 2022. The retention rate for employees who took parental leave was likewise 100% for both genders, which means that all workers who took parental leave in 2021 were still employed at the end of 2022.

Scholarships

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 eight scholarship recipients and the GEN Group had 29 scholarship recipients as at 31 December 2022.

Scholarship recipients at GEN Group companies	31 December 2022
GEN	8
NEK	14
SEL	0
TEB	1
HESS	0
GEN-I	6
TOTAL	**29**

Sports clubs

Through numerous activities, the sports clubs of GEN Group companies promote well-being and additional green activities. Employees may choose between a number of activities covering sports, while training and courses are also offered.

Blood donations

We encourage GEN Group employees in various ways to donate blood.

Teambuilding

The GEN Group is aware that teambuilding is important for strengthening the bonds between teams and improving the effectiveness of work. GEN Group companies organise sporting events and picnics. In December, pre-New Year's Eve parties are organised for all employees.

Psychological well-being

Psychological well-being and resilience are crucial for good work performance and overall well-being. Various activities in this area are organised at specific GEN Group companies, while we are planning to expand those activities to the entire group in the coming years.

Collective health insurance

The GEN Group is aware of the advantages of collective health insurance, which facilitates prompt access to healthcare services by our employees.

Collective agreement

All employees at group companies registered in Slovenia enjoy the rights set out in the collective agreement of the Slovenian electricity sector.

Works Council

The majority of GEN Group companies have works councils that actively strive to protect and pursue the interests of employees, to brief employees on developments at companies and their participation in management, and to include employees in the adoption of important economic, HR-related and social decisions.

Occupational health and safety

We ensure a safe and healthy work environment, and regularly adopt measures to mitigate and eliminate potential risks to health and the occurrence of accidents. We comply with all key regulations and bylaws governing the area of occupational health and safety.

The GEN Group recorded nine workplace accidents in 2022. They included a pinched finger, a sprained ankle, a punctured finger, and slips and falls.

Human rights

We comply with all human rights regulations and standards in all countries in which we operate. We respect the dignity and personal integrity of the individual and their privacy. We also respect freedom of speech and expression of opinions, and are always respectful of others. We communicate openly with employees, regardless of their education or management position. All forms of unfair and unlawful labour are prohibited.

Diversity, equal opportunities and non-discrimination

All forms of discrimination against employees are prohibited. We treat employees equally regardless of nationality, racial or ethnic background, national or social affiliation, gender, colour, medical condition, disability, religion or belief, age, sexual orientation, family status, trade union membership, financial status or other personal circumstances.

All forms of harassment and bullying in the workplace are prohibited. We ensure the necessary work conditions, and a work environment that is open to innovation and creativity. We ensure a working environment in which we do not tolerate exposure to psychological pressure, sexual or other harassment or bullying by co-workers, supervisors or third parties. All employees are obligated to refrain from inappropriate conduct that may threaten the dignity of others. Any employee can report mobbing to one of the mobbing prevention officers.

The GEN Group's diversity policy takes into account the principles of inclusion and equal opportunities to the greatest extent possible, including in the composition of supervisory and management bodies. In accordance with the recommendations of the Slovenian Directors' Association, the senior management and Supervisory Board adopted a Diversity Policy that is publicly accessible.

Long-term strategic HR challenges

The electricity sector faces a number of long-term strategic challenges. Worth of note amongst them are:

- Ensuring qualified employees: The electricity sector is a highly regulated and technologically advanced sector, meaning high levels of expertise and experience are required to operate in that sector.
- Need for digital transformation: The electricity sector has been subject to increasing digitalisation in recent years. For this reason, the GEN Group recruits and develops people with the knowledge required to use different technological solutions.
- Ageing of the labour force: The electricity sector has a large number of older workers who will retire in the coming years. We thus dedicate a great deal of attention to the transfer of knowledge and experience.
- Need for the development of new competences: On account of the changing business environment and technological advancement, GEN promotes the development of new competencies, such as digital skills, analytical thinking, complex problem solving, etc.
- Increasing competition for talented workers: The electricity sector faces competition from other sectors in the recruitment of talented people. For this reason, the GEN Group develops and promotes attractive HR policies and other measures to recruit and retain talented people.
- Development of sustainable energy: Because sustainable energy is becoming increasingly important and impacts future staffing needs in the electricity sector, we are looking for experts to develop, maintain and manage renewable energy sources, and to address issues of sustainable energy production and consumption.

In that respect, it should be noted that the adoption of the decision to expand the nuclear power production programme (JEK2 project) will present the GEN Group with an additional 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.

Activities to raise energy awareness

Company	Topics	Target audience	Results in 2022
GEN	• Guided tours of the World of Energy for groups. • Elektrofest 2022. • Young Geniuses competition. • Young in the World of Energy. • Zotkini talenti. • Parada učenja. • Energy summer camp for talented secondary school students co-organised by the Faculty of Energy Technology of the University of Maribor. • Mentors' conference in the scope of the Eco School programme. • Stand up for Nuclear.	• School children and adolescents, teachers and professors/ mentors, • families, local community, • the wider professional public, different interest groups (associations, companies, etc.).	• Total of 6,096 visits to the World of Energy. • Total of 10 groups and 250 visitors at Elektrofest. • Total of 150 participants in the Young in the World of Energy competition. • Total of 100 participants in Parada učenja. • Total of 10 participants in energy camp. • Total of 250 participants at the mentors' conference on the Eco School programme. • Total of 150 participants at the Stand up for Nuclear event.
NEK	• Protective measures to prevent the spread of COVID-19 were in place for part of the year. For this reason, visitors were not received. • Young Geniuses competition (in association with GEN).	• Schools, faculties and other interested parties, the local community.	• Total of 130 groups (650 visitors).
SEL	• A total of 26 guided tours of the company's facilities were organised in 2022, with 956 participants. • Guided tours of existing large and small hydroelectric power plants, and the Završnica HPP Technical Museum. • Visitors acquire new knowledge about hydro energy and past and present methods for producing electricity at HPPs.	• Primary and secondary schools, faculties, professional association, the professional public, local communities and interested parties.	• Promotion of hydroelectric and solar power plants as carbon-free and renewable energy sources, and their contribution to the transition to a low-carbon society. • Promotion of the sustainable consumption of hydro energy.
TEB	• Guided tours of the power plant. • Communication with the public about current events on the project to construct gas turbine unit 7.	• Employees, the professional public, university students, business and project partners, customers and the general public.	• Eight groups (316 visitors).
HESS	• HESS focuses on raising awareness of the importance of renewable energy sources, particularly 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. • The company raised 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, in terms of comprehensive flood protection, the management of groundwater, the establishment of buoyancy and other positive synergistic effects. • Completion and publication of a promotional video that presents the activities of HESS and the multifunctionality of RES projects, including the effective addressing of climate change and the preservation of biodiversity. • Setting up of the 'Kušljan Villa and its history' street exhibition, and announcement of the start of works on the Environment and Energy Centre.	• Local communities and general public.	• A total of 681 visits to the Brežice HPP were recorded in 2022. • Raising of awareness regarding 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, through articles and answers to journalists' questions in local and national newspapers, professional magazines, and radio and TV stations, through participation at and contributions to conferences, forums and other professional meetings and education and training events in Slovenia and abroad. • 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.

Company	Topics	Target audience	Results in 2022
GEN-I	• The GEN-I Group raises the awareness of employees and the general public regarding the importance of the green transformation and energy awareness. • It raises the awareness of the general public, and promotes the green transformation and sustainable operations via marketing publications. To raise customers' awareness about the importance of reducing energy consumption and to motivate them to reduce consumption, the group launched an extensive campaign to help customers reduce their consumption by giving them advice. In this way, they receive a discount based on the reduction of the consumption of all customers combined. • Scientific results and findings from internal studies are shared with the professional public in the scope of scientific articles, research and development projects, presentations at conferences and expert consultations. The company was also an active participant in the drafting of studies regarding the decarbonisation of the electric power grid. • To educate students, the company also organised a number of expert lectures at faculties with the aim of familiarising students with their fields of work.	• Employees, the professional public, university students, business and project partners, customers and the general public.	• Energy saving advice in cooperation with the Jožef Stefan Institute. • Creation of an internal team to promote reduced energy consumption. • GEN-I's redesigned website for electricity customers, the home page of which invites visitors to read content regarding the reduction of energy consumption. • Advice published on monthly energy bills regarding how to save energy. • Notification of customers via email regarding energy saving opportunities. • Energy saving advice and presentation of energy consumption via the My GEN-I web portal. • Presentation of specific activities to save energy at home, which are also published in the form of advertisements and video spots on GEN-I's YouTube channel, and shared with users on other social networks. • 'Less to More' advertising campaign, which addressed energy savings in the use of media (unlit billboards, print advertising with empty space intended for readers, etc.). • Promotion of the self-sufficient supply of electricity on the GEN-I Sonce website and GEN-I's social networks, and at events for business partners.

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 2022, the aforementioned interactive multimedia centre on energy and energy technologies recorded 77,298 visitors. In 2022, the number of visitors rose to 6,069, which is comparable with the pre-corona figure. 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. Through a prudent approach, the planning of activities and video content, we were able to offer schools 'remote' visits to the World of Energy. 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. We reopened the centre's doors in March and began receiving groups again. Despite the fact that the centre was closed for a short period of time (i.e. the first quarter of 2022), the number of visits was up by around 50% relative to the previous year. By the end of the year, we had turned back 20 groups or around 950 visitors.

We organised online events in 2022, and once again participated in events outside the walls of the World of Energy, including the following:

January:	in cooperation with the Jožef Stefan Institute's Milan Čopič Nuclear Energy Training Centre, we organised online training in the area of energy literacy intended for primary and secondary school teachers;
February:	online workshops and preparations for the Young Geniuses competition, which during the 2021/2022 scholastic year was intended for journalists and primary school students in the Posavje region. The final competition took place in April at the Krško Cultural Centre;
May:	in the scope of national Lifelong Learning Week, we organised two lectures for the general public in conjunction with the Krško People's University: Presentation of the En-ROADS calculator.
	We presented the World of Energy at an event intended for the local community, Parada učenja, which was organised on the square in front of Krško Cultural Centre;
June:	presentation of the functioning of the electric power grid and nuclear power plant at the final event of the Association for Technical Culture of Slovenia's 'Zotkini talenti', which took place at Cankarjev dom in Ljubljana;
August:	we organised the traditional energy summer camp for secondary school students in conjunction with the Faculty of Energy Technology.
	We attended the ECO SCHOOL conference in Čatez as guest lecturer, and presented the En-ROADS calculator;
September:	as co-organiser of Elektrofest in Ljubljana, we presented the energy mix and functioning of the nuclear power plant to secondary school students. As part of the European Researchers' Night, we hosted a House of Experiments event at GEN's Information Centre;
October:	with World of Energy content, we joined representatives of the Nuclear Society of Slovenia's Young Generation Network which, under the auspices of Stand Up for Nuclear movement, organised a traditional event in the centre of Ljubljana with the aim of breaking taboos and myths in the field of nuclear energy;
December:	after a two year hiatus, we once again organised a workshop for employees' children at the World of Energy.

Awareness-raising projects in 2022:

- **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 2021/22 scholastic year for the development of creative products on the subject: 'Low Carbon is the Best!' More than 820 children and adolescents from all over Slovenia presented their views and understanding of electricity, energy and energy sources. Under the meaningful slogan 'Low Carbon is the Best!', they created more than 400 products, including working models, posters, drawings, collages, games, picture books and video products.

Primary and secondary school students and their mentors who created the best projects during the 2021/22 scholastic year according to a panel of experts were recognised for their participation in the competition during the final event organised at GEN's Information Centre on 15 June 2022. A new Young in the World of Energy contest was announced at the beginning of the 2022/23 scholastic year.

- **Young Geniuses quiz**

In association with the NEK, we organised the Young Geniuses project, a quiz on energy topics, for the ninth time. Following a one-year break due to the adverse epidemiological conditions, we once again prepared and organised the Young Geniuses quiz during the 2021/22 scholastic year for all primary school students in the Posavje region. The response of Posavje primary school students to the project was comparable to previous competitions in terms of the number of participants, despite the initial concerns of mentors and a post-corona decline in motivation amongst young people. Of all 26 primary schools in the Posavje region, 16 schools competed live on the stage of the Krško Cultural Centre on 12 June 2022.

A new Young Geniuses contest, this time for high school students, was announced at the beginning of the 2022/23 scholastic year.

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 2022 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.

Digital communication

GEN energija's communication department continues to use advanced technologies and raise awareness about the importance of the reliable supply of electricity, and about sustainable, low-carbon energy sources on social networks and channels (Facebook, YouTube, LinkedIn, etc.) and the eSvet web portal, where comprehensive educational content about energy is available.

Our posts reached 307,601 people on GEN's World of Energy Facebook page and 107,090 people on Instagram (World of Energy) in 2022. Our video spots recorded 42,857 views on the GEN Group's YouTube channel.

In advertisements and video spots published on its YouTube channel, GEN-I presents specific measures to save energy at home, and shares them with users on other social networks.

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 website had received 41,795 visits by December 2022, an increase relative to the previous year. 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 address 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.

GEN-I shares scientific results and findings from internal studies with the professional public in the scope of scientific articles, research and development projects, presentations at conferences and expert consultations. The company was also an active participant in the drafting of studies regarding the decarbonisation of the electric power grid. To educate students, the company also organised a number of expert lectures at faculties with the aim of familiarising students with their fields of work.

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 2022, 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.

4.5. GOVERNANCE ASPECT

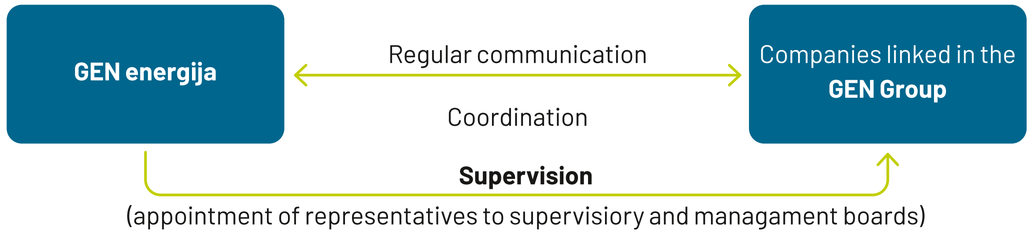
The GEN Group is committed to respecting high ethical standards. GEN's Code of Business Ethics sets out the principles and rules of ethical conduct, best business practice and standards of behaviour within the GEN Group, which are binding for all employees.

Other internal rules within the GEN Group also follow the aforementioned code. The guiding principles are consistent conduct in accordance with the highest principles of morality, honesty, loyalty and professionalism, consistent compliance with regulations and the guidelines of international organisations. The code is published on GEN's website. The code is accessible by all business partners, who are expected to respect it in their dealings with all GEN Group companies.

We also dedicate special attention to the prevention of fraud and corruption, the responsibility of employees should they identify cases of fraud and corruption, and potential measures. In our work, we do not tolerate any unethical, unprofessional or unlawful conduct by employees or business partners. We do not exploit GEN's business opportunities, its property or information for personal and economic gain, or for the benefit of third parties. We do not promise any benefits or give gifts to influence the decisions of government authorities, officials, business partners or anyone else, nor do we accept gifts or benefits of any kind to influence decisions in the performance of our work. We ensure that those with access to important information are aware of the level of confidentiality and sensitivity of that information.

A matter before the Commission for the Prevention of Corruption was closed in 2022, resulting in the identification of corruption risks and the issuance of recommendations to SSH and GEN's Supervisory Board.

GEN's cooperation with GEN Group companies



4.5.1. 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 back in 2019, and began the process of revising it again in 2022 due to numerous important changes. 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.

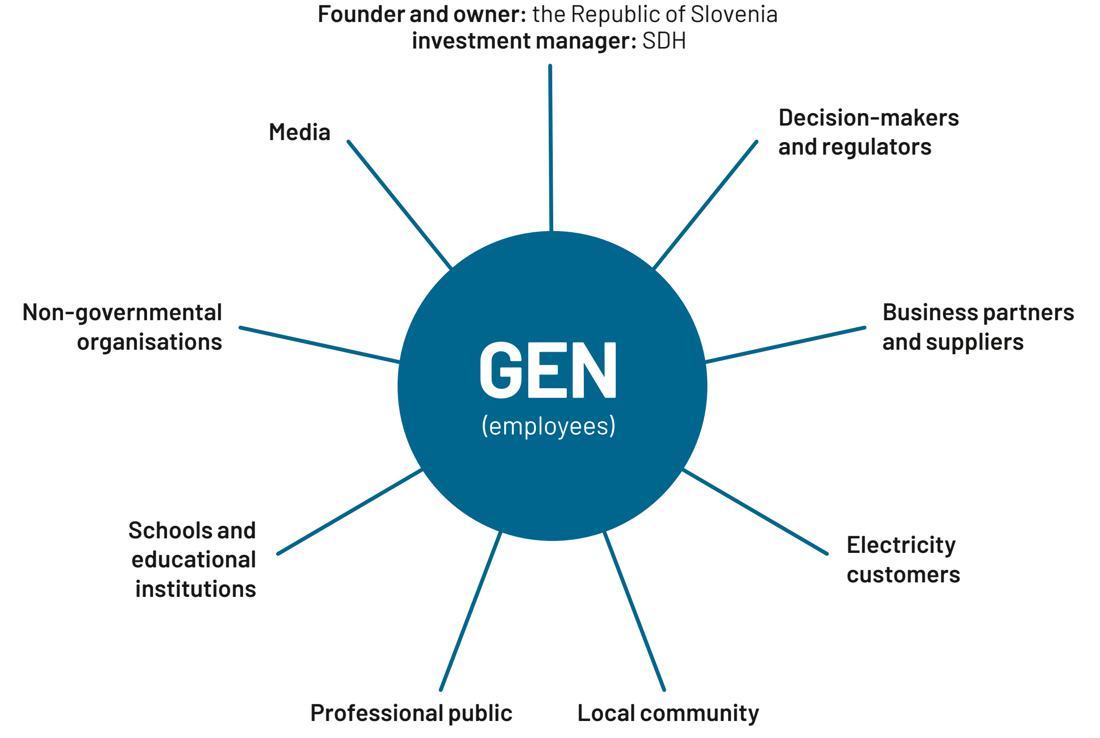
We pay special attention to the specific nature of running and operating a nuclear facility, as this requires an in-depth understanding of the need to recruit the appropriate employees and secure financial resources for the reliable and safe operation of the NEK. The NEK's operating results in recent 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.

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 Group and stakeholders



4.5.2. QUALITY POLICY

The GEN Group is committed to:

- establishing the best possible quality assurance and safety culture in order to achieve the strategic goals of the GEN Group;
- creating an internal work environment that encourages employees to be fully engaged in the achievement of goals;
- meeting requirements and continuously improving the performance of our quality management system; and
- operating in a socially responsible manner and ensuring balanced support for the development of all structures of the social environment.

4.5.3. 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.

General information about companies comprising the GEN Group as at 31 December 2022 is presented below.

PRODUCTION

Nuklearna elektrarna Krško d.o.o.
Vrbina 12, 8270 Krško
www.nek.si

PRINCIPAL ACTIVITY
Electricity production at a nuclear power plant

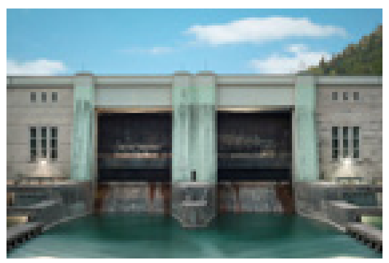
COMPANY MANAGEMENT
Stane Rožman, President of the Management Board
Saša Medaković, member of the Management Board

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

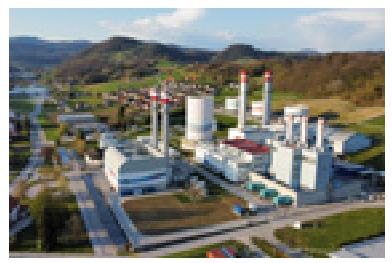
COMPANY MANAGEMENT
Uroš Koselj, MSc, Director

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

COMPANY STATUS ACCORDING TO IFRS
Subsidiary

OWNERSHIP STRUCTURE
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
Dr Igor Koprivnikar, Igor Šajn, MSc and Primož Stropnik

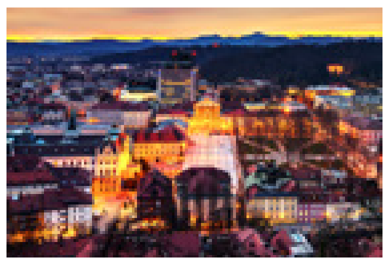
CHAIRMAN OF THE SUPERVISORY BOARD
The company has no supervisory board.

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

Samo Žolger, 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 8.64% 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

The company has no supervisory board.

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.

4.6. 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 2022. 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 2. Business report	Location of content in annual report of the GEN Group for 2022
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	2.6 Electricity production
	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	2.6 Electricity production 2.7 Supply of energy and services
	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	2.7 Supply of energy and services 2.8 Governance 2.9 International trading
	Infrastructure for purchasing natural gas in Europe's energy markets Natural gas purchased (in GWh)	2.7 Supply of energy and services
	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).	2.4 Quality policy and ensuring safety
	Management of risks associated with infrastructural capital.	2.14 Management of risks and opportunities
Natural capital	Low-carbon energy source portfolio: • 98.3% of our electricity output comes from sustainable and renewable energy sources, and • CO_2 emissions per kWh generated.	2.6 Electricity production
	Activities involving the ISO 14001 environmental management system.	2.4 Quality policy and ensuring safety
	Management of environmental and climate risks and opportunities.	2.14 Management of risks and opportunities

Type of capital	Description of content included in 2. Business report	Location of content in annual report of the GEN Group for 2022
Financial capital	Volume of investments and capital expenditure (by GEN Group company; in EUR million)	2.10 Investments in RES, flexibility, advanced services and nuclear technologies
	Information regarding financial operations: • financing 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.	2.11 Financial operations
	Management of financial risks and opportunities	2.14 Management of risks and opportunities
Employees and intellectual capital	The knowledge and skills of employees to ensure the operational efficiency of production units	2.6 Electricity production
	Development of comprehensive brokerage services and flexibility (from intra-day to multi-year deals)	2.7 Supply of energy and services 2.8 Governance 2.9 International trading
	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	2.7 Supply of energy and services 2.8 Governance 2.9 International trading
	Growth in the number of customers (domestic market – 'Affordable Natural Gas' (Poceni plin) brand and entry on foreign markets)	2.7 Supply of energy and services
	Research and development (overview of studies and research and development activities by GEN Group company)	2.10 Investments in RES, flexibility, advanced services and nuclear technologies
	Number and educational structure of employees Professional education and training	4.4 Social aspect
	Substantive and organisational development of activities to strengthen energy literacy and employee engagement (overview by GEN Group company)	4.4 Social aspect
	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.	2.4 Quality policy and ensuring safety
	Management of risks and opportunities associated with human resources	2.14 Management of risks and opportunities

Type of capital	Description of content included in 2. Business report	Location of content in annual report of the GEN Group for 2022
Social capital	Overview of the economic and political situation in 2022: • economic trends (economic growth, inflation, growth in industrial production), and • process of drawing up the Energy Concept of Slovenia.	2.5 Economic trends in 2022 and their impact on the electricity sector
	Ancillary services, balancing of critical operational conditions in the power grid, tertiary frequency control.	2.7 Supply of energy and services
	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, and review of projects at other GEN Group companies.	2.10 Investments in RES, flexibility, advanced services and nuclear technologies
	Settlement of liabilities to suppliers. Activities in connection with the Intergovernmental Agreement on the NEK.	2.11 Financial operations
	Development of human resources and management of long-term strategic HR challenges.	4.4 Social aspect
	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	4.4 Social aspect

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 6: Clean water and sanitation SDG 7: Affordable and clean energy SDG 11: Sustainable cities and communities SDG 12: Responsible consumption and production SDG 13: Climate action SDG 14: Life below water SDG 15: Life on land
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 3: Good health and well-being SDG 4: Quality education SDG 5: Gender equality SDG 8: Decent work and economic growth SDG 9: Industry, innovation and infrastructure SDG 10: Reducing inequalities SDG 12: Responsible consumption and production
Social capital	SDG 4: Quality education SDG 8: Decent work and economic growth SDG 11: Sustainable cities and communities SDG 13: Climate action

4.7. TAXONOMY-RELATED DISCLOSURES

In accordance with Article 8 of the Taxonomy Regulation, the GEN Group includes in its statement regarding non-financial operations and annual report information regarding how and to what extent the activities of the GEN Group relate to economic activities that are deemed environmentally sustainable in accordance with Articles 3 and 9 of the aforementioned regulation. To that end, information is presented based on the provisions of Commission Delegated Regulation (EU) 2021/2178, which only defines in detail the content of and methodology for disclosing information, and Commission Delegated Regulation (EU) 2021/2139, which defines the technical screening criteria for determining whether an economic activity contributes substantially to climate change mitigation or climate change adaptation (i.e. two of the six environmental objectives set out in the Taxonomy Regulation) and does not significantly harm any other environmental objectives.

Taking into account Article 10 of Commission Delegated Regulation (EU) 2021/2178, the GEN Group discloses in its annual report for the year ending 31 December 2022 the proportion of its turnover, capital expenditure and operating expenditure from taxonomy non-eligible economic activities and taxonomy-eligible but not taxonomy-aligned activities, and other relevant qualitative information.

The GEN Group also discloses information in accordance with Commission Delegated Regulation (EU) 2022/1214, through which the Commission, taking into account scientific opinions, expert consultations and current technological progress, concluded that selected natural gas and nuclear activities are in line with the EU's climate and environmental objectives and will facilitate the accelerated transition from more polluting activities (such as coal) to a climate-neutral future based primarily on renewable energy sources. In accordance with the provisions of Article 10(2) of the Taxonomy Regulation, new activities were added to the transitional activities already covered by Commission Delegated Regulation (EU) 2021/2139. Technical criteria were also defined for those activities (see supplemented Annex I and Annex II to Commission Delegated Regulation (EU) 2021/2139). Information is disclosed using the table introduced with the amendment to Commission Delegated Regulation (EU) 2021/2178.

In order for the GEN Group to effectively monitor taxonomy-aligned activities, an interdisciplinary project group was established at the group level in 2023, and comprises experts in the areas of environmental protection, human resources, legal affairs, the energy sector and finance.

Disclosures were prepared on the basis of a review of the above-mentioned taxonomy documents, our understanding and available data. Given that the delegated regulation will be updated, we will continuously review further interpretations and requirements, and take their impact on the disclosure of the GEN Group's data into account. During the transitional reporting period, we will also refine our reporting systems and reports, taking into account the recommendations of the various regulators, to ensure comprehensive disclosures in accordance with the delegated regulation.

In accordance with Article 8 of the Taxonomy Regulation, the GEN Group discloses information and key performance indicators regarding how and to what extent the activities of GEN and the GEN Group relate to economic activities that are deemed environmentally sustainable. The disclosure of information is in line with technical screening criteria for determining the conditions under which an economic activity is deemed to contribute substantially to climate change mitigation or climate change adaptation and does not significantly harm any other environmental objectives.

Taking into account the currently valid Taxonomy Regulation, the following activities of GEN are included in disclosures and deemed taxonomy-eligible based on a review, our understanding and available data:

- production of electricity from hydro energy;
- electricity production from nuclear energy on existing devices;
- high-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels;
- construction of solar power plants;
- energy contractual partnerships; and
- production of energy using photovoltaic technology.

Key performance indicators for turnover, capital expenditure (CapEx) and operating expenditure (OpEx) are calculated based on our understanding of the definitions in Annex I to Commission Delegated Regulation (EU) 2021/2178.

When analysing economic activities, we defined taxonomy-eligible and taxonomy-aligned economic activities at the GEN Group level for all three categories of key performance indicators. Based on an analysis of whether an economic activity contributes substantially to climate change mitigation, and an assessment of whether it does not significantly harm any other environmental objectives and is performed with minimum safeguards, it was determined that activities are classified as taxonomy-eligible but not taxonomy-aligned.

The GEN Group's business strategy is sustainability oriented. Sustainable operations are one of the group's key strategic policies, which will be defined more precisely in the Sustainability Strategy and Sustainability Policy of the GEN Group. GEN's senior management and Supervisory Board are expected to adopt the Sustainability Strategy and Sustainability Policy in 2023. We understand sustainable operations as the responsible management of the economic, governance, social and environmental impacts of our operations. We include the principle of sustainability in our operations to the greatest extent possible. To that end, we pursue the Sustainable Development Goals of the United Nations (UN SDG), as a key element of the 2030 Agenda, and ensure the appropriate identification and management of sustainability risks and opportunities in accordance with ESG guidelines.

We expect an even higher proportion of our turnover, capital expenditure and operating expenditure to be included in taxonomy-eligible and taxonomy-aligned activities as the result of the supplementation of the list of taxonomy activities. We report on sustainable operations in more detail in the section Sustainable development.

Presented below are key performance indicators that apply to the GEN Group and that are in line with Annex I to Commission Delegated Regulation (EU) 2021/2178.

Proportion of turnover from products or services associated with taxonomy-aligned economic activities

Taxonomy-eligible				Technical criteria													
				Substantial contribution criteria						Does no significant harm criteria							
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine sources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine sources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (taxonomy-aligned)																
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		0														
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Production of electricity from hydro energy	D35.11	34,973,144	0.87%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Electricity production from nuclear energy on existing devices	D35.11	92,054,605	2.30%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	D35.11	1,158	0.00%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Construction of solar power plants	F42.22	28,759,880	0.72%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Energy contractual partnerships	F42.22	30,648	0.00%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Production of energy using photovoltaic technology	D35.11	1,249,730	0.03%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		157,069,164	3.92%													
Total (A.1 + A.2)		157,069,164	3.92%													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Turnover of taxonomy-non-eligible activities (B)		**3,850,965,572**	**96.08%**													
Total (A + B)		**4,008,034,736**	**100%**													

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – disclosure for year N

Taxonomy-eligible				Technical criteria												
				Substantial contribution criteria						Does no significant harm criteria						
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine sources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine sources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (taxonomy-aligned)																
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0														
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Production of electricity from hydro energy	D35.11	4,522,761	7.94%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Electricity production from nuclear energy on existing devices	D35.11	28,135,521	49.39%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	D35.11	0	0.00%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Construction of solar power plants	F42.22	639,286	1.12%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Energy contractual partnerships	F42.22	308,809	0.54%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Production of energy using photovoltaic technology	F42.22	13,891,219	24.39%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		47,497,596	83.38%													
Total (A.1 + A.2)		47,497,596	83.38%													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
CapEx of taxonomy-non-eligible activities (B)		**9,465,916**	**16.62%**													
Total (A + B)		**56,963,512**	**100%**													

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – disclosure for 2022

Taxonomy-eligible				Technical criteria												
				Substantial contribution criteria						Does no significant harm criteria						
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine sources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine sources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (taxonomy-aligned)																
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0														
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Production of electricity from hydro energy	D35.11	1,747,615	1.65%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Electricity production from nuclear energy on existing devices	D35.11	11,067,525	10.45%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	D35.11	8,745	0.01%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Construction of solar power plants	F42.22	335,541	0.32%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Energy contractual partnerships	F42.22	47,580	0.04%	100%						n/a	NO	n/a	YES	n/a	YES	n/a
Production of energy using photovoltaic technology	D35.11	106,291	0.10%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		13,313,297	12.57%													
Total (A.1 + A.2)		13,313,297	12.57%													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
OpEx of taxonomy-non-eligible activities (B)		**90,363,015**	**85.30%**													
Total (A + B)		**105,935,539**	**100%**													

Nuclear and natural gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Natural gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

4.8. SUSTAINABLE REPORTING ACCORDING TO THE GRI GUIDELINES

Statement regarding application: The GEN Group reports with reference to the GRI standards for the period 1 January 2022 to 31 December 2022
GRI 1 applied: GRI 1: FOUNDATION 2021

GENERAL STANDARD DISCLOSURES

Indicator	Disclosure	Section
GRI 2: General disclosures 2021		
The organisation and its reporting practices		
2-1	Organisational details	2.1
2-2	Entities included in the organisation's sustainability reporting	3.
2-3	Reporting period, frequency and contact point	3.
2-4	Restatements of information	3.
Activities and workers		
2-6	Activities, value chain and other business relationships	2.1., 2.6., 2.7., 2.8., 2.9., 4.5.
2-7	Employees	4.4.
Governance		
2-9	Governance structure and composition	2.1., 2.2., 4.5.
2-10	Nomination and selection of the highest governance body	2.2.
2-11	Chair of the highest governance body	2.1.
2-14	Role of the highest governance body in sustainability reporting	3.
2-15	Conflicts of interest	2.2., 3.
2-18	Evaluation of the performance of the highest governance body	1.3., 2.2.
2-19	Remuneration policies	2.2.
2-20	Process to determine remuneration	2.2.
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	1.2.
2-23	Policy commitments	2.2., 2.3.
2-27	Compliance with laws and regulations	2.2.
Stakeholder engagement		
2-29	Approach to stakeholder engagement	4.5.
2-30	Collective bargaining agreements	2.2.

SPECIFIC STANDARD DISCLOSURES

Indicator	Disclosure	Section
Economic impacts		
GRI 201: Economic performance 2016		
201-2	Financial implications and other risks and opportunities due to climate change	2.5., 2.6., 2.7., 2.8., 2.9.
GRI 203: Indirect economic impacts 2016		
203-1	Infrastructure investments and services supported	2.10.
Environmental impacts		
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	4.3.
Social impacts		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	4.4.
GRI 403: Occupational health and safety 2018		
403-1	Occupational health and safety management system	2.4.
GRI 404: Training and education 2016		
404-1	Average hours of training per year per employee	4.4.
GRI 405: Diversity and equal opportunity 2016		
405-1	Diversity of governance bodies and employees	4.4.

05
FINANCIAL REPORT

5.1. 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.

5.2. 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 2022 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 2022, together with the accompanying policies and notes, were approved by the company's senior management.

Vrbina, 22 May 2023

Danijel Levičar
COO

Dr Dejan Paravan
CEO

5.3. INDIVIDUAL FINANCIAL STATEMENTS OF GEN

5.3.1. INDIVIDUAL BALANCE SHEET – ASSETS

(in EUR)	Notes	31 December 2022	31 December 2021
ASSETS		**756,939,185**	**641,955,378**
Non-current assets		**526,609,002**	**522,511,924**
Intangible assets, and non-current deferred expenses and accrued revenue	1	**279,805**	**320,763**
Intangible assets		201,154	309,717
Long-term property rights		181,652	274,448
Other intangible assets		19,502	35,269
Non-current deferred expenses and accrued revenue		78,651	11,046
Property, plant and equipment	2	**21,624,017**	**19,503,216**
Land and buildings		4,841,939	5,184,199
Land		485,788	485,788
Buildings		4,356,151	4,698,411
Other plant and equipment, small inventory and other property, plant and equipment		836,040	702,474
Property, plant and equipment in acquisition		15,946,038	13,616,543
Non-current financial assets	3	**494,440,401**	**495,280,179**
Non-current financial assets, excluding loans		488,607,068	488,669,068
Shares and participating interests in group companies		290,642,389	290,642,389
Shares and participating interests in associates and joint venture		197,707,413	197,707,413
Other shares and participating interests		257,266	319,266
Long-terms loans		5,833,333	6,611,111
Long-term loans to group companies		5,833,333	6,611,111
Non-current operating receivables		**0**	**122,541**
Non-current operating receivables from others		0	122,541
Deferred tax assets	4	**10,264,779**	**7,285,225**
Current assets		**230,205,380**	**119,361,141**
Inventories		**4**	**4**
Material		4	4
Current financial assets	5	**53,356,145**	**41,692,091**
Short-term loans		53,356,145	41,692,091
Short-term loans to group companies		788,026	789,232
Short-term loans to others		52,568,119	40,902,859
Current operating receivables	6	**81,897,428**	**42,338,768**
Current operating receivables from group companies		52,518,412	31,349,898
Current trade receivables		16,637,748	3,105,857
Current operating receivables from others		12,741,268	7,883,013
Cash and cash equivalents	7	**94,951,803**	**35,330,278**
Current deferred expenses and accrued revenue	8	**124,803**	**82,313**

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

5.3.2. INDIVIDUAL BALANCE SHEET – EQUITY AND LIABILITIES

(in EUR)	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES		**756,939,185**	**641,955,378**
Equity	9	**538,252,305**	**536,835,271**
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		**137,420,389**	**136,745,379**
Legal reserves		2,605,980	2,605,980
Other revenue reserves		134,814,409	134,139,399
Fair value reserves		**-126,959**	**-193,974**
Retained earnings		**18,526,971**	**5,000,000**
Net profit or loss for the financial year		**675,009**	**13,526,971**
Provisions, and non-current accrued expenses and deferred revenue		**75,769,026**	**76,686,423**
Provisions, and non-current accrued expenses and deferred revenue	11	**75,769,026**	**76,686,423**
Provisions for severance payments and long-service bonuses		1,146,311	1,122,894
Other provisions		74,618,917	75,559,167
Non-current accrued expenses and deferred revenue		3,798	4,362
Non-current liabilities		**147,334**	**41,955**
Non-current operating liabilities		**9,284**	**41,506**
Other non-current operating liabilities		9,284	41,506
Deferred tax liabilities		**138,050**	**449**
Current liabilities		**142,451,701**	**27,624,783**
Current financial liabilities	12	**100,024,743**	**69,844**
Current financial liabilities to banks		100,024,743	0
Other current financial liabilities		0	69,844
Current operating liabilities	13	**42,426,958**	**27,554,939**
Current operating liabilities to group companies		29,121,966	11,916,936
Current trade payables		6,499,696	10,116,034
Current operating liabilities for advances		149,998	165,635
Other current operating liabilities		6,655,298	5,356,334
Current accrued expenses and deferred revenue	14	**318,819**	**766,946**

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

5.3.3. INDIVIDUAL INCOME STATEMENT

(in EUR)	Notes	2022	2021
Net sales revenue	**17**	**371,864,599**	**236,828,392**
On the domestic market		371,663,428	236,644,281
On foreign markets		201,171	184,111
Other operating revenue	**17**	**1,392,577**	**139,066**
Cost of goods, materials and services	**20**	**349,680,431**	**182,228,677**
Historical cost of goods and materials sold		346,529,422	179,829,908
Costs of materials used		255,569	185,888
Costs of services		2,895,440	2,212,881
Labour costs	**20**	**5,905,257**	**4,886,901**
Wages and salaries		4,443,366	3,710,758
Social security costs		892,863	738,892
Other labour costs		569,028	437,251
Write-downs	**20**	**775,831**	**759,005**
Amortisation of intangible assets and depreciation of property, plant and equipment		775,827	759,005
Revaluation operating expenses for intangible assets and property, plant and equipment		4	0
Other operating expenses	**20**	**32,356,978**	**18,529,035**
Financial income from shares and participating interests	**18**	**14,496,187**	**2,511,791**
Financial income from participating interests in group companies		14,484,396	2,500,000
Financial income from participating interests in other companies		11,791	11,791
Financial income from loans granted	**18**	**191,304**	**42,609**
Financial income from loans to group companies		73,870	31,504
Financial income from loans to others		117,434	11,105
Financial income from operating receivables		**18,567**	**17**
Financial income from operating receivables from group companies		18,444	0
Financial income from operating receivables from others		123	17
Financial costs for financial liabilities		**560,231**	**137,422**
Financial costs for loans from banks		560,231	0
Financial costs for other financial liabilities		0	137,422
Financial costs for operating liabilities		**9,101**	**3,441**
Financial costs for other operating liabilities		9,101	3,441
Other revenue		**5**	**411**
Other expenses		**167,344**	**113,801**
Corporate income tax	21	0	6,334,559
Deferred taxes	21	-2,841,953	-524,496
Net profit or loss for the period		**1,350,019**	**27,053,941**

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

5.3.4. INDIVIDUAL STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	2022	2021
Net profit or loss for the period	**1,350,019**	**27,053,941**
Changes in fair value reserves	67,015	70,881
Total comprehensive income for the period	**1,417,034**	**27,124,822**

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

5.3.5. INDIVIDUAL CASH FLOW STATEMENT – VERSION II

(in EUR)	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income statement items	**22**	**-15,383,270**	**21,515,959**
Operating revenue (excluding revaluation) and financial income from operating receivables		373,275,748	236,960,040
Operating expenses without amortisation/depreciation (excluding revaluation) and financial costs from operating liabilities		-387,669,995	-200,238,007
Corporate income tax and other tax not included in operating expenses		-989,023	-15,206,074
Changes in net working capital under balance-sheet operating items	**22**	**-11,571,022**	**-2,188,084**
Opening less closing operating receivables		-18,617,165	-6,117,852
Opening less closing accrued revenue and deferred expenses		-110,095	11,148
Opening less closing inventories		0	-4
Closing less opening operating liabilities		8,877,941	4,024,067
Closing less opening accrued expenses and deferred revenue, and provisions		-1,721,703	-105,443
Net cash flow from operating activities		**-26,954,292**	**19,327,875**
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows from investing activities	**22**	**54,329,901**	**57,204,523**
Inflows from interest and shares in profits of others related to investing activities		139,041	2,556,164
Inflows from the disposal of property, plant and equipment		13,082	59,470
Inflows from the disposal of financial assets		54,177,778	54,588,889
Outflows for investing activities	**22**	**-67,148,752**	**-64,752,148**
Outflows for the acquisition of intangible assets		-122,402	-116,022
Outflows for the acquisition of property, plant and equipment		-2,026,350	-980,848
Outflows for the acquisition of financial assets		-65,000,000	-63,655,278
Net cash flow from investing activities		**-12,818,851**	**-7,547,625**
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows from financing activities		**100,000,000**	**0**
Inflows from increase in financial liabilities		100,000,000	0
Outflows for financing activities	**22**	**-605,332**	**-13,148,371**
Outflows for interest related to financing activities		-605,332	-148,371
Outflows for the payment of dividends and other shares in profits		0	-13,000,000
Net cash flow from financing activities		**99,394,668**	**-13,148,371**
Closing balance of cash and cash equivalents		**94,951,803**	**35,330,278**
Net cash flow for the period		**59,621,525**	**-1,368,121**
Opening balance of cash and cash equivalents		**35,330,278**	**36,698,399**

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

5.3.6. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

(in EUR)	Share capital	Share premium	Legal reserves	Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total	Total
Balance at 1 January 2022	**250,000,000**	**131,756,895**	**2,605,980**	**134,139,399**	**-193,974**	**5,000,000**	**13,526,971**	**536,835,271**	**536,835,271**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**67,015**	**0**	**1,350,019**	**1,417,034**	**1,417,034**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	1,350,019	1,350,019	**1,350,019**
Changes in reserves due to the valuation of financial assets at fair value	0	0	0	0	67,015	0	0	67,015	**67,015**
Changes within equity	**0**	**0**	**0**	**675,010**	**0**	**13,526,971**	**-14,201,981**	**0**	**0**
Other changes within equity	0	0	0	675,010	0	13,526,971	-14,201,981	0	**0**
Balance at 31 December 2022	**250,000,000**	**131,756,895**	**2,605,980**	**134,814,409**	**-126,959**	**18,526,971**	**675,009**	**538,252,305**	**538,252,305**

(in EUR)	Share capital	Share premium	Legal reserves	Other revenue reserves	Fair value reserves	Retained earnings	Net profit or loss	Total	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**	**522,710,449**
Changes in equity – transactions with owners	**0**	**0**	**0**	**0**	**0**	**-13,000,000**	**0**	**-13,000,000**	**-13,000,000**
Payment of dividends	0	0	0	0	0	-13,000,000	0	-13,000,000	**-13,000,000**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**70,881**	**0**	**27,053,941**	**27,124,822**	**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	**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	**70,881**
Changes within equity	**0**	**0**	**0**	**23,358,878**	**0**	**-9,831,908**	**-13,526,970**	**0**	**0**
Other changes within equity	0	0	0	23,358,878	0	-9,831,908	-13,526,970	0	**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**	**536,835,271**

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

5.4. NOTES TO THE INDIVIDUAL 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.

5.4.1. 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.

Due to the war in Ukraine and the energy crisis, higher energy prices have affected the European and Slovenian economy. However, EU Member States have eased the burden on the economy by regulating energy prices. Those conditions have no consequences or impact on accounting assumptions.

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 in the notes.

5.4.2. 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 2022
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 2022.

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.

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 12.5% and a discount rate of 3.12% (2021: employee turnover of up to 1%, wage growth of up to 4% and a discount rate of 0.8%).

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 dictates the creation of provisions based on the six-year average value of fixed costs defined in the NEK's economic plan, which GEN is obliged to cover.

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.

Sales revenue is disclosed if:

- the company has transferred to the buyer the significant risks and rewards of ownership;
- the company no longer retains as much influence over the handling of the products as it would normally have as a result of ownership, nor does it make actual decisions regarding products sold;
- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the organisation; and
- the costs that are incurred or will be incurred in connection with the transaction can be measured reliably.

An additional condition must be met for the disclosure of revenues from services rendered: the stage of completion of transactions as at the balance-sheet date can be measured reliably.

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 (i.e. due to discounts, rebates, credit notes, contractual penalties and similar items) 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.

INCOME TAX AND DEFERRED TAX

The company is liable to pay taxes in accordance with the Value-Added Tax Act and the Corporate Income Tax Act. Income tax comprises calculated corporate income tax on 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. 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 in the balance sheet for reporting purposes and the values for tax reporting purposes. Temporary differences may include:

- taxable temporary differences are differences that result in amounts that are added when determining taxable profit (or loss) in future periods when the carrying amount of an asset is recovered or the carrying amount of a liability is settled; and
- deductible temporary differences are differences that result in amounts that are subtracted when determining taxable profit (or loss) in future periods when the carrying amount of an asset is recovered or the carrying amount of a liability is settled.

Deferred tax assets and liabilities are disclosed as non-current assets or liabilities.

SEGMENT REPORTING

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

5.4.3. 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, AND NON-CURRENT DEFERRED EXPENSES AND ACCRUED REVENUE (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 2021	**4,074,428**	**7,994**	**151,369**	**1,350**	**4,235,141**
Acquisitions	125,734	0	0	0	125,734
Reclassification	0	0	1,350	-1,350	0
Disposals and derecognition	-207	0	0		-207
Balance at 31 December 2022	**4,199,955**	**7,994**	**152,719**	**0**	**4,360,668**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2021	**3,807,108**	**866**	**117,450**	**0**	**3,925,424**
Amortisation	217,731	799	15,767	0	234,297
Disposals and derecognition	-207	0	0	0	-207
Balance at 31 December 2022	**4,024,632**	**1,665**	**133,217**	**0**	**4,159,514**
CARRYING AMOUNT					
Balance at 31 December 2021	**267,320**	**7,128**	**33,919**	**1,350**	**309,717**
Balance at 31 December 2022	**175,323**	**6,329**	**19,502**	**0**	**201,154**
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**

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.

Non-current deferred expenses and accrued revenue (in EUR)	31 December 2022	Created	Used	31 December 2021
Non-current deferred costs	78,651	71,685	4,080	11,046
Total	**78,651**	**71,685**	**4,080**	**11,046**

Non-current deferred expenses and accrued revenue primarily comprise non-current deferred expenses in connection with the lease and maintenance of information systems required for the company's operations.

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 2021	**485,788**	**8,296,289**	**5,087,951**	**13,616,543**	**27,486,571**
Acquisitions	0	339	333,077	2,336,922	2,670,338
Reclassification		6,807	0	-6,807	0
Disposals and derecognition	0	0	-221,778	-620	-222,398
Balance at 31 December 2022	**485,788**	**8,303,435**	**5,199,250**	**15,946,038**	**29,934,511**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2021	**0**	**3,597,878**	**4,385,477**	**0**	**7,983,355**
Depreciation	0	349,406	192,124	0	541,530
Disposals and derecognition	0	0	-214,391	0	-214,391
Balance at 31 December 2022	**0**	**3,947,284**	**4,363,210**	**0**	**8,310,494**
CARRYING AMOUNT					
Balance at 31 December 2021	**485,788**	**4,698,411**	**702,474**	**13,616,543**	**19,503,216**
Balance at 31 December 2022	**485,788**	**4,356,151**	**836,040**	**15,946,038**	**21,624,017**
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**

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 nuclear power plant 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 9,180,484 (EUR 6,923,884 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 4,355,000 on the final day of the reporting period (EUR 4,697,047 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 2022	31 December 2021
Subsidiaries	**290,642,389**	**290,642,389**
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	23,507,478
Associates	**197,707,413**	**197,707,413**
NEK	197,697,413	197,697,413
SRESA	10,000	10,000
Other shares and participating interests	**257,266**	**319,266**
ZEL-EN	62,101	124,101
PRVA GROUP	195,165	195,165
Long-term loans to others	**5,833,333**	**6,611,111**
Long-term loans to group companies	5,833,333	6,611,111
Total	**494,440,401**	**495,280,179**

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 (the same as on the final day of the same period last year).

Changes in non-current financial assets (in EUR)	31 December 2022	31 December 2021
Opening balance	**495,280,179**	**488,919,067**
Subsequent share premium payments to the associate NEK under general meeting resolution	0	2,750,000
Long-term bank deposits		-3,500,000
Long-term loans to group companies	-777,778	6,611,111
Increase in investment in participating interest in GEN-EL based on options contract	0	500,001
Decrease in value of business interest in ZEL-EN	-62,000	0
Closing balance	**494,440,401**	**495,280,179**

Long-term loans to GEN Group companies were repaid in the amount of EUR 777,778. The reduction in the value of a participating interest was the consequence of a change in the memorandum of association of ZEL-EN that resulted in a reduction in share capital.

Subsidiaries and associates	Direct ownership as at 31 December 2022	Indirect ownership as at 31 December 2022	Value of equity as at 31 December 2022 (in EUR)	Net profit or loss in 2022 (in EUR)
Subsidiaries on account of majority stake				
SEL	100.00%	-	159,472,967	799,644
TEB	100.00%	-	72,835,978	6,387,574
HESS	33.50%	51.00%	291,590,320	1,009,678
GEN-EL	50.00%	100.00%	48,535,526	2,962,745
Subsidiaries on account of controlling influence for other reasons				
GEN-I	50.00%	100.00%	194,606,696	30,053,590
Associates				
NEK	50.00%	-	480,953,540	0
SRESA	10.00%	40.00%	42,646	-7,281

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 8 to the umbrella agreement on the purchase and sale of electricity of 12 November 2021, 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. Litigation is pending before the Ljubljana District Court in connection with the above-presented facts. An assessment of the likelihood of the outcome of that litigation is not disclosed in these notes due to the protection of business information.

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.

DEFERRED TAX ASSETS (NOTE 4)

Changes in deferred tax assets (in EUR)	31 December 2022	31 December 2021
Opening balance	**7,285,225**	**6,768,169**
Exclusion of income from shares in profits	2,752,035	0
Coverage of tax loss	272,217	0
Transfer of tax relief	45,826	0
Reversal and use of provisions	-124,737	-593
Increase due to the creation of provisions	34,213	517,649
Closing balance	**10,264,779**	**7,285,225**

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 7,088,797 on the final day of the reporting period (EUR 7,178,121 on the final day of the same period last year).

Deferred tax assets were up relative to the previous year primarily due to temporary tax differences from non-exempted taxable income from profit participation that has not yet been paid.

CURRENT FINANCIAL ASSETS (NOTE 5)

The company disclosed current financial assets in the amount of EUR 53,356,145 at the end of the reporting period, compared with EUR 41,692,091 at the end of 2021. Current financial assets at the end of the reporting period comprised investments in the form of bank deposits in the amount of EUR 52,568,119 (EUR 40,902,859 at the end of 2021) 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 were still extremely low during the first half of 2022, 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 2022	31 December 2021
Current operating receivables due from group companies	**52,518,412**	**31,349,898**
Current receivables from GEN-I	43,439,402	28,139,529
Current advances vis-à-vis TEB	0	2,765,740
Current receivables from SEL	462,817	340,812
Current receivables from TEB	8,130,561	102,600
Current receivables from GEN-EL	485,613	1,217
Current receivables from HESS	19	0
Other current trade receivables	**16,637,748**	**3,105,857**
Current operating receivables for electricity sold to others	16,624,748	3,091,408
Current operating receivables from others	13,000	14,449
Current operating receivables from state institutions	**12,592,714**	**7,736,736**
Current receivables for VAT	6,251,258	3,581,293
Other current receivables from state institutions	6,341,456	4,155,443
Other current operating receivables	**148,554**	**146,277**
Current advances	137,970	132,963
Security deposits paid	10,000	10,000
Other current receivables	584	3,314
Total	**81,897,428**	**42,338,768**

Current receivables from group companies and trade receivables primarily comprise receivables from electricity sold, except receivables from TEB, GEN-I and GEN-EL, which relate in part to receivables for the payment of profit participation as follows: EUR 8,000,000 from TEB, EUR 6,000,000 from GEN-I and EUR 484,396 from GEN-EL.

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 6,334,558 relate to receivables for the repayment of prepaid corporate income tax in 2022, as the company did not disclose liabilities for corporate income tax in 2022.

CASH AND CASH EQUIVALENTS (NOTE 7

Cash and cash equivalents amounted to EUR 94,951,803 on the final day of the reporting period, compared with EUR 35,330,278 on the final day of 2021. Cash and cash equivalents take the form of cash on current accounts at banks that operate in Slovenia.

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 2022	Created	Used	31 December 2021
Current deferred costs	123,219	214,434	171,770	80,555
Current accrued revenue	1,584	12,317	12,491	1,758
Total	**124,803**	**226,751**	**184,261**	**82,313**

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 2022.

EQUITY (NOTE 9)

Structure of equity (in EUR)	31 December 2022	31 December 2021
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	**137,420,389**	**136,745,379**
Legal reserves	2,605,980	2,605,980
Other revenue reserves	134,814,409	134,139,399
Fair value reserves	**-126,959**	**-193,974**
Retained earnings	**18,526,971**	**5,000,000**
Net profit or loss	**675,009**	**13,526,971**
Total equity	**538,252,305**	**536,835,271**

The company's total equity increased by EUR 1,417,034 in 2022 (by EUR 14,124,822 in 2021) as the result of the net profit of EUR 1,350,019 generated in the current year (EUR 27,053,941 in 2021), no profit participation paid to the company's owner (EUR 13,000,000 in 2021), and other minor changes in reserves due to revaluation.

A total of EUR 675,010 of the net profit generated in 2022 was reclassified to other reserves based on the resolution of senior management (EUR 13,526,970 of the net profit generated in 2021 was transferred to other reserves in 2021).

DISCLOSURE OF DISTRIBUTABLE PROFIT (NOTE 10)

Distributable profit (in EUR)	2022	2021
Opening balance of distributable profit	**18,526,971**	**27,831,908**
Payments of shares in profit	0	-13,000,000
Net profit for the financial year	1,350,019	27,053,941
Increase in revenue reserves under resolution of company's bodies	-675,010	-23,358,878
Closing balance of distributable profit	**19,201,980**	**18,526,971**

The senior management and Supervisory Board of GEN propose to the founder that distributable profit in the amount of EUR 19,201,980 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 development and capital expenditure, such as:

- investments in connection with the JEK2 project;
- the establishment of comprehensive investment planning for RES projects (solar and wind) at the GEN Group level;
- investments in information technology and other fixed assets necessary for the smooth operation of the company; and
- the implementation of all necessary activities for the construction of a hydroelectric power plant on the section between the Medvode HPP and Vrhovo HPP, i.e. on the middle course of the Sava River; and
- the drafting of bases for the adoption of a decision on the implementation of the Krško district heating project with the help of heat generated by the NEK.

PROVISIONS, AND NON-CURRENT ACCRUED EXPENSES AND DEFERRED REVENUE (NOTE 11)

Provisions, and non-current accrued expenses and deferred revenue (in EUR)	31 December 2022	Used/reversed	Created	31 December 2021
Provisions for onerous contracts	74,618,917	-1,300,392	360,142	75,559,167
Provisions for severance payments and long-service bonuses	1,146,311	-79,642	103,059	1,122,894
Non-current accrued expenses and deferred revenue	3,798	-564	0	4,362
Total	**75,769,026**	**-1,380,598**	**463,201**	**76,686,423**

Provisions for onerous contracts were used in the amount of EUR 1,300,392 due to the unplanned reduced production by the NEK, and were created in accordance with the company's methodology for the creation of provisions as set out in the provisions of the Intergovernmental Agreement on the NEK. All provisions were created by increasing the corresponding expenses.

CURRENT FINANCIAL LIABILITIES (NOTE 12)

Current financial liabilities (in EUR)	31 December 2022	31 December 2021
Current financial liabilities to others	**100,024,743**	**69,844**
Current financial liabilities to banks	100,024,743	0
Current financial liabilities to others from options contract	0	69,844
Total	**100,024,743**	**69,844**

The entire amount of current financial liabilities is accounted for by liabilities from revolving loans raised to cover liquidity outflows in connection with purchases of alternative electricity in accordance with the purpose of borrowing set out in paragraph 2 of Article 1 of the ZPKEEKP. Revolving loans were raised at three Slovenian banks bearing an interest rate applicable for government-guaranteed loans, as they were secured by a government guarantee based on the ZPKEEKP. Those loans mature by 31 August 2023, when the ZPKEEKP ceases to be in force.

CURRENT OPERATING LIABILITIES (NOTE 13)

Current operating liabilities (in EUR)	31 December 2022	31 December 2021
Current liabilities to group companies	**29,121,966**	**11,916,936**
Current liabilities to SEL	1,681,524	2,486,078
Current liabilities to GEN-I	24,644,246	1,471,052
Current liabilities to TEB	1,704,596	6,887,853
Current liabilities to HESS	1,091,600	1,071,953
Other current trade payables	**6,499,696**	**10,116,034**
Current liabilities to associates	4,885,887	9,244,674
Current trade payables (domestic)	1,245,525	722,693
Current trade payables (foreign)	368,284	148,667
Current operating liabilities based on advances	**149,998**	**165,635**
Other current operating liabilities	**6,655,298**	**5,356,334**
Liabilities for value-added tax	2,450,223	2,804,383
Liabilities for corporate income tax (prepayments and current liabilities)	527,880	871,998
Liabilities for environmental protection levies	3,117,493	1,237,024
Other liabilities	559,702	442,929
Total	**42,426,958**	**27,554,939**

Current liabilities to group companies and other suppliers primarily comprise liabilities in connection with the purchase of electricity.

Relative to the previous year:

- current liabilities to group companies were up significantly due to the purchase of alternative electricity on account of the scheduled major overhaul of the NEK, and higher prices as a reflection of rising prices on the electricity markets;
- current liabilities to associates were down in accordance with the Intergovernmental Agreement on the NEK; and
- liabilities in connection with environmental protection were up due to an increase in contributions paid pursuant to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act to EUR 12 per MWh of electricity produced by the NEK in 2022 (EUR 4.8 per MWh for 2021).

CURRENT ACCRUED EXPENSES AND DEFERRED REVENUE (NOTE 14)

Current accrued expenses and deferred revenue (in EUR)	31 December 2022	Created	Used	31 December 2021
Accrued costs and expenses	296,721	320,401	245,561	221,881
Current deferred revenue	0	460	1,050	590
VAT on advances paid	22,098	36,115	558,492	544,475
Total	**318,819**	**356,976**	**805,103**	**766,946**

Current accrued expenses and deferred revenue primarily comprise accrued costs that have not been charged but affect the current financial year. They relate mainly to accrued costs in connection with the unused vacation of employees.

CONTINGENT ASSETS AND LIABILITIES (NOTE 15)

Contingent assets and liabilities (in EUR)	31 December 2022	31 December 2021
Bank guarantees received as collateral for payment	3,909,608	960,458
Performance bonds in the form of bank guarantees issued	250,000	650,000
Estimated current borrowings	53,412	53,330
Total	**4,213,020**	**1,663,788**

REVENUE (NOTE 16)

Revenue (in EUR)	2022	2021
Operating revenue	373,257,176	236,967,458
Financial income	14,706,058	2,554,417
Other revenue	5	411
Total	**387,963,239**	**239,522,286**

OPERATING REVENUE (NOTE 17)

Operating revenue (in EUR)	2022	2021
Sales revenue on the domestic market	**371,663,428**	**236,644,281**
Revenue from transactions with group companies	289,943,688	201,147,053
Revenue from transactions with other companies	81,719,740	35,497,228
Sales revenue on foreign markets	**201,171**	**184,111**
Revenue on the EU market	201,171	184,111
Other operating revenue	**1,392,577**	**139,066**
Revenue from the reversal of accrued expenses and deferred revenue	6,745	7,900
Revenue from use of provisions in connection with the NEK	1,300,392	0
Other revenue	85,440	131,166
Total	**373,257,176**	**236,967,458**

Revenue from sales on the domestic market in the amount of EUR 371,487,429 in 2022 comprises revenue from the sales of electricity and directly related services (2021: EUR 236,468,525).

Other revenue and state aid in accordance (in EUR)	2022	2021
Unrealised options contract	0	57,316
Operational support for electricity produced by Borzen	11,261	10,835
State reimbursement – ZZZS	32,846	42,281
State aid in connection with COVID-19 – isolation	33,909	11,762
Other	7,424	8,972
Total	**85,440**	**131,166**

FINANCIAL INCOME (NOTE 18)

Financial income (in EUR)	2022	2021
Financial income from shares and participating interests	**14,496,187**	**2,511,791**
Financial income from shares and participating interests in GEN-I	6,000,000	2,000,000
Financial income from shares and participating interests in the TEB	8,000,000	0
Financial income from shares and participating interests in GEN-EL	484,396	500,000
Financial income from participating interests in other companies	11,791	11,791
Financial income from loans granted	**191,304**	**42,609**
Financial income from loans to group companies	73,870	31,504
Financial income from loans to others	117,434	11,105
Financial income from operating receivables	**18,567**	**17**
Financial income from operating receivables from group companies	18,444	0
Financial income from operating receivables from others	123	17
Total	**14,706,058**	**2,554,417**

EXPENSES (NOTE 19)

Expenses (in EUR)	2022	2021
Operating expenses	388,718,497	206,403,618
Financial costs	569,332	140,863
Other expenses	167,344	113,801
Total	**389,455,173**	**206,658,282**

OPERATING EXPENSES (NOTE 20)

Operating expenses (in EUR)	2022	2021
Historical cost of goods and materials sold	346,784,991	180,015,796
Costs of services	2,895,440	2,212,881
Labour costs	5,905,257	4,886,901
Write-downs	775,831	759,005
Other operating expenses	32,356,978	18,529,035
Total	**388,718,497**	**206,403,618**

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 219,667,256 (EUR 88,570,458 in 2021), while expenses incurred from transactions with the associate NEK amounted to EUR 92,054,605 (EUR 88,367,357 in 2021).

Costs of services (in EUR)	2022	2021
Costs of intellectual and personal services	1,056,980	703,164
Rental costs, leased domains	269,893	249,627
Costs of entertainment, sponsorships and advertising	431,306	343,709
Supervisory Board costs	273,523	241,210
Reimbursement of work-related costs to employees	124,197	57,931
Maintenance costs	373,038	308,631
Other	366,503	308,609
Total	**2,895,440**	**2,212,881**

Costs of intellectual and personal services (in EUR)	2022	2021
Business consulting costs	685,680	383,269
Professional training and education costs	95,422	63,995
Other costs of intellectual services	275,878	255,900
Total	**1,056,980**	**703,164**

Labour costs (in EUR)	2022	2021
Wages and salaries	4,443,366	3,710,758
Social security and pension insurance costs	892,863	738,892
- social security contributions	750,113	613,553
- supplementary pension insurance	142,750	125,339
Other labour costs	569,028	437,251
Total	**5,905,257**	**4,886,901**

GEN employed an average of 69.41 workers in terms of hours worked in 2022, while the presentation of employees by level of education is an integral part of the business report.

Other operating expenses (in EUR)	2022	2021
Costs in connection with the creation of provisions	360,142	5,416,333
Environmental protection levies	31,864,171	13,004,741
Other operating costs	132,665	107,961
Total	**32,356,978**	**18,529,035**

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 for 2022 amounts to EUR 12 per MWh of electricity produced by the NEK in accordance with the relevant Slovenian government resolution.

Costs by functional group (in EUR)	2022	2021
Historical cost of goods sold	346,529,422	179,829,908
Selling costs, including depreciation and amortisation	3,318,266	2,714,828
General and administrative costs, including depreciation and amortisation	38,870,809	23,858,882
Total	**388,718,497**	**206,403,618**

The costs of general activities were up primarily on account of the increased contribution to the NEK Fund.

TAXES (NOTE 21)

Effective tax rate	2022	2021
Pre-tax profit or loss (in EUR)	-1,491,934	32,864,004
Calculated tax at applicable tax rate	0	-6,244,161
Tax base	0	33,339,781
Tax loss	-1,432,719	0
Corporate income tax (in EUR)	0	-6,334,559
Deferred taxes (in EUR)	2,841,953	524,496
- from the exclusion of income from shares in profits not paid during the reporting period	*2,752,035*	*0*
- from the exclusion of costs relating to the exclusion of income from shares in profits (5%)	*-137,602*	*0*
- from unused tax loss carried forward to future tax periods	*272,217*	*0*
- from unused tax relief carried forward to future tax periods	*45,826*	*0*
- from provisions	*-90,523*	*524,496*
Deferred taxes not affecting profit or loss (in EUR)	0	-7,441
Applicable tax rate	19.00%	19.00%
Ratio of tax expenditure to pre-tax profit or loss	**0.00%**	**19.28%**
Effective tax rate	**-**	**17.68%**

Pursuant to the Corporate Income Tax Act, the company is obligated to calculate and pay corporate income tax, which will not be necessary for 2022, as the company disclosed a negative tax base. 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 2022 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)	2022	2021
Inflows from investing activities:	**54,329,901**	**57,204,523**
from interest on current financial assets – deposits	52,174	24,323
from interest on short-term debt investments – loans to group companies	75,076	20,050
from participation in the profit of group companies	0	2,500,000
from dividends from other companies	11,791	11,791
from the disposal of property, plant and equipment	13,082	59,470
from investments in current financial assets – deposits	53,400,000	54,200,000
from debt investments in the form of loans to group companies	777,778	388,889
Outflows for investing activities:	**-67,148,752**	**-64,752,148**
for the acquisition of intangible assets	-122,401	-116,022
for the acquisition of property, plant and equipment	-2,026,351	-980,848
for the acquisition of current financial assets – deposits	-65,000,000	-40,900,000
for the acquisition of investments in equity interests in subsidiaries according to options contract	0	-12,227,500
for subsequent capital contributions paid to the NEK	0	-2,750,000
for the acquisition of financial assets – loans to group companies	0	-7,777,778
Net cash flow from investing activities	**-12,818,851**	**-7,547,625**

Cash flows from financing activities (in EUR)	2022	2021
Inflows from financing activities	**100,000,000**	**0**
Inflows from increase in financial liabilities to banks	100,000,000	0
Outflows for financing activities	**-605,332**	**-13,148,371**
Outflows for interest related to financing under options contract	-69,844	-148,371
Outflows for the repayment of financial liabilities	-535,488	0
Outflows for the payment of dividends and other shares in profits	0	-13,000,000
Net cash flow from financing activities	**99,394,668**	**-13,148,371**

The final balance of cash and cash equivalents in the amount of EUR 94,951,803 (EUR 35,330,278 at the end of the previous year) includes cash on business accounts.

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 2022 financial year amounted to EUR 29,000 (the same as in 2021). The actual costs of audit services amounted to EUR 29,000 in 2022, 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 2022.

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

Net remuneration for performance of tasks in 2022 (excluding annual leave allowance and reimbursed costs; in EUR)	2022
Remuneration of senior management	332,988

Net remuneration for performance of tasks in 2022 (excluding reimbursed costs; in EUR)	2022
Members of the Supervisory Board and its committees	151,039

Remuneration of members of GEN's Supervisory Board and members of its committees in 2022 (in EUR)		Payment for performance of function – gross	Session fees – gross	Total – gross	Costs
Cvetko Sršen	Chairman of the Supervisory Board	2,496	550	**3,046**	0
	Member of the Supervisory Board	2,128	770	**2,898**	13
	Member of the HR committee	532	1,320	**1,852**	232
Mateja Čuk Orel	Chairwoman of the Supervisory Board	6,112	2,640	**8,752**	258
	Member of the Supervisory Board	210	0	**210**	0
	Member of the HR committee	1,389	1,100	**2,489**	8
Ksenija Flegar	Member of the Supervisory Board	1,625	275	**1,900**	73
	Chairwoman of the Supervisory Board	9,409	1,595	**11,004**	293
	Member of the audit committee	406	0	**406**	0
	Chair of the audit committee	0	220	**220**	0
	Member of the HR committee	406	1,540	**1,946**	440
Jure Sokličč	Member of the Supervisory Board	7,898	1,870	**9,768**	320
	Chair of the audit committee	2,962	440	**3,402**	160
Aleksander Kavčič	Member of the Supervisory Board	664	0	**664**	0
	Member of the audit committee	166	0	**166**	0
Patricija Čular	Member of the Supervisory Board	1,625	275	**1,900**	0
	Deputy Chairwoman of the Supervisory Board	6,900	1,595	**8,495**	37
	Member of the HR committee	1,974	1,760	**3,734**	56
Marjanca Molan Zalokar	Member of the Supervisory Board	13,000	4,235	**17,235**	165
Samo Fürst	Member of the Supervisory Board	13,000	4,235	**17,235**	452
	Member of the audit committee	3,250	1,100	**4,350**	108
Rene Jeromel	Member of the Supervisory Board	13,000	4,510	**17,510**	281
Žiga Debeljak	Member of the Supervisory Board	210	0	**210**	0
	Chairman of the Supervisory Board	7,339	2,640	**9,979**	258
	Chair of the HR committee	0	1,100	**1,100**	92
Ivana Nedižavec Korada	Member of the Supervisory Board	5,102	2,640	**7,742**	341
	Chair of the audit committee	1,835	660	**2,495**	13
Miloš Pantoš	Member of the Supervisory Board	5,102	2,640	**7,742**	260
	Member of the audit committee	1,223	660	**1,883**	4
	Member of the HR committee	1,223	1,100	**2,323**	89
Rok Marolt	Member of the Supervisory Board	5,102	2,640	**7,742**	267
	Member of the HR committee	1,223	1,100	**2,323**	15
Marijan Penšek	Member of the Supervisory Board	5,102	2,640	**7,742**	447
	Member of the audit committee	1,223	660	**1,883**	196
Gaber Kontelj	Member of the Supervisory Board	7,234	1,870	**9,104**	308
	Member of the audit committee	1,568	440	**2,008**	154
Veljko Flis	Member of the Supervisory Board	7,234	1,870	**9,104**	280
	Member of the HR committee	1,568	1,760	**3,328**	420
Katja Simončič Stropnik	Member of the HR committee	3,250	2,860	**6,110**	209
Alojz Dimič	Member of the audit committee	4,875	1,100	**5,975**	197
Total		**149,565**	**58,410**	**207,975**	**6,446**

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 2022 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 2022.

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 2022.

On 22 May 2023, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2022.

5.5. INDEPENDENT AUDITOR'S REPORT FOR GEN

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the owners of GEN energija d.o.o.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of GEN energija d.o.o. (hereinafter 'the Company'), which comprise the separate balance sheet as at 31 December 2022, and the separate profit or loss statement, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended 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.

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 Separate 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 separate 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

We draw your attention to the chapter »*Notes to the individual 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 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.

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 2022. 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 2022 amounted to EUR 371,865 thousand (note 17). 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; - 78 % of the recognised revenue were reconciled with independent confirmations received from the largest customers. We also reviewed the information in the financial statements to assess whether the disclosures related to sales revenue were appropriate.

Other information

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

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

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In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate 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 is, in all material respects, consistent with the audited separate financial statements;
- other information is 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 Separate Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 International Standards on Auditing and EU regulation 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 separate financial statements.

As part of an audit in accordance with International Standards on Auditing and EU Regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 material misstatement resulting from fraud is higher than for one

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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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

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 3 years.

Confirmation to the Audit Committee

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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 22. maj 2023 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 Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich

Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 22. May 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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Ljubljana, Slovenija 3

5.6. FINANCIAL STATEMENTS OF THE GEN GROUP

5.6.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR)	Notes	31 December 2022	31 December 2021
ASSETS		**1,601,435,289**	**1,397,958,813**
Non-current assets		**816,223,631**	**797,197,310**
Intangible assets	1	58,320,848	58,650,107
Property, plant and equipment	2	721,344,539	706,094,434
Investment property	3	1,709,072	1,775,176
Right-of-use assets	4	2,674,922	2,940,681
Shares and participating interests in associates	5	17,414	20,327
Other non-current financial assets and loans	6	3,929,391	9,075,074
Non-current operating receivables	7	23,437,055	16,439,952
Deferred tax assets	8	4,628,397	2,112,081
Other non-current assets		161,993	89,478
Current assets		**785,211,658**	**600,761,503**
Inventories	9	73,502,322	47,285,986
Current financial assets	10	255,224,440	90,837,035
Current operating receivables	11	139,900,101	172,844,730
Current assets from contracts	12	97,041,301	67,218,596
Current corporate income tax receivables	13	15,840,654	4,678,912
Cash and cash equivalents	14	193,607,314	206,315,212
Other current assets	15	10,095,526	11,581,032

(in EUR)	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES		**1,601,435,289**	**1,397,958,813**
Total equity	**16**	**1,031,482,236**	**1,005,911,231**
Equity attributable to owners of the controlling company		**887,954,755**	**863,795,912**
Called-up capital		250,000,000	250,000,000
Share premium		134,682,435	134,682,435
Legal reserves		14,133,735	13,341,014
Other revenue reserves		170,543,323	171,629,033
Fair value reserves		1,538,981	294,571
Retained earnings		318,248,308	295,052,583
Translation adjustment to equity		-1,192,027	-1,203,724
Non-controlling interest		**143,527,481**	**142,115,319**
Total liabilities		**569,953,053**	**392,047,582**
Non-current liabilities		**76,451,213**	**87,581,563**
Provisions	17	12,972,622	12,945,553
Non-current financial liabilities	18	52,613,050	63,841,600
Non-current operating liabilities	21	148,622	170,853
Non-current liabilities from contracts	22	671,516	82,754
Deferred tax liabilities	8	7,691,892	7,795,591
Non-current lease liabilities	19	877,943	1,805,873
Other non-current liabilities	20	1,475,568	939,339
Current liabilities		**493,501,840**	**304,466,019**
Current financial liabilities	18	213,195,791	82,627,253
Current operating liabilities	21	199,404,458	174,181,303
Current liabilities from contracts	22	18,747,479	12,237,023
Current corporate income tax liabilities	13	1,788,296	14,770,921
Current lease liabilities	19	1,225,409	1,181,691
Other current liabilities	23	59,140,407	19,467,828

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.

5.6.2. CONSOLIDATED INCOME STATEMENT

(in EUR)	Notes	2022	2021
Revenue	25	4,008,034,735	3,366,670,265
Other operating revenue	26	148,401,715	116,240,252
Costs of goods, materials and services	27	-3,902,948,924	-3,188,096,467
Labour costs	27	-81,148,206	-87,645,485
Amortisation and depreciation	27	-44,814,118	-41,769,259
Impairment losses	27	-9,108,201	-2,956,819
Other operating expenses	28	-84,097,876	-27,449,693
Operating profit or loss		**34,319,125**	**134,992,794**
Financial income		1,083,869	656,993
Financial costs	29	-5,353,041	-5,070,898
Total profit or loss		**30,049,953**	**130,578,889**
Taxes	31	-6,452,777	-25,024,049
Net profit or loss for the period		**23,597,176**	**105,554,840**
Net profit or loss attributable to owners of non-controlling interests		**516,143**	**1,196,328**
Net profit or loss attributable owners of controlling interests		**23,081,033**	**104,358,512**

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.

5.6.3. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	2022	2021
Net profit or loss for the period	**23,597,176**	**105,554,840**
Other comprehensive income that will be subsequently reclassified to profit or loss	**1,476,901**	**953,406**
Changes in fair value reserves (after tax)	-176,530	521,915
Gains and losses from translation of financial statements of companies based abroad (impact of changes in exchange rates)	-179,677	-206,801
Effective portion of gains and losses from cash flow hedges (after tax)	1,833,108	638,292
Other comprehensive income that will not be subsequently reclassified to profit or loss	**505,175**	**207,920**
Actuarial gains and losses from programmes with fixed earnings (after tax)	505,175	207,920
Total comprehensive income (after tax)	**25,579,252**	**106,716,166**
Net profit or loss attributable to owners of non-controlling interests	**516,143**	**1,196,328**
Actuarial gains and losses from fixed-earning programmes attributable to owners of non-controlling interests (after tax)	**-2,208**	**-1,446**
Effective portion of gains and losses from cash flow hedges attributable to owners of non-controlling interests (after tax)	**898,227**	**312,764**
Total comprehensive income attributable to owners of non-controlling interests (after tax)	**1,412,162**	**1,507,646**
Total comprehensive income attributable to owners of controlling interests (after tax)	**24,167,090**	**105,208,520**

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.

5.6.4. CONSOLIDATED CASH FLOW STATEMENT

(in EUR)	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit or loss for the period		**23,597,176**	**105,554,840**
Adjustments for:			
Amortisation and depreciation		44,814,118	41,769,259
Write-downs of property, plant and equipment		194,065	18,094
Impairment losses, loss allowances and write-offs of trade receivables and contract assets		8,914,136	2,938,725
Gains from the sale portfolio property, plant and equipment, intangible assets and investment property		-191,569	-95,242
Other recurring operating revenue or expenses		-158,119,104	-8,744,397
Financial income		-1,083,869	-656,993
Financial costs		5,353,041	5,070,898
Other adjustments from statement of financial position items		15,234,653	-101,069
Operating profit before changes in net current assets and taxes		**-61,287,353**	**145,754,115**
Changes in net current assets and provisions			
Change in receivables		-16,872,350	-52,889,593
Change in inventories		-21,030,377	-1,308,575
Change in prepayments and other assets		-33,651,135	-33,394,152
Change in operating liabilities		44,154,667	114,360,370
Change in advances received and other current liabilities		45,549,531	13,249,668
Change in provisions		-2,430,138	-2,955,090
Change in deferred revenues		-70,138	-214,418
Income tax paid		-26,360,927	-22,362,410
Net cash flow from operating activities		**-71,998,220**	**160,239,915**
CASH FLOWS FROM INVESTING ACTIVITIES	32		
Inflows from shares in the profit of others from investing activities		350,597	215,051
Inflows from interest received from investing activities		786,047	464,027
Inflows from the disposal of property, plant and equipment		389,019	225,318
Inflows from the disposal of financial assets		79,439,365	80,570,168
Outflows for the acquisition of intangible assets		-14,787,734	-5,483,540
Outflows for the acquisition of property, plant and equipment		-40,673,143	-45,210,776
Outflows for the acquisition of financial assets		-79,503,115	-106,803,166
Net cash flow from investing activities		**-53,998,964**	**-76,022,918**
CASH FLOWS FROM FINANCING ACTIVITIES	32		
Inflows from increase in financial liabilities		1,139,406,365	545,231,665
Outflows for interest related to financing activities		-3,810,798	-2,511,572
Outflows for the repayment of lease liabilities – interest		-75,925	-60,518
Outflows for the repayment of financial liabilities		-1,020,203,798	-526,744,590
Outflows for the repayment of lease liabilities – principal		-2,026,558	0
Outflows for the payment of dividends and other shares in profits		0	-13,500,000
Net cash flow from financing activities		**113,289,286**	**2,414,985**
Cash and cash equivalents at end of period		**193,607,314**	**206,315,212**
Net cash flow for the period		**-12,707,898**	**86,631,982**
Cash and cash equivalents at beginning of period		**206,315,212**	**119,683,230**

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.

5.6.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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 2022	**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**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**1,223,195**	**22,932,199**	**11,697**	**24,167,090**	**1,412,162**	**25,579,252**
Net profit or loss for the financial year	0	0	0	0	0	23,081,033	0	23,081,033	516,143	**23,597,176**
Valuation of financial investments at fair value (after tax)	0	0	0	0	-109,516	0	0	-109,516		**-109,516**
Other components of comprehensive income (after tax)	0	0	0	0	1,332,711	-148,834	11,697	1,195,574	896,018	**2,091,592**
Changes within equity	**0**	**0**	**792,721**	**-1,085,710**	**21,215**	**263,526**	**0**	**-8,248**	**0**	**-8,248**
Allocation of net profit to other components of equity	0	0	792,721	-1,085,710	0	263,526	0	-29,463	0	**-29,463**
Other changes within equity	0	0	0		21,215		0	21,215	0	**21,215**
Balance at 31 December 2022	**250,000,000**	**134,682,435**	**14,133,735**	**170,543,323**	**1,538,981**	**318,248,308**	**-1,192,027**	**887,954,755**	**143,527,481**	**1,031,482,236**

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**

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.

5.7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN GROUP

5.7.1. PRESENTATION OF THE GEN GROUP

GEN energija d.o.o. is the controlling company of the GEN Group. One of the company's principal activities is the activity of holding companies, i.e. the governance of other legally independent entities in which GEN has a controlling influence.

The company is required to compile consolidated financial statements, the purpose of which is to present the financial position and performance of 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 unit as such is not an independent holder of rights and obligations.

The GEN Group comprises the controlling company and subsidiaries included in the GEN Group through consolidation for an entire financial year, which is the same as the calendar year. In accordance with the IFRS, the consolidated financial statements of the GEN Group include a company defined as a joint operation. Also included in the GEN Group are associates based on the equity method.

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
GEN energija d.o.o.	**GEN**	**Vrbina 17, Krško**	**Controlling company**	-
Savske elektrarne Ljubljana d.o.o.	SEL	Gorenjska c. 46, Medvode	Subsidiary	100%
Termoelektrarna Brestanica d.o.o.	TEB	C. prvih borcev 18, Brestanica	Subsidiary	100%
GEN-EL d.o.o.	GEN-EL	Vrbina 17, Krško	Subsidiary	100%
GEN-I d.o.o. with group	GEN-I Group	Vrbina 17, Krško	Subsidiary	100%
HESS d.o.o. with group	HESS Group	C. bratov Cerjakov 33a, Brežice	Subsidiary	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

In addition to the controlling company, the **GEN-I Group** comprises the following companies 100% owned by GEN-I:

- GEN-I d.o.o. Beograd, Vladimira Popovića 6, Beograd;
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb;
- GEN-I d.o.o. Sarajevo, Ul. Fra Anđela Zvizdovića 1, Sarajevo;
- GEN-I Tirana Sh.p.k., Ish-Noli Business Center, Rruga Ismail Qemali Nr. 27, Tirana;
- GEN-I Athens SMLLC, 6 Anapafseos Street, Marousi;
- GEN-I Sofia EOOD, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofija;
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milano;
- GEN-I Vienna GmbH, Heinrichsgasse 4, Dunaj;
- GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No: 56/58, Kat No: 3; Daire No: 5, 34435 Beyoğlu, 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., Kijev;
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi;
- Elektro energija, d.o.o., Dunajska cesta 119, Ljubljana;
- GEN-I Sonce dooel Skopje, Bulevar Partizanski odredi 15A/1, Skopje;
- GEN-I ESCO d.o.o., Ulica Vinka Vodopivca 45A, 5000 Nova Gorica; and
- GEN-I Sunce Adria 1 d.o.o., Radnička cesta 54, Zagreb.

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%

5.7.2. 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 financial statements were compiled in accordance with the assumption of a going concern.

The senior management of GEN approved the consolidated financial statements of the GEN Group on 22 May 2023.

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 2021 and 31 December 2022;
b) two consolidated income statements, statements of other comprehensive income and cash flow statements for 2021 and 2022; and
c) two consolidated statements of changes in equity for 2021 and 2022.

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 into account 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 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 as 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 at the end of the reporting period, as explained in the accounting policies below.

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. 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 2022.

h) Situation on the electricity market

The energy market slid into an unforeseen and unimaginable crisis of global proportions in 2022 due to the war in Ukraine.

Despite the fact that the energy markets faced continuous challenges, the year 2022 was extreme in this respect, making energy trading extremely difficult. The wholesale markets recorded extreme events, and exposure to high price volatility and low liquidity, resulting in high margin requirements on exchanges, while the wholesale prices of all energy products rose in Europe. The most important risks in the past were business risks, but the most important risks in 2022 were financial, credit and regulatory risks.

The GEN Group and the GEN-I Group worked together to manage the new conditions on the energy markets thanks to in-depth knowledge of markets and continuous progress in the optimisation of analytical support. Also contributing to positive operations were synergies from the globally diversified portfolio, product diversification and the expansion of the range of energy products in the portfolio. The latter is also crucial in terms of diversifying and minimising business risks in order to hedge the portfolio, particularly in times of market volatility.

In order to mitigate the consequences of the energy crisis and its impact on the GEN Group's operations, the GEN-I Group also introduced initiatives aimed at resilience and process strengthening to strategically address challenges and develop support environments to facilitate business excellence in the face of the crisis.

5.7.3. 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.

The assets and liabilities of foreign companies, including goodwill and fair value adjustments arising on acquisition, are translated into euros at the exchange rate valid at the reporting date. The revenues and expenses of foreign companies, with the exception of companies in hyperinflationary economies, are translated into euros at average exchange rates applicable for a specific period.

Exchange rate differences are recognised in other comprehensive income and disclosed in the translation reserve.

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
- investments in debt securities measured at FVTOCI;
- investments in equity instruments or 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.

The group adjusts the fair value of all open derivatives with the physical delivery of electricity and natural gas, concluded bilaterally (OTC) with counterparties, for the purpose of credit valuation adjustments (CVA). More specifically, net exposure from derivatives is measured at the level of individual counterparty, and those positions are taken into account in the simulation of credit events at the level of the entire portfolio. All input data taken into account for the calculation are obtained on the market and independently.

CVA depends on:

- exposure at default (EAD), which actually represents the net fair value of all derivatives vis-à-vis an individual counterparty and is calculated based on market prices (Level 1);
- forward probability of default (PD) structures, which the group obtains from an external international service provider on an annual basis due to the lack of CDS quotes; and
- loss given default (LGD), which is based on assessments by ratings agencies for a specific energy sector.

The CVA amount represents the appropriately estimated market value of the collateral instrument required to hedge against counterparty credit risk in the group's OTC derivatives portfolios.

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 company 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.

a) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognised at the carrying amount of those assets if the future economic benefits associated with a part are likely to increase and if its historical cost can be measured reliably. Subsequent costs associated with intangible assets are only capitalised if they increase future economic benefits arising from the asset to which the cost relates. All other costs (such as daily maintenance) are recognised as expenses in profit or loss immediately after they arise.

b) Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognised as costs in profit or loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognised as items of property, plant and equipment.

c) Goodwill

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.

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognised as costs in profit or loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognised as items of property, plant and equipment.

d) Depreciation

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 2022	% in 2021
Intangible assets		
Property rights	5.56 to 33.33	5.56 to 33.33
Rights of superficies	5.26 to 50.00	5.26 to 50.00
Concession rights	2.00 to 6.35	2.00 to 6.35
Structures		
Buildings	1.00 to 10.00	1.00 to 10.00
Parts of buildings	6.00	6.00
Equipment		
Office equipment	10.00 to 20.00	10.00 to 20.00
Computer equipment	20.00 to 50.00	20.00 to 50.00
Production and other equipment	1.67 to 50.00	1.67 to 50.00
Vehicles	12.50 to 25.00	12.50 to 25.00
Exhibition equipment	14.28 to 33.33	14.28 to 33.33
Small inventory	20.00	20.00
Other investments	10.00	10.00

Depreciation and amortisation rates were unchanged in 2022.

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)

A right-of-use-asset is treated similarly to other non-financial assets and is amortised accordingly. A lease liability is initially measured at the present value of the rent payments paid during the lease term and discounted at the implicit interest rate if it can be determined immediately. If this rate cannot be determined immediately, the lessee must apply the assumed borrowing rate. The lessor defines a lease as operating or financial, depending on the nature of the lease. A lease is classified as a financial lease if it transfers nearly all the risks and rewards incidental to ownership of the asset. Otherwise, it is classified as an operating lease. In a financial lease, the lessor recognises financial income over the lease term on a sample basis that reflects a constant periodic rate of return on the net investment. Payments made under operating leases are recognised by the lessor as revenue on a straight-line basis, or if the sample previously reflects a reduction in the benefits of using the asset, the lessor applies another systematic method.

The group reviews and analyses previously concluded lease contracts with a term exceeding one year. Based on lease costs and lease terms, the group estimates the value of right-of-use assets and lease liabilities, and recognises them in the statement of financial position. 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.

The group applies a uniform approach for the recognition and measurement of all leases, except for short-term leases and leases of with a value of less than USD 5,000. The group discloses lease payments associated with low-value leases and short-term leases as a cost in the period to which a lease relates.

a) 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 two 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.

b) 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.

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. Natural gas is valued at the current market price (fair value) less costs to sell on the day it is transferred to inventories.

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.

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).

The group estimates exposure to credit risk based on the collateralisation of receivables, and based on data and information that predict the risk of loss (financial information regarding customers and their financial statements, available information in the media, previous business relationships with customers and forward-looking information).

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 impairment of goodwill and intangible assets with an indefinite useful life not yet available for use is reviewed at each reporting date.

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 0.9% 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.

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.

5.7.4. 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 and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period:

- **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); and
- **Amendments to various standards (Improvements to IFRS, 2018–2020 cycle)** ki izhajajo iz letnega 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).

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:

- **IFRS 17 Insurance Contracts**, including amendments to IFRS 17, as issued by the IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (applies to annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 — Comparative Information, as adopted by the EU on 8 September 2022 (apply to annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure of Accounting Policies, as adopted by the EU on 2 March 2022 (apply 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, as adopted by the EU on 2 March 2022 (apply to annual periods beginning on or after 1 January 2023); and
- **Amendments to IAS 12 Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, as adopted by the EU on 11 August 2022 (apply to annual periods beginning on or after 1 January 2023).

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 18 April 2023 (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;
- **Amendments to IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (apply to annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure of Accounting Policies (apply 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); and
- **Amendments to IFRS 17 Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 — Comparative Information (apply 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.

5.7.5. 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					
Balance as at 31 December 2021	**32,366,112**	**31,186,247**	**13,533,992**	**80,544**	**77,166,895**
As at 1 January 2022	10,901,027	0	-10,901,027	0	**0**
Acquisitions	5,033,191	0	1,131,903	110,193	**6,275,287**
Transfers	-2,583,263	0	0	0	**-2,583,263**
Disposals	-3,584,684	0	-3,668	0	**-3,588,352**
Exchange rate differences	-4,665	0	0	0	**-4,665**
Balance as at 31 December 2022	**42,127,718**	**31,186,247**	**3,761,200**	**190,737**	**77,265,902**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance as at 31 December 2021	**9,826,061**	**0**	**8,690,727**	**0**	**18,516,788**
As at 1 January 2022	8,573,275	0	-8,573,275	0	**0**
Amortisation	1,775,185	0	15,768	0	**1,790,953**
Transfers	-434,366	0	0	0	**-434,366**
Disposals	-925,761	0	0	0	**-925,761**
Exchange rate differences	-2,560	0	0	0	**-2,560**
Balance as at 31 December 2022	**18,811,834**	**0**	**133,220**	**0**	**18,945,054**
CARRYING AMOUNT					
Balance as at 31 December 2021	**22,540,051**	**31,186,247**	**4,843,265**	**80,544**	**58,650,107**
Balance as at 31 December 2022	**23,315,884**	**31,186,247**	**3,627,980**	**190,737**	**58,320,848**
HISTORICAL COST					
Balance as at 1 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**
Balance as at 31 December 2021	**32,366,112**	**31,186,247**	**13,533,992**	**80,544**	**77,166,895**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance as at 1 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**
Balance as at 31 December 2021	**9,826,061**	**0**	**8,690,727**	**0**	**18,516,788**
CARRYING AMOUNT					
Balance as at 1 December 2020	**19,807,682**	**29,349,917**	**2,138,201**	**20,211**	**51,316,011**
Balance as at 31 December 2021	**22,540,051**	**31,186,247**	**4,843,265**	**80,544**	**58,650,107**

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.

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.

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 2022 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 three years, taking into account a discount rate of 10.49% 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.
- An impairment test was performed on 31 December 2022 for goodwill arising from the acquisition of MHE Bistrica. MHE Bistrica 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 five years, taking into account a discount rate of 10.65% and an average annual growth rate of 2.3%. Because the recoverable amount of the cash-generating unit exceeds its carrying amount, including goodwill, goodwill need not be impaired.

Other intangible assets in 2022 primarily comprised CO_2 emission allowances acquired based on the Environmental Protection Act, and purchased emission allowances.

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

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							
Balance 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**
Acquisitions	0	29,381	1,616,020	391,442	53,902,777	487,656	56,427,276
Activations	206,438	16,089,796	19,537,165	16,418,463	-52,251,862	0	0
Disposals	-13,071	-714,176	-1,921,902	-1,814,829	-141,207	-8,047	-4,613,232
Transfers, reclassifications	0	0	54,454	-168,250	609,647	0	495,851
Exchange rate differences	0	0	0	-333	127	0	-206
Balance as at 31 December 2022	**24,843,150**	**506,019,412**	**1,190,966,221**	**71,123,957**	**95,714,458**	**1,719,280**	**1,890,386,478**
IMPAIRMENT LOSSES AND WRITE-DOWNS							
Balance as at 31 December 2021	**0**	**251,450,176**	**834,140,961**	**46,391,218**	**0**	**0**	**1,131,982,355**
Depreciation	0	9,025,217	28,835,772	3,622,285	0	0	41,483,274
Disposals	0	-712,284	-1,891,320	-1,600,497	0	0	-4,204,101
Transfers, reclassifications	0	0	-52,785	-167,052	0	0	-219,837
Exchange rate differences	0	0	0	248	0	0	248
Balance as at 31 December 2022	**0**	**259,763,109**	**861,032,628**	**48,246,202**	**0**	**0**	**1,169,041,939**
CARRYING AMOUNT							
Balance 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**
Balance as at 31 December 2022	**24,843,150**	**246,256,303**	**329,933,593**	**22,877,755**	**95,714,458**	**1,719,280**	**721,344,539**
HISTORICAL COST							
Balance 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
Balance 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							
Balance 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
Balance as at 31 December 2021	**0**	**251,450,176**	**834,140,961**	**46,391,218**	**0**	**0**	**1,131,982,355**
CARRYING AMOUNT							
Balance 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**
Balance 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**

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

Acquisitions in 2022 relate primarily to investments in new acquisitions and 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.

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 2022 (in EUR)	31 December 2021	Depreciation	31 December 2022
Historical cost	2,056,115	0	2,056,115
Impairments and write-downs	280,939	66,104	347,043
Present value	1,775,176	-66,104	1,709,072

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

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	Lease of intangible assets	Total
HISTORICAL COST				
Balance as at 31 December 2021	**5,264,902**	**630,154**	**0**	**5,895,056**
Acquisitions	1,208,022	0	184,015	1,392,037
Disposals	-194,839	0	0	-194,839
Balance as at 31 December 2022	**6,278,085**	**630,154**	**184,015**	**7,092,254**
IMPAIRMENT LOSSES AND WRITE-DOWNS				
31 December 2021	**2,324,221**	**630,154**	**0**	**2,954,375**
Depreciation	1,408,841	0	64,946	1,473,787
Disposals	-10,830	0	0	-10,830
Balance as at 31 December 2022	**3,722,232**	**630,154**	**64,946**	**4,417,332**
CARRYING AMOUNT				
Balance as at 31 December 2021	**2,940,681**	**0**	**0**	**2,940,681**
Balance as at 31 December 2022	**2,555,853**	**0**	**119,069**	**2,674,922**
HISTORICAL COST				
Balance as at 31 December 2020	**3,681,627**	**881,252**	**0**	**4,562,879**
Acquisitions	1,583,275	0	0	1,583,275
Disposals	0	-251,098	0	-251,098
Balance as at 31 December 2021	**5,264,902**	**630,154**	**0**	**5,895,056**
IMPAIRMENT LOSSES AND WRITE-DOWNS				
Balance as at 31 December 2020	**1,402,304**	**840,092**	**0**	**2,242,396**
Depreciation	921,917	41,160	0	963,077
Disposals	0	-251,098	0	-251,098
Balance as at 31 December 2021	**2,324,221**	**630,154**	**0**	**2,954,375**
CARRYING AMOUNT				
Balance as at 31 December 2020	**2,279,323**	**41,160**	**0**	**2,320,483**
Balance as at 31 December 2021	**2,940,681**	**0**	**0**	**2,940,681**

The group has business premises under lease in Ljubljana, Celje and Maribor, as well as warehouse space in Celje, which it has capitalised in accordance with IFRS 16. Lease terms vary from two to 10 years. The values of right-of-use assets and lease liabilities are estimated based on the discounting of future cash flows for the lease term. Cash flows are discounted using the interest rates that the group achieves in the financing of long-term 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 2022	31 December 2021
SRESA d.o.o.	17,414	20,327
Total	**17,414**	**20,327**

In accordance with the equity method, the GEN Group reduced its investment in an associate for the corresponding share of losses generated in 2022 in the amount of EUR 2,913.

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

Other non-current financial assets and loans in 2022 (in EUR)	31 December 2021	Acquisition	Disposal/ transfer	Revaluation	31 December 2022
Equity instruments	**3,859,912**	**0**	**-62,000**	**-217,939**	**3,579,973**
Zavarovalnica Triglav d.d.	3,487,021	0	0	-217,939	3,269,082
Other equity instruments	372,891	0	-62,000	0	310,891
Other non-current financial assets	**5,215,162**	**6,478,967**	**-11,344,711**	**0**	**349,418**
Zavarovalnica Triglav d.d. – life insurance	304,532	42,371	0	0	346,903
Loans to employees	3,118	479	-1,082		2,515
Loans to other legal entities	4,907,512	6,436,117	-11,343,629	0	0
Total	**9,075,074**	**6,478,967**	**-11,406,711**	**-217,939**	**3,929,391**

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**

Equity instruments comprise investments in shares and participating interests in companies. They are measured at fair value through other comprehensive income.

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 2022	31 December 2021
Trade receivables	23,141,213	15,980,394
Receivables for building land	295,842	315,235
Receivables for advances paid	0	122,541
Other	0	21,782
Total	**23,437,055**	**16,439,952**

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 2022 (in EUR)	31 December 2021	Disclosed in profit or loss	Disclosed in other comprehensive income	31 December 2022
Intangible assets, and property, plant and equipment	197,457	-5,018	-2,493	189,946
Financial instruments	51,028	0	-51,028	0
Operating receivables	656,517	-126,108	0	530,409
Provisions for long-service bonuses and severance payments	441,229	-88,199	17,068	370,098
Exclusion of income from shares in profits	0	3,155,933	0	3,155,933
Unused tax relief	765,850	-656,056	0	109,794
Unused tax losses	0	272,217	0	272,217
Total	**2,112,081**	**2,552,769**	**-36,453**	**4,628,397**

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 2022 (in EUR)	31 December 2021	Disclosed in profit or loss	Disclosed in other comprehensive income	31 December 2022
Undisclosed provisions at time of merger	515,656	-22,090	0	493,566
Financial assets	101,814	0	7,715	109,529
Provisions for onerous contracts	7,178,121	-89,324	0	7,088,797
Total	**7,795,591**	**-111,414**	**7,715**	**7,691,892**

Non-current deferred tax liabilities arising from provisions for onerous contracts 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 2022	31 December 2021
Fuels used in production	20,287,194	14,250,619
Spare parts	13,988,916	14,688,574
Inventory of natural gas in gas storage facility	7,118,957	10,861,587
Other materials	26,884,704	7,485,206
Advances for inventories	5,222,552	0
Total	**73,502,322**	**47,285,986**

The majority of inventories as at 31 December 2022 are accounted for by the inventories held by the NEK, which comprised nuclear fuel inventories in the amount of EUR 18,622,000, inventories of spare parts in the amount of EUR 13,027,951 and inventories of other materials in the amount of EUR 2,429,360. 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.

A portion of other materials in the amount of EUR 24,281,618 relates to materials and work in progress for the manufacture of small solar power plants. The subsidiary GEN-I Sonce offers Slovenian household customers and small businesses the construction of 'turnkey' micro solar power plants that facilitate energy independence.

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 1,468,717 in 2022. 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 2022. (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 614 days.

Advances, which were up in 2022, relate to inventories of panels for solar power plants.

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

CURRENT FINANCIAL ASSETS (NOTE 10)

Current financial assets (in EUR)	31 December 2022	31 December 2021
Current financial assets, excluding loans	**162,722,154**	**3,105,613**
Derivatives	162,722,154	3,105,613
Short-term loans	**92,502,286**	**87,731,422**
Short-term bank deposits	92,502,286	87,731,422
Total	**255,224,440**	**90,837,035**

Current derivatives	31 December 2022	31 December 2021
Derivatives used as hedges against currency risks	1,535	-637,610
Derivatives – interest-rate swaps	1,120,472	0
Firm commitments recognised for fair value hedges	-96,407,366	-46,483,600
Fair value of commodity contracts	258,007,513	50,226,823
Total	**162,722,154**	**3,105,613**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 258,007,513 (2021: EUR 50,226,823) relates to the following periods and is adjusted for the assessed credit risk relating to business partners:

- the 2023 financial year in the amount of EUR 203,368,083;
- the 2024 financial year in the amount of EUR 54,616,414;
- the 2025 financial year in the amount of EUR 61,431; and
- the 2026 financial year in the negative amount of EUR 38,415.

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 negative amount of EUR 96,407,366.

Agreements signed with financial institutions in Slovenia form the basis for recognising investments in short-term deposits. The high balance of deposits is the result of the slower pace of investments in technological upgrades and 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 2022	31 December 2021
Trade receivables	97,730,119	124,820,423
Receivables for interest	187,772	209,392
Other receivables relating to financial effects	16,472	14,309
Other operating receivables	41,172,112	47,216,037
Operating receivables on behalf of third parties	793,626	584,569
Total	**139,900,101**	**172,844,730**

Trade receivables 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.

Other operating receivables primarily comprise deductible VAT in the amount of EUR 30,596,533 (EUR 32,876,097 as at 31 December 2021), and receivables for advances and security deposits paid by the group for the purchase of electricity, natural gas and cross-border transfer capacities, as well as inventories of goods and materials for the construction of solar power plants in the amount of EUR 8,428,686 (EUR 11,117,027 as at 31 December 2021).

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 2022	31 December 2021
Accrued revenue	97,041,301	67,218,596
Total	**97,041,301**	**67,218,596**

Current assets from contracts primarily comprise accrued revenue for electricity and natural gas sold for 2022, which will be invoiced to customers in 2023 in accordance with contractual provisions.

CORPORATE INCOME TAX ASSETS AND LIABILITIES (NOTE 13)

Corporate income tax assets and liabilities (in EUR)	31 December 2022	31 December 2021
Receivables for corporate income tax	15,840,654	4,678,912
Liabilities for corporate income tax	1,788,296	14,770,921

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 2022 financial year.

CASH AND CASH EQUIVALENTS (NOTE 14)

Cash and cash equivalents (in EUR)	31 December 2021	31 December 2021
Cash on account	184,241,934	187,545,368
Call deposits	9,364,593	18,769,103
Cash on hand	787	741
Total	**193,607,314**	**206,315,212**

OTHER CURRENT ASSETS (NOTE 15)

Other current assets (in EUR)	31 December 2022	31 December 2021
Current deferred costs and expenses	10,064,689	11,031,766
Current accrued revenue vis-à-vis others	30,837	50,526
VAT on advances received	0	498,740
Total	**10,095,526**	**11,581,032**

The majority of current deferred costs and expenses comprise deferred expenses for the purchase of cross-border transfer capacities and expenses for the purchase of electricity and natural gas in the amount of EUR 8,853,355 (EUR 10,022,024 in 2021) relating to the first quarter of 2023.

EQUITY (NOTE 16)

Structure of equity (in EUR)	31 December 2022	31 December 2021
Equity attributable to owners of the controlling company	**887,954,755**	**863,795,912**
Called-up capital	250,000,000	250,000,000
Share premium	134,682,435	134,682,435
Legal reserves	14,133,735	13,341,014
Other revenue reserves	170,543,323	171,629,033
Fair value reserves	1,538,981	294,571
Retained earnings	318,248,308	295,052,583
Translation adjustment to equity	-1,192,027	-1,203,724
Equity attributable to owners of non-controlling interest	**143,527,481**	**142,115,319**
Total	**1,031,482,236**	**1,005,911,231**

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 2022 (unchanged relative to 31 December 2021), 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 2022 in the total amount of EUR 184,677,058 (EUR 184,970,047 as at 31 December 2021), which comprise:
  - the legal reserves of group companies in the amount of EUR 14,133,735, which were increased in 2022 by EUR 792,721 from retained earnings for the reporting period (that increase amounted to EUR 252,286 in 2021);
  - other revenue reserves in the amount of EUR 170,543,323. Other revenue reserves were decreased in 2022 by EUR 4,311,514 due to the reallocation of a portion of profit from previous years based on decisions made by the bodies of GEN Group companies and due to the release of other revenue reserves in the amount of EUR 5,397,224 for the payment of profit participation to the controlling company (the increase in other revenue reserves amounted to EUR 30,046,889 in 2021 due to the reallocation of a portion of profit from previous years); and
- fair value reserves in the amount of EUR 1,538,981 as at 31 December 2022, which primarily comprise changes in 2022 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 1,244,409, compared with EUR 1,103,091 in 2021.

Retained earnings

The GEN Group disclosed retained earnings in the amount of EUR 318,248,308 at the end of the reporting period. Changes relative to the previous reporting period, when retained earnings totalled EUR 295,052,583, were primarily the result of the following:

- net profit generated in 2022 attributable to the owners of the controlling company in the amount of EUR 23,081,033 (EUR 104,358,512 in 2021); and
- the effects of the allocation of a portion of retained earnings in 2022 in the total amount of EUR 263,526 (EUR 30,299,175 in 2021) to other revenue reserves based on decisions made by the bodies of GEN Group companies in the amount of EUR 1,085,710 (EUR 30,046,889 was allocated to other reserves in 2021) and to legal reserves in the amount of EUR 792,721 (EUR 252,286 in 2021).

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 2022 (in EUR)	31 December 2021	Created	Decreases	31 December 2022
Provisions for long-service bonuses, severance payments and other payments to employees	12,771,645	746,424	-1,043,686	12,474,384
Provisions for maintenance, decommissioning and disposal of equipment	4,656	0	0	4,656
Other provisions	169,252	324,330	0	493,582
Total	**12,945,553**	**1,070,754**	**-1,043,686**	**12,972,622**

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% (2021: employee turnover of up to 3%, a discount rate of 0.8% and wage growth of up to 4%).

FINANCIAL LIABILITIES (NOTE 18)

Non-current financial liabilities (in EUR)	31 December 2022	31 December 2021
Non-current financial liabilities to banks	47,013,050	54,484,675
Non-current financial liabilities from bonds	5,600,000	8,400,000
Other non-current financial liabilities	0	956,925
Total	**52,613,050**	**63,841,600**

Current financial liabilities (in EUR)	31 December 2022	31 December 2021
Current financial liabilities to banks	137,310,810	32,309,891
Current financial liabilities from bonds	0	20,356,340
Commercial paper issued	75,325,118	29,880,070
Current financial liabilities in connection with the distribution of profit	484,396	0
Current financial liabilities from options for the purchase of participating interest	0	69,844
Other current financial liabilities	75,467	11,108
Total	**213,195,791**	**82,627,253**

Liabilities to banks

As at the reporting date, the GEN Group had the following liabilities to banks in the amount of EUR 184,485,593 (EUR 86,794,566 as at 31 December 2021):

- 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 9,565,219 as at the balance-sheet date (31 December 2021: EUR 11,304,349) and from a Slovenian commercial bank in the amount of EUR 20,869,565 (31 December 2021: EUR 24,347,826). 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. Principal in the amount of EUR 5,217,391 was repaid in 2022, while liabilities for the repayment of principal in 2023 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;
- a long-term loan for financing investments from the NEK Safety Upgrade Programme in the amount of EUR 16,740,000 (31 December 2021: EUR 18,832,500), which was raised at a foreign commercial bank. Due to the repayment of loans in 2023, EUR 2,092,500 of that loan was transferred to current financial liabilities as at 31 December 2022. 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 8,370,000 falls due for payment over the next five years;
- short-term loans from Slovenian commercial banks in the amount of EUR 29,976,175 (EUR 25,000,000 as at 31 December 2021) are secured with bills of exchange. Loans and borrowings bear fixed interest rates ranging from 1.3% to 3.378%; and
- short-term bank loans in the form of revolving loans raised to cover liquidity outflows in connection with purchases of alternative electricity in accordance with the purpose of borrowing set out in paragraph 2 of Article 1 of the ZPKEEKP. Revolving loans were raised at three Slovenian banks bearing an interest rate applicable for government-guaranteed loans, as they were secured by a government guarantee based on the ZPKEEKP. Those loans mature by 31 August 2023, when the ZPKEEKP ceases to be in force.

Liabilities based on bonds

Financial liabilities arising from bonds issued by the subsidiary GEN-I in the amount of EUR 5,600,000 (EUR 8,400,000 as at 31 December 2021) were also disclosed at the end of the reporting period. Long-term bonds in the amount of EUR 8,400,000 were issued in 2017 and fall due for final payment in 2024. Those bonds were listed on the organised market of the Ljubljana Stock Exchange in 2018.

Issued commercial paper

The GEN Group also discloses issued commercial paper in its financial statements in the amount of EUR 75,325,118 (EUR 29,880,070 as at 31 December 2021) that matures in April 2023.

Maturity of non-current financial liabilities

Maturity of non-current financial liabilities as at 31 December 2022 (in EUR)	
from 1 to 3 years	20,219,782
from 3 to 5 years	14,619,782
more than 5 years	17,773,486
Total	**52,613,050**

Expenses in connection with financial liabilities

Financial costs for financial liabilities arising from loans from commercial banks, commercial paper, bonds and equity options contracts amounted to EUR 4,383,728 during the 2022 business year (EUR 4,415,669 in 2021).

LEASE LIABILITIES (NOTE 19)

Lease liabilities (in EUR)	31 December 2022	31 December 2021
Non-current lease liabilities	877,943	1,805,873
Current lease liabilities	1,225,409	1,181,691
Total	**2,103,352**	**2,987,564**

The group's lease liabilities comprise liabilities based on contracts for business premises under lease in Ljubljana, Celje and Maribor, as well as warehouse space in Celje, the value of which was calculated in accordance with IFRS 16.

Changes in lease liabilities (in EUR)	2022	2021
Balance as at 1 January	2,987,564	2,345,459
Increase	464,925	1,779,749
Interest	50,596	37,456
Lease payments	-1,402,508	-923,624
Adjustments	2,775	33,398
Termination	0	-284,874
Balance as at 31 December	**2,103,352**	**2,987,564**

Lease liabilities by maturity (in EUR)	2022
Current lease liabilities	1,195,076
Lease liabilities with a maturity from 1 to 3 years	612,186
Lease liabilities with a maturity from 3 to 5 years	296,090
Total	**2,103,352**

OTHER NON-CURRENT LIABILITIES (NOTE 20)

Other non-current liabilities (in EUR)	31 December 2021	31 December 2021
State aid	782,630	822,826
Non-current deferred revenue, and other accruals and deferrals	692,938	116,513
Total	**1,475,568**	**939,339**

OPERATING LIABILITIES (NOTE 21)

Operating liabilities (in EUR)	31 December 2022	31 December 2021
Non-current operating liabilities	148,622	170,853
Current trade payables	157,046,553	134,287,146
Current operating liabilities for advances	149,998	165,635
Current liabilities to employees	22,328,601	23,909,386
Other current liabilities to the state	15,955,653	12,053,108
Other current operating liabilities	3,923,654	3,766,028
Total	**199,553,080**	**174,352,156**

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.

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.

LIABILITIES FROM CONTRACTS (NOTE 22)

Liabilities from contracts (in EUR)	31 December 2022	31 December 2021
Non-current operating liabilities from advances	671,516	82,754
Current operating liabilities for advances	18,747,479	12,237,023
Total	**19,418,995**	**12,319,777**

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 2022	31 December 2021
Accrued costs and expenses	58,198,445	17,627,463
Current deferred revenue	645,288	1,066,048
Other deferrals and accruals	296,674	774,317
Total	**59,140,407**	**19,467,828**

Accrued costs and expenses in the amount of EUR 56,572,166 (EUR 13,421,119 as at 31 December 2021) primarily comprise the costs of electricity and natural gas purchases. The increase was the result of a potential additional levy due to regulatory measures introduced in Southeast Europe for electricity and natural gas traders in connection with measures to ensure reliable supply for end-customers on the electricity and natural gas markets (see Note 28). Those costs were taken into account in the compilation of the financial statements based on contracts with business partners for transactions that were executed in 2022, but for which invoices had not yet been received at the time the financial statements were compiled.

CONTINGENT ASSETS AND LIABILITIES (NOTE 24)

Contingent assets and liabilities (in EUR)	31 December 2022	31 December 2021
Bank guarantees issued as collateral for payment	194,317,581	170,223,870
Bank guarantees issued as performance bonds	12,580,172	17,499,879
Loss generated in previous years by subsidiary	76,536,759	76,536,759
Bank guarantees received as performance bonds	7,284,462	6,791,440
Bank guarantees received as collateral for payment	23,300,778	26,118,495
Sureties	17,850,000	51,341,355
Inventories of the Agency of the Republic of Slovenia for Commodity Reserves	17,157,548	19,677,343
Other forms of payment collateral – bills of exchange	32,852,555	27,642,331
Blanket credit lines	104,033,412	66,053,330
Other	113,800	113,800
Total	**486,027,067**	**461,998,602**

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 2022 comprised guarantees issued in the amount of EUR 3,800,000 and guarantees received in the amount of EUR 14,050,000. They comprise guarantees for timely and reliable payment, and performance bonds.

In connection with short-term bank loans in the form of revolving loans raised to cover liquidity outflows relating to purchases of alternative electricity in accordance with the purpose of borrowing set out in paragraph 2 of Article 1 of the ZPKEEKP, the controlling company of the GEN Group received a government guarantee in the amount of EUR 80,000,000, with a maturity of no later than 31 August 2023.

REVENUE (NOTE 25)

Sales revenue by type (in EUR)	2022	2021
Revenue from the sale of goods and materials	3,830,826,788	3,286,864,131
Revenue from the sale of services	177,012,420	79,730,201
Rental income	195,527	75,933
Total	**4,008,034,735**	**3,366,670,265**

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)	2022	2021
Revenue on the domestic market	921,702,794	568,002,101
Revenue on the EU market	2,377,175,369	2,157,447,359
Revenue on markets outside the EU	709,156,572	641,220,805
Total	**4,008,034,735**	**3,366,670,265**

OTHER OPERATING REVENUE (NOTE 26)

Other operating revenue (in EUR)	2022	2021
Change in value of inventories of products and work in progress	7,009,807	1,316,095
Capitalised own products and services	121,120	88,546
Reversal of non-current provisions	83,212	79,961
Revaluation operating revenue	357,916	189,333
Other operating revenue	140,829,660	114,566,317
Total	**148,401,715**	**116,240,252**

The majority of other operating revenue in 2022 comprised miscellaneous operating revenue. The most important items are presented below:

Material items of other operating revenue/expenses (in EUR)	2022	2021
Fair value from commodity contracts	195,959,801	173,630,690
Fair value from financial contracts	-65,665,136	-62,903,661
Ineffective part of fair value hedges	-2,567,260	146,168
Fair value from currency contracts	2,853,734	-507,811
Other recurring operating revenue/expenses	0	-4,050
Revenues from the European Commission's FutureFlow project	0	555,867
Revenue in the form of state aid due to the COVID-19 epidemic	117,508	208,610
Operating revenue from supplementary activity	837,565	804,482
Revenue from lending of fuel	3,139,172	0
Revenue from reminders, damages and other sources	6,154,276	2,039,824
Disclosure for the note 'Other operating revenue'	**140,829,660**	**113,970,119**

EXPENSES AND COSTS (NOTE 27)

Expenses and costs (in EUR)	2022	2021
Costs of goods, materials and services	3,902,948,924	3,188,096,467
Labour costs	81,148,206	87,645,485
Write-downs	53,922,319	44,726,078
Other operating expenses	84,097,876	27,449,693
Financial costs	5,353,041	5,070,898
Total	**4,127,470,366**	**3,352,988,621**

Costs by type (in EUR)	2022	2021
Historical cost of goods sold and materials sold	3,818,891,536	3,114,153,343
Costs of materials used	35,774,038	29,658,895
Costs of services	48,283,350	44,284,229
- of costs of lease	*2,375,297*	*1,752,124*
Total	**3,902,948,924**	**3,188,096,467**

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. The group discloses the costs of short-term leases and low-value leases in lease costs.

Labour costs (in EUR)	2022	2021
Wages and salaries	60,176,046	66,278,167
Social security costs	12,881,778	13,511,599
Other labour costs	8,090,382	7,855,719
Total	**81,148,206**	**87,645,485**

The group calculated labour costs in 2022 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.*

Labour costs comprise wages and salaries, including the variable component of remuneration linked to the performance of the Group, social security contributions, additional pension insurance and other labour costs.

Other labour costs include allowances for transportation to and from work and meal allowances, annual leave pay, contributions for additional pension insurance, long-service bonuses, and fringe benefits.

Write-downs (in EUR)	2022	2021
Amortisation of intangible assets	1,790,953	1,560,750
Depreciation of property, plant and equipment	41,483,274	39,179,329
Depreciation of assets under lease	1,473,787	963,077
Depreciation of investment property	66,104	66,103
Total amortisation and depreciation	**44,814,118**	**41,769,259**
Write-downs of fixed assets	194,064	1,084,150
Impairment of inventories	1,628,005	1,661,729
Impairment of trade receivables and contract assets	7,286,132	210,940
Total impairment losses	**9,108,201**	**2,956,819**

OTHER OPERATING EXPENSES (NOTE 28)

Other operating expenses (in EUR)	2022	2021
Creation of provisions	33,065,175	0
Environmental protection levies	40,289,834	20,801,081
Levies independent from other types of costs	3,746,597	4,443,782
Other operating expenses	6,996,270	2,204,830
Total	**84,097,876**	**27,449,693**

Costs in connection with the creation of provisions primarily relate to a potential additional levy due to regulatory measures introduced in Southeast Europe for electricity and natural gas traders in connection with measures to ensure reliable supply for end-customers on the electricity and natural gas markets (see Note 23). A calculation of potential exposure was prepared in accordance with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC 23).

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)	2022	2021
Financial costs for other financial liabilities	1,576,367	2,441,863
Financial costs for other operating liabilities	711,416	555,592
Financial costs for bonds issued	113,995	479,100
Financial costs for loans from banks	2,673,366	1,494,705
Financial costs for investment interests according to equity method	2,912	881
Financial costs for trade payables and bill of exchange liabilities	224,389	61,301
Financial costs for lease liabilities	50,596	37,456
Total	**5,353,041**	**5,070,898**

COSTS BY FUNCTIONAL GROUP (NOTE 30)

Costs by functional group (in EUR)	2022	2021
Historical cost of goods sold	3,958,711,069	3,243,373,232
Selling costs	73,373,759	53,034,061
General and administrative costs	78,893,885	50,101,015
Total	**4,110,978,713**	**3,346,508,307**

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)	2022	2021
Current tax	9,514,877	24,550,531
Deferred tax	-3,062,100	473,518
Total income tax	**6,452,777**	**25,024,049**
Pre-tax profit or loss	**30,049,953**	**130,578,889**
Tax calculated at applicable tax rate	**2,784,013**	**25,283,507**
Tax from non-taxable revenue	3,419,216	-191,165
Tax from revenue that reduces the tax base	-122,344	-125,342
Tax from non-deductible expenses	2,086,417	2,348,549
Tax from tax relief	-2,130,421	-1,491,728
Different tax rates and adjustments	140,062	-1,029,103
Tax from revenue that increases the tax base	275,834	229,331
Total income tax	**6,452,777**	**25,024,049**
Effective tax rate	**21.47 %**	**19.16 %**

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 2022 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)	2022	2021
Inflows from investing activities:	**80,965,028**	**81,474,564**
from shares in the profit of others	350,597	215,051
from interest	786,047	464,027
from the disposal of property, plant and equipment	389,019	225,318
from the disposal of financial assets	79,439,365	80,570,168
Outflows from investing activities:	**-134,963,992**	**-157,497,482**
for the acquisition of intangible assets	-14,787,734	-5,483,540
for the acquisition of property, plant and equipment	-40,673,143	-45,210,776
for the acquisition of financial assets	-79,503,115	-106,803,166
Net cash flow from investing activities	**-53,998,964**	**-76,022,918**

Cash flows from financing activities (in EUR)	2022	2021
Inflows from financing activities:	**1,139,406,365**	**545,231,665**
from increase in financial liabilities	1,139,406,365	545,231,665
Outflows for financing activities:	**-1,026,117,079**	**-542,816,680**
for interest related to financing activities	-3,810,798	-2,511,572
for the repayment of lease liabilities – interest	-75,925	-60,518
for the repayment of financial liabilities	-1,020,203,798	-526,744,590
for the repayment of lease liabilities – principal	-2,026,558	0
for the payment of dividends and other shares in profits	0	-13,500,000
Net cash flow from financing activities	**113,289,286**	**2,414,985**

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)	2022
Members of senior management – wages and annual leave allowance	1,906,622
Other employees not subject to the tariff section of the collective agreement – wages and annual leave allowance	2,779,550
Members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	375,513

DISCLOSURES OF PAYMENTS TO AUDITORS (NOTE 34)

Amount spent in connection with auditors (in EUR)	2022	2021
For auditing of annual report	**236,485**	**274,460**
Deloitte	227,060	265,035
BDO	9,425	9,425
For other auditing services	**2,420**	**12,907**
Deloitte	1,900	12,387
BDO	520	520
Total	**238,905**	**287,367**

The auditors did not provide non-audit services in 2022.

IAS 24 RELATED PARTY DISCLOSURES (NOTE 35)

The controlling company GEN is under the 100% ownership of the Republic of Slovenia. Profit participation was not paid in 2022.

Related parties include GEN Group companies and companies that the Slovenian government controls or over which it has a significant influence.

Presented below are material transactions with related parties that involve:

- transactions with companies under the direct or indirect ownership of the Republic of Slovenia, which directly or indirectly holds a participating interest of 50% or more; and
- transactions where revenue and expenses/costs exceeded EUR 500,000 in 2022.

IAS 24 Related Party Disclosures (in EUR)	Open receivables as at 31 December 2022	Open liabilities as at 31 December 2022	Revenue in 2022	Expenses/ costs in 2022
Energy companies				
BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO D.O.O.	5,440	2,055,043	14,294,863	32,681,903
BSP – regional energy exchange	51,001	49,807	134,628,129	170,074,283
ECE, energetska družba d.o.o.	0	121,383	774,871	1,053,105
ELEKTRO LJUBLJANA OVE d.o.o.	0	0	0	747,777
Elektro Maribor Energija plus d.o.o.	5,568,267	0	20,248,761	1,495,460
ELES d.o.o.	1,640,836	9,572	20,822,645	1,543,141
GORENJSKE ELEKTRARNE d.o.o.	0	258,634	0	3,471,960
HOLDING SLOVENSKE ELEKTRARNE D.O.O.	10,588,071	8,191,231	172,764,383	269,192,869
PLINOVODI d.o.o.	12	41,338	5,141,412	5,072,532
SODO D.O.O.	0	11,833,037	0	101,239,675
Banks and insurance companies				
ZAVAROVALNICA TRIGLAV D.D.	0	72,805	0	983,360
SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA D.D.	0	11,304,348	0	174,061
Other				
EPPS d.o.o.	0	0	0	1,882,573
KAPITALSKA DRUŽBA D.D.	2,735	61,590	0	606,627
POŠTA SLOVENIJE D.O.O.	44,258	118,866	864	727,015
PENSION AND DISABILITY INSURANCE INSTITUTE	0	0	54,474	852,108

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.

Investments in associates

The group 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

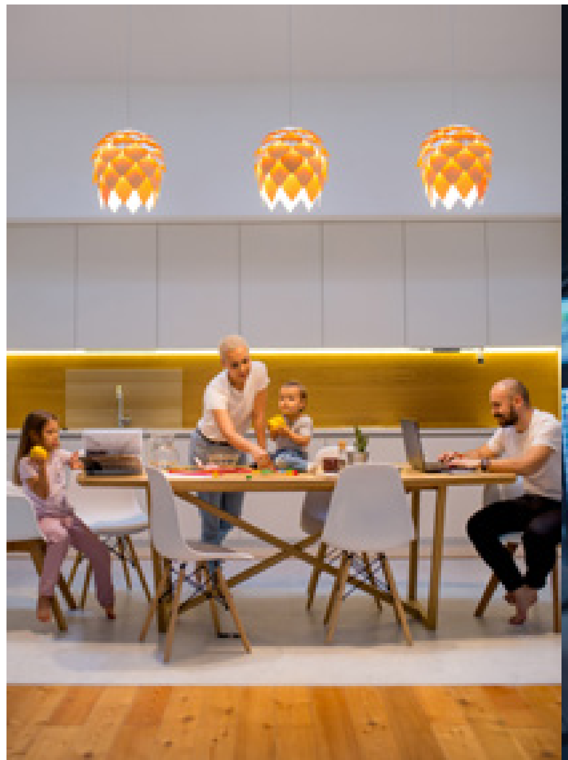
The value of the derivatives relates to financially and physically settled forward transactions, FOREX transactions and other derivatives connected with trading.

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.



Fair value of assets (in EUR)					31 December 2022
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets measured at fair value					
Derivatives	3,912,370	158,809,784	0	162,722,154	162,722,154
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	3,529,974	3,529,974	3,529,974
Total	**3,912,370**	**158,809,784**	**3,579,974**	**166,302,128**	**166,302,128**
Financial assets measured at amortised cost					
Non-current financial assets	0	0	346,902	346,902	346,902
Long-term deposits	0	0	2,515	2,515	2,515
Short-term deposits	0	0	92,502,286	92,502,286	92,502,286
Trade receivables	0	0	120,871,332	120,871,332	120,871,332
Assets from contracts	0	0	97,041,301	97,041,301	97,041,301
Cash and cash equivalents	0	0	193,607,314	193,607,314	193,607,314
Total	**0**	**0**	**504,371,650**	**504,371,650**	**504,371,650**

Fair value of assets (in EUR)					31 December 2021
	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**

Fair value of liabilities (in EUR)			31 December 2022
	Level 3	Total fair value	Total carrying amount
Liabilities measured at fair value			
Derivatives	-161,733	-161,733	-161,733
Total	**-161,733**	**-161,733**	**-161,733**
Liabilities measured at amortised cost			
Unsecured bank loans	184,485,594	184,485,594	184,485,594
Other financial liabilities	75,884,981	75,884,981	75,884,981
Lease liabilities	2,103,352	2,103,352	2,103,352
Bonds	5,600,000	5,600,000	5,600,000
Liabilities from contracts	19,418,995	19,418,995	19,418,995
Trade payables	157,046,553	157,046,553	157,046,553
Total	**444,539,475**	**444,539,475**	**444,539,475**

Fair value of liabilities (in EUR)			31 December 2021
	Level 3	Total fair value	Total carrying amount
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**

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 uncertain conditions, without incurring unacceptable losses or damage to the group's reputation.

Liquidity risk – liabilities in 2022 (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	184,485,594	186,059,421	114,089,446	24,083,798	7,472,176	22,290,485	18,123,517
Issued bonds	5,600,000	5,732,129	2,888,005	0	2,844,124	0	0
Other liabilities	75,723,248	76,098,130	76,098,130	0	0	0	0
Lease liabilities	1,992,380	2,103,352	599,490	581,732	398,441	523,689	0
Operating liabilities							
Operating liabilities	157,046,553	157,046,553	156,922,667	102,286	21,600	0	0
Derivative financial liabilities							
Other forward exchange contracts:							
Outflows	0	0	0	0	0	0	0
Inflows	-161,601,682	-161,601,682	-161,601,682	0	0	0	0
Total	**263,246,093**	**265,437,902**	**188,996,055**	**24,767,816**	**10,736,341**	**22,814,174**	**18,123,517**

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**

The liquidity risk to which the group is exposed is managed by GEN Group companies, which carefully and conscientiously monitor and plan short-term solvency on a daily basis, and ensure it by coordinating and planning all cash flows within the group. To that end, risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the group's investment activities, are taken into account to the greatest extent possible.

The group also constantly monitors and optimises short-term surpluses and shortages of monetary assets, both at the level of individual companies and at the group level. A liquidity reserve in the form of credit lines approved by commercial banks, the diversification of financial liabilities, the constant adjustment of the maturities of liabilities and receivables, and the consistent collection of receivables are all factors that facilitate the GEN Group's successful cash-flow management, thus ensuring its purchasing power and reducing the level of short-term solvency risks. 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

Credit risk is the risk of financial loss incurred by the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from trade receivables for electricity and natural gas, and small power plants.

Credit risk – trade receivables at carrying amount (in EUR)	2022	2021
Domestic	70,178,571	45,321,735
Euro area countries	27,668,002	15,887,373
Other European countries	14,259,277	23,150,814
Countries of the former Yugoslavia	5,814,052	34,336,770
Other regions	2,951,430	22,104,125
Total	**120,871,332**	**140,800,817**

Credit risk – wholesale and retail trade receivables (in EUR)	2022	2021
Wholesale customers	86,327,598	115,832,403
Retail customers	34,543,734	24,968,414
Total	**120,871,332**	**140,800,817**

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.

Trade receivables on the wholesale electricity and natural gas market are secured by a credit insurer in combination with bank guarantees received as collateral for payment. Receivables from business customers are secured by a credit insurer.

Impairment losses on financial assets and contract assets recognised in profit or loss are presented below.

Maturity of trade receivables (in EUR)	31 December 2022			31 December 2021		
	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount
Past due up to 90 days	104,962,905	-6,739,051	98,223,854	137,719,873	-4,514,413	133,205,460
Past due from 91 to 180 days	16,411,462	-1,398,857	15,012,605	7,448,166	-455,914	6,992,252
Past due from 181 to 365 days	390,181	-935,952	-545,771	58,843	-14,454	44,389
More than 365 days past due	11,520,703	-4,035,008	7,485,695	-13,654	-9,368	-23,022
Total	10,120,703	-9,425,754	694,949	7,094,036	-6,512,298	581,738
Skupaj	**143,405,954**	**-22,534,622**	**120,871,332**	**152,307,264**	**-11,506,447**	**140,800,817**

Changes in impairments and write-downs	2022	2021
Opening balance	**15,972,052**	**16,210,384**
Creation of impairments and write-downs	7,976,273	1,301,233
Reversal of impairments	-674,793	-1,177,792
Use of impairments and write-downs	-739,030	-372,289
Exchange rate differences	120	10,516
Closing balance	**22,534,622**	**15,972,052**

The closing balance of ECLs and impairment losses on trade receivables comprises ECLs and impairment losses on trade receivables in the amount of EUR 22,534,622 (EUR 11,506,447 in 2021), and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 4,004,015 (EUR 3,808,461 in 2021), which relate primarily to impairment losses created by the subsidiary GEN-I Sofia.

Currency risk

Currency risk as at 31 December 2022 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
Trade receivables	**120,871,332**	107,107,525	0	0	2,717,186	70,247	2,695,091	0	32,434	16,238	0	252,058	107	222,520	7,753,458	4,468	0
Unsecured bank loans	**-184,485,594**	-184,485,594	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade payables	**-157,046,553**	-130,972,793	-44,952	-32,077	-210,172	-3,032,744	-9,709,380	-348	-846,039	-5,784	-39,508	-254,666	-611,751	-4,510	-11,281,802	-27	0
Gross exposure in the statement of financial position	**-220,660,815**	-208,350,862	-44,952	-32,077	2,507,014	-2,962,497	-7,014,289	-348	-813,605	10,454	-39,508	-2,608	-611,644	218,010	-3,528,344	4,441	0
Net exposure of receivables and liabilities		**-23,865,268**	**-44,952**	**-32,077**	**2,507,014**	**-2,962,497**	**-7,014,289**	**-348**	**-813,605**	**10,454**	**-39,508**	**-2,608**	**-611,644**	**218,010**	**-3,528,344**	**4,441**	**0**

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**

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 consistently hedges all major positions in foreign currencies. On markets where forward contracts are not used, hedging is carried out using a currency clause in contracts with partners and customers. As a result, changes in exchange rates cannot have a material effect on the group's results.

Interest-rate risk

Interest-rate risk – carrying amount of financial instruments (in EUR)	31 December 2022	31 December 2021
Fixed-rate instruments		
Financial assets	72,036,485	92,642,052
Financial liabilities	-210,222,933	-141,101,405
Variable-rate instruments		
Financial liabilities	-20,020,000	-5,000,000

The group manages interest-rate risks by constantly assessing exposure and the possible effects of changing reference interest rates (the variable part) on 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 20,020,000, 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 200,000.

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 2022	Nominal amount (in EUR)		
	up to 1 year	from 1 to 5 years	more than 5 years
Risk of changes in commodity prices	0	227,762,015	0

Hedging instruments for 2022	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 2022 (in EUR)
		Assets	Liabilities		
Risk of changes in commodity prices	227,762,015	n/a*	n/a*	n/a*	83,765,573

* 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 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.

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 2022 (in EUR)
	Assets	Liabilities	Assets	Liabilities		
Risk of changes in commodity prices	n/a*	n/a*		-96,407,369	Derivatives*	83,765,573

* 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	-2,246,124	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 2022.

Withdrawal from the Croatian market

Market conditions and an analysis of operations led to the decision to discontinue the supply of electricity to household and small business customers, effective 1 December 2022. Taking into account Croatia's solar energy potential, the revised sales strategy will prioritise self-sufficient supply for companies via solar power plants. An assessment of the withdrawal from the Croatian electricity supply market for household and small business customers indicates more positive consequences than negative consequences for GEN-I Group's operations in 2023, and is based on the value of electricity volumes already purchased for the Croatian market for 2023.

Regulation of electricity and natural gas prices

The Decree on the determination of a mechanism for setting electricity prices for business customers was published on 29 November 2022, and defines a mechanism for setting the maximum permissible electricity price for business customers, as set out in the Electricity Supply Act (Official Gazette of the Republic of Slovenia No. 172/21). That decree applies to contracts on the delivery of electricity to business customers in 2023, which were concluded from the day the decree entered into force (i.e. 30 November 2022) until 31 December 2023, inclusive. The assessed consequences of the decree on the GEN-I Group's operations in 2023 are not negligible, but are covered in full by the state through a so-called 'claw-back' mechanism or compensation for electricity suppliers.

Also published in the Official Gazette on 30 December 2022 was the Decree on the setting of the price of electricity for micro, small and medium-sized enterprises (SMEs), which is valid from 1 January 2023 to 30 June 2023. The calculated effects of the aforementioned decree on the results of the GEN-I Group in 2023 are not negligible. The state, however, adopted a so-called 'claw-back' mechanism or compensation for electricity suppliers that negates the negative effects of that decree.

At the end of 2022, the government also capped the price of electricity for public institutions and municipalities for 2023 via the Decree on the setting of the maximum retail price of electricity and natural gas for public institutions, public utilities, public agencies, public funds and municipalities (certain public law entities). Under that decree, the maximum permissible retail electricity price is EUR 207/MWh for the higher daily tariff, EUR 148.5/MWh for the lower daily tariff and EUR 186/MWh for the single daily tariff, all excluding VAT. The calculated effects of the aforementioned decree on the results of the GEN-I Group in 2023 are negative. The state, however, adopted a so-called 'claw-back' mechanism or compensation for electricity suppliers that will negate the negative effects of the decree.

An agreement was signed at the end of 2022 by GEN-I d.o.o. and GEN energija d.o.o. on the purchase of slightly less than 0.9 TWh of unpurchased electricity for 2023 for the household customer segment. The state subsequently adopted a so-called 'claw-back' mechanism or compensation for electricity suppliers that allowed companies to transmit the aforementioned quantity of electricity for 2023 at a price that negates the negative effects on GEN-I d.o.o. as the result of the Decree on the setting of the maximum electricity price.

Acquisition of operating permit for the Brežice PPP at the D3 sediment depot (FEBR-D3)

The supply and installation of the FEBR-D3 was completed in November 2022. All necessary measurements were carried out on devices and electrical installations, the grounding system and the lightning protection system. An in-house expert technical inspection was successfully carried out prior to the connection of the FEBR-D3 to the power supply. Following complex technical coordination with the transmission system operator, notification of the temporary connection of the FEBR-D3 to the transmission grid was obtained in December 2022, which facilitated the production of the first MWh of electricity. A request for the issuing of an operating permit for the FEBR-D3 was submitted to the Brežice Administrative Unit. Following a technical inspection performed on 20 January 2023, we expect to receive an operating permit during the first half of 2023.

Litigation in connection with the construction of the Brežice HPP – LOT A2

Hearings have been completed in litigation relating 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., and HESS is in turn suing the consortium partners. The court will now issue its ruling. The opinions of experts hired by the court in the aforementioned litigation mostly indicate that HESS's lawsuit against the consortium partners is justified and that the claims of the contractors are largely unjustified. Nevertheless, we cannot predict the outcome of the aforementioned lawsuits with any certainty.

Appointment of new senior management at GEN-I d.o.o.

Following the expiry of the one-year term of office of GEN-I d.o.o.'s court-appointed senior management, that company's two owners confirmed the new senior management, which will lead the company for the next five years, at GEN-I d.o.o.'s General Meeting of Shareholders held on 16 February 2023. The former director of GEN-I d.o.o.'s legal department, Maks Helbl, was appointed President of the Management Board, while the former director of trading, Andreja Zupan, and the head of the risk management department, Sandi Kavalič, were appointed members of the Management Board. GEN energija d.o.o.'s representative on the Management Board remains Primož Stropnik.

Appointment of managing director of NEK d.o.o.

The term of office of the managing director of NEK d.o.o., Stanislav Rožman, expired in April 2023. On 11 April 2023, Gorazd Pfeifer was appointed to a five-year term of office as managing director of NEK d.o.o., for the period 11 April 2023 to 11 April 2028.

Appointment of managing director of HESS d.o.o.

The term of office of the company's managing director expired in March 2023. For this reason, the Supervisory Board began discussions on the appointment of a new managing director. Following the completion of the necessary activities, the Supervisory Board reappointed the current managing director, Bogdan Barbič, to a five-year term of office at its 149th session. Mr Barbič's term of office will run from 1 April 2023 to 31 March 2028.

5.8. INDEPENDENT AUDITOR'S REPORT FOR THE GEN GROUP

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INDEPENDENT AUDITOR'S REPORT

To the owners of GEN energija d.o.o.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the GEN energija d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and their financial performance and 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 consolidated 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 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.

Emphasis of Matter

We draw your attention to Other operating expenses (note 28) in the consolidated financial statement, which describes the calculation of potential exposure in the amount of EUR 32,740 thousand, which is prepared in accordance with the explanations of the Committee for the Explanation of International Financial Reporting Standards 23 (OMSRP23). Our opinion is not adjusted for this matter.

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 2022. 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 2022 amounted to EUR 4,008,035 thousand (note 25). 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,	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;

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this area has been identified as a key audit matter.	- 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.

Derivatives and hedging

Key audit matter	How our audit addressed the key audit matter
As of 31 December 2022, the group has EUR 162,722 thousand of derivative financial instruments as assets, which are mainly used to manage and hedge market and currency risks (Note 10). 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

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	approach is appropriate, whether the used important assumptions are suitable for the given purposes and whether the results of the valuations prepared by the group are accurate.

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the consolidated 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 is, in all material respects, consistent with the audited consolidated financial statements;
- other information is prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and their 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 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, management is responsible for assessing their 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 International Standards on Auditing and EU Regulation 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 International Standards on Auditing and EU Regulation, 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 material 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 Group 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.

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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 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 Group on General Shareholders' Meeting held on 7 December 2020. Our total uninterrupted engagement has lasted 3 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 Group, which we issued on 22 May 2023 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 Group , 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 Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich

Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 22 May 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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ACRONYMS AND ABBREVIATIONS

AC	audit committee of GEN's Supervisory Board
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ARAO	Agency for Radwaste Management
bn	billion
BSP	SouthPool Energy Exchange
CO_2	carbon dioxide
COVID-19	the coronavirus disease 2019, an infectious disease caused by SARS-CoV-2.
CVA	credit valuation adjustment
d.d.	joint stock company
d.o.o.	limited liability company
DEAR	deferred expenses and accrued revenue
Deloitte	Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana
Dr	doctor
e.g.	for example
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortisation
ECB	European Central Bank
ECL	expected credit losses
EFQM	European Foundation for Quality Management
EGL	energy generation licence
EL	Electricity
ELES	ELES, d.o.o., electrical power transmission system operator
ENTSO-E	European Network of Transmission System Operators for Electricity
EPG	electric power grid
etc.	et cetera
EU	European Union
EUR	euro
EUR	European Utility Requirements
FCR	frequency control reserve
FEBR-D3	Brežice photovoltaic power plant at the D3 sediment depot
FVTOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
GDP	gross domestic product
GEN	GEN energija d.o.o.
GEN CC	GEN Control Centre
GEN-EL	GEN-EL d.o.o.
GEN Group	GEN Energija Group
GEN-I	GEN-I, trgovanje in prodaja električne energije, d.o.o.
GEN IC	GEN's Information Centre
GHG	greenhouse gas emissions
Government of the RC	Government of the Republic of Croatia
Government of the RS	Government of the Republic of Slovenia
GRI	Global Reporting Initiative
GTU	gas turbine unit
GWh	gigawatt-hour
GZ	Chamber of Commerce and Industry
HEP	Hrvatska elektroprivreda d.d.
HESS	Hidroelektrarne na Spodnji Savi, d.o.o.
HLW	high-level radioactive waste
HPP	hydroelectric power plant
HRC	HR committee of GEN's Supervisory Board
HSE	Holding slovenske elektrarne d.o.o.
HSE Invest	HSE Invest, d.o.o.
IAEA	International Atomic Energy Agency
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICJT	Nuclear Training Centre
IFNEC	International Framework for Nuclear Energy Cooperation
IFRS	International Financial Reporting Standards as set out in Regulation (EC) 1606/2002, Regulation (EC) 1725/2003 and Regulation (EC) 1126/2008
Intergov-ernmental 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
ISO Standards	international standards on environmental management systems
IT	information technology
JEK2	Krško Nuclear Power Plant, unit 2
kV	kilovolt
kW	kilowatt
kWh	kilowatt-hour
LILW	low- and intermediate-level radioactive waste
Ljubljana Stock Exchange	Ljubljanska borza, d.d., Ljubljana
m	million
m^2	square metre
m^3	cubic metre
MESP	Ministry of the Environment and Spatial Planning
mFRR	manual frequency restoration reserve
MI	Ministry of Infrastructure
MSc	master's degree
MW	megawatt
MWh	megawatt-hour
NEA OECD	Nuclear Energy Agency within the Organisation for Economic Co-operation and Development
NECP	National Energy and Climate Plan
NEK	Nuklearna elektrarna Krško, d.o.o. (Krško Nuclear Power Plant)
NEK Fund	Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK
NEK Fund Act	Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act (Official Gazette of the Republic of Slovenia, No. 75/1994 with amendments)
NENE	Nuclear Energy for New Europe
NGO	non-governmental organisation
NPP	nuclear power plant
NSP	national spatial plan
OSART	Operational Safety Review Team
PPP	photovoltaic power plant
Prof.	professor
REC	Renewable Energy Centre
ReDPS50	Resolution on Slovenia's long-term climate strategy until 2050
RES	renewable energy sources
Revision 2 to the Resolution on Provisions	Revision 2 to the Resolution on the creation and use of non-current provisions to cover the NEK's fixed costs based on the three-year average of those costs
Revision 3 to the Resolution on Provisions	Revision 3 to the Resolution on the creation and use of non-current provisions to cover the NEK's fixed costs based on the three-year average of those costs
RfVI	request for vendor information
RS	Republic of Slovenia
SAS	Slovenian Accounting Standards
SB	Supervisory Board
SDG	Sustainable Development Goals
SEL	Savske elektrarne Ljubljana, d.o.o.
senior management	senior management of GEN
senior management of the company	senior management of GEN
SHPP	small hydroelectric power plant
SMR	small modular reactor
SPPP	small photovoltaic power plant
SRESA	Srednjesavske elektrarne d.o.o.
SSH	Slovenian Sovereign Holding
TEB	Termoelektrarna Brestanica, d.o.o.
TWh	terawatt hour
UniCredit Banka	UniCredit Banka Slovenija d.d.
USA	United States of America
WANO	World Association of Nuclear Operators
ZDIJZ	Access to Public Information Act
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)
ZJN-3	Public Procurement Act
ZPKEEKP	Act Governing Slovenian Government Guarantees for Obligations from Loans Raised to Ensure Liquidity on the Organised Electricity Markets and Emission Coupons and Obligations from the Purchase Additional Quantities of Natural Gas Outside the EU Market (Official Gazette of the Republic of Slovenia No. 121/2022)

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.