RESPONSIBLE ENERGY

ANNUAL REPORT OF GEN ENERGIJA AND THE GEN GROUP 2023

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AND THE GEN GROUP 2023

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THE GEN GROUP IN 2023

1.1. Key performance data for the GEN Group

The GEN Group successfully pursued its mission in 2023. We continuously supplied Slovenian customers reliable, affordable and low-carbon energy at contractually agreed prices. The group ended a demanding year in 2023 with operating results that exceeded planned annual targets for most indicators, as well as the results achieved in 2022. The results achieved in 2023 are a solid foundation for the group's operations in 2024, when we began to implement the new Strategic Development Plan of the GEN Group for the period 2024 to 2030.

ANSWER TO THE ENERGY CRISIS

- Thanks in part to the GEN Group, Slovenia **weathered the energy supply crisis well**.
- The GEN Group ensured the reliable supply of electricity at **acceptable and guaranteed** prices. We bore a significant portion of the burden of the price regulation imposed by the government, which facilitated a reliable and affordable portfolio of low-carbon and renewable electricity sources.

BUSINESS RESULTS

- The GEN Group ended 2023 **very successfully**, with a **net profit of EUR 204,315 thousand**.
- Positive results were driven by low-carbon electricity production, exceptional hydrological conditions, the sound management of production costs, a record number of connections of new solar power plants and conditions on the energy markets.

RELIABLE PRODUCTION

- The production units of GEN Group companies generated a combined total of **3,456.2 GWh of electricity**.

SALE OF ENERGY AND SERVICES

- **Through the 'Less is More' campaign**, we encouraged our household customers to save electricity and natural gas. Every three months, we checked how much total energy they saved and deducted that amount from their bills. Electricity consumption was down by 1–2% in specific quarters, while natural gas consumption was down by 13–17%.

INTERNATIONAL TRADING

- Due to changing conditions on the electricity and natural gas markets, the **scope of sales and the group's revenue were down in 2023** relative to 2022.
- **Through a prudent approach to trading**, we sold **89 TWh of energy products on the international energy markets**, including **52 TWh of electricity**.

INVESTMENTS IN NUCLEAR TECHNOLOGIES

- As controlling company, the focus of GEN energija's attention was the **construction of a new nuclear power plant in Krško** (JEK2), a key strategic development project.
- We enhanced **activities to promote nuclear technologies**. According to public opinion polls, support for nuclear power and the JEK2 project rose to **nearly 70%** in 2023.
- We provided support in the construction of a **repository for low- and intermediate-level radioactive waste** in Vrbina, and actively monitored the development of **small modular reactors** (SMR).

INVESTMENTS IN RES, FLEXIBILITY, ADVANCED SERVICES

- We continued to facilitate the green transformation for **Slovenian households**, and expanded the self-sufficient energy supply market for **business customers**.
- During a record year in 2023, we connected **new solar power plants with a combined rated power of 72 megawatts**. At the Brežice HPP, we opened the **largest solar power plant in Slovenia**, with a rated power of 6 MW.

SUSTAINABLE DEVELOPMENT

- In 2023, as part of the GEN Group's Strategic Development Plan for the period 2024 to 2030, we adopted the **Sustainability Policy of the GEN Group**, and identified sustainability guidelines and established 16 social-, environmental- and governance-related sustainability initiatives.
- A total of **99.8% of all electricity** produced by GEN Group companies **came from low-carbon and renewable sources** (nuclear, hydro and solar).
- In 2023, we continued to strengthen the **understanding of topics related to energy and the energy sector**, and developed energy literacy among various target groups.
- We developed a **new methodology for calculating the carbon footprint** according to Scope 1 and 2, and began the development and drafting of a strategy for the decarbonisation of GEN Group companies.

Key indicators of GEN energija and the GEN Group

KEY ITEMS		GROUP			COMPANY		
		2023	2022	Index 2023/2022	2023	2022	Index 2023/2022
Revenue	in EUR thousand	2,972,047	4,157,520	71	562,156	387,963	145
EBIT	in EUR thousand	251,052	34,319	732	193,805	-15,461	1,253
EBITDA	in EUR thousand	313,137	88,241	355	194,569	-14,685	1,325
Net profit	in EUR thousand	204,315	23,597	866	166,106	1,350	12,304
Number of employees at year-end		1,394	1,340	104	89	74	120
Assets	in EUR thousand	1,659,278	1,601,435	104	899,125	756,939	119
Equity	in EUR thousand	1,226,833	1.031.482	119	704,400	538,252	131
Debt	in EUR thousand	130,930	265,809	49	0	100,025	0
Electricity produced	in GWh	3,456	3,147	110	0	0	0
Electricity sold	in GWh	14,792	23,171	64	3,739	3,739	100
Investments	in EUR thousand	43,658	56,694	77	8,124	2,829	287

PERFORMANCE INDICATORS		GROUP			COMPANY		
		2023	2022	Index 2023/2022	2023	2022	Index 2023/2022
Self-financing ratio	in %	73.94	64.41	115	78.34	71.11	110
Long-term financing ratio	in %	78.31	69.18	113	89.00	81.14	110
Fixed asset investment ratio	in %	42.32	48.69	87	2.63	2.89	91
Long-term investment ratio	in %	45.02	50.40	89	58.16	68.21	85
Equity to fixed assets ratio		1.75	1.32	132	29.81	24.57	121
Non-current debt to currents assets ratio		1.60	1.36	118	1.50	1.17	128
Cash ratio		1.31	0.91	144	2.73	1.04	262
Quick ratio		1.86	1.43	130	3.55	1.62	220
Current ratio		2.35	1.59	148	3.74	1.62	231
Operating efficiency ratio		1.10	1.01	109	1.57	0.96	163
Net return on equity (ROE)	in %	16.65	2.32	718	23.58	0.25	9,402
Net return on assets (ROA)	in %	12.31	1.57	784	18.47	0.19	9,723
Value added	in EUR thousand	459,199	169,390	271	274,894	-8,780	-3,131
Value added per employee	EUR	335,917	131,718	255	3,372,932	-125,432	-2,689
Debt to equity ratio		0.11	0.26	41	0.00	0.19	0
Total financial liabilities/EBITDA		0.42	3.01	14	0.00	-6.81	0
EBITDA margin	in %	10.54	2.12	496	34.61	-3.93	-881
EBITDA/financial expenses for loans raised		54.95	19.99	275	586.09	-26.21	-2,236
Total financial liabilities/assets		0.08	0.17	48	0.00	0.13	0
Net financial liabilities/EBITDA		-1.08	-2.07	52	-1.37	3.29	-42

1.2. Letter from the CEO

Dear Stakeholders,

The GEN Group successfully achieved its ambitious plans in 2023. Despite all the challenges we faced, our low-carbon and renewable production sources again proved to be the basis of successful operations, and ensuring the reliable supply of electricity at acceptable and guaranteed prices. Positive results were also driven by exceptional hydrological conditions, the sound management of production costs, a record number of connections of new solar power plant and stabilising conditions on the energy markets.

Successful operations and responsibility to the community

The GEN Group generated a net profit of **EUR 204.3 million in the context of revenue in the amount of EUR 2.97 billion in 2023, and made investments totalling EUR 44 million**. At the same time, we contributed to the flood recovery fund, repaid a government-guaranteed loan in the amount of EUR 100 million, and bore a significant portion of the burden of the government-imposed regulation of electricity prices for household and small business customers.

Helping us to maintain affordable prices for business and household customers during the energy crisis were the responsible and prudent actions of the GEN Group, in concert with the government. The **burden of government-imposed price regulation** borne by the group in 2023 was EUR 195 million, which was facilitated by a reliable and affordable portfolio of low-carbon and renewable electricity sources. By effectively exploiting opportunities on international markets, adapting to customers' needs, systematically maintaining our own production sources and implementing planned investments, we will continue to protect Slovenian consumers from the price effects of conditions on the European energy market.

Based on results and forecasts by the founder and owner, we expect to make a responsible **contribution to the recovery** from last year's catastrophic floods through the Slovenian government's share of the distributable profit of GEN energija, as a key state-owned business group. As one of the leading representatives of the Slovenian energy sector, committed to environmental sustainability and social responsibility, we were among the first to respond to the call for help and donated to the flood recovery fund.

Ambitious new strategy with three business pillars

In 2024, in concert with all GEN Group companies, we began implementing the **Strategic Development Plan of the GEN Group for the period 2024 to 2030**, which was drafted and adopted in 2023, and serves as a guide in the pursuit of our ambition to become the leading producer and supplier of low-carbon energy while achieving international excellence. We are achieving strategic objectives in the scope of three pillars. The first pillar entails reliable supply to customers, and includes reliable production, the sale of energy products and services, ensuring investment potential and international trading. Because we believe that a combination of energy sources is the best way for Slovenia to address the challenges of decarbonisation and the achievement of an adequate level of electricity self-sufficiency and long-term resilience, the second pillar comprises investments in nuclear technologies, while the third pillar entails investments in renewable energy sources, resilience and advanced services.

The excellence of the first pillar, i.e. **reliable supply to customers**, which is responsible for generating the group's entire free cash flow, is based on the high operational availability of production facilities. We mitigated unexpected events in 2023, including the 43-day shutdown of the NEK and the

containment of the flood wave, with the help of a centralised management system. Supply to household customers in 2023 was at the level achieved in 2022, and exceeded the planned level on account of new customers, while supply to business customers was down slightly as the result of events in 2022, in particular austerity measures implemented by business customers and a reduction in the size of the aforementioned segment in the portfolio. We continued our planned path of managing and selling electricity, with conditions in the energy sector easing after an unpredictable 2022, while prices were maintained at levels that facilitate the generation of sound operating results. International trading contributed significantly to the latter.

The focus of the second pillar, i.e. **investments in nuclear technologies**, were activities in the scope of the GEN Group's core strategic project (JEK2), in which many important milestones were achieved at the national level in 2023. GEN energija, which is responsible for the aforementioned project, is actively involved in the implementation of procedures in cooperation with other stakeholders, and is following the established timetable to ensure that a final investment decision regarding the project can be made by no later than 2028. Preparations for the effective siting of the power plant are in progress, in conjunction with the government task force for the coordination of preparatory activities for the JEK2 project. Several studies will be completed in 2024, while proposed business models will be prepared and a process for selecting a supplier for JEK2 will be chosen. The GEN Group has been contributing to the strengthening of energy literacy for many years. We are contributing again in 2024 to expert and well-reasoned discussions about the JEK2 project, and to the sustainable energy future of Slovenia.

The third pillar, i.e. **investments in renewable sources, flexibility and advanced services** (which will contribute the most concrete results in terms of new capacities connected to the grid until 2030), contributes significantly to the achievement of national decarbonisation targets and the increased share of RES. During a record year in 2023, we connected the highest number of new solar power plants in Slovenia, with a total rated power of 72 megawatts, including the largest solar power plant in Slovenia, with a rated power of 6 MW, which together with the Brežice HPP represents a hybrid system of solar and hydro energy. We are pursuing the objectives of the green transition and sustainable development by planning investments in the construction of new production capacities to increase the share of renewable, primarily solar and hydro sources, and investments in the construction of new capacities for the management of flexibility.

A leader in sustainable development and the green transition

During the updating of the GEN Group's Strategic Development Plan for the period 2024 to 2030, we also defined the group's Sustainability Policy, which comprehensively addresses all three ESG factors (environmental, social and governance), while at the same time specifying sustainability guidelines and initiatives. Pursuant to sustainability reporting guidelines, the annual report of GEN and the GEN Group for 2023 also includes information regarding the implementation of GEN's sustainability guidelines. In this single document, we present our operations and take into account the inextricable link between financial and non-financial information. Through the aforementioned Sustainability Policy, we pursue Slovenian and European legislative commitments. Sustainability efforts are intertwined in our daily operations and governance, including through the administrators of sustainability initiatives, ESG coordinators, sustainability workshops and regular reporting at various levels. We do all of this with the goal that the GEN Group will remain a leader in sustainable development and the green transition.

The power of talented people as the building block of sustainable operations

As seen in 2023, when in response to the unplanned shutdown of the NEK, well-coordinated teams of experts carried out a high-quality emergency overhaul in an exceptionally short timeframe, and GEN energija and GEN-I ensured the optimal procurement of alternative electricity, **highly qualified and committed employees** guarantee the continued successful operations of the GEN Group. We continue to build consistently upon our human potential. Employees represent an important pillar in the achievement of sustainable development at all levels of operations. For this reason, we continuously strive to promote the professional and personal growth of all GEN Group employees. We dedicate considerable attention to the intensive linking of a broad base of knowledge and experience, both at and between group companies, as this will make the pursuit of our mission even more successful.

I would like to sincerely thank all employees for their dedicated and professional work, and for their contribution to the ambitious plans 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, customers and local communities for your trust, successful cooperation and contribution to the sound functioning of the GEN Group.

The GEN Group will pursue ambitious objectives in 2024 based on the Strategic Development Plan and results from 2023. With regard to reliable supply to customers, we will strive to maintain our title as the leading supplier of low-carbon energy. In the area of investments in nuclear technologies, our main focus as the primary investor and developer of the JEK2 project will be on strengthening public trust in nuclear technologies, and the preparation of high-quality bases for decisions and implementation of procedures for the JEK2 project. Through investments in renewable sources, we will continue to make a significant contribution to the achievement of national decarbonisation targets and an increase in the share of RES. Responsible energy remains the key guideline of our operations in this regard. We believe that by doing so we are supporting our stakeholders, the wider community and the planet for today's and future generations.

Vrbina, 9 July 2024

Dr Dejan Paravan
CEO

HIGHLIGHTS

- The Strategic Development Plan of the GEN Group for the period 2024 to 2030 serves as a guide in the pursuit of our ambition to become the leading regional producer and supplier of low-carbon energy while achieving international excellence.
- By effectively exploiting opportunities on international markets, adapting to customers' needs, maintaining our own production sources and implementing planned investments, we will continue to protect Slovenian consumers from the price effects of conditions on the European energy market.
- We are contributing again in 2024 to expert and well-reasoned discussion about the JEK2 project, and to the sustainable energy future of Slovenia.
- We are pursuing the objectives of the green transition and sustainable development by planning investments in the construction of new production capacities to increase the share of renewable energy sources.

1.3. Report of the Supervisory Board

with the Report on the approval of the annual report of the company and the GEN Group for 2023

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

REPORT OF THE SUPERVISORY BOARD OF GEN energija d.o.o. for 2023

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 2023 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 and short-term goals, with the aim of maximising the value of the company.

COMPOSITION OF THE SUPERVISORY BOARD IN 2023

The composition of the Supervisory Board changed several times during 2023. It currently comprises eight members.

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 the 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 appropriately manage potential conflicts of interest in the performance of their tasks. No potential conflicts of interest were recorded in 2023. 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 responsible decisions.

At its 8th ordinary session held on 31 May 2023, GEN energija d.o.o.'s Supervisory Board constituted an investment committee, primarily due to the expected increase in investment activities in connection with the JEK2 project. Three members were appointed to that committee. One member was appointed by the company's Works Council, which briefed the Supervisory Board accordingly. The terms of office of all members began on 1 June 2023 and will last four (4) years or until recall by the Supervisory Board, by no later than the expiry of their terms of office on the Supervisory Board. The Supervisory Board adopted the rules of procedure of the investment committee of GEN energija d.o.o.'s Supervisory Board and adapted the latter's rules of procedure. The company's Supervisory Board has three committees as consultative bodies: audit, HR and investment committees.

The work of the aforementioned committees was performed in accordance with valid rules of procedure, i.e. based on the competencies and powers delegated to them by the Supervisory Board via resolutions. 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

from 1 January 2023 to 23 May 2023	from 24 May 2023 to 22 June 2023	from 23 June 2023 to 2 October 2023	from 3 October 2023 to 31 December 2023
Žiga Debeljak, MSc	Žiga Debeljak, MSc	Žiga Debeljak, MSc	Žiga Debeljak, MSc
Mateja Čuk Orel, MSc	Mateja Čuk Orel, MSc	Mateja Čuk Orel, MSc	Mateja Čuk Orel, MSc
Ivana Nedižavec Korada	Ivana Nedižavec Korada	Ivana Nedižavec Korada	Ivana Nedižavec Korada
Rok Marolt	Dr Miloš Pantoš	Dr Miloš Pantoš	Dr Miloš Pantoš
Dr Miloš Pantoš	Marijan Penšek, MSc	Marijan Penšek, MSc	Marijan Penšek, MSc
Marijan Penšek, MSc	Marjanca Molan Zalokar	Marjanca Molan Zalokar	Marjanca Molan Zalokar
Marjanca Molan Zalokar	Samo Fürst	Samo Fürst	Samo Fürst
Samo Fürst	Rene Jeromel		Aleš Buršič
Rene Jeromel			

Composition of the supervisory board's committees in 2023

COMPOSITION OF THE AUDIT COMMITTEE

from 1 January 2023 to 19 October 2023	from 20 October 2023 to 31 December 2023
Ivana Nedižavec Korada, chair	Ivana Nedižavec Korada, chair
Dr Miloš Pantoš	Dr Miloš Pantoš
Marijan Penšek, MSc	Marijan Penšek, MSc
Samo Fürst	Samo Fürst
Alojz Dimič	Slavica Pečovnik

COMPOSITION OF THE HR COMMITTEE

from 1 January 2023 to 23 May 2023	from 24 May 2023 to 31 December 2023
Žiga Debeljak, MSc, chair	Žiga Debeljak, MSc, chair
Mateja Čuk Orel, MSc	Mateja Čuk Orel, MSc
Rok Marolt	Dr Miloš Pantoš
Dr Miloš Pantoš	Katja Simončič Stropnik
Katja Simončič Stropnik	

COMPOSITION OF THE INVESTMENT COMMITTEE

from 1 June 2023 to 31 December 2023
Dr Miloš Pantoš, chair
Marijan Penšek, MSc
Ivana Nedižavec Korada
Marjanca Molan Zalokar

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

GEN's Supervisory Board met regularly to discuss various aspects of operations. All members of the Supervisory Board, in its various compositions, met at a total of ten (10) sessions, as follows: eight (8) regular sessions, one (1) extraordinary session and one (1) correspondence session. The Supervisory Board adopted a total of 133 resolutions.

The Supervisory Board's audit committee met at nine (9) ordinary sessions, at which it adopted 58 resolutions.
The participation of individual committee members was 100% at individual sessions.

The Supervisory Board's HR committee met at three (3) ordinary sessions, at which it adopted 15 resolutions. The participation of individual committee members was 100% at individual sessions.

The Supervisory Board's investment committee met at four (4) ordinary sessions in 2023, at which it adopted 21 resolutions. The participation of individual committee members was 100% at individual sessions.

Members regularly received the most important information, reports and materials for sessions of the Supervisory Board and its committees, and closely monitored the implementation of adopted resolutions. The work of the Supervisory Board and its committees was performed in accordance with the rules of procedure of the Supervisory Board and the rules of procedure of the committees.

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 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. and GEN-EL naložbe d.o.o., 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, and interim reports on the management of risks and opportunities for the company 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 2022

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. It found that the annual report appropriately presents operating, commercial and financial results in 2022. The annual report was also discussed by the audit committee. 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. The Supervisory Board of GEN energija d.o.o. compiled a written report for the founder on the results of its review of the annual report.

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 composition of the annual report of the company and GEN Group, and found that the company achieved good operating, commercial and financial results in 2022;

[1] Item 8.6 of the Code

- 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 3 October 2023 by Slovenian Sovereign Holding, acting in its capacity as founder, to perform the mandatory audit of the annual report and consolidated annual report of GEN energija d.o.o. and the GEN Group for the 2023, 2024 and 2025 financial years in accordance with valid regulations. 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 adopted resolution no. 384/28/23 on 28 July 2023, with the following content:

- it was briefed 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;
- it agreed with the proposal to leave distributable profit for 2022 in the amount of EUR 19,201,980.35 undistributed in its entirety;
- it conferred official approval on the senior management and Supervisory Board for the 2022 financial year, whereby claims for liability may be asserted against the persons on whom official approval was conferred;
- it was briefed on the JEK2 project status report, which includes information regarding analyses and studies carried out in 2022;
- it was briefed on the remuneration of the senior management bodies and supervisory boards of GEN energija d.o.o. and its subsidiaries during the 2022 financial year; and
- adopted new Articles of Incorporation of the limited liability company GEN energija d.o.o., which replaced the company's Articles of Incorporation of 19 January 2022.

BUSINESS PLAN OF THE COMPANY AND THE GEN GROUP FOR 2024

At its 12th ordinary session held on 19 October 2023, the Supervisory Board gave its consent to the business plan of GEN energija d.o.o. and the GEN Group for 2024, with a forecast of operations for 2025 and 2026, and briefed the founder accordingly in accordance with the provisions of paragraph 4 of Article 23 of the company's Articles of Incorporation.

CONSENT TO THE ELECTRICITY TRADING STRATEGY

At its 8th ordinary session held on 31 May 2023, the Supervisory Board gave its consent to the electricity trading strategy of GEN energija d.o.o. for 2024 and the years that follow.

STRATEGIC DEVELOPMENT PLAN

At its 7th ordinary session held on 22 March 2023, the Supervisory Board was briefed on the draft Strategic Development Plan of the GEN Group; at its 9th ordinary session held on 14 June 2023, it approved the Strategic Development Plan of the GEN Group for the period 2024 to 2030. The audit committee of GEN energija d.o.o.'s Supervisory Board was also briefed on the draft Strategic Development Plan of the GEN Group and the final Strategic Development Plan of the GEN Group for the period 2024 to 2030.

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 ordinary session held on 13 September 2022, the Supervisory Board gave its consent to the conclusion of an agreement with that audit firm.

At its 13th ordinary session held on 21 November 2023, the Supervisory Board gave its consent to the internal auditing plan for 2024.

At its 8th ordinary session held on 31 May 2023, the Supervisory Board was briefed on the report of GEN energija d.o.o.'s senior management regarding the possible functioning of an internal audit department at the company and tasked GEN energija d.o.o.'s senior management with the establishment of a functioning internal audit department by the end of the year. That activity is in progress.

COMPOSITION OF SENIOR MANAGEMENT

	from 1 January 2023 to 1 August 2023	from 2 August 2023 to 31 December 2023
CEO	Dr Dejan Paravan	Dr Dejan Paravan
COO	Danijel Levičar	/

CHANGES IN THE COMPOSITION OF THE COMPANY'S SENIOR MANAGEMENT

The term of office of COO Danijel Levičar ended on 2 August 2023. GEN had a one-member senior management from 3 August 2023 on, and was led independently by the company's CEO, Dr Dejan Paravan.

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 2023 was carried out in March 2024 in the form of a self-assessment matrix completed by all members. Following the completion of the self-assessment procedure, the Supervisory Board adopted a report and an action plan for improvements, and the founder was briefed accordingly.

The Supervisory Board's audit committee also performed an assessment of its effectiveness in April 2024 by completing a self-assessment questionnaire for that purpose. In that process, it was determined that the members of the audit committee were largely unanimous and gave similar assessments, which confirms that the audit committee functions in accordance with the Recommendations for Audit Committees published by the Slovenian Directors' Association.

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).

[2] Item 8.4 of the Code
[3] Item 8.6 of the Code

COMPOSITION AND AMOUNT OF REMUNERATION RECEIVED BY MEMBERS OF THE SUPERVISORY BOARD AND ITS COMMITTEES DURING THE 2023 FINANCIAL YEAR

First name and surname	Function (chair, deputy, member, external committee member)	Payment for performance of function and allowances – gross annual amount			Session fees of Supervisory Board and its committees – annual amount gross (2)	Total gross (1+2)	Travel expenses
		Basic payment for performance of function	Allowances in connection with performance of function	Total (1)			
Žiga Debeljak, MSc	Chairman of the Supervisory Board and chair of the HR committee	13,000	6,500	19,500	3,850	23,350	478
Mateja Čuk Orel, MSc	Deputy Chairwoman of the Supervisory Board and member of the HR committee	13,000	4,550	17,550	3,850	21,400	478
Ivana Nedižavec Korada	Member of the Supervisory Board, chair of the audit committee and member of the investment committee	13,000	5,687	18,687	6,050	24,737	634
Dr Miloš Pantoš	Member of the Supervisory Board, member of the HR and audit committees, and chair of the investment committee	13,000	6,500	19,500	6,930	26,430	487
Marijan Penšek, MSc	Member of the Supervisory Board, member of the HR and investment committees	13,000	4,875	17,875	6,050	23,925	1,273
Samo Fürst	Member of the Supervisory Board and member of the audit committee	13,000	3,250	16,250	5,170	21,420	1,001
Aleš Buršič	Member of the Supervisory Board	2,097	0	2,097	550	2,647	17
Marjanca Molan Zalokar	Member of the Supervisory Board and member of the investment committee	13,000	1,625	14,625	3,850	18,475	445
Rene Jeromel	Member of the Supervisory Board	7,295	0	7,295	1,870	9,165	223
Rok Marolt	Member of the Supervisory Board, member of the HR committee	6,221	1,555	7,776	1,760	9,536	242
Katja Simončič Stropnik	External member of the HR committee	3,250	0	3,250	880	4,130	552
Slavica Pečovnik	External member of the audit committee	563	0	563	220	783	3
Alojz Dimič	External member of the audit committee	4,311	0	4,311	1,980	6,291	352

* in EUR

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 595.00 (excluding VAT) in 2023. Travel costs are presented in the table detailing disclosures of remuneration.

REPORT ON THE APPROVAL OF THE ANNUAL REPORT OF THE COMPANY AND THE GEN GROUP FOR 2023

In the scope of its competences in connection with the annual report of the company and the GEN Group for 2023, the audit committee of GEN energija d.o.o.'s Supervisory Board was briefed on the draft annual report of the company and the GEN Group for 2023 at its 14th ordinary session held on 14 May 2024 and its 15th ordinary session held on 6 June 2024. At its 16th ordinary session held on 24 July 2024, it verified the annual report of the company and the GEN Group for 2023, and assessed that the financial report of GEN for 2023 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 2023 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 2023, and therefore proposed that it be approved, as is, by the Supervisory Board of GEN energija d.o.o. Representatives of the external auditor, who presented the results of their audit, were also present at the aforementioned session of the audit committee.

At its 16th ordinary session held on 15 May 2024, the Supervisory Board was briefed on the draft annual report of the company and GEN Group. At its 19th ordinary session held on 24 July 2024, it reviewed the composition of the annual report of the company and the GEN Group for 2023 and the proposal on the 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 found that the annual report appropriately presents operating, commercial and financial results in 2023.

Financial statements and proposed use of distributable profit for 2023

While reviewing the annual report of the company and the GEN Group for 2023, 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 3 October 2023 by Slovenian Sovereign Holding, acting in its capacity as founder, to perform the mandatory audit of the annual report and consolidated annual report of GEN energija d.o.o. and the GEN Group for the 2023, 2024 and 2025 financial years in accordance with valid regulations. 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 2023, together with the auditor's report, and on the Supervisory Board's report on the verification of the annual report;
- the reallocation of distributable profit for 2023 in the amount of EUR 150,000,000.00 to other revenue reserves; and
- the conferral of official approval on the senior management and Supervisory Board for their work during the 2023 financial year, where claims for liability may be asserted against the persons on whom official approval was conferred.

CONCLUSION

The members of the Supervisory Board find that the operations of the company and the GEN Group were successful, safe and above all reliable in 2023. The company is striving to achieve the green transition and sustainable development by decisively planning investments in the construction of new production capacities to increase the share of renewable sources, while taking into account core values, such as environmental acceptability, operational reliability and the fulfilment of promises, safety, competitiveness, and the preservation and transfer of superior knowledge, and the development of new knowledge. The construction of a second nuclear power unit (JEK2) will contribute significantly to the achievement of the goals of climate neutrality and the decarbonisation of the Slovenian electricity production system, and will also facilitate long-term energy independence and the high-quality supply of electricity.

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.

Žiga Debeljak, MSc
Chairman of GEN energija's Supervisory Board

02 BUSINESS REPORT

2.1. Presentation of the GEN Group

2.1.1. General information regarding the controlling company GEN

Full company name: GEN energija d.o.o.
Abbreviated company name:GEN d.o.o.
Registered office: Vrbina
Business address: Vrbina 17, 8270 Krško
Founder and sole owner: Republic of Slovenia
Share capital: EUR 250,000,000.00
VAT ID no.: SI44454686
Registration number: 1646613
Activity:
K/64.200 – Activities of holding companies
D/35.140 – Electricity trading, and other registered activities

2.1.2. Bodies of the controlling company GEN energija

The founder manages GEN energija d.o.o. directly and through the company's bodies in the following compositions as at 31 December 2023:

SUPERVISORY BOARD:
Chairman: Žiga Debeljak, MSc
Deputy Chairwoman: Mateja Čuk Orel, MSc
Members:
Ivana Nedižavec Korada
Dr Miloš Pantoš
Marijan Penšek, MSc
Marjanca Molan Zalokar
Aleš Buršič
Samo Fürst

SENIOR MANAGEMENT:
Dr Dejan Paravan, CEO

Senior management comprised two members until 2 August 2023: Dr Dejan Paravan as CEO and Danijel Levičar as COO. Since that date, the company is managed independently by its CEO, Dr Dejan Paravan.

The senior management comprises three members since 1 July 2024, as follows: Dr Dejan Paravan (CEO), Nada Drobne Popović, MSc (CFO) and Dr Bruno Glaser (COO).

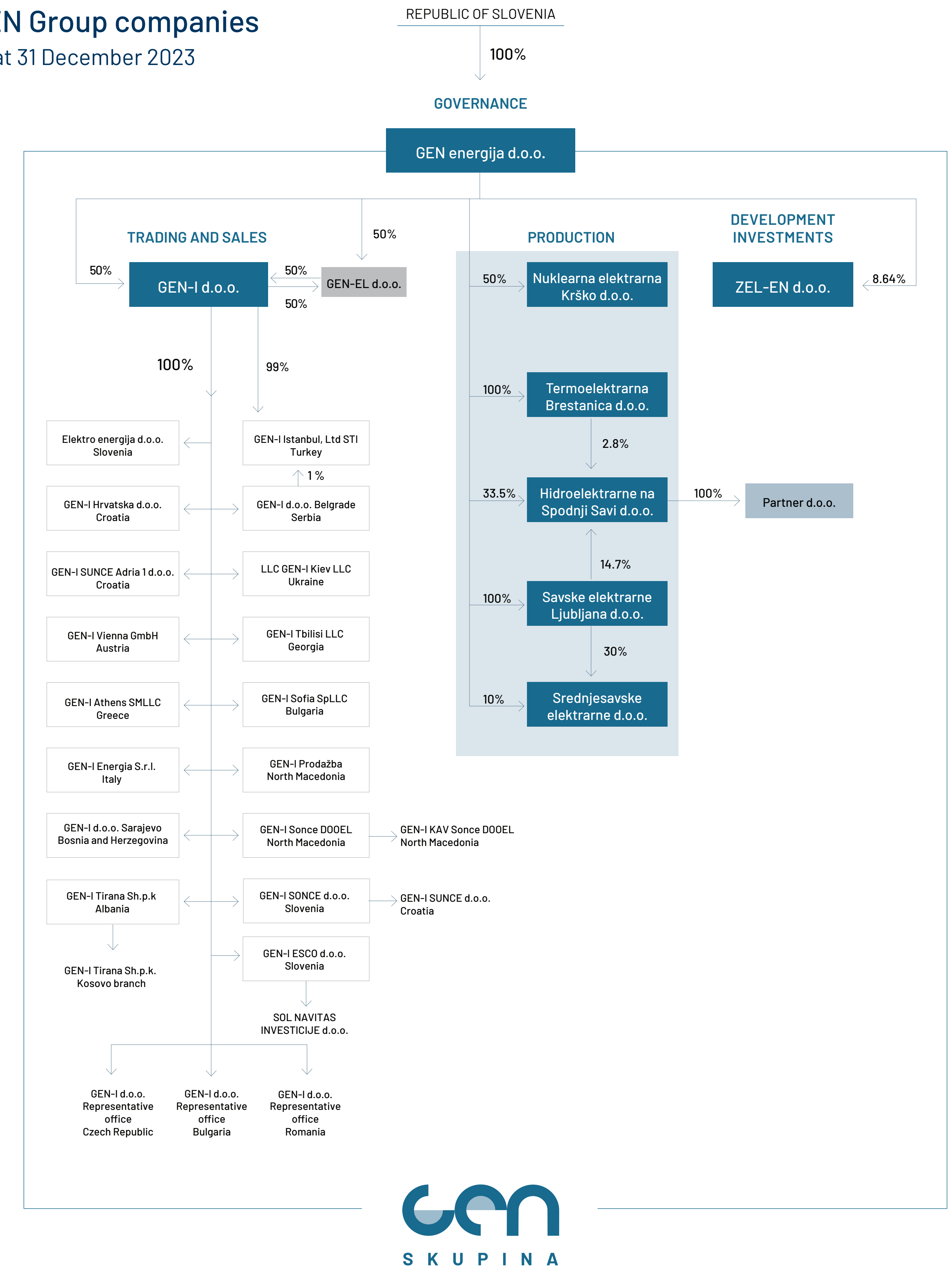
2.1.3. Associates

The GEN Group comprises GEN as the controlling company, TEB and SEL as subsidiaries in which GEN holds a 100% ownership stake, the subsidiary HESS in which the GEN Group holds a 51% ownership stake, and since 14 December 2016, GEN-I and GEN-EL over which GEN exercises a controlling influence. On 10 July 2023, the District Court of Krško adopted a decision on the entry of a change in GEN-EL and deleted the previous owner, Elektro Ljubljana d.d.

The group also includes NEK d.o.o. as a joint operation, and an investment in SRESA over which GEN exercises a controlling influence.

In addition to stakes in energy companies, GEN also held an 8.64% ownership stake in ZEL-EN as at 31 December 2023.

GEN Group companies
as at 31 December 2023



Pursuant to IFRS 11, the consolidated financial statements of the GEN Group for 2023 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[4] in June 2022 and December 2023 (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 2023 to 31 December 2023.

The senior management of GEN energija d.o.o. (hereinafter: the senior management) hereby declares that GEN was governed in 2023 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 currently valid 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. adopted a Code of Business Ethics back in 2012. That code is currently being updated.

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

<u>A / Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the SSH Code)</u>

In 2023, GEN followed the SSH Code, which was revised at the end of 2023, 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 2023, the company complied in full with the majority of recommendations set out in the SSH Code based on the 'comply or explain' approach. Below are explanations regarding individual deviations from the recommendations set out in the SSH Code:
Item 3.4: The company will adopt a Governance Policy in 2024.

Item 7.7: A culture of recognising talented employees was identified through a succession project, in the scope of which talented employees were identified and development plans were drawn up. Those plans include a review of the fulfilment of formal criteria, an overview of the current development of professional, personal and leadership competences, a GAP analysis, proposals for the development of underdeveloped competences and a projected timeline.

Item 7.9.2: The company is the signatory of the Commitment to Respect Human Rights in Operations, and reports to the MFEA in this regard. Senior management named a human rights officer in 2023. Their tasks will include the establishment of a mechanism for handling breaches.

Item 7.10: An internal succession policy for members of 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. According to the timeline, an internal succession plan will be drafted in 2024.

Item 9.3.1: The internal audit function is performed by an external service provider.

Item 11: The function of compliance and integrity officer is performed by a person appointed from the corporate governance department based on a resolution of senior management.

<u>B/ Recommendations and Expectations of Slovenian Sovereign Holding (hereinafter: the Recommendations and Expectations of SSH)</u>

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 2023. Explanations of specific deviations are given below:

Recommendation 3.10: GEN has in place clearly defined procedures for allocating sponsorships and donations, but these are not published on a public 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. Upgrading the management of the corporate culture is an element of the Strategic Development Plan of the GEN Group for the period 2024 to 2030 and is in progress.

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 8.6: Bilateral cooperation between senior management and the Works Council through a participation agreement is still being coordinated, while workers participate in the management of the company through three members of the supervisory body.

II. DESCRIPTION OF THE COMPANY'S COMPLIANCE AND INTEGRITY SYSTEM IN ACCORDANCE WITH THE CODE, AND THE RECOMMENDATIONS AND EXPECTATIONS OF SSH

GEN's compliance and integrity system was established through the application, *inter alia*, of the provisions of Section 6 of the ZSDH-1 and the provisions of Section 11 of the Code and Section 14 of the Recommendations and Expectations. The company's senior management adopted a resolution appointing a compliance and integrity officer. An Integrity Plan will be adopted in 2024, and will include all known risks in the area of compliance and integrity at the company. The company will dedicate special attention to the protection of personal data and internal information. Both areas are governed by bylaws adopted by the company. The compa-

[4] https://www.sdh.si/Data/Documents/pravni-akti/Kodeks%20korporativnega%20upravljanja%20druzb_december%202023.pdf

ny's bylaws also cover other areas such as limiting conflicts of interest, lobbying, the prohibition of unethical or illegal conduct, the prohibition of and restrictions on the acceptance of gifts, restrictions on transactions with related parties, the protection of whistleblowers, etc. The company adopted a Code of Business Ethics back in 2012. That code is publicly accessible on the company's website. The company also strives to upgrade compliance at GEN Group companies. The Code of Ethics of the GEN Group will be adopted in 2024.

III. REPORT ON THE IMPLEMENTATION OF THE DIVERSITY POLICY DURING THE REPORTING PERIOD AND ASSOCIATED RESULTS THEREOF

Pursuant to the provisions of Article 70 of the Companies Act, Article 21 of the Slovenian Sovereign Holding Act and based on Points 3.6, 3.6.1 and 3.6.2 of the Corporate Governance Code for Companies with Capital Assets of the State (SSH, November 2019), GEN's Supervisory Board adopted a special bylaw on 3 April 2020, i.e. the Diversity Policy of the Senior Management and Supervisory Board of GEN energija d.o.o. That bylaw represents a framework of key principles regarding representation that facilitate and promote a diverse composition (primarily in terms of gender, age and education) of GEN's senior management and Supervisory Board. The Supervisory Board's committees are covered by the same framework. The founder has been briefed on the aforementioned bylaw, which is published on the company's website.

The supervisory body and its committees ensured the diversity of their members in 2023 in terms of all objectives of the bylaw referred to in the first paragraph of this point.

The diversity of the members of the management body was ensured until 2 August 2023, when one member of the management body (i.e. the CEO) assumed the independent management of the company, in terms of all objectives of the bylaw referred to in the first paragraph of this point, with the exception of age and gender.

IV. 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 2023 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 and COO until 2 August 2023 and only the CEO from 2 August 2023 on, served as GEN's management body in 2023, while the company's supervisory body is the nine-member Supervisory Board.

In 2023, 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 four 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).

[5] https://www.gen-energija.si/files/sitegenerator/204/pdf/Politika%20raznolikosti%20organov%20vodenja%20in%20nadzora%20druz%CC%8Cbe%20GEN_SLD_FINAL_april%202020.pdf

V. INFORMATION REGARDING THE COMPOSITION AND WORK OF MANAGEMENT AND SUPERVISORY BODIES IN 2023

The relevant information is included in the Report of the Supervisory Board in 2023.

First name and surname	Function (Chairman, Deputy Chairman, member)	First appointment to function	Conclusion of function/ term of office	Shareholder/ employee representative	Participation in Supervisory Board sessions/total number of sessions	Gender	Nationality	Year of birth	Education	Professional profile	Status per statement of independence	Existence of conflicts of interest during financial year	Membership on supervisory bodies of other companies	Membership on committees (audit, HR, investment)	Participation in committee sessions/total number of sessions
Žiga Debeljak, MSc	Chairman	10 August 2022 (Chairman of the Supervisory Board since 16 August 2022)	10 August 2026	Shareholder representative	10/10	Male	Slovene	1971	Bachelor's degree in computer engineering, master's degree in business and organisation (master of science)	Corporate governance, business and organisation, corporate finance	YES	NO	Chairman of Telekom Slovenije d.d.'s Supervisory Board	HR committee (chair since 16 August 2022)	3/3
Mateja Čuk Orel, MSc	Deputy Chairwoman	10 August 2022 (Deputy Chairwoman of the Supervisory Board since 16 August 2022)	10 August 2026	Shareholder representative	10/10	Female	Slovene	1980	Bachelor's degree in law, master's degree in law	Energy regulations, corporate governance	YES	NO	Member of Telekom Slovenije d.d.'s Supervisory Board Member of SODO d.o.o.'s Supervisory Board until 2 October 2023	HR committee (member since 16 August 2022)	3/3
Ivana Nedižavec Korada	Member	10 August 2022	10 August 2026	Shareholder representative	10/10	Female	Slovene	1977	Bachelor's degree in economics	Finance, energy, human resources, accounting, auditing, international cooperation	YES	NO	Deputy Chairwoman of Borzen d.o.o.'s Supervisory Board	Audit committee (chair since 16 August 2022), investment committee (member since 1 June 2023)	9/9 (audit committee) 4/4 (investment committee)
Dr Miloš Pantoš	Member	10 August 2022	10 August 2026	Shareholder representative	10/10	Male	Slovene	1977	Bachelor's degree in electrical engineering, doctorate in electrical engineering	Highly specialised electrical engineer in the area of electricity	YES	NO	/	Audit committee (member since 16 August 2022), HR committee (member since 16 August 2022), investment committee (chair since 1 June 2023)	3/3 (HR committee), 9/9 (audit committee), 4/4 (investment committee)
Marijan Penšek, MSc	Member	10 August 2022	10 August 2026	Shareholder representative	10/10	Male	Slovene	1959	Bachelor's degree in mechanical engineering, master's degree in mechanical engineering	20 years of work experience at Gorenje d.d. in different areas (product and service development, project management, sales of products and services); 16 years of work experience as the director of companies and specific areas; experience in the purchase and sale of companies; experience in the supervision of companies; four years of experience as an independent business consultant, primarily in the areas of renewable energy sources and business organisation	YES	NO	Deputy Chairman of Unior d.d.'s Supervisory Board	Audit committee (member since 16 August 2023), investment committee (member since 1 June 2023)	9/9 (audit committee) 4/4 (investment committee)
Samo Fürst	Member	1 October 2015	3 October 2027	Employee representative	10/10	Male	Slovene	1981	Bachelor's degree in electrical engineering, master's degree in management (MBA)	MBA, bachelor's degree in electrical engineering	YES	NO	/	Audit committee (member since 5 September 2018)	9/9
Aleš Buršič	Member	3 October 2023	3 October 2027	Employee representative	2/10	Male	Slovene	1973	Bachelor's degree in mechanical engineering	Nuclear energy, quality management, machinery engineering and construction	YES	NO	/	/	/
Marjanca Molan Zalokar	Member	2 October 2019	3 October 2027	Employee representative	10/10	Female	Slovene	1971	Bachelor's degree in law	Corporate governance, public procurement law, labour law	YES	NO	Member of Elektro Ljubljana d.d.'s Supervisory Board	Investment committee (member since 1 June 2023)	4/4
Rene Jeromel	Member	21 December 2020	22 June 2023	/	/	/	/	/	/	/	/	/	/	/	/
Rok Marolt	Member	10 August 2022	23 May 2023	/	/	/	/	/	/	/	/	/	/	/	/

EXTERNAL MEMBERS OF COMMITTEES (AUDIT, HR, INVESTMENT)

First name and surname	Committee	Participation in committee sessions/ total number of sessions	Gender	Nationality	Education	Year of birth	Professional profile	Membership on supervisory bodies of unrelated companies
Katja Simončič Stropnik	HR committee	3/3	Female	Slovene	Bachelor's degree in economics and HR management	1980	Economy, HR management, accounting, workers' participation in management, management board staffing, event organisation	/
Slavica Pečovnik	Audit committee	1/9*	Female	Slovene	Bachelor's degree in economics	1979	Certified auditor with many years of experience in the areas of auditing, accounting and finance, and consultancy for small, medium-sized and large enterprises in Slovenia. Head of finance and accounting at a public research institute	/
Alojz Dimič	Audit committee	8/9	Male	Slovene	Three-year higher education	1951	Bachelor's degree in economics	/

* Slavica Pečovnik was appointed member of the audit committee on 20 October 2023.
** Alojz Dimič served as member of the audit committee until 19 October 2023.

VI. 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 the risk committee); and
- control over the functioning of the system and introduction of improvements (carried out by various specialist departments and the internal audit department).

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 committee, while an internal audit department also functioned in 2023.

Vrbina, 9 July 2024

Dr Dejan Paravan
CEO

Nada Drobne Popović, Msc
CFO

Dr Bruno Glaser
COO


gen

2.3. Strategy

The confluence of the climate and energy crises has led to significant changes in conditions on the European energy market. Dependence on energy imports has proven to be one of the key obstacles to the country's strategic development, and the reasons for strengthening electricity self-sufficiency are more relevant than ever before. The energy crisis in 2023 highlighted the need for a more efficient and closer link between electricity production and consumption. The new circumstances have required energy companies to adapt. For this reason, we adopted the Strategic Development Plan of the GEN Group for the period 2024 to 2030 in 2023.

The GEN Group has always responded well to changes, as confirmed by past operating results. Adapting to continuously new challenges and to current and future conditions will continue to be part of the GEN Group's development paradigm. In this light, all GEN Group companies began updating their strategic development plans in 2023. The **Strategic Development Plan of the GEN Group for the period 2024 to 2030** serves as the basis for the implementation of the GEN Group's business policy and is the core document for successful long-term operations.

The alignment of the strategy and a clear definition of strategic guidelines at the GEN Group level is crucial for the pursuit of the GEN Group's updated mission:

The GEN Group is the leading regional implementer of the transition to a self-sustaining and low-carbon electric power grid based on nuclear energy and renewable sources. Through a value-added chain that covers the spectrum from production to supply, we ensure the reliable, competitive and customer-oriented supply of energy and energy services.

The development document is the result of brainstorming between all GEN Group companies, which by successfully identifying synergies, formulated strategic guidelines aimed at a common **vision**:

'We will become a regional producer and supplier of low-carbon electricity at a competitive price, and achieve excellence on a global scale.'

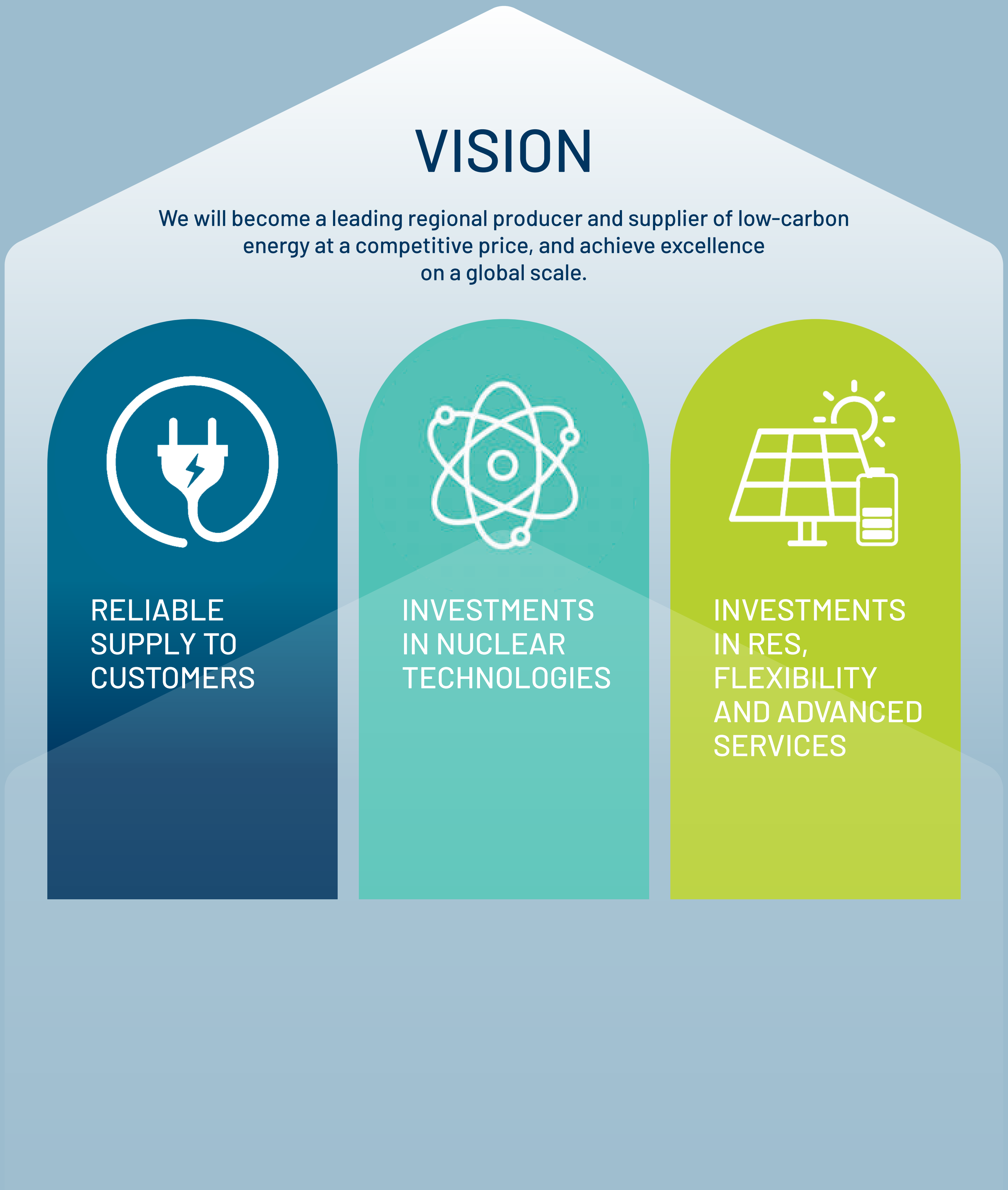
We will implement the Strategic Development Plan of the GEN Group for the period 2024 to 2030 in the scope of three pillars:
- **reliable supply to customers** (1st pillar),
- **investments in nuclear technologies** (2nd pillar), and
- **investments in renewable energy sources, flexibility and advanced energy services** (3rd pillar).

Through the production of electricity and reliable supply to customers, by ensuring investment potential and through international trading, we will generate free cash flows to invest in nuclear technologies, renewable energy sources, flexibility (storage facilities, hydrogen, etc.) and advanced services (sustainable energy circle and energy community services, etc.).

The Strategic Development Plan of the GEN Group for the period 2024 to 2030 will be used as the basis for the preparation of companies' business plans, which focus on the implementation of the policies set out in the aforementioned development plan for the period 2024 to 2030 and the initiatives set out in individual pillars. That document was adopted by the founder in 2023.

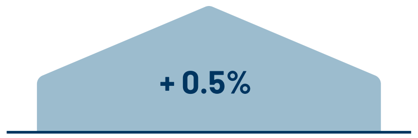
An integral element of the Strategic Development Plan of the GEN Group for the period 2024 to 2030 is the **Sustainability Policy of the GEN Group**, which comprehensively addresses all three ESG factors (environmental, social and governance) and describes in detail our strategic guidelines relating to environmental (E), social (S) and governance (G) factors. More about the GEN Group's efforts in the area of sustainable development can be found in Section 3 'Sustainable development'.

Pillars of the Strategic Development Plan of the GEN Group for the period 2024 to 2030

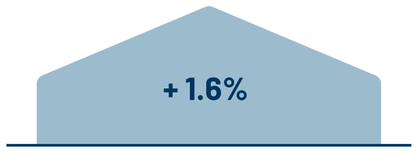


2.4. Economic trends in 2023 and their impact on the electricity sector

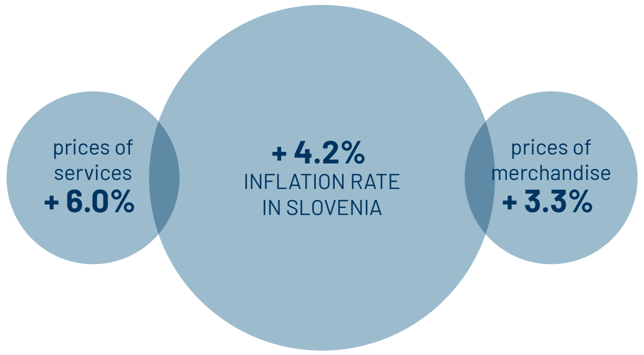
Economic growth in the euro area was 0.5%



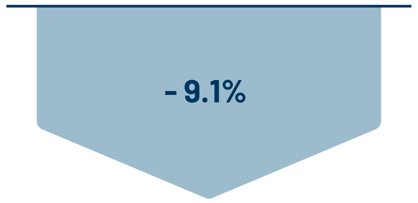
Slovenia recorded GDP growth of 1.6%



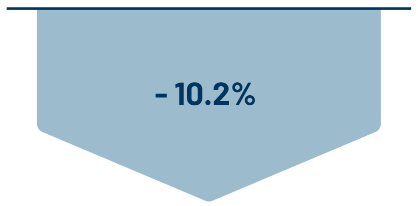
Annual inflation rate was 4.2%



Unemployment fell in Slovenia



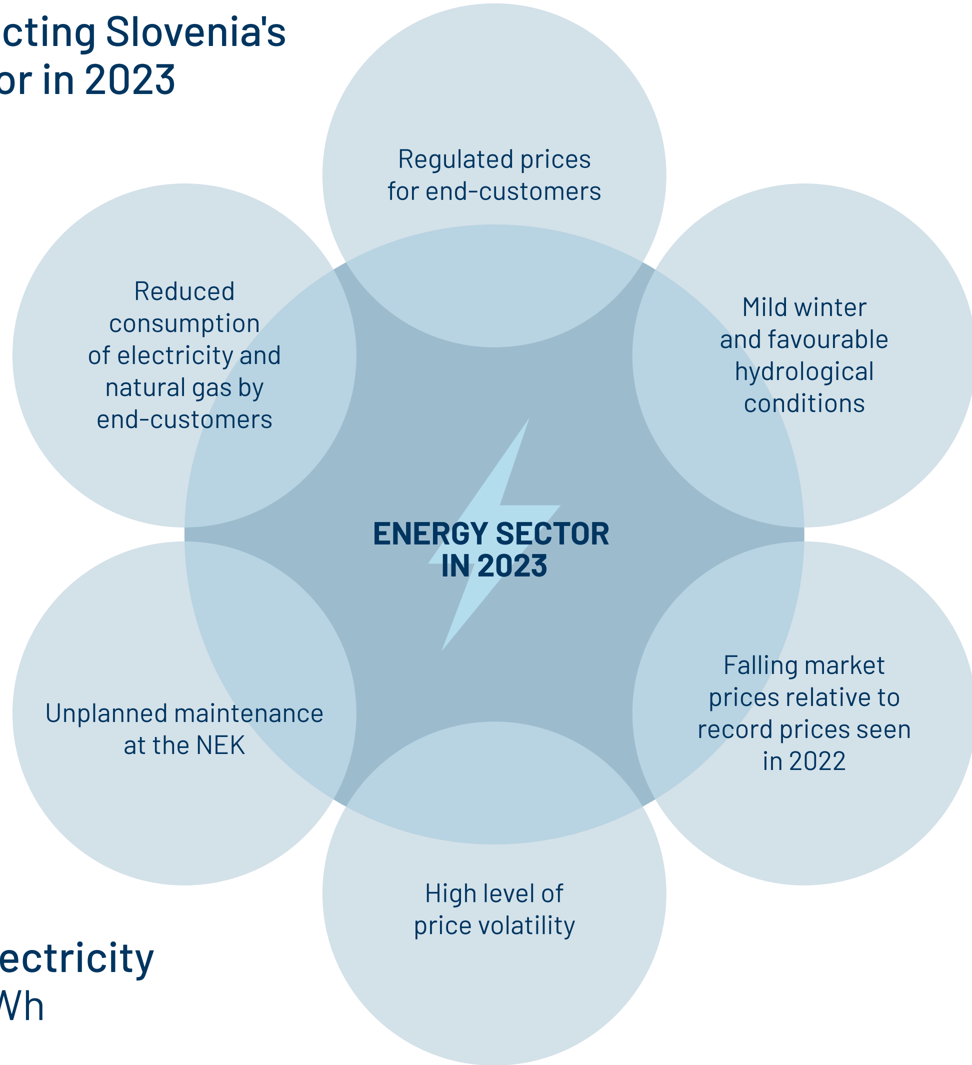
Industrial production fell



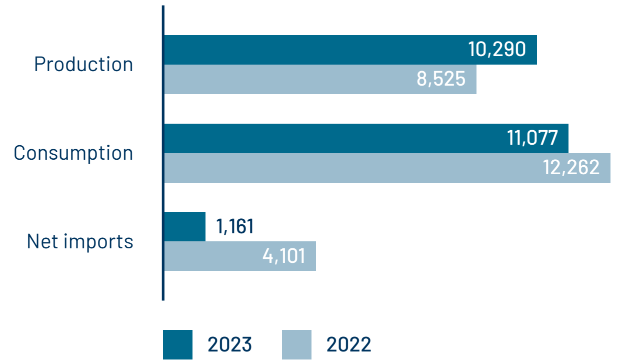
Growth in industrial production is important for the electricity sector, as it is a driver of growth in the consumption of electricity and other energy products.

Wholesale electricity price

Factors affecting Slovenia's energy sector in 2023



Slovenian electricity market in GWh



2.5. Operations of the GEN Group in 2023

2.5.1. Reliable supply to customers

Reliable supply to customers represents the first pillar of the Strategic Development Plan of the GEN Group for the period 2024 to 2030. Most important within the GEN Group for ensuring the reliable supply of electricity is the high operational availability of production facilities, which 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.

Reliable production portfolio

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, while operating within the regulatory framework. All of the group's other production facilities (hydro, solar and gas power plants) have similar policies.

The production units owned by GEN Group companies produced 3,456 GWh of electricity. With the help of GEN's Control Centre, which combines production, trading, sales, the provision of ancillary services and coordinates the operations of the entire GEN balancing subgroup, all production units operated in unison, and all unplanned events were effectively addressed.

Large electricity production units in the GEN Group's balancing subgroup in Slovenia in 2023

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

SEL		Moste	Završnica	Mavčiče	Medvode	Vrhovo	SHPP	TOTAL
	No. of production units	2	1	2	2	3	6	
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 HBR	m	70.0	177.0	17.5	20.8	8.7		**294.0**
Installed Qi flow rate	m³/s	26.0	6.0	260.0	150.0	500.0		

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

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

Production by large units (excluding GEN-I's solar power plant in North Macedonia, which is not part of GEN's balancing subgroup) was lower than planned, despite favourable hydrological conditions, due to the unplanned shutdown of the NEK. TEB also functioned to a lesser extent than planned due to less favourable market and commercial conditions.

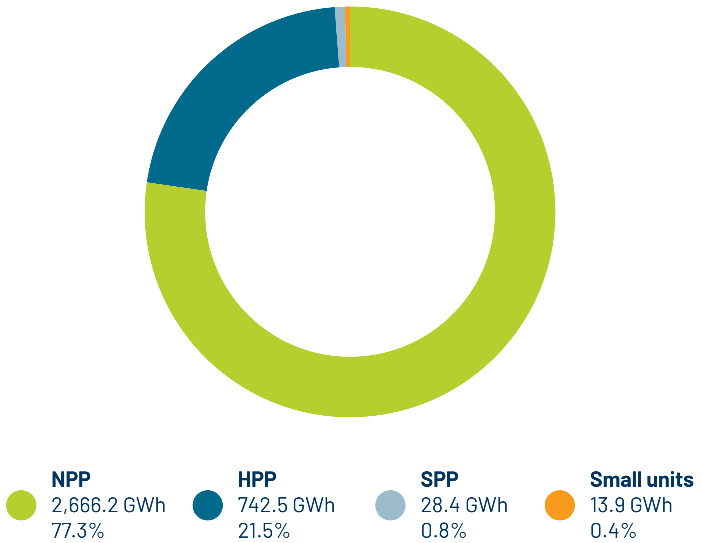
Electricity production sources at GEN Group companies in 2023

	GEN Group		
	2023	2022	
in GWh	Actual in GWh	Actual in GWh	Difference in GWh (2023 – 2022)
NEK (50%)	2,666.2	2,655.3	10.9
SEL	396.9	225,1	171.8
TEB	5.2	46,5	-41.3
HESS – HPPs (51%)	345.7	204,0	141.7
HESS – SPPs (51%)	2.7		2.7
GEN-I – SPPs	25.7	5,0	20.7
Large units	**3,442.4**	**3,136**	**306.4**
Small units	**13.9**	**11.3**	**2.6**
Total	**3,456.3**	**3,147.2**	**309.1**

In addition to large production facilities, GEN Group companies also own **small-scale production units**, some of which are included in GEN's balancing subgroup and others that are operated independently by companies. The latter include hydro and solar power plants, and high-efficiency cogeneration plants. Those production units produced a combined total of 13.9 GWh of electricity during the reporting period.

The hub of the GEN Group's activity hub is GEN's Control Centre, which has been in operation since 2008. GEN's Control Centre coordinates the functioning of GEN's entire balancing subgroup and facilitates the achievement of the synergistic effects of electricity production. It is also responsible for the continuous provision of ancillary services for the needs of the electric power grid. Every production company in GEN's balancing subgroup plays its own role in Slovenia's electric power grid.

Low-carbon and renewable energy production sources at GEN Group companies in 2023



Krško Nuclear Power Plant (NEK)

The NEK covers base load power on the daily electricity consumption curve throughout the year. The NEK produced **5,332 GWh** of electricity in 2023. The amount of electricity to which GEN is entitled pursuant to the Intergovernmental Agreement on the NEK was **2,666 GWh**, which was **11.3% less than in the annual plan**.

Lower production than planned was the result of the preventive shutdown of the NEK at the beginning of October 2023. The operational crew detected increased leakage of the primary system inside the containment vessel. Following the cold shutdown of the power plant, the team located the micro-location of the leak on a segment of the reactor vessel connecting pipe on the high-pressure back-up injection system, which represents one of the emergency core cooling systems. All necessary analyses of the cause were preformed and an action plan for the rectification of the deviation was drawn up. An additional irregularity in the pipe material was also identified, which led the NEK to replace the entire segment of pipe, from the connection to the reactor vessel to the primary valve. To ensure safe and long-term functioning, the decision was made to replace the pipe to the same extent on the secondary line of the system. Following completion of the replacement, the quality of work performed was confirmed by non-destructive methods and the NEK was reconnected to the electric power grid after 43 days in mid-November.

In connection with the NEK and the decommissioning thereof, and based on a decision issued by the Slovenian government, GEN pays into the NEK Fund a contribution for decommissioning in the amount of **EUR 12 for every MWh electricity received from the NEK**, meaning a total of **EUR 32 million** in 2023.

Capability, availability and capacity factors for the NEK in 2023

NEK capability factor (according to WANO): 87.83%
Capability factor (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: 88.29%
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: 91.40%
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.

Power plants on the Sava River (SEL)

Within the electric 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. Production by SEL's large hydroelectric power plants amounted to **396.9 GWh** in 2023, which **exceeded the annual plan by 20.3%**.

Termoelektrarna Brestanica, d.o.o. (TEB)

Typically, TEB's production is highly dependent on how often it operates to cover failures of larger units in the electric power grid. When conditions on the electricity market are favourable, a portion of TEB's production is also used to satisfy market needs. TEB generated **5.2 GWh of electricity** in 2023.

Hydroelectric power plants on the Sava River (HESS)

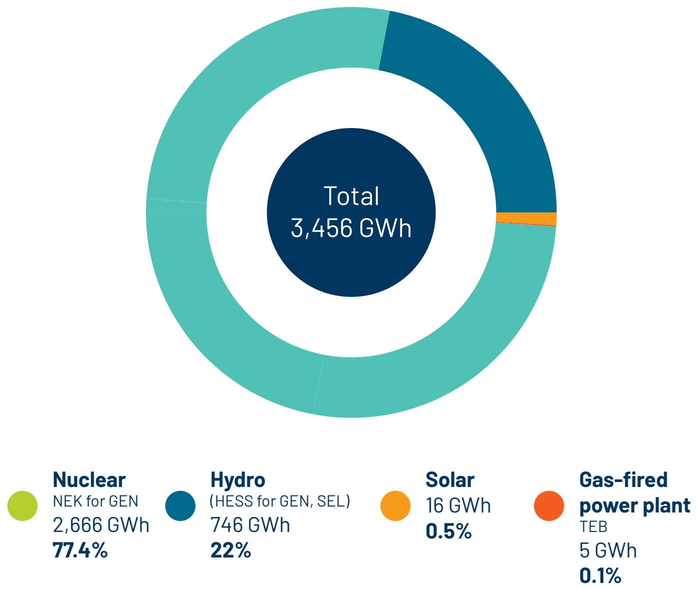
GEN received **345.7 GWh of electricity** from HESS's hydroelectric power plants in 2023, which was **16.1% higher than in the annual plan**. It also received 2.7 GWh of electricity from HESS's solar plant.

Low-carbon energy source portfolio
A total of 99.8% of all the electricity produced by the power plants of GEN Group companies in 2023 came from low-carbon and renewable sources: nuclear, hydro and solar energy.

The GEN Group thus contributed significantly in 2023 to the low-carbon production of electricity, which is efficient and safe, with a view to maintaining and improving the quality of the environment and mitigating climate change.

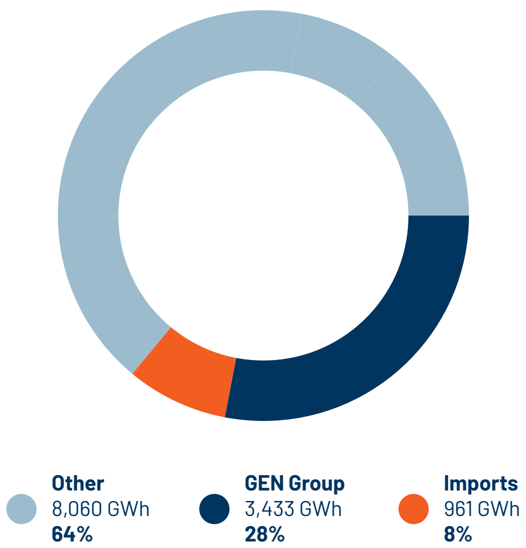
Electricity production

Estimate for 2023 by production type

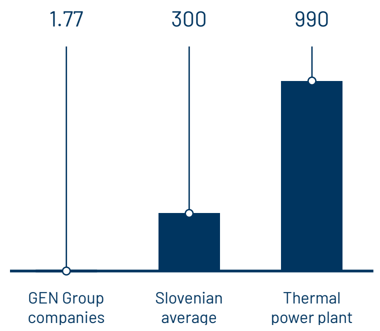


Electricity production

Source: GEN energija analytics for 2023



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 **1.77 g per kWh** in 2023. 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.

Sale of energy and services

In 2023, the GEN Group was committed to providing affordable and innovative solutions for its customers in both the household customer and business segments:

- **Regulation of electricity prices for households and small business customers**: The GEN Group bore a significant portion of the burden of the regulation of electricity prices for households and small business customers, which the Slovenian government introduced under the Decree on the setting of the price of electricity.
- **Reduction in natural gas prices**: We succeeded in reducing natural gas prices in November and December 2023, and thus eased the financial burden on our customers. We further reduced prices for 2024 below the maximum regulatory prices, making us the most affordable natural gas supplier on the Slovenian market.
- **Innovation and sustainability**: In line with sustainable development, we prepared in 2023 for the launch of the Ajdovščina energy community, which will enable customers to make efficient use of solar energy and thus contribute to the reduction of their carbon footprint. That community began functioning in March 2024.
- **Preparations for the regulation of prices for household customers in 2024**: In anticipation of changes in the regulation of electricity prices, we drew up price lists for the unregulated segment of the market and other segments in 2023, and thus maintained our competitiveness and customer satisfaction.
- **Changes in self-sufficient supply and network charge**: In accordance with coming changes, we worked intensively in 2023 to adjust individual self-sufficient supply billing and amended the network charge methodology with the aim of improving efficiency and transparency. The aforementioned activities continue in 2024.
- **Support in difficult moments**: We supplied energy at the symbolic price of EUR 1/MWh until the end of the year for all customers affected

by severe storms in August 2023, and thus contributed our share to rebuilding and recovery efforts.

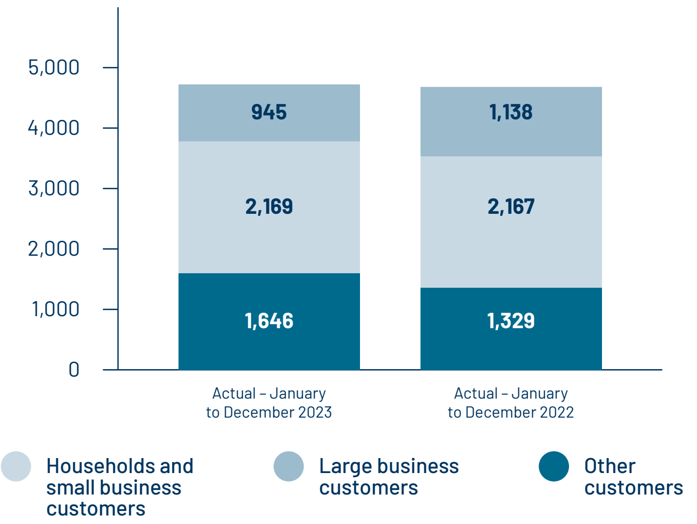
- **Less is More**: The campaign, through which we set an example and promoted positive action during the energy crisis, continued in 2023. To further promote savings, we checked how much electricity and natural gas all household customers saved combined every three months from October 2022 on, and deducted a pre-determined amount of savings from their bills. Electricity consumption was down by 1–2% in specific quarters, while natural gas consumption was down by 13–17%. The campaign was concluded at the end of September 2023.
- **Sales activities for medium-sized business customers**: On average, enquiries from existing and new customers were processed on the same day an enquiry was received. Offers were adapted to daily market conditions, meaning customers always received the best possible offer. A total of 1,328 contracts were signed in 2023 for 233 GWh in 2024.

Supply of electricity

In 2023, GEN Group companies supplied **domestic business customers and households 3,113 GWh of electricity**, as well as an additional **1,646 GWh to other Slovenian customers**, such as the transmission system operator and other electricity suppliers. We thus supplied a total of **4,759 GWh of electricity**.

Supply to households and small business customers in 2023 was at the level achieved in 2022, and exceeded the planned level on account of new customers, while supply to business customers

Supply of electricity on the Slovenian market by GEN Group companies



was down slightly as the result of events in 2022, in particular austerity measures implemented by companies and a reduction in the size of the aforementioned segment in the portfolio.

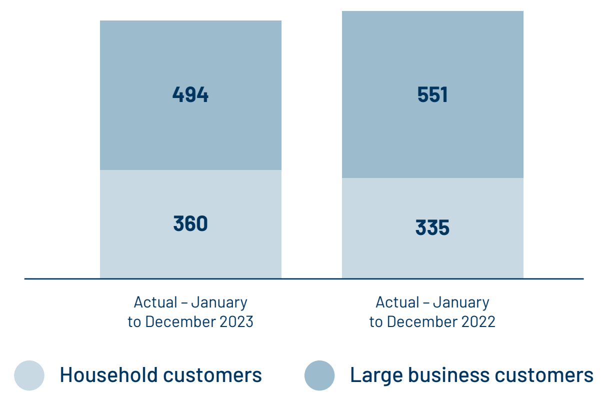
The GEN Group bore a significant portion of the burden of the regulation of electricity prices for households and small business customers, in the amount of EUR 195 million.

Supply of natural gas

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

GEN-I purchases natural gas on European power exchanges, where natural gas prices are dictated by both fluctuations in oil prices and actual supply. In this way, our natural gas supply sources are diversified among the most trusted and best-known Western European partners. In 2023, we supplied natural gas in the broader region to slightly less than 32 thousand household customers and around 80 business customers. Total sales of natural gas amounted to **3,021 GWh**.

Supply of natural gas by GEN Group companies in Slovenia



Ancillary services

Playing a crucial role within the GEN Group in the provision of ancillary services for the Slovenian electric power grid is TEB, as the latter is an **ancillary power plant** that can provide manual frequency restoration reserve (mFRR), the black-start-up of generators, island mode operation for delivering power to the NEK and reactive power.

Due to its remarkably stable operations and ability to provide a large amount of reactive power and the regulation of energy, 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, while SEL and HESS units provide frequency control reserve (FCR), manual frequency restoration reserve (mFRR) and reactive power. Some of SEL's generating units can also be started up without an external power supply. Preparations are in progress in 2024 to ensure the possibility of providing automatic frequency restoration reserve (aFRR).

Six tertiary frequency control activations were performed in 2023 for the needs of mFRR.

International trading

In 2023, the **price of natural gas** (on the Dutch TTF) was at levels similar to the summer of 2021 prior to the energy crisis. With warehouse levels at a record high capacity of 84% in mid-winter, there was no fear of a natural gas shortage during the winter, in contrast to the previous two winters when there was a great deal of uncertainty due to the interruptions to the supply of Russian natural gas. Favourable conditions in 2023 were primarily the result of stable supply from Norway and Algeria, and via liquefied natural gas (LNG) ships from the US, and due to a structural reduction in natural gas consumption in the industrial and energy sectors.

With the continuation of a warm winter, natural gas prices continued to fall, with prices falling below EUR 30/MWh in certain periods. The drop in prices was mainly due to low consumption, both a permanent fall in the demand curve (so called 'demand destruction') and temporarily lower consumption (high temperatures and lower demand from the industrial sector).

Fluctuations in natural gas prices also had a significant impact on fluctuations in electricity prices in 2023. For comparison, the value of forward contracts in Hungary for 2023 reached EUR 241/MWh at the end of 2022, while forward contracts for 2025 traded at around EUR 80/MWh in 2023.

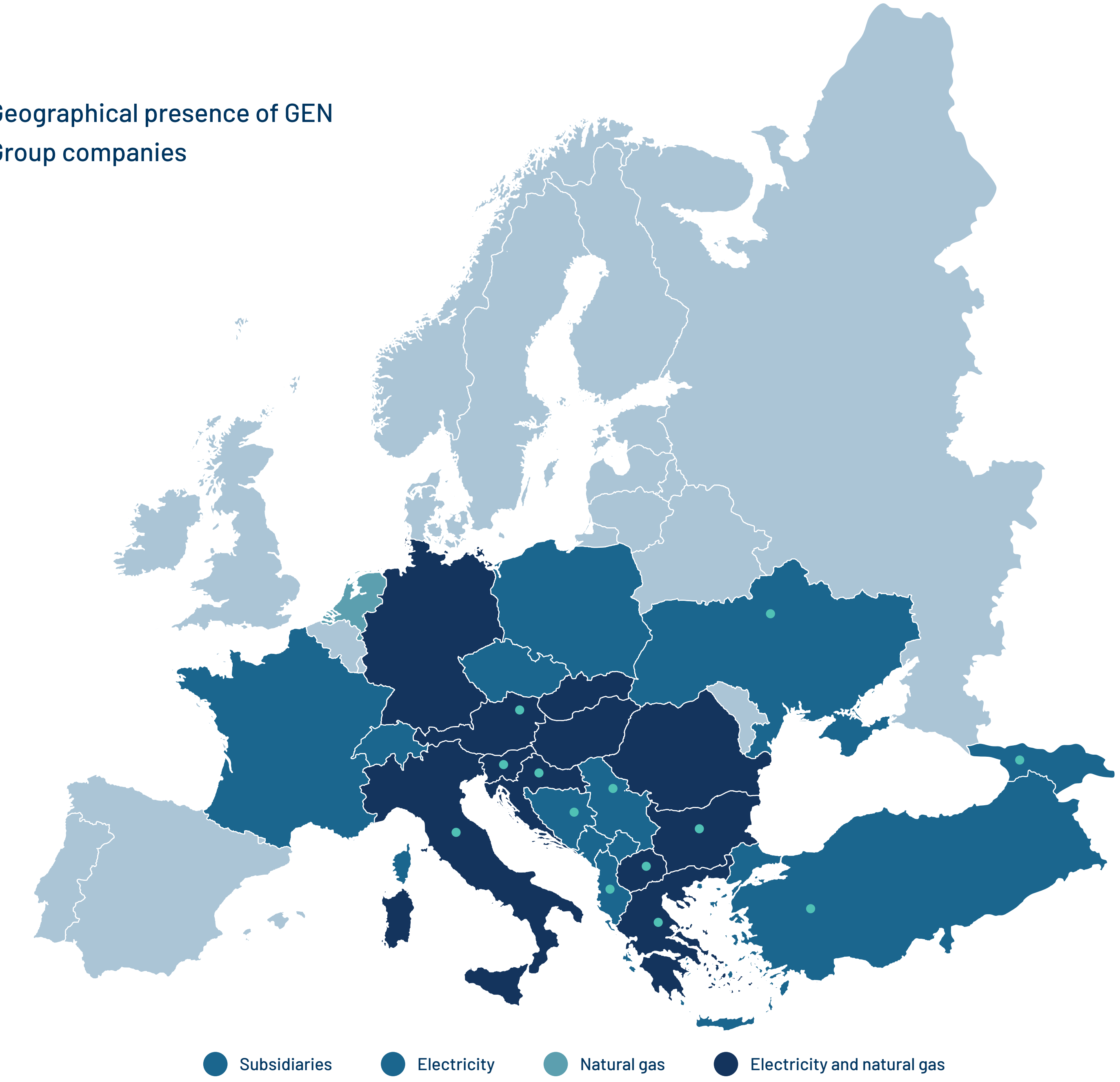
In addition to lower natural gas prices, a general reduction in electricity consumption had a favourable impact on falling electricity prices. Consumption in 2023 was down by 9.3% relative to previous years in the CEE region, and down by 6.8% in the SEE region (excluding the impact of temperatures). Also contributing significantly to lower consumption was an increase in the installed capacities of electricity production from solar sources, primarily in the summer months.

Through its activities, GEN-I successfully adapted to market conditions and exploited market opportunities in a dynamic environment in 2023. It also contributed significantly to the performance of the GEN Group:

- **Increase in the added value of capacities**: Through in-depth, analytically supported preparations for the annual capacity purchase strategy for 2024, we maintained a stable share of annual and monthly capacities of 12% in 2023.
- **Active trading on the intra-day market**: In 2023, we maintained a stable volume with production partners in Southeast Europe in the amount of 1.5 TWh for 2024, primarily through shorter-term products. We also expanded trading to three new regional exchanges (ALPEX, MEMO and MEPEX).
- **Algorithmic trading**: We enhanced activities in the area of intra-day algorithmic trading, and reorganised intra-day and algorithmic trading. We also included algorithmic trading in the management of the portfolio of long-term agreements for the purchase of electricity (power purchase agreement or PPA) on the intra-day market with the aim of completely automating the process. Through infrastructure development, we have prepared for the mass management of battery storage units, with the first battery storage unit management on the intraday market planned for the second quarter of 2024.
- **New trading products**: We increased the number of products in the trading portfolio, added ICE options, guarantees of origin (GoO) and the EUA spot product, and further expanded financial (EEX) products in Croatia. In 2024, we are preparing to enter two new markets (the Netherlands and Belgium), while documentation and a business plan for entering the UK market are being prepared.
- **Long-term power purchase agreements (PPA)**: We secured new RES agreements in the region in the amount of 286 MW in 2023.

We strengthen economies of scale by entering new markets. Our main purchase and sales markets remain the markets of Central, Southeast and Western Europe. Expansion into foreign markets is driven by subsidiaries possessing all the required authorisations, competences to adapt to distinctive local circumstances, and suitable trading infrastructure. 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.

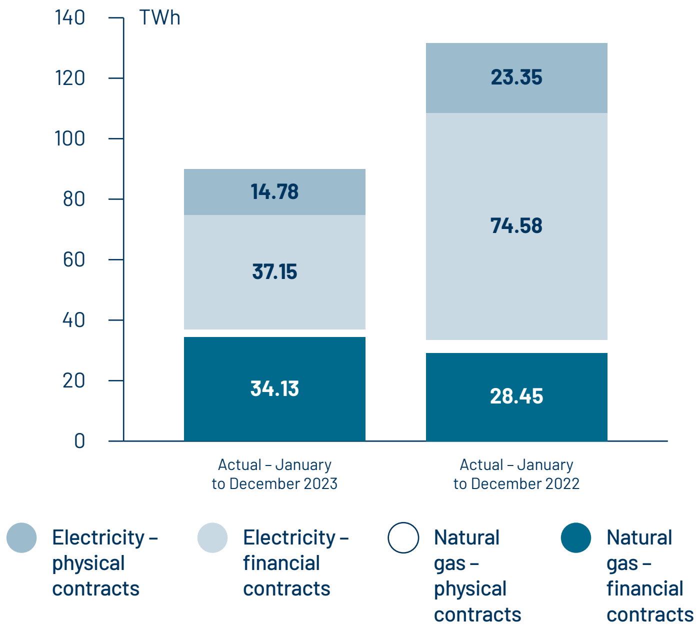
Geographical presence of GEN Group companies



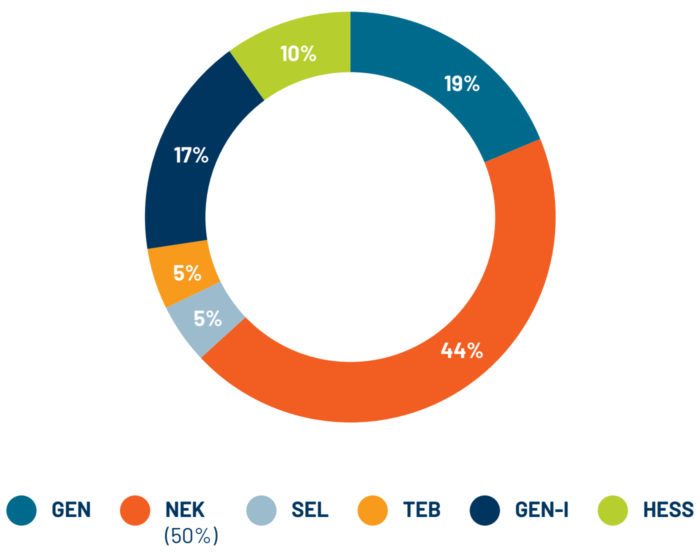
The GEN Group traded 89 TWh of energy products in 2023, including 52 TWh of electricity and slightly more than 37 TWh of natural gas. The proportion of trading accounted for by financial contracts is higher than the proportion accounted for by physical contracts.

The scope of physical trading fell to 14.8 TWh in 2023 due to conditions on the energy markets. This was also the reason for a drop in revenue. Revenue was lower than planned and down relative to 2022. The same conditions led to a decrease in the volume of natural gas, which amounted to 2.9 TWh in 2023.

Quantities of electricity and natural gas sold – physical and financial contracts
(in TWh)



Breakdown of investments by GEN Group companies in 2023



Investments by the GEN Group for reliable supply to customers

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 43,658 thousand for those purposes in 2023.

Investments are made primarily in the regular maintenance of production facilities, while investments in new capacities are below planned levels.

HIGHLIGHTS

- 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.
- Production by SEL's large hydroelectric power plants exceeded the annual plan by 20.3% in 2023.
- 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.

2.5.2. Investments in nuclear technologies

In the Strategic Development Plan of the GEN Group for the period 2024 to 2030, investments in nuclear technologies represent the second pillar, in which the controlling company GEN energija focused its attention in 2023 on the GEN Group's core development project, JEK2. Presented below are the key elements of the project to expand nuclear production capacities (JEK2).

Strategic framework of JEK2: 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 limitations 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. The energy crisis and war in Ukraine have exposed the price interdependence of energy products, which is reflected in high energy prices and clearly illustrates the overdependence of electricity production in Europe on imported natural gas and the lack of investments in new production capacities. All of this leads us to **enhance energy self-sufficiency**, which ensures the reliability of supply and price stability, and limits the risk of rising market prices. To that end, we began drafting the Strategic Development Plan of the GEN Group for the period 2024 to 2030 in 2023. Investments in nuclear technologies and the JEK2 project represent a key response in the aforementioned document.

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. In 2023, GEN energija continued with established steps to implement this **core strategic development project of the GEN Group**, which 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. The aim of key activities of the JEK2 project is the adoption of a final investment decision, which is planned by the end of 2028.

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;
- small quantities of planned radioactive waste (in part due to the possible reuse of reprocessed 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 of the project (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.

Coordination of the JEK2 project with strategic documents at the national level

- **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.

- **Resolution on Slovenia's Spatial Development Strategy until 2050**

Slovenia's Spatial Development Strategy until 2050 (hereinafter: the spatial development strategy or ReSPR50) is Slovenia's basic strategic spatial planning document which, based on the Spatial Planning Act (Official Gazette of the Republic of Slovenia Nos 199/21 and 18/23 [ZDU-1O]) and in connection with the Strategy for the Development

of Slovenia until 2030 and other national development documents, and the EU's development objectives, sets out national long-term development objectives and guidelines in the area of spatial planning. The spatial development strategy includes a vision for Slovenia's spatial development, long-term development objectives and the concept of spatial development with priority tasks, and guidelines to achieve those objectives. Underlying policies have been drawn up for the long-term period until 2050. The National Assembly adopted the ReSPR50 at its session on 28 June 2023.
The spatial development strategy provides the basis for the JEK2 project, as it refers to a comprehensive study of the potential long-term use of nuclear energy, including the economic, social and environmental aspects of the use of nuclear energy for energy purposes, and a related study of spatial possibilities for producing energy at nuclear facilities.

- **Resolution on the long-term peaceful use of nuclear energy in Slovenia (being drafted)**

The Resolution on the long-term peaceful use of nuclear energy in Slovenia states that the reliable supply of energy, energy independence and sustainable development are, in the context of the challenges of reducing greenhouse gas emissions and preserving the environment, key priorities in the transition to a low-carbon society. Slovenia is already a **nuclear country with a well-developed nuclear programme and the associated infrastructure**, while nuclear energy today represents an important energy source with exceptional potential to produce large quantities of electricity with minimal greenhouse gas emissions, and plays an important role in the realisation of objectives to mitigate climate change. Nuclear energy is already recognised by the European Commission and is included amongst technologies that the **EU's taxonomy deems sustainable**. It contributes significantly to sustainable consumption and the preservation of water and marine resources, to the transition to a circular economy, to the prevention and control of pollution, and to the safety and preservation of biodiversity and ecosystems.
The main aim of the aforementioned resolution, which was published in November 2023 and the subject of public debate until the end of December 2023, is to ensure that political bodies provide a clear and binding framework with guidelines for the long-term use of nuclear energy in Slovenia, which will contribute to energy independence, supply and security, and the reduction of greenhouse gas emissions, while preserving nature and biodiversity, and ensuring the sustainable development of the country. It is also an indication of the political will to update the national nuclear programme and a clear signal about Slovenia's development path and more efficient preparations for the implementation of the JEK2 project. The adoption of the resolution is expected by the middle of 2024.

- **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): decarbonisation (greenhouse gas (GHG) emissions and renewable energy sources (RES)), energy efficiency, energy security, the internal energy market, and 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 the 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).

Member States are obligated to monitor the implementation of their NECP and report to the European Commission in that regard every two years. In accordance with Regulation (EU) 2018/1999, the NECP must be updated every five years. The Commission must be provided the first update by 30 June 2024.

- **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 (OdSUKND) 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. In addition, GEN provides additional financial resources for decommissioning and for the storage and disposal of low- and intermediate-level radioactive waste, and high-level radioactive waste from the existing nuclear power plant (NEK), and thus eases the burden on existing financial resources for decommissioning and disposal. It also outlines the need for all necessary economic and other expert analyses to be completed before a final investment decision on the new JEK2 unit is made, and envisages the possibility of organising a consultative referendum.

The OdSUKND also states: "Posing a key challenge for GEN energija is the construction of a second unit (JEK2), which is expected to be carried out according to the joint venture principle with the participation of private investors (domestic and foreign) in the form of a special purpose vehicle (SPV)".

Based on the above-described strategic documents, the sitting Ministry of Infrastructure in July 2021 issued an electricity generation licence to the investor (GEN energija d.o.o.) for the JEK2 energy facility, which according to the currently valid Energy Act is no longer required for the siting process to begin.

Previous progress on the project, with an emphasis on steps taken in 2023

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.

Previous years were characterised by several events. Based on the Resolution on Slovenia's Long-Term Climate Strategy until 2050 and the comprehensive National Energy and Climate Plan, the Ministry of Infrastructure issued an **electricity generation licence for the JEK2 project** back in 2021. On that basis, GEN submitted ***materials*** to the Ministry of Infrastructure at the end of 2021 ***in response to the latter's proposal to begin the spatial planning of JEK2***. The original plan was that a proposal would be discussed and approved in mid-2023 for one nuclear power plant with a rated power of 1,100 MWe ±10%. However, the bases for decisions regarding the JEK2 project have changed due to the conditions on geostrategic and energy markets, and the legislative change removing the obligation to obtain an electricity generation licence prior to the start of the siting process.
A number of events and activities were organised in 2023 in connection with the implementation

of project activities, the preparation of technical basis for a proposal, meetings with various stakeholders, ministries and the Slovenian Nuclear Safety Administration, expert visits, activities to revise the implementation strategy for the JEK2 project (expansion of the rated power from 1,100 MWe to a rated power ranging from 1,000 MWe to as much as 2,400 MWe) and a visit from the Prime Minister. Many activities were also linked to the resolutions adopted by GEN's Supervisory Board in connection with the JEK2 project. An important milestone was achieved on the JEK2 project in July 2023, when a **state secretary was appointed within the Prime Minister's cabinet to coordinate the project** from the government's point of view. A **task force** was established in September 2023 **to coordinate the JEK2 project**. That task force comprises representatives from various ministries, GEN and other stakeholders. In addition to the above-described activities, GEN maintained professional relations during this period with potential suppliers, worked with different international organisations (e.g. the European Utility Requirements [EUR], the Economic Development Committee of the OECD NEA and the International Framework for Nuclear Energy Cooperation [IFNEC]), offered technical support in the construction of a LILW repository, and studied the possible use of small and medium-sized modular reactors in Slovenia.

The **following orders were completed** in 2023: (1) *Characterisation of the Drnovo anomaly and the Gorjanci structure*, aimed at reducing the uncertainties identified in the categorisation of seismic sources for the purpose of further analyses; (2) *Conceptual Solutions for the JEK2 Project*, aimed at obtaining documentation prepared in accordance with the rules of the profession, technical bases (graphical plans) and the necessary technical descriptions for the proposal to begin the NSP process; (3) *Analysis of the JEK2 timeline*, aimed at analysing the timeline for the implementation of the JEK2 project, which must cover all phases of the project, from the beginning of spatial planning to the start of the commercial operation of JEK2; (4) *Independent expert review of the Drnovo anomaly and Gorjanci structure characterisation project*, aimed at the independent review of reports drawn up in accordance with the Characterisation of the Drnovo anomaly and Gorjanci structure project and where the results are used in accordance with the guidelines and standards of the nuclear profession and provide for a comprehensive independent review by an expert professional institution; (5) *Analysis of site meteorological data*, aimed at identifying the meteorological data relevant for the preparation of the site safety report for the new nuclear power plant in Krško (JEK2) and the (preliminary) safety report for JEK2. The analysis of meteorological data is also important for the design of heat sink systems for JEK2; (6) *Information and public awareness in the area of energy and nuclear energy in central Slovenia in the period 2021 to 2023*, with the primary aim of educating, informing and raising public awareness about energy consumption, electricity, the benefits of nuclear energy and the understanding of radioactive radiation.

Widening support for nuclear energy is crucial for the further development of the GEN Group in terms of nuclear energy. For this reason, GEN demonstrates its **transparency and open communication with interested parties** through various presentations of the GEN Group's activities and important projects, most notably the JEK2 project. In 2023, we established a communication infrastructure for JEK2, worked with the media and promoted communication about nuclear energy and the JEK2 project in various national and regional media, at various public events, hearings and energy conferences using targeted communication and presentations of the JEK2 project. The aforementioned communication, education and awareness-raising activities about nuclear energy and the JEK2 project continue in 2024.

Investments in the JEK2 project, including the value of studies and analyses to expand JEK2 production capacities, totalled EUR 1,781 thousand in 2023. Total investments in studies and analyses for the JEK2 project, including 2023, amount to EUR 22 million. If we add in labour costs for all years and other expenditure related to the ongoing investment, total expenditure on JEK2 investment amounts to EUR 43 million.

HIGHLIGHTS

- 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.
- The aim of key activities of the JEK2 project, as the core development project of the GEN Group, is the adoption of a final investment decision, which is expected by the end of 2028.
- The GEN Group strives for the technically based, efficient, transparent and responsible progress of the JEK2 project in all phases of preparation and implementation.

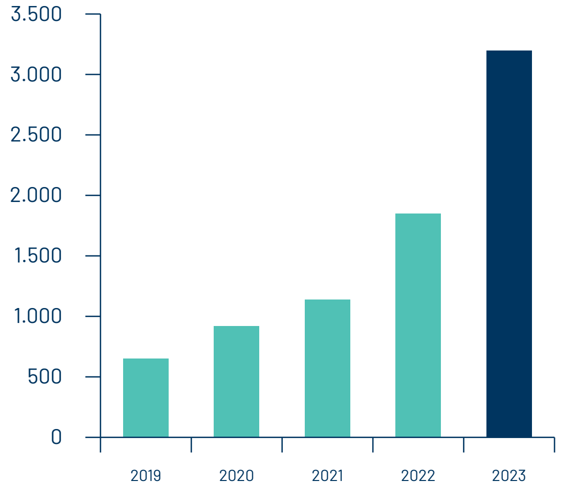
2.5.3. Investments in RES, flexibility, advanced services

In 2023, the GEN Group set up new solar power plants with a total rated power of 72 MW, the most in Slovenia, where new solar power plants with a total rated power of 400 MW were connected to the grid last year. Investments in renewable energy sources, flexibility and advanced energy services represent the third pillar of the GEN Group's Strategic Development Plan for the period 2024 to 2030. In the scope of that pillar, we contribute significantly to the realisation of the green transition, decarbonisation targets, the increased share of RES and sustainable development, all with the aim of improving the quality of life. Through the use of advanced services, we facilitate self-sufficient supply for active users and provide them new solutions for their active participation on the energy market.

Solar power plants for the self-sufficient supply of households were in high demand in 2023. For this reason, we remained the leading group in this field in Slovenia and maintained the largest market share of 18%. Via GEN-I Sonce, we offer a comprehensive and unique service that comprises the set-up, construction, maintenance, insurance and financing of solar power plants since its market entry. Intensive growth in interest for technologies and services related to the construction of solar power plants in 2023 was closely linked to regulatory changes and financial incentives, which affected all aspects of product sales.

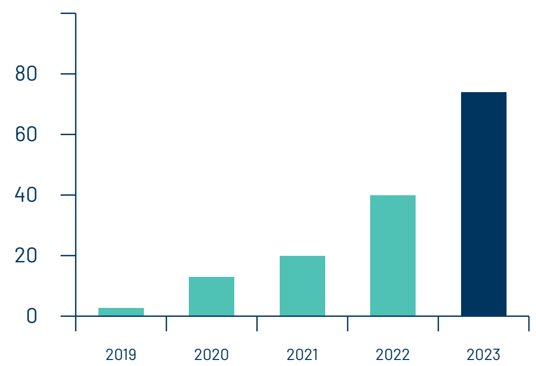
By the end of 2023, we had facilitated the green transformation of nearly 8,100 Slovenian households through solar energy. We connected 3,229 new solar power plants to the grid. We exceeded the number of small solar power plants set up in a single year by 85% relative to 2022.

Number of small solar power plants handed over by year



In 2023, we continued to expand the self-sufficient energy supply market for business customers (again at GEN-I Sonce). Setting up a solar power plant for self-sufficient supply reduces their carbon footprint and allows them to follow sustainability guidelines. In 2023, we set up 74 solar power plants with a total installed capacity of 22,720 kW on the roofs of companies, hotels, shopping centres and other major electricity customers.

Number of solar power plants handed over to business customers by year



At HESS, we set up several solar power plants on the roofs of hydroelectric power plants on the lower course of the Sava River (Brežice HPP: 126.7 kW; Arto-Blanca HPP: 217.6 kW; Krško HPP: 178.5 kW; and Boštanj HPP: 141.5 kW), and on the canopy and archive at HESS's commercial building (30.2 kW).

In order to facilitate the production of their own electricity by those who, for whatever reason, cannot do so, we attach a great deal of importance to community self-sufficient supply, i.e. both the self-sufficient supply of apartment buildings and community self-sufficient supply from renewable sources, which we aim to strengthen in the future through solar power communities.

GEN-I and GEN-I Sonce are developing solar power communities that we will use to link household customers who wish to become self-sufficient, but for different reasons cannot set up their own solar power plant. By setting up solar power plants across Slovenia, the long-term (co)use of panels will be possible for the members of solar power communities. To that end, we set up five solar power plants on five public buildings in the Municipality of Ajdovščina in 2023, and thus established the Ajdovščina Solar Power Community and facilitated the (co)use of panels by more than 180 households.

Solar power communities

With the aim of expanding the range of energy services that support the green transformation and the digitalisation of the energy sector, GEN-I began the intensive development of battery storage units for business and household customers in 2023. At the commercial building in Kromberk, we successfully connected and started up the first 120 kW battery storage unit for business customers.

We prepared all documentation necessary for the purchase of a 12-MW battery storage unit with a capacity of 24 MWh, which we will set up at the Medvode HPP in 2024. We also prepared project documentation for a larger, high-capacity energy storage system, which will be set up at TEB.

We continued with activities in connection with the construction of the last hydroelectric power plant on the lower course of the Sava River: the Mokrice HPP. The Administrative Court of the Republic of Slovenia upheld the appeal of a non-government organisation against the Slovenian government's decision stating that the public benefit of renewable energy sources overrides the public benefit of nature conservation. The aforementioned court reversed the government's decision and sent the matter back for reconsideration. In June 2023, a decision was received from the administration authority conducting the integrated procedure for the issue of a building permit for the Mokrice HPP, suspending that procedure until a decision is made by the Slovenian government on the prevailing issue of overriding the public benefit.

2.6. Financial operations

GEN Group companies had no problem settling their financial liabilities and trade payables by contractual deadlines in 2023. The settlement of receivables by customers was also without issues.

Other GEN Group production companies primarily cover their financial liabilities through depreciation, while the main source of financing for these liabilities at GEN and within the GEN Group is the profit they generate.

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.

2.6.1. Financing operations and borrowing

A key function in financial operations is the planning of a sufficient level of liquid funds to ensure solvency, where liabilities for supplied electricity and power are a crucial factor. 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.

The focus of borrowing activities was on securing sufficient funding for both short- and long-term operations. All group companies raise loans independently. 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 the GEN Group's 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.

2.6.2. 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. EUR 32.0 million was paid into the NEK Fund in 2023.

2.6.3. 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.

Because the NEK's fixed operating costs (which derive from an increase in depreciation costs on account of the repayment of principal on raised loans or due to extensive investments in technological upgrades to ensure the safety and operating efficiency of the NEK) vary, the amount of provisions is adjusted accordingly.

Based on Revision 4 to the Resolution on the creation and use of provisions for the NEK, GEN drew down provisions in the amount of EUR 12,172 thousand in 2023 due to the unplanned stoppage of the NEK. The company had to create new provisions to replace used provisions by the end of the year. The balance of non-current provisions was EUR 94,685 thousand as at 31 December 2023.

2.6.4. Placement of surplus cash

Due to the need for the short-term availability of funds, the investment strategy covering 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 for provisioning) does not provide for investments in debt and equity securities and only permits deposits with financial institutions with a maximum maturity of six months, as well as investments in the electricity sector. Available cash above the amount required for the investment strategy for provisioning is invested in the form of deposits of up to twelve months.

2.7. Overview of significant events

January

GEN's senior management presented operating results for 2022 and plans for 2023 at the annual press conference.

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.

GEN-I ESCO set up a solar power plant on the roof of the Health Care Centre and pharmacy in Ajdovščina. Planned production is 90 MWh of electricity a year, which roughly covers the supply needs of seven individual houses.

February

The 10th Young Geniuses competition was organised in Krško by GEN energija and the NEK.

The former director of the legal department, Maks Helbl, was appointed President of GEN-I d.o.o.'s 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. Primož Stropnik represents GEN energija on that Management Board.

The Minister for the Economy, Tourism and Sport, Matjaž Han, paid a working visit to TEB.

An agreement was signed on the construction of solar power plants on the roofs of HESS's buildings.

The Supervisory Board appointed Bogdan Barbič to a new five-year term of office as the managing director of HESS.

March

At a joint press conference of the management of key Slovenian energy companies, GEN, ELES and HSE emphasised the importance of establishing a self-sufficient and low-carbon electric power grid.

The Posavje Region Council met in GEN's Information Centre.

GEN repaid in full government-guaranteed bridging loans.

The redesigned gen-isonce.si website went live. Presented on that site are GEN-I Sonce's new corporate identity, enriched content and an automated web form for an informative offer.

GEN-I again ranked amongst the best employers in the scope of the Golden Thread research project, which was organised for the 16th time by the media company Dnevnik.

The construction of solar power plants on the roofs of HESS's buildings began, with the first on the roof of the Brežice HPP.

April

Following the retirement of the long-term President of NEK d.o.o.'s Management Board, Stane Rožman, management of that company was assumed by new President of the Management Board, Gorazd Pfeifer.

GEN-I successfully concluded the 12th issue of money-market instruments: 12-month commercial paper (designation GEN12) in the total nominal amount of EUR 50 million. The response of investors to the newly issued commercial paper was again positive, with their binding offers exceeding the final value of the GEN12 issue.

In the Golden Thread project organised by the media company Dnevnik, GEN-I once again ranked amongst the 10 most reputable employers: it was named most reputable employer in the IT category for the second year in a row and ranked first in the Energy category.

The construction of a solar power plant on the roof of the Arto-Blanca HPP was completed.

May

During the first three months of 2023, GEN-I's customers reduced their consumption of natural gas and electricity by 13% and 1%, respectively, relative to 2022. For the second time in 2023, customer bills included a discount of EUR 26 for natural gas and a discount of EUR 1 for electricity.

The Administrative Court upheld the appeal of a non-government organisation against the Slovenian government's decision stating that the public benefit of renewable energy sources overrides the public benefit of nature conservation in connection with the issuing of a building permit for the Mokrice HPP. The aforementioned court reversed the government's decision and sent the matter back for reconsideration.

The construction of a solar power plant on the roofs of the Krško and Boštanj HPPs was completed.

June

GEN's Information Centre and the NEK were visited by Slovenian Prime Minister Dr Robert Golob, the Minister of the Environment, Climate and Energy, Bojan Kumer, MSc and the Minister of Natural Resources and Spatial Planning, Uroš Brežan.

Elektro Ljubljana and GEN energija concluded a settlement agreement, under which the two parties mutually resolved all open disputes in connection with Elektro Ljubljana d.d.'s participating interest in GEN-EL d.o.o. to the benefit of both parties.

GEN-I registered six innovations in response to the call of regional chambers of commerce for innovations. Three innovations received a silver medal, while three received a bronze medal.

A ceremony was held to mark the opening of the 6-MW solar power plant at the D3 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP (FEBR-D3).

We completed the construction of solar power plants on the roofs of the archive and on the new canopy at HESS's commercial building.

July

GEN-I once again climbed the prestigious Energy Risk Commodity Rankings. This is the most extensive survey of global energy markets and includes the biggest traders, brokers and service providers. The aforementioned company ranked first in the Research in European Power category.

We carried out an expert technical inspection, and connected the solar power plants on the roofs of the Boštanj and Krško HPPs to the grid.

August

At the initiative of the Ministry of Environment, Climate and Energy, GEN-I joined a measure to help households that suffered major damage in August's floods. The price of electricity was just 0.1 cent/kWh for those people between August and December 2023.

Flooding caused major damage to the buildings and equipment of SEL, and to the banks of the Sava River.

TEB collected voluntary donations for those affected by August's floods and turned them over directly to those people in Črna na Koroškem. It also purchased 10 dehumidifiers, wheelbarrows and shovels, as well as other consumables for flood recovery purposes.
The flood relief valve at the run-of-the-river Brežice HPP was opened for the first time to stem the flood surge on the Sava River.

The solar power plants on the roofs of the Arto-Blanca and Brežice HPPs were connected to the grid.

September

A Slovenian government task force was established for the coordination of preparatory activities for the JEK2 project.

The NEK's interactive simulation received a silver award from the Chamber of Commerce and Industry at the award ceremony for the most innovative companies and innovators.

GEN's senior management presented the JEK2 project to the City Council of the Municipality of Krško.

GEN-I Sonce expanded its offer to include the possibility of setting up a solar power plant in combination with an energy storage unit according to the 'turnkey' principle.

At the HR&M Conference, GEN-I was chosen as one of the finalists for HR&M Project of 2023 in the large enterprises category for its Trading Challenge, which was first launched internally and later externally based on experience gained.

We submitted applications for the implementation of the preliminary procedure for the construction of the FEBR-D1 and FEBR-D2 solar power plants.

An agreement was signed for the purchase of the first electricity battery storage unit.

A decision was issued regarding a grant for photovoltaic power plants on the roofs of HESS's buildings.

October

The founder adopted the Strategic Development Plan of the GEN Group for the period 2024 to 2030.

As a precaution, the NEK was shut down due to increased leakage of the primary cooling circuit in the containment vessel.

The 17th meeting of the Intergovernmental Commission was held for the purpose of monitoring the implementation of the Intergovernmental Agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia, governing statuses and other legal relationships in connection with investments in the NEK, and the operation and decommissioning thereof.

At an innovation conference, GEN-I received first prize for its innovative virtual power plant, which facilitates the management of all devices for the production of electricity under one roof.

November

Following August's floods, the GEN Group donated EUR 10,000 to 19 firefighter associations (total of EUR 190,000) for the purchase of new equipment.

After a 43-day unplanned maintenance due to leakage from a pipe on the primary cooling circuit in the containment vessel, the NEK was reconnected to the grid.

An agreement was signed for the replacement of the 6.3 kV switching station at the Medvode HPP.

December

THE GEN Group contributed a million euros to the flood recovery fund.

In 2023, GEN-I Sonce handed over for use more than 3,000 solar power plants, which is nearly twice as many as in 2022 and 38% of all solar power plants set up since the company began operating.

The Bistrica HPP began operating again after cleanup efforts due to high water levels in September.

We celebrated the 80th anniversary of TEB together with the GEN Group's stakeholders.

A draft study of renewable energy sources was published for the siting of the solar power plant at the D1 sediment depot alongside the run-of-the-river and reservoir-type Brežice HPP (FEBR-D1).

2.8. Events after the end of the reporting period

- **Consultative referendum regarding the JEK2 project**

Parliamentary parties submitted a proposal on 12 March 2024 for a consultative referendum on the implementation of the JEK2 project. That referendum is expected to take place in the second half of November 2024.

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

On 20 March 2024, GEN-I d.o.o.'s General Meeting of Shareholders appointed Dr Igor Koprivnikar to serve as member of that company's senior management for the period 20 March 2024 to 17 February 2028. The appointment of Dr Igor Koprivnikar as a member of GEN-I d.o.o.'s senior management re-establishes a four-member senior management team at the aforementioned company, in accordance with the valid Memorandum of Association, following the death of Ms Andreja Zupan, a member of GEN-I d.o.o.'s senior management, who passed away on 27 February 2024 after a serious illness.

- **Reappointment of member of NEK d.o.o.'s Management Board**

On 22 April 2024 NEK d.o.o.'s General Meeting of Shareholders reappointed Saša Medaković, MSc as member of NEK d.o.o.'s Management Board for the period 3 November 2024 to 3 November 2029.

- **Change in the supervisory body of HESS d.o.o.**

On 24 January 2024, in connection with the resignation of previous member of the HESS d.o.o.'s Supervisory Board, Janez Keržan, MSc, the General Meeting of Shareholders of HESS d.o.o. appointed Kruno Abramovič, MSc to HESS d.o.o.'s Supervisory Board for the period 11 February 2024 to 11 February 2028.

- **Change in the supervisory body of SRESA d.o.o.**

On 19 March 2024, in connection with the resignation of previous member of the SRESA d.o.o.'s Supervisory Board, Janez Keržan, MSc, the General Meeting of Shareholders of SRESA d.o.o. appointed Kruno Abramovič, MSc to SRESA d.o.o.'s Supervisory Board for the period 19 March 2024 to 19 March 2028.

- **Change to the Articles of Incorporation of TEB d.o.o.**

As founder and sole owner of TEB d.o.o., GEN adopted new Articles of Incorporation of TEB d.o.o. on 18 April 2024. The new Articles of Incorporation of TEB d.o.o. entered into force on 22 April 2024, the date of entry in the companies register.

- **Appointment of a supervisory body at TEB d.o.o.**

As founder and sole owner of TEB d.o.o., GEN appointed a Supervisory Board at TEB d.o.o. on 7 May 2024. That body comprises Vanja Bogolin and Primož Stropnik, whose four-year term of office began on 8 May 2024.

- **Change to the Articles of Incorporation of SEL d.o.o.**

As founder and sole owner of SEL d.o.o., GEN adopted new Articles of Incorporation of SEL d.o.o. on 24 April 2024. The new Articles of Incorporation of SEL d.o.o. entered into force on 16 May 2024, the date of entry in the companies register.

- **Appointment of a supervisory body at SEL d.o.o.**

As founder and sole owner of SEL d.o.o., GEN appointed Daška Berkopec and Kruno Abramovič, MSc to SEL d.o.o.'s three-member Supervisory Board on 16 May 2024. Their four-year terms of office began on 20 May 2024.

- **Change in the supervisory body of HESS d.o.o.**

Due to the expiry of their terms of office, the General Meeting of Shareholders of HESS d.o.o. reappointed existing members of its Supervisory Board, Marjan Jelenko (whose term of office expires on 25 August 2024) and Uroš Podobnik (whose term of office expires on 9 November 2024) for the next four-year term of office on 18 June 2024, based on the nominations of eligible proposers (TEB and HSE).

- **Change to the Memorandum of Association of GEN-I d.o.o.**

The General Meeting of Shareholders of GEN-I d.o.o. adopted a change to that company's Memorandum of Association on 19 June 2024. The aforementioned change entered into force on 19 June 2024, the day it was entered in the companies register.

- **Appointment of two members to GEN d.o.o.'s senior management**

GEN d.o.o.'s supervisory body appointed two members to GEN d.o.o.'s senior management on 26 June 2024, as follows: Nada Drobne Popović, MSc as CFO and Dr Bruno Glaser as COO. Both were appointed to a four-year term of office. GEN d.o.o.'s senior management comprises three members since 1 July 2024.

- **Conclusion**

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 2023.

2.9. Quality policy and safety assurance

GEN's quality policy is based on the company's mission and vision, and is coordinated with the Strategic Development Plan of the GEN Group for the period 2024 to 2030. Key elements of the quality policy and ensuring safety include management systems, and improvements to nuclear safety and the safety culture.

2.9.1. 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 is committed to establishing and maintaining the highest level of **quality and safety culture**, as the basis for achieving its strategic objectives. We are aware that our success is directly linked to the inclusion and full commitment of our employees. Our commitment to continuously improve the quality management system is essential for our business excellence. We are also committed to **socially responsible conduct**, where we strive for the balanced development and support for all segments of society. Through the integration of these principles in the GEN Group's everyday operations, we optimise and rationalise our processes, while creating synergies between key activities, which leads to constant improvements in performance, and to improved efficiency in the achievement of business objectives and quality targets.

The table highlights some of the key activities in 2023 associated with the implementation, maintenance and development of management systems, and plans for 2024.

Activities in the area of management systems

Company	Certificate	Implemented activities	Key plans for 2024
GEN	ISO9001:2015	• Internal assessment of the management system performed (December 2022 to January 2023) and start of an internal assessment for the coming period (November 2023). • Management review performed (February 2023). • Regular external assessment of the management system performed, during which no instances of non-compliance were identified (February 2023). • 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 (January 2024). • Performance of a management review (February 2024). • Performance of a regular external audit of the management system (February 2024). • 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	• Recertification assessment carried out by Bureau Veritas on 16 and 17 November 2023; certificate issued with a validity until 18 December 2026, with no identified deviations. • Ongoing analysis of recommendations in NEK's corrective programme. • Internal assessment carried out from 25 September to 5 October 2023.	• Control assessment by 1 December 2024.
	ISO 45001:2018	• Recertification assessment carried out on 16 and 17 November 2023; certificate issued with a validity until 18 December 2026, with no identified deviations. • Internal assessment carried out from 25 September to 5 October 2023. • Implementation of corrective measures to eliminate minor deviations, and recommendations from internal and external assessments as part of an internal analysis in the corrective programme.	• Recertification assessment by 1 December 2024. • Review and analysis of the 2023 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 the implementation of occupational safety and health in practice. • 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. • Three-year recertification of the ISO 9001 certificate was completed. Results of recertification assessment: confirmation of the certificate for the next three years following the elimination of non-conformities or the drafting of a satisfactory plan of corrective measures. • Two minor non-conformities (NCR), which were eliminated, and three opportunities for improvement (OFI) were identified. • Opportunity-for-improvement (OFI) measures were adopted, and are being implemented by the responsible persons and monitored by management. • In the scope of the upgrade of the document system, the mISO module is integrated for the comprehensive management of documents, records and tasks associated with the maintenance and functioning of the management system.	• First control assessment for the ISO 9001 management system planned. • Internal assessments and a management review are planned prior to a control assessment.
	Environmental and spatial content (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 during the assessment in connection with environmental and spatial content. During the process, we followed guidelines on sustainable hydro energy • (environment aspect in the scope of ESG) and the principles of the ISO 14001:2015 standard.	• Process is being adapted to ESG guidelines (environmental aspect). Activities will continue and will pursue the objectives set out in the decarbonisation strategy for GEN Group companies (carbon-neutral GEN Group initiative).
	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 sustainability guidelines in the process (social aspect in the scope of ESG) and the principles of the ISO 45001:2018 standard. • Activities were implemented according to the occupational safety and health and fire safety action plans for 2023.	• Process is being adapted to ESG guidelines (social aspect). Activities will continue and will pursue the objectives set out in the initiative 'Ensuring a healthy and safe work environment'.
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 will be performed. • Optimisation of procedures in connection with individual processes, and promotion of improvements for the even greater digitalisation of processes in the scope of the management system.
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.

2.9.2. Improvements to nuclear safety and the safety culture

Nuclear safety and the safety culture represent the core of responsible conduct at all levels within the GEN Group. This approach is reflected in:

- Our commitment to ensuring a safe environment for the population and the environment in which we operate, with a focus on preventing events that could lead to the uncontrolled release of radioactive material.
- Our commitment to protecting the health and safety of employees in all environments, from production facilities to offices, through continuous training and awareness-raising about nuclear safety and safety protocols.
- The constant search for improvements in operational efficiency and the business excellence of the GEN Group, including the enhancement of nuclear safety and the strengthening of the safety culture as the basis for achieving those objectives.

We are aware that the human factor is crucial for nuclear safety. For this reason, a great deal of attention is given to strengthening knowledge and the systematic training of our employees. Nuclear safety is ensured at all organisations that perform or are linked to the GEN Group's nuclear activities.

The safe functioning of the NEK and the development of the JEK2 project are a priority at all levels of planning and implementation. This includes the regular monitoring of best practices in nuclear safety at the global level and compliance with the recommendations of international organisations, such as the WENRA and IAEA (Operational Safety Assessment Review Team). We invest in the modernisation of equipment, and the preservation of and improvements to the safety culture, and in the awareness of all employees, which makes the NEK one of the leading nuclear facilities in the world in terms of safe and stable operations.

HIGHLIGHTS

- The GEN Group is committed to the establishment and maintenance of the highest level of quality and safety culture, and to socially responsible conduct.
- The NEK is one of the leading nuclear facilities in the world in terms of safe and stable operations.

2.10. Risk management

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. 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 remember that identified opportunities bring new risks. The goal of the GEN 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.

The year 2023 was quite demanding in terms of risk management within the GEN Group, as October saw the realisation of the risk a stoppage in the form of the unplanned outage of the group's largest production company (NEK). In addition, the group was subject to increased exposure to price, credit, market and regulatory risks (GEN, GEN-I and TEB) due to high electricity prices. The measures implemented by group companies in response to catastrophic flooding in Slovenia in August 2023 did not lead to the realisation of any major risks, while above-average rainfall in 2023 meant that hydrological risks were lower.

On account of preventive measures and measures to mitigate the consequences of realised risks, the business results of the GEN Group were higher than planned.

All of the above-mentioned risks were identified and handled separately in the process of managing risks and opportunities. In the scope of the risk and opportunity management process, key risks were monitored more closely and frequently in 2023 due to the previously mentioned challenges.

A comprehensive review of risks and no less than monthly calculations were developed with the aim of monitoring trends and ensuring sufficient funds to cover potential losses, while regular reporting to senior management is also in place. All risks were reviewed in the scope of the regular management of risks and opportunities.

The GEN Group completed 2023 successfully, despite the challenges of the unplanned shutdown of the NEK in October and November 2023 and other identified risks. All activities within the GEN Group are carried out successfully and companies are operating stably, and through their 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.

2.10.1. 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.

GEN classified risks and opportunities into five categories in 2023:

- **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 Strategic Development Plan of the GEN Group for the period 2024 to 2030. 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 the safe, reliable and stable production and supply of electricity, 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 in recent years, and include new taxes and tax hikes, broader access to information of a public nature, the Slovenian Nuclear Safety Administration policy, and the regulation of prices for the supply of electricity to certain customer segments (households and part of the commercial sector) in Slovenia.

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 and Expectations of the SSH, and guidelines for voting at companies' general meetings).

SSH performs its governance function:

- by approving the founder's resolutions;
- 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 challenges;

- 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, important events that may impact the achievement of established goals and the company's value; and
- by adopting measures in the event that the company is lagging significantly behind its confirmed business plans.

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 expected profitability will be achieved depends to a great extent on the market price of electricity, on the basis of which revenue is 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 basin, almost all potential for producing electricity from hydro energy will be exhausted. As part of periodic equipment upgrades at large hydroelectric power plants, HESS also invests in the construction of its own photovoltaic power plants on the company's existing buildings.

A solar power plant has been set up on GEN's Information Centre. GEN-I continued to invest in the construction of new solar power plants.

The GEN Group'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 major projects. The primary form of project risks are **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, GEN also identified **risks associated with the JEK2 project, should the facility actually be constructed**. Major risks associated with the JEK2 project are:

- risks in connection with the development of the JEK2 project;
- risks 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, SEL, HESS and TEB. 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 purchase prices on the global market, which in turn affects electricity selling prices both at home and abroad.

GEN mitigates its exposure to market risks and opportunities through an electricity sales strategy that is basically constant, and to a lesser extent developed, supplemented and adapted each year to market conditions. According to the sales strategy, the majority of planned electricity 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 can also be 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 the market where a transaction is concluded and the market where the price is highly correlated with the market price of the underlying transaction 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 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. This means, 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.

Opportunities for GEN in terms of electricity price movements are amongst the most important, as the company's own production units give it a naturally long position. On account of the stable functioning of production units, the company can forecast available quantities with a high degree of certainty, which represents an advantage compared with traditional traders who only trade 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 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 network components 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.

The management of HR risks is particularly important for the GEN Group due to its rapid growth and expansion to new markets, and primarily due to the planned JEK2 project. 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.

To that end, the decision was made to build premises and rent larger premises in Ljubljana.

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 deposits and as available funds on bank accounts, 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 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. Money market interest rates are constantly changing. 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.

Companies can be exposed to **currency risk** in electricity trading and in the trading of cross-border transmission capacities. Subsidiaries' equity and loans can also be 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.

2.11. 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[6] 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 3.7. '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 3. 'Sustainable development';
- The main risks in connection with the aforementioned areas are presented in Section 2.10. 'Management of risks and opportunities' and in Section 3. 'Sustainable development';
- Activities in the area of compliance and corporate integrity, and employee education and training in this area, 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 3. 'Sustainable development'.

In accordance with the Taxonomy Regulation,[7] 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 3.6. 'Taxonomy-related disclosures'.

General data regarding the report:

- The reporting period covered by the annual report is 1 January 2023 to 31 December 2023.
- For the third 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 2022.
- 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, 9 July 2024

Dr Dejan Paravan
CEO

Nada Drobne Popović, Msc
CFO

Dr Bruno Glaser
COO

[6] 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.
[7] 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.

03 SUSTAINABLE DEVELOPMENT

Sustainable operations represent one of the GEN Group's key strategic guidelines, and are defined in detail in the group's Sustainability Policy, which is an integral element of the Strategic Development Plan of the GEN Group for the period 2024 to 2030. We understand sustainable operations as the responsible management of the economic, governance, social and environmental impacts of our operations. The principle of sustainability is actively included in all aspects of our operations. To that end, we pursue the Sustainable Development Goals of the United Nations (UN SDG), while we appropriately identify and manage sustainability risks and opportunities in accordance with ESG guidelines.

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 and community requires a new way of thinking and working. We thus took the next steps in the area of sustainable development in 2023, in terms of the integration of sustainability aspects in strategic planning and operations. During the updating of the **GEN Group's Strategic Development Plan until 2030**, we defined the group's Sustainability Policy, which comprehensively addresses all three ESG factors (environmental, social and governance), while at the same time specifying sustainability guidelines and initiatives. We also defined material topics and aligned policies in key areas, and adopted strategic objectives in the most important sustainability areas.

The **GEN Group's Sustainability Policy (ESG Policy)** is an integral part of the Strategic Development Plan of the GEN Group for the period 2024 to 2030, and serves 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 defines management approaches in key sustainability areas, and defines core principles and efforts for sustainable operations that the GEN Group follows 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.

In the scope of the GEN Group's Sustainability Policy, we organised **sustainability initiatives**, in which the employees of GEN Group companies participated. More than 30 employees thus actively contributed to the group's sustainability efforts. Key performance indicators (KPIs), which are described in detail in the group's business plan, were defined for each initiative. For more efficient work in the scope of an initiative, an **operational plan** was drawn up for each initiative, and pursues the achievement of the sustainability objectives and guidelines set out in the group's Strategic Development Plan and business plan. The **administrators of sustainability** initiatives report quarterly on their work, activities and challenges to the head of the strategic management department at the controlling company GEN, and semi-annually to all management teams of all GEN Group companies. We attribute a great deal of importance to the inclusion of management, as their decisions and management style impact the success of the long-term and sustainable development of companies. We appointed **ESG coordinators** at individual companies with the aim of improving the flow of information, experience, knowledge and best practices, and to ensure the transparent functioning of the group. Twice a year, we organise **strategic sustainability workshops**, as well as **sustainability training** for all group employees, as required.

3.1. Sustainability guidelines

The importance of sustainable development has risen in recent years and, in addition to the financial results of GEN Group companies, has become a nearly equal factor in the measurement of a company's performance. Contributing to this are the increasingly evident consequences of climate change, such as droughts, fires, heat waves and floods, which are already causing significant economic damage to society as a whole. Legislation in this area is becoming increasingly complex, while the same is true for the expectations of financial institutions. The European Union has established ambitious targets, with carbon neutrality by 2050 being key amongst them. Those who choose to lead by example will also be able to exploit the business opportunities presented by the transition to a sustainable society through a positive contribution to sustainable development.

The GEN Group strives to remain a leader in the area of sustainable development and the green transition in Slovenia. For this reason, we included business and sustainability aspects, which are intertwined and complementary, in our strategic policies until 2030. We implement those policies through the **functioning of sixteen sustainability initiatives** that pursue operational ESG objectives. We also identified **key Sustainable Development Goals (SDG)** that we can contribute to and impact through our operations. Within this framework, we determined which goals we view as our responsibility and which we see as opportunities for further development.

OUR RESPONSIBILITY

OUR OPPORTUNITIES

3.2. Key stakeholders and materiality assessment

With the aim of ensuring the comprehensive understanding of our impact, we identified key stakeholders, analysed their interests and expectations, and identified common material topics that reflect the core areas of operations. We then linked that process to a materiality matrix and double materiality matrix, and identified key areas that require our attention and action in accordance with the GEN Group's sustainability guidelines.

3.2.1. Identification of stakeholders

When identifying internal and external stakeholders, we first identified all stakeholders on which we have an impact as the GEN Group and those that have an impact on the GEN Group, based on due diligence and cooperation, as well as the areas in which we operate and where we perform our activities. These include **internal stakeholders**, such as GEN's senior management, the management of associated companies, all group employees and the administrators of associated companies, and **external stakeholders**, such as the owner, regulatory bodies and decision makers, the professional public, the social environment, organisations associated with environmental issues and suppliers. When identifying stakeholders, we also recognised customers as a key stakeholder for the GEN Group. After careful consideration, however, we did not include them in our questionnaire, as we decided internally that our subsidiary GEN-I, as the leading supplier of electricity to households and small business customers, should include customers as a key stakeholder group during the preparation of materiality and double materiality matrices in the scope of its own annual report.

Stakeholders of the GEN Group

Strategic stakeholders	Objective
SENIOR MANAGEMENT OF GEN	Crucial communication at the group level (external and internal): communication with senior management is crucial for aligning strategies and ensuring the overall strategy at the GEN Group level. That communication includes internal and external aspects, which contributes to the harmonised functioning of the company.
MANAGEMENT OF ASSOCIATED COMPANIES	Direct communication with the group's senior management: direct internal communication is crucial for creating an effective link between the management of associated companies and the senior management of the GEN Group. That communication facilitates the coordination of strategies and the achievement of common objectives.
ALL GROUP EMPLOYEES	Comprehensive internal communication for development: internal communication with employees is essential for their development, the creation of a positive work environment and the achievement of a high level of motivation and satisfaction amongst employees.
ADMINISTRATORS OF ASSOCIATED COMPANIES	Monitoring of the investments and operations of companies; communication with companies: internal communication with the administrators of associated companies facilitates the effective monitoring of investments and operations, and ensures transparent communication between the GEN Group and its associated companies.
OWNER	Achieving commercial success, risk management and corporate governance: external communication with the owner is crucial for ensuring their understanding of commercial success, risk management and effective corporate governance.
REGULATORY BODIES AND DECISION MAKERS	Ensuring compliance with the law; impact on decisions: external communication with regulatory bodies and decision makers is essential for ensuring compliance with the law, the transparency of operations and the establishment of effective dialogue that impacts decisions and the implementation of policies.
PROFESSIONAL PUBLIC	Cooperation in the acquisition of professional competences: external communication with the professional public facilitates the acquisition of professional competences and the achievement of common sustainability objectives.
SOCIAL ENVIRONMENT	Establishment and maintenance of good relations in the social environment: external communication with the social environment is crucial for establishing and maintaining positive relations, and for co-creating a high-quality social environment.
ORGANISATIONS ASSOCIATED WITH ENVIRONMENTAL ISSUES	Transparent dialogue regarding environmental issues: external communication with organisations associated with environmental issues is essential for establishing transparent dialogue and providing information about initiatives and issues relating to environmental sustainability; environmental organisations are crucial for monitoring and assessing the environmental efforts of the group.
SUPPLIERS	Achievement of common sustainability objectives and strengthening of business relations: external communication with suppliers is essential for ensuring the functioning of supply chains, and for achieving common sustainability objectives and establishing sound business relations.

3.2.2. Material topics

Based on a careful analysis and review of our operations, the markets on which we operate, our mission and vision, the business environment (internal and external), business relations and relations with other stakeholders, the management teams of all direct subsidiaries, GEN's senior management and other key employees identified **15 material topics**. In that process, we also relied on professional materials, guidance from external experts and best practices from similar companies around the world. Also serving as a relevant basis for the identification process was the Strategic Development Plan of the GEN Group for the period 2024 to 2030, which defines our strategy, and strategic and sustainability guidelines, objectives and initiatives. The material topics we identified were as follows:

Environmental aspect (E)

- Ensuring safe, reliable, clean and affordable energy
- Contribution to the increase in the share of RES
- Reduction of the group's carbon footprint
- Care for the ecosystem and compliance with the highest standards in the area of biodiversity

Social aspect (S)

- Development of and concern for employees
- Ensuring a healthy and safe work environment
- Responsibility to customers and the protection of personal data
- Socially responsible operations and giving back to society
- Zero-tolerance for all forms of discrimination and violence in the workplace, and respect for human rights
- Digitalisation of operations and cyber security

Governance aspect (G)

- Corporate governance
- Comprehensive risk management
- Compliance and transparent management
- Implementation of anti-corruption and conflict of interest policies
- Management staff selection and development strategy

3.2.3. Preparation of a materiality matrix and double materiality matrix, and inclusion in sustainability reporting

We prepared a materiality matrix and double materiality matrix in accordance with guidelines and legislation in the area of sustainable non-financial reporting, and in the scope of corporate social responsibility. The matrix illustrates different aspects of an impact on the value and performance of the GEN Group, and covers both internal and external aspects.

Following the successful identification of relevant stakeholders, we drew up an **online questionnaire** (in Slovene and English), which was sent to identified relevant stakeholders for completion.[8] Based on that questionnaire, the **final classification of material topics was carried out according to materiality, taking into account double materiality**, as shown in the diagram of the materiality of topics for stakeholders and the GEN Group.

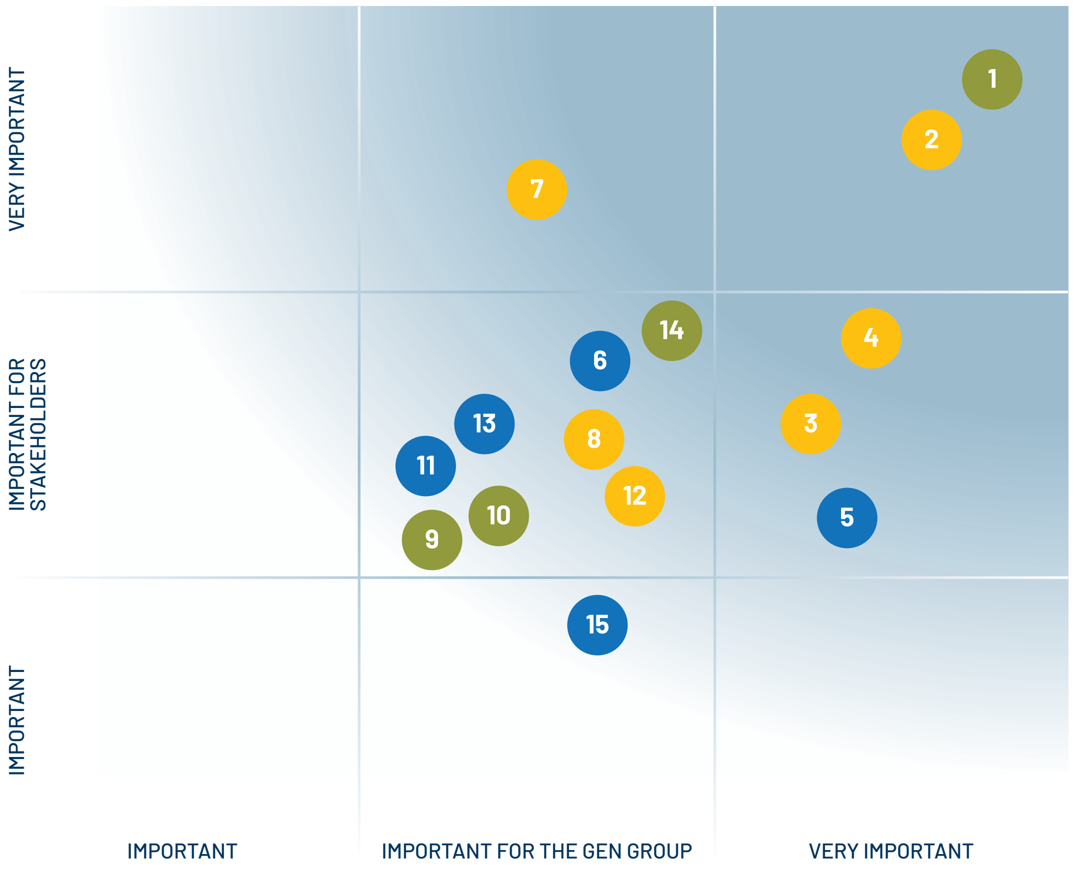
Double materiality matrix

A double materiality matrix facilitates the identification of key focuses and strategies to meet expectations and implement sustainability policies and achieve the GEN Group's objectives in the area of sustainability and sustainable development. In terms of the **GEN Group's external impacts**, the matrix reflects the most significant impacts on people, the environment and the economy, including impacts on human rights; in terms of the **GEN Group's internal impacts**, the matrix shows the expectations that affect business decisions based on their assessments of the short-, medium- and long-term financial performance and value of the company. A higher value means a factor has a greater impact on the company's operations and objectives; from the viewpoint of stakeholders, the value indicates the importance of a particular factor.

[8] See Section 3.2.1. 'Identification of stakeholders'.

Illustration of the importance of content for stakeholders and the GEN Group

Ranking of material topic	Material topic
1	Ensuring safe, reliable, clean and affordable energy
2	Ensuring a healthy and safe work environment
3	Development of and concern for employees
4	Responsibility to customers and the protection of personal data
5	Comprehensive risk management
6	Corporate governance
7	Socially responsible operations and giving back to society
8	Zero-tolerance for all forms of discrimination and violence in the workplace, and respect for human rights
9	Reduction of the group's carbon footprint
10	Contribution to the increase in the share of RES
11	Compliance and transparent management
12	Digitalisation of operations and cyber security
13	Implementation of anti-corruption and conflict of interest policies
14	Care for the ecosystem and compliance with the highest standards in the area of biodiversity
15	Management staff selection and development strategy



Based on an analysis of completed questionnaires and taking into account everything described in this section, we drafted an internal **expert materiality matrix and double materiality matrix report for the GEN Group**, which includes a detailed description of the methodology and a description of the entire process.

Findings from the materiality and double materiality assessment were included in reporting for the first time and are taken into account in the annual report (for 2023). We took into account material topics and the materiality thereof in the structure of the annual report and the content of individual sections. They are broken down and described in more detail in individual sections. We take material topics into account to the greatest extent possible in our internal and external operations.

3.3. Environmental aspect

The GEN Group is aware of the importance of reducing its carbon footprint and achieving carbon neutrality, its role in ensuring the achievement of decarbonisation targets, and the importance of comprehensive, environmentally friendly operations. Because we are part of the wider environment, it is important that we preserve biodiversity and ecosystems, reduce the consumption of energy and natural resources, and prudently manage waste. Because we want to serve as an example of the green transformation, we have started that process with ourselves. We have identified four material environmental topics that we monitor by establishing focused policies, targets and performance indicators.

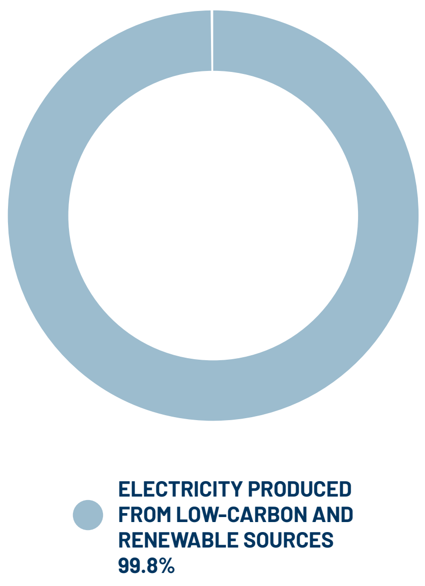
The GEN Group's sustainable guidelines with respect to the environment:

ENVIRONMENTAL ASPECT (E)

- To draft a uniform decarbonisation strategy for GEN Group companies with the goal of becoming a carbon-neutral group
- To preserve ecosystems and biodiversity in line with the highest international and EU standards over the long term
- To implement a circular economy within the GEN Group
- To establish a single comprehensive system for the effective management of climate-related risks within the group
- To increase own production and sale of electricity from low-carbon sources
- To become the leading promoter of the green transformation and decarbonisation of the electric power grid in Slovenia

3.3.1. Ensuring safe, reliable, clean and affordable energy

The material topic 'Ensuring safe, reliable, clean and affordable energy' is the **highest assessed topic** of the group and is extremely important for all identified stakeholders in the electricity sector. It is both our mission and the foundation of our successful operations, through which we ensure the smooth functioning of the economy and everyday life. We achieve our ambitious plans, which we pursue by following the criteria of the safety, reliability, cleanliness and affordability of energy, through the high operational availability of production facilities, international trade and investments in nuclear and renewable energy sources, flexibility and advanced services. Through these investments, we strengthen energy self-sufficiency and reliable supply in Slovenia, and contribute to the transition to a low-carbon society.



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. We thus facilitate the reduction of our customers' carbon footprint and their negative impact on the environment, while contributing to the achievement of national energy-climate goals.

In that respect, we are aware of the rising risks that **climate change** poses to the achievement of our objectives. Global warming, the increasing frequency of extreme weather events, uneven precipitation patterns, shifts in peak flows and changes in river flows are already causing fluctuations in production from RES and thus affecting the operations of companies. Adapting to the above-described phenomena is therefore crucial, both in terms of physical adjustments and increasingly stringent European and national legislation. All of this has a significant impact on the GEN Group's operations. For this reason, addressing and effectively managing climate-related risks is essential for our future operations.

We will monitor our success in the management of climate-related risks through metrics (e.g. the monitoring of annual energy production, the number of power reductions due to high water temperatures, etc.) that will be defined in more detail in the **GEN Group's climate-risk management strategy**, which we are planning to draft by 2025. At the same time, we will monitor the proportion of business activities exposed to climate change, as well as investments to mitigate and adapt to climate change.

More about ensuring the sustainable supply of energy and the associated risks is presented in Section 2.5.1. 'Reliable supply to customers' and in Section 2.10. 'Risk management'.

3.3.2. Reduction of the GEN Group's carbon footprint

The material topic 'Reduction of the GEN Group's carbon footprint' represents an important step in efforts to ensure sustainable and responsible operations. Through the transition to renewable energy sources, more effective production processes and a reduction in the use of fossil fuels, the GEN Group is contributing to global efforts to reduce the carbon footprint and increasing its resilience to future regulatory requirements and fluctuations on the energy market, while becoming more appealing to environmentally-aware customers, investors and other stakeholders. This could lead to a better market position, improved competitiveness and better business opportunities in the changing energy sector. Reducing the carbon footprint has thus become a key strategy for sustainable growth and effective risk management.

To that end, we developed a new method for calculating the carbon footprint during the second half of 2023, and prepared a revised and more precise calculation of the carbon footprint of the GEN Group for 2022 according to Scope 1 and Scope 2. That calculation was also verified. The preliminary calculation that was published in the 2022 annual report was 51,824 tonnes of CO_2, while the verified calculation was 37,110 tonnes of CO_2. We then prepared a calculation and analysis of the GEN Group's carbon footprint for 2023 according to a previously verified methodology, through which we identified areas where the group can further contribute to the reduction of its own CO_2 emissions.

Carbon footprint of the GEN Group

ENVIRONMENTAL INDICATORS	2023
Overall carbon footprint (in t CO_2)	6,129
Consumption of drinking water (in m^3)	43,130
Waste water (in m^3)	679,288,699
Non-hazardous waste (in t)	7,820
Hazardous waste (in t)	131.5
Processed waste (in t)	4,331
Environmental protection costs (in EUR thousand)	46,205

Environmental indicators for 2023 offer insight into the actual situation, while the comparison between 2022 and 2023 illustrates notable improvements in the reduction of the overall carbon footprint. This can also be seen in the table that illustrates the intensity of emissions per employee and kWh of electricity produced, and revenue for 2023.

	2022*	2022**	2023**
Overall carbon footprint (in t CO_2)	51,824	37,220	6,129

* Preliminary calculation
** Verified calculation according to GHG protocol

Emissions/employee	**4.40**	[t/employee]
Emissions/kWh of electricity produced	**1.77**	[g/kWh]
Emissions/EUR of revenue	**2.06**	[g/EUR]

The calculation of the GEN Group's carbon footprint for 2023 was carried out in accordance with the requirements of the **GHG Protocol and the ISO 14064-1:2018** standard, and other recommendations that are part of carbon footprint reporting practices. All group companies in which the controlling company holds a participating interest of 50% or more are included in the calculation of the carbon footprint. The group reports on the emissions of subsidiaries in a proportion equal to the associated participating interest. All the locations of an individual company are taken into account. Included in the calculation of the GEN Group's carbon footprint for 2023 are **Scope 1 and Scope** 2, which comprise direct emissions due to the use of fuels from sources that are owned or controlled by an organisation, and indirect emission that arise due to the consumption of energy provided by another company.

Measures implemented in 2023 to reduce the carbon footprint include:

- The start of development and drafting of a strategy for the decarbonisation of GEN Group companies.
- The enhancement of energy efficiency measures, which we pursue through:
  - internal challenges and advice;
  - investments in more energy efficient equipment;
  - the implementation of technological improvements (thermal envelope protection of buildings, heating, ventilation and air conditioning systems, etc.);
  - the digitalisation of operations;
  - campaigns to raise public awareness with the aim of a 10% reduction in energy consumption by customers relative to the previous year; and
  - objectives to reduce energy consumption in commercial buildings.
- Continued compliance and the deepening of environmental responsibility in the development of innovative products and services.

3.3.3. Contribution to the increase in the share of RES

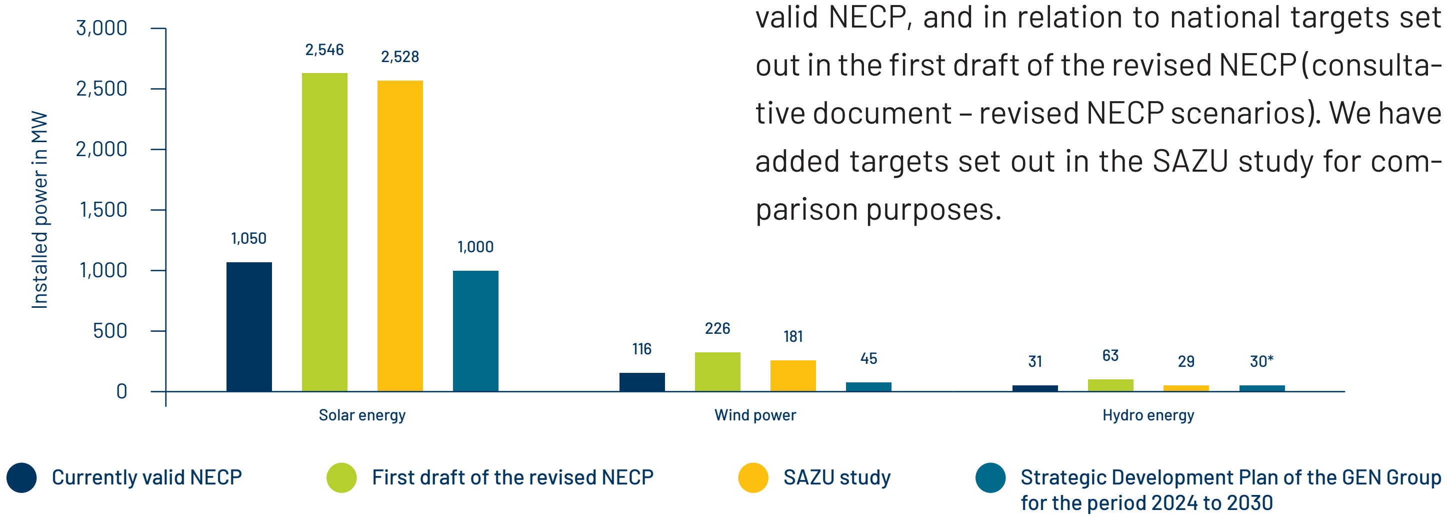
The contribution to the increase in the share of RES represents a key direction of sustainable development and is a response to the global challenges of climate change. The GEN Group recognised this in the Strategic Development Plan of the GEN Group for the period 2024 to 2030, where investments in renewable energy sources, flexibility and advanced energy services represent one of three key pillars of our vision. By increasing the share of RES, we contribute to global efforts to reduce greenhouse gas emissions, while enhancing Slovenia's energy security and stability. In addition to environmental benefits, we promote innovation, create new green jobs and strengthen local and regional development.

During a record year in 2023, we connected **new solar power plants with a total rated power of 72 megawatts**, including the **largest solar power plant in Slovenia**, with a rated power of 6 MW, which together with the Brežice HPP represents a hybrid system of solar and hydro energy.

Our goals and results in this area are presented in detail in Section 1.2. 'Letter from the CEO' and Section 2.5.3. 'Investments in RES, flexibility, advanced services'.

The GEN Group's contribution to the goal of raising the share of RES

The graph illustrates the GEN Group's contribution to objectives to increase the share of RES in relation to national targets that Slovenia has committed to meeting by 2030, as set out in the currently valid NECP, and in relation to national targets set out in the first draft of the revised NECP (consultative document – revised NECP scenarios). We have added targets set out in the SAZU study for comparison purposes.



* For the share of the contribution of HPPs, we took into account the entire installed production capacity (MW) of the Mokrice HPP, where production is divided according to the ownership stakes of companies as follows: the GEN Group: 51%; HSE: 49%

3.3.4. Care for the ecosystem and compliance with the highest standards in the area of biodiversity

The material topic 'Care for the ecosystem and compliance with the highest standards in the area of biodiversity' emphasises the GEN Group's commitment to the sustainable management of the environment. We are addressing the aforementioned topic through active inclusion in the **preservation of natural ecosystems**. This includes measures to preserve habitats, the promotion of plant and animal diversity, and the adaption of business processes to minimise their environmental impact. We are also developing best practices in the preservation of biodiversity through cooperation with various expert stakeholders, while concern for ecosystems and biodiversity is becoming a key element of sustainable operations, which is leading the GEN Group towards a balance between energy needs and preserving nature for future generations.

We also contribute to concern for ecosystems through **responsible waste management**. We manage waste responsibly for the entire life cycle of a product, in accordance with the European waste directive and national legislation. We accomplish this by reducing generated waste and the use of natural resources, through waste separation, and through the proper handling and minimisation of plastic and other artificial materials, where possible. We began measuring the consumption and structure of waste at certain companies in 2023. This serves as the basis for designing targeted measures to reduce and prevent the generation of waste. Key measures in the following three areas of operations:

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 ARAO began works to build a LILW repository in 2023.
- **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. The transition from an active storage solution to a passive solution is reflected in the introduction of dry cask storage for spent nuclear fuel, which in global terms is the most widely used temporary spent fuel storage solution. Dry cask storage for waste from the NEK was built in 2022, while the requisite operating permit was received at the beginning of 2023. During the first wave, which began in spring 2023, 16 containers containing 592 spent fuel elements were moved from the spent fuel pool to dry storage within the planned timeframe.
- **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 professional organisations**: The NEK collaborates with Slovenian and global experts and professional organisations to gain the best possible knowledge and experience in nuclear waste management.

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.

3.4. Social aspect

The vision that the GEN Group pursues and the objectives that it achieves are the result of the successful work of all employees. Employee development therefore represents a key objective. We are also aware of our responsibility to our customers, business partners and society as a whole. We will therefore continue to provide customers competitive and sustainable solutions, while ensuring the reliable supply of energy. Cooperation with business partners will be transparent and reliable, and we will strive for inclusion and give back to society, in particular the local environments in which we operate.

The GEN Group's sustainable guidelines with respect to society:

3.4.1. Development and retention of staff

The development and retention of staff is one of six material social topics. The group had 1,724 employees in 2023, or 1,395 according to consolidation rules. The number of employees is in line with the group's growth and development and the challenges they bring. We are proud of our employees' strong competences. Due to the complexity and difficulty of work at GEN Group companies, more than half of employees have completed at least higher education.

SOCIAL ASPECT (S)

- To introduce and upgrade employee development programmes
- To strengthen employees' trust in the company and its mission through various development programmes and communication systems
- To establish a fair remuneration system that strives for the satisfaction of employees with their wages
- To introduce new programmes for the psychological support of employees
- To draft a uniform strategy for the inclusion of and cooperation with the wider and local community to attract skilled and professional staff
- To increase sponsorships and donations for sustainable projects
- To establish guidelines for the adoption of bylaws and to adapt internal processes to address cases of inequality, discrimination and/or any form of violence in the workplace
- To establish guidelines for the effective assessment of the appropriateness of suppliers, in accordance with the law, public procurement procedures and the ISO standards, and ESG-related guidelines within the GEN Group

Number of employees at GEN Group companies

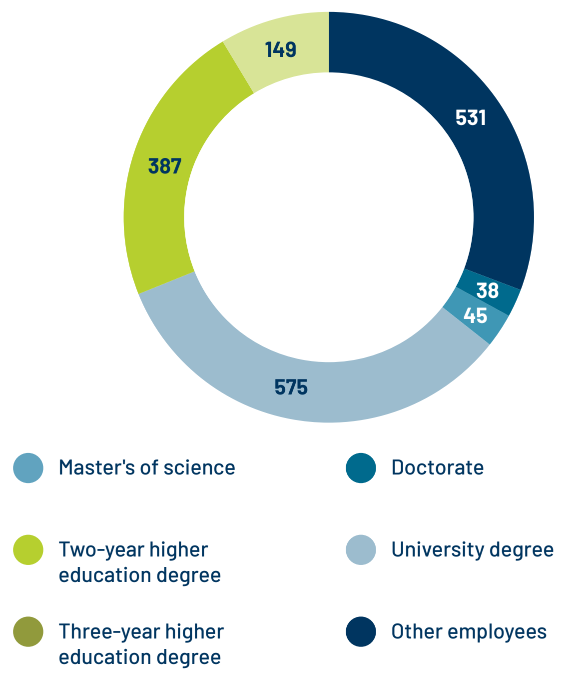
(as at 31 December 2023 and 31 December 2022)*

GEN Group	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	TOTAL 2023	TOTAL 2022
GEN	0	0	0	0	4	8	15	52	3	7	89	74
GEN-I	0	2	0	12	130	35	271	236	22	18	726	681
NEK	0	0	0	9	265	73	59	228	14	11	659	648
SEL	1	0	0	12	35	10	12	17	4	0	91	97
TEB	0	1	0	11	29	19	20	21	0	1	102	107
HESS	1	0	0	3	15	4	10	21	2	1	57	57
TOTAL	**2**	**3**	**0**	**47**	**478**	**149**	**387**	**575**	**45**	**38**	**1,724**	**1,664**

* The data in the 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 in the GEN Group by level of professional qualifications

(as at 31 December 2023)



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.

Retaining experienced and highly-qualified employees ensures organisational stability and the continuity of work. It also facilitates the transfer of crucial knowledge within the group and the management of potential challenges in connection with the departure of key employees. A low employee turnover rate, which fluctuated at around 6% at the group level in 2023, is evidence that our employees are highly dedicated and motivated to work in an environment that promotes knowledge, responsibility and networking.

In the context of retaining employees, we constantly strive for their **professional and personal development**. Investments in employee development strengthen individual competences, while promoting the innovation and flexibility of employees in a dynamic business environment.
The average number of education and training hours per employee was 56.9 at the group level in 2023. We invest systematically in the professional education and training of executive and management staff, and other key employees in all areas of group companies' operations. We also organise several specialised programmes in areas relating to the production of electricity from nuclear energy:
- 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.

Due to the ageing of existing employees and new needs for a highly-qualified workforce that keeps pace with the rapid development and growth of group companies, we closely monitor needs and **systematically develop new jobs**. One way to systematically develop qualified and competent employees, primarily in the areas of natural and technical sciences, is to award scholarships. GEN Group companies **award scholarships** and also participate in standardised regional scholarship schemes (e.g. the Posavje Scholarship Scheme). The GEN Group had 36 scholarship recipients as at 31 December 2023.

Scholarship recipients at GEN Group companies (as at 31 December 2023)

	2023
GEN	8
GEN-I	7
NEK	20
SEL	0
TEB	1
HESS	0
TOTAL	**36**

3.4.2. Ensuring a healthy and safe work environment

The material topic 'Ensuring a healthy and safe work environment' is essential for the organisation's performance and the well-being of employees. Creating a safe work environment contributes to the **mitigation of the risk of workplace injuries and accidents**, which both protects the health of employees and contributes to the preservation of their work potential, while it also serves as the basis for protecting external stakeholders against the consequences of potential accidents. Concern for the health and safety of employees is a key element of sustainable operations and brings long-term benefits to the GEN Group and its employees, and indirectly to the wider community.

To that end, we regularly adopt measures to mitigate and eliminate potential risks to health and the occurrence of accidents. We refer employees to **periodic preventive medical exams** and offer them the possibility of the payment of premiums for **collective accident insurance and health insurance**. We also comply with all key regulations and bylaws governing the area of occupational health and safety, which includes the organisation of **occupational safety training and the promotion of health in the workplace**. Also in place is a **declaration of safety with risk assessment**, which assesses the hazards and harmful effects that may affect the health of employees, and includes principles to mitigate these risks and appropriate safety measures. The GEN Group recorded five workplace accidents in 2023 that resulted in minor injuries.

A healthy work environment has a direct impact on productivity and the quality of work. For this reason, we provide fresh fruit in offices every day. In the scope of **sports clubs**, we offer the use of capacities, and visits to numerous activities and courses. To ensure a positive work atmosphere and strengthen team bonds, we organise **team-building events, sports games and picnics**, while in December we organise New Year's Eve parties for all colleagues. Because we believe that employees who feel safe and valued are more motivated and thus more effective at work, we also strive to improve their resilience and psycho-physical well-being. Various activities in this area are organised at individual companies, while we are planning to expand those activities to the entire group in the coming years.

We maintain employee satisfaction and loyalty through the creation of an appealing work environment. Certain group companies have been recognised as **reputable employers** and hold the **Family-Friendly Company** certificate.

Naložba v vašo prihodnost
OPERACIJO DELNO FINANCIRA EVROPSKA UNIJA
Evropski socialni sklad

POLNI CERTIFIKAT
Družini prijazno podjetje

Parental leave within the GEN Group in 2023

GEN Group	Men	Women
Number of employees entitled to parental leave	55	52
Number of employees who took parental leave	52	52
Total number of employees who returned to work during the reporting year following the completion of parental leave	10	27
Total number of employees who returned to work following parental leave and were still employed 12 months after that return	10	27

3.4.3. Responsibility to customers and the protection of personal data

Responsibility to customers and the protection of personal data are key elements of sustainable operations, and strengthen the GEN Group's reputation, while establishing sound, long-term connections with customers. They contribute to the establishment of a safe environment that facilitates trouble-fee operations. The group believes that customer satisfaction goes beyond meeting customer expectations, and includes transparent communication, ethical behaviour and the provision of quality products and services. The personal data of customers are essential. Through the reliable protection of that data, we comply with regulatory requirements, such as the GDPR, and build **sustainable partnerships** with customers at all levels of operations. More information on this topic is included in the annual report of the subsidiary GEN-I, which is the leading supplier of electricity to households and small business customers.

3.4.4. Socially responsible operations and giving back to society

Socially responsible operations and giving back to society are key elements of sustainable operations and go beyond the economic objectives of the group. They include a commitment to social values and ethical conduct, which affects GEN Group's reputation in the eyes of the wider community. Through sustainable operations that go beyond the achievement of economic profit, the GEN Group plays an important role in the social environment, as it contributes to the resolution of social challenges and improves the quality of life of the community.

Giving back to society means the **GEN Group actively participates in social and environmental initiatives**. This includes donations, volunteer activities, partnerships with non-profit organisations and the promotion of sustainable practices amongst stakeholders. In 2023, the GEN Group earmarked close to 54% of all funds relating to social responsibility for the local environments in which our companies operate, while 46% of funds were received by organisations throughout Slovenia. Following the extraordinary floods in August, we donated EUR 1 million to the **national recovery fund**, while all the firefighters' associations along the Sava River received a total of EUR 190,000 in donations to refurbish destroyed equipment. We also organised a special event in Krško in November 2023 for firefighters, where we presented donations.

In line with our responsible operations, we also 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 the **areas of healthcare and humanitarian activities**, we encourage GEN Group employees in various ways to donate blood.

In the **area of education**:

- We promote the **interest of young people in natural and technical sciences**. For more than a decade, we have been establishing and developing partnerships with individuals and organisations 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 from across Slovenia (in particular the Faculty of Electrical Engineering at the University of Ljubljana, the Faculty of Electrical Engineering and Computer Science at the University of Maribor and the Faculty of Energy Technology at the University of Maribor);
  - 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.
- Every year we organise the **nationwide 'Young in the World of Energy' contest**, which includes several hundred children who are given the opportunity to present their views and understanding of electricity, energy and energy sources.
- We organise **the Young Geniuses project**, which takes the form of a quiz on energy topics and includes several technically-oriented secondary schools every year.
- We organise **education and training in the World of Energy**, where the number of visitors rose to 7,200 in 2023, which is more than in the pre-corona period. Through a well-planned approach, the planning of activities and video content, we offer schools a 'remote' visit to the World of Energy, where they can choose from previously prepared content to match their needs as a part of their regular curriculum, in the organisation of activity days or for work with talented pupils and students. The number of visits was up by around 12% in 2023 relative to the previous year. By the end of 2023, we had turned back eight groups or around 310 visitors due to the high level of interest.
- 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 2023 to various **national, professional, business and educational/awareness-raising events and projects related to the energy sector**. That support included:
  - Working consultation: How to effectively site JEK2, organised by GEN energija;
  - Energy Days, organised by the Finance Academy;
  - The International Conference of Nuclear Experts organised by the Nuclear Society of Slovenia;
  - Meeting of the Posavje Region Council;
  - Meeting of the City Council of the Municipality of Krško;
  - Energy and the Environment Conference, organised by Prosperia;
  - Expert consultation by ELES;
  - Energetika Work Conference;
  - Purchasing Summit, organised by the Purchasing Association of Slovenia;
  - European Researchers' Night, organised by the House of Experiments, Jožef Stefan Institute, the National Institute of Chemistry, the Technical Museum of Slovenia, the Geological Survey of Slovenia and the Botanical Garden of the University of Ljubljana;
  - Regional Green Conference (ReGreen), organised by Bloomberg Adria;

- Slovenian Woodworking Days, organised by SPIRIT and the Ministry of the Economy, Tourism and Sport;
- 500 Businesswomen event, organised by 500 podjetnic d.o.o.;
- Green Energy Summit, organised by Prosperia;
- Conference of Young Nuclear Experts organised by the Nuclear Society of Slovenia;
- Posavje Development Form organised by the Finance Academy;
- Bled Strategic Forum, organised by the Slovenian government and Ministry of Foreign Affairs; and
- Premiere of the film Jedrska zdaj (Nuclear Now), organised by the digital platform JedrskaSI.

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.

Here, we should mention our subsidiary GEN-I, which 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.

3.4.5. Zero-tolerance for all forms of discrimination and violence in the workplace, and respect for human rights.

In all countries where the GEN Group operates, we follow a policy of zero-tolerance for all forms of discrimination and violence in the workplace, and respect for human rights. A policy of zero-tolerance establishes clear guidelines for the creation of an organisation that both follows and sets standards in the area of ethical and responsible operations.

The GEN Group consistently complies with all valid legislation and standards regarding human rights, which form the basis for fair and ethical operations. At the core of GEN Group's operations is the recognition of the **dignity and personal integrity** of each individual, with special attention given to the **protection of privacy**. We are aware of the importance of **freedom of speech and expression**, and also respect the diversity of views, which is essential for open communication from the top down and vice versa, and for fostering transparency and cooperation. The GEN Group follows the principle of **zero-tolerance for unfair and illicit labour**, which reflects the group's commitment to establishing a work environment in which integrity, fairness and respect for all employees prevail.

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. We treat all 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 **unacceptable**. We ensure the necessary work conditions, and a work environment that is open to innovation and creativity. 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. We did not identify any cases of discrimination or violence in the workplace in 2023.

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

3.5. Governance aspect

Effective corporate governance is essential for achieving environmental goals and the company's objectives. A culture of corporate governance that encompasses ethical business practices signals the market that the GEN Group is well-managed. This, in turn, attracts investors and ensures a competitive advantage, while allowing the group and its management staff to make responsible decisions to achieve established objectives that are based on successful risk management.

The GEN Group's sustainable guidelines with respect to governance:

GOVERNANCE ASPECT (G)

- To draft and update development and strategic documents for management and governance within the GEN Group
- To establish an internal auditing function
- To appoint a compliance officer
- To adopt a diversity policy at the group level
- To adopt a succession policy for management and executive staff
- To adopt an umbrella risk management document at the group level
- To establish an electronic corrective action programme for reporting deviations and inconsistencies, and for submitting suggestions for improvement
- To adopt an anti-corruption policy and bribery prevention policy that includes the full range of the group's operations, and to establish a conflict of interest policy
- To establish guidelines for the drafting of an open-door policy

3.5.1. Comprehensive risk management

Comprehensive risk management is crucial for the sustainable and successful operations of the GEN Group in a dynamic business environment. Awareness and the identification of risks allow the GEN Group to make preventative preparations for potential challenges, while exploiting opportunities for growth. Through a systematic approach to risk management, the group establishes a sound **basis for resilience to unexpected events**, and thus reduces the possibility of financial losses and damage to its reputation, while facilitating improved flexibility in a changing environment.

Comprehensive risk management also **strengthens the trust of stakeholders**, including customers, investors and regulatory bodies. Transparent reporting on risks demonstrates the responsibility and maturity of the GEN Group, and establishes sustained trust in management. The GEN Group thus fulfils regulatory requirements and lays a sound foundation for long-term sustainable growth and competitiveness. Comprehensive risk management has thus become an indispensable element of a sustainable business strategy that facilitates responsiveness to uncertainties and the creation of a stable operating environment.

Changes, adaptations and the associated opportunities for growth and development are always accompanied by certain risks. The GEN Group thus makes risk management a key pillar of its strategic objectives. With the aim of effectively addressing risks and identifying the opportunities that accompany potential risks, we have developed a risk management strategy for every pillar of our operations and defined solutions that can effectively turn challenges into opportunities, which can in turn lead to long-term business success. More about risk management is presented in Section 2.10. 'Risk management'.

3.5.2. Corporate governance

Corporate governance is essential for establishing an effective and responsible business environment. By applying the highest standards of management and supervision, corporate governance ensures that the GEN Group operates in accordance with the principles of transparent and ethical operations. Responsible corporate governance contributes to the establishment of trust between a company and all stakeholders, including customers, investors and employees, as this ensures the clear demarcation of responsibilities, open reporting and decision-making in the long-term interests of the GEN Group. Corporate governance also contributes to the effective management of internal processes, prevents conflicts of interest and strengthens the accountability of management staff. It contributes to decisions that are oriented to the long-term sustainable performance of the GEN Group and not merely to short-term profits. By establishing a balance between all stakeholders, corporate governance protects the interests of each subsidiary and supports broader social responsibility, which sets the foundations for the stable and sustainable growth of the GEN Group in the global business environment.

With regard to corporate governance, the company studied the need for updates and changes, and established the necessary foundations in 2023, and then implemented specific changes in the aforementioned area in 2024. As founder and sole owner, GEN adopted new Articles of Incorporation at TEB and SEL, and thus established the bases for the constitution of a supervisory board and audit committee (both companies are public interest entities), and changed the value of legal transactions for which the management of those companies must obtain the supervisory board's consent before the conclusion thereof (including credit transactions, etc.) thereby standardising the amount of such transactions at TEB, SEL and HESS, while taking into account the recommendation of the founder's internal audit department regarding a change in terminology in such a way that it is unambiguously clear for which investment documents the management of TEB and SEL must obtain the founder's consent before the implementation of an investment. GEN-I completed the process of coordinating an amendment of its Memorandum of Association with inextricably linked rules of procedure for the company's senior management. GEN-I is also a public interest entity. For this reason, the aim of the aforementioned change to its Memorandum of Association was to constitute a supervisory board and audit committee, and to segregate powers between the company's bodies as required.

For more information regarding governance within the group, see Section 2.1. 'Presentation of the GEN Group', while more information regarding specific activities and guidelines in the area of corporate governance can be found in Section 1.1. 'Key performance data for the GEN Group', Section 2.2. 'Corporate governance statement' and Section 2.10.1. 'Risks and opportunities'.

3.5.3. Compliance and transparent management

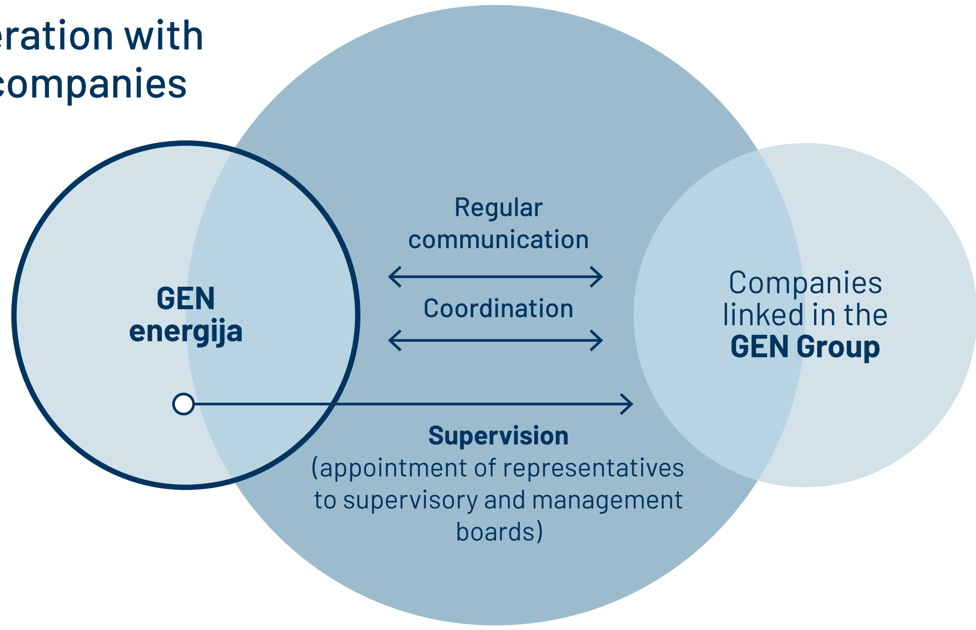
Compliance and transparent management represent the core pillars of sustainable and responsible operations in a contemporary business environment. Compliance includes the consistent respect of all regulatory requirements and ethical standards outlined in the codes of ethics of individual companies, while ensuring the integrity of the GEN Group and mitigating the risks of unethical or unlawful conduct. The GEN Group thus fulfils its obligations to stakeholders and strengthens the confidence of customers, investors and other stakeholders in the group's ethical conduct and accountability.

This is also achieved through the **quality policy of the GEN Group**, which binds us to:

- establishing the best possible quality assurance and safety culture in order to achieve the strategic goals of the GEN Group;
- creating a 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.

Transparent management is crucial for the establishment of open communication channels between management staff and stakeholders. Clear reporting on business activities, financial results, environmental impacts and the social responsibility of the GEN Group allows stakeholders, including customers, investors, employees and regulatory bodies, to better understand the GEN Group and make decisions on the basis of relevant information. The transparency of management strengthens the GEN Group's reputation and increases the accountability of management staff, as open communication is essential for building trust and long-term partnerships with the wider community.

GEN's cooperation with GEN Group companies



3.5.4. Implementation of anti-corruption and conflict of interest policies

The implementation of anti-corruption and conflict of interest policies within the GEN Group represents the basic pillar of ethical and responsible operations.

The **anti-corruption policy** ensures that the GEN Group operates in accordance with the highest standards of ethical conduct and diligently prevents all forms of corruption. It includes clear rules regarding the acceptance of gifts, transparency in business transactions and the education of employees on the importance of ethical conduct. The GEN Group thus fulfils regulatory requirements, while protecting its reputation and ensuring integrity in the business environment.

Individual GEN Group companies have anti-corruption policies and practices in place that allow companies to immediately identify and take appropriate action when potential risks of this kind arise, as well as whistleblowing mechanisms to report violations and potential concerns.

The **conflict of interest policy** is crucial for establishing trust amongst stakeholders and for maintaining an ethical environment within the GEN Group. With clearly defined guidelines for managing conflicts of interest, which include codes of ethics at the level of individual companies and risk management rules, the GEN Group protects itself from situations that could pose a threat to fair and transparent decision making. We are planning to adopt a revised Code of Ethics at the group level in 2024.

Monitoring and preventing potential conflicts of interest between employees and external stakeholders puts the GEN Group on a path of sustainable and responsible operations, in which it is committed to honesty, integrity and open communication at all levels of the organisation. The GEN Group thus has established an environment that promotes ethical conduct and serves as the basis for long-term sustainable operations.

3.5.5. Digitalisation of operations and cyber security

The digitalisation of operations and cyber security are key components that form the GEN Group's contemporary approach to effective and safe operations in the digital world. **Digitalisation** allows the GEN Group to optimise processes, increase efficiency and keep pace with the latest technological trends in the electricity sector. Through technological innovations, the GEN Group improves control over production processes, optimises the use of resources and ensures improved adaptability to dynamic challenges on the energy market.

Enhanced digitalisation requires increased attention to **cyber security**. The rising number of digital devices and connections increases vulnerability to cyber attacks, which represent a serious risk for the functioning of electric power grids. It is therefore crucial that the GEN Group establishes and maintains high cyber security standards, including systematic control, employee training, innovative security technologies and close cooperation with cyber security experts. Only through a coordinated approach to digitalisation and cyber security can the GEN Group achieve an optimal balance between the exploitation of digital opportunities and protection against cyber threats.

3.5.6. Management staff selection and development strategy

The management staff selection and development strategy is directly linked to high standards of business ethics and reflects the group's commitment to sustainable operations. The selection of management staff who identify with the GEN Group's high ethical standards ensures that business ethics are integrated at the top of the decision-making structure.

When **selecting management staff**, the GEN Group focuses on expertise and experience, and on the ethical conduct and values of individuals. The **development of management staff** includes continuous education and training in the area of business ethics. The selection and development of management staff thus forms the ethical basis of the GEN Group, and helps build a sustainability-oriented management team that is capable of effectively guiding a subsidiary and the senior management of the GEN Group on the latter's path to sustainable growth in line with ethical norms. Certain group companies have already adopted a **succession policy**. A succession policy will be adopted at the group level by 2025, while each subsidiary will adopt that succession policy in the years that follow.

3.6. 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. Information is disclosed based on the provisions of Commission Delegated Regulation (EU) 2021/2178, which defines in detail the content of and methodology for disclosing information, and Commission Delegated Regulations (EU) 2021/2139, (EU) 2022/1214, (EU) 2023/2485 and (EU) 2023/2486, which define the technical screening criteria for determining whether an economic activity contributes substantially to at least one 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 2023 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 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.

Disclosures were prepared on the basis of a review of the above-mentioned taxonomy documents, our understanding and available data. Given that delegated regulations 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 delegated regulations.

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 one of the six environmental objectives** set out in Article 9 of the Taxonomy Regulation and does not significantly harm any other environmental objectives.

Taking into account the currently valid Taxonomy Regulation, the following activities of the GEN Group 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 economic activities** (fully meet criteria) and **taxonomy-aligned economic activities** (partially meet criteria) 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 a**ctivities are classified as taxonomy-eligible but not taxonomy-aligned**.

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 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)																
Production of electricity from hydro energy	35.11	43,679,039	1.47%	100%						YES	YES	YES	n/a	n/a	YES	YES
Other services provided (engineering, measurements)	71.20 71.12	39,327	0.00%	100%						YES	YES	n/a	n/a	n/a	YES	YES
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**43,718,366**	**1.48%**													
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Electricity production from nuclear energy on existing devices;	35.11	118,184,646	3.99%	100%						N/A	NO	N/A	NO	N/A	YES	N/A
Construction of solar power plants	42.22	67,671,724	2.28%	100%						N/A	NO	N/A	YES	N/A	YES	NO
Energy contractual partnerships	42.22	155,851	0.01%	100%						N/A	NO	N/A	YES	N/A	YES	NO
Production of energy using photovoltaic technology	35.11	665,781	0.02%	100%						N/A	NO	N/A	NO	N/A	YES	NO
Electricity storage	35.16	13,581	0.00%	100%						N/A	NO	N/A	NO	N/A	YES	NO
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	35.11	452	0.00%	100%						N/A	YES	N/A	N/A	YES	YES	YES
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**186,692,035**	**6.30%**													
Total (A.1 + A.2)		**230,410,401**	**7.77%**													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Turnover of taxonomy-non-eligible activities (B)		2,733,421,214	92.23%													
Total (A + B)		**2,963,831,615**	**100%**													

Proportion of CapEx 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 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)																
Production of electricity from hydro energy	35.11	3,619,531	9.57%	100%						YES	YES	YES	n/a	n/a	YES	YES
Other services provided	71.20 71.12	15,102	0.04%	100%						YES	YES	n/a	n/a	n/a	YES	YES
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**3,634,633**	**9.61%**													
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Electricity production from nuclear energy on existing devices;	35.11	19,055,922	50.37%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Construction of solar power plants	42.22	2,694,751	7.12%	100%						n/a	NO	n/a	YES	n/a	YES	NO
Energy contractual partnerships	42.22	1,170,995	3.10%	100%						n/a	NO	n/a	YES	n/a	YES	NO
Production of energy using photovoltaic technology	35.11	659,421	1.74%	100%						n/a	NO	n/a	NO	n/a	YES	NO
Electricity storage	35.16	190,334	0.50%	100%						n/a	NO	n/a	NO	n/a	YES	NO
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	35.11	-	0.00%	100%						n/a	YES	n/a	n/a	YES	YES	YES
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**23,771,422**	**62.83%**													
Total (A.1 + A.2)		**27,406,055**	**72.44%**													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
CapEx of taxonomy-non-eligible activities (B)		10,425,872	27.56%													
Total (A + B)		**37,831,927**	**100%**													

Proportion of OpEx 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 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)																
Production of electricity from hydro energy	35.11	26,814,494	17.85%	100%						YES	YES	YES	n/a	n/a	YES	YES
Other services provided	71.20 71.12	-	0.00%	100%						YES	YES	n/a	n/a	n/a	YES	YES
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**26,814,494**	**17.85%**													
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Electricity production from nuclear energy on existing devices;	35.11	116,620,111	77.62%	100%						n/a	NO	n/a	NO	n/a	YES	n/a
Construction of solar power plants	42.22	185,994	0.12%	100%						n/a	NO	n/a	YES	n/a	YES	NO
Energy contractual partnerships	42.22	19,106	0.01%	100%						n/a	NO	n/a	YES	n/a	YES	NO
Production of energy using photovoltaic technology	35.11	587,959	0.39%	100%						n/a	NO	n/a	NO	n/a	YES	NO
Electricity storage	35.16	-	0.00%	100%						n/a	NO	n/a	NO	n/a	YES	NO
High-efficiency cogeneration of heat/cooling and electricity from fossil gaseous fuels	35.11	230	0.00%	100%						n/a	YES	n/a	n/a	YES	YES	YES
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**117,413,400**	**78.15%**													
Total (A.1 + A.2)		**144,227,894**	**96.00%**													
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
OpEx of taxonomy-non-eligible activities (B)		6,015,080	4.00%													
Total (A + B)		**150,242,974**	**100%**													

Nuclear and natural gas related activities

	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.	YES
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	
1	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
2	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
3	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

3.7. Sustainable reporting according to the GRI Guidelines

In reporting on the non-financial aspects of operations, we apply the international sustainability reporting framework pursuant to the GRI (Global Reporting Initiative) 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.

Statement regarding application: The GEN Group reports with reference to the GRI standards for the period 1 January 2023 to 31 December 2023.

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.
2-3	Reporting period, frequency and contact point	2.12.
2-4	Restatements of information	2.12., 3.3.2.
Activities and workers		
2-6	Activities, value chain and other business relationships	2.1.,2.5.
2-7	Employees	1.2., 2.9., 3.4.
Governance		
2-9	Governance structure and composition	2.1., 2.2.
2-10	Nomination and selection of the highest governance body	2.2.
2-11	Chair of the highest governance body	2.1.
2-12	Role of the highest governance body in overseeing the management of impacts	2.2.
2-13	Delegation of responsibility for managing impacts	2.2.
2-14	Role of the highest governance body in sustainability reporting	2.12.
2-15	Conflicts of interest	2.2., 2.12., 3.5.
2-16	Communication of critical concerns	3.5.
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	3.
2-23	Policy commitments	2.2., 2.3.
2-25	Processes to remediate negative impacts	2.10., 3.3., 3.5.
2-26	Mechanisms for seeking advice and raising concerns	3.5.
2-27	Compliance with laws and regulations	2.2.
Stakeholder engagement		
2-29	Approach to stakeholder engagement	3.2.
2-30	Collective agreement	2.2., 3.4.
GRI 3: Material topics 2021		
3-1	Process to determine material topics	3.2.
3-2	List of material topics	3.2.
3-3	Management of material topics	3.2., 3.3., 3.4., 3.5.

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	2.4., 2.5., 2.10.
GRI 203: Indirect economic impacts 2016		
203-1	Infrastructure investments and services supported	2.5.
Environmental impacts		
GRI 305: Emissions 2016		
305-1 and 305-2	GHG emissions – Scopes 1 and 2	3.3.
Social impacts		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	3.4.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	3.4.
401-3	Return to work and retention rates of employees that took parental leave, by gender	3.4.
GRI 403: Occupational health and safety 2018		
403-1	Occupational health and safety management system	3.4.
403-5	Worker training on occupational health and safety	3.4.
403-6	Promotion of worker health	3.4.
403-9	Work-related injuries	3.4.
403-10	Work-related ill health	3.4.
GRI 404: Training and education 2016		
404-1	Average hours of training per year per employee	3.4.
GRI 405: Diversity and equal opportunity 2016		
405-1	Diversity of governance bodies and employees	3.4.
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	3.4.
GRI 407: Freedom of association and collective bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3.4.

04 FINANCIAL REPORT

4.1. 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.

4.2. 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 2023 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 2023, together with the accompanying policies and notes, were approved by the company's senior management.

Vrbina, 9 July 2024

Dr Dejan Paravan
CEO

Nada Drobne Popović , Msc
CFO

Dr Bruno Glaser
COO

4.3. Individual financial statements of GEN

4.3.1. Individual balance sheet – assets

(in EUR)	Notes	31 December 2023	31 December 2022
ASSETS		**899,125,200**	**756,939,185**
Non-current assets		**533,698,760**	**526,609,002**
Intangible assets, and non-current deferred expenses and accrued revenue	1	**248,716**	**279,805**
Intangible assets		**216,088**	**201,154**
Long-term property rights		206,573	181,652
Other intangible assets		9,515	19,502
Non-current deferred expenses and accrued revenue		32,628	78,651
Property, plant and equipment	2	**23,630,108**	**21,624,017**
Land and buildings		4,624,604	4,841,939
Land		585,105	485,788
Buildings		4,039,499	4,356,151
Other plant and equipment, small inventory and other property, plant and equipment		976,160	836,040
Property, plant and equipment in acquisition		18,029,344	15,946,038
Non-current financial assets	3	**499,296,877**	**494,440,401**
Non-current financial assets, excluding loans		494,241,321	488,607,068
Shares and participating interests in group companies		296,276,642	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	257,266
Long-terms loans		5,055,556	5,833,333
Long-term loans to group companies		5,055,556	5,833,333
Deferred tax assets	4	**10,523,059**	**10,264,779**
Current assets		**365,348,439**	**230,205,380**
Assets (disposal groups) held for sale		**74**	**0**
Inventories		**8**	**4**
Material		8	4
Current financial assets	5	**226,002,127**	**53,356,145**
Short-term loans		226,002,127	53,356,145
Short-term loans to group companies		824,686	788,026
Short-term loans to others		225,177,441	52,568,119
Current operating receivables	6	**98,781,974**	**81,897,428**
Current operating receivables from group companies		75,390,439	52,518,412
Current trade receivables		17,787,665	16,637,748
Current operating receivables from others		5,603,870	12,741,268
Cash and cash equivalents	7	**40,564,256**	**94,951,803**
Current deferred expenses and accrued revenue	8	**78,001**	**124,803**

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

4.3.2. Individual balance sheet – equity and liabilities

(in EUR)	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES		**899,125,200**	**756,939,185**
Equity	9	**704,399,889**	**538,252,305**
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		**172,711,282**	**137,420,389**
Legal reserves		2,605,980	2,605,980
Other revenue reserves		170,105,302	134,814,409
Fair value reserves		**-68,288**	**-126,959**
Retained earnings		**19,184,920**	**18,526,971**
Net profit or loss for the financial year		**130,815,080**	**675,009**
Provisions, and non-current accrued expenses and deferred revenue		**95,821,141**	**75,769,026**
Provisions, and non-current accrued expenses and deferred revenue	11	**95,821,141**	**75,769,026**
Provisions for severance payments and long-service bonuses		1,128,823	1,146,311
Other provisions		94,685,333	74,618,917
Non-current accrued expenses and deferred revenue		6,985	3,798
Non-current liabilities		**0**	**147,334**
Non-current operating liabilities		**0**	**9,284**
Other non-current operating liabilities		0	9,284
Deferred tax liabilities		**0**	**138,050**
Current liabilities		**97,787,387**	**142,451,701**
Current financial liabilities	12	**0**	**100,024,743**
Current financial liabilities to banks		0	100,024,743
Current operating liabilities	13	**97,787,387**	**42,426,958**
Current operating liabilities to group companies		29,670,833	29,121,966
Current trade payables		24,085,645	6,499,696
Current operating liabilities for advances		0	149,998
Other current operating liabilities		44,030,909	6,655,298
Current accrued expenses and deferred revenue	14	**1,116,783**	**318,819**

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

4.3.3. Individual income statement

(in EUR)	Notes	2023	2022
Net sales revenue	17	**540,116,587**	**371,864,599**
On the domestic market		539,064,083	371,663,428
On foreign markets		1,052,504	201,171
Other operating revenue	17	**12,248,707**	**1,392,577**
Cost of goods, materials and services	20	**285,928,614**	**349,680,431**
Historical cost of goods and materials sold		283,068,553	346,529,422
Costs of materials used		348,404	255,569
Costs of services		2,511,657	2,895,440
Labour costs	20	**7,493,068**	**5,905,257**
Wages and salaries		5,467,673	4,443,366
Social security costs		1,070,003	892,863
Other labour costs		955,392	569,028
Write-downs	20	**764,582**	**775,831**
Amortisation of intangible assets and depreciation of property, plant and equipment		764,582	775,827
Revaluation operating expenses for intangible assets and property, plant and equipment		0	4
Other operating expenses	20	**64,374,205**	**32,356,978**
Financial income from shares and participating interests	18	**6,224,554**	**14,496,187**
Financial income from participating interests in group companies		6,212,763	14,484,396
Financial income from participating interests in other companies		11,791	11,791
Financial income from loans granted	18	**3,563,151**	**191,304**
Financial income from loans to group companies		148,637	73,870
Financial income from loans to others		3,414,514	117,434
Financial income from operating receivables		**632**	**18,567**
Financial income from operating receivables from group companies		0	18,444
Financial income from operating receivables from others		632	123
Financial costs for financial liabilities		**331,981**	**560,231**
Financial costs for loans from banks		331,981	560,231
Financial costs for operating liabilities		**32,222**	**9,101**
Financial costs for trade payables		40	0
Financial costs for other operating liabilities		32,182	9,101
Other revenue		**2,640**	**5**
Other expenses		**1,333,701**	**167,344**
Corporate income tax	21	36,186,467	0
Deferred taxes	21	-394,542	-2,841,953
Net profit or loss for the period		**166,105,973**	**1,350,019**

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

4.3.4. Individual statement of other comprehensive income

(in EUR)	2023	2022
Net profit or loss for the period	**166,105,973**	**1,350,019**
Changes in fair value reserves	41,611	67,015
Total comprehensive income for the period	**166,147,584**	**1,417,034**

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

4.3.5. Individual cash flow statement – version II

(in EUR)	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income statement items	22	**261,768,558**	**-15,383,270**
Operating revenue (excluding revaluation) and financial income from operating receivables		552,368,566	373,275,748
Operating expenses without amortisation/depreciation (excluding revaluation) and financial costs from operating liabilities		-326,786,475	-387,669,995
Corporate income tax and other tax not included in operating expenses		36,186,467	-989,023
Changes in net working capital under balance-sheet operating items	22	**-59,417,529**	**-11,571,022**
Opening less closing operating receivables		-31,370,575	-18,617,165
Opening less closing accrued revenue and deferred expenses		92,825	-110,095
Closing less opening operating liabilities		-16,702,826	8,877,941
Closing less opening accrued expenses and deferred revenue, and provisions		-11,436,953	-1,721,703
Net cash flow from operating activities		**202,351,029**	**-26,954,292**
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows from investing activities	22	**177,905,530**	**54,329,901**
Inflows from interest and shares in profits of others related to investing activities		22,126,119	139,041
Inflows from the disposal of property, plant and equipment		1,633	13,082
Inflows from the disposal of financial assets		155,777,778	54,177,778
Outflows for investing activities	22	**-334,238,902**	**-67,148,752**
Outflows for the acquisition of intangible assets		-176,446	-122,402
Outflows for the acquisition of property, plant and equipment		-2,928,202	-2,026,350
Outflows for the acquisition of financial assets		-331,134,254	-65,000,000
Net cash flow from investing activities		**-156,333,372**	**-12,818,851**
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows from financing activities		**0**	**100,000,000**
Inflows from increase in financial liabilities		0	100,000,000
Outflows for financing activities	22	**-100,405,204**	**-605,332**
Outflows for interest related to financing activities		-405,204	-605,332
Outflows for the repayment of financial liabilities		-100,000,000	0
Net cash flow from financing activities		**-100,405,204**	**99,394,668**
Closing balance of cash and cash equivalents		**40,564,256**	**94,951,803**
Net cash flow for the period		**-54,387,547**	**59,621,525**
Opening balance of cash and cash equivalents		**94,951,803**	**35,330,278**

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

4.3.6. 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
Balance at 1 January 2023	**250,000,000**	**131,756,895**	**2,605,980**	**134,814,409**	**-126,959**	**18,526,971**	**675,009**	**538,252,305**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**41,611**	**0**	**166,105,973**	**166,147,584**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	166,105,973	**166,105,973**
Changes in reserves due to the valuation of financial assets at fair value	**0**	0	0	0	41,611	0	0	**41,611**
Changes within equity	**0**	**0**	**0**	**35,290,893**	**17,060**	**657,949**	**-35,965,902**	**0**
Other changes within equity	**0**	0	0	35,290,893	17,060	657,949	-35,965,902	0
Balance at 31 December 2023	**250,000,000**	**131,756,895**	**2,605,980**	**170,105,302**	**-68,288**	**19,184,920**	**130,815,080**	**704,399,889**

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

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

4.4. 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.

The company's senior management confirmed GEN's financial statements for 2023 on 6 June 2024. Disclosed in those financial statements is distributable profit in the amount of EUR 102,237,907, which was created by resolution on the allocation of net profit for 2023 dated 29 February 2024 and from distributable profit from previous years. The aforementioned resolution was reversed and amended on 18 June 2024, such that the amount of distributable profit was increased to EUR 150,000,000 (disclosures in Note 10). Due to the adoption of the new resolution on 18 June 2024, other revenue reserves in the balance sheet were reduced by EUR 47,762,093, while undistributed net profit for the financial year was increased by the same amount.

4.4.1. Accounting assumptions and qualitative characteristics of the financial statements

When evaluating business events during the preparation of the financial statements, the company follows the main accounting assumptions - accrual basis and going concern. Accounting assumptions were unchanged relative to previous years.

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.

4.4.2. 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. The amortisation rate for intangible assets was 33.33% and was unchanged relative to previous years.

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. Upon initial recognition, the historical cost of individual assets 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 2023
Business premises	3.00
Office equipment	10.00 to 20.00
Computer equipment	20.00 to 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 were unchanged in 2023. A new depreciation group was added for computer equipment with a five-year guarantee, resulting in a lower depreciation rate of 20.00%.

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.

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 comprises funds on accounts at banks or other financial institutions that 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 arise on account of actuarial gains and losses. Provisions created for this purpose are reversed in the corresponding part of retained earnings when provisions for severance payments at retirement are derecognised, in the case of employees who leave or retire.

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 6.5% and a discount rate of 3.17% (2022: employee turnover of up to 1%, wage growth of up to 12.5% and a discount rate of 3.12%).

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 three-year average value of fixed costs defined in the NEK's economic plan, which GEN is obliged to cover. The estimate of the aforementioned provisions was amended in 2023 on account of a change in the basis on which that estimate is made, from the previous six-year average of fixed costs set out in the NEK's economic plan to the current three-year average of fixed costs set out in the NEK's economic plan, in order to pursue the objective of ensuring provisions are as close as possible to the long-term estimate of the expenditure for which the provisions are created..

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 recognised when contractual obligations are met. A contractual obligation is the company's performance obligation to deliver or perform contractually agreed goods or services to a customer. The company fulfils a performance obligation by transferring the contractually agreed goods or services to the customer.

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.

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 a law 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, 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.

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.

4.4.3. 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 2022	**4,199,955**	**7,994**	**152,719**	**0**	**4,360,668**
Acquisitions	177,500	0	5,770	0	183,270
Balance at 31 December 2023	**4,377,455**	**7,994**	**158,489**	**0**	**4,543,938**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2022	**4,024,632**	**1,665**	**133,217**	**0**	**4,159,514**
Amortisation	151,780	799	15,757	0	168,336
Balance at 31 December 2023	**4,176,412**	**2,464**	**148,974**	**0**	**4,327,850**
CARRYING AMOUNT					
Balance at 31 December 2022	**175,323**	**6,329**	**19,502**	**0**	**201,154**
Balance at 31 December 2023	**201,043**	**5,530**	**9,515**	**0**	**216,088**
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	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**

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

Non-current deferred expenses and accrued revenue (in EUR)	31 December 2023	Created	Used	31 December 2022
Non-current deferred costs	32,628	3,431	49,454	78,651
Total	**32,628**	**3,431**	**49,454**	**78,651**

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 2022	**485,788**	**8,303,435**	**5,199,250**	**15,946,038**	**29,934,511**
Acquisitions	99,135	0	359,331	2,143,945	2,602,411
Reclassification	182	33,007	27,450	-60,639	0
Disposals and derecognition	0	0	-65,918	0	-65,918
Balance at 31 December 2023	**585,105**	**8,336,442**	**5,520,113**	**18,029,344**	**32,471,004**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance at 31 December 2022	**0**	**3,947,284**	**4,363,210**	**0**	**8,310,494**
Depreciation	0	349,659	246,587	0	596,246
Derecognition		0	74		74
Disposals and derecognition	0	0	-65,918	0	-65,918
Balance at 31 December 2023	**0**	**4,296,943**	**4,543,953**	**0**	**8,840,896**
CARRYING AMOUNT					
Balance at 31 December 2022	**485,788**	**4,356,151**	**836,040**	**15,946,038**	**21,624,017**
Balance at 31 December 2023	**585,105**	**4,039,499**	**976,160**	**18,029,344**	**23,630,108**
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	0	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**

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 10,961,973 (EUR 9,180,484 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.

The majority of the value of buildings is accounted for by GEN's Information Centre, the carrying amount of which was EUR 4,010,216 on the final day of the reporting period (EUR 4,355,000 on the final day of the same period last year).

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 2023	31 December 2022
Subsidiaries	**296,276,642**	**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	29,141,731	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**	**257,266**
ZEL-EN	62,101	62,101
PRVA GROUP	195,165	195,165
Long-terms loans	**5,055,556**	**5,833,333**
Long-term loans to group companies	5,055,556	5,833,333
Total	**499,296,877**	**494,440,401**

Non-current financial assets primarily comprise investments in associates and group companies in which GEN holds a direct or indirect majority stake. The total value of such investments was EUR 493,984,055 on the final day of the reporting period (EUR 488,349,802 on the final day of the same period last year).

Subsidiaries and associates	Direct ownership as at 31 December 2023	Indirect ownership as at 31 December 2023	Value of equity as at 31 December 2023 (in EUR)	Net profit or loss in 2023 (in EUR)
Subsidiaries on account of majority stake				
SEL	100.00%	-	161,319,171	1,943,442
TEB	100.00%	-	74,968,677	2,223,661
HESS	33.50%	51.00%	294,943,096	2,854,893
GEN-EL	50.00%	100.00%	48,257,332	2,290,950
Subsidiaries on account of controlling influence for other reasons				
GEN-I	50.00%	100.00%	196,951,419	8,449,907
Associates				
NEK	50.00%	-	478,959,764	0
SRESA	10.00%	40.00%	37,801	-4,845

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 11 to the umbrella agreement on the purchase and sale of electricity of 28 December 2022, and the statement of senior management on the assessment of control over GEN-I of 16 January 2017.

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 recognised a 25% participating interest at the time it concluded the associated options contract, and officially acquired that participating interest when it exercised that contract with the payment of consideration on 28 June 2021, the entry in the companies register on 30 December 2021 and the conclusion of an out-of-court settlement. Litigation was pending in 2022 in connection with the exercise of the options contract, while an out-of-court settlement was reached on 28 June 2023 to settle open mutual relations and implement that settlement.

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 30 June 2026 and 30 June 2028, 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 three 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 2028.

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.

Changes in non-current financial assets (in EUR)	31 December 2023	31 December 2022
Opening balance	**494,440,401**	**495,280,179**
Increase in investment in GEN-EL based on settlement	5,634,254	0
Transfer of Long-term loans to group companies to current financial assets	-777,778	-777,778
Decrease in value of business interest in ZEL-EN	0	-62,000
Closing balance	**499,296,877**	**494,440,401**

Deferred tax assets (Note 4)

Changes in deferred tax assets (in EUR)	31 December 2023	31 December 2022
Opening balance	**10,264,779**	**7,285,225**
Exclusion of income from shares in profits	-2,752,035	2,752,035
Coverage of tax loss	-272,217	272,217
Transfer of tax relief	-45,826	45,826
Reversal and use of provisions	-1,169,463	-124,737
Increase due to the creation of provisions	3,062,670	34,213
Increase in tax rate	1,435,215	0
Other	-64	0
Closing balance	**10,523,059**	**10,264,779**

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 10,415,388 on the final day of the reporting period (EUR 7,088,797 on the final day of the same period last year).

Current financial assets (Note 5)

The company disclosed current financial assets in the amount of EUR 226,002,127 at the end of the reporting period, compared with EUR 53,356,145 at the end of 2022. Current financial assets at the end of the reporting period comprised investments in the form of bank deposits in the amount of EUR 225,177,441 (EUR 52,568,119 at the end of 2022) and the current portion of a loan to TEB in the amount of EUR 824,686 (EUR 788,026 at the end 2022).

The basis for the recognition of assets in the form of long-term bank deposits are agreements signed and executed with financial institutions in Slovenia. Interest rates are comparable to market interest rates for such investments, as dictated by conditions on the financial markets.

Current operating receivables (Note 6)

Current operating receivables (in EUR)	31 December 2023	31 December 2022
Current operating receivables due from group companies	**75,390,439**	**52,518,412**
Current receivables from GEN-I	74,286,661	43,439,402
Current receivables from SEL	771,483	462,817
Current receivables from TEB	330,593	8,130,561
Current receivables from GEN-EL	1,217	485,613
Current receivables from HESS	485	19
Other current trade receivables	**17,787,665**	**16,637,748**
Current operating receivables for electricity sold to others	17,787,665	16,624,748
Current operating receivables from others	0	13,000
Current operating receivables from state institutions	**5,552,436**	**12,592,714**
Current receivables for VAT	5,542,614	6,251,258
Other current receivables from state institutions	9,822	6,341,456
Other current operating receivables	**51,434**	**148,554**
Current advances	22,720	137,970
Security deposits paid	27,707	10,000
Other current receivables	1,007	584
Total	**98,781,974**	**81,897,428**

Current receivables from group companies and trade receivables primarily comprise receivables from electricity sold (in 2022, receivables from TEB, GEN-I and GEN-EL also included 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). Current receivables from group companies were up relative to the situation as at 31 December 2022 due to higher sales in 2023.

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.

Cash and cash equivalents (Note 7)

Cash and cash equivalents amounted to EUR 40,564,256 on the final day of the reporting period, compared with EUR 94,951,803 on the final day of 2022. 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 2023	Created	Used	31 December 2022
Current deferred costs	74,874	148,733	197,078	123,219
Current accrued revenue	3,127	12,667	11,124	1,584
Total	**78,001**	**161,400**	**208,202**	**124,803**

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 2023.

Equity (Note 9)

Structure of equity (in EUR)	31 December 2023	31 December 2022
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	**172,711,282**	**137,420,389**
Legal reserves	2,605,980	2,605,980
Other revenue reserves	170,105,302	134,814,409
Fair value reserves	**-68,288**	**-126,959**
Retained earnings	**19,184,920**	**18,526,971**
Net profit or loss	**130,815,080**	**675,009**
Total equity	**704,399,889**	**538,252,305**

The company's total equity increased by EUR 166,147,585 in 2023 (by EUR 1,417,034 in 2022) as the result of the net profit of EUR 166,105,973 generated in the current year (EUR 1,350,019 in 2022), no profit participation paid to the company's owner (similar to 2022), and other minor changes in reserves due to revaluation.

A total of EUR 35,290,893 of the net profit generated in 2022 was reclassified to other reserves based on the resolution of senior management (EUR 675,010 of the net profit generated in 2022 was transferred to other reserves in 2022).

Disclosure of distributable profit (Note 10)

Distributable profit (in EUR)	2023	2022
Opening balance of distributable profit	**19,201,980**	**18,526,971**
Payments of shares in profit	0	0
Net profit for the financial year	166,105,973	1,350,019
Increase in revenue reserves under resolution of company's bodies	-35,290,893	-675,010
Reversal of actuarial loss	-17,060	0
Closing balance of distributable profit	**150,000,000**	**19,201,980**

Provisions, and non-current accrued expenses and deferred revenue (Note 11)

Provisions, and non-current accrued expenses and deferred revenue (in EUR)	31 December 2023	Used/reversed	Created	31 December 2022
Provisions for onerous contracts	94,685,333	-12,172,209	32,238,625	74,618,917
Provisions for severance payments and long-service bonuses	1,128,823	-154,197	136,709	1,146,311
Non-current accrued expenses and deferred revenue	6,985	-1,313	4,500	3,798
Total	**95,821,141**	**-12,327,719**	**32,379,834**	**75,769,026**

Provisions for onerous contracts were used in the amount of EUR 12,172,209 due to the unplanned reduced production by the NEK (EUR 1,300,392 in 2022), and were created in accordance with the 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 2023	31 December 2022
Current financial liabilities to others	**0**	**100,024,743**
Current financial liabilities to banks	0	100,024,743
Total	**0**	**100,024,743**

All current financial liabilities, which were accounted for entirely as at 31 December 2022 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, were repaid in March 2023. 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 matured by 31 August 2023, when the ZPKEEKP ceased to be in force.

Current operating liabilities (Note 13)

Current operating liabilities (in EUR)	31 December 2023	31 December 2022
Current liabilities to group companies	**29,670,833**	**29,121,966**
Current liabilities to SEL	3,813,019	1,681,524
Current liabilities to GEN-I	19,619,092	24,644,246
Current liabilities to TEB	4,283,111	1,704,596
Current liabilities to HESS	1,955,611	1,091,600
Other current trade payables	**24,085,645**	**6,499,696**
Current liabilities to associates	15,061,925	4,885,887
Current trade payables (domestic)	6,949,033	1,245,525
Current trade payables (foreign)	2,074,687	368,284
Current operating liabilities based on advances	**0**	**149,998**
Other current operating liabilities	**44,030,909**	**6,655,298**
Liabilities for value-added tax	4,071,233	2,450,223
Liabilities for corporate income tax (prepayments and current liabilities)	36,186,467	527,880
Liabilities for environmental protection levies	3,111,458	3,117,493
Other liabilities	661,751	559,702
Total	**97,787,387**	**42,426,958**

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 individual group companies were up due to November liabilities, which fell due for payment on the first working day after 31 December 2023, which was not a working day;
- current liabilities to associates were up on account of liabilities from an unplanned reduction in production by the NEK in accordance with the Intergovernmental Agreement on the NEK; and
- other current operating liabilities were up due to higher VAT liabilities because the value of revenue transactions exceeded the value of expenditure transactions, which in turn resulted in higher corporate income tax.

Current accrued expenses and deferred revenue (Note 14)

Current accrued expenses and deferred revenue (in EUR)	31 December 2023	Created	Used	31 December 2022
Accrued costs and expenses	1,116,783	1,121,894	301,832	296,721
VAT on advances paid	0	12,343	34,441	22,098
Total	**1,116,783**	**1,134,237**	**336,273**	**318,819**

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 from the work relationship on account of the unused vacation of employees and unpaid performance-based bonuses.

Contingent assets and liabilities (Note 15)

Contingent assets and liabilities (in EUR)	31 December 2023	31 December 2022
Bank guarantees received as collateral for payment	6,874,154	3,909,608
Contingent liability for subsequent capital contributions	600,000	0
Performance bonds in the form of bank guarantees issued	1,941,289	250,000
Estimated current borrowings	53,412	53,412
Total	**9,468,855**	**4,213,020**

Revenue (Note 16)

Revenue (in EUR)	2023	2022
Operating revenue	552,365,294	373,257,176
Financial income	9,788,337	14,706,058
Other revenue	2,640	5
Total	**562,156,271**	**387,963,239**

Operating revenue (Note 17)

Operating revenue (in EUR)	2023	2022
Sales revenue on the domestic market	**539,064,083**	**371,663,428**
Revenue from transactions with group companies	409,274,555	289,943,688
Revenue from transactions with other companies	129,789,528	81,719,740
Sales revenue on foreign markets	**1,052,504**	**201,171**
Revenue on the EU market	1,052,504	201,171
Other operating revenue	**12,248,707**	**1,392,577**
Revenue from the reversal of accrued expenses and deferred revenue	8,349	6,745
Revenue from use of provisions in connection with the NEK	12,172,209	1,300,392
Other revenue	68,149	85,440
Total	**552,365,294**	**373,257,176**

Revenue from sales on the domestic market in the amount of EUR 538,863,415 in 2023 comprised revenue from the sales of electricity and directly related services (2022: EUR 371,487,429).

Other revenue and state aid in accordance (in EUR)	2023	2022
Operational support for electricity produced by Borzen	7,970	11,261
State reimbursement – ZZZS	40,639	32,846
State aid in connection with COVID-19 – isolation	1,119	33,909
Other	18,421	7,424
Total	**68,149**	**85,440**

Financial income (Note 18)

Financial income (in EUR)	2023	2022
Financial income from shares and participating interests	**6,224,554**	**14,496,187**
Financial income from shares and participating interests in GEN-I	4,500,000	6,000,000
Financial income from shares and participating interests in the TEB	0	8,000,000
Financial income from shares and participating interests in GEN-EL	1,712,763	484,396
Financial income from participating interests in other companies	11,791	11,791
Financial income from loans granted	**3,563,151**	**191,304**
Financial income from loans to group companies	148,637	73,870
Financial income from loans to others	3,414,514	117,434
Financial income from operating receivables	**632**	**18,567**
Financial income from operating receivables from group companies	0	18,444
Financial income from operating receivables from others	632	123
Total	**9,788,337**	**14,706,058**

Expenses (Note 19)

Expenses (in EUR)	2023	2022
Operating expenses	358,560,469	388,718,497
Financial costs	364,203	569,332
Other expenses	1,333,701	167,344
Total	**360,258,373**	**389,455,173**

Operating expenses (Note 20)

Operating expenses (in EUR)	2023	2022
Historical cost of goods and materials sold	283,416,957	346,784,991
Costs of services	2,511,657	2,895,440
Labour costs	7,493,068	5,905,257
Write-downs	764,582	775,831
Other operating expenses	64,374,205	32,356,978
Total	**358,560,469**	**388,718,497**

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 114,078,304 (EUR 219,667,256 in 2022), while expenses incurred from transactions with the associate NEK amounted to EUR 118,184,646 (EUR 92,054,605 in 2022).

Costs of services (in EUR)	2023	2022
Costs of intellectual and personal services	675,098	1,056,980
Rental costs, leased domains	281,361	269,893
Costs of entertainment, sponsorships and advertising	433,884	431,306
Supervisory Board costs	212,420	273,523
Reimbursement of work-related costs to employees	159,737	124,197
Maintenance costs	400,236	373,038
Other	348,921	366,503
Total	**2,511,657**	**2,895,440**

Costs of intellectual and personal services (in EUR)	2023	2022
Business consulting costs	377,404	685,680
Professional training and education costs	116,463	95,422
Other costs of intellectual services	181,231	275,878
Total	**675,098**	**1,056,980**

Labour costs (in EUR)	2023	2022
Wages and salaries	5,467,673	4,443,366
Social security and pension insurance costs	1,070,003	892,863
- social security contributions	906,705	750,113
- supplementary pension insurance	163,298	142,750
Other labour costs	955,392	569,028
Total	**7,493,068**	**5,905,257**

GEN employed an average of 80.04 workers in terms of hours worked in 2023, while the presentation of employees by level of education is an integral part of the business report.

Other operating expenses (in EUR)	2023	2022
Costs in connection with the creation of provisions	32,238,626	360,142
Environmental protection levies	31,994,933	31,864,171
Other operating costs	140,646	132,665
Total	**64,374,205**	**32,356,978**

The full amount of environmental protection expenditure comprises contributions paid pursuant to the Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act, which since 2022 amounts to EUR 12 per MWh of electricity produced by the NEK in accordance with the relevant Slovenian government resolution. (See also Note 11 Provisions, and non-current accrued expenses and deferred revenue.)

Costs by functional group (in EUR)	2023	2022
Historical cost of goods sold	283,068,553	346,529,422
Selling costs, including depreciation and amortisation	3,749,033	3,318,266
General and administrative costs, including depreciation and amortisation	71,742,883	38,870,809
Total	**358,560,469**	**388,718,497**

The costs of general activities were up primarily in connection with an increase in the costs of creating provisions for onerous contracts.

Taxes (Note 21)

Effective tax rate	2023	2022
Pre-tax profit or loss	**201,897,898**	**-1,491,934**
Corporate income tax at applicable tax rate	**38,360,601**	**-283,467**
Tax from non-taxable revenue	-3,934,701	-2,240
Tax from revenue that reduces the tax base	196,735	112
Tax from non-deductible expenses	3,383,515	125,383
Tax from increase in expenses	-1,167,598	-124,737
Tax from tax relief	-389,512	0
Tax losses	-272,217	272,217
Tax from revenue that increases the tax base	9,644	12,733
Current corporate income tax	36,186,467	0
Deferred taxes (in EUR)	-394,542	-2,841,953
Total income tax	**35,791,925**	**-2,841,953**
Effective tax rate	**17.73%**	**-**

Pursuant to the Corporate Income Tax Act, the company is obligated to calculate and pay corporate income tax. Deferred tax assets were created applying a rate of 22% due to a change in the tax rate for 2024.

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 2023 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)	2023	2022
Inflows from investing activities:	**177,905,530**	**54,329,901**
from interest on current financial assets – deposits	1,268,532	52,174
from interest on short-term debt investments – loans to group companies	148,637	75,076
from participation in the profit of group companies	20,697,159	0
from dividends from other companies	11,791	11,791
from the disposal of property, plant and equipment	1,633	13,082
from investments in current financial assets – deposits	152,000,000	53,400,000
from debt investments in the form of loans to group companies	3,777,778	777,778
Outflows for investing activities:	**-334,238,902**	**-67,148,752**
for the acquisition of intangible assets	-176,446	-122,401
for the acquisition of property, plant and equipment	-2,928,202	-2,026,351
for the acquisition of current financial assets – deposits	-322,500,000	-65,000,000
for the acquisition of investments in equity interests in subsidiaries according to options contract	-5,634,254	0
for the acquisition of financial assets – loans to group companies	-3,000,000	0
Net cash flow from investing activities	**-156,333,372**	**-12,818,851**

Cash flows from financing activities (in EUR)	2023	2022
Inflows from financing activities	**0**	**100,000,000**
Inflows from increase in financial liabilities to banks	0	100,000,000
Outflows for financing activities	**-100,405,204**	**-605,332**
Outflows for reduction in financial liabilities to banks	-100,000,000	0
Outflows for interest related to financing under options contract	0	-69,844
Outflows for the repayment of financial liabilities	-405,204	-535,488
Net cash flow from financing activities	**-100,405,204**	**99,394,668**

The final balance of cash and cash equivalents in the amount of EUR 40,564,256 (EUR 94,951,803 at the end of the previous year) includes cash on business accounts.

Transactions with the audit firm

Transactions with the audit firm (in EUR)	2023	2022
Costs in connection with audit services	30,800	29,000
Contractual value of audit of company, excluding VAT	35,000	29,000

The actual costs of audit services 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 2023.

Remuneration

Presented below are the total amounts of remuneration received by members of the senior management and Supervisory Board for the performance of their tasks at the company.

Net remuneration for performance of tasks in 2023 (excluding annual leave allowance and reimbursed costs; in EUR)	2023
Remuneration of senior management	152,258

Net remuneration for performance of tasks in 2023 (excluding reimbursed costs; in EUR)	2023
Members of the Supervisory Board and its committees	135,713

Remuneration of members of senior management

Net remuneration of members of senior management in 2023

First name and surname	Function	Fixed gross remuneration	Deferred remuneration	Bonuses	Total gross
Dr Dejan Paravan	CEO	197,343	0	9,926	207,269
Danijel Levičar	COO until 1 August 2023	105,903	17,011	618	123,532

Remuneration of the Supervisory Board and its committees

Remuneration of members of GEN's Supervisory Board and its committees for functions performed, additional payments, session fees and travel expenses paid in 2023 (in EUR)

First name and surname	Function	Basic wage (1)	Additional payments (2)	Session fees (3)	Total gross (1+2+3)	Travel expenses (4)
Žiga Debeljak, MSc	Chairman of the Supervisory Board and member of the HR committee	13,000	6,500	3,850	**23,350**	478
Mateja Čuk Orel, MSc	Deputy Chairwoman of the Supervisory Board and member of the HR committee	13,000	4,550	3,850	**21,400**	478
Ivana Nedižavec Korada	Member of the Supervisory Board, chair of the audit committee and member of the investment committee	13,000	5,687	6,050	**24,737**	634
Dr Miloš Pantoš	Member of the Supervisory Board, member of the HR and audit committees, and chair of the investment committee	13,000	6,500	6,930	**26,430**	487
Marijan Penšek, MSc	Member of the Supervisory Board, member of the HR and investment committees	13,000	4,875	6,050	**23,925**	1,273
Samo Fürst	Member of the Supervisory Board and member of the audit committee	13,000	3,250	5,170	**21,420**	1,001
Aleš Buršič	Member of the Supervisory Board	2,097	0	550	**2,647**	17
Marjanca Molan Zalokar	Member of the Supervisory Board and member of the investment committee	13,000	1,625	3,850	**18,475**	445
Rene Jeromel	Member of the Supervisory Board	7,295	0	1,870	**9,165**	223
Rok Marolt	Member of the Supervisory Board and member of the HR committee	6,221	1,555	1,760	**9,536**	242
Katja Simončič Stropnik	External member of the HR committee	3,250	0	880	**4,130**	552
Slavica Pečovnik	External member of the audit committee	563	0	220	**783**	3
Alojz Dimič	External member of the audit committee	4,311	0	1,980	**6,291**	352

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 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.

The company invests surplus available funds in the form of short-term deposits in accordance with its investment strategy, which states that available funds should be dispersed between the most favourable providers of surplus cash deposit services.

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

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

Interest-rate risk is relatively low, as the company's planned level of borrowing is low and of a short-term nature. When raising new loans, these risks can be managed using derivatives.

Currency risk is also relatively low, as the company rarely transacts in foreign currencies.

The company assesses that financial risks were successfully managed in 2023.

Events after the reporting period at GEN

Consultative referendum regarding the JEK2 project

Parliamentary parties submitted a proposal on 12 March 2024 for a consultative referendum on the implementation of the JEK2 project. That referendum is expected to take place in the second half of November 2024.

Appointment of two members to GEN d.o.o.'s senior management

GEN d.o.o.'s supervisory body appointed two members to GEN d.o.o.'s senior management on 26 June 2024, as follows: Nada Drobne Popović, MSc as CFO and Dr Bruno Glaser as COO. Both were appointed to a four-year term of office GEN d.o.o.'s senior management comprises three members since 1 July 2024.

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 2023.

On 9 July 2024, the company's senior management approved the financial statements of GEN and the annual report for the financial year that ended on 31 December 2023.

4.5. Independent auditor's report for GEN

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of the company GEN energija d.o.o. (hereinafter 'the Company'), which comprise the individual balance sheet as at 31 December 2023, and the individual income statement, the individual statement of other comprehensive income, individual statement of changes in equity and individual cash flow statement – version II for the year then ended, and notes to the individual financial statements, including material accounting policy information.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its 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 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 (EU Regulation). 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 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.

Emphasis of Matter – Basis of Accounting

We draw attention to note "4.1 Introductory notes on the compilation of the financial statements" in the financial statements, which describes the basis of accounting. The company applies accounting policies for the purposes of preparing the individual financial statements of GEN energija d.o.o. and the preparation of the annual report of GEN energija d.o.o. in accordance with the provisions of the Intergovernmental Agreement on the NEK and Slovenian Accounting Standards, in areas not explicitly regulated by the Intergovernmental Agreement on the NEK. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Reissuance of Audit report

We draw attention to note "4.4. Notes to the individual financial statements of GEN", which explains the changes to the previously issued financial statements for the year ended December 31, 2023. The previous financial statements, issued on June 6, 2024, were amended due to changes in the amount of retained earnings. Our independent auditor's report on the previously issued financial statements was dated June 6, 2024. Following the reissuance of the financial statements, we are issuing this new independent auditor's report. Our opinion is not modified in respect of 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 separate financial statements of the year ended 31 December 2023. These matters were addressed in the context of our audit of the separate 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 for the year ended December 31, 2023, amounted to EUR 540,117 thousand (EUR 371,865 thousand in 2022) – note 17. As disclosed in chapter *Significant accounting policies of GEN - 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	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; - 76 % of the recognised revenue were reconciled with independent confirmations received from the largest customers.

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appropriateness of the revenue recognition, this area has been identified as a key audit matter.	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.

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 IFRS, 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.

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 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.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism 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 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 entity'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, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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)

Deloitte.

Confirmation to the Audit Committee
We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Prohibited Services
We confirm that no services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided and that the audit company fulfilled independence requirements.

Other services performed by the audit company
There are no services, in addition to the statutory audit, which the audit company provided to the Company, and which have not been disclosed in the Annual Report.

Appointment of the Auditor and responsible certified auditor
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 3 October 2023, while the president of the Supervisory Board signed the audit contract on 16 October 2023. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 8 December 2020.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Yuri Sidorovich.

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

Yuri Sidorovich
Certified auditor

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

For signature please refer to the original Slovenian version.

Ljubljana, 10. July 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

4.6. Financial statements of the GEN Group

4.6.1. Consolidated statement of financial position

(in EUR)	Notes	31 December 2023	31 December 2022
ASSETS		**1,659,278,067**	**1,601,435,289**
Non-current assets		**814,307,734**	**816,223,631**
Intangible assets	1	58,334,865	58,320,848
Property, plant and equipment	2	702,253,668	721,344,539
Investment property	3	1,642,968	1,709,072
Right-of-use assets	4	5,691,679	2,674,922
Shares and participating interests in associates	5	15,476	17,414
Other non-current financial assets and loans	6	3,954,009	3,929,391
Non-current operating receivables	7	40,808,477	23,437,055
Deferred tax assets	8	1,470,338	4,628,397
Other non-current assets		136,254	161,993
Current assets		**844,970,333**	**785,211,658**
Inventories	9	68,576,655	73,502,322
Current financial assets	10	287,975,810	255,224,440
Current operating receivables	11	195,694,545	139,900,101
Current assets from contracts	12	97,405,006	97,041,301
Current corporate income tax receivables	13	5,371,413	15,840,654
Cash and cash equivalents	14	181,821,748	193,607,314
Other current assets	15	8,125,156	10,095,526

(in EUR)	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES		**1,659,278,067**	**1,601,435,289**
Total equity	**16**	**1,226,833,110**	**1,031,482,236**
Equity attributable to owners of the controlling company		**1,082,101,610**	**887,954,755**
Called-up capital		250,000,000	250,000,000
Share premium		134,682,435	134,682,435
Legal reserves		14,461,355	14,133,735
Other revenue reserves		218,486,952	170,543,323
Fair value reserves		128,010	1,538,981
Retained earnings		465,373,877	318,248,308
Translation adjustment to equity		-1,031,019	-1,192,027
Non-controlling interest		**144,731,500**	**143,527,481**
Total liabilities		**432,444,957**	**569,953,053**
Non-current liabilities		**72,502,659**	**76,451,213**
Provisions	17	15,297,660	12,972,622
Non-current financial liabilities	18	39,727,135	52,613,050
Non-current operating liabilities	21	147,200	148,622
Non-current liabilities from contracts	22	61,236	671,516
Deferred tax liabilities	8	11,054,721	7,691,892
Non-current lease liabilities	19	4,247,395	877,943
Other non-current liabilities	20	1,967,312	1,475,568
Current liabilities		**359,942,298**	**493,501,840**
Current financial liabilities	18	91,203,342	213,195,791
Current operating liabilities	21	165,620,954	199,404,458
Current liabilities from contracts	22	7,298,161	18,747,479
Current corporate income tax liabilities	13	36,474,204	1,788,296
Current lease liabilities	19	1,528,468	1,225,409
Other current liabilities	23	57,817,169	59,140,407

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.

4.6.2. Consolidated income statement

(in EUR)	Notes	2023	2022
Revenue	25	2,963,831,615	4,008,034,735
Other operating revenue	26	1,198,919	148,401,715
Costs of goods, materials and services	27	-2,441,417,413	-3,902,948,924
Labour costs	27	-90,199,135	-81,148,206
Amortisation and depreciation	27	-57,820,151	-44,814,118
Impairment losses	27	-4,265,702	-9,108,201
Other operating expenses	28	-120,276,619	-84,097,876
Operating profit or loss		**251,051,514**	**34,319,125**
Financial income		7,016,531	1,083,869
Financial costs	29	-6,327,493	-5,353,041
Total profit or loss		**251,740,552**	**30,049,953**
Taxes	31	-47,425,530	-6,452,777
Net profit or loss for the period		**204,315,022**	**23,597,176**
Net profit or loss attributable to owners of non-controlling interests		**1,450,055**	**516,143**
Net profit or loss attributable owners of controlling interests		**202,864,967**	**23,081,033**

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.

4.6.3. Consolidated statement of other comprehensive income

(in EUR)	2023	2022
Net profit or loss for the period	**204,315,022**	**23,597,176**
Other comprehensive income that will be subsequently reclassified to profit or loss	**-330,568**	**1,476,901**
Changes in fair value reserves (after tax)	-2,931	-176,530
Gains and losses from translation of financial statements of companies based abroad (impact of changes in exchange rates)	161,006	-179,677
Effective portion of gains and losses from cash flow hedges (after tax)	-488,643	1,833,108
Other comprehensive income that will not be subsequently reclassified to profit or loss	**-1,211,029**	**505,175**
Actuarial gains and losses from programmes with fixed earnings (after tax)	-1,211,029	505,175
Total comprehensive income (after tax)	**202,773,425**	**25,579,252**
Net profit or loss attributable to owners of non-controlling interests	**1,450,055**	**516,143**
Actuarial gains and losses from fixed-earning programmes attributable to owners of non-controlling interests (after tax)	**-6,606**	**-2,208**
Effective portion of gains and losses from cash flow hedges attributable to owners of non-controlling interests (after tax)	**-239,430**	**898,227**
Total comprehensive income attributable to owners of non-controlling interests (after tax)	**1,204,019**	**1,412,162**
Total comprehensive income attributable to owners of controlling interests (after tax)	**201,569,406**	**24,167,090**

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.

4.6.4. Consolidated cash flow statement

(in EUR)	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit or loss for the period		**204,315,024**	**23,597,176**
Adjustments for:			
Amortisation and depreciation		57,820,151	44,814,118
Write-downs of property, plant and equipment		1,007,461	194,065
Impairment losses, loss allowances and write-offs of trade receivables and contract assets		3,258,241	8,914,136
Gains from the sale portfolio property, plant and equipment, intangible assets and investment property		61,377	-191,569
Other recurring operating revenue or expenses		193,603,634	-158,119,104
Financial income		-7,016,531	-1,083,869
Financial costs		6,327,493	5,353,041
Other adjustments from statement of financial position items		32,109,270	15,234,653
Operating profit before changes in net current assets and taxes		**491,486,120**	**-61,287,353**
Changes in net current assets and provisions			
Change in receivables		-86,068,014	-16,872,350
Change in inventories		369,226	-21,030,377
Change in prepayments and other assets		7,921,131	-33,651,135
Change in operating liabilities		57,772,850	44,154,667
Change in advances received and other current liabilities		-19,904,778	45,549,531
Change in provisions		-22,362,835	-2,430,138
Change in deferred revenues		132,151	-70,138
Income tax paid		-28,698,553	-26,360,927
Net cash flow from operating activities		**400,647,298**	**-71,998,220**

(in EUR)	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES	32		
Inflows from shares in the profit of others from investing activities		281,344	350,597
Inflows from interest received from investing activities		2,191,694	786,047
Inflows from the disposal of intangible assets		46,570	0
Inflows from the disposal of property, plant and equipment		204,897	389,019
Inflows from the disposal of financial assets		218,554,520	79,439,365
Outflows for the acquisition of intangible assets		-7,484,324	-14,787,734
Outflows for the acquisition of property, plant and equipment		-34,517,420	-40,673,143
Outflows for the acquisition of financial assets		-418,572,716	-79,503,115
Net cash flow from investing activities		**-239,295,435**	**-53,998,964**
CASH FLOWS FROM FINANCING ACTIVITIES	32		
Inflows from increase in financial liabilities		599,341,267	1,139,406,365
Outflows for interest related to financing activities		-5,522,556	-3,810,798
Outflows for the repayment of lease liabilities – interest		-195,870	-75,925
Outflows for the repayment of financial liabilities		-765,073,671	-1,020,203,798
Outflows for the repayment of lease liabilities – principal		-1,202,202	-2,026,558
Outflows for the payment of dividends and other shares in profits		-484,397	0
Net cash flow from financing activities		**-173,137,429**	**113,289,286**
Cash and cash equivalents at end of period		**181,821,748**	**193,607,314**
Net cash flow for the period		**-11,785,566**	**-12,707,898**
Cash and cash equivalents at beginning of period		**193,607,314**	**206,315,212**

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.

4.6.5. 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 2023	**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**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**-1,474,683**	**202,883,081**	**161,008**	**201,569,406**	**1,204,019**	**202,773,425**
Net profit or loss for the financial year	**0**	0	0	0	0	202,864,967	0	202,864,967	1,450,055	204,315,022
Valuation of financial investments at fair value (after tax)	0	0	0	0	38,680	0	0	38,680	0	38,680
Other components of comprehensive income (after tax)	0	0	0	0	-1,513,363	18,114	161,008	**-1,334,241**	**-246,036**	**-1,580,277**
Changes within equity	**0**	**0**	**327,620**	**47,943,629**	**63,712**	**-55,757,512**	**0**	**-7,422,551**	**0**	**-7,422,551**
Allocation of net profit to other components of equity	0	0	327,620	47,943,629	0	-48,271,249	0	0	0	0
Other changes within equity	**0**	0	0	0	63,712	-7,486,263	0	-7,422,551	0	-7,422,551
Balance at 31 December 2023	**250,000,000**	**134,682,435**	**14,461,355**	**218,486,952**	**128,010**	**465,373,877**	**-1,031,019**	**1,082,101,610**	**144,731,500**	**1,226,833,110**
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**

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.

4.7. Notes to the consolidated financial statements of the Gen Group

4.7.1. Presentation of the GEN Group

GEN energija d.o.o. is the controlling company of the GEN Group. One of the company's principal operations is activities of holding companies, that is, the governing of other legally independent companies in which the company 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%

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

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

GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No: 56/58, Kat No: 3, Daire No: 5, 34435 Beyoğlu, Istanbul has two owners: the controlling company, which holds a 99% participating interest, and GEN-I d.o.o., Beograd, which holds a 1% participating interest.

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%

4.7.2. Basis for the compilation of the consolidated financial statements of the GEN Group

Statement of compliance

The consolidated financial statements 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.

GEN's senior management confirmed the GEN Group's consolidated financial statements on 6 June 2024. Disclosed in those financial statements is distributable profit in the amount of EUR 102,237,907, which was created by resolution on the allocation of net profit for 2023 dated 29 February 2024 and from distributable profit from previous years. The aforementioned resolution adopted by GEN was reversed and amended on 18 June 2024, such that the amount of distributable profit was increased to EUR 150,000,000. Due to the adoption of the new resolution on 18 June 2024, other revenue reserves in the GEN Group's statement of financial position were reduced by EUR 47,762,093, while undistributed net profit for the financial year was increased by the same amount (disclosures in Note 16).

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 2022 and 31 December 2023;
b) two consolidated income statements, statements of other comprehensive income and cash flow statements for 2022 and 2023; and
c) two consolidated statements of changes in equity for 2022 and 2023.

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) 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.

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 for the following:

- 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 2023.

4.7.3. 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.

Foreign currency differences are recognized 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 this 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 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 and hedge accounting

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) Capitalised development costs

Capitalised development costs arise as the result of the transfer of findings from research or expertise to a plan or project to produce new or significantly improved products or services, before the production or sale of those products or services begin.

The group capitalises development costs if they meet the following criteria:

- the technical feasibility of the completion of the project has been established, such that the project will be available for sale or use;
- the entity intends to complete the project, and use or sell it;
- the entity is capable of using or selling the project;
- economic benefits in connection with the project are likely, including the existence of a market for the effects of the project or for the project itself, or if the project will be used by the entity to its own benefit;
- technical, financial and other factors for the completion of development, and for the use or sale of the project are available; and
- the entity is capable of reliably measuring the costs that can be attributed to an intangible asset during the development thereof.

Capitalised development costs comprise the direct costs of labour and other costs that can be directly attributed to enabling assets for their intended use

The group must estimate the useful life of a new product and allocate development costs accordingly over the same period to match the economic benefits that arise in connection with that product.

d) 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.

e) Amortisation and 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 2023	% in 2022
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 2023.

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 depreciated 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 and work in progress

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.

Inventories of work in progress and final products are valued using variable production costs in the narrowest sense.

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, B2C 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, cash equivalents and other financial assets

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 (except deferred tax 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.

The group created provisions for long-service bonuses, severance payments at retirement and in the event of employment termination, and for 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 4.1% 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 in other comprehensive income.

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 other services.

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.

4.7.4. 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:

- **IFRS 17 Insurance Contracts**, which was published by the IASB on 18 May 2017. With amendments to IFRS 17 Insurance Contracts, as issued by the IASB on 25 June 2020, the initial application date of IFRS 17 was postponed for two years, and 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**, which were issued by the IASB on 9 December 2021.
- **Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies**, which were issued by the IASB on 12 February 2021.
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**, which were issued by the IASB on 12 February 2021.
- **Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, which were issued by the IASB on 6 May 2021.
- **Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules**, which were issued by the IASB on 23 May 2023.

  We are still assessing the effects of the Minimum Tax Law on the tax policy and tax liabilities of the GEN Group.

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

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

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

- **Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback**, which were issued by the IASB on 22 September 2022.

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 6 June 2024 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

- **Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current**, which were issued by the IASB on 23 January 2020, and **amendments to IAS 1 Presentation of Financial Statements – Non-Current Liabilities with Covenants**, which were issued by the IASB on 31 October 2022.
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instrument: Disclosures – Supplier Finance Arrangements**, which were issued by the IASB on 25 May 2023.
- **Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability**, which were issued by the IASB on 15 August 2023.
- **IFRS 14 Regulatory Deferral Accounts**, which was published by the IASB on 30 January 2014.
- **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), which was published by the IASB on 11 September 2014.

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 balance-sheet date.

4.7.5. 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 2022	**42,127,718**	**31,186,247**	**3,761,200**	**190,737**	**77,265,902**
Acquisitions	2,053,145	0	16,917	107,069	**2,177,131**
Transfers	-41,278	0	0	2,225	**-39,053**
Disposals	-225,476	0	-14,674		**-240,150**
Exchange rate differences	-5,670	701	0		**-4,969**
Balance as at 31 December 2023	**43,908,439**	**31,186,948**	**3,763,443**	**300,031**	**79,158,861**
IMPAIRMENT LOSSES AND WRITE-DOWNS					
Balance as at 31 December 2022	**18,811,834**	**0**	**133,220**	**0**	**18,945,054**
Amortisation	1,672,529	0	15,756	0	**1,688,285**
Transfers	-34,890	0	0	0	**-34,890**
Disposals	-207,536	0	0	0	**-207,536**
Impairments	0	436,404	0	0	**436,404**
Exchange rate differences	-3,321	0	0	0	**-3,321**
Balance as at 31 December 2023	**20,238,616**	**436,404**	**148,976**	**0**	**20,823,996**
CARRYING AMOUNT					
Balance as at 31 December 2022	**23,315,884**	**31,186,247**	**3,627,980**	**190,737**	**58,320,848**
Balance as at 31 December 2023	**23,669,823**	**30,750,544**	**3,614,467**	**300,031**	**58,334,865**
HISTORICAL COST					
Balance as at 31 December 2021	**32,366,112**	**31,186,247**	**13,533,992**	**80,544**	**77,166,895**
Balance 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**
Balance 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**

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 1,399,926 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 2023 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 9.46% and an average annual growth rate of 2% 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 2023 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 10.34% and an average annual growth rate of 2.3%. It is evident from the calculation that the value of expected future cash flows was below the carrying amount of the cash-generating unit as at 31 December 2023. For that reason, the investment was impaired in the amount of EUR 436,404.

Other intangible assets in 2023 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 2022	**24,843,150**	**506,019,412**	**1,190,966,221**	**71,123,957**	**95,714,458**	**1,719,280**	**1,890,386,478**
Balance as at 1 January 2023	**0**	**0**	**13,124,965**	**-13,124,965**	**0**	**0**	**0**
Acquisitions	99,135	2,336	616,704	437,254	34,785,767	48,635	**35,989,831**
Activations	2,301,890	38,071,570	16,882,245	3,928,540	-61,184,245	0	**0**
Disposals	-91,342	-180,108	-715,375	-766,152	-118,169	-250,404	**-2,121,550**
Transfers, reclassifications	0	0	7,022	39,053	-34,371	0	**11,704**
Exchange rate differences	0	0	-4,700	388	6	0	**-4,306**
Balance as at 31 December 2023	**27,152,833**	**543,913,210**	**1,220,877,082**	**61,638,075**	**69,163,446**	**1,517,511**	**1,924,262,157**
IMPAIRMENT LOSSES AND WRITE-DOWNS							
Balance as at 31 December 2022	**0**	**259,763,109**	**861,032,628**	**48,246,202**	**0**	**0**	**1,169,041,939**
Balance as at 1 January 2023	**0**	**0**	**328,002**	**-328,002**	**0**	**0**	**0**
Depreciation	0	9,474,290	41,417,556	3,280,477	0	0	**54,172,323**
Disposals	0	-101,987	-310,009	-722,509	0	0	**-1,134,505**
Transfers, reclassifications	0	0	-111,492	39,070	0	0	**-72,422**
Exchange rate differences	0	0	986	168	0	0	**1,154**
Balance as at 31 December 2023	**0**	**269,135,412**	**902,357,671**	**50,515,406**	**0**	**0**	**1,222,008,489**
CARRYING AMOUNT							
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**
Balance as at 31 December 2023	**27,152,833**	**274,777,798**	**318,519,411**	**11,122,669**	**69,163,446**	**1,517,511**	**702,253,668**
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**

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 2023 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. Financial liabilities for the acquisition of property, plant and equipment based on valid purchase agreements amounted to EUR 4,082,152.

Investment property (Note 3)

Investment property in 2023 (in EUR)	31 December 2022	Depreciation	31 December 2023
Historical cost	2,056,115	0	2,056,115
Impairments and write-downs	347,043	66,104	413,147
Present value	1,709,072	-66,104	1,642,968

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

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, which amounted to EUR 5,814,000. 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 2022	**6,278,085**	**630,154**	**184,015**	**7,092,254**
Balance as at 1 January 2023	**-177,895**	**-323,035**	**10,824**	**-490,106**
Acquisitions	4,978,440	0	0	4,978,440
Disposals	0	-78,440	-3,697	-82,137
Transfers, reclassifications	7,375	0	0	7,375
Revaluation	-79,486	0	0	-79,486
Balance as at 31 December 2023	**11,006,519**	**228,679**	**191,142**	**11,426,340**
IMPAIRMENT LOSSES AND WRITE-DOWNS				
Balance as at 31 December 2022	**3,722,232**	**630,154**	**64,946**	**4,417,332**
Balance as at 1 January 2023	**-177,896**	**-323,035**	**10,824**	**-490,107**
Depreciation	1,830,509	0	62,930	1,893,439
Disposals	0	-78,440	0	-78,440
Revaluation	-7,563	0	0	-7,563
Balance as at 31 December 2023	**5,367,282**	**228,679**	**138,700**	**5,734,661**
CARRYING AMOUNT				
Balance as at 31 December 2022	**2,555,853**	**0**	**119,069**	**2,674,922**
Balance as at 31 December 2023	**5,639,237**	**0**	**52,442**	**5,691,679**
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				
Balance as at 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**

The group has business premises under lease in Ljubljana, Krško, 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 2023	31 December 2022
SRESA d.o.o.	15,476	17,414
Total	**15,476**	**17,414**

In accordance with the equity method, the GEN Group reduced its investment in an associate for the corresponding share of losses generated in 2023 in the amount of EUR 1,938.

Other non-current financial assets and loans (Note 6)

Other non-current financial assets and loans in 2023 (in EUR)	31 December 2022	Acquisition	Disposal/transfer	Revaluation	31 December 2023
Equity instruments	**3,579,973**	**0**	**0**	**18,951**	**3,598,924**
Zavarovalnica Triglav d.d.	3,269,082	0	0	18,951	3,288,033
Other equity instruments	310,891	0	0	0	310,891
Other non-current financial assets	**349,418**	**14,142,866**	**-14,137,199**	**0**	**355,085**
Zavarovalnica Triglav d.d. – life insurance	346,903	6,267	0	0	353,170
Loans to employees	2,515	172	-772	0	1,915
Loans to other legal entities	0	14,136,427	-14,136,427	0	0
Total	**3,929,391**	**14,142,866**	**-14,137,199**	**18,951**	**3,954,009**

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**

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 2023	31 December 2022
Trade receivables	40,595,339	23,141,213
Receivables for contribution for building land	213,138	295,842
Total	**40,808,477**	**23,437,055**

Trade receivables primarily comprise receivables from the sale of small solar power plants by the subsidiary GEN-I Sonce. They are payable over a period of one to seven years under valid agreements with the possibility of instalment payments. 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 2023 (in EUR)	31 December 2022	Disclosed in profit or loss	Disclosed in other comprehensive income	31 December 2023
Intangible assets, and property, plant and equipment	189,946	-11,013	0	178,933
Operating receivables	530,409	-195,529	0	334,880
Provisions for long-service bonuses and severance payments	370,098	-23,534	-5,431	341,133
Exclusion of income from shares in profits	3,155,933	-3,155,933	0	0
Unused tax relief	109,794	-101,429	0	8,365
Unused tax losses	272,217	334,810	0	607,027
Total	**4,628,397**	**-3,152,628**	**-5,431**	**1,470,338**

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 2023 (in EUR)	31 December 2022	Disclosed in profit or loss	Disclosed in other comprehensive income	31 December 2023
Undisclosed provisions at time of merger	493,566	72,940	0	566,506
Financial instruments	0	0	-61,108	-61,108
Financial assets	109,529	0	24,407	133,936
Provisions for onerous contracts	7,088,797	3,326,590	0	10,415,387
Total	**7,691,892**	**3,399,530**	**-36,701**	**11,054,721**

Non-current deferred tax liabilities arising from provisions for onerous contracts are the result of the transition to the IFRS in 2016 due to the 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 vis-à-vis GEN.

A tax rate of 22% was applied for the calculation of deferred taxes. Due to incompatibility, deferred tax assets and deferred tax liabilities are not offset.

Inventories (Note 9)

Inventories (in EUR)	31 December 2023	31 December 2022
Fuels used in production	26,726,947	20,287,194
Spare parts	13,851,523	13,988,916
Inventory of natural gas in gas storage facility	6,430,687	7,118,957
Other materials	20,877,422	26,884,704
Advances for inventories	690,077	5,222,552
Total	**68,576,655**	**73,502,322**

The majority of inventories as at 31 December 2023 are accounted for by the inventories held by the NEK, which comprised nuclear fuel inventories in the amount of EUR 26,232,758, inventories of spare parts in the amount of EUR 12,858,219 and inventories of other materials in the amount of EUR 2,255,133. 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 18,447,947 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 and other materials, which amounted to EUR 2,442,962 in 2023. 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 2023. (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 826 days.

Advances primarily 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 2023	31 December 2022
Current financial assets, excluding loans	**570,728**	**162,722,154**
Derivatives	570,728	162,722,154
Short-term loans	**287,405,082**	**92,502,286**
Short-term bank deposits	287,405,082	92,502,286
Total	**287,975,810**	**255,224,440**

Current derivatives (in EUR)	31 December 2023	31 December 2022
Derivatives used as hedges against currency risks	0	1,535
Derivatives – interest-rate swaps	570,728	1,120,472
Firm commitments recognised for fair value hedges	0	-96,407,366
Fair value of commodity contracts	0	258,007,513
Total	**570,728**	**162,722,154**

The fair value of commodity contracts under IFRS 9 as at 31 December 2023 comprised a financial liability in the amount of EUR 24,133,812 (compared with a financial asset in the amount of EUR 258,007,513 in 2022). As a result, that fair value is included in financial liabilities in 2023 and disclosed in Note 18. Firm commitments recognised for fair value hedges at the end of the reporting period likewise comprised a financial liability in the amount of EUR 7,155,328 (firm commitments comprised a financial liability in the amount of EUR 96,407,366 in 2022). As a result, those firm commitments are included in financial liabilities as at 31 December 2023 and disclosed in Note 18.

Agreements signed with financial institutions in Slovenia form the basis for recognising investments in short-term deposits placed at banks. The high balance of deposits is the result of an increase in the scope of turnover due to higher prices, and the slower pace of investments in technological upgrades and other investment in recent years. These funds are earmarked entirely for investments in technological upgrades and for other investments in accordance with the investment plans adopted by GEN Group companies.

Current operating receivables (Note 11)

Current operating receivables (in EUR)	31 December 2023	31 December 2022
Trade receivables	137,715,223	97,730,119
Other operating receivables	57,186,995	41,172,112
Receivables for interest	597,441	187,772
Other receivables relating to financial effects	18,320	16,472
Operating receivables on behalf of third parties	176,566	793,626
Total	**195,694,545**	**139,900,101**

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 50,968,225 (EUR 30,596,533 as at 31 December 2022) and receivables for advances and security deposits paid by the group for the purchase of electricity, natural gas and cross-border transfer capacities in the amount of EUR 5,802,075 (EUR 8,428,686 as at 31 December 2022).

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 2023	31 December 2022
Accrued revenue	97,405,006	97,041,301
Total	**97,405,006**	**97,041,301**

Current assets from contracts primarily comprise accrued revenue for electricity and natural gas sold for 2023, which will be invoiced to customers in 2024 in accordance with contractual provisions.

Expected credit losses are calculated for assets from contracts with customers. *(In connection with Note 37 Credit risks)*

Corporate income tax assets and liabilities (Note 13)

Corporate income tax assets and liabilities (in EUR)	31 December 2023	31 December 2022
Receivables for corporate income tax	5,371,413	15,840,654
Liabilities for corporate income tax	36,474,204	1,788,296

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 2023 financial year.

Cash and cash equivalents (Note 14)

Cash and cash equivalents (in EUR)	31 December 2023	31 December 2022
Cash on account	178,306,249	184,241,934
Call deposits	3,514,744	9,364,593
Cash on hand	755	787
Total	**181,821,748**	**193,607,314**

Other current assets (Note 15)

Other current assets (in EUR)	31 December 2023	31 December 2022
Current deferred costs and expenses	8,124,417	10,064,689
Current accrued revenue vis-à-vis others	739	30,837
Total	**8,125,156**	**10,095,526**

The majority of current deferred costs and expenses in the amount of EUR 6,896,602 (EUR 8,853,355 in 2022) comprise deferred expenses for the purchase of cross-border transfer capacities, expenses for the purchase of electricity and natural gas relating to the first quarter of 2024 and VAT on advances received.

Equity (Note 16)

Structure of equity (in EUR)	31 December 2023	31 December 2022
Equity attributable to owners of the controlling company	**1,082,101,610**	**887,954,755**
Called-up capital	250,000,000	250,000,000
Share premium	134,682,435	134,682,435
Legal reserves	14,461,355	14,133,735
Other revenue reserves	218,486,952	170,543,323
Fair value reserves	128,010	1,538,981
Retained earnings	465,373,877	318,248,308
Translation adjustment to equity	-1,031,019	-1,192,027
Equity attributable to owners of non-controlling interest	**144,731,500**	**143,527,481**
Total	**1,226,833,110**	**1,031,482,236**

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 2023 (unchanged relative to 31 December 2022), 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 2023 in the total amount of EUR 232,948,307 (EUR 184,677,058 as at 31 December 2022), which comprise:
  - the legal reserves of group companies in the amount of EUR 14,461,355, which were increased in 2023 by EUR 327,620 from retained earnings for the reporting period (that increase amounted to EUR 792,721 in 2022);
  - other revenue reserves in the amount of EUR 218,486,952. Based on decisions made by the bodies of GEN Group companies, other revenue reserves were increased in 2023 due to the reallocation of a portion of profit from the current year in the amount of EUR 44,558,479, and the reallocation of a portion of profit from previous years in the amount of EUR 3,385,150 (other revenue reserves were reduced in 2022 due to the reallocation of a portion of profit from previous years in the amount of EUR 4,311,514 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); and
- fair value reserves in the amount of EUR 128,010 as at 31 December 2023, which primarily comprise changes in 2023 due to the recognition of actuarial gains and losses and the valuation of financial assets at fair value, including deferred taxes. Fair value reserves were reduced by a total of EUR 1,410,971 during the year, compared with a total increase of EUR 1,244,409 in 2022.

Retained earnings

The GEN Group disclosed retained earnings in the amount of EUR 465,373,877 at the end of the reporting period. Changes relative to the previous reporting period, when retained earnings totalled EUR 318,248,308, were primarily the result of the following:

- net profit generated in 2023 attributable to the owners of the controlling company in the amount of EUR 202,864,967 (EUR 23,081,033 in 2022); and
- the effects of changes in equity due to the allocation of a portion of profit for 2023 in the amount of EUR 44,558,479 and the reallocation of a portion of profit from previous years in the amount of EUR 3,385,152 (the effects of the reversal of other revenue reserves under decisions made by the bodies of GEN Group companies totalled EUR 1,085,710 in 2022);
- the effects of changes in equity arising from the accounting of an investment in the equity of the subsidiary GEN-EL due to an increase in historical costs as the result of an out-of-court settlement in 2023 in the amount of EUR 5,634,252 (for more information, see Note 3 Non-current financial assets in the financial report of GEN);
- the effects of changes in equity arising from the accounting of corporate income tax at the subsidiary GEN-I Hrvatska d.o.o. in the amount of EUR 1,355,815; and
- the effects of the allocation to legal reserves in the amount of EUR 327,620 (EUR 792,721 in 2022).

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 2023 (in EUR)	31 December 2022	Created	Decreases	31 December 2023
Provisions for long-service bonuses, severance payments and other payments to employees	12,474,384	3,792,675	-1,467,637	14,799,422
Provisions for maintenance, decommissioning and disposal of equipment	4,656	0	0	4,656
Other provisions	493,582	0	0	493,582
Total	**12,972,622**	**3,792,675**	**-1,467,637**	**15,297,660**

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 4.1% and wage growth of up to 4% (2022: employee turnover of up to 3%, a discount rate of 4.1% and wage growth of up to 12.5%).

Financial liabilities (Note 18)

Non-current financial liabilities (in EUR)	31 December 2023	31 December 2022
Non-current financial liabilities to banks	39,727,135	47,013,050
Non-current financial liabilities from bonds	0	5,600,000
Total	**39,727,135**	**52,613,050**

Current financial liabilities (in EUR)	31 December 2023	31 December 2022
Current financial liabilities to banks	7,631,774	137,310,810
Current financial liabilities from bonds	2,800,000	0
Commercial paper issued	49,356,899	75,325,118
Current financial liabilities from derivatives	31,287,385	0
Current financial liabilities in connection with the distribution of profit	0	484,396
Other current financial liabilities	127,284	75,467
Total	**91,203,342**	**213,195,791**

Liabilities to banks

As at the reporting date, the GEN Group had the following liabilities to banks in the amount of EUR 47,358,909 (EUR 184,485,593 as at 31 December 2022):

- long-term bank loans for the investment in hydroelectric power plants on the lower course of the Sava River in the amount of EUR 25,079,635 as at the balance-sheet date (EUR 30,434,784 as at 31 December 2022). 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 2023, while liabilities for the repayment of principal in 2024 in the total amount of EUR 5,217,391 were transferred to current financial liabilities to banks;
- a long-term loan for financing investments from the NEK Safety Upgrade Programme in the amount of EUR 14,647,500 (EUR 16,740,000 as at 31 December 2022), which was raised at a foreign commercial bank. Final repayment falls due in 2031. Principal bears a fixed interest rate and is not disclosed because it is deemed a trade secret. Principal in the amount of EUR 2,092,500 was repaid in 2023, while liabilities for the repayment of principal in 2024 in the total amount of EUR 2,092,500 were transferred to current financial liabilities; and
- the transfer of the short-term portion of non-current financial liabilities to banks from the first and second indents of this paragraph and short-term loans from Slovenian commercial banks in the amount of EUR 321,884 (EUR 29,976,175 as at 31 December 2022), which bear fixed interest rates ranging from 0.75% to 4.74%.

Maturity of non-current financial liabilities

Maturity of non-current financial liabilities as at 31 December 2023 (in EUR)	For investments in HPPs on the lower course of the Sava River	Financing of investments from the NEK Safety Upgrade Programme
From 1 to 3 years	10,434,783	4,185,000
From 3 to 5 years	10,434,783	4,185,000
More than 5 years	4,210,069	6,277,500
Total	**25,079,635**	**14,647,500**

Short-term bank loans in the form of revolving loans raised to cover liquidity outflows in connection with purchases of alternative electricity in 2022 in accordance with the purpose of borrowing set out in paragraph 2 of Article 1 of the ZPKEEKP, which amounted to EUR 100,024,743 as at 31 December 2022, were repaid in full in 2023.

Liabilities based on bonds

Financial liabilities arising from bonds issued by the subsidiary GEN-I in the amount of EUR 2,800,000 (EUR 5,600,000 as at 31 December 2022) 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 49,356,900 (EUR 75,325,118 as at 31 December 2022) that matures in April 2024. The commercial paper is traded on the organised market of the Ljubljana Stock Exchange.

Current derivatives

Current derivatives (in EUR) (-) liabilities/(+) assets	31 December 2023	31 December 2022
Derivatives – interest-rate swaps	0	1,120,472
Derivatives used as hedges against currency risks	1,755	1,535
Firm commitments recognised for fair value hedges	-7,155,328	-96,407,366
Fair value of commodity contracts	-24,133,812	258,007,513
Total	**-31,287,385**	**162,722,154**

The fair value of commodity contracts under IFRS 9 in 2023 comprised a financial liability in the amount of EUR 24,133,812 (the fair value of commodity contracts comprised a financial asset in the amount of EUR 258,007,513 in 2022 and was thus disclosed in current financial assets in 2022) and relates to the following periods and is adjusted for the assessed credit risk relating to business partners:

- the 2024 financial year in the amount of EUR 28,825,551 in the form of a financial liability;
- the 2025 financial year in the amount of EUR 4,849,589 in the form of a financial asset; and
- the 2026 financial year in the amount of EUR 157,851 as a financial liability.

Firm commitments recognised for fair value hedges relate to a financial liability in the amount of EUR 7,155,325 (firm commitments in 2022 comprised a financial liability in the amount of EUR 96,407,366 but were offset against current financial assets), and 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 2024 financial year in the amount of EUR 14,456,120 in the form of a financial liability;
- the 2025 financial year in the amount of EUR 6,615,668 in the form of a financial asset; and
- the 2026 financial year in the amount of EUR 685,124 in the form of a financial asset.

Major changes during the year derive from differences between market and contractual prices, and from higher open positions.

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 5,604,669 during the 2023 business year (EUR 4,363,728 in 2022).

Lease liabilities (Note 19)

Lease liabilities (in EUR)	31 December 2023	31 December 2022
Non-current lease liabilities	4,247,395	877,943
Current lease liabilities	1,528,468	1,225,409
Total	**5,775,863**	**2,103,352**

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)	2023	2022
Balance as at 1 January	2,103,352	2,987,564
Increase	5,518,972	324,623
Index	128,294	140,302
Interest	204,358	50,596
Lease payments	-2,015,389	-1,402,508
Adjustments	4,913	2,775
Termination	-168,637	0
Balance as at 31 December	**5,775,863**	**2,103,352**

Lease liabilities by maturity (in EUR)	2023
Maturity in 2024	1,530,437
Maturity in 2025	1,482,191
Maturity in 2026	1,524,898
Maturity in 2027	1,045,206
Maturity in 2028	193,131
Total	**5,775,863**

Other non-current liabilities (Note 20)

Other non-current liabilities (in EUR)	31 December 2023	31 December 2022
State aid	901,220	782,630
Non-current deferred revenue, and other accruals and deferrals	1,066,092	692,938
Total	**1,967,312**	**1,475,568**

Government grants and state aid primarily comprise funding received in connection with the purchase of fixed assets by group companies, while non-current deferred revenue primarily relates to fixed assets received free-of-charge and grants received for equipment by the group's production companies.

Operating liabilities (Note 21)

Operating liabilities (in EUR)	31 December 2023	31 December 2022
Non-current operating liabilities	147,200	148,622
Current trade payables	128,903,600	157,046,553
Current operating liabilities for advances	0	149,998
Current liabilities to employees	16,154,256	22,328,601
Other current liabilities to the state	16,154,084	15,955,653
Other current operating liabilities	4,409,014	3,923,653
Total	**165,768,154**	**199,553,080**

Current operating liabilities comprise trade payables for goods, services and materials that are not yet due, and that relate to operations and investments in fixed assets.

Current liabilities to employees comprise December wages, bonuses and other employment earnings.

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 2023	31 December 2022
Non-current operating liabilities from advances	61,236	671,516
Current operating liabilities for advances	7,298,161	18,747,479
Total	**7,359,397**	**19,418,995**

Liabilities based on advances relate to advances received for electricity and natural gas sales to domestic and foreign entities, and to advances received for the set-up of solar power plants.

Other current liabilities (Note 23)

Other current liabilities (in EUR)	31 December 2023	31 December 2022
Accrued costs and expenses	57,348,446	58,198,445
Current deferred revenue	239,301	645,288
Other deferrals and accruals	229,422	296,674
Total	**57,817,169**	**59,140,407**

Accrued costs and expenses primarily relate to accruals created in 2022 in the amount of EUR 32,740,845 for 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, while other accrued costs and expenses primarily relate to purchases of electricity and natural gas, as they were taken into account during the compilation of the financial statements based on agreements with business partners from 2023, but the invoices for those purchases were not received by the time the annual report was prepared.

Contingent assets and liabilities (Note 24)

Contingent assets and liabilities (in EUR)	31 December 2023	31 December 2022
Bank guarantees issued as collateral for payment	151,391,903	194,317,581
Bank guarantees issued as performance bonds	4,914,562	12,580,172
Sureties given	13,000,000	3,800,000
Loss generated in previous years by subsidiary	76,536,759	76,536,759
Inventories of the Agency of the Republic of Slovenia for Commodity Reserves	15,661,013	17,157,548
Blanket credit lines	98,053,412	104,033,412
Bank guarantees received as performance bonds	7,030,616	7,284,462
Bank guarantees received as collateral for payment	11,959,022	23,300,778
Sureties received	12,607,472	14,050,000
Other forms of payment collateral given and received – bills of exchange	31,800,080	32,852,555
Other	113,800	113,800
Total	**423,068,639**	**486,027,067**

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.

Issued and received guarantees as at 31 December 2023 comprised collateral for timely and reliable payment, and performance bonds.

Revenue (Note 25)

Sales revenue by type (in EUR)	2023	2022
Revenue from the sale of goods and materials	2,832,688,116	3,830,826,788
Revenue from the sale of services	130,830,019	177,012,420
Rental income	313,480	195,527
Total	**2,963,831,615**	**4,008,034,735**

Sales revenue comprises revenue from contracts with customers and, in terms of revenue from the sale of goods and materials, primarily comprises revenue from energy trading, and revenue from the sale of electricity and natural gas to end-customers. 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)	2023	2022
Revenue on the domestic market	1,162,899,237	921,702,794
Revenue on the EU market	1,392,716,175	2,377,175,369
Revenue on markets outside the EU	408,216,203	709,156,572
Total	**2,963,831,615**	**4,008,034,735**

Other operating revenue (Note 26)

Other operating revenue (in EUR)	2023	2022
Other recurring operating revenue/revenues	0	130,581,139
Change in value of inventories of products and work in progress	-4,054,517	7,009,807
Capitalised own products and services	119,388	121,120
Reversal of non-current provisions	89,958	83,212
Revaluation operating revenue	131,881	357,916
Other operating revenue	4,912,209	10,248,521
- of which: revenue in the form of state aid due to the COVID-19 epidemic	*6,746*	*117,508*
Total	**1,198,919**	**148,519,223**

The difference between other operating revenue in 2023 and 2022 is presented below.

Material items of other recurring operating revenue/ expenses (in EUR)	2023	2022
Fair value from commodity contracts	-169,670,176	195,959,801
Fair value from financial contracts	96,275,696	-65,665,136
Ineffective part of fair value hedges	3,926,361	-2,567,260
Fair value from currency contracts	-19,941	2,853,734
Disclosure for the Note 'Other operating revenue'	**0**	**130,581,139**
Disclosure for the Note 'Other operating expenses'	**69,488,060**	**0**

Expenses and costs (Note 27)

Expenses and costs (in EUR)	2023	2022
Costs of goods, materials and services	2,441,417,413	3,902,948,924
Labour costs	90,199,135	81,148,206
Write-downs	62,085,853	53,922,319
Other operating expenses	120,276,619	84,097,876
Financial costs	6,327,493	5,353,041
Total	**2,720,306,513**	**4,127,470,366**

Costs by type (in EUR)	2023	2022
Historical cost of goods sold and materials sold	2,358,088,033	3,818,891,536
Costs of materials used	22,889,145	35,774,038
Costs of services	60,440,235	48,283,350
- of which costs of lease	*2,559,081*	*2,375,297*
Total	**2,441,417,413**	**3,902,948,924**

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)	2023	2022
Wages and salaries	62,447,218	60,176,046
Social security costs	13,875,093	12,881,778
Other labour costs	13,876,824	8,090,382
Total	**90,199,135**	**81,148,206**

The group calculated labour costs in 2023 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)	2023	2022
Amortisation of intangible assets	1,688,285	1,790,953
Depreciation of property, plant and equipment	54,172,323	41,483,274
Depreciation of assets under lease	1,893,439	1,473,787
Depreciation of investment property	66,104	66,104
Total amortisation and depreciation	**57,820,151**	**44,814,118**
Write-downs of fixed assets	571,057	194,064
Impairment of inventories	2,571,800	1,628,005
Impairment of intangible assets	436,404	0
Impairment of trade receivables and contract assets	686,441	7,286,132
Total impairment losses	**4,265,702**	**9,108,201**

The group created additional impairments and expected credit losses in the amount of EUR 716,333 in 2023 (2022: EUR 7,301,480), wrote off receivables in the amount of EUR 208,407 (EUR 15,349 in 2022) and reduced impairments for payments received in connection with impaired receivables in the amount of EUR 238,298 (2022: EUR 0). The group applied a lower expected default rate at the end of 2023 than in 2022.

Information regarding the age structure and changes in impairment losses on trade and other receivables is presented in Note 37 Credit risks.

Other operating expenses (Note 28)

Other operating expenses (in EUR)	2023	2022
Creation of provisions	0	33,065,175
Environmental protection levies	40,335,334	40,289,834
Levies independent from other types of costs	6,699,248	3,746,597
Other recurring operating revenue/revenues	69,488,060	0
Other operating expenses	3,753,977	6,996,270
Total	**120,276,619**	**84,097,876**

The reduction in 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 (*in connection with the disclosure in Note 23 Other current liabilities*). 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.

Other recurring operating revenue is disclosed in Note 26 Other operating revenue.

Financial costs (Note 29)

Financial costs (in EUR)	2023	2022
Financial costs for other financial liabilities	1,993,631	1,576,367
Financial costs for other operating liabilities	563,882	711,416
Financial costs for bonds issued	0	113,995
Financial costs for loans from banks	3,611,038	2,673,366
Financial costs for investment interests according to equity method	1,938	2,912
Financial costs for trade payables and bill of exchange liabilities	63,024	224,389
Financial costs for lease liabilities	93,980	50,596
Total	**6,327,493**	**5,353,041**

Costs by functional group (Note 30)

Costs by functional group (in EUR)	2023	2022
Historical cost of goods sold	2,517,262,091	3,958,711,069
Selling costs	100,991,026	73,373,759
General and administrative costs	93,627,047	78,893,885
Total	**2,711,880,164**	**4,110,978,712**

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)	2023	2022
Current tax	**40,849,081**	**9,514,877**
Deferred tax	6,576,449	-3,062,100
Total income tax	47,425,530	6,452,777
Pre-tax profit or loss	**251,740,554**	**30,049,953**
Tax calculated at applicable tax rate	**47,830,705**	**5,709,491**
Tax effects of adjustment of revenue to tax-deductible revenue	-3,932,817	-57,599
Tax effects of adjustment of expenses to tax-deductible expenses	2,910,638	1,724,681
Tax effects of items that result in correction of tax base	-4,162,274	-1,779,805
Effects of adjustments to original financial statements and group policies	-1,797,171	3,918,109
Effective tax rate	**16.23%**	**31.66%**

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 2023 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)	2023	2022
Inflows from investing activities:	**221,279,025**	**80,965,028**
from shares in the profit of others	281,344	350,597
from interest	2,191,694	786,047
from the disposal of intangible assets	46,570	0
from the disposal of property, plant and equipment	204,897	389,019
from the disposal of financial assets	218,554,520	79,439,365
Outflows from investing activities:	**-460,574,460**	**-134,963,992**
for the acquisition of intangible assets	-7,484,324	-14,787,734
for the acquisition of property, plant and equipment	-34,517,420	-40,673,143
for the acquisition of financial assets	-418,572,716	-79,503,115
Net cash flow from investing activities	**-239,295,435**	**-53,998,964**

Cash flows from financing activities (in EUR)	2023	2022
Inflows from financing activities:	**599,341,267**	**1,139,406,365**
from increase in financial liabilities	599,341,267	1,139,406,365
Outflows for financing activities:	**-772,478,696**	**-1,026,117,079**
for interest related to financing activities	-5,522,556	-3,810,798
for the repayment of lease liabilities – interest	-195,870	-75,925
for the repayment of financial liabilities	-765,073,671	-1,020,203,798
for the repayment of lease liabilities – principal	-1,202,202	-2,026,558
for the payment of dividends and other shares in profits	-484,397	0
Net cash flow from financing activities	**-173,137,429**	**113,289,286**

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)	2023
Members of senior management – wages and annual leave allowance	1,967,019
Other employees not subject to the tariff section of the collective agreement – wages and annual leave allowance	2,976,283
Members of the Supervisory Board – remuneration for performance of function, session fees and reimbursement of travel expenses	368,762

Disclosures of payments to auditors (Note 34)

Amount spent in connection with auditors (in EUR)	2023	2022
For auditing of annual report	**277,225**	**236,485**
Deloitte	265,000	227,060
BDO	12,225	9,425
For other auditing services	**20,572**	**2,420**
Deloitte	19,987	1,900
BDO	585	520
Total	**297,797**	**238,905**

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 2023.

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 2023.

IAS 24 Related Party Disclosures (in EUR)	Open receivables as at 31 December 2023	Open liabilities as at 31 December 2023	Revenue in 2023	Expenses/costs in 2023
Energy companies				
BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO D.O.O.	530,276	1,163,939	38,770,482	27,227,762
BSP – regional energy exchange	84,568	49,236	63,948,102	91,398,659
ECE, energetska družba d.o.o.	2,197,447	1,501	15,455,265	154,946
ELEKTRO LJUBLJANA OVE d.o.o.	0	0	0	7,055,135
Elektro Maribor Energija plus d.o.o.	3,984,494	0	28,987,571	0
ELES d.o.o.	11,079,127	11,632,655	46,772,530	9,655,543
ELEKTRO ENERGIJA d.o.o.	12,531,391	0	81,919,147	387,912
GEN-I SONCE d.o.o.	268,415	0	2,012,783	31,007
HOLDING SLOVENSKE ELEKTRARNE D.O.O.	21,235,768	42,096,149	13,162,687	9,937,270
PLINOVODI d.o.o.	12	58,528	1,713,635	1,927,946
SODO D.O.O.	0	0	0	87,447,493
TALUM Tovarna aluminija d.d.	7,783	0	2,543,163	39,693
Banks and insurance companies				
ZAVAROVALNICA TRIGLAV D.D.	0	76,153	11,805	1,094,108
SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA D.D.	0	9,565,217	0	453,937
Other				
EPPS d.o.o.	0	269,335	0	2,348,147

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.

Operating and other receivables

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 price curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL are equity instruments that are not listed on the stock exchange and that the group intends to hold on to in 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 short-term assets and liabilities is practically the same as their book value. 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 2023				31 December 2022				
	Level 2	Level 3	Total fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets measured at fair value									
Derivatives	570,728	0	570,728	570,728	3,912,370	158,809,784	0	162,722,154	162,722,154
Financial assets measured at fair value through profit or loss	0	50,000	50,000	50,000	0	0	50,000	50,000	50,000
Financial assets measured at fair value through comprehensive income	0	3,548,925	3,548,925	3,548,925	0	0	3,529,974	3,529,974	3,529,974
Total	**570,728**	**3,598,925**	**4,169,653**	**4,169,653**	**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	353,169	353,169	353,169	0	0	346,902	346,902	346,902
Long-term deposits	0	1,915	1,915	1,915	0	0	2,515	2,515	2,515
Short-term deposits	0	287,405,082	287,405,082	287,405,082	0	0	92,502,286	92,502,286	92,502,286
Trade receivables	118,927,428	59,383,134	178,310,562	178,310,562	0	80,472,694	40,398,638	120,871,332	120,871,332
Assets from contracts	0	97,405,006	97,405,006	97,405,006	0	0	97,041,301	97,041,301	97,041,301
Cash and cash equivalents	0	181,821,748	181,821,748	181,821,748	0	0	193,607,314	193,607,314	193,607,314
Total	**118,927,428**	**626,370,054**	**745,297,482**	**745,297,482**	**0**	**80,472,694**	**423,898,956**	**504,371,650**	**504,371,650**

Fair value of liabilities (in EUR)	31 December 2023					31 December 2022		
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount	Level 3	Total fair value	Total carrying amount
Liabilities measured at fair value								
Derivatives	-10,907,885	-20,379,500	0	-31,287,385	-31,287,385	-161,733	-161,733	-161,733
Total	**-10,907,885**	**-20,379,500**	**0**	**-31,287,385**	**-31,287,385**	**-161,733**	**-161,733**	**-161,733**
Liabilities measured at amortised cost								
Unsecured bank loans	**0**	0	47,496,666	47,496,666	47,496,666	184,485,594	184,485,594	184,485,594
Other financial liabilities	0	0	111,921,196	111,921,196	111,921,196	75,884,981	75,884,981	75,884,981
Lease liabilities	0	0	5,775,863	5,775,863	5,775,863	2,103,352	2,103,352	2,103,352
Bonds	**0**	0	2,800,000	2,800,000	2,800,000	5,600,000	5,600,000	5,600,000
Liabilities from contracts	**0**	0	7,359,397	7,359,397	7,359,397	19,418,995	19,418,995	19,418,995
Trade payables	**0**	0	128,903,600	128,903,600	128,903,600	157,046,553	157,046,553	157,046,553
Total	**0**	**0**	**304,256,722**	**304,256,722**	**304,256,722**	**444,539,475**	**444,539,475**	**444,539,475**

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 2023 (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	47,496,666	48,208,093	4,060,678	3,770,634	7,445,789	22,211,846	10,719,147
Issued bonds	2,800,000	2,844,124	2,844,124	0	0	0	0
Other liabilities	49,346,426	49,952,756	49,952,756	0	0	0	0
Lease liabilities	5,775,863	6,247,378	988,511	779,679	1,550,688	2,612,826	315,675
Operating liabilities							
Operating liabilities	128,903,600	128,903,600	128,775,197	102,286	26,117	0	0
Derivative financial liabilities							
Other forward exchange contracts:							
Outflows	0	0	0	0	0	0	0
Inflows	31,287,385	31,287,385	31,287,385	0	0	0	0
Total	**265,609,940**	**267,443,336**	**217,908,650**	**4,652,599**	**9,022,594**	**24,824,672**	**11,034,822**

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	2,103,352	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	-162,722,154	-162,722,154	-162,722,154	0	0	0	0
Total	**262,236,593**	**264,317,430**	**187,875,583**	**24,767,816**	**10,736,341**	**22,814,174**	**18,123,517**

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, group companies monitor fluctuating trends on the financial markets 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)	2023	2022
Domestic	107,665,349	70,178,571
Euro area countries	17,903,036	27,668,002
Other European countries	27,830,894	14,259,277
Countries of the former Yugoslavia	3,326,465	5,814,052
Other regions	21,584,818	2,951,430
Total	**178,310,562**	**120,871,332**

Credit risk – wholesale and retail trade receivables (in EUR)	2023	2022
Wholesale customers	105,582,217	86,327,598
Retail customers	72,728,345	34,543,734
Total	**178,310,562**	**120,871,332**

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 2023			31 December 2022		
	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount	Prior to impairments and write-downs	Impairments and write-downs	Carrying amount
Not due	176,388,444	-7,290,528	169,097,916	104,962,905	-6,739,051	98,223,854
Past due up to 90 days	9,327,828	-1,062,610	8,265,218	16,411,462	-1,398,857	15,012,605
Past due from 91 to 180 days	1,260,641	-924,020	336,621	390,181	-935,952	-545,771
Past due from 181 to 365 days	386,592	-453,400	-66,808	11,520,703	-4,035,008	7,485,695
More than 365 days past due	7,848,895	-7,171,280	677,615	6,116,689	-5,421,740	694,949
Total	**195,212,400**	**-16,901,838**	**178,310,562**	**139,401,940**	**-18,530,608**	**120,871,332**

Changes in impairments and write-downs (n EUR)	2023	2022
Opening balance of impairments and write-downs	**22,534,622**	**15,972,052**
Creation of impairments and write-downs	1,605,131	7,976,273
Reversal of impairments	-888,798	-674,793
Use of impairments and write-downs	-2,345,246	-739,030
Exchange rate differences	143	120
Closing balance of impairments and write-downs	**20,905,852**	**22,534,622**

The closing balance of ECLs and impairment losses on trade receivables comprises ECLs and impairment losses on trade receivables in the amount of EUR 16,901,838 (EUR 18,530,608 in 2022), and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 4,004,015 (the same as in 2022), which relate primarily to impairment losses created by the subsidiary GEN-I Sofia.

Currency risk

Currency risk as at 31 December 2023 (in EUR)	Total	EUR	USD	GBP	HRK	MKD	BAM	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
Trade receivables	**178,310,562**	176,551,269	0	0	0	131,642	1,162,714	0	10,532	14,985	0	0	9,503	429,917	0	0	0
Unsecured bank loans	**-47,358,909**	-47,358,909	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade payables	**-128,903,600**	-121,622,875	-26,905	-38,816	0	-1,645,027	-4,984,409	-3,521	-179,510	-5,789	-846	-6,554	-34,273	-351,920	-1,707	-1,337	-111
Gross exposure in the statement of financial position	**2,048,053**	7,569,485	-26,905	-38,816	0	-1,513,385	-3,821,695	-3,521	-168,978	9,196	-846	-6,554	-24,770	77,997	-1,707	-1,337	-111
Net exposure of receivables and liabilities		**54,928,394**	**-26,905**	**-38,816**	**0**	**-1,513,385**	**-3,821,695**	**-3,521**	**-168,978**	**9,196**	**-846**	**-6,554**	**-24,770**	**77,997**	**-1,707**	**-1,337**	**-111**

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	**-184,323,860**	-184,323,860	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	**-220,499,081**	-208,189,128	-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**

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 Macedonian denar (MKD) 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 2023	31 December 2022
Fixed-rate instruments		
Financial assets	570,728	72,036,485
Financial liabilities	-52,569,297	-210,222,933
Variable-rate instruments		
Financial liabilities	0	-20,020,000

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 the risk of changing interest rates is low, as there is only one loan that bears a variable interest rate tied to the EURIBOR. However, interest rate risk is hedged using an interest rate swap, where a fixed interest rate replaces the variable interest rate.

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 standardized forward contract. 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 2023	Nominal amount (in EUR)		
	up to 1 year	from 1 to 5 years	more than 5 years
Risk of changes in commodity prices	0	106,683,161	0

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 2023	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 2023 (in EUR)
		Assets	Liabilities		
Risk of changes in commodity prices	106,683,161	n/a*	n/a*	n/a*	-37,313,246

* A financial instrument is a standardised forward contract that is cash-settled daily.

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.

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 2023 (in EUR)
	Assets	Liabilities	Assets	Liabilities		
Risk of changes in commodity prices	n/a*	n/a*	40,530,464		Derivatives*	-37,313,246

* A hedged item is an unrecognised firm commitment.

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*	n/a*	-96,407,369	Derivatives*	83,765,573

* A hedged item is an unrecognised firm commitment.

Ineffective hedge

Fair value hedging in 2023	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	1,649,370	Other recurring operating revenue or expenses

Fair value hedging in 2022	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

Consultative referendum regarding the JEK2 project

Parliamentary parties submitted a proposal on 12 March 2024 for a consultative referendum on the implementation of the JEK2 project. That referendum is expected to take place in the second half of November 2024.

Public offering by GEN-I, d.o.o.

On 14 April 2024, GEN-I published an initial public offering of green bonds in the planned amount of EUR 50 million.

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

On 20 March 2024, GEN-I d.o.o.'s General Meeting of Shareholders appointed Dr Igor Koprivnikar to serve as member of that company's senior management for the period 20 March 2024 to 17 February 2028. The appointment of Dr Igor Koprivnikar as a member of GEN-I d.o.o.'s senior management re-establishes a four-member senior management team at the aforementioned company, in accordance with the valid Memorandum of Association, following the death of Ms Andreja Zupan, a member of GEN-I d.o.o.'s senior management, who passed away on 27 February 2024 after a serious illness.

Reappointment of member of NEK d.o.o.'s Management Board

On 22 April 2024 NEK d.o.o.'s General Meeting of Shareholders reappointed Saša Medaković, MSc as member of NEK d.o.o.'s Management Board for the period 3 November 2024 to 3 November 2029.

Change in the supervisory body of HESS d.o.o.

On 24 January 2024, in connection with the resignation of previous member of the HESS d.o.o.'s Supervisory Board, Janez Keržan, MSc, the General Meeting of Shareholders of HESS d.o.o. appointed Kruno Abramovič, MSc to HESS d.o.o.'s Supervisory Board for the period 11 February 2024 to 11 February 2028.

Change in the supervisory body of SRESA d.o.o.

On 19 March 2024, in connection with the resignation of previous member of the SRESA d.o.o.'s Supervisory Board, Janez Keržan, MSc, the General Meeting of Shareholders of SRESA d.o.o. appointed Kruno Abramovič, MSc to SRESA d.o.o.'s Supervisory Board for the period 19 March 2024 to 19 March 2028.

Change to the Articles of Incorporation of TEB d.o.o.

As founder and sole owner of TEB d.o.o., GEN adopted new Articles of Incorporation of TEB d.o.o. on 18 April 2024. The new Articles of Association entered into force on 22 April 2024, the day they were entered in the companies register.

Appointment of a supervisory body at TEB d.o.o.

As founder and sole owner of TEB d.o.o., GEN appointed a Supervisory Board at TEB d.o.o. on 7 May 2024. That body comprises Vanja Bogolin and Primož Stropnik, whose four-year term of office began on 8 May 2024.

Change to the Articles of Incorporation of SEL d.o.o.

As founder and sole owner of SEL d.o.o., GEN adopted new Articles of Incorporation of SEL d.o.o. on 24 April 2024. The new Articles of Incorporation of SEL d.o.o. entered into force on 16 May 2024, the date of entry in the companies register.

Appointment of a supervisory body at SEL d.o.o.

As founder and sole owner of SEL d.o.o., GEN appointed Daška Berkopec and Kruno Abramovič, MSc to SEL d.o.o.'s three-member Supervisory Board on 16 May 2024. Their four-year terms of office began on 20 May 2024.

Change in the supervisory body of HESS d.o.o.

Due to the expiry of their terms of office, the General Meeting of Shareholders of HESS d.o.o. reappointed existing members of its Supervisory Board, Marjan Jelenko (whose term of office expires on 25 August 2024) and Uroš Podobnik (whose term of office expires on 9 November 2024) for the next four-year term of office on 18 June 2024, based on the nominations of eligible proposers (TEB and HSE).

Change to the Memorandum of Association of GEN-I d.o.o.

The General Meeting of Shareholders of GEN-I d.o.o. adopted a change to that company's Memorandum of Association on 19 June 2024. The aforementioned change entered into force on 19 June 2024, the day it was entered in the companies register.

Appointment of two members to GEN d.o.o.'s senior management

GEN d.o.o.'s supervisory body appointed two members to GEN d.o.o.'s senior management on 26 June 2024, as follows: Nada Drobne Popović, MSc as CFO and Dr Bruno Glaser as COO. Both were appointed to a four-year term of office. GEN d.o.o.'s senior management comprises three members since 1 July 2024.

Conclusion

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 2023.

4.8. 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 company GEN energija d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statements of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section* of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to note "*4.1. Introductory Notes on the compilation of the financial statements*" in the financial statements, which describes the basis of accounting. The Group applies accounting policies for the preparation of the consolidated financial statements of the GEN Group and the preparation of the GEN Group's annual report in accordance with the provisions of the Intergovernmental Agreement on NEK, applicable legislation, and IFRS, specifically in the parts not explicitly regulated by the Intergovernmental Agreement on NEK. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Reissuance of Audit report

We draw attention to note "*4.7.2. Basis for the Preparation of the Consolidated Financial Statements*" of the GEN Group, which explains the changes in the previously issued financial statements for the year ended December 31, 2023. The previously issued financial statements of the company Gen energija d.o.o., dated June 6, 2024, have been amended due to changes in the amount of retained earnings, which subsequently also affected the retained earnings of the GEN Group. Our independent auditor's report on the previously issued financial statements was dated June 6, 2024. Following the reissuance of the financial statements, we are issuing this new independent auditor's report. Our opinion is not modified in respect of 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 2023. 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 for the year ended December 31, 2023, amounted to EUR 2,963,832 thousand (EUR 4,008,035 thousand in 2022) – 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	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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appropriateness of the revenue recognition, 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 2023, the group has EUR 571 thousand (EUR 162,722 thousand in 2022) 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 approach is appropriate, whether the used important assumptions are suitable for the given purposes

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	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 its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with International Standards on Auditing, 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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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)

Confirmation to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Prohibited Services
We confirm that no services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided and that the audit company fulfilled independence requirements.

Other services performed by the audit company
There are no services, in addition to the statutory audit, which the audit company provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Appointment of the Auditor and responsible certified auditor
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company and the Group on General Shareholders' Meeting held on 3 October 2023, while the president of the Supervisory Board signed the audit contract on 16 October 2023. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 8 December 2020.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Yuri Sidorovich.

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

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

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 10. July 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

ACRONYMS AND ABBREVIATIONS

- DEAR – deferred expenses and accrued revenue
- AJPES – Agency of the Republic of Slovenia for Public Legal Records and Related Services
- ARAO – Agency for Radwaste Management
- GDP – gross domestic product
- B2B – retail sales to businesses
- B2C – retail sales to households
- CO_2 – carbon dioxide
- GEN CC – GEN Control Centre
- CVA – credit valuation adjustment
- d.d. – joint stock company
- Deloitte – Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana
- d.o.o. – limited liability company
- NSP – national spatial plan
- Dr – doctor
- EBIT – earnings before interest and taxes
- EBITDA – earnings before interest, taxes, depreciation and amortisation
- ECB – European Central Bank
- EFQM – European Foundation for Quality Management
- ELES – ELES, d.o.o., electrical power transmission system operator
- ENTSO-E – European Network of Transmission System Operators for Electricity
- EU – European Union
- EUR – euro
- EUR – European Utility Requirements
- GEN – GEN energija, d.o.o.
- GEN-EL – GEN-EL d.o.o.
- GEN-I – GEN-I, trgovanje in prodaja električne energije d.o.o.
- GRI – Global Reporting Initiative
- GWh – gigawatt-hour
- GZS – Chamber of Commerce and Industry of Slovenia
- HPP – hydroelectric power plant
- HEP – Hrvatska elektroprivreda d.d.
- HESS – Hidroelektrarne na Spodnji Savi, d.o.o.
- HSE – Holding Slovenske elektrarne d.o.o.
- IAEA – International Atomic Energy Agency
- ICJT – Nuclear Training Centre
- IFNEC – International Framework for Nuclear Energy Cooperation
- GEN IC – GEN's Information Centre
- IT – information technology
- etc. – et cetera
- NPP – nuclear power plant
- JEK2 – Krško Nuclear Power Plant, second unit
- ELFO – extra light fuel oil
- kV – kilovolt
- kW – kilowatt
- kWh – kilowatt-hour
- Ljubljana Stock Exchange – Ljubljanska borza d.d., Ljubljana
- m^2 – square metre
- m^3 – cubic metre
- MSc – master's degree
- Intergovernmental Agreement on the NEK – agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia governing status and other legal relationships in connection with investments in the Krško Nuclear Power Plant, and the operation and decommissioning thereof
- SHPP – small hydroelectric power plant
- m – million
- bn – billion
- IAS – International Accounting Standards
- IFRS – International Financial Reporting Standards as set out in Regulation (EC) 1606/2002, Regulation (EC) 1725/2003 and Regulation (EC) 1126/2008
- MW – megawatt
- MWh – megawatt-hour
- NEA OECD – Nuclear Energy Agency within the Organisation for Economic Co-operation and Development
- NEK – Nuklearna elektrarna Krško, d.o.o. (Krško Nuclear Power Plant)
- NECP – National Energy and Climate Plan
- e.g. – for example
- SB – Supervisory Board
- LILW – low- and intermediate-level radioactive waste
- IASB – International Accounting Standards Board
- OSART – Operational Safety Review Team
- RES – renewable energy sources
- ECL – expected credit losses
- senior management – senior management of GEN
- senior management of the company – senior management of GEN
- Prof. – professor
- FVTPL – fair value through profit or loss
- FVTOCI – fair value through other comprehensive income
- ReDPS50 – Resolution on Slovenia's long-term climate strategy until 2050
- RS – Republic of Slovenia
- mFRR – manual frequency restoration reserve
- FCR – frequency control reserve
- SDG – Sustainable Development Goals
- SSH – Slovenian Sovereign Holding
- SEL – Savske elektrarne Ljubljana d.o.o.
- NEK Fund – Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK
- GEN Group – GEN Energija Group
- SMR – small modular reactor
- SRESA – Srednjesavske elektrarne d.o.o.
- SAS – Slovenian Accounting Standards
- ISO Standards – international standards on environmental management systems
- TEB – Termoelektrarna Brestanica, d.o.o.
- GHG – greenhouse gas emissions
- TWh – terawatt hour
- UniCredit Banka – UniCredit Banka Slovenija d.d.
- Government of the RS – Government of the Republic of Slovenia
- HLW – high-level radioactive waste
- WANO – World Association of Nuclear Operators
- NEK Fund Act – Fund for Financing the Decommissioning of the NEK and Disposal of Radioactive Waste from the NEK Act (Official Gazette of the Republic of Slovenia, No. 75/1994 with amendments)
- ZEL-EN - ZEL-EN, razvojni center energetike, d.o.o.
- ZGD-1 – Companies Act (Official Gazette of the Republic of Slovenia No. 42/06 with amendments)
- 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 of Additional Quantities of Natural Gas Outside the EU Market (Official Gazette of the Republic of Slovenia No. 121/2022)