gen-i ANNUAL REPORT 2020

RELIABLE PARTNER FOR ADVANCED SOLUTIONS IN TRADING
AND SALES ON THE EUROPEAN ENERGY MARKET

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1. OPERATING HIGHLIGHTS OF THE GEN-I GROUP IN 2020

AMOUNTS IN EUR ITEMS	2020	2019	INDEX 2020/2019	2018	2017	2016
OPERATING RESULTS						
Revenues	2,101,225,597	2,203,588,646	95.4	2,357,715,456	2,370,030,061	1,582,148,485
Change in value of inventories	-293,040	105,496	-	337,458	183,770	0
Historical cost of goods sold	-2,055,559,519	-2,168,762,703	94.8	-2,292,741,493	-2,322,178,734	-1,562,830,947
Other recurring operating revenues or expenses	28,390,065	23,104,074	122.9	-10,663,114	11,367,755	0
Gross operating profit1	**73,763,102**	**58,035,514**	**127.1**	**54,648,307**	**59,402,851**	**19,317,538**
Earnings before interest. taxes. depreciation and amortization (EBITDA)	**32,077,722**	**22,964,638**	**139.7**	**20,414,366**	**24,937,979**	**12,205,436**
Earnings before interest and taxes (EBIT)	**23,408,119**	**19,800,656**	**118.2**	**16,279,578**	**19,753,825**	**10,299,118**
Net operating profit after tax (NOPAT)	17,914,369	16,039,884	111.7	13,246,670	15,590,619	8,507,326
Net profit	**15,428,322**	**15,282,822**	**101.0**	**12,908,860**	**13,463,405**	**7,313,188**
FINANCIAL POSITION						
Total assets	279,892,265	261,401,237	107.1	279,084,911	277,727,818	254,066,360
Equity	105,270,484	94,830,214	111.0	83,192,918	75,316,700	65,885,154
Inventories	3,407,772	1,502,344	226.8	749,083	357,986	0
Current receivables	162,279,083	159,128,131	102.0	188,748,973	201,401,139	183,073,781
Current liabilities	107,602,268	91,656,144	117.4	119,216,914	135,398,050	132,683,489
Cash and cash equivalents	65,584,621	62,095,182	105.6	60,094,389	49,886,492	47,143,359
Working capital (inventories + current receivables - current liabilities)	58,084,587	68,974,331	84.2	70,281,142	66,361,075	50,390,292
Non-current financial liabilities	38,622,458	41,998,032	92.0	45,115,248	32,662,782	24,410,558
Current financial liabilities	26,465,835	31,701,569	83.5	30,717,892	33,653,321	30,224,044
Financial debt	65,088,293	73,699,600	88.3	75,833,140	66,316,103	54,634,602
Net financial debt	-496,328	11,604,419	-	15,738,750	16,429,612	7,491,243
DEBT. LEVERAGE AND COVERAGE RATIOS						
Equity/(financial debt + equity)	61.8%	56.3%	109.8	52.3%	53.2%	54.7%
Equity/total assets	37.6%	36.3%	103.7	29.8%	27.1%	25.9%
EBITDA/interest expense	20.0	11.9	167.7	12.8	15.0	14.3
Net financial debt/EBITDA3	0.0	0.5	-	0.8	0.7	0.6
PROFITABILITY INDICATORS						
Gross margin4	3.51%	2.63%	133.3	2.32%	2.51%	1.22%
EBITDA margin	1.53%	1.04%	146.5	0.87%	1.05%	0.77%
EBIT margin	1.11%	0.90%	124.0	0.69%	0.83%	0.65%
ROA (net profit/average total assets)	5.70%	5.66%	100.8	4.64%	5.06%	2.88%
ROE (net profit/average equity)	15.42%	17.17%	89.8	16.29%	19.07%	11.38%

1. Gross operating profit = difference between revenues and costs of sales.
2. EBITDA = earnings before interest. taxes. depreciation and amortization + impairments and write-offs.
3. Net financial debt/EBITDA = (non-current and current financial liabilities – cash and cash equivalents)/EBITDA
4. Difference between revenues and costs of sales/sales revenue.

NET PROFIT

15.43 MILLION EUR

+1.0 %

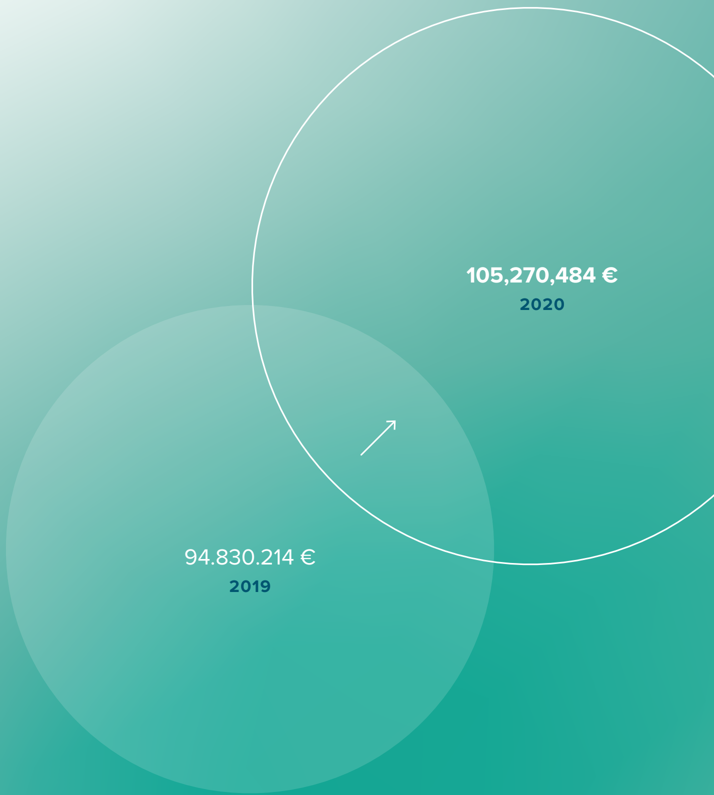
A record net profit shows that the GEN-I Group enjoyed one of its most commercially successful years ever in 2020.

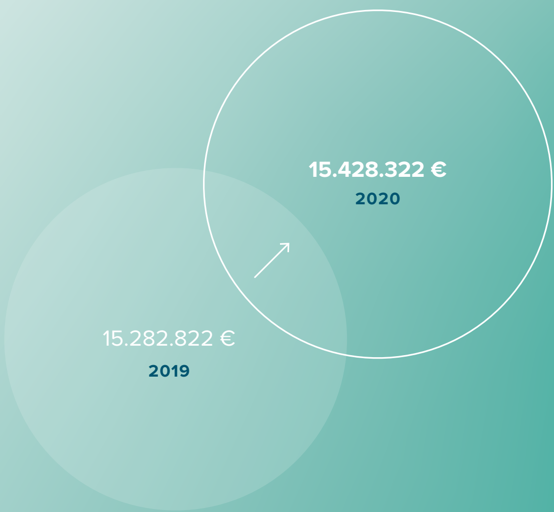
EQUITY

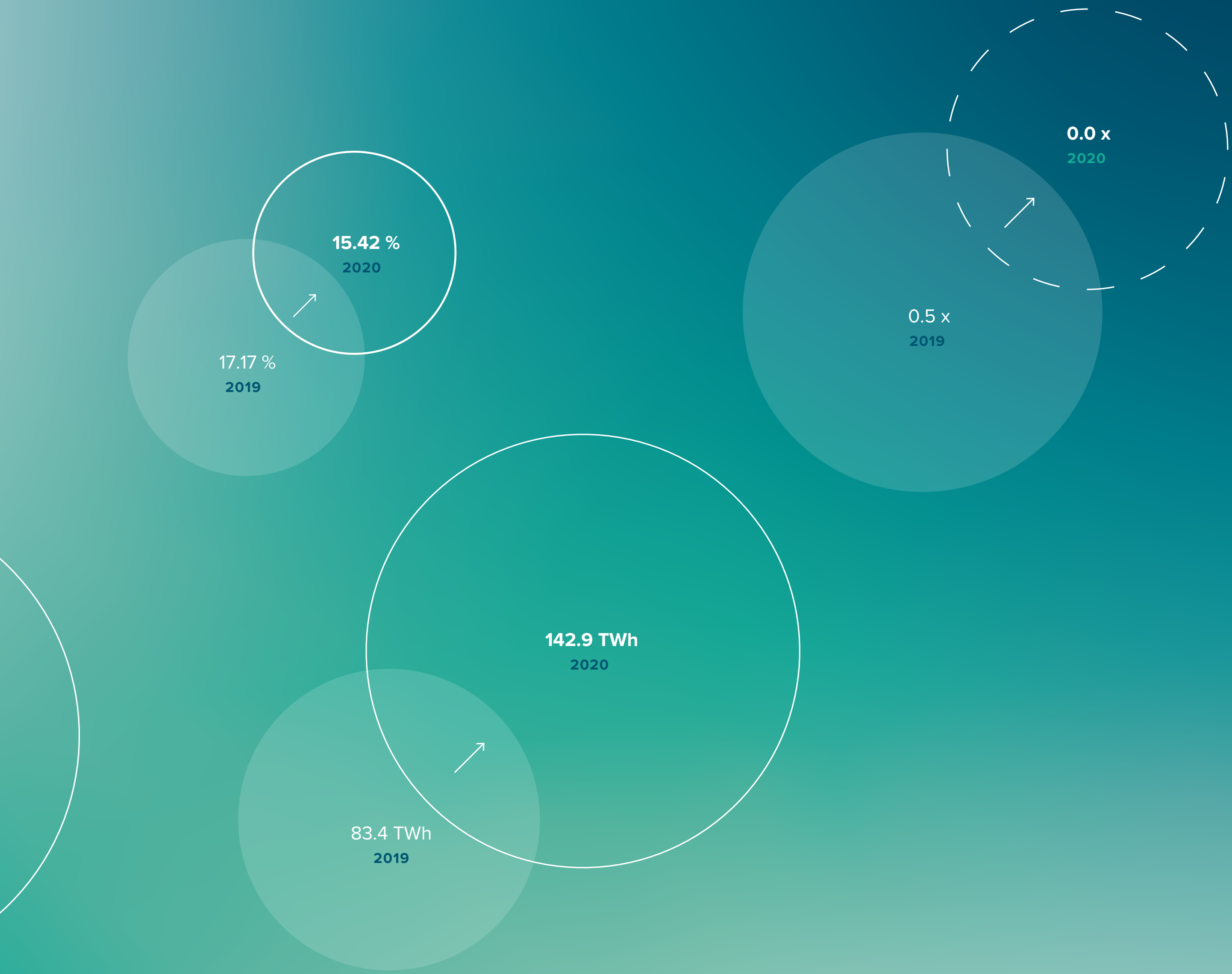
105.27 MILLION EUR

+11.0 %

Total equity exceeds EUR 100 million for first time. Capital adequacy and thus the security of operations have reached their highest levels to date.







ROE

15.42 %
-10.2 %

Return-on-equity above 15% for the fourth year in a row. Key reasons – successful performance and moderate dividend policy.

SALES VOLUMES

142.9 TWh
+71.4 %

A record year in terms of quantities of electricity and natural gas sold based on forward sales contracts and contracts with physical delivery.

NET FINANCIAL DEBT/EBITDA

0.0 x
–34.6 %

Expansion and growth in operations, without additional borrowing. Extremely high potential for investments.

2. MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Business Partners, Owners and Employees,

A year in which we set record after record is now behind us. For the first time in our history, we generated a gross profit of more than EUR 74 million, which is an increase of 27% compared with an otherwise very successful 2019. For the fourth consecutive year, we generated more than two billion euros in revenues. We sold a record 142.9 terawatt hours of energy in 2020, an increase of 71.4% relative to 2019.

At the same time, we improved our financial position and significantly improved profitability indicators. The GEN-I Group generated a net profit of EUR 15.4 million last year, despite the further tightening of conditions on the electricity and natural gas sales and trading market, and increasing competitive pressures. Our gross margin rose to 3.5% for the first time, while the EBITDA margin was 1.5%. Capital adequacy and thus the security of the GEN-I Group's operations have reached their highest levels to date. We are expanding and growing without additional borrowing, which is increasing our investment potential.

We achieved all of this in a year in which the global economic and social environment grappled with the consequences of the COVID-19 pandemic. The global drop in economic activity increased uncertainty regarding electricity consumption, as the fall in energy prices due to the lockdown during the first quarter of the year was followed by a sharp increase in volatility on the European energy markets. Through its knowledge, understanding of the market and ability to adapt to changes, the GEN-I Group once again responded excellently to the new challenges. We increased the volume of electricity and natural gas trading significantly, and thus demonstrated our understanding of the adverse conditions in which our loyal customers in Slovenia found themselves. Immediately following the declaration of the epidemic, GEN-I was the only supplier to offer all household and small business customers a 15% reduction in the price of electricity for three months.

The GEN-I Group had a total of 531 employees at the end of 2020. That number was up by 11% relative to 2019. More than 80% of employees have at least a Level VI education, while seven percent hold a master's degree or doctorate. During a year marked by the epidemic, we laid solid foundations for the future by significantly increasing investments in employees, digitalization and the development of green products. Today, the GEN-I Group is already one of the fastest growing, most progressive and innovative players on the European energy market. We operate in 22 countries, from France in the West to Ukraine and Turkey in the East. The Group's share of the retail market exceeded 25% during the first half of 2020, meaning the Group remains the largest electricity supplier in Slovenia. Despite increasingly adverse conditions on the market and increasing competition, we remain a leading electricity trader on the markets of Southeast Europe.

We are also growing at an accelerated pace on the liquid markets of Western Europe. We are planning four percent growth in revenues in 2021 relative to last year and 15% growth in profit. We will strengthen our position on existing markets and expand to new markets, primarily in the area of natural gas.

The GEN-I Group always looks forward. At the EU level, the pandemic has raised awareness that the future of Europe depends on a healthy planet. The post-pandemic recovery will be based on the European Green Deal, under which the EU is committed to climate neutrality by 2050. The GEN-I Group is already prepared today for such challenges. Since January, we are the first in Slovenia to supply customers electricity exclusively from environmentally friendly, carbon-free sources. We are transitioning from a trading company into the leading supplier of green solutions. We are the leading advocate and promoter of the green transformation. To date, we have set up more than 2,000 solar plants for the independent self-sufficient supply of electricity. We are the first and only business group to commit to a carbon-free future without fossil-based energy sources in the scope of the European climate and energy package.

Our core strategic document, Vision 2030, is based entirely on green energy, sustainable development, the digitalization of operations, innovative solutions and the use of advanced technologies for the processing of large quantities of data. That vision is based on the knowledge that being the first choice of customers is not enough for a company that wants to be competitive on the international energy market over the long term. Our ultimate objective is to transform the Company from a regional trader and supplier of electricity and natural gas into an international company with a diversified business model, as we intend to supplement those two core activities with a segment of services, a process that is already in progress, and a segment of own electricity production from solar power plants, the implementation of which is planned to begin in 2021. To ensure that growth in specific areas is balanced and thus more robust in terms of financial stability, we intend to take a more active approach to expanding the portfolio of foreign end-customers this year, and triple the number of customers to 1.2 million by 2030 through M&A activities. If we add to this organic growth in the trading segment, the achievement of our Vision 2030 will result in a company that will be present on 30 European markets with 1.2 million customers in Slovenia and abroad, that will be a leading provider of innovative products and services on the European energy market, and that will manage an envious level of production assets for green electricity.

More than one thousand dedicated and motivated employees will help the executive staff implement that vision, and together we will strive to ensure that the will Company serve as an example of the green energy future and that it will be a desirable investment for owners due the Company's increased market value. The support of owners is crucial in the pursuit of such ambitious strategic objectives and the accompanying aggressive investment policy. For this reason, GEN-I's Management Board intends to start searching this year for an appropriate long-term owner of a twenty-five percent indirect ownership stake in GEN-I, which the Company is temporarily managing itself. With the sale of that participating interest, GEN-I will liquidate the investment that was originally defined as temporary, and invest the resulting funds in the implementation of Vision 2030, while at the same time achieving a long-term stable and transparent ownership structure.

The future of the GEN-I Group is bright and green. I ask our esteemed business partners and owners to accept my thanks for your loyalty and trust. My congratulations to all GEN-I Group employees for their fantastic achievements during the previous year. It is my great honor to lead such an exceptional team.

Robert Golob, Ph.D.
President of GEN-I's Management Board

Business Report of the GEN-I Group

3. BUSINESS REPORT

3.1. Presentation of the GEN-I Group

The GEN-I Group, which comprises GEN-I, d.o.o. and its 16 subsidiaries, is one of the fastest growing and most innovative players on the European energy market.

The GEN-I Group is active on the following markets through its own subsidiaries: Austria, Italy, Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, North Macedonia, Kosovo, Albania, Greece, Turkey, Ukraine, Georgia and Slovenia.

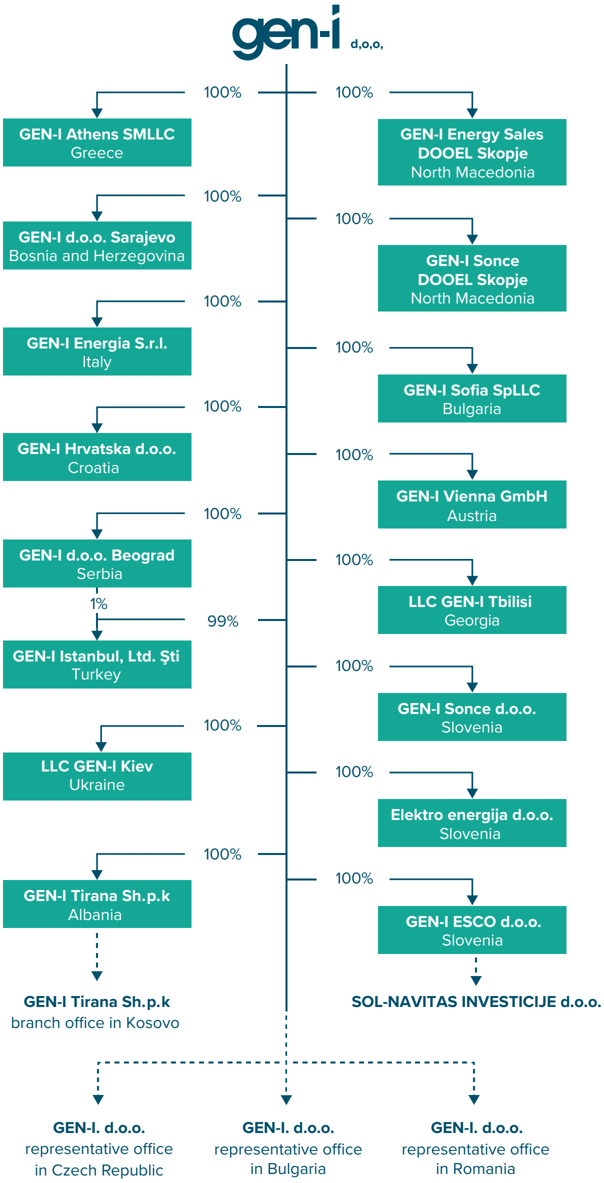
The Group's subsidiaries have at their disposal the complete infrastructure required to participate on the electricity and natural gas market. That infrastructure is ensured indirectly by GEN-I, d.o.o., which also provides subsidiaries expertise, financial resources and guarantee lines. The GEN-I Group also has in place the necessary infrastructure for the sale and supply of energy products to end-customers on eight markets.

The GEN-I Group's core activities are as follows:

- the supply of electricity and natural gas to end-customers;
- the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants;
- the provision of services for the energy self-sufficiency and efficiency of individuals and companies;
- the provision of advanced services to business partners and customers;
- a range of innovative products and services on the energy market in Southeast Europe; and
- electricity and natural gas trading.

The core activities of the GEN-I Group remain the purchase and supply of electricity and natural gas on the wholesale and retail markets. In 2017, the GEN-I Group further updated its core activity with the sale, supply and installation of solar power plants and other products aimed at increasing the energy efficiency of households. We expanded those activities to include business customers in 2018. The aforementioned services are provided by the subsidiary GEN-I Sonce, d.o.o.

The GEN-I Group supplies energy to all segments of end-customers. It provides households and small business customers affordable prices and the reliable supply of electricity and natural gas in the scope of its own brands.



Through a highly developed global business infrastructure for the natural gas and electricity sectors, we have combined all information and decision-making in one place. Through such a centralized approach, we achieve synergies for all business partners: both electricity producers and electricity and natural gas traders, and business and household customers who are supplied both energy products.

Through the innovative organization of our activities, we are able to provide our partners advanced trading services, and direct access to international markets and structured products and services tailored to their needs, which are changing the purchase and sale of energy products into a manageable, transparent and significantly more affordable business process.

The GEN-I Group's competitiveness on the domestic and international markets is the result of prudent business decisions

The best electricity trader in Southeast Europe, the most affordable supplier of energy products in Slovenia, winner of the title of Trusted Brand among electricity suppliers in Slovenia for seven years running, and two-time recipient of recognition in the area of environmental protection. These are just some of the flattering titles that the GEN-I Group has received in recent years. All of this is the result of:

Continuous adaptation to market changes

Optimization and flexibility are two of the key factors for successful growth on existing markets. We strive for the optimization of our operations, while remaining flexible and responsive to new opportunities.

Managing risk

The energy market of Southeast Europe requires additional adjustments in terms of managing risk. Understanding the market, the regular monitoring of market changes and making timely decisions are important for risk management and for recognizing business opportunities. A local presence on individual markets allows us to understand local specifics, while the Group's centrally organized structure allows us to respond quickly, make a quality assessment of the situation on markets and adapt to local activities in real time, thereby mitigating operational risks.

Customer orientation

We are proud of the satisfaction our customers show with the services we provide. The sales team knows how to listen to the needs of customers and provides them innovative comprehensive solutions.

Established brands

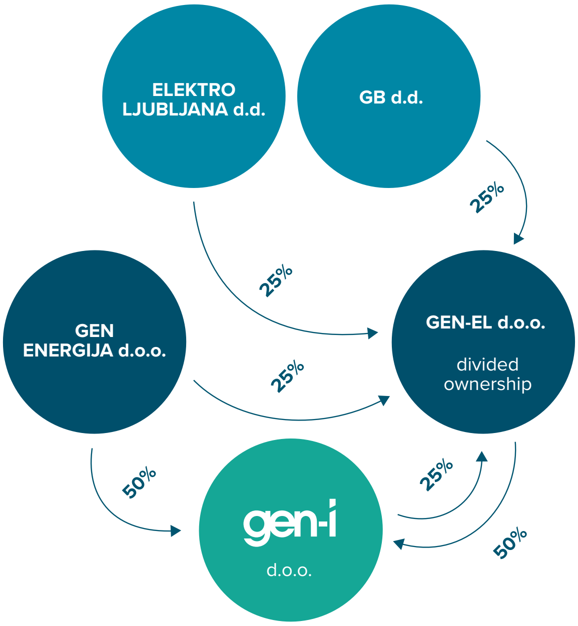
Our retail brands – Poceni elektrika (Affordable Electricity in Slovenia), Poceni plin (Affordable Natural Gas in Slovenia), Elektro energija (Slovenia) and Jeftina struja (Affordable Electricity in Croatia) – allow us to successfully pursue our mission to provide affordable energy accompanied by high-quality services. The total number of end-consumers for all four brands has risen steadily in recent years. We added the new GEN-I Sonce brand to our portfolio in 2016.

Information regarding the parent company GEN-I, trgovanje in prodaja električne energije, d.o.o.

Registered office: Vrbina 17, SI-8270 Krško, Slovenia
Abbreviated company name: GEN-I, d.o.o.
Telephone: +386 7 488 1840
Email: info@gen-i.si | pocenielektrika@gen-i.si
poceniplin@gen-i.si | sonce@gen-i.si
jeftinastruja@gen-i.hr | info@elektro-energija.si
Website: www.gen-i.si | www.pocenielektrika.si
www.poceniplin.si | www.gen-isonce.si
www.jeftinastruja.hr | www.elektro-energija.si

Company size: Large company
Core activity: Electricity trading and supply of electricity and natural gas to end-customers
Year of establishment: 2001

Registration application no.: 1/04524/00; registered at the Krško District Court; date of last court register entry: December 14, 2016
VAT ID no.: SI71345442
Registration no.: 1587714000
Share capital: EUR 19,877,610.00



Ownership of the parent company

As the result of ownership consolidation at the end of 2016, GEN energija, d.o.o. and GEN-EL, d.o.o. (which replaced IGES, d.o.o. in the ownership structure) hold equal participating interests in GEN-I, and must adopt unanimous decisions.

Elektro Ljubljana, d.d., GEN energija, d.o.o. and GEN-I, d.o.o. became indirect owners through the new owner GEN-EL naložbe, d.o.o. in 2016, while Gorenjska banka, d.d. and the Fund for Craftsmen and Entrepreneurs entered the ownership structure in 2018.

In contrast to GEN energija and GEN-I, the other owners of GEN-EL were provided a pre-arranged exit strategy, based on put options, when they entered the ownership structure in June 2020. Only the Fund for Craftsmen and Entrepreneurs exited the temporary ownership structure in June 2020, when it exercised its put option and sold its 16% ownership stake in GEN-EL. Gorenjska banka purchased that participating interest and increased its temporary ownership stake in GEN-EL.

3.2. Corporate governance statement

In accordance with the provision of the paragraph 5 of Article 70 of the Companies Act (ZGD-1), GEN-I, d.o.o. hereby issues the following corporate governance statement:

Statement of compliance with the Code

In addition to the provisions of the law, the provisions of the Memorandum of Association and other internal acts, and generally accepted best business practices, the governance of GEN-I, d.o.o. also takes into account, mutatis mutandis, the recommendations of the Corporate Governance Code (hereinafter: the Code) issued in May 2016 by the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology and the Slovenian Directors' Association. That code is accessible on the websites of the aforementioned organizations.

GEN-I, d.o.o. consistently respects the guiding principles of the Code, and primarily complies with its recommendations at an advanced level, while it complies with other recommendations at a fundamental level. Given below are deviations from the Code that are primarily the result of the Company's legal organizational form as a limited liability company, and due its stable but limited ownership by only two owners:

- The Company's Memorandum of Association includes all of the necessary substantive definitions and mechanisms for successful corporate governance, but does not follow the principle of avoiding the allocation of voting rights to two equal stakes. Ownership is divided between only two owners, each of which holds a 50% participating interest in the share capital of GEN-I, d.o.o.
- GEN-I, d.o.o.'s Memorandum of Association is only published on the website www.ajpes.si, in the collection of documents of the Business Register. The rules of procedure of the governing body are also not published.
- The governing body has not adopted a separate governance policy, but defines certain substantive elements of such a policy and communicates them via other corporate documents and implements them via the work of the general meeting.

- Because it is a limited liability company, which results in a closer link between the Company's owners, one owner only has the right to freely dispose of its participating interest with the prior consent of the other owner.

- When it is briefed on and adopts the annual financial statements, the general meeting does not require the presence of the Company's certified auditor.

- The structure of the powers of the Company's owners and governing bodies are evident from the Memorandum of Association, but a separate supervisory body has not been established. The effective supervision of the Company's operations is the responsibility of GEN-I, d.o.o.'s general meeting, which functions within the scope of its powers in accordance with the law and Memorandum of Association.

- Through an extensive system of controls and the clearly defined responsibilities of individual departments, the Company exercises and ensures control over the structure and efficiency of its operations, in accordance ¸with regulations and internal acts, without the appointment of a separate internal auditing body.

Description of the main features of the Company's internal control and risk management systems in connection with financial reporting procedures

The Group implements internal controls at all levels with the aim of ensuring the accuracy, reliability and completeness of accounting records, true and fair financial reporting, compliance with valid laws and other regulations, and operational efficiency. Accounting controls are based on the appropriate control environment, which includes the governance system, the organizational structure, competences, responsibilities and ethical values, and based on control activities, which include transaction approval procedures, the segregation of tasks and responsibilities, clear work instructions, the reconciliation of balances and supervision. The reliability of financial reporting is also ensured through the use of an appropriate information system that in turn facilitates completeness and accuracy in the capture and processing of data, and through the education and training of employees. The Group manages the risks to which the Company is exposed in connection with financial reporting procedures through centralized guidance and control over the accounting function of all subsidiaries, and by auditing the financial statements of major Group companies. Risk management and control mechanisms in connection with the assessment of individual risks are presented in detail in the section 'Risk management'.

Information regarding the work of the general meeting

In accordance with the Companies Act (ZGD-1), the Company's highest body is its general meeting. Through the latter, the Company's owners GEN energija, d.o.o. and GEN-EL naložbe, d.o.o. exercise their rights and make decisions on matters that are defined by the law or Memorandum of Association, including the appointment and replacement of members of governing bodies and changes to the Memorandum of Association. The general meeting is convened by the Company's executive staff, while the actual convening of the general meeting is governed by the Memorandum of Association taking into account the provisions of valid legislation. Invitations to the general meeting must include the agenda and all proposed resolutions, accompanied by appropriate explanations.

The general meeting is convened at least once a year, or more frequently as required. The general meeting is deemed quorate if all of the Company's share capital is represented, while decisions are adopted unanimously. Three general meetings were convened in 2020, at which the Company's owners adopted decisions regarding the confirmation of the audited annual report for 2019, the allocation of distributable profit, the conferral of official approval on the Management Board, the appointment of an auditor, the confirmation of the GEN-I Group's business plan for 2021, and other matters under its authority.

Information regarding the composition of the governing body

GEN-I, d.o.o. is managed by a four-member Management Board, whose five-year term of office began on November 18, 2016. The composition of that body is as follows:

Robert Golob, Ph.D.
President of the Management Board

One of the leading experts on energy matters in Slovenia, he completed his undergraduate education at the Faculty of Electrical Engineering in 1989, his master's degree three years later, and his doctoral education in 1994. His areas of expertise include the functioning and deregulation of the electricity system, and the restructuring of the energy sector and electricity market. After receiving his doctoral degree, he was awarded a Fulbright grant for a visiting position at the Georgia Institute of Technology in Atlanta. In 1997, he was employed as an assistant professor at the Faculty of Electrical Engineering of the University of Ljubljana. In 1998, he was appointed head of a negotiation team working for the EU in the area of energy. From 1999 to 2002, he served as State Secretary for Energy Matters and helped draft several important energy-related acts. He has written numerous publications and papers on markets, the optimization of energy sources and electricity system planning. He has also managed several basic research and industry-applicable projects for the Slovenian energy sector. In 2002, he founded and became the general manager of Istrabenz Gorenje, d.o.o. (now IGES). Dr. Golob is also an associate professor at the Faculty of Electrical Engineering at the University of Ljubljana. In 2016, he began a new five-year term as President of the Management Board of GEN-I, d.o.o., a position he has held since 2006.

Danijel Levičar, MBA
Member of the Management Board

A physicist with a master's degree in management, Mr. Levičar has been gaining experience in the fields of energy and the functioning of the electricity system since 2000, at the Krško Nuclear Power Plant and at GEN energija, d.o.o., where he participated in preparations for the JEK2 project. From 2005 on, he worked abroad for seven years, at the European Commission in Luxembourg and at the International Atomic Energy Agency in Vienna. In 2013, as the head of the Energy Directorate at the Ministry of Infrastructure, Mr. Levičar and his colleagues drafted a proposal for Slovenia's energy concept, aimed at the development of a low-carbon society. He advocated for the inclusion of transportation in the energy strategy and for the transition to alternative energy sources, with an emphasis on e-mobility. His responsibilities also included preparations for the new energy legislation adopted in 2014, which finally put in place the necessary conditions for the introduction of market principles for the functioning of all energy sectors. He joined the GEN-I Group at the end of 2016 as a member of the GEN-I, d.o.o.'s Management Board, and is tasked with establishing closer cooperation with the parent company GEN energija, d.o.o. and with the monitoring of regulations and compliance. He has also served as the commercial manager of GEN energija, d.o.o. since August 1, 2019.

Igor Koprivnikar, MBA
Member of the Management Board

Mr. Koprivnikar is an expert with many years of experience in management positions in various fields associated with electricity trading and liberalization processes on the electricity markets of Central and Eastern Europe. He possesses in-depth knowledge of the mechanisms of the functioning of electricity markets and trading models. He graduated from the Faculty of Natural Sciences of the Technical University of Graz, Austria in 1999, and holds a doctorate in nuclear physics from the Institute for Theoretical Physics of the Technical University of Graz. Following his studies, he worked with numerous scientific institutions around the world, and was responsible for the development of the EXAA energy exchange in Austria from 2002 to 2004. He started working for GEN-I in 2004 when it was first founded. He laid the foundations of the business model for international and cross-border electricity trading and updated that model in the years that followed. As a member of GEN-I, d.o.o.'s the Management Board, he is responsible for the GEN-I Group's trading function, and for finance and legal affairs. He is also the executive director of eleven of the Group's foreign subsidiaries. He received his MBA in 2018 from the University of Chicago Booth School of Business and thus strengthened his competences in the areas of management, capital markets and corporate finance.

Andrej Šajn, MSc
Member of the Management Board

The initiator of many new solutions and the manager of development projects mainly associated with information technologies for electricity sales and trading, he began his career in 2001 as an assistant in the laboratory for energy strategies of the Faculty of Electrical Engineering at the University of Ljubljana, where he completed his master's degree in electricity production optimization in 2004. That same year, he started working for Istrabenz energetski sistemi, d.o.o., taking on different roles within that business group. His areas of expertise include information technology and the management of pilot development projects, or so-called internal incubators. From 2007 onwards, he worked as an executive director in research and development and information technology at Istrabenz Gorenje, d.o.o., while acting as a coordinator of business information technology at GEN-I, d.o.o., where he was in charge of preparations for GEN-I, d.o.o.'s entry into the household customer electricity segment in 2008, and in charge of preparations for GEN-I, d.o.o.'s entry into the household customer natural gas segment in 2012. Mr. Šajn is the head of the IT department, and in 2016 began a new five-year term as member of the Management Board of GEN-I, d.o.o., a position he has held since November 2011.

Functioning of the governing body

The executive staff, i.e. the Management Board, manages the Company in accordance with the applicable laws, the Memorandum of Association, and the resolutions and instructions of the general meeting.

The executive staff manages the Company's operations and work process. Its most important tasks in that regard are as follows: proposing the bases of the Company's business policy, drafting and proposing the Company's business plan, defining measures for the implementation of the business policy, implementing general meeting resolutions, defining the Company's internal organizational structure, reporting to the general meeting on achieved operating results, making decision on matters relating to employment relations, adopting measures to ensure the legality of work and the efficiency of operations, defining what constitutes a trade secret at the Company and measures to protect trades secrets, making decisions regarding all other issues in connection with operations and internal relations, and authorizing persons to sign agreements for both individual transactions and certain types of transactions, or for a specific period of time.

The executive staff adopts decisions in accordance with the rules of procedure of the aforementioned body, which were adopted by the general meeting on December 13, 2016. Those rules of procedure define in detail, inter alia, legal transactions and actions that the executive staff may only undertake with the prior approval of the general meeting, and other rules important for the work and decisions of the executive staff. As a rule, the executive staff makes decisions at meetings in writing or, if the majority of the executive staff agree, orally. In 2020, the executive staff met at 45 regular sessions, one extraordinary session and one correspondence session, at which it discussed matters for which it is competent.

The Company's executive staff includes managers and experts with many years of experience in the electricity sector. Individual members of GEN-I, d.o.o.'s Management Board are appointed by the general meeting, where the owner GEN energija, d.o.o. proposes the appointment of the President and one member of the Management Board and the other owner GEN-EL naložbe, d.o.o. proposes the appointment of two members. Each member of the Management Board casts one vote in the adoption of decisions, which are deemed valid if the majority of members in attendance vote for in favor. Members of the Management Board represent the Company collectively, according to the principle of cross-representation, such that two members of the Management Board, appointed based on the proposal of different owners, always represent the Company together. The decision-making method, representation of the Company, and the competences and limitations of the executive staff are defined in detail in Articles 29 to 32 of the Memorandum of Association.

Description of diversity policy

GEN-I, d.o.o. provides its employees equal opportunities, regardless of gender, race, skin color, age, medical condition or disability, religion, political or other beliefs, nationality or social background, social status, financial situation, sexual orientation or other personal circumstances. The Company has not yet adopted a separate policy to further govern the structure of governing bodies in terms of gender, age, education and other personal circumstances.

Management of GEN-I Group companies

In accordance with the principles of centralized strategic governance of the GEN-I Group, the management functions at the majority of subsidiaries are performed by Robert Golob, President of the Management Board, Igor Koprivnikar, member of the Management Board responsible for trading and Dejan Paravan, Director of Strategic Innovation at the parent company GEN-I, d.o.o. The legal representatives of GEN-I Group companies are as follows:

- Robert Golob is the President of the Management Board of GEN-I Hrvatska d.o.o., Croatia;
- Igor Koprivnikar is the manager of: GEN-I d.o.o. Belgrade, Serbia, GEN-I Energy Sales DOOEL Skopje and GEN-I Sonce DOOEL Skopje, North Macedonia, GEN-I Tirana Sh.p.k., Albania, GEN-I d.o.o. Sarajevo, Bosnia and Herzegovina, GEN-I Athens SMLLC, Greece, GEN-I Sofia – Electricity Trading and Sales SpLLC, Bulgaria, GEN-I Istanbul Wholesale Electricity Limited Company, Turkey, GEN-I Kiev LLC, Ukraine and GEN-I Tbilisi, Georgia. He is also a member of the Management Board of GEN-I Hrvatska d.o.o, Croatia;
- Dejan Paravan is the manager of: GEN-I Vienna GmbH, Austria and GEN-I Energia S.r.l., Italy. He is also a member of the Management Board of GEN-I Hrvatska d.o.o, Croatia;
- Bojan Kumer is the manager of Elektro energija, d.o.o.;
- Lidia Glavina is the manager of GEN-I Energia S.r.l., Italy; and
- Gregor Hudohmet is the manager of GEN-I Sonce, d.o.o.

3.3. Strategic policies

All business models, improved services and products, and the GEN-I Group itself remain committed to our mission and vision, and especially our values.

MISSION: a reliable partnership

Our professional and innovative approach helps us market electricity efficiently by offering production sources competitive purchasing prices, and by providing end-customers with high-quality services, a reliable supply and the management of costs associated with energy purchases.

VISION: the leading supplier of green solutions

Our policies for the future are based on smart solutions that will facilitate society's green transformation and the establishment of sustainable links with the natural environment. As the leading provider of innovative products and services on the European energy market, we will promote green energy, sustainable development and the digitalization of operations. Our objective is to be the first choice for all segments of the energy chain: energy producers, traders and customers. Our aim is to be the best example of the green transformation and to prove that the decarbonization of society is possible while maintaining stable growth in operations.

" We are aware that the climate crisis is mankind's greatest challenge. If we want to protect our planet and provide generations to come the healthiest life possible, we must take action now. GEN-I is aware of its responsibility in the transition to a green future. We are committed to a carbon-free future without fossil-based energy sources. We believe that every one of us can contribute to the green transformation. The time for action is now in the fight against climate change.

GEN-I accepts its share of responsibility for the green transformation of the energy sector and wants to lead by example. Several years ago, we were the first to offer the self-sufficient supply of electricity with solar power plants. Now, we are going one step further. We are empowering all of our customers to do something extraordinary for our planet. By choosing their own energy source. I, myself, believe that the energy of the sun is the cleanest choice for the future. We will therefore be among the first to supply customers with electricity produced entirely from solar energy. As the largest supplier in the Slovenian energy sector, we must serve as an example to others. If GEN-I can do it, so can all of Slovenia."

— **Robert Golob, Ph.D.**
President of the Management Board

VALUES

Respect is demonstrated by integrating the work of the individual, through willingness to accept the opinions of others and openness to proposals and ideas, and through the active search for solutions that contribute to the pursuit of common objectives.

Responsibility is demonstrated in a diligent approach to work, the assumption of responsibility for one's own results and by constantly striving for good common results. We establish fair, open and diligent relationships with customers and business partners, and provide them the optimal solutions, even in difficult circumstances.

Commitment is a part of our corporate culture and is expressed in our employees' attitude to knowledge, work, their co-workers and to the Group's business partners. We understand commitments as an individual's desire to continuously improve and develop the competences that contribute to the enhancement of the Group's business processes.

Inclusion is sought in and expected of every employee. To the Group, it means striving actively to achieve common objectives, the engaged search for new solutions and putting forth initiatives to implement those solutions. This value results in constant improvements to our business processes and the optimization of services, something our partners also appreciate.

Flexibility means a positive approach to changes. The environment in which the Group operates is extremely dynamic. Changes and the new challenges that arise as a result are therefore a part of our operations. We see changes as an opportunity for growth. Our ability to respond rapidly to them further strengthens our competitive advantages.

A VIEW TO THE ENERGY SECTOR OF THE FUTURE

The GEN-I Group's strategic policies in the coming period are defined by its business plan for 2021 with forecasts of operations until 2023. The business plan represents the core corporate document, approved by GEN-I, d.o.o.'s general meeting, and takes into account the expectations of owners to increase the value of the Group, as well as the latter's vision, values and mission.

(A) KEY EXPECTATIONS BY OPERATING SEGMENT FOR 2021:

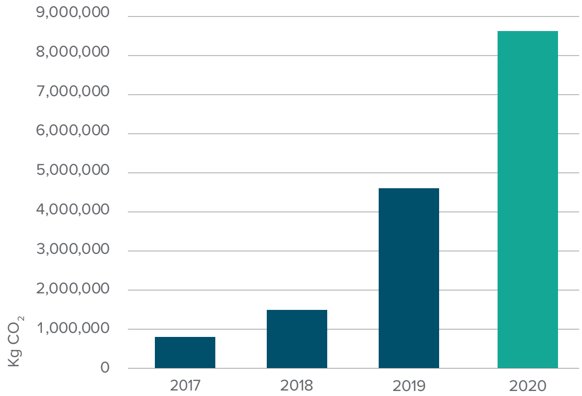
Supply of energy products and trading

- The supply and trading of electricity and natural gas remain the GEN-I Group's most important operating segments.
- Planned in 2021 is the final step in the construction of our own solar power plant and thus the creation of a new revenue source from the production of green electricity.
- We are planning a 4% increase in revenues and a 10% increase in net profit relative to 2020.
- The GEN-I Group aims to increase its share of the end-customer market in Slovenia and thus became involved in the sale of Energija plus at the end of September 2020.
- In 2021, the GEN-I Group will actively search for potential takeover targets (electricity and natural gas suppliers) in the region and even beyond.
- One goal is to remain the leading electricity supplier on the markets of Southeast Europe and gradually establish a foothold on the natural gas market with the first licenses in Bulgaria, Greece, etc.
- The GEN-I Group's aim in 2021 is to expand to new markets in Eastern and Southeast Europe, such as Romania, Ukraine, Turkey and Greece, while the establishment of the necessary trading infrastructure to enter the Polish and Montenegrin electricity markets is in progress. We will attempt to further upgrade the existing strategy in 2021. We will continue to implement strategies in connection with natural gas storage facilities, but to a greater extent and in different countries, and thus further increase our flexibility and diversity on the market. We will take advantage of cross-border arbitration opportunities on various markets, and enhance trading through cross-trading strategies and emission allowances, while we also aim to increase bilateral trading with our partners on both existing and new markets.
- We will continue with the accelerated implementation of activities for the purchase and sale of electricity and natural gas in Poland and integration in the single global portfolio.
- The development of structured products that focus on and are adapted to the needs of production from renewable sources is in line with the strategic policies of the GEN-I Group with regard to the sustainable development of a carbon-free society. Another objective is to become a leader in the purchase of electricity from renewable sources in the scope of power purchase agreements (PPA).
- In 2021, we will continue to invest in the digital and analytical transformation, with an emphasis on creating value based on the digitalization of processes and the analysis of a large quantity of data with the aim of optimized and systematic support for decisions regarding the management of the portfolio.

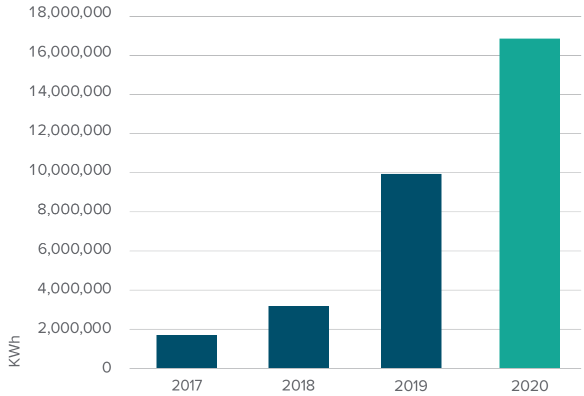
Energy services

The establishment of GEN-I Sonce and the focus of a significant part of our activities on the green energy transformation were crucial milestones that marked the diversification and expansion of our activities and the GEN-I Group's business model to the segment of services. Prior to that, services were only an ancillary element of the electricity supply and trading segment. Following initial steps, and two to three years of development, we can say that energy services and consequently products were supplemented to the point that they now represent a separate operating segment for the GEN-I Group.

- We will remain the first choice and largest supplier of services for the set-up of solar power plants for the self-sufficient supply of electricity to households in Slovenia.
- We will also continue the construction of solar power plants on apartment buildings.
- We will exploit the interest in solar power plants shown by business customers.
- We will develop the virtual power plant concept and include new active customers.
- Through innovative solutions, we will gradually enter the e-mobility market (adding the Croatian market to the Slovenian market).
- We will persevere in the concept of a sustainable energy circle, which we developed in conjunction with the Metron Institute. Our primary objectives are: to establish the possibility of storing electricity obtained from renewable sources and to manage energy storage units in a micro grid with the aim of reducing the impacts of the electricity distribution system and covering electricity consumption peaks.



Reduction in CO_2 emissions



Increase in production of green energy

- The majority of the GEN-I Group's innovations have been achieved in the development of demand response services and diversified production for the purpose of providing secondary and tertiary reserve power. Following a successful initial phase, construction in 2019 and even more activities in 2020, we are planning to continue expansion on the secondary regulation market in Austria and Slovenia in 2021. To that end, we will increase capacities with the aim of more active participation on the tertiary reserve market, where the provision of ancillary services is possible through active demand response.

The GEN-I Group is the proven first choice among customers in terms of access to and operations on the energy markets. Our strategic objective is to become the first and best choice for services at the homes of households and at large business customers through the development of new services for the home of the future and the green transformation.

Since January 2021, are the first in Slovenia to supply customers electricity produced from environmentally friendly, carbon-free sources. We are thus transitioning from a trading company into the leading supplier of green solutions.

All of these services are part of the green transformation of the GEN-I Group and the Slovenian energy sector as a whole, and are already having measurable positive effects on the environment. We are thus contributing to the fulfilment of commitments to reduce the carbon footprint of not only the GEN-I Group, but indirectly the country, as well.

Through the services it offers and sustainability-aware customers, the GEN-I Group reduced CO_2 emissions by 15,563 tons and contributed 31.7 million KWh to the production of green energy from June 2017 until the end of 2020.

(B) KEY FINANCIAL OBJECTIVES OF THE GEN-I GROUP IN 2021

	ACTUAL IN 2020		PLANNED FOR 2021
EBIT	23.4 MILLION EUR	→	23.1 MILLION EUR
Net profit	15.4 MILLION EUR	→	16.9 MILLION EUR
Net financial debt/EBITDA	0.0 X	→	0.2 X
Revenues	2.1 BILLION EUR	→	2.3 BILLION EUR
Equity/assets	37.6 %	→	40.4 %
EBITDA/interest expense	20.0 X	→	18.3 X
Financial debt/total equity	61.8 %	→	39.4 %
EBITDA margin	1.53 %	→	1.20 %

The GEN-I Group's objective for 2021 in the area of finance is to maintain stable and prudent operations that are based on organic growth. Because planned targets for the 2020 business year were exceeded, certain expectations for 2021 could be below last year's actual results yet still higher than planned results in 2020. Given that 2020 was the Group's best year to date, expectations for next year are moderately optimistic.

The GEN-I Group uses various financial indicators to monitor the achievement of objectives. Certain indicators take the form of commitments to financial institutions and partners, while others are the result of Group's conservative internal policy on the take-up of risks.

3.4. Overview of significant events

JANUARY

- GEN-I successfully applied for the public tender for "DEMO PILOTI II 2018" pilot and demonstration projects, with co-financing in the amount of EUR 1.2 million.
- GEN-I set up a new solar power plant for the fastest growing mobile operator in Slovenia. Telemach's commercial building will supply at least 20% of its that company's electricity for the next 30 years and thus reduce greenhouse gas by 125 tons relative to the past.
- GEN-I began construction of the first major solar power plant in North Macedonia.

FEBRUARY

- The FutureFlow project held its final meeting with the European Commission's project administrator, where it presented project results and showed that all associated activities have been completed.
- We signed multi-year agreements for natural gas storage facilities in the Netherlands.

MARCH

- GEN-I was again selected the most trustworthy brand amongst electricity suppliers. The title of Trusted Brand 2020 marks the seventh sixth time GEN-I has been declared winner amongst electricity suppliers in Slovenia. We have also been recognized twice in the area of environmental protection.
- GEN-I was named the best employer among large enterprises in Golden Thread 2019 competition organized by Dnevnik.
- GEN-I cut the electricity prices paid by its household and small business customers by 15% for a period of three months due to the epidemic.
- GEN- I instructed 95% of its employees to work from home, effective March 13, 2020. GEN-I provided all employees the necessary equipment for unimpeded work, and no major differences relative to the work performed at GEN-I's head office were expected.

APRIL

- GEN-I recaptured its position as the leading supplier of electricity in Slovenia Its share of 18% is the highest on the retail market, meaning that the Company recaptured first place on that market after last holding that position in 2017.
- GEN-I Istanbul once again ranked high on Turkey's "Honorary List of Exporters" and is recognized as the best electricity trading company in Turkey

MAY

- The new My GEN-I portal began functioning and providing customers full support.
- We concluded an agreement with the Bulgarian transmission system operator (TSO) for natural gas trading in that country.

JUNE

- GEN-I's vehicle fleet now includes electric bicycles and scooters
- We signed multi-year agreements for natural gas storage facilities in Germany.

JULY

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

AUGUST

- In 2020, the ISGAN association named the FutureFlow project the second-best project in the world in the area of innovation, integration and the transformation of smart grid systems.

SEPTEMBER

- GEN-I Sonce installed a solar power plant with a rated power of 285 kW on the roof of the production facility (measuring 3,000 m2) of the largest manufacturer of electrical switches and sockets, TEM Čatež. That new acquisition will produce close to 285 MWh of electricity in one year. The annual reduction in the carbon footprint through own electricity production from renewable sources is estimated at 150 tons.

OCTOBER

- The regional branches of the Chamber of Commerce and Industry of Slovenia in the Posavje and Primorska regions handed out awards for the best innovations in 2020. Two main criteria were taken into account in the selection: the uniqueness of an individual project and the resulting positive economic effects through the creation of new jobs, a major market achievement and a competitive advantage in sales.
- The committee of the Posavje Regional Chamber of Commerce awarded a bronze medal to the Sustainable Energy Cycle project, which was designed by GEN-I and the Metron Institute.
- The Regional Chamber of Commerce of Primorska awarded a silver medal to GEN-I's smart e-bike shed. The aforementioned innovation promotes the use of the electric bicycles and scooters that have enriched the Company's vehicle fleet.

NOVEMBER

- The three-year OneNet project began. In the scope of that project, with 72 partners from 21 countries, including GEN-I, a single electricity grid infrastructure will be established in Europe. We will search for solutions for the coordinated cross-border functioning of electricity transmission and distribution system operators.

DECEMBER

- Establishment of the first self-sufficient RES (renewable energy sources) community in Slovenia: Together with the Municipality of Ajdovščina, we set up the first community solar plant on the roof of the elementary school in Budanje, which is intended for the self-sufficient supply of electricity to the local inhabitants. That community includes seven apartment buildings that will be supplied green solar energy. The power plant, with a rated power of 55.68 kW, will produce 58,500 kWh of electricity in one year.
- Together with GEN-I, the Hotel Four Points by Sheraton Ljubljana Mons set up a solar power plant on its 2,900-square-meter roof. Over a period of thirty years, the hotel will produce more than four million kilowatt hours of electricity that will be used entirely for its own needs. CO_2 emissions will be reduced two thousand tons over the life of the power plant, which is equivalent to the absorption of 2,250 trees. The power plant has a rated power of 140 kilowatts, while the hotel will recoup its investment within eight years.
- The **Chamber of Commerce** and Industry of Slovenia is also aware of the importance of the green transformation. By setting up a solar power plant on the roof of its commercial building, the aforementioned organization will contribute 1,961 tons to the reduction of the carbon footprint. The annual output of the power plant is estimated at 125,525 kWh.
- We established the necessary infrastructure to participate in the auctioning of CO_2 emission allowances.

Outstanding achievements

Reliable partnerships, the values we pursue, and increasingly high levels of expertise and innovation led the GEN-I Group to historical financial achievements last year. We also achieved a great deal in terms of operations, a fact that did not go unnoticed by the external public. We can boast of the following recognitions and awards during the previous year:

GEN-I once again became the largest electricity supplier on the domestic market. The Company sold more electricity to end-customers last year than any other supplier. Its share of 18% is the highest on the retail market, meaning that the Company recaptured first place on that market after last holding that position in 2017.

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

According to the results of the Risk & Energy Risk 2020 survey, GEN-I was again recognized as an exceptionally reputable electricity trader, after ranking highly in numerous categories in the Energy Risk Commodity Rankings survey, in the scope of which market participants voice their opinions about the best dealers and intermediaries in the industry.

GEN-I was voted a highly successful energy dealer in several categories. Worthy of mention is the Company's second-place ranking in the category 'Best Overall Energy Dealer', where we ranked first in the 'Power' sub-category. The latter was also reflected in the highest rankings of electricity dealers on the markets of Germany and Italy. GEN-I continues to rank first in regional terms in the category 'Eastern Europe – Power Dealers'.

Market participants recognized the GEN-I Group as the most successful company in the 'Research in power' category, where we also achieved a prestigious first place.

3.5. Analysis of operations

Despite the fact that the GEN-I Group achieved exceptional business results in all key segments of its core activity in past years, it exceeded those results in 2020 and thus further enhanced its financial stability. This is confirmed by the enormous amount of confidence shown by our investors and financial institutions on the capital and banking markets.

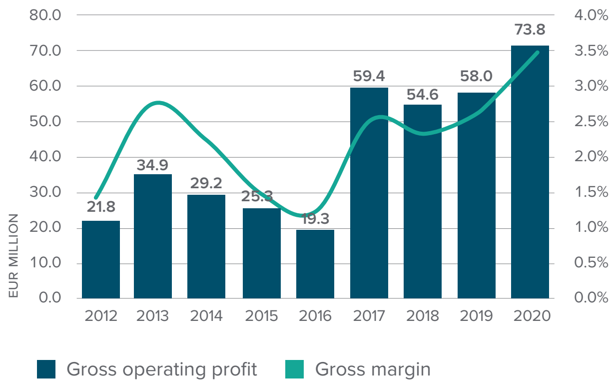
Operating revenues

For the fourth consecutive year, the GEN-I Group generated more than EUR 2 billion in sales revenues, which amounted to just over EUR 2.1 billion in 2020, a decrease of 4.6% relative to 2019. The lower revenues were primarily the result of two factors: somewhat lower electricity and natural gas prices in 2020 and the continuation of the planned redirection of a portion of trading from physical contracts to financial contracts, mostly forward contracts.

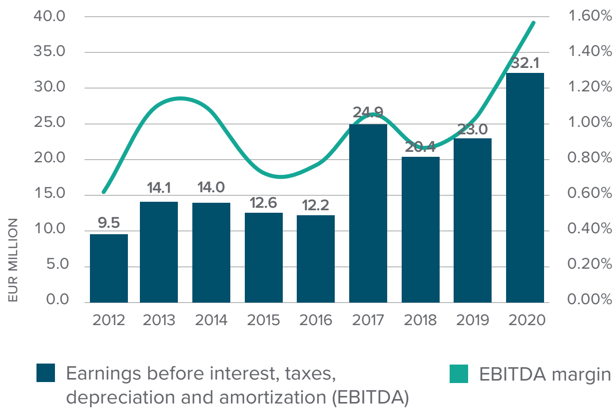
The main generator of revenues remains GEN-I, d.o.o. which, in the scope of its business model and single global portfolio, has subsidiaries established in specific countries to ensure its presence on local markets.

Gross profit, EBITDA, EBIT and net profit

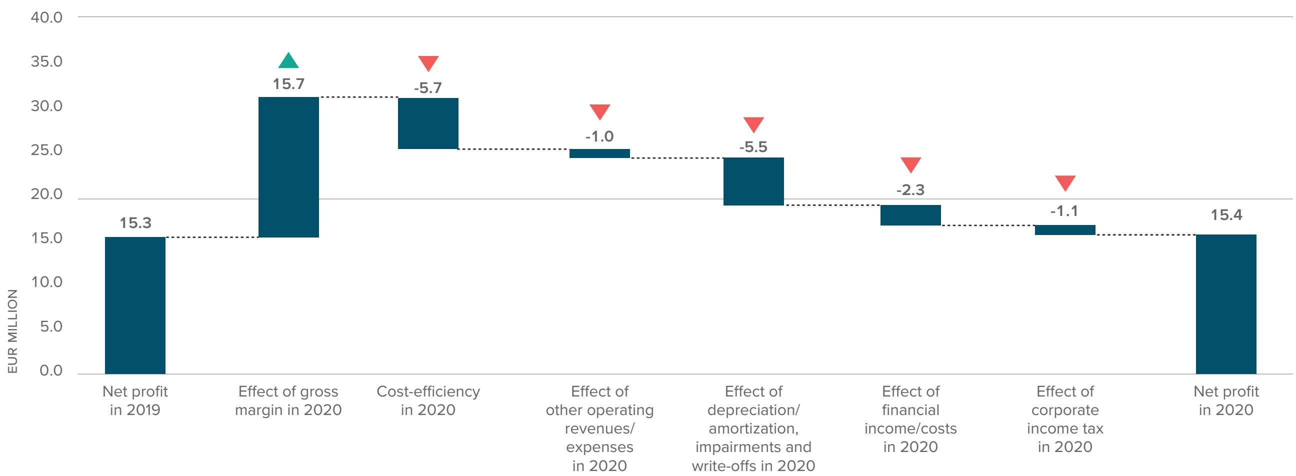
The success of the GEN-I Group's operations in 2020 was also seen in profitability indicators, which improved considerably. In the context of lower sales revenue, the Group increased gross operating profit, and also achieved a higher operating profit (EBITDA and EBIT) and net profit.



Gross operating profit [in EUR million]



Earnings before interest, taxes, depreciation and amortization (EBITDA) [in EUR million]



Net profit in 2020 [in EUR million]

The GEN-I Group's gross profit in 2020 was 27% higher than in 2019, despite the further tightening of conditions on the electricity and natural gas trading and sales market and increasing competitive pressures. Gross profit amounted to EUR 73.8 million and was the highest in the history of the GEN-I Group's operations. We thus recorded a gross margin of more than three percent for the first time, at 3.5%. This means that we continue to maintain that margin above the internally defined medium-term target margin of two percent.

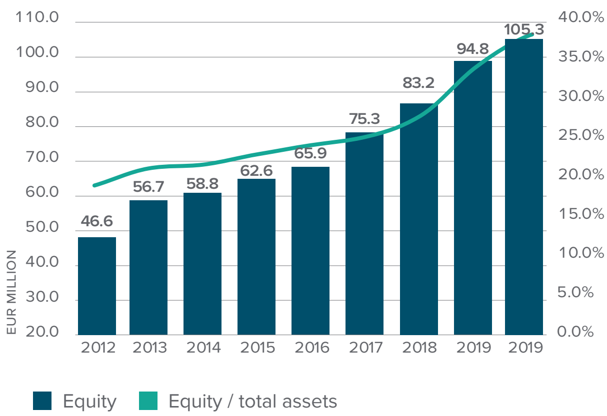
Cost-efficiency was down slightly in 2020 but did not have a significant effect on the GEN-I Group's final results. The main reason for that decrease was a higher number of employees and thus higher labor costs. Nevertheless, earnings before interest, taxes, depreciation and amortization (EBITDA) reached a record level in 2020. EBITDA amounted to EUR 32.1 million, an increase of nearly 40% relative to 2019. As a result, the EBITDA margin also reached a record level of 1.5%, an increase of nearly 50% relative to 2019.

The GEN-I Group continued to invest in fixed assets in 2020. Those investments relate primarily relate to projects from the first investment cycle, which was initiated in 2017. For this reason, depreciation and amortizations cost were up slightly in 2020. Depreciation costs in connection with leased assets were also up relative to 2019 because, in accordance with IFRS 16 Leases, right-of-use assets from leases are recognized and treated similarly to other non-financial assets. Total depreciation and amortization amounted to EUR 3.4 million in 2020, an increase of EUR 0.4 million relative to 2019.

The year 2020 was characterized by the COVID-19 epidemic, which did not have a major direct impact on receivables from the GEN-I Group's business partners, with unpaid receivables close to the level of the previous year. In accordance with IFRS 9 Financial Instruments, we impaired and wrote off receivables and contract assets in the total amount of EUR 0.7 million, which is a slight increase relative to 2019, but still close to the level of previous years. In accordance with the circular issued by the Securities Market Agency (SMA) and the guidelines issued by the European Securities and Markets Authority (ESMA) in connection with recommendations regarding higher expected credit losses due to the COVID-19 epidemic, we took a considerably more conservative approach at the end of 2020 and applied higher expected default rates in the calculation for the ending balance, which was also reflected in the final associated effect. Thus, accounting for a higher proportion of impairments of receivables and contract assets in 2020 were provisions for expected credit losses, in the amount of EUR 4.6 million, calculated in accordance with the aforementioned standard.

Financial debt was reduced slightly in 2020 relative to 2019, meaning that interest expense was also lower, by EUR 0.3 million. Nevertheless, the result from financing, as the difference between financial income and financial costs, deteriorated slightly. The main factor was higher foreign exchange losses that were the result of changes in certain exchange rates between the date of issue of invoices and the payment date. The vast majority of foreign exchange losses related to issued and received invoices for receivables and liabilities within the GEN-I Group.

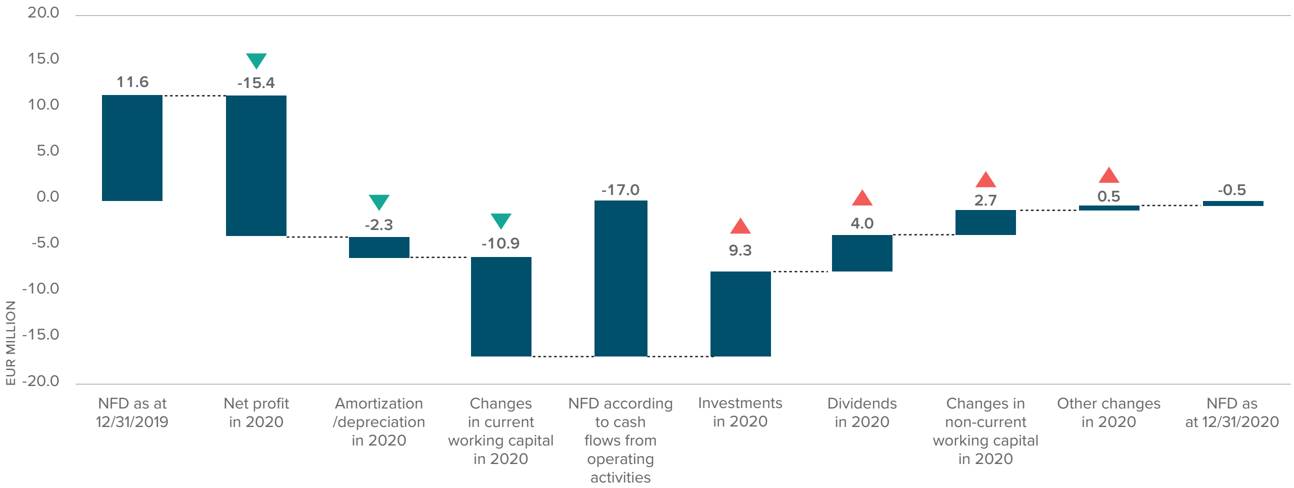
The GEN-I Group ended the 2020 business year with a record net profit of EUR 15.4 million, despite all of the negative external factors. That was 7% higher than estimated net profit for the second half of 2020, and 8% higher than planned net profit for all of 2020.



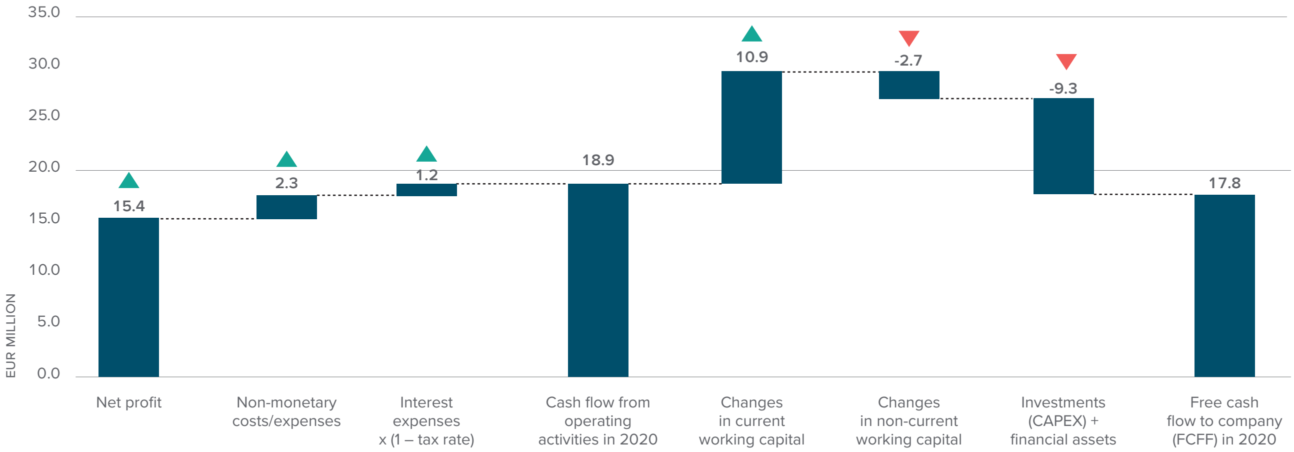
Equity [in EUR million]

Capital structure and total assets

The GEN-I Group successfully increases its equity every year, and 2020 was no exception. The main reasons for that were net profit generated and the continuation of a conservative dividend policy. The value of equity exceeded EUR 100 million for the first time in GEN-I's history, and stood at EUR 105.2 million at the end of 2020. Despite the fact that total assets were up by EUR 18 million in 2020 to stand at EUR 279.9 million, the capital adequacy of the GEN-I Group, as the ratio of equity to total assets, was up slightly relative to 2019, to reach a record 37.6%.



Change in net financial debt in 2020 [in EUR million]



Free cash flow in 2020 [in EUR million]

The trend of improvement in the GEN-I Group's equity to debt capital ratio continued in 2020, as the result of an increase in total equity and a decrease in both gross and net financial debt. The positive results of the GEN-I Group and maintaining net financial debt at an appropriate level are also reflected in the maintenance of low leverage, which we measure as the ratio of net financial debt to EBITDA. Because cash and cash equivalents exceeded financial debt at the end of 2020, the leverage ratio was actually negative, at -0.02. This means that the aforementioned ratio was at one of the lowest levels to date and well below the internally defined maximum leverage ratio of 3.7. Contributing most to the reduction in net financial debt was the positive free cash flow generated in 2020. Since the introduction of new IFRS 16 Leases, all lease liabilities are recognized in financial liabilities and are thus included in net financial debt. Those liabilities amounted to EUR 3.4 million at the end of 2020.

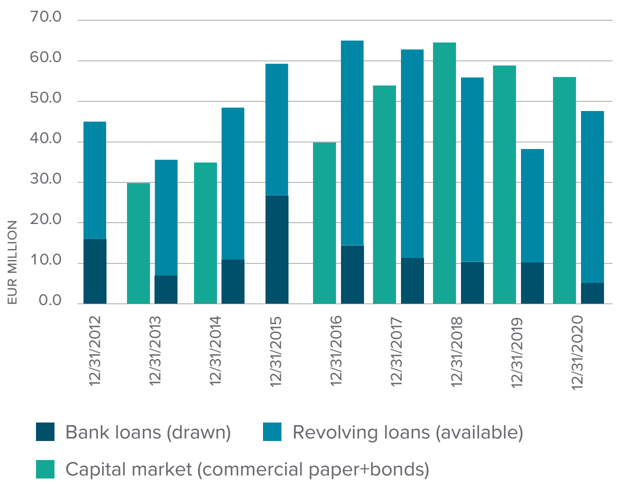
The security of the GEN-I Group's operations also continues to be reflected in a high coverage of interest expense. Due to higher EBITDA and lower interest expenses relative to 2019, the ratio of EBITDA to interest expense rose further in 2020 to stand at 20.0, which is considerably higher than the ratio expected by the financial public.

Debt and net debt

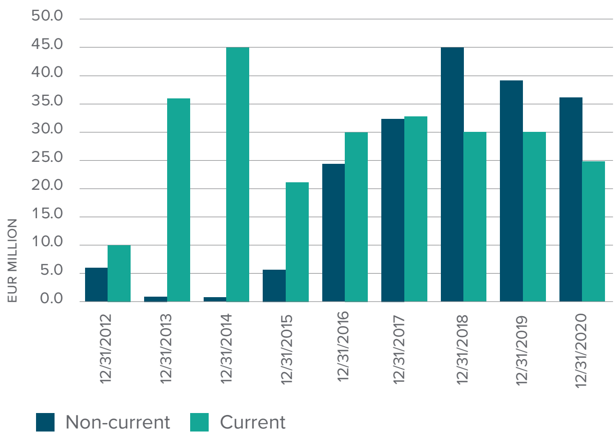
The financing of the GEN-I Group remains centralized, which means GEN-I, d.o.o. is responsible for securing sources of financing from both banks and on the capital market. Financing remains diversified between various banks and investors, allowing us to maintain refinancing risk at a low level. The ratio between sources secured from banks and on the capital market remains virtually unchanged, particularly taking into account the Group's sufficient secondary liquidity reserves in the form of undrawn credit lines. In addition to the latter, the Group also has at its disposal additional liquidity reserves at banks in the form of cash on account of more than EUR 65.0 million and unused guarantee lines of more than EUR 65.0 million.

Investor confidence remains high, as the parent company GEN-I, d.o.o. successfully issued a new money market instrument (commercial paper) in the amount of EUR 25.0 million on the capital market. The Company also repaid a long-term loan that matured at the end of 2020 without difficulties. The issue of commercial paper was again well-received amongst interested investors, as the interest shown was significantly greater than the planned amount of borrowing. We again listed the commercial paper on the regulated market of the Ljubljana Stock Exchange.

The GEN-I Group maintained good relationships with financial institutions again in 2020, and maintained a diversified portfolio of domestic and foreign banks. In terms of borrowing, we included a foreign financial institution in the portfolio for the first time, while we also succeeded in increasing certain guarantee lines at foreign banks and thus further ensured the financial stability of operations. Following the repayment of a long-term loan and the partial repayment of green bonds, we maintained a higher proportion of long-term sources of financing than short-term sources again in 2020. We thus continue to ensure financial security and the coverage of permanent working capital.



Financial debt with regard to source of financing [in EUR million]



Financial debt with regard to maturity [in EUR million]

3.6. Events after the end of the reporting period

Sustainable operations are at the very core of the GEN-I Group. We recently presented to the general public our strategy to supply CO_2-free electricity. Starting this year, all electricity supplied to our customers in Slovenia will be from sources that do not generate CO_2 greenhouse gases.

The GEN-I Group's decision-making, management and operational work processes are also designed in accordance with our commitment to sustainable operations. To that end, our subsidiary GEN-I Sonce received certificates in January in accordance with two ISO standards, specifically for environmental management and quality management. During the certification process, the company proved itself worthy of the ISO 9001:2015 and ISO 14001:2015 certificates in the areas of sales, the designing of solar power plants, and the servicing and maintenance of devices.

There were no other events after the reporting date that could have a significant impact on the GEN-I Group and the presented report on operations for 2020.

3.7. Business activities of the GEN-I Group

MARKET CONDITIONS

The outbreak of the SARS-CoV-2 had a major impact on the global financial markets and energy markets in 2020. Due to the extraordinarily rapid spread of the virus across the entire world, local authorities were forced to respond quickly with severe measures, and to drastically limit social contacts. The outbreak of an epidemic of such proportions is rare in the history of humankind, making this epidemic one of the worst since 1900. The measures that followed, particularly in Europe, had a significant impact on the economy and thus on European energy markets. Analysts assess that the drop in gross domestic product (GDP) in 2020 was the most severe since the Great Depression of 1929. GDP contracted by an average of 7.2% in EU Member States. According to estimates, Slovenia recorded a 6.7% drop in GDP relative to 2019.

Spring 2020 saw the partial shutdown of industrial activities, which resulted in a decrease in electricity consumption at the level of European distribution systems of between 15% and 20% for several weeks. Electricity consumption was down by 5.3% in 2020 relative to the previous year. A similar decline was recorded by other European countries. Germany, for example, recorded a 2.9% drop in consumption relative to 2019. Due to the increased scope of work from home, the structure of electricity consumption also changed. Household consumption was up and partially offset the drop in industrial consumption. There was a major contraction in the tourism sector.

Last year saw a significant drop in electricity consumption in Slovenia, Romania, Croatia and Hungary due to restrictions on movement and economic activities (Figure 1).

Following the first wave of the epidemic in Europe, which ended before the start of the summer, there was optimism on the markets, resulting in growth in electricity prices across Europe. The prices of other energy products also rose. That optimism and price growth in Europe was not bothered much by the second wave in 2020. There was no notable drop in electricity consumption during the second wave, despite the fact that countries began implementing lockdown measures again in the autumn. A further rise in prices occurred when news broke in December about the extraordinarily short period of time required to develop effective vaccines and about the planned rapid distribution of those vaccines across Europe.

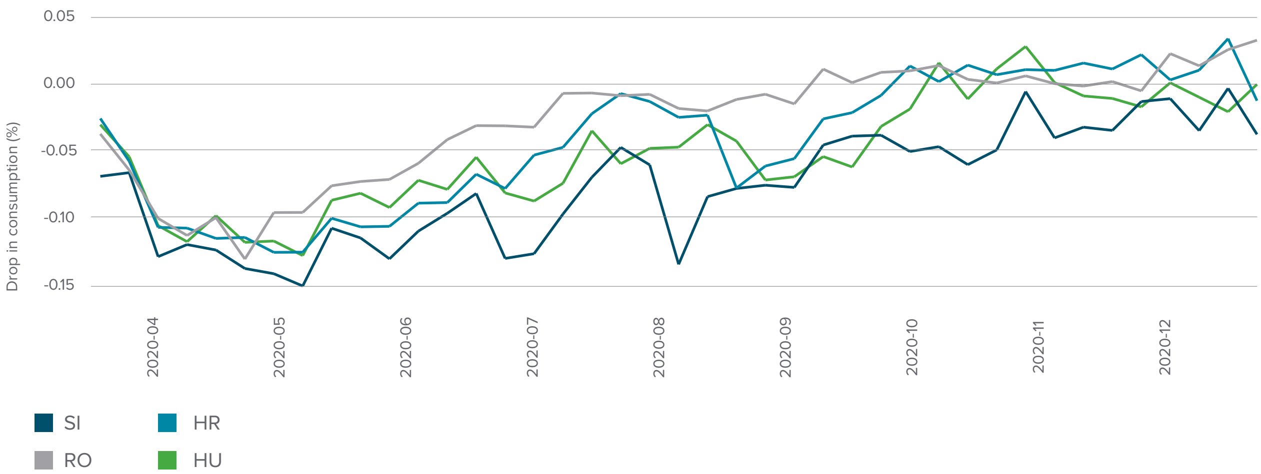


Figure 1: Drop in consumption in selected countries. Internal source.

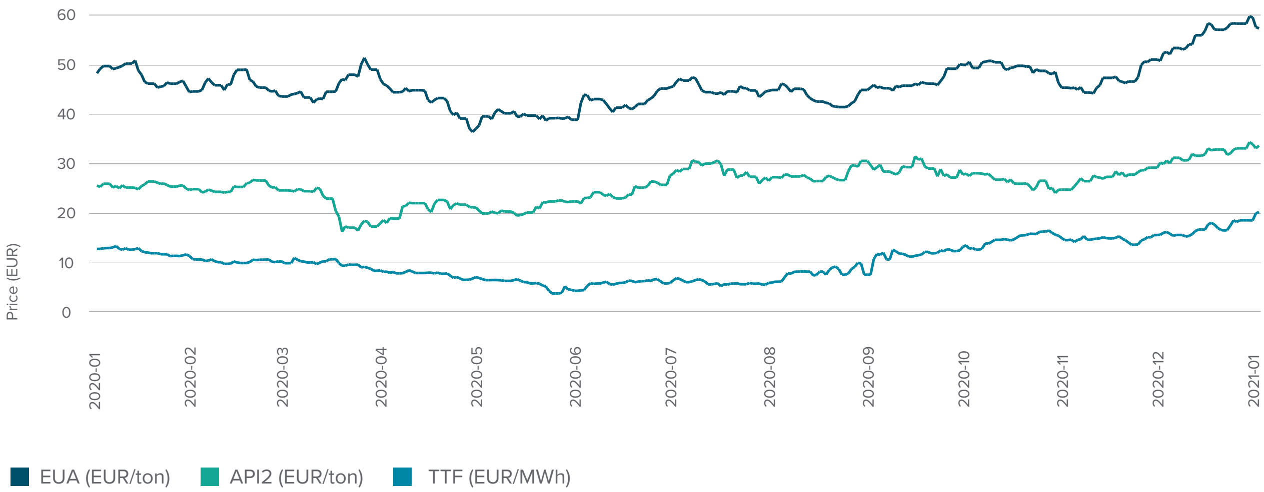


Figure 2: Fluctuations in the prices of other energy products in 2020 Internal source.

The epidemic had a considerably more limited effect on natural gas consumption than it did on electricity consumption. Natural gas consumption amounted to 9.6 TWh in Slovenia in 2020, a decrease of just 0.16% relative to 2019.

In terms of hydrologic conditions, 2020 was one of the driest in recent years. Standing out was the driest spring in the last 12 years. Contributing to that fact was below-average snowfall during the winter of 2019/2020. River flows in the region were at their lowest levels since 2012, with electricity production from run-of-river and pumped-storage hydroelectric power plants reaching its lowest level in recent years.

Figure 2 illustrates changes in the prices of other energy products in 2020 that impact the formation of electricity prices on the market. The green curve shows changes in the prices of coal (API2) for the month-ahead product. The prices reached their lowest level during the spring, at EUR 36/ton, and then began to rise towards the end of the year when they peaked at EUR 58/ton. Coal prices rose during the second half of the year due to high global requirements for coal, primarily from Asia.

The yellow curve illustrates changes in the price of EU emission allowances (EUA). Soon after the spring lockdown of the economy, the price fell sharply to below EUR 15.5/ton and bottomed out during the first half of March. Since that time, the price of emission allowances has risen steadily and reached its highest level since the establishment of that financial instrument. The price exceeded EUR 33/ton, primarily due to the policy of the European Commission, which during the course of the year defined clear guidelines for a CO_2-neutral Europe by 2050.

The violet curve illustrates changes in the month-ahead forward product on the Dutch TTF natural gas market. The price of natural gas reached its lowest level of the last ten years in June when it fell below EUR 3/MWh. This was followed by a relatively strong recovery in value during the second half of the year. That period saw a recovery primarily in the Asian economy, which had an impact on the consumption of liquefied gas and thus on the price of natural gas in Europe, which reached its peak at EUR 19.2/MWh.

Daily electricity prices reached relatively low levels on the majority of European exchanges in 2020. They were also significantly lower than originally expected. The average annual electricity forward product for 2020 in Slovenia traded at an average price of EUR 57.75/MWh in 2019, while the average price on the daily market was just EUR 37.55/MWh. That is 23% lower than the average price on the daily market in 2019.

A new cross-border connection between Montenegro and Italy began functioning in 2020. This strengthened the connection between the markets of Southeast Europe and Italy, and thus increase the dependence of electricity prices on natural gas prices on the aforementioned markets. The latter are determined to a great extent by the price of electricity in Italy due to the higher proportion of gas power plants.

In the middle of December, Kosovo established an independent transmission system operator and thus formed a new price zone in Southeast Europe. Kosovo is linked to Albania, North Macedonia, Montenegro Serbia via cross-border transmission capacities.

Major structural changes occurred in Greece in 2020. That country abandoned day-ahead scheduling (DAS) model and replaced it with two new models: day-ahead trading and intraday trading. The new model was harmonized with the Pan-European Hybrid Electricity Market Integration Algorithm (EUPHEMIA) model. In addition to that change, the Greek and Italian markets were coupled in December. This resulted in the elimination of import and export fees on the Greek-Italian border. The Greek market is becoming increasingly dependent on liquified natural gas (LNG), as LNG already accounted for 50% of the entire natural gas market in that country in 2020.

Market coupling will continue in 2021 across the majority of the European electricity markets. The linking of the market coupling that includes Slovenia and Croatia with the market coupling of Poland, the Czech Republic, Slovakia, Hungary and Romania is planned in the second quarter. Market coupling is also planned on the Romanian-Bulgarian border during the second half of the year. The new, broader scope of market coupling will contribute to the more efficient utilization of cross-border transfer capacities on the markets of Southeast Europe. The completion of market coupling and thus implementation of the CORE CCR (Capacity Calculation Region) project are planned during the first half of 2022, after which time all EU electricity markets will be coupled via the flow-based market coupling (FBMC) algorithm.

According to expectations, medium- and long-term electricity prices in Europe in 2021 will be driven by energy prices, in particular the prices of natural gas and EUA emission allowances. The impact of the COVID-19 epidemic on the economy in 2021 is expected to be considerably less than in 2020. Central banks and the International Monetary Fund are forecasting an economic recovery and global GDP growth of close to 5% in 2021. Nevertheless, the economy will not yet recoup everything that it lost, meaning the recovery will stretch at least into 2022. Electricity consumption in 2021 is expected to be higher than in 2020, but is unlikely to reach the level achieved in 2019.

The start-up of the third block of the Mochovce Nuclear Power Plant in Slovakia for commercial purposes is planned for the second quarter of 2021, which will result in a sustained increase in the availability of stable baseload electricity in the wider region.

An increase in cross-border capacities on certain borders is expected in 2021 due to the increased linking of neighboring electricity markets. The most significant change will be the result of an additional link between Slovakia and Hungary, where new capacities in the amount of 800 MW are planned. Additional cross-border capacities of up to 300 MW are also planned on the Romanian–Serbian and Hungarian-Romanian borders.

European electricity markets are becoming increasingly linked to global energy sources. For this reason, the fundamental management of electricity markets throughout Europe and the understanding of the codependence of changes in the prices of primary global energy sources and thus the understanding of developments on the global energy market will be important for managing and exploiting market opportunities.

TRADING AND SUPPLY OF ENERGY PRODUCTS

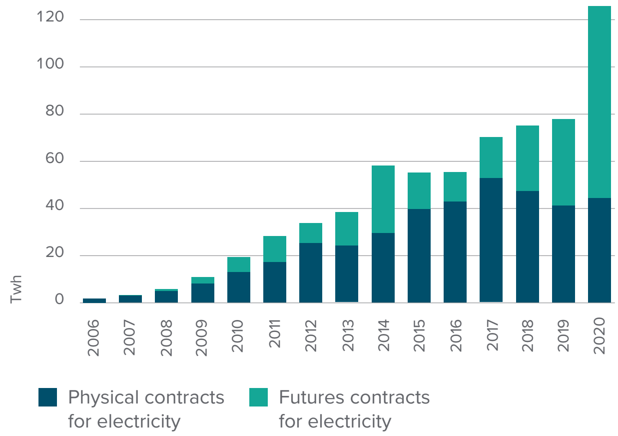
(A) TRADING

(i) Electricity sales in the GEN-I Group

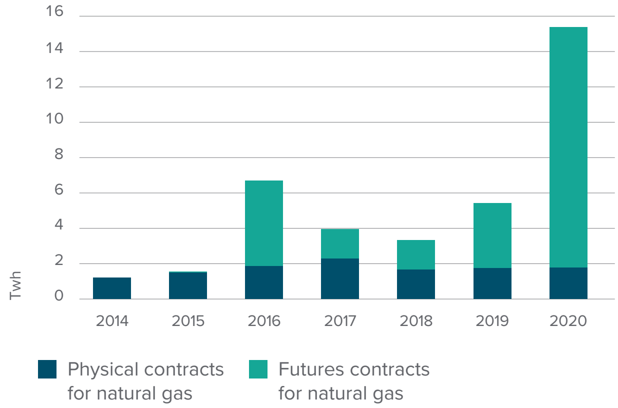
The GEN-I Group's sales activities on the wholesale energy market resulted in a new recorded in 2020. We sold 142.9 TWh of energy, broken down as follows: 127.4 TWh of electricity and 15.5 TWh of natural gas.

Through operations in 22 countries via 16 subsidiaries, we connect Germany and France in the West with Turkey in the East.

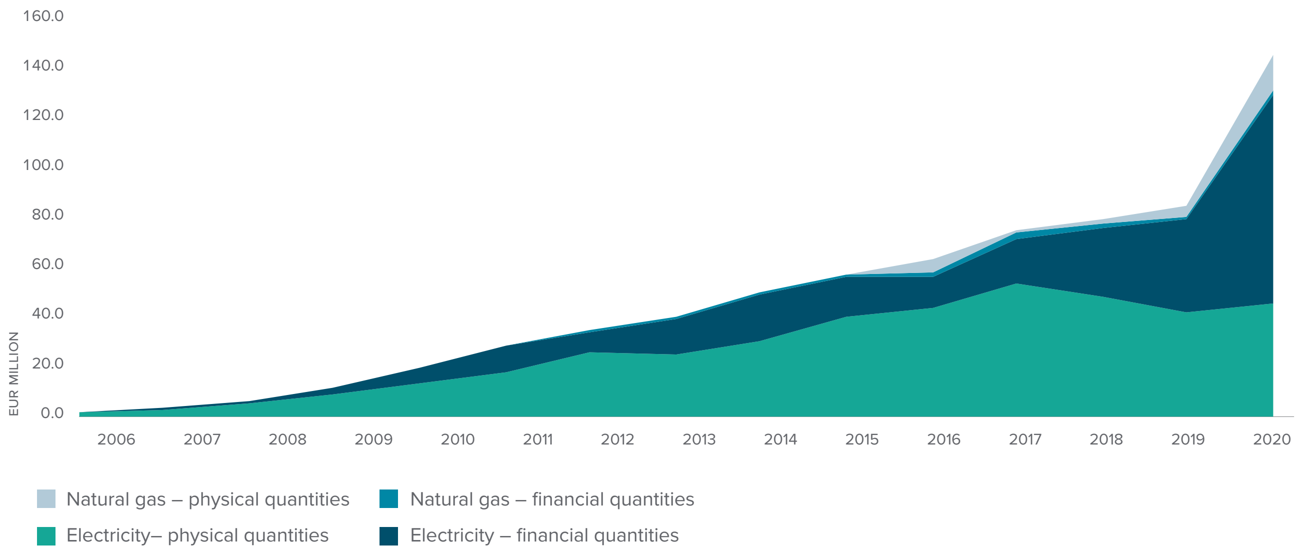
Despite increasingly adverse conditions and increasing market competition, the GEN-I Group remains a leading electricity trader on the markets of Southeast Europe. The Group is also increasing activities on the liquid markets of Western Europe at an accelerated pace. The main factors in successful operations on the aforementioned markets are our responsible and professional approach, which is based on know-how and an in-depth understanding of energy markets. For this reason, the GEN-I Group remains one of the most reliable and insightful traders. To that end, the Group continues to make substantive and technical upgrades to publicly accessible data regarding market developments, which in turn brings market participants access to transparent and clear price signals across an increasingly broader geographical area of European countries.



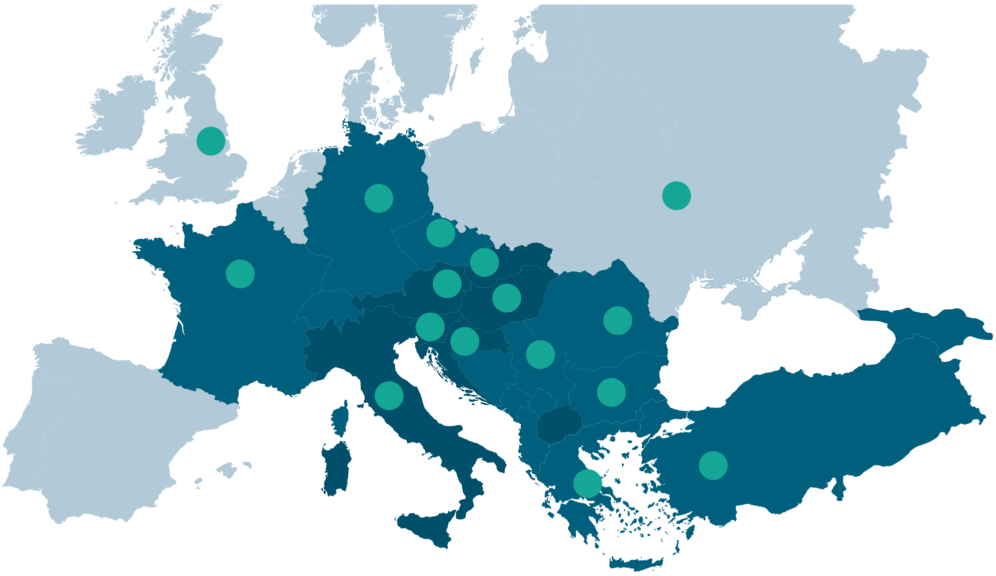
Volume of electricity sold



Volume of natural gas sold



Volume of electricity and natural gas sold - physical and financial contracts



21 European energy exchanges

■ Electricity and natural gas

■ Electricity

The global economic and social environments were hit hard in 2020 by the COVID-19 epidemic. The epidemic resulted in a drop in economic activity across the world and increased uncertainty regarding electricity consumption. Energy prices recorded a general fall during the first quarter of 2020 due to the lockdown, and were subject to considerable volatility on the European energy markets for the remainder of the year. Through its knowledge, understanding of the market and ability to adapt to changes, the GEN-I Group once again responded excellently to the new conditions. The volume of electricity and natural gas trading was up sharply.

Countries in Southeast Europe continued to overhaul and upgrade market models in the area of energy trading in 2020, as a response to volatile short-term electricity prices in part due to growth in the proportion of total electricity production accounted for by renewable sources. A new model on the Greek energy exchange (HEnEx) and a new platform for forward contract trading on the Greek market were thus established in 2020. The HEnEx established three market segments within the new model: day-ahead trading, intraday trading and a balancing market. The end of 2020 was also characterized by the successful inclusion of the Greek market in the Single Day-Ahead Coupling (SDAC) project via the Greek-Italian border. It is expected that the new market segments will increase market competition and improve transparency. At the end of 2020, Southeast Europe was witness to the energy independence of Kosovo, where a new control zone was set up with a new system operator. Because the GEN-I Group has been present in the aforementioned geographical region for a number of years already, and has a well-developed infrastructure and knowledge that it builds on from year to year, we have successfully developed and maintained a competitive advantage in terms of addressing changes and modernization. Our updated market model allows us to exploit the connectivity of those markets with the possibility of cross-border trading. Over the long term, this means an increase in intraday liquidity on all markets and thus a further increase in the added value generated by the GEN-I Group's trading segment due to the Group's highly diversified trading infrastructure.

The GEN-I Group also made a major step forwards in natural gas trading. The volume of trading was up by nearly 300% relative to 2019. During the first quarter of 2020, we expanded physical trading to the liquid markets of Western Europe, in particular the Netherlands and Germany. We also purchased our first inventories of natural gas in the aforementioned countries (for long-term storage), which further improves portfolio flexibility and the reliability of supply. Market dynamics also changed on account of several factors: the COVID-19 epidemic, a warm winter and an increase in exports of liquified natural gas (LNG) from the US. We were thus witness to record-low natural gas prices during the second quarter of 2020. Aided by our flexibility, however, we responded extremely well and exploited the opportunities presented to us. Prices shot back up to the pre-COVID-19 level during the final quarter of 2020, when we again exploited our flexibility with the help of natural gas storage facilities. We became active again on the Hungarian market and also received trading authorization on the Bulgarian market.

We began to accelerate the implementation of a cross-commodity strategy with the aim of hedging our portfolio. That strategy reduces risks, facilitates the exploitation of new market strategies and strengthens the resilience of our portfolio. In addition to natural gas, the European Union Allowances (EUA) trading system also has an increasing impact on electricity prices. That system was implemented by the EU in 2005 with the aim of reducing greenhouse emissions and thus the consequences of climate change. Since the emission allowance trading system began functioning, there has been a link between the prices of emission allowances and electricity. That link has gotten stronger over time until today, when emission allowances have become one of the most important factors affected the price of electricity. We increased the scope of emission allowance trading in 2020. Because the GEN-I Group is striving for the green transformation and to reduce greenhouse gas emissions, emission allowances are becoming an increasingly important element of our portfolio. We take advantage of the high level of volatility on the aforementioned market in trading.

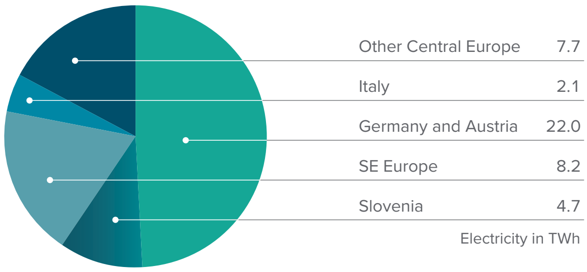
In accordance with the trend of market coupling in the European Union and with the aim of making effective use of cross-border capacities, the GEN-I Group also dedicates a great deal of attention to the flow-based trading mechanism, which arose as the result of the establishment of a single European energy market. That mechanism requires from market participants global operations and a global presence throughout the entire electricity trading chain, from long-term management to supply itself. The GEN-I Group is prepared for that challenge through the development and use of the most advanced tools and support algorithms, on which the optimal management of the global energy portfolio using a predefined risk management policy is based. Development also focuses on the improved and above all more responsive fundamental analysis of events on the market. We continued to enhance market and portfolio analytics, and upgraded and improved internal fundamental models and analytical tools. We upgrade our quantitative approach to understanding the market and managing portfolios in all areas of the Group’s operations. The Group’s extensive portfolio, which is based on cross-border transfer capacities and which we continuously analyze with the help of what-if scenario analyses, will remain our key competitive advantage in the future.

With the help of an extensive trading infrastructure, the GEN-I Group successfully exploits synergistic effects between access to developed Western markets and Southeast Europe and borders with Asian countries. Through further expansion to new markets, the Group also continuously improves the flexibility of its global portfolio. In order to improve the efficiency of its portfolio, the GEN-I Group continues to focus on the search for opportunities linked to innovative structured products, demand response contracts on both sides of the supply chain, options and other structured products. Through those products, we offer our partners on the wholesale market customized and innovative products that are intended primarily for hedging the value of portfolios against increasingly volatile markets. We continued with the expansion of flexible products in 2020. Evidence of this are newly concluded flexible contracts in countries such as Bulgaria, Romania and Switzerland. Through the aforementioned products, the GEN-I Group is further exploiting the geographic breadth and diversification of the portfolio, and opening trading opportunities with a broad range of energy products. By building of a broad network of flexible and structured products, the GEN-I Group strives to create of a portfolio with a high proportion of product synergies and to increase the profitability of the global portfolio, while maintaining a manageable level of market risks. In the context of changing conditions on the European energy market, flexible and structured products offer the ideal relationship between market potential and risks. For the first time ever, the GEN-I Group successfully participated in a public tender for the purchase of electricity from a Croatian wind farm in 2020. This resulted in the first power purchase agreement (PPA) product for the GEN-I Group, i.e. the purchase of electricity from renewable energy sources (RES). The development of structured products that focus on and are adapted to the needs of production from renewable sources is in line with the strategic policies of the GEN-I Group with regard to the sustainable development of a carbon-free society. Another objective is to become a leader in the purchase of electricity from renewable sources in the scope of power purchase agreements (PPA). We are therefore planning to expand the PPA portfolio in 2021. We will establish these types of products and achieve further growth through targeted operations and by building our knowledge. The development of technical tools for the valuation, automation and optimization of the portfolio of structured products is based on the knowledge and experience of expert teams, which will allow the GEN-I Group to achieve ambitious but realistic objectives.

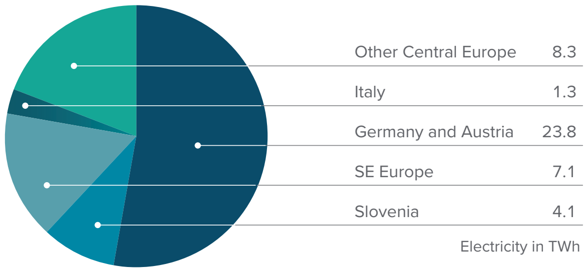
Due to specific global conditions in connection with the COVID-19 epidemic, a high level of volatility on the electricity market can be expected in the future. Continuing to contribute to market volatility will be growth in production from renewable energy sources as a proportion of total electricity production, and thus the increased impact of weather on the setting of electricity prices. Also expected to continue is the trend of market coupling in the EU and the daily implicit allocation of cross-border transfer capacities, which improves the exploitation of cross-border transfer capacities and the efficiency of the European energy market.

Despite its planned geographical expansion, the GEN-I Group will maintain a centralized transaction management model on European electricity and natural gas markets through an actively managed single optimization portfolio that comprises physical and financial electricity and natural gas positions, and cross-border transfer capacity positions. In the future, the GEN-I Group will remain focused on securing demand response contracts on both sides of the supply chain, and on offering innovative products tailored to the customer's needs.

The GEN-I Group remains present on 21 regional energy exchanges, as only in this way can it rapidly and effectively optimize its global portfolio, and through the use of forward contracts close its open positions and thus reduce market risk.



Electricity sales markets with physical contracts:



Electricity purchase markets with physical contracts

(B) SUPPLY

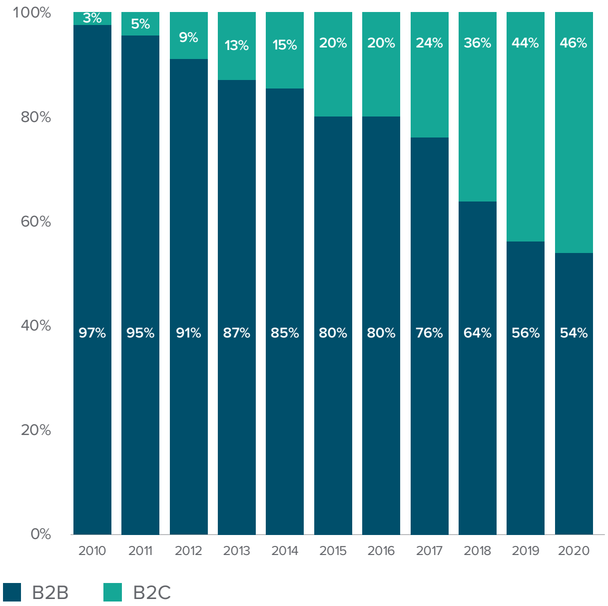
At the center of the supply of energy remain the customer and their needs, which we satisfy in accordance with the green transformation of society. We thus used all of our meetings with business customers in 2020, including virtual meetings, to present technical solutions for the decarbonization of Slovenian society. Supply and green transformation services have become more closely linked than ever before.

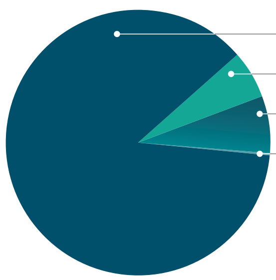
In 2020, the GEN-I Group supplied electricity directly to end-customers on four markets and natural gas on three markets. The optimization of electricity flows via all twenty-two countries at hourly intervals through a single global portfolio on the wholesale electricity and natural gas market provided all customers a competitive price and reliable supply in all market conditions.

We supplied electricity and natural gas to almost 380 thousand customers on three different markets (Slovenia, Croatia and Austria) in 2020. We sold 5,214 GWh of energy to customers broken down as follows: 4,060 GWh of electricity and 1,154 GWh of natural gas.

We still sell the majority of energy to the industrial and large business customer segment. However, that proportion is declining from year to year. This is in line with our long-term strategy to strengthen the household and small business customer segment, and to increase our target margin. At 54%, the B2B segment accounted for the highest proportion of sales, while the B2C segment accounted for 46%.

At 4,511 GWh, Slovenia still represents the largest market, followed by Croatia at 375 GWh, Austria at 328 GWh and Italy with minimal quantities of energy supplied to end-customers.





Electricity

The B2C segment was also characterized in 2020 by the COVID-19 epidemic, but we adapted rapidly to conditions and performed very well. We also organized everything necessary for safe work from home, and demonstrated our solidarity with vulnerable groups during the crisis. out We cut the price of electricity by 15% for all household customers for a period of three months. We earmarked EUR 2 million for that purpose, spread out amongst more than 180 thousand customers.

We dedicated special attention to investing in the digitalization of operations, as we contributed our part to protecting the environment, in addition to ensuring the faster and simpler exchange of information with customers through paperless operations.

Before the summer, we presented our customers the completely redesigned My GEN-I portal, which is even easier to use and offers numerous new features for the quick and simple management of subscriber relations.

Based on our commitment to reduce the carbon footprint, we prepared everything necessary to provide our customers exclusively carbon-free electricity beginning on January 1, 2021.

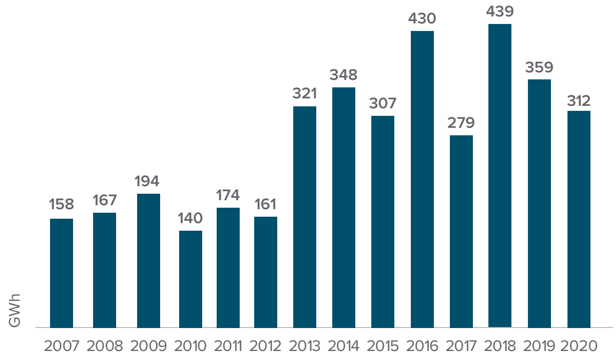
We are extremely proud of the trust shown in us by our customers. For the seventh year in a row, we received the title of Trusted Brand as the most trustworthy supplier of electricity.

In Slovenia, we supplied 2,823 GWh of electricity to large and medium-sized business customers in 2020. We remain the largest supplier in the household and small business customer segment, where we supplied 1.836 GWh of electricity to 343 thousand customers.

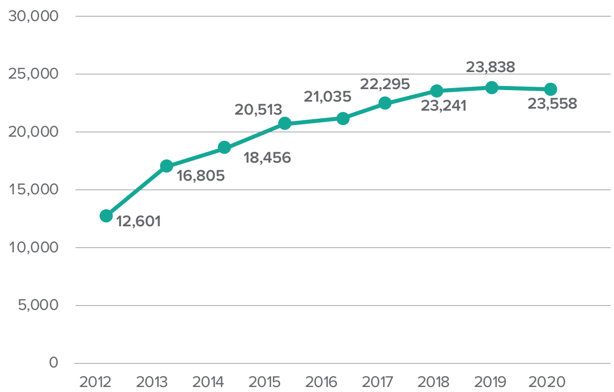
We continued to record good results in supply to Croatian business customers in 2020: we began supplying electricity to healthcare centers and hospitals in Croatia in the total amount of 151 GWh (supply from 2/2020 to 1/2022). We also secured an additional 116 GWh via public tenders (including KD Vodovod i kanalizacija d.o.o. Rijeka in the amount of 27 GWh and Zračna luka Split d.o.o. in the amount of 20 GWh). In accordance with the green transformation of the GEN-I Group, we expanded our range of services in Croatia during the second half of 2020 with solar power plants for the internal needs of business customers, and sold seven power plants with a combined rating of 700 kWp.

In contrast to Croatia, we suspended the supply of electricity to business customers on the Italian market in 2019. Growth in activities in the area of innovative products continued in Austria. In addition to providing flexible services on the tertiary market, we also qualified to provide flexible services on the secondary market, which further increased the scope of our supplementary activities relative to the previous year.

In terms of purchasing energy from diversified sources on the Slovenian market, we maintained our position as the largest purchaser of electricity from producers who use



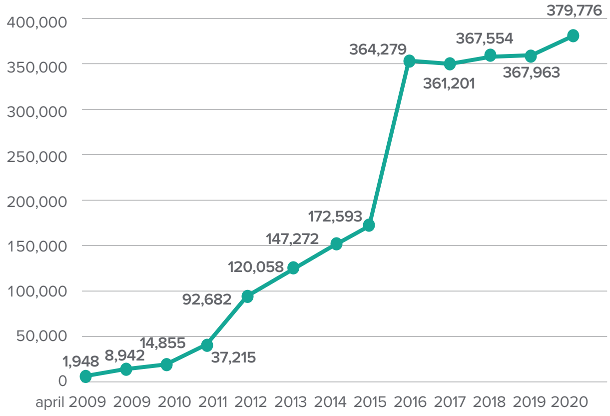
Volume of GEN-I's electricity purchases from Slovenian producers who use renewable resources and high-efficiency cogeneration plants



Growth in the number of household and small business natural gas customers from 2012 to 2020

renewable resources and high-efficiency cogeneration plants. We purchased a total of 312 GWh of electricity from 1,272 producers who use renewable resources and high-efficiency cogeneration plants, meaning that we maintained a satisfactory market share, despite stiff competition.

With regard to the purchase of energy from renewable sources for 2021, we significantly improved our position as the largest purchaser of electricity from producers who use renewable resources and high-efficiency cogeneration plants, in terms of energy purchases from diversified sources on the Slovenian market, with our market share rising from 30% to 48%. We purchased 501 GWh of energy from 2,374 producers, an increase of 189 GWh in terms of quantity.



Growth in the number of household and small business electricity and natural gas customers within the GEN-I Group

Natural gas

Since our entry on the Slovenian market in 2012, we have offered customers the reliable supply of natural gas at competitive prices, and maintained our position as the second largest supplier of natural gas. We supplied 1,154 GWh of natural gas in 2020, similar to the level recorded the previous year. We supplied 298 GWh of natural gas to nearly 25 thousand households and small business customers.

ENERGY SERVICES AND GEN-I SONCE

After offering customers the reliable and affordable supply of electricity in the past, we have now outlined a new strategy. Our underlying objective is to help our partners, both households and industrial customers, carry out their own green transformation and reduce their carbon footprint. We are therefore developing energy services that facilitate the aforementioned transformation in a way that is most efficient for customers, while at the same time facilitating their integration into the electricity system. We thus serve as an aggregator for our customers and a promoter of the introduction of new, green technologies. That is our primary vision moving forward.

The aim of the GEN-I Sonce project is to offer an innovative business model that will generate synergies with the existing activities of the GEN-I Group through sustainable and advanced solutions, and facilitate expansion to neighboring countries. Through a comprehensive service, we are already responding today to certain decarbonization challenges and contributing to an increase in the proportion of carbon-free energy sources. We are also increasingly close to linking the aforementioned services with innovative solutions in the area of e-mobility.

Self-supply of energy for households

Through the subsidiary GEN-I Sonce, the GEN-I Group actively and continuously facilitates a green energy breakthrough. We are not laying a path at home only, but also in neighboring countries. We are the leader in this area in Slovenia and maintained the highest market share in 2020.

Representing the flagship service for smart homes are self-sufficient solar power plants that we market through GEN-I Sonce. We offer modern and efficient systems for the electrification of heating (heat pumps) to customers who opt for a self-sufficient energy supply system.

Self-sufficient energy supply achieved an important milestone in 2020, when we set up the two-thousandth solar power plant. Despite general restrictions due to the health crisis, the number of solar power plants reached 2,140 by the end of the year.

Solar power plants were not set up solely on individual houses. The Slovenian decree on the self-supply of electricity was amended in May 2018 and allows for the possibility of setting-up a self-supply solar power plant on apartment buildings. GEN-I Sonce was the first to succeed when it set up a solar power plant on an apartment building in Jesenice.

Another important milestone achieved in this area in 2020 was the establishment of the first self-sufficient community in Slovenia in Budanje pri Ajdovščini, where were connected seven houses to a community power plant installed on a nearby school. The solar power plant, with a rated power of 55.68 kW, will produce 58,500 kWh of electricity in one year. Customers will reduce their carbon footprint by 28,500 kg in one year and by 853 tons over 30 years, which is the estimated useful life of the power plant.

The concept of the green transformation has been received positively by customers who wish to be a part of that process. Expectations for 2021 are thus optimistic.

Business customers

Companies also showed increasing interest in the construction of solar power plants in 2020. The main breakthrough in the establishment of a self-sufficient energy supply market for business customers is the improving economic justification of an investment in a solar power plant, accompanied by a company's desire to reduce its carbon footprint. Several factors contributed to the improving economic justification of such an investment: Cohesion fund grants, falling prices of components required to build a solar power plant and the level of electricity prices on the market. Based on past experience, we responded rapidly and offered business customers an innovative model that has led them towards a sustainable and carbon-free society. With our help, a large number of companies, hotels, shopping centers and other major electricity customers began their journey down the path of green transformation in 2020, and will be able to produce close to 3 MW of carbon-free electricity a year in the future.

E-mobility

GEN-I's e-mobility service was developed in 2019 as a response to the complicated user experience of registering and paying for charging sessions for electric vehicles at public charging stations in Slovenia and Croatia. We wish to offer our customers services that are based on alleviating the burden on them and simplifying the user experience, all with the aim of accelerating the electrification of our mobility needs. We believe that we can achieve a reduction in CO_2 emissions in the context of a simultaneous increase in the production of electricity from renewable sources, as traffic accounts for close to one-third of those emissions.

GEN-I recorded growth in e-mobility services in 2020, when we recorded more than 20,000 electric vehicle charging sessions and increased the number of users by 78% relative to 2019. This is a sign that our customers recognize the advantage of electric cars, and already drive faster, cheaper and with less planning using our e-mobility services.

With the increasing capacities of electric car batteries and given the average distances driven in Slovenia, we are aware that more the 80% of electric vehicle charging sessions are carried out at home. We therefore supplemented our offer of solar power plants for the self-sufficient supply of electricity with charging stations. In this way, we provide our customers complete e-mobility services.

We are proud to be paving the road to sustainable mobility together with our customers.

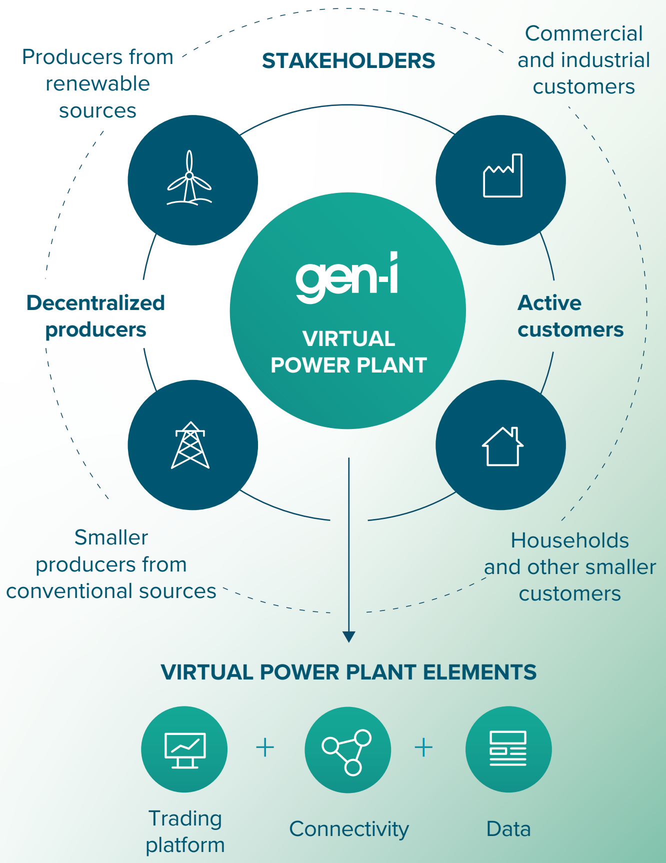
Aggregator and active customer

We are developing services for customers that will facilitate the green transformation in the area of energy. These services include self-sufficient supply, e-mobility, and energy monitoring and management services. Demand response services allow customers to leave certain activities to us and generate additional revenues.

Through its extensive network of customers, knowledge and established infrastructure, the GEN-I Group is increasingly establishing itself as a leading aggregator (consolidator) of active customers. As the manager of a virtual power plant, we are linking energy solutions at the premises of customers on the one hand and dynamic energy markets on the other.

The majority of the GEN-I Group's innovations during the last four years were achieved in the development of demand response services and diversified production for the purpose of providing secondary and tertiary reserve power. Following a very successful initial phase, we are planning to continue expansion on the secondary regulation market in Austria and Slovenia in the future, as well as increased capacities with the aim of more active participation on the tertiary reserve market, where the provision of ancillary services is possible through active demand response.

In 2020, the GEN-I Group achieved established objectives and increased its presence on the ancillary services market as an aggregator of reserve power in Slovenia and Austria. It increased capacities on those two markets by 62%. For the sixth year in a row, we reliably provided negative and positive tertiary reserve power in Austria. Last year, we reinforced our ambitions to be a regional presence: through the use of diversified sources in Slovenia, Austria, Romania and Hungary, we manage a reliable ICT infrastructure that facilitates GEN-I's unhindered expansion of aggregation and active demand response services to Eastern markets.



The GEN-I Group links all players on the energy market and efficiently manages a virtual power plant.

INNOVATION AND ACTIVITIES IN INTERNATIONAL R&D PROJECTS

The GEN-I Group is very active in the area of development. We constantly search for opportunities to include our efforts in domestic and international projects, and thus secure grants that enhance total investments in development. We do not, however, limit internal development to co-financed projects; instead, we systematically manage the development of energy services and products, depending on available external sources of financing.

GEN-I was an active partner in the international FutureFlow project in the area of smart grids. The project's aim was to provide advanced solutions for cross-border cooperation between transmission system operators in the exchange of secondary regulation ancillary services, which are ensured through demand response and diversified energy sources. The project was financed by the European Commission in the scope of the Horizon 2020 Initiative. The FutureFlow project was successfully completed at the beginning of 2020, when the final report was approved. In 2020, the ISGAN association named the FutureFlow project the second-best project in the world in the area of innovation, integration and the transformation of smart grid systems.

The GEN-I Group is also the coordinator of the 'Active Customer" demonstration-development project, in which we are demonstrating the usefulness of demand response for small customers, together with a consortium of eight well-known Slovenian companies. The results of the project will include:

1. technologies for obtaining energy from renewable sources (adaptation of production by solar power plants);
2. technologies for the electrification of heating (heat pumps and hot water boilers); and
3. energy storage technologies and technologies for the dynamic charging of electric vehicles.

In 2020, we continued the implementation of R&D projects that are co-financed from the Horizon 2020 initiative and via funds from the Ministry of Economic Development and Technology (MEDT). The NEWCOMERS project (H2020) researches the typology of energy communities and the conditions that accelerate their emergence (for more information visit https://www.newcomersh2020.eu). Sustainable e-mobility and Tourism 4.0 (both co-financed by the MEDT) are developing solutions that support the growth of sustainable e-mobility and tourism through the use of the most advanced technologies and approaches adapted to the user. In 2020, we once again secured the OneNet R&D project, which is co-financed from the Horizon 2020 Initiative. That project researches conditions for the next generation of grid services that will support demand response, storage and distribution, and that will be transparent and affordable for users.

3.8. Risk management

The COVID-19 health crisis and the associated consequences have thoroughly tested all areas of risk management withing the GEN-I Group. The operating results achieved by the Group stand as proof that our employees and the entire organization have responded excellently to all challenges. Already in the early phase, before the declaration of the epidemic when the virus first appeared in Italy, the Group began reorganizing work and making preparations for work from anywhere. We also enhanced processes in all areas. We carefully monitored the situation and prepared for different scenarios that could result in the tightening of measures, which could, in turn, affect both the internal and external business environment. We had in place a comprehensive strategy to respond to the epidemic in various phases. All of these activities were managed by a specially formed team that reported directly to GEN-I's executive staff. That multidisciplinary team, comprising employees from the risk management, information security, business analytics, IT support and other departments:

1. drafted a response and action plan for the Group in the event of increased risk of the spread of infectious diseases;
2. organized work from anywhere;
3. provided the necessary equipment to all employees in a timely manner; and
4. monitored operations and the well-being of employees during the introduction of work from home when the strictest measures in connection with COVID-19 were in place.

The Group also provided guidance, put forth proposals regarding the organization of work and gave advice regarding the use of the most advanced digital tools. We thus ensured the smooth flow of remote work, and facilitated uninterrupted team work and cooperation, and the flow of information. Enhanced internal processes were also reflected in business activities, where we successfully strengthened purchasing and sales channels, strengthened reserves for financing and additionally insured portfolios. We also strengthened cooperation with partners in all areas. Through carefully selected strategies, we ensured the stable operations of partners and provided assistance in the event of major challenges, both in terms of managing volume- and price-related risks, and financial challenges.

Organization of the area of risk management within the Group

The centralized risk management department is responsible for effectively identifying, reviewing, managing and reporting on exposures to various risks, both at GEN-I, d.o.o and at the GEN-I Group level. That department functions completely independently and in accordance with the adopted risk management policy.

Its tasks in the broadest sense, in addition to spreading a culture of awareness about risks, are to coordinate the management and minimization of risks of other departments, and to coordinate the functioning of departments if exceptional events occur that could result in negative effects on the Group's operations. In addition to comprehensive risk-review, the credit committee, market risk committee and Management Board also control the risk management department's effectiveness.

The relevant risks can be broken down into the following key categories:

- credit risks,
- market risks,
- liquidity risks,
- operational risks,
- IT risks,
- legal and regulatory risks,
- currency risks,
- interest-rate risk, and
- human resource risks.

Credit risk

In terms of managing credit risks, 2020 was a year full of challenges. Through the regular and comprehensive monitoring of events in connection with the epidemic and the potential consequences on economic activity, we successfully managed those risks. Playing an important role in that regard were the discussion of risks by the Management Board and credit committee, a focus on the upgrading of processes and tools, and the adoption of necessary measures in all key areas of operations. A simulation tool for creating scenarios was developed especially for that purpose. This provided us a clear overview of how different epidemiological measures could affect the economy and what consequences they could have for the GEN-I Group's portfolios and results. Carefully prepared scenarios and credit models developed especially for that purpose served as the basis for formulating successful strategies for managing the credit risks to which the Group is exposed. Despite increased pressure on the creditworthiness and operations of our business partners, payment delays and credit losses were kept to a minimum, in part due to the careful selection of partners over a period of several years and a well-diversified portfolio under the auspices of the risk management department.

In addition to the risk management department, the building of a high-quality and diversified portfolio is also supervised by the Management Board and credit committee. To that end, a local presence via regional representatives on individual markets facilitates good awareness of developments on a specific market and in the operations of partners, as well as the ability to adapt rapidly to market conditions.

Before cooperation with them begins, partners are discussed by the risk management department and are assigned a credit rating based on the rules governing that area. This serves as the basis for setting the framework of cooperation with partners: payment terms, collateral instruments and supply deadlines. This is followed by discussion by the credit committee, which approves the proposed framework of cooperation. In accordance with the policies of the Management Board, we enhanced Know Your Customer processes and the in-depth analysis of the operations of partners with new process and additional digital tools. This allows us to continuously monitor key changes in the operations of partners and thus manage the associated credit risks.

We updated agreement templates and introduced the process of monitoring contractual provisions for the areas of sales and trading. We also digitalized both processes in cooperation with external contractors. For the area of sales, we developed a tool for the continuous monitoring of changes in credit ratings with respect to contractual provisions, and introduced additional clauses and safeguards that allow us to demand additional collateral if partners are downgraded.

We expanded the portfolio of insured partners via a specialized insurance company, and established the appropriate process and developed tools to the support the monitoring of business partners, and the monitoring of and reporting on receivables.

Those new processes are governed by rules that were carefully reviewed and approved by the credit committee.

Market risks

The exploitation of market opportunities is closely linked to market risks. As markets evolve and the GEN-I Group grows, we adapt to new conditions, opportunities and competitive products on the market through the development of tools to manage market risks. Stable operations in 2020 are evidence of our ability to manage market risks effectively. We succeeded in that regard, despite volatile energy prices as the result of economic and commercial shocks due to healthcare measures to contain the COVID-19 epidemic.

GEN-I, d.o.o. has a sound operational framework in place to protect both the Group and individual portfolios against market risks. The market risk committee is responsible for managing market risks, for formulating guidelines, and for defining competences and the operational framework. Hedging rules, exposure in terms of quantity and management strategies are described precisely in the Group's rules. The competences and responsibilities of portfolio strategy committees, and individual portfolio managers and traders are included in the operational framework. The current values and development of open positions, the prices of products on the market, the value of the portfolio and risk-related changes are reported daily to key departments that are involved in the processes of managing and controlling portfolios, and to the risk management department. We invest continuously in training and the management of market risks, and strengthen awareness about risks amongst traders. We carefully build and improve the appropriate culture, structure and processes at all levels of operations within the GEN-I Group. Past experience and trading analyses are helpful to us in that regard.

Representing an important element of market risk management are strategies formulated based on sensitivity analyses of portfolios, analyses of the price elasticity of sales portfolios, risk indicators and exposure in terms of quantity, as well as an overview of the depth of the liquid markets of all portfolios within the GEN-I Group.

We place special emphasis on the so-called scenario-based approach and sensitivity analyses of the value of the global trading portfolio and local sales portfolios. Crucial in that regard are the formulation of strategies and the analysis of the effectiveness of those strategies, and the analysis of the elasticity of sales portfolios and the competition, which further improves the Group's management of market risks. An important element of this are processes, models and information systems intended for the management of financial instruments, real options and flexible agreements. This facilitates the additional hedging of portfolio values, particularly in the event of major, sudden and unexpected deviations from expected market prices.

A special group of managers is responsible for managing the open positions of financial products. That group regularly monitors the effects of positions on inflows and outflows, and adjusts positions to market trends. In this way, we also directly manage liquidity risks.

Quantity risks are a special form of market risks associated with the delivery and acceptance of electricity or natural gas. They occur because of differences between the electricity or natural gas quantities envisaged in contracts and the quantities that are actually delivered or accepted. We manage those risks in two ways:

- by providing comprehensive information support for the long-term and short-term forecasting of electricity and natural gas consumption and supply;
- and by consistently monitoring quantity deviations at the majority of metering points that are included in the GEN-I balance group.

The portfolio has a high proportion of purchase contracts with producers who use renewable energy sources, in particular solar and hydroelectric power plants. The volatility of production from these sources is higher. We therefore developed special tools for this segment for forecasting the production of small and large hydroelectric and solar power plants. These models are based on meteorological models used to forecast rainfall, sun exposure and cloud cover.

Liquidity risks

The treasury department is responsible for managing liquidity risks. Liquidity is managed centrally by optimizing and controlling the liquidity of each company separately and then the liquidity of the Group as a whole. We hedge against unexpected events that have a direct impact on liquidity risk through:

- liquidity reserves in the form of approved credit lines with various commercial banks;
- the diversification of financial liabilities;
- the continuous matching of maturities of receivables and liabilities;
- limiting exposure to partners; and
- the consistent collection of overdue receivables.

Undesirable events are simulated daily on the basis of various scenarios. We are thus able to anticipate the robustness of the Group's liquidity position in extreme conditions.

Liquidity risk was exceptionally low last year on account of a high level of capital adequacy, higher cash reserves and unused credit lines.

Operational risks

The increase in the number of employees and the expansion of the Group's operations require additional activities from support departments for the purpose of mitigating and managing operational risks. These encompass the processes of business units and those of individual departments. We invest a large amount of funds in the development of IT support with the aim of mitigating key operational risks, while we are enhancing processes through the use of analyses and the implementation of improvements based on business analytics and processes.

The core internal precept for avoiding procedural risk is the continuous pursuit of the principle of at least 'four eyes'. The GEN-I Group mitigates risks through clearly defined processes, the unambiguous demarcation of roles, the clear delegation of responsibilities and authority, and by implementing codes of conduct and internal rules.

Risks associated with information technologies and the infrastructure, and security

IT risks comprise risks associated with possible losses or errors in data records arising from inappropriate information technology or inadequate processing, which can lead to the disclosure of erroneous results and balances, and the resulting erroneous business decisions. Important aspects of risk management include ensuring audit trails, limiting or controlling access to data and the results of processing, the mutual integration of specific subsystems, ensuring the continuous availability of key IT services and ensuring disaster recovery as required. Our operations are fully supported by information technology, enabling us to carry out and manage our daily operations in an efficient manner.

In recent years, we have strengthened the IT department's competences as they relate to information security and the IT architecture. The department's core tasks include:

1. defining and issuing the bases and guidelines for the development or upgrading of existing IT solutions;
2. ensuring that those bases and guidelines are taken into account in development; and
3. comprehensive protection based on the most advanced information security approaches.

Changes were introduced to software development processes, with an emphasis on managing changes, testing and the placement of solutions in the production environment. The aim of those changes was to ensure the high-quality and availability of software in the production environment.

In the area of information security, a security information and event management (SIEM) system was implemented. The SIEM facilitates the collection and processing of data regarding security events in real time, with the aim of detecting potential security events, and facilitating correlation analyses and an overview in the event of security incidents. It also facilitates regular security reviews of the infrastructure and processes, as well as employee training in the area of cyber security.

Legal and regulatory risks

Legal risks derive from the unpredictability of the legal environment and from the degree of legal certainty. They are associated with losses due to breaches of regulations, and with losses linked to uncertainty regarding the protection of legal interests in the event of breaches of previously concluded agreements. We manage the latter through due diligence reviews of contracting parties before entering into contractual relations and for the duration thereof.

We enter into contractual relations with wholesale partners based on standardized general contracts recommended by the European Federation of Energy Traders (EFET) or those recommended by the International Swaps and Derivatives Association (ISDA).

We use a similar level of contractual provisions in retail electricity sale contracts. We also ensure the regular monitoring of changes to regulations that govern the Company's operations.

Regulatory risks derive from potential losses due to incomplete regulatory requirements and trading limitations, or (sudden) legislative changes in countries in which the Group operates. These risks are managed by closely monitoring developments on the Group's key markets, which is facilitated by a local presence in the form of regional representatives, and by working closely with individual institutions in the energy sector.

We have harmonized operations with the European Market Infrastructure Regulation (EMIR), the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the Markets in Financial Instruments Directive (MiFID II), in accordance with the requirements of the applicable legislation to ensure transparency.

Currency risks

The activities that are exposed to currency risks are electricity trading and trading in cross-border transfer capacities. The Group is exposed to risks associated with currencies that are not directly linked to the euro such as the Serbian dinar (RSD), the Hungarian forint (HUF), the Croatian kuna (HRK), the Romanian leu (RON), the Turkish lira (TRY), the North Macedonian denar (MKD), the Albanian lek (ALL) and the Ukrainian hryvnia (UAH). To hedge currency risks, the Group employs FX trading counter positions to transactions concluded on the energy markets where currency risk arises due to the settlement of contractual obligations in a foreign currency. The Group also uses currency clauses or forward contracts as a hedge when entering into contracts that envisage settlement in a foreign currency and currency trading is limited or liquidity is low.

Interest-rate risk

Based on monitoring and an analysis of events on the financial markets, we did not enter into interest-rate hedging agreements last year, but did roll-over long-term loan agreements with a fixed interest rate and issued bonds with a fixed interest rate. Primarily fixed interest rates are used in operations. A small portion of financial liabilities are linked to a variable interest rate, meaning we are exposed to interest-rate risk in connection with those liabilities. We are aware of the risks associated with a potential rise in key interest rates, and therefore analyze the potential consequences in detail.

Human resource risks

Managing risks associated with human capital is particularly important for the GEN-I Group because of its rapid growth and the international expansion of operations. The achievement of business plans requires employees to constantly build on their existing knowledge, to learn new skills and to develop competences to function in a thinking business environment. They must also demonstrate the ability to work effectively as part of a team and show a high level of flexibility, a dynamic approach to work, self-initiative, and excellent interpersonal and communication skills. We prevent the potential loss of key employees through the strategic transformation of the HR function, by managing the organizational culture, through the constant professional growth of employees, by ensuring stimulating work challenges, and through good communication with and between employees. We also ensure the traceability of work processes, supported by digital transformation, and are using a fully digitalized HR information system. By strengthening the employer's brand and through the diversification of employee recruiting channels, we ensure the necessary influx of the best employees to our work core. Internal knowledge is one of the most important competitive advantages of the GEN-I Group, as well as a significant risk that we manage through mentoring programs and the strengthening of managerial skills. To that end, we attempt to recognize, strengthen and further develop employees' key skills.

4. SUSTAINABLE DEVELOPMENT

Sustainable development, which the World Commission on Environment and Development (WCED) defined in 1987 as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs, has become one of the key principles of development and operations, if the not the global social norm in the fight against climate change. GEN-I is aware that energy is a crucial sector that not only can, but must make a change towards the responsible, efficient and environmentally friendly use of natural resources. For this reason, sustainable development became one of the key values of the GEN-I Group in 2020, and is reflected in the internal work method, and in our products and services. We are fully committed to continue playing our role as a responsible promoter of the energy transition in the future.

We very successfully strengthen our belief that the future lies in decarbonization and diversified renewable energy sources through the GEN-I Sonce brand. We have maintained our leading market share in the individual self-sufficient supply segment and continuously increase the proportion of solar power plants on the roofs major business customers. We thus contribute significantly to the decarbonization of the Slovenian economy. We made an important step forward during 2020 in the area of renewable energy sources in the wider region. Through a project in North Macedonia to set up solar panels with a combined power of 17 MW, the GEN-I Group will significantly increase the portion of renewable energy sources in its sales portfolio. We will thus lay the foundations for the continuation of the green transformation outside the borders of Slovenia.

We are aware that natural resources, building types (e.g. apartment buildings) or investment costs prevent the entire population from accessing renewable energy sources, even if they wish to do so. In order to address these challenges as soon as possible and accelerate the green transformation, GEN-I and the Municipality of Ajdovščina joined forces to set up the first community solar plant on the roof of the elementary school in Budanje, which is intended for the self-sufficient supply of electricity to the local inhabitants. We thus facilitated affordable access to solar energy for those who are unable to arrange this on their own roof. Connected energy communities that facilitate the democratization of clean electricity production sources will be one of the key guidelines for the development of our services in the future.

We continue to introduce sustainability in our internal operations. We draw up annual reports regarding the carbon footprint, through which we identify and monitor areas where the Company can contribute further to the reduction of CO_2 emissions. The further electrification of the vehicle fleet, the expansion of the charging infrastructure to all of our locations, the establishment of e-bike sheds and a digital user experience in the reservation and management of our electric vehicles are important milestones in the introduction of sustainable mobility and the transformation of our internal culture.

There was a sudden need to accelerate the digitalization of operations last year due to the COVID-19 epidemic. Due to past strategic investments in digitalization, the GEN-I Group excelled at the transition to work from home and also introduced a new, fully digitalized HR system. This would not have been possible without flexible and motivated employees. For this reason, the focus during the last year was on the further strengthening of teams, the strengthening of the Company's green and sustainable culture amongst employees, and the introduction of the GEN-I Dialogue in the form of continuous discussions between management staff and employees that provide guidance for work tasks and monitor the satisfaction and well-being of employees.

Employees as the center of transformation

GEN-I plays a visible and responsible role on the road to sustainable development and the implementation of solutions in the fight against climate change. The focus of GEN-I's business strategy in the period until 2030 is thus the green transformation of energy and the development of solutions that will make it possible for every individual to reduce their energy consumption and the associated costs, and eliminate their carbon footprint.

We are aware that the key to achieving these bold and ambitious plans are our employees. We understand the significance of and believe in the need to transform to a carbon-neutral society as the key binding agent of our work, which is based on interdisciplinary cooperation, a focus on development and the implementation of innovative green solutions.

Cooperation, integration, multidisciplinary teams, promoting innovation, the recognition of potential and the formulation of profiles of the future in order to cultivate wide-ranging and flexible competences served as the guiding principles of the HR strategy and all HR development projects again in 2020. Employees helped to create the vision to be the first choice in all segments of the energy chain, and proactively accepted the challenge of the green energy transformation. They identify with our values: **respect, responsibility, commitment, inclusion and flexibility.** We recognized employees who personify these values through their behavior, successes, abilities and work methods, and awarded them the title of 'GEN-I-uses' of the year for 2020.

Through our HR policy, we also made a breakthrough in the wider business environment. We ranked amongst the finalists in the large enterprises category in the Golden Thread 2020 competition. We have been defending the fourth place on the list of reputable employers for two years in a row. That award was the result of mutually linked activities to create an innovative and inspiring work environment that is based on commitment, timely and honest feedback, opportunities for continuous growth and development, and an environment where managers also serve as mentors and coaches to employees.

Digitalized processes and continuous strengthening of teams in line with the HR plan

In the face of the coronavirus epidemic, we reacted swiftly and decisively, and adapted all work processes to teleworking. Extensive investments in the digitalization of operations in previous years allowed us to successfully migrate nearly all employees to work from home practically overnight. To that end, internal communication was extremely important in ensuring that teams were successfully connected.

We believe that success in the new dynamic energy era is only possible with a superior team of experts of different disciplines from the fields of natural science, economics and humanities. The GEN-I Group thus continued to create jobs of the future in 2020 and employ people who are co-creating the process of the green transformation today. In the spring, we announced that we were searching for 50 new employees.

Introducing those people to their jobs remotely was something new to us, but it was a challenge for which we were well-prepared. Despite the new circumstances, we introduced new employees to the Company's culture, and ensured that they understand the role of their department at the Company and that they can also perform their work independently by remote means. To that end, we updated the induction period, so that all new employees have the necessary support of mentors when they begin to work.

Because our greatest challenge is linked to successful operations in a demanding business environment, we enhanced employees' agility, capacity for innovative and creative thinking, and ability to plan complex solutions. We employed people with technical and scientific knowledge, and with backgrounds in sociology and humanities who are committed to continuous learning, and the acquisition of new knowledge and skills. We also ensured the development of so-called T-shaped skills, with an emphasis on social skills and cooperative relations. This also served as the basis for employee recruitment process, in which we verified whether the values of future employees are aligned with the values of the Group.

In operational terms, the focus of the strategic management of human capital in 2020 was on ensuring the right people in the right jobs, through the timely recognition of needs, the search for employees, recruitment, and the acquisition and development of the appropriate skills. We linked remuneration to managing performance and increasing productivity.

Of extreme importance to us during the current crisis was internal communication, which ensured that teams were synchronized and connected, and that responsibilities and duties were clear. During this time, when many employees also faced the challenge of organizing the remote schooling of their children, we supported flexible working hours, in agreement between employees and their supervisors, that was in line with the dynamics of their day. To that end, we set up the 'Work from home' portal for employees, where they could find advice to help them in communication with teams and organize work from home more easily, as well as technical help and support. In short, everything they needed to facilitate the work process. From the outset of the crisis, our technical department ensured that all employees were fully equipped for work from home and that the latter flowed smoothly from the start. We also provided for after-work leisure activities: we organized the first GEN-I online chess tournament, organized virtual teambuilding and gathered everyone together in a pre-New Year's event.

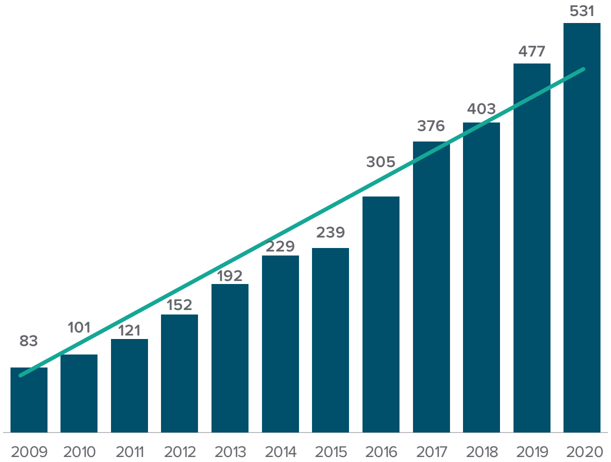
The past development of the GEN-I Group, which was followed by intensive growth in the number of employees, dictated the transformation of the HR function. The latter is now a strategic function of the Company and has thus been digitalized. HR administration now uses the Gecko HRM solution.

Introduction of HR business partners

We introduced the philosophy of HR business partners in 2020. Employees who serve in the function of HR partner create added value for a business area by acting as a bridge between the HR department and that area, serve as strategic partners to the head of the business area and manage the corporate HR strategy in that area. They are responsible for individualized activities and solutions for the needs of an area, and serve as the building blocks of relations between the various stakeholders of a business area and in a wider sense at the Company. They also function as a link between the overall corporate culture and the sub-culture of a business area, and as a partner in other HR roles at the Company.

Growth in the number of employees

The GEN-I Group had a total of 531 employees at the end of 2020. The number of employees was up by 11% or 54 relative to 2019.



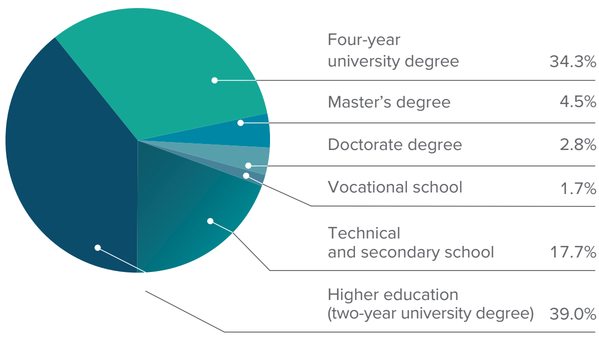
Number of employees in the GEN-I Group

Educational and age structure

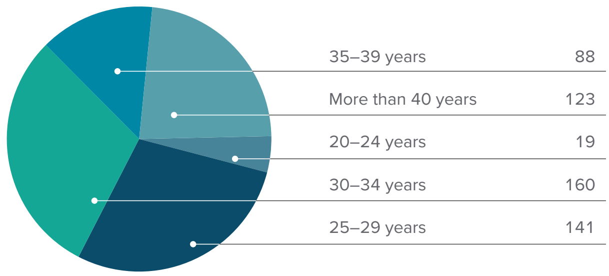
The GEN-I Group employees a large number of highly educated employees. More than 80% of employees have at least a Level VI education, while the proportion of employees with the highest levels of formal education (e.g. a master's degree or doctorate) is around 7%.

The average age of Group employees was 35 years in 2020, an indication of a relatively young team. Employment at one of the Group's companies represents the first job for many employees.

Demographic changes, such as increased mobility, the ageing of the population, migration, changing conditions on the market and globalization-related factors, contribute to the increasing diversity of the GEN-I Group's workforce. We are aware that employees with different needs, values, motivation, contributions and ways of establishing relationships meet in the workplace. Inclusion is one of our values and we strive to achieve it every day. We achieve inclusion by fostering respect for new employees and those who have been with the Company for a long time, for naturalists and humanists, regardless of gender or age. We are proud of the fact the gender structure is almost fully balanced, with women accounting for 49.5% of employees and men for 50.5%.



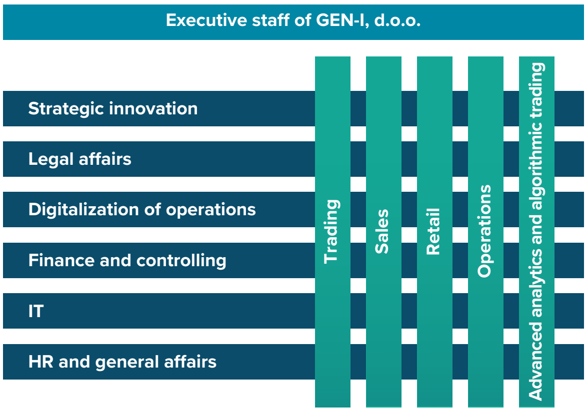
Educational structure of employees in the GEN-I Group in 2020



Age structure of employees in the GEN-I Group in 2020

Organizational structure of the GEN-I Group

Together with the need to implement the green energy transformation, we also harmonized the organization of the Company and restructured it so that we functioned according to a matrix model in 2020. We integrated a horizontal structure of functional responsibilities, competences, influence and communication into the vertical structure of portfolios and associated business processes.



Employee development

GEN-I Dialogue

We created the GEN-I Dialogue process with the aim of improving the quality of management by objectives and updating development interviews. The GEN-I Dialogue process relies on the basis of the well-established OKR (objectives and key results) process, and is linked with assessments of personal performance and development interviews.

We have shifted from the annual/semi-annual setting and review of objectives to the quarterly coordination of OKR and weekly dialogue with supervisors with the aim of achieving satisfaction and a feeling of well-being in the performance of work tasks. This gives supervisors a starting point for the improved management of teams and the focusing of employees on work tasks in which they will be more successful and satisfied.

Education and training

We organize various ways for employees to acquire new knowledge, abilities and skills with the aim of developing their potential. We further enhanced our practice of facilitating highly specialized training for employees in technical fields, which individuals require as part of their specialized jobs. Employees thus attended various professional trainings events and conferences at home and abroad.

The internal transfer of knowledge represents one important element of a company's successful functioning. We share expertise with a large number of our employees through mentoring, team work, internal lectures and workshops.

The aim of the mentoring program is to promote the transfer of knowledge, values and unwritten work rules within the GEN-I Group, while collectively building a culture of cooperation and strengthening commitment. Mentors at GEN-I are co-workers, from members of the Management Board to employees who recognize the purpose of mentoring, and who are innately motivated to learn continuously, development-oriented, flexible and cooperative.

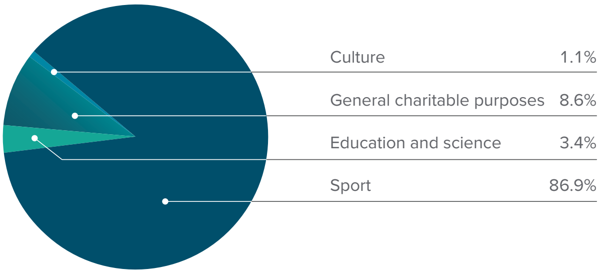
Strengthening the culture of the Company – a green and sustainable GEN-I

We successfully implemented numerous important activities in 2020, despite the fact that the strengthening of the Company's culture during the year was characterized by work from home and agreements regarding flexible work policies. We carried out green onboarding for new employees at the business unit in Ljubljana and connected them with our Earther Association. Green onboarding is a program that promotes a green way of thinking and sustainable development within the GEN-I Group. The Earther Association comprises contemporary, urban agronomists from the ranks of the GEN-I Group's employees who, in addition to producing healthy food in our fields, strive for sustainable development. In 2020, the association was joined by 17 new employees, who together introduced bees to a hive, set up raised planting beds and enjoyed the first fruits of their labors towards the end of the year.

An important indicator of cooperation are formal and informal gatherings of employees. We met at various, primarily online events at which we promoted the active enjoyment of leisure time through sports. GEN-I's Sports Club has 350 active members who train in 11 different sports disciplines.

Responsibility to the social environment

The Group uses a reactive sponsorship model. This means that there is no predefined umbrella program. Instead, more than half of all funds are unallocated, and are earmarked for specific purposes during the business year, depending on performance and the need to make our presence felt in the local environment and the media. All decisions regarding sponsorship funds and donations are made by the Management Board.



Structure of sponsorships in 2020

We again dedicated special attention to local sports associations and clubs in 2020. This included support for the GEN-I Volley volleyball club from Nova Gorica, the Gorica soccer club, the Pivovarna Laško, Krško, Sevnica, Brežice, Novo Mesto and Gorica handball clubs, the Nova Gorica and Ilirska Bistrica basketball clubs, the Nova Gorica cycling club, the Ilirija skiing-ski jumping club, and the Gorica automotive club. At the national level, we also supported the Slovenian Track and Field Association.

In the professional field, we earmarked sponsorship funds for activities aimed at education and training, and the search for best energy practices and solutions.

Responsibility to the natural environment

As one of the leading representatives of the energy sector and the promoter of the green transformation, the GEN-I Group is aware that its responsibility to the environment requires a new way of thinking and working. We have thus set ourselves the long-term objective of sustainable development, which we aim to achieve by changing the way we work, leading by example, investing in innovations, and by developing and creating products for the transition to the new energy era. Also demonstrating our commitment to the rapid transition to a carbon-free society is GEN-I Sonce's acquisition of quality and environmental management certificates according to the ISO 9001 and ISO 14001 standards.

For several years, we have been the leading buyer of energy from producers who use renewable energy sources and high-efficiency cogeneration plants. The number of electricity producers with whom we have concluded purchase agreements already exceeds 1,200. We help producers understand the complex electricity market and optimize the energy purchase process. By assuming risks within our portfolio, we also ensure the stability of their operations and provide the most affordable purchase prices. In 2020, GEN-I purchased electricity from a total of 176 hydroelectric power plants, 1,017 solar power plants, 10 biogas-powered power plants, 50 cogeneration plants and two wind power plants. Total energy purchases from the aforementioned production units amounted to 290,314 MWh, which is sufficient to supply 72,500 Slovenian households with an average annual consumption of 4,000 kWh.

TYPE OF POWER PLANT	NUMBER OF PRODUCTION UNITS	QUANTITY IN MWH
hydroelectric power plants	176	134,189
Solar power plants	1,017	72,468
Biogas-powered power plants	10	47,634
Cogeneration plants	50	33,590
Wind power plants	2	1,801
Grand Total	**1,255**	**289,682**

The GEN-I Group remains the leading promoter of ideas and best practices in the area of environmentally friendly solutions for end-customers in Slovenia and the wider region, with the aim of increasing energy efficiency and independence. With the help of leading experts in the field of energy, the Company provides business solutions that help customers reduce their carbon footprint. We are also the leading promoter of the self-sufficient supply of households and companies in Slovenia. An important tile in the mosaic of the green transformation is GEN-I Sonce, through which we are already implementing green solutions. By the end of 2020, the GEN-I Group had built and put into service 2,075 solar power plants and established the first community solar plant in the Municipality of Ajdovščina. That power plant is intended for the self-sufficient supply of electricity to seven local households. We took an important step in the wider region through a project to set up solar panels in North Macedonia with a combined power of 17 MW.

GEN-I's innovative and sustainability-oriented business model, which can be seen in the systematic pursuit of environmental principles, responsible management and a positive relationship with the environment, provides measurable positive effects. Together, all of our power plants had generated 27,578,929 kWh in energy savings by the end of 2020, and contributed their share to the 30,634,255 kWh increase in the production of green electricity.

We continued with the electrification of the vehicle fleet. At the end of 2020, the proportion of electric vehicles was already 75% at all of GEN-I's organizational units, a significant increase relative to the previous year. This means that only a quarter of our vehicles have a solely internal combustion engine. We also expanded the charging infrastructure, and thus have 40 charging stations in Ljubljana (25 a year earlier), and 12 charging stations in both Krško and Nova Gorica. We drove 360,035 'green kilometers' in 2020. GEN-I also implemented a micro mobility project, the aim of which is to establish and equip three e-bike sheds, and digitalize the user experience of reserving electric micro vehicles and accessing e-bike sheds. All three e-bike sheds are powered by solar energy, and have 10 electric bikes and five electric scooters.

Responsibility to the public

We are aware that success is based on the establishment and constant maintenance of relations between the organization and various interested parties, while taking a prudent and well-planned approach to communication that is in line with the GEN-I Group's strategy.

Public relations are an important strategic tool through which we strengthen the recognition of the Company and its brands, and the primary tool for attracting new customers. The GEN-I Group advises, educates, plans and communicates with internal and external stakeholders via various channels. Responsibility to the public is coordinated through internal communication, media relations, social networks, the planning of events, management of the GEN-I's reputation and a trusting relationship with the community.

Communication with stakeholders

Our main channel for communication with stakeholders is the corporate website in Slovene and English, where information is provided regarding who we are and where we are present, and regarding our main activities and policies. We provide information to our electricity, natural gas and self-sufficient supply customers in Slovenia and abroad via individual websites for the Affordable Electricity, Affordable Natural Gas, Elektro energija and GEN-I Sonce brands in Slovenia, and the Affordable Electricity brand in Croatia. In parallel with the aforementioned websites, we also communicate actively through social networks, such as Facebook (GEN-I, Affordable Electricity and Elektro energija) and LinkedIn (GEN-I).

In order to maintain relations between employees, we are committed to sending and receiving information through the Thunder internal channel, the function of which is to motivate employees to be effective, self-initiative, pro-active and goal-oriented. The importance of excellent internal communication was especially evident in 2020 during the COVID-19 epidemic, when communication was responsible for keeping teams in synch. We set up the new internal 'Work from home' portal, where we regularly provided employees advice to help them in communication with teams and organize work from home more easily, as well as technical help and support to facilitate the work process from anywhere.

Communication during the COVID-19 epidemic and work from home

In 2020, when we faced the challenges of the COVID-19 epidemic and work from home, we paid special attention to communication with employees. The objectives of that communication were preserving the corporate culture, encouraging cooperation, despite physical absence, and maintaining the motivation of employees. We also wanted to make the lives of employees easier during the epidemic and period of social distancing and general quarantine by preparing content that empowered individuals to work from home and organize their home life. We regularly informed employees via email about events at the Company and set up an internal portal with useful technical advice and everyday practices in the new environment of work from anywhere.

Brand communication

We took gradual steps during the year to transform the overall identity of the GEN-I brand, as the main channel through which we communicated with the external public last year.

During the first wave of the epidemic in the spring of 2020, the focus of communication with external stakeholders, our customers and society as a whole was solidarity. As the seven-time, most trustworthy electricity supplier, we reacted quickly and decisively. With the awareness that generating profits during a crisis is not the first priority, we lowered electricity prices for our customers by 15% for three months, and thus ‘gifted’ them two million euros.

Knowing that the climate crisis is humankind’s greatest challenge and that the responsibility to address it lies with all of us, we jumped into action. In December 2020, we presented the new CO_2-free electricity communication strategy, through which we are rejecting fossil fuels and committing to environmentally friendly, carbon-free energy. We took an intense market approach to media advertising and enhanced online marketing, which will continue at the beginning of 2021 when we will offer all customers the choice of exclusively carbon-free electricity sources.

Marketing of the GEN-I Sonce brand and support for the comprehensive service of setting up solar power plants for the self-sufficient supply of energy according to the ‘turnkey’ principle continued in 2020. We took a more intensive approach to presenting solar power plants on industrial buildings and the first self-sufficient community.

Consolidated Financial Statements of the GEN-I Group

5. INTRODUCTION

The GEN-I Group (hereinafter: the Group). for which the consolidated financial statements are prepared. includes the parent company GEN-I. d.o.o. and the following fully owned subsidiaries:

- 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 An,ela Zvizdovića 1. Sarajevo
- GEN-I DOOEL. Skopje. Bulevar Partizanski odredi 15A/1. Skopje
- GEN-I Tirana Sh.p.k.. Ish-Noli Business Center. Rruga Ismail Qemali Nr. 27. Tirana
- GEN-I Athens SMLLC. 6 Anapafseos Street. Marousi
- GEN-I Sofia EOOD. Bulgaria Blvd.. residential quarter Bokar. Office Building 19C/D. Sofia
- GEN-I Milano S.r.l.. Corso di Porta Romana 6. Milan
- GEN-I Vienna GmbH. Heinrichsgasse 4. Dunaj
- GEN-I Istanbul Ltd.. Grand Pera. Hüseyinağa Mahallesi. İstiklal Cd. No: 56/58. Kat No: 3. Daire No: 5. 34435 Beyoğlu. Istanbul
- GEN-I Prodažba na energija DOOEL. Skopje. Bulevar Partizanski odredi 15A/1. Skopje
- GEN-I Sonce. d.o.o.. Dunajska cesta 119. Ljubljana
- GEN-I Kiev LLC. 45-B Olesia Honchara Str.. 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;
- SOL Navitas investicije. d.o.o.. Opekarniška cesta 15B. 3000 Celje.

6. CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2020

6.1. Consolidated statement of financial position of the GEN-I Group

AMOUNTS IN EUR ITEMS	NOTE	12/31/2020	12/31/2020
Property. plant and equipment	1	10,360,634	8,982,525
Right-of-use assets	2	3,377,721	3,871,446
Intangible assets and goodwill	3	9,377,882	3,622,424
Investment property	4	1,841,279	1,907,383
Participating interests in associates	5	11,236,702	11,247,944
Financial assets	6	253,183	296,878
Operating receivables	7	11,084,938	7,483,877
Deferred tax assets	21	1,049,265	1,220,490
Non-current assets		**48,581,603**	**38,632,966**
Inventories	8	3,407,772	1,502,344
Trade and other receivables	9	64,453,966	76,903,043
Advances paid. contract assets and other assets	10	56,327,396	53,888,290
Financial assets	11	39,186	42,614
Derivatives	12	18,739,181	0
Current tax assets	13	22,758,540	28,336,799
Cash and cash equivalents	14	65,584,621	62,095,182
Current assets		**231,310,662**	**222,768,271**
Assets		**279,892,265**	**261,401,237**
Share capital	15	19,877,610	19,877,610
Legal reserves	15	1,987,761	1,987,761
Fair value reserves	15	-419,811	–140,262
Translation reserve	15	-996,924	–738,875
Net profit for the period	15	15,428,322	15,282,822
Retained earnings	15	69,393,524	58,561,157
Non-controlling interest		**0**	**0**
Equity		**105,270,484**	**94,830,214**
Financial liabilities	16	36,200,000	39,129,147
Lease liabilities	17	2,422,458	2,868,886
Trade and other payable	18	133,282	133,282
Provisions	19	1,600,885	966,425
Deferred revenues	20	197,053	115,571
Non-current liabilities		**40,553,678**	**43,213,311**
Financial liabilities	16	25,471,861	30,663,145
Lease liabilities	17	993,974	1,038,422
Derivatives	12	0	2,257,374
Trade and other payable	22	85,050,975	67,014,914
Advances received. contract liabilities and other liabilities	23	16,430,731	16,885,046
Current tax liabilities	24	6,120,563	5,498,810
Current liabilities		**134,068,104**	**123,357,712**
Liabilities		**174,621,781**	**166,571,023**
Total equity and liabilities		**279,892,265**	**261,401,237**

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

6.2. Consolidated income statement of the GEN-I Group

AMOUNTS IN EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues	26	2,101,225,597	2,203,588,646
Change in value of inventories	27	-293,040	105,496
Historical cost of goods sold	28	-2,055,559,519	-2,168,762,703
Other recurring operating revenues or expenses	26	28,390,065	23,104,074
Gross profit		**73,763,102**	**58,035,514**
Cost of materials	28	-819,610	-791,035
Cost of services	28	-14,782,557	-14,775,701
Labor costs	29	-27,163,972	-21.482.273
Deferred labor costs	29	522,712	464.690
Other operating revenues or expenses	30	558,046	1,513,442
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**32,077,722**	**22,964,637**
Amortization and depreciation	31	-3,383,930	-2,988,762
Impairment losses on trade receivables and contract assets	31	-5,285,673	-175,219
Earnings before interest and taxes (EBIT)		**23,408,119**	**19,800,655**
Financial income	32	423,150	819,126
Financial costs	32	-4,142,843	-2,244,079
Loss from financing		**-3,719,693**	**-1,424,954**
Recognized results of associates		**471,257**	**490,389**
Profit before tax		20,159,684	18,866,081
Income tax expense	**33**	**-4,731,361**	**-3,583,269**
Profit from continuing operations		**15,428,322**	**15,282,822**

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

6.3. Consolidated statement of comprehensive income of the GEN-I Group

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Net profit for the period	**15,428,322**	**15,282,822**
Items that are or may be classified to the income statement	**-258,048**	**221,863**
Exchange rate differences	-258,048	221,863
Deferred tax from comprehensive income	0	0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-279,549**	**-92,779**
Other comprehensive income for the period, net of tax	**-537,597**	**129,084**
Total comprehensive income for the period	**14,890,725**	**15,411,906**

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

6.4. Consolidated cash flow statement of the GEN-I Group

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	15,428,322	15,282,822
Adjustments for		
Amortization and depreciation	3,383,930	2,988,762
Write-downs of operating receivables and property, plant and equipment	4,187	4,525
Impairment losses, loss allowances and write-offs of trade receivables and contract assets	5,285,673	175,219
Gains on the sale of property, plant and equipment, intangible assets and investment property	-22,683	-51,364
Reversal of write-downs and write-down of liabilities	-2	-1,076
Non-monetary expenses	-28,182,294	250,173
Financial income	-423,150	-819,126
Financial costs	1,774,060	1,983,373
Recognized results of associates under the equity method	-471,257	-490,389
Income tax	4,731,361	3,583,269
Operating profit before changes in net current assets and taxes	**1,508,147**	**22,906,160**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	14,133,689	26,059,185
Change in inventories	-2,653,917	-753,261
Change in prepayments and other assets	-2,439,107	-6,223,299
Change in operating liabilities	27,771,292	-31,829,231
Change in advances received and other current liabilities	-454,316	1,641,686
Change in provisions	634,460	216,231
Change in deferred revenues	81,482	69,608
Income tax paid	-2,884,857	-1,352,410
Cash flows from operating activities	**35,696,873**	**10,734,668**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	457,303	638,029
Dividends received	482,499	500,000
Proceeds from the sale of property, plant and equipment and intangible assets	95,255	83,727
Proceeds from the sale of associates	11,275,000	0
Proceeds from decrease in loans granted	2,776	0
Proceeds from settlement of derivatives	43,655,500	0
Acquisitions of property, plant and equipment and intangible assets	-8,922,589	-3,788,365
Acquisitions of subsidiaries	-128,000	0
Acquisitions of associates	-11,275,000	0
Outflows for settlement of derivatives	-52,960,467	0
Net cash flow from investing activities	**-17,317,723**	**-2,566,609**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,785,103	-1,878,581
Acquisitions of right-of-use assets	-73,259	-61,641
Repayment of long-term loans	-2,807,201	0
Repayment of short-term loans	-85,935,941	-123,746,034
Proceeds from long-term loans received	0	5,000,000
Proceeds from short-term loans received	80,647,865	118,518,989
Dividends (shares) paid out	-4,000,000	-4,000,000
Net cash flow from financing activities	**-13,953,639**	**-6,167,266**
Cash and cash equivalents at beginning of period	**62,095,182**	**60,094,389**
Net increase in cash and cash equivalents	**3,489,439**	**2,000,792**
Cash and cash equivalents at end of period	**65,584,621**	**62,095,182**

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

6.5. Consolidated statement of changes in equity of the GEN-I group

Changes in 2020

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance at 12/31/2019	**19,877,610**	**1,987,761**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit for the period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Actuarial gains (losses)	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive income for the period	**0**	**0**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY		
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
Balance at 12/31/2020	**19,877,610**	**1,987,761**

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

Changes in 2019

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance at 12/31/2018	**19,877,610**	**1,987,761**
ADJUSTMENT ON INITIAL APPLICATION OF IFRS 9, NET OF TAX		
Adjusted balance at 1/1/2019	**19,877,610**	**1,987,761**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Net profit for the period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Actuarial gains (losses)	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive income for the period	**0**	**0**
Transactions with owners recorded directly in equity	**0**	**0**
Allocation of remaining portion of net profit to other equity components	0	0
Dividends (shares) paid out	0	0
Other reversals of equity components	0	0
Balance at 12/31/2019	**19,877,610**	**1,987,761**

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
–140,262	**–738,875**	**15,282,822**	**58,561,157**	**94,830,214**
0	0	15,428,322	0	15,428,322
0	-258,048	0	0	-258,048
-279,549	0	0		-279,549
-279,549	**-258,048**	**0**	**0**	**-537,597**
-279,549	**-258,048**	**15,428,322**	**0**	**14,890,725**
0	0	-15,282,822	15,282,822	0
0	0	0	-4,000,000	-4,000,000
0	0	0	-450,455	-450,455
-419,811	**-996,924**	**15,428,322**	**69,393,524**	**105,270,484**

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
–47,483	**–960,738**	**12,908,860**	**49,426,908**	**83,192,918**
–47,483	**–960,738**	**12,908,860**	**49,426,908**	**83,192,918**
0	0	15,282,822	0	15,282,822
0	221,863	0	0	221,863
-92,779	0	0	0	-92,779
–92,779	**221,863**	**0**	**0**	**129,085**
–92,779	**221,863**	**15,282,822**	**0**	**15,411,907**
0	**0**	**0**	**225,389**	**225,389**
0	0	–12,908,860	12,908,860	0
0	0	0	–4,000,000	–4,000,000
0	0	0	225,389	225,389
–140,262	**–738,875**	**15,282,822**	**58,561,157**	**94,830,214**

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GEN-I GROUP FOR 2020

7.1. Reporting company

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is domiciled in Slovenia. Its registered office is at Vrbina 17, 8270 Krško, Slovenia. The consolidated financial statements of the GEN-I Group for the business year that ended on December 31, 2020 comprise the Company and its subsidiaries (together hereinafter referred to as: the GEN-I Group of the Group). The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

The GEN-I Group's core activities include the supply of electricity and natural gas to end-customers, the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants, the provision of services aimed at the energy self-sufficiency, efficiency and independence of households, the provision of advanced services to business partners, and electricity and natural gas trading.

7.2. Basis for compilation

(A) STATEMENT OF COMPLIANCE

The financial statements were approved by the parent company's Management Board on March 2, 2021.

The consolidated financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, and the provisions of the Companies Act (ZGD).

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

(B) MEASUREMENT BASIS

The consolidated financial statements were compiled on a historical cost basis, except in the case of derivatives and financial instruments at fair value through profit or loss, where fair value was used.

(C) FUNCTIONAL AND REPORTING CURRENCY

The consolidated financial statements are expressed in euros, which is the parent company's functional currency. All accounting data presented in euros are rounded to the nearest integer. Immaterial differences may arise in the totals presented in tables due to the rounding of data. The consolidated financial statements present comparative information for the previous period.

(D) USE OF ESTIMATES AND JUDGEMENTS

When preparing these consolidated financial statements, senior management has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates and assumptions are mainly associated with:

- the estimated useful lives of amortizable assets,
- asset impairment,
- the identification of lease contracts, the definition of the lease term and the definition of the associated discount rate,
- the measurement of ECL allowances for trade receivables and contract assets,
- employee earnings,
- provisions,
- deferred tax assets,
- contingent liabilities, and
- derivatives.

Actual undesirable events at the Group level due to COVID-19 were negligible. The Group achieved planned operating results in 2020. Having the most significant effect on operating results in 2020 was a social initiative put forth by the parent company's Management Board to reduce the price of electricity by 15% at the beginning of 2020, which resulted in a reduction in gross operating profit by close to EUR 2 million.

Verification of the assumption of a going concern

The going concern consumption serves as the basis for the compilation of the Group's financial statements. The Group functioned smoothly. There is thus no intention or need to reduce the scope of or suspend operations in the future.

Because there is no risk to the organization as a going concern, the Group applies the provisions of all accounting standards to measure assets and liabilities. Items of property, plant and equipment and intangible assets are presented in the financial statement at their carrying amounts, as the Company will use those assets over their useful lives and has no intention to sell them.

Liquidity risk

COVID-19 had no effect on the liquidity risk to which the Group is exposed. The Group manages its sources and investments in such a way that it is capable of settling its maturing liabilities at any given moment. The Group plans cash flows on a daily basis and thus implements a policy of regularly managing liquidity, which is approved by senior management. It also has measures in place to prevent and/or eliminate potential causes of illiquidity.

Lease concessions

There were no lease concessions at the Group level due to the COVID-19 epidemic. There was thus no reason for the Group to implement amendments to IFRS 16.

Impairment of non-financial and financial assets

The Group verified the need for additional impairments of assets at the end of the 2020 business year. Additional impairments of receivables and contract assets were recognized relative to the previous year. We did not feel any major effects from the reduction in the collection of receivables, but certain customers did request the deferral of payments. We have not identified any material changes in risks. The reasons lie in the well-diversified portfolio of customers with sound credit ratings and, of course, in anti-corona legislation, which through measures to mitigate the consequences of the epidemic helped companies overcome financial challenges. Due to the latter, we believe that 2020 is unrepresentative in terms of defaults and that the real effect of the crisis on the dynamics of payments will not be felt until government aid is withdrawn. The year 2021 will be a better indicator of the financial strength of our customers. For this reason, we put aside historical data and created higher ECL allowances for 2021 than we would have based entirely on past experience.

Net realizable value of inventories

The Group carries inventories at fair value, which is equal to their market value on the balance-sheet date less costs to sell. The Group has no reason to impair inventories.

Maturity of liabilities due to failure to fulfil financial commitments set out in loan agreements

The Group regularly monitors the financial commitments set out in loan agreements. Failure to achieve agreed indicators on the balance-sheet date could result in changes to contractual provisions, such as a change in repayment or a change in interest rate. The COVID-19 epidemic did not prevent the Group from fulfilling its financial commitments in 2020. For this reason, no agreements were reached to amend or waive financial commitments, and there was no impact on the Group's financial position, effectiveness or cash flow.

Repayment of state aid and the recognition of revenues in connection with state aid

The Group did not take advantage of state aid. The only state aid received in 2020 was in the form of the exemption of the payment of contributions for pension and disability insurance due to the payment of a crisis bonus to employees. There is thus no risk in connection with the repayment of state aid.

7.3. Significant accounting policies

Companies of the GEN-I Group consistently applied the accounting policies described below to all periods presented in the consolidated financial statements.

In certain cases, amounts were reclassified between specific items. The amounts in the comparable financial statements were also reclassified for the sake of comparability.

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed or has the right to variable returns from its participating interest in the entity and has the ability to affect those returns though its influence over the entity. 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.

Accounting policies applied by subsidiaries are adapted to the Group's accounting policies.

(ii) Investments in associates

Associates are entities in which the Group has significant influence, but not control over their financial and business policies. Significant influence exists if the Group owns at least 20% of voting rights in another company, unless it can prove that this is not the case.

Investments in associates are initially recognized at historical cos, and subsequently accounted for using the equity method. If an investment must be impaired due to internal or external signs of impairment, impairment losses are measured as the difference between the carrying amount of the investment and its recoverable amount. In accordance with IAS 36, the recoverable amount is the higher of value in use or fair value less costs of disposal. Value is assessed using the techniques set out in IAS 36 in connection with IFRS 13.

The consolidated financial statements include the Group's share in the profit and loss of associates, calculated using the equity method after reconciling accounting policies, from the day significant influence is established until the day it ceases.

If the Group's share in the loss of an associate exceeds its participating interest in that company, the carrying amount of the Group's participating interest is reduced to zero, and the recognition of further losses is discontinued.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized revenues and expenses arising from intra-group transactions are eliminated from the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the associated investment to the extent of the Group's participating interest in the company in question. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCIES

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates valid on the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency of individual Group companies at the exchange rate valid on the reporting date. Positive or negative exchange differences are differences between the amortized cost in the functional currency at the beginning of the period, adjusted for the amount of effective interest and payments in the period, and the amortized cost expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities whose historical cost is expressed in foreign currencies and measured at fair value 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 in a foreign currency are translated at the exchange rate valid on the transaction date. Foreign currency differences are recognized in the income statement and disclosed in financial costs.

(ii) Foreign operations

The Group's consolidated financial statements are expressed in euros. The items of every Group company included in the financial statements are translated to the reporting currency for the needs of the consolidated financial statements as follows:

- The assets and liabilities of foreign operations in each presented statement of financial positio, 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 on the day of translation.

Foreign currency differences are recognized in other comprehensive income and disclosed in the translation reserve in equity.

(C) FINANCIAL INSTRUMENTSI

(i) Recognition and initial measurement

Trade receivables, loans and deposits are initially recognized on the day they arise. All other financial assets and financial liabilities are initially recognized 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 FVTPL. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) 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 amortized cost, financial assets measured at fair value through other comprehensive income (hereinafter: FVOCI) – investments in debt securities, FVOCI – investments in equity instruments, or financial assets measured at fair value through profit or loss (hereinafter: FVTPL). Financial assets are not reclassified following initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following that change.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 OCI. This decision is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 3.7). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements for measurement at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment (policy)

The Group makes an assessment of 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 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 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, volume 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 recognize them.

Financial assets that are held for trading or are managed and whose yield is assessed based on fair value are measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest (policy)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the amount of principal outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), and a profit margin.

The Group takes into account the contractual terms of an instrument when determining whether the associated cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would fail to not 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.

Financial assets – subsequent measurement, and gains and losses (policy)

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest of dividend income, are recognized in profit and loss. However, see point (v) in Note c) for derivatives designated as hedging instruments.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Investments in debt securities measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. Gains and losses recognized in OCI are reclassified to profit or loss on derecognition.

Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never transferred to profit or loss.

Financial liabilities – classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at fair value 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

See point (v) in Note c) for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets

The Group derecognizes 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 recognized 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 derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognizes 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 recognized 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 recognized in profit or loss.

(iv) 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 recognized amounts and intends to either settle the net amount or liquidate the asset and settle its liability.

(v) 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 natural gas price fluctuations. It primarily uses forward currency contracts to hedge against currency risks.

The Group uses non-standardized 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-standardized forward contract 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.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization 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 standardized 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-standardized forward contracts, on the other hand, are not liquid because the exchange of these contracts is almost impossible. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivatives also include option contracts that the Group classifies on initial recognition 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 at the measurement date, the difference is recognized in profit or loss for marketable assets, or deferred and released subsequently in profit 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 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 unrecognized 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.

Derivatives are initially measured at fair value. Following initial recognition, derivatives are measured at fair value, and changes to fair value are generally recognized 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 recognized in profit or loss.

Hedge accounting

The Group meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows from the hedged item and hedging instrument are expected to offset each other.

At the inception of the hedging relationship, and then on an ongoing basis, the Group assesses whether a hedging relationship meets hedge accounting requirements. That assessment relates to expectations and is therefore only forward-looking. To qualify for hedge accounting, a hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk is not predominant in changes in value that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of the hedged item.

At each reporting date, the Group measures hedge ineffectiveness, i.e. the extent to which changes in the fair value of the hedging instrument are greater or less than changes in the hedged item.

Fair value hedging

The Group calculates fair value hedges against the risk of fluctuating prices for standardized and non-standardized forward contracts by recognizing 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 recognized in profit or loss. If an unrecognized firm commitment is defined as a hedge item, the subsequent cumulative change in the fair value of the firm commitment that can be attributed to a hedge is recognized as an asset or liability, with the relevant gain or loss recognized in profit or loss. The initial book value of an asset or liability arising from the fulfillment 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 recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2019 is similar to that applied for 2020.

(D) SHARE CAPITAL

Share capital is the called-up capital contributed by shareholders. The Group's total equity comprises called-up capital, legal reserves, fair value reserves, the translation reserve and retained earnings.

(E) OPREDMETENA OSNOVNA SREDSTVA

(i) Property, plant and equipment

Items of property, plant and equipment are disclosed at historical cost, less depreciation costs and impairment losses.

The historical cost includes the costs that can be directly attributed to the procurement of an individual asset. The costs of an internally produced asset comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of the asset for its intended purpose, costs of disposal and removal, costs of restoring the location of an asset to its original state and capitalized borrowing costs. Any computer software that contributes significantly to an asset's functionality must be capitalized as part of that asset.

Components of items of property, plant and equipment that have different useful lives are accounted for as separate items.

(ii) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized 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. All other costs (such as daily maintenance) are recognized as expenses in profit or loss immediately after they arise.

(iii) Spare parts

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

(iv) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant and equipment. This is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative period are as follows:

• buildings	33 years
• parts of buildings	16 years
• plant and equipment	2 to 5 years

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 10 years).

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if necessary. Estimates of the useful lives of plant and equipment were not revised during the business year.

(F) RIGHT-OF-USE ASSETS

IFRS 16 Leases was published by the IASB on January 13, 2016. In accordance with IFRS 16, a lessee recognizes a right-of-use assets and a lease liability. A right-of-use asset is treated similarly to other non-financial assets and is thus depreciated accordingly. A lease liability is initially measured at the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease, if that rate can be determined. If that rate cannot be determined, the lessee must apply the incremental borrowing rate. Similar to IAS 17, which was replaced by IFRS 16, the lessee classifies a lease as operating or finance, depending on the nature of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise, a lease is classified as an operating lease. A lessor recognizes financial income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Group reviews and analyzes 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 recognizes 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 leases. Those rates range from 1.7% to 2.8%. Depreciation costs are calculated using depreciation rates estimated based on the remainder of the lease term.

(G) INTANGIBLE ASSETS AND GOODWILL

(i) Capitalized development costs

Capitalized 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 capitalizes 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.

Capitalized development costs comprise the direct costs of labor 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.

(ii) Other intangible assets and goodwill

Other intangible assets with limited useful lives acquired by the Group are disclosed at historical cost, less amortization costs and accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is measured at historical cost less accumulated impairment losses.

(iii) Subsequent costs

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost relates. All other costs are recognized as expenses in profit or loss immediately after they arise.

Amortization

Amortization is calculated based on an asset's historical cost or another amount that is used in its place.

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with the asset. The estimated useful life for the current and comparative year is as follows:

• software	5 years

Other intangible assets such as trading and selling licenses are amortized according to the validity of the issued license in question.

Amortization methods, useful lives and other values are reviewed at the end of each business year and adjusted if necessary.

(H) INVESTMENT PROPERTY

Investment property comprises real estate owned by the 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 recognized in profit or loss according to the straight-line method, while the estimated useful life of investment property is 25 years.

(l) IMPAIRMENT OF ASSETS

(i) Non-current financial assets:

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (hereinafter: ECLs) on:

- financial assets measured at amortized 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 ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the relevant contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The Group measures ECLs on trade receivables and contract assets based on a loss allowance adjustment matrix.

Loss rates are calculated taking into account rates of transitions between credit rating categories based on the probability that a receivable will pass through successive phases from default to write-off. Rates of transitions between credit rating categories are calculated separately for exposures in various segments based on common credit risk characteristics, e.g. customer types (B2B or wholesale, B2C or retail and trading).

ECLs are calculated for all trade receivables and contract assets up to 90 days past due based on the appropriate loss rates for different time intervals.

Impairment losses are recognized 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 amortized 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 the following observable data:

- 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 advance by the Group under conditions that the Group would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; 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 amortized cost are deducted from the gross carrying amount of those assets.

Write-offs

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 entirely 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.

(ii) 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.

(iii) Non-financial assets

At each reporting date, the Group reviews the carrying amount of non-financial assets (except deferred tax assets) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. 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 an asset or cash-generating unit is the higher of its value in use or fair value less selling costs. In determining an asset's value in use, estimated future cash flows are discounted to their present value using 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 are consolidated into the smallest asset groups that generate cash inflows.

The impairment of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. Impairment is disclosed in the income statement.

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. The Group derecognizes impairment losses if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(J) INVENTORIES

Inventories of merchandise and materials are valued at the lower of historical cost and net realizable value.

Historical cost comprises the purchase price, import duties and direct purchasing costs. The purchase price is reduced for discounts granted. Direct purchasing costs comprise transportation costs, loading, transshipment and unloading costs, transportation insurance costs, the costs of goods tracking, the costs of agency services and similar costs incurred until the first warehouse, if they are charged to the customer. Discounts on the purchase price include those stated on invoices and those that are granted subsequently and relate to a specific purchase.

Net realizable value is the estimated selling price obtained in the ordinary course of business, reduced by estimated costs of completion and costs of sale. The Group verifies the net realizable value of inventories on the balance-sheet date. If the net realizable value of inventories is lower than their carrying amount, inventories are impaired. Individual items of damaged, expired and obsolete inventories are written off regularly during the year.

The Group also applies the valuation exception for so-called brokers and traders, where fair value less costs to sell represents a more appropriate valuation.

The market price on the day a transfer is made to inventories represents fair value. Inventories are revalued to the current market value less costs to sell on the day the Group's statement of financial position is compiled. All differences (positive or negative) between the fair value calculated as such on the balance-sheet date and the carrying amount of inventories are recorded in the income statement.

Čista iztržljiva vrednost je ocenjena prodajna cena. dosežena v rednem poslovanju. zmanjšana za ocenjene stroške dokončanja in ocenjene stroške prodaje. Na dan izkaza finančnega položaja Skupina preveri čisto iztržljivo vrednost zalog. Če je le-ta nižja od knjigovodske vrednosti zalog. se opravi slabitev zalog. Odpisi poškodovanih. pretečenih. neuporabnih zalog se opraviljajo redno med letom po posameznih postavkah. Poleg tega Skupina uporablja tudi izjemo za vrednotenje zaloge za t. i. ''broker traderje''. kjer je ustreznejše vrednotenje po pošteni vrednosti. zmanjšani za stroške prodaje.

Pošteno vrednost predstavlja tržna cena na dan vnosa v zaloge. Zaloga se na dan sestavitve izkaza finančnega položaja Skupine prevrednoti po tedaj veljavni tržni ceni. zmanjšani za stroške prodaje. Vsa odstopanja (pozitivna in negativna) med tako izračunano pošteno vrednostjo na bilančni presečni datum in knjigovodsko vrednostjo se vključujejo v izkaz poslovnega izida.

(K) EMPLOYEE BENEFITS

Short-term employee benefits are disclosed in expenses when the related service is provided. A liability is recognized in the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee and the obligation can be estimated reliably.

(L) PROVISIONS

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined 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.

Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement and internal rules, the Group is obliged to pay long-service bonuses and severance payments to employees, and has created non-current provisions for this purpose. The Group has 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 in 2020 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 future periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 0.5% was set for the calculation at December 31, 2020, based on the published yields on high-quality corporate bonds denominated in euros at December 30, 2020.

Labor costs and interest expenses are recognized in the income statement, while recalculated post-employment benefits and unrealized actuarial gains or losses from severance pay are recognized as an equity item in other comprehensive income.

(M) REVENUES

(i) Revenue from contracts with customers

The Group recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction 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 applied in sales of small solar power plants and services.

The Group generates by far the most revenues from trading, and a smaller (but significant) amount from the sale of electricity and natural gas to end-customers. The Group also generates revenues from certain other sources, which are negligible in the overall structure of revenues.

The Group recognizes revenues when it fulfils its performance obligation through the transfer of promised goods or services, i.e. when it supplies electricity or natural gas, or when a customer takes control of such assets. The Group takes into account contractual conditions when setting the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the transfer of electricity and natural gas 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 recognizes 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 recognized in revenues.

(ii) Revenues from services rendered

Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) Commissions

If the Group acts as an intermediary in a transaction and not as the main party, the resulting net commission is disclosed as revenues.

(iv) Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of the lease.

(N) GOVERNMENT GRANTS

Government grants relating to assets are initially recognized 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 recognized in profit or loss 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 recognized in profit or loss in the period in which the costs arise.

The Group's policy for recognizing and measuring state aid in connection with additional measures to mitigate the consequences of the COVID-19 epidemic is to record the net effects, which means the reduction of labor cost.

(O) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes interest income, net gains on financial assets measured at fair value through profit or loss and positive exchange rate differences. Interest income is recognized when it arises at a contractually agreed interest rate.

Dividend income is recognized in profit and loss on the date on which the Group's right to receive payment is established.

Financial costs include interest expense, net losses on financial assets measured at fair value through profit or loss and negative exchange rate differences. Interest expense is recognized in the income statement at a contractually agreed interest rate.

(P) INCOME TAX

Income tax includes current and deferred tax. Income tax is disclosed in the income statement, except where it relates to business combinations or items disclosed directly in equity, in which case it is disclosed in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the business year, applying the tax rates in force at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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 is expected to be 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(Q) SEGMENT REPORTING

Because the financial report comprises the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

An operating segment is a part of the Group that carries out business activities from which it generates revenues and incurs costs that relate to transactions with other Group companies. The results of operating segments are reviewed regularly by the senior management with the aim of making decisions about the allocation of resources to a particular segment and assessing the Group's performance.

Although the management monitors more detailed information regarding each operating segment, only the following reportable segments were defined in the preparation of these financial statements due to the sensitive nature of that information:

- the trading and sale of electricity and natural gas, and
- the self-sufficient supply of electricity from the sun and advanced services

Operating segments of the Group in 2020

AMOUNTS IN EUR	TRADING AND SALES	SELF-SUFFICIENT SUPPLY AND ADVANCED SERVICES	INCOME STATEMENT/ STATEMENT OF FINANCIAL POSITION
External revenues	2,088,698,867	12,526,730	2,101,225,597
Inter-segment revenues	0	0	0
Segment profit (loss) before tax	18,221,785	1,937,899	20,159,684
Interest income	374,690	48,067	422,757
Interest expense	-1,421,128	-185,361	-1,606,489
Amortization and depreciation	-3,198,929	-185,002	-3,383,930
Share of profit of equity-accounted associates and joint ventures	471,257	0	471,257
Total assets	258,451,494	21,440,771	279,892,265
Current and non-current operating and financial liabilities	156,331,286	18,290,495	174,621,781

Operating segments of the Group in 2019

AMOUNTS IN EUR	TRADING AND SALES	SELF-SUFFICIENT SUPPLY AND ADVANCED SERVICES	INCOME STATEMENT/ STATEMENT OF FINANCIAL POSITION
External revenues	2,193,431,772	10,156,874	2,203,588,646
Inter-segment revenues	0	0	0
Segment profit (loss) before tax	16,890,797	1,975,294	18,866,091
Interest income	456,146	65,494	521,640
Interest expense	-1,705,034	-223,791	-1,928,825
Amortization and depreciation	-2,880,332	-108,431	-2,988,762
Share of profit of equity-accounted associates and joint ventures	490,389	0	490,389
Total assets	241,699,471	19,701,766	261,401,237
Current and non-current operating and financial liabilities	148,405,762	18,165,261	166,571,023

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

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period:

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020);

- **Amendments to IFRS 3 Business Combinations** – Definition of a Business, adopted by the EU on April 21, 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period); and

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** – Interest Rate Benchmark Reform, adopted by the EU on January 15, 2020 (apply to annual periods beginning on or after January 1, 2020); and

- **Amendments to IFRS 16 Leases** – Covid-19-Related Rent Concessions, adopted by the EU on October 9, 2020 and applicable to annual periods beginning on or after June 1, 2020, for business years that begin on or after January 1, 2020;

- **Amendments to References to the Conceptual Framework in IFRS,** adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020).

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

(S) NEW 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:

On the day these financial statements were approved, the International Accounting Standards Board (IASB) had issued amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9. Those amendments were adopted by the EU on December 16, 2020, but had not yet entered into force (the expiry date for the temporary exemption was deferred to annual periods beginning on or after January 1, 2023).

(T) 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 March 2, 2021 (the dates of application stated below apply to all IFRS) had not been adopted for use by the EU:

- **IFRS 14 Regulatory Deferral Accounts** (applies to annual periods beginning on or after January 1, 2016). The European Commission opted not to begin procedures to adopt this interim standard, but will wait for the issue of the final version;

- **IFRS 17 Insurance Contracts,** including amendments to IFRS 17 (applies to annual periods beginning on or after January 1, 2023);

- **Amendment to IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (applies to annual periods beginning on or after January 1, 2023);

- **Amendments to IAS 16 Property, Plant and Equipment** – Proceeds Before Intended Use (apply to annual periods beginning on or after January 1, 2022);

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – Proceeds Before Intended Use (apply to annual periods beginning on or after January 1, 2022);

- **IFRS 3 Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3 (applies to annual periods beginning on or after January 1, 2022);

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Subsequent Amendments (date of application postponed indefinitely until the completion of a research project in connection with the equity method).

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Interest Rate Benchmark Reform – Phase 2 (apply to annual periods beginning on or after January 1, 2021); and

- **Amendments to various standards (Improvements to IFRS, 2018–2020 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 1, IFRS 9 and IAS 41 apply to annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 relates solely to an illustrative example. The date of application is thus not stated).

The Group does not expect the introduction of 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 under IAS 39 Financial Instruments would not have had a significant impact on its financial statements if it had been applied on the balance-sheet date.

7.4. Cash flow statement

The Group compiles the cash flow statement according to the indirect method.

7.5. Overview of all subsidiaries in the GEN-I group

GROUP COMPANIES	% OF OWNERSHIP		CARRYING AMOUNT OF INVESTMENT		EQUITY OF SUBSIDIARY		SHARE CAPITAL OF MAJORITY SHAREHOLDER	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
GEN-I Athens SMLLC.	100.00%	100.00%	600,000	600,000	1,266,157	799,380	600,000	600,000
GEN-I d.o.o. Beograd	100.00%	100.00%	150,000	150,000	858,793	1,118,767	654,051	655,389
GEN-I Sonce. d.o.o.	100.00%	100.00%	1,000,000	1,000,000	3,115,937	1,536,505	1,000,000	1,000,000
GEN-I Istanbul LtD.	99.00%	99.00%	844,566	844,566	766,307	702,188	219,464	299,209
GEN-I Energia S.r.l.	100.00%	100.00%	380,000	380,000	307,118	451,334	100,000	100,000
GEN-I Podražba na energija DOOEL Skopje	100.00%	100.00%	39,951	39,951	603,858	503,764	9,922	9,964
GEN-I d.o.o. Sarajevo	100.00%	100.00%	512,847	512,847	836,601	786,064	511,292	511,292
GEN-I DOOEL Skopje	-	-	-	-	0	0	0	0
GEN-I Sofia SpLLC	100.00%	100.00%	100,830	100,830	-3,358,231	-3,151,365	100,004	100,005
GEN-I Tirana Sh.p.k.	100.00%	100.00%	46,452	46,452	837,022	492,577	48,720	49,424
GEN-I Vienna GmbH	100.00%	100.00%	50,000	50,000	987,391	911,100	50,000	50,000
GEN-I Zagreb d.o.o.	100.00%	100.00%	991,692	991,692	1,454,368	1,376,874	993,128	1,008,132
GEN-I Kiev LLC	100.00%	100.00%	248,224	248,224	469,495	859,153	210,015	277,090
GEN-I Tbilisi LLC	100.00%	100.00%	50,000	50,000	27,312	31,328	31,121	38,563
Elektro energija. d.o.o.	100.00%	100.00%	10,149,750	10,149,750	11,316,240	10,795,412	3,000,000	3,000,000
GEN-I Sonce DOOEL Skopje	100.00%	100.00%	100,000	100,000	69,642	98,509	99,699	100,129
GEN-I-ESCO, pametna energija, d.o.o.	100.00%	100.00%	50,000	50,000	21,129	42,073	50,000	50,000
SOL Navitas d.o.o.	100.00%	0%	0	0	22,326	0	29,600	0
Total			15,314,311	15,314,311	19,601,465	17,353,663	7,707,016	7,849,197

7.6. Notes to the financial statements

Note 1: **Property, plant and equipment**

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/31/2020	12/31/2019
Land	2,470,248	2,470,248
Buildings	3,451,927	3,132,012
Other plant and equipment	3,998,839	3,281,973
Property, plant and equipment under construction, and advances	439,619	98,292
Intangible assets	10,360,634	8,982,525

The buildings and associated land in Kromberk and Brdo account for the majority of property, plant and equipment. Vehicles, computer equipment, furniture and other equipment account for the majority of other plant and equipment.

Total investments in property, plant and equipment in 2020 amounted to EUR 2,962,630, and relate to computer equipment, the renovation of business premises, the purchase of vehicles, furniture and other equipment, and

ASSETS OF SUBSIDIARY		LIABILITIES OF SUBSIDIARY		REVENUES OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/ 2020	12/31/ 2019
8,396,031	7,783,673	7,129,874	6,984,293	71,257,690	139,053,931	579,408	118,370	2	2
14,279,839	12,775,697	13,421,046	11,656,930	175,775,352	198,297,188	515,966	461,289	4	4
20,670,730	19,701,766	17,554,793	18,165,261	12,456,723	8,400,741	1,589,962	545,021	52	43
3,943,675	8,997,641	3,177,367	8,295,453	28,206,675	27,048,821	355,559	311,315	3	3
2,240,869	6,309,615	1,933,752	5,858,281	745,116	13,204,471	15,785	278,739	0	0
12,120,708	12,314,023	11,516,850	11,810,259	73,664,147	135,802,454	495,701	394,167	2	2
14,375,648	13,624,381	13,539,047	12,838,317	89,896,664	108,303,260	325,309	274,772	1	1
0	0	0	0	0	0	0	0	0	0
2,214,143	2,371,442	5,572,374	5,522,807	41,222	672,190	-205,777	-170,904	2	1
9,780,777	11,493,431	8,943,755	11,000,854	22,653,069	30,312,969	711,930	362,696	2	2
5,544,018	4,298,998	4,556,627	3,387,898	13,043,516	15,322,230	228,431	152,140	1	1
19,380,810	15,312,169	17,926,441	13,935,295	91,936,825	114,906,282	462,068	368,639	12	10
2,308,792	6,659,500	1,839,296	5,800,347	20,931,223	15,109,036	-202,143	32,482	2	1
27,916	31,653	604	325	0	0	2,283	-2,640	0	0
23,146,642	15,751,658	11,830,402	4,956,246	48,114,112	48,021,368	1,769,201	1,228,900	1	1
2,088,106	2,101,376	2,018,463	2,002,867	0	0	-28,445	-1,616	0	0
679,479	203,385	658,350	161,312	42,496	3,350	-20,572	-7,927	0	0
90,563	0	68,237	0	27,511	0	6,090	0	0	0
141,288,746	**139,730,408**	**121,687,278**	**122,376,745**	**648,792,341**	**854,458,291**	**6,600,756**	**4,345,443**	**84**	**71**

investments in fixed assets owned by third parties. Property, plant and equipment are not pledged as collateral.

Changes in 2020

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2019	**2,470,248**	**6,644,571**	**8,192,508**	**98,292**	**17,405,619**
Acquisitions	0	0	309,603	0	309,603
Other acquisitions	0	0	0	2,962,630	2,962,630
Write-downs	0	0	-249,698	0	-249,698
Disposals	0	0	-70,266	0	-70,266
Transfers within property plant and equipment	0	578,903	2,042,398	-2,621,302	0
Other transfers	0	0	71,874	0	71,874
Balance at 12/31/2020	**2,470,248**	**7,223,474**	**10,296,419**	**439,620**	**20,429,762**
IMPAIRMENT LOSSES					
Balance at 1/1/2020	**0**	**3,512,559**	**4,910,535**	**0**	**8,423,094**
Acquisitions through business combinations	0	0	212,459	0	212,459
Write-downs	0	0	-221,448	0	-221,448
Disposals	0	0	-81,206	0	-81,206
Transfers within property plant and equipment	0	0	112,965	0	112,965
Other transfers	0	0	-552	0	-552
Depreciation expense	0	258,987	1,363,918	0	1,622,905
Exchange rate differences	0	0	909	0	909
Balance at 12/31/2020	**0**	**3,771,546**	**6,297,580**	**0**	**10,069,126**
Carrying amount at 1/1/2020	**2,470,248**	**3,132,012**	**3,281,973**	**98,292**	**8,982,525**
Carrying amount at 12/31/2020	**2,470,248**	**3,451,927**	**3,998,839**	**439,620**	**10,360,634**

Changes in 2019

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2019	**400,660**	**6,504,402**	**6,158,065**	**2,068,654**	**15,131,781**
Acquisitions	0	0	0	2,592,452	2,592,452
Write-downs	0	0	–245,096	0	–245,096
Disposals	0	–21,309	–53,809	0	–75,118
Transfers within property plant and equipment	2,069,588	161,478	2,333,280	–4,564,345	0
Other transfers	0	0	0	1,532	1,532
Exchange rate differences	0	0	67	0	67
Balance at 12/31/2019	**2,470,248**	**6,644,571**	**8,192,508**	**98,292**	**17,405,619**
IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**3,279,399**	**4,094,792**	**0**	**7,374,191**
Write-downs	0	0	–243,016	0	–243,016
Disposals	0	–21,309	–33,522	0	–54,830
Depreciation expense	0	254,469	1,092,248	0	1,346,717
Other transfers	0	0	32	0	32
Balance at 12/31/2019	**0**	**3,512,559**	**4,910,535**	**0**	**8,423,094**
Carrying amount at 1/1/2019	**400,660**	**3,225,003**	**2,063,274**	**2,068,654**	**7,757,590**
Carrying amount at 12/31/2019	**2,470,248**	**3,132,012**	**3,281,973**	**98,292**	**8,982,525**

Note 2: **Right-of-use assets**

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	12/31/2020	12/31/2019
Buildings	3,336,561	3,755,405
Vehicles	41,160	116,043
Total right-of-use assets	**3,377,721**	**3,871,446**

The Group has business premises under lease in Ljubljana, Krško and Maribor, which it has capitalized in accordance with IFRS 16. The lease terms vary from 2 to 10 years.

Lease payments are not secured. The Group applies the exemption provided for by the aforementioned standard to short-term leases and leases where the underlying asset has a low value. Lease payments are contractually defined and fixed.

Changes in 2020

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	TOTAL
HISTORICAL COST			
Balance at 31/12/2019	**4,518,498**	**824,788**	**5,343,286**
New acquisitions	603,061	0	603,061
Termination of lease	-87,191	-64,068	-151,259
Other transfers	0	120,532	120,532
Balance at 12/31/2020	**5,034,368**	**881,252**	**5,915,620**
IMPAIRMENT LOSSES			
Balance at 1/1/2020	**763,094**	**708,746**	**1,471,840**
Disposals	-48,508	-64,068	-112,576
Other transfers	0	80,060	80,060
Depreciation expense	983,221	115,354	1,098,576
Balance at 12/31/2020	**1,697,807**	**840,092**	**2,537,900**
Carrying amount at 1/1/2020	**3,755,404**	**116,041**	**3,871,445**
Carrying amount at 12/31/2020	**3,336,561**	**41,160**	**3,377,721**

Changes in 2019

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	TOTAL
HISTORICAL COST			
Estimate as at 12/31/2018	**0**	**1,085,014**	**1,085,014**
Change due to introduction of IFRS 16	2,315,939	0	2,315,939
Balance at 31/12/2019	**2,315,939**	**1,085,014**	**3,400,953**
New acquisitions	2,202,560	0	2,202,560
Termination of lease	2,202,560	-260,226	-260,226
Balance at 12/31/2020	**4,518,499**	**824,788**	**5,343,287**
IMPAIRMENT LOSSES			
Balance at 1/1/2020	**0**	**840,233**	**840,233**
Disposals	0	-248,151	-248,151
Depreciation expense	763,094	116,663	879,757
Balance at 12/31/2020	**763,094**	**708,746**	**1,471,840**
Carrying amount at 1/1/2020	**2,315,939**	**244,780**	**2,560,719**
Carrying amount at 12/31/2020	**3,755,405**	**116,041**	**3,871,446**

Note 3: **Intangible assets and goodwill**

AMOUNTS IN EUR INTANGIBLE ASSETS	12/31/2020	12/31/2019
Non-current deferred operating costs	17,741	21,588
Goodwill	339,894	228,130
Other intangible assets	2,091,991	1,496,608
Advances for intangible assets	1,972,878	0
Intangible assets in acquisition and development	4,036,649	1,411,408
Capitalized development costs	918,729	464,690
Total intangible assets	**9,377,882**	**3,622,424**

The Group's other intangible assets include property rights in the form of software and long-term licenses for trading on foreign markets.

The Group's total investments in intangible assets in 2020 in the amount of EUR 6,482,671 comprise software for information support for shared services and trading, support for the sale of electricity to end-customers and server support. Capitalized development costs account for EUR 522,712 of that amount.

Goodwill was up in 2020 on account of the purchase of SOL Navitas, d.o.o. due to the surplus of consideration over the fair value of acquired equity because the acquired company is expected to generate an operating profit in the future. There were no signs of the impairment of goodwill in 2020 because there was no indication of lower expectations of future cash flows based on a test for potential impairments using the method of the future value of expected free cash flows, which are based on future plans.

Changes in 2020

AMOUNTS IN EUR INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2020	**21,588**	**228,130**	**8,668,418**	**1,876,098**	**10,749,231**
Other acquisitions	0	111,764	12,013	5,959,959	6,083,736
Capitalized development costs	0	0	0	522,712	522,712
Disposals of business combinations	0	0	-244,806	0	-244,806
Transfers from/to available-for-sale assets	-3,847	0	0	0	-3,847
Transfers within intangible assets	0	0	1,430,514	-1,430,514	0
Exchange rate differences	0	0	-6,747	0	-6,747
Balance at 12/31/2020	**17,741**	**339,894**	**9,859,389**	**6,928,256**	**17,145,280**
IMPAIRMENT LOSSES					
Balance at 1/1/2020	**0**	**0**	**7,171,807**	**0**	**7,171,807**
Write-downs	0	0	-553	0	-553
Amortization expense	0	0	596,345	0	596,345
Exchange rate differences	0	0	-201	0	-201
Balance at 12/31/2020	**0**	**0**	**7,767,398**	**0**	**7,767,398**
Carrying amount at 1/1/2020	**21,588**	**228,130**	**1,496,608**	**1,876,098**	**3,622,424**
Carrying amount at 12/31/2020	**17,741**	**339,894**	**2,091,991**	**6,928,256**	**9,377,882**

Changes in 2019

AMOUNTS IN EUR INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2019	**18,651**	**228,130**	**8,398,511**	**486,291**	**9,131,583**
Acquisitions	2,937	0	0	1,192,976	1,195,913
Capitalized development costs	0	0	0	464,690	464,690
Transfers within intangible assets	0	0	267,859	-267,859	0
Other transfers	0	0	2,045	0	2,045
Balance at 12/31/2019	**21,588**	**228,130**	**8,668,415**	**1,876,098**	**10,794,230**
IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**0**	**6,472,798**	**0**	**6,472,798**
Write-downs	0	0	0	0	0
Other transfers	0	0	0	0	0
Amortization expense	0	0	696,184	0	696,184
Exchange rate differences	0	0	2,825	0	2,825
Balance at 12/31/2019	**0**	**0**	**7,171,807**	**0**	**7,171,807**
Carrying amount at 1/1/2019	**18,651**	**228,130**	**1,925,713**	**486,291**	**2,658,785**
Carrying amount at 12/31/2019	**21,588**	**228,130**	**1,496,608**	**1,876,098**	**3,622,424**

Note 4: **Investment property**

AMOUNTS IN EUR INVESTMENT PROPERTY	12/ 31/2020	12/ 31/2019
Investment property	1,841,279	1,907,383
Total investment property	**1,841,279**	**1,907,383**

In 2018, GEN-I Sofia acquired additional real estate in Bulgaria in bankruptcy proceedings against a Bulgarian electricity supplier. The carrying amount of investment property does not exceed its fair value. There was thus no need for impairment.

Note 5: **Investments in associates**

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES	12/ 31/2020	12/ 31/2020
Participating interests in associates	11,236,702	11,247,944
Total investments in associates	**11,236,702**	**11,247,944**

At December 31, 2020, the Group held a 25% participating interest in GEN-EL naložbe, d.o.o., with its registered office at Vrbina 17 in Krško.

Note 6: **Financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/ 31/2020	12/ 31/2019
Financial assets	253,183	296,878
Total financial assets	**253,183**	**296,878**

The Group's financial assets in the amount of EUR 253,183 comprise unit-linked life insurance policies in the amount of EUR 253,183.

Note 7: **Non-current operating receivables**

AMOUNTS IN EUR NON-CURRENT OPERATING RECEIVABLES	12/31/2020	12/31/2019
Non-current operating receivables	11,084,938	7,483,877
Total non-current operating receivables	**11,084,938**	**7,483,877**

Non-current operating receivables comprise receivables from the sale of small solar power plants by the subsidiary GEN-I Sonce.

Note 8: **Inventories**

AMOUNTS IN EUR INVENTORIES	12/31/2020	12/31/2019
Material	2,087,286	875,620
Work in progress	326,514	626,724
Products and commercial goods	993,972	0
Total inventories	**3,407,772**	**1,502,344**

Inventories of material and work in progress relate to the manufacture of small solar power plants for the self-sufficient supply of electricity. In 2017, the subsidiary GEN-I Sonce entered the self-sufficient energy supply market, and offers Slovenian household customers and small businesses the construction of 'turnkey' micro solar power plants that facilitate energy independence.

In addition, the parent company made the decision in 2020 to store physical quantities of natural gas intended for resale. Natural gas is valued at the current market price less costs to sell on the day it is transferred to inventories.

The Group recognized inventories in the amount of EUR 5,548,595 as an expense in 2020. The Group did not recognize any write-offs as an expense, nor did it reverse any write-offs as a reduction of inventory-related expenses in 2020.

In addition, the Group's parent company made the decision in 2020 to store physical quantities of natural gas intended for resale. Natural gas is valued at the current market price less costs to sell on the day it is transferred to inventories.

The Group's inventories are not pledged as collateral for liabilities.

Note 9: **Trade and other receivables**

Information regarding the Group's exposure to credit and market risks, and impairment losses for trade receivables is presented in Note 3.7.

AMOUNTS IN EUR TRADE AND OTHER RECEIVABLES	12/31/2020	12/31/2019
Trade receivables	61,998,203	75,648,491
Default interest receivable	235,444	269,804
Current portion of non-current operating receivables	10,521	9,533
Other receivables	2,209,799	975,215
Total trade and other receivables	**64,453,966**	**76,903,043**

Other receivables in the amount of EUR 2,209,799 are primarily the result of third-party transactions.

Certain trade receivables on the wholesale electricity market in Southeast Europe are secured via specialized credit insurers.

Note 10: **Advances paid, contract assets and other assets**

AMOUNTS IN EUR ADVANCES PAID, CONTRACT ASSETS AND OTHER ASSETS	12/31/2020	12/31/2019
Advances paid and security deposits	4,179,108	3,198,557
Current deferred costs and expenses	5,149,127	6,325,921
Contract assets	46,999,162	44,363,812
Total advances paid, contract assets and other assets	**56,327,396**	**53,888,290**

Advances and security deposits paid by the Group in the amount of EUR 4,179,108 primarily comprises advances for the purchase of electricity and natural gas, and cross-border transfer capacities.

The majority of current deferred costs and expenses comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 5,149,127 relating to the first quarter of 2021.

Current accrued revenues in the amount of EUR 46,999,162 mainly comprise accrued revenues from customers whose electricity and natural gas purchases for 2020 will be invoiced in 2021 in accordance with contractual provisions.

Note 11: **Current financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/31/2020	12/31/2019
Short-term deposits	39,186	42,614
Total financial assets	**39,186**	**42,614**

Short-term deposits were placed as collateral in favor of the Italian customs office.

Note 12: **Current derivatives**

AMOUNTS IN EUR CURRENT DERIVATIVES	12/31/2020	12/31/2019
Equity options	697,993	697,993
Options, swaps and other business-related derivatives	-249,222	31,709
Derivatives used as hedges against currency risks	235,008	-183,748
Firm commitments recognized for fair value hedges	-2,219,891	-6,695,954
Fair value of commodity contracts	20,275,293	3,892,624
Total current derivatives	**18,739,181**	**-2,257,374**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 20,25,293 relates to the following periods:

- the 2021 business year in the amount of EUR 17,490,593;
- the 2022 business year in the amount of EUR 2,461,077;
- the 2023 business year in the amount of EUR 199,656; and
- the 2024 business year in the amount of EUR 123,967.

Firm commitments recognized for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that are hedged using derivatives (standardized forward contracts) and relate to the following periods:

- the 2021 business year in the negative amount of EUR 2,219,891.

Note 13: **Current tax assets**

AMOUNTS IN EUR CURRENT TAX ASSETS	12/31/2020	12/31/2019
Receivables for value-added tax	21,392,468	25,858,163
Receivables for corporate income tax	163,330	384,423
Other tax assets	1,202,742	2,094,213
Total current tax assets	**22,758,540**	**28,336,799**

Other tax assets primarily comprise receivables for excise duty in Italy.

Note 14: **Cash and cash equivalents**

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/31/2020	12/31/2019
Cash in banks	57,599,571	49,353,083
Call deposits	9	2,530,000
Deposits with a maturity of up to 3 months	7,984,008	10,209,942
Cash in hand	1,032	2,157
Cash and cash equivalents	**65,584,621**	**62,095,182**

Note 15: **Equity and reserves**

Share capital comprises the owners' cash contributions in the amount of EUR 19,877,610.

Reserves

AMOUNTS IN EUR RESERVES	12/31/2020	12/31/2019
Legal reserves	1,987,761	1,987,761
Fair value reserves	-419,811	-140,262
Translation reserve	-996,924	-738,875
Total	**571,026**	**1,108,625**

The Group's share capital was unchanged in 2020. Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

At the end of 2020, fair value reserves from actuarial calculations were negative in the amount of EUR 419,811.

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

Retained earnings

AMOUNTS IN EUR RETAINED EARNINGS	12/31/2020	12/31/2019
Net profit for the period	15,428,322	15,282,822
Retained earnings	69,393,524	58,561,157
Total	**84,821,847**	**73,843,979**

Total retained earnings, which amounted to EUR 58,561,157 at the end of the previous year, were increased by net profit in the amount of EUR 15,282,822, and reduced by dividend payments to the parent company's owners in the amount of EUR 4,000,000 and other eliminations of retained earnings in the amount of EUR 450,455 as the result of the write-off of receivables at GEN-I Beograd charged to retained earnings.

Note 16: **Financial liabilities**

AMOUNTS IN EUR NON-CURRENT FINANCIAL LIABILITIES	12/31/2020	12/31/2019
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	0	129,147
Non-current liabilities for bonds	31,200,000	34,000,000
Total long-terms loans and borrowings	**36,200,000**	**39,129,147**

AMOUNTS IN EUR CURRENT FINANCIAL LIABILITIES	12/31/2020	12/31/2019
Bank loans	0	5,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	487,705	669,231
Other current financial liabilities	24,855,009	24,864,767
Total short-term loans and borrowings	**25,471,861**	**30,663,145**

The balance of bonds at December 31, 2020 was EUR 31,200,000, comprising bonds issued by the parent company in 2018 in the amount of EUR 20,000,000 and bonds issued by GEN-I Sonce, d.o.o. in 2017.

Other current financial liabilities comprise commercial paper that matures in June 2021.

Loans and borrowings received were recognized at fair value less acquisition costs. At the reporting date, they were measured at amortized cost less principal payments, taking into account acquisition costs, discounts and premiums.

Note 17: **Lease liabilities**

AMOUNTS IN EUR LEASE LIABILITIES	12/31/2020	12/31/2019
Non-current lease liabilities	2,422,458	2,868,886
Current lease liabilities	993,974	1,038,422
Total non-current trade and other payables	**3,416,432**	**3,907,308**

Costs and maturity of financial liabilities

The Group's liabilities from bank loans amounted to EUR 5,000,000 at the reporting date. A long-term loan in the amount of EUR 5,000,000 falls due for payment in 2022. Loans and borrowings from Slovenian commercial banks are secured with bills of exchange. The Group also has liabilities from loans from the Eco Fund in the amount of EUR 129,147 that fall due for payment in 2021. The Group issued bonds in 2017 and 2018 that mature in 2022 and 2024, respectively. Bonds were listed on the organized market of the Ljubljana Stock Exchange in 2018.

Loans bear variable interest rates tied to the 3- and 6-month EURIBOR plus a mark-up, while bonds bear a fixed interest rate. Interest expenses for long-term, short-term and revolving loans from commercial banks and others, commercial paper, bonds, equity option contracts, finance leases and default interest amounted to EUR 1,606,489 during the 2020 business year. The Group's current interest payable amounted to EUR 487,705 on the final day of the business year.

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Changes in lease liabilities

Changes in non-current lease liabilities

AMOUNTS IN EUR CHANGES IN NON-CURRENT LEASE LIABILITIES	BUILDINGS	VEHICLES	TOTAL
Balance at 31/12/2019	2,814,396	54,490	2,868,886
Increases	601,568	0	601,568
Termination of lease	-8,687	0	-8,687
Transfer to current portion	-984,820	-54,490	-1,039,310
Balance at 12/31/2020	**2,422,457**	**0**	**2,422,458**

Changes in current lease liabilities

AMOUNTS IN EUR CHANGES IN NON-CURRENT LEASE LIABILITIES	BUILDINGS	VEHICLES	TOTAL
Balance at 31/12/2019	968,475	69,947	1,038,422
Transfer from non-current portion	984,820	54,490	1,039,310
Interest	70,285	2,974	73,259
Termination of lease	-23,070	0	-23,070
Lease payments	-1,034,271	-99,675	-1,133,946
Balance at 12/31/2020	**966,239**	**27,736**	**993,975**

Note 18: **Non-current trade and other payables**

AMOUNTS IN EUR ITEMS	12/31/2020	12/31/2019
Non-current trade and other payables	45,782	45,782
Consortium fund assets	87,500	87,500
Total non-current trade and other payables	**133,282**	**133,282**

Note 19: **Provisions**

AMOUNTS IN EUR PROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES 2020	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES 2019
Balance at 1/1	**966,425**	**750,194**
Creation of provisions	744,544	363,406
Use of provisions	-11,356	-16,577
Reversal of provisions	-98,728	-130,598
Balance at 12/31	**1,600,885**	**966,425**

The Group created provisions for long-service bonuses and for severance payments at retirement and in the event of employment termination based on the current value of its liabilities to employees. Additional provisions were created at the parent company in 2020 in the amount of EUR 718,976, at GEN-I Sonce in the amount of EUR 22,768 and at GEN-I Athens in the amount of EUR 2,800.

Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period. A calculation is made for each employee, taking into account the costs of severance payments and the costs of all the expected long-service bonuses until retirement.

The calculation of provisions for post-employment and other non-current employee benefits is based on an actuarial calculation prepared by a certified actuary that applied the following financial assumptions (defined in nominal terms):

Rates of growth in average wages and amounts set out in relevant Slovenian regulation:

- The rates of growth in average wages in Slovenia for 2021 and 2022 set out in the Autumn forecast of economic trends 2020 (IMAD) are taken into account. From 2023 on, average wages in Slovenia are expected to rise by 2.0% in line with inflation and by 1.0% in real terms. It is assumed that the amounts set out in the aforementioned regulation will not rise until 2022, while subsequent growth in those amounts is expected to be in line with inflation.

Rates of growth in wages at the Company:

- It is assumed that growth in basic gross wages and the variable component of wages will be in line with annual inflation.
- It is assumed that growth in wages at EGS will be in line with annual inflation, increased by 0.5% annually.
- Annual wage growth on account of advancement is taken into account in the amount of 0.5% of wages.
- A bonus for total years of service in the amount of 0.5% of basic wages is taken into account for every year of service completed.
- A discount rate of 0.5% was set for the calculation at December 31, 2020, based on the yields on high-quality (AA-rated) corporate bonds denominated in euros at December 30, 2020, taking into account the average weighted duration of the Group's debt (based on the calculated amount of debt prior to discounting) from the balance-sheet date until repayment according to an individual type of benefit (22.2 years).

Note 20: **Deferred revenues**

The Group recognized deferred revenues for subsidies received for electric vehicles.

AMOUNTS IN EUR ITEMS	12/31/2020	12/31/2019
Deferred government grants	197,053	115,571
Total deferred revenues	**197,053**	**115,571**

Note 21: **Deferred tax assets**

AMOUNTS IN EUR DEFERRED TAXES	RECEIVABLES	
DEFERRED TAXES RELATING TO	2020	2019
Intangible assets	178,388	172,992
Property, plant and equipment	11,663	7,317
Operating receivables	706,938	934,861
Provisions for severance payments and long-service bonuses	152,275	105,320
Deferred tax assets (liabilities)	**1,049,264**	**1,220,490**

The Group has created deferred tax assets for operating receivables, for provisions created for long-service bonuses and severance payments, and for differences in the amortization of intangible assets for reporting and tax purposes.

Deferred tax assets that effect operating results are recognized in the income statement.

Changes in temporary differences

AMOUNTS IN EUR CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2019	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPRE-HENSIVE INCOME	12/31/2020
Intangible assets	157,080	16,332	16,332	173,412	4,976	4,976	178,388
Property, plant and equipment	811	6,506	6,506	7,317	4,346	4,346	11,663
Operating receivables	1,102,562	-150,508	-150,508	952,054	-245,116	-245,116	706,938
Provisions for severance payments and long-service bonuses	86,401	1,306	1,306	87,707	64,569	64,569	152,276
Skupaj	**1,346,854**	**-126,364**	**-126,364**	**1,220,490**	**-171,225**	**-171,225**	**1,049,265**

Deferred tax assets are calculated at a rate of 19%.

Note 22: **Current trade and other payables**

AMOUNTS IN EUR CURRENT TRADE AND OTHER PAYABLES	12/31/2020	12/31/2019
Trade payables	79,115,844	62,731,889
Current liabilities from third-party transactions	229,870	52,877
Current liabilities to employees	5,223,844	3,845,365
Current liabilities to others	481,417	384,782
Total current trade and other payables	**85,050,975**	**67,014,914**

Current liabilities to employees comprise liabilities for December salaries and other employment earnings.

Note 23: **Advances received, contract liabilities and other current liabilities**

AMOUNTS IN EUR ADVANCES RECEIVED, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2020	12/31/2019
Current operating liabilities based on advances	**7,372,827**	**7,742,132**
Accrued costs and expenses	8,661,823	9,005,651
Deferred revenues	396,080	137,264
Accrued costs and deferred revenues	**9,057,903**	**9,142,914**
Skupaj predujmi. pogodbene obveznosti in druge kratkoročne obveznosti	**16,430,731**	**16,885,046**

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

Accrued costs and expenses in the amount of EUR 8,661,823 primarily relate to purchases of electricity and natural gas that were taken into account in the compilation of the financial statements based on contracts signed with business partners in 2020, but for which the Group had not received invoices by the time the annual report was prepared.

Note 24: **Current tax liabilities**

AMOUNTS IN EUR CURRENT TAX LIABILITIES	12/31/2020	12/31/2019
Liabilities for value-added tax	1,407,524	1,708,938
Liabilities for corporate income tax	1,919,282	1,235,826
Other tax liabilities	2,793,757	2,554,047
Total current tax liabilities	**6,120,563**	**5,498,810**

Other tax liabilities to state and other institutions primarily comprise liabilities for taxes and contributions for December salaries and other employment earnings payable by the employer, and liabilities for excise tax and CO_2 emissions.

Note 25: **Contingent liabilities and assets**

AMOUNTS IN EUR POGOJNE OBVEZNOSTI	12/31/2020	12/31/2019
Guarantees and sureties	121,956,502	130,202,583
Guarantees and sureties – domestic subsidiaries	11,926,242	13,893,362
Guarantees and sureties – foreign subsidiaries	29,534,750	31,877,400
Other contingent liabilities	17,225,324	14,665,429
Total contingent liabilities and assets	**180,642,817**	**190,638,774**

Contingent liabilities comprise liabilities from bank guarantees that were issued to various beneficiaries at the request of GEN-I, d.o.o. and its subsidiaries. They may include performance bonds, bid guarantees and guarantees issued by banks for the timely payment of goods and services.

Other contingent liabilities relate to contingent liabilities from the maturity of an option vis-à-vis Gorenjska banka, and to guarantees for timely payment.

In addition to contingent liabilities, the Group recorded receivables from guarantees and sureties received, and other contingent receivables in the amount of EUR 65,863,190. These included guarantees for timely and reliable payment, and performance bonds.

Note 26: **Revenues**

AMOUNTS IN EUR REVENUES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues from the sale of goods and materials	2,049,143,472	2,151,256,141
Revenues from the sale of services	52,062,747	52,315,278
Rental income	19,378	17,227
Total	**2,101,225,597**	**2,203,588,646**

The Group's revenues from electricity and natural gas sales amounted to EUR 2,049,143,472 in 2020.

Revenues from the sale services mainly include sales of cross-border transfer capacities and revenues associated with the manufacture of small solar power plants.

AMOUNTS IN EUR REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA	ABROAD	TOTAL
	GENERATED FROM 1/1 TO 12/31/2020		
Revenues from the sale of goods and materials	418,978,061	1,630,165,411	2,049,143,472
Revenues from the sale of services	19,469,683	32,593,064	52,062,747
Rental income	19,378	0	19,378
Total	**438,467,122**	**1,662,758,475**	**2,101,225,597**

The Group generated 79% of revenues on foreign markets and 21% of revenues on the domestic market in 2020.

AMOUNTS IN EUR OTHER RECURRING OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Fair value of commodity contracts	21,260,738	54,095,018
Fair value of financial contracts	8,200,464	-31,126,680
Ineffective part of fair value hedges	-252,016	-109,846
Fair value of FOREX contracts	-1,766,340	-123,854
Other recurring operating revenues	947,219	369,436
Total other recurring operating revenues or expenses	**28,390,065**	**23,104,074**

Note 27: **Change in value of inventories**

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Change in value of inventories	-293,040	105,496

Note 28: **Cost of goods, materials and services**

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Historical cost of goods and materials sold	2,055,559,519	2,168,762,703

The cost of goods sold includes the purchase price of electricity and natural gas, and associated costs.

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Costs of energy	292,293	329,167
Materials and spare parts	173,626	139,172
Office supplies	288,809	285,842
Other costs of materials	64,882	36,854
Total cost of materials	**819,610**	**791,035**

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Cost of transportation and employees' business travels	137,692	330,112
Maintenance	1,705,131	1,196,458
Rents	655,290	495,924
Bank charges and other fees	2,302,741	2,733,797
Intellectual services	2,132,342	2,001,331
Sponsorship, advertising, promotions and public relations	1,313,328	1,400,704
Cost of IT services	205,298	394,541
Other services	6,330,734	6,222,835
Total cost of services	**14,782,557**	**14,775,701**

Other services primarily comprise telecommunications costs, the costs of the trading infrastructure and the costs of sales of electricity and natural gas.

Lease costs comprise the costs of short-term leases and low-value leases.

AMOUNTS IN EUR AUDITING SERVICES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Audit of annual report	114,035	122,446
Total auditing services	**114,035**	**122,446**

Note 29: **Labor costs**

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Wages and salaries	20,654,218	16,040,955
Social security contributions	3,317,361	2,733,982
Other labor costs	3,192,394	2,707,336
Deferred labor costs	-522,712	-464,690
Total labor costs	**26,641,260**	**21,017,583**

In 2020, the Group calculated labor costs in accordance with collective agreements for the electricity sector in countries where the parent company GEN-I, d.o.o. and its subsidiaries operate, the job classifications used by individual companies within the GEN-I Group, and individual employment contracts.

Labor 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 labor costs.

Other labor 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.

Deferred labor costs comprise the cost of internal labor included in development projects in connection with intangible assets that will bring future economic benefits. The current labor costs of employees included in development projects are thus recognized in intangible assets.

Note 30: **Other operating revenues or expenses**

AMOUNTS IN EUR OTHER OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues from the use and reversal of non-current provisions	48,698	87,883
Proceeds from the sale of property, plant and equipment and intangible assets	22,683	51,364
Other operating revenues	2,008,577	1,605,230
Revenues from subsidies, grants and compensation	612,146	2,065,155
Total other operating revenues	**2,692,103**	**241,832,698**
Taxes and levies	-1,001,636	-797,203
Losses on the sale of property, plant and equipment and intangible assets, and write-offs and impairments of fixed assets.	-4,187	-4,525
Donations	-40,237	-46,865
Other operating expenses	-880,227	-1,197,454
Derecognition of goodwill	-207,770	-250,143
Total other operating expenses	-2,134,057	-2,296,190
Other operating revenues or expenses	**558,046**	**1,513,442**

Other operating revenues primarily comprise revenues from the reversal of accrued expenses from the previous year, revenues from the sale of excess telephone services to employees and revenues from reminders. The majority of other operating revenues comprise revenues from the formulation of a new strategy with GEN energija for the B2B and B2C sales channels, through which those segments will be provided exclusively carbon-free electricity.

Other operating expenses primarily comprise membership fees, non-deductible expenses for tax purposes, and taxes.

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Humanitarian purposes	25,737	15,261
Charitable purposes	4,700	5,300
Educational and scientific purposes	1,000	10,000
Sports purposes	8,300	10,500
Cultural purposes	0	1,300
Religious and healthcare purposes	500	2,504
Sports purposes	0	2,000
Total	**40,237**	**46,865**

Note 31: **Amortization and depreciation**

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Amortization of intangible assets	596,345	696,184
Depreciation of investment property	66,104	66,104
Depreciation of property, plant and equipment	1,622,905	1,463,381
Depreciation of lease assets	1,098,576	763,094
Total	**3,383,930**	**2,988,762**

Imparment losses on trade receivables and contect assets

AMOUNTS IN EUR IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Impairment losses, loss allowances and write-offs of trade receivables and contract assets	5,285,673	175,219
Total	**5,285,673**	**175,219**

The Group impaired receivables in the additional amount of EUR 661,722 in 2020, and wrote off receivables of EUR 68,550. The majority of impairments are the result of expected credit losses. The Group applied a higher expected default rate at the end of the year.

Note 32: **Loss from financing**

AMOUNTS IN EUR LOSS FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Dividend income from participating interests in subsidiaries	207	297,210
Interest income	422,757	521,640
Other financial income	186	276
Financial income	**423,150**	**819,126**
Interest expense	-1,606,489	-1,928,825
Impairments of available-for-sale financial assets	-97,224	0
Net foreign exchange losses	-2,368,783	-260,706
Other financial costs	-70,347	-54,549
Financial costs	**-4,142,843**	**-2,244,079**
Loss from financing	**-3,719,693**	**-1,424,954**

The majority of financial income was accounted for by default interest, interest from deposits and interest from positive account balances.

Interest expenses included interest on commercial paper, bonds, loans received from banks and other institutions, equity options, finance leases, default interest and interest from negative account balances. Net foreign exchange losses as the result of fluctuations in the Turkish lira and Ukrainian hryvnia exchange rates account for a large portion of financial costs.

Note 33: **Income tax expense**

AMOUNTS IN EUR INCOME TAX EXPENSE	2020	2019
Current tax	4,663,245	3,456,058
Deferred tax	68,116	127,211
Total	**4,731,361**	**3,583,269**

Efektivna davčna stopnja

AMOUNTS IN EUR	2020	2019
Gross profit before tax	**20.159.684**	**18.866.091**
Statutory tax rate	19%	19%
Income tax at statutory tax rate, prior to changes in tax base	3,830,340	3,584,557
Tax-exempt income	-13,064	-6,836
Non-deductible expenses	770,692	236,519
Tax relief	-297,068	-138,274
Non-deductible receivables for tax losses	-808	-62,496
Effect of tax rates in foreign jurisdictions	441,271	-30,202
Effective tax rate	**23.47%**	**18.99%**
Current and deferred tax	4,731,361	3,583,269

The effective tax rate in 2020 was up relative to 2019, primarily on account of non-deductible expenses. The latter were higher in 2020 relative to 2019 primarily due to expenses from the revaluation of receivables that are not recognized for tax purposes in accordance with the Corporate Income Tax Act.

Note 34: **Data on related parties**

Gross earnings

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS – SENIOR MANAGEMENT	2020	2019
Wages and salaries	752,354	667,956
Fringe benefits and other remuneration	697,611	511,999
Total	**1,449,965**	**1,179,955**

No Group companies have any outstanding receivables from or liabilities to Management Board members.

The data presented below represent disclosures according to IAS 24 Related Party Disclosures as the result of the financial consolidation of the GEN-I Group with the owner GEN energija d.o.o., taking into account the criteria of IFRS 10.

All transactions that are deemed related party transactions based on financial consolidation by GEN energija d.o.o. as a company under 100% state ownership, taking into account the criteria of IAS 24, represent business relationships that are entered into under market conditions in the scope of everyday operations. As a result, we assess that more detailed disclosures are not required, despite the value of individual transactions, as the latter are immaterial, as regards quality, for disclosure in accordance with the requirements of IAS 24.

	2020	2019
Revenues		
Associates	0	0
Parent companies	9,194,509	28,988,524
Other related companies	51,296	13,085
Historical cost of goods sold		
Associates	0	0
Parent companies	168,152,781	171,561,224
Other related companies	320,149	11,831
Cost of services		
Associates	0	0
Parent companies	167,665	165,858
Other related companies	0	0
Financial income from participating interests in companies		
Associates	482,499	500,000
Parent companies	0	0
Other related companies	0	0
Financial costs for interest		
Associates	0	0
Parent companies	98,667	0
Other related companies	0	0
Investments in companies		
Associates	11,276,310	11,276,310
Parent companies	0	0
Other related companies	0	0
Current operating receivables		
Associates	0	0
Parent companies	2,867,997	733,566
Other related companies	10,232	4,578
Current financial receivables		
Associates	0	0
Parent companies	0	0
Other related companies	0	0
Current operating liabilities		
Associates	0	0
Parent companies	18,266,634	18,801,955
Other related companies	44,530	329
Current financial liabilities		
Associates	0	0
Parent companies	0	120,230
Other related companies	0	0
Accrued expenses		
Associates	0	0
Parent companies	668,948	0
Other related companies	0	0

7.7. Financial instruments – fair value and risk management

(A) DETERMINING FAIR VALUE

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The Group defined the fair values of individual groups of assets for measurement and accounting purposes based on the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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).

(v) 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.

Note 35: **Classification and fair value of financial instruments**

AMOUNTS IN EUR FAIR VALUE	12/31/2020		12/31/2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS MEASURED AT FAIR VALUE				
Derivatives	18,739,181	18,739,181	0	0
Financial assets measured at fair value through profit or loss	0	0	100,000	100,000
Total	**18,739,181**	**18,739,181**	**100,000**	**100,000**
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Non-current financial assets	253,183	253,183	196,878	196,787
Non-current operating receivables	11,084,938	11,084,938	7,483,877	7,483,877
Short-term deposits	39,186	39,186	42,614	42,614
Trade and other receivables	87,212,506	87,212,506	105,239,841	105,239,841
Cash and cash equivalents	65,584,621	65,584,621	62,095,182	62,095,182
Total	**164,174,433**	**164,174,433**	**175,058,392**	**175,058,392**
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	0	-2,257,374	-2,257,374
Total	**0**	**0**	**-2,257,374**	**-2,257,374**
LIABILITIES MEASURED AT AMORTIZED COST				
Unsecured bank loans	-5,000,000	-5,000,000	-10,000,000	-10,000,000
Other financial liabilities	-25,342,714	-25,342,714	-25,533,998	-25,533,998
Bonds	-31,200,000	-31,200,000	-34,000,000	-34,000,000
Loans and borrowings from others	-129,147	-129,147	-258,294	-258,294
Total	**-61,671,861**	**-61,671,861**	**-69,792,292**	**-69,792,292**

The Group has recognized derivatives from a call option for a participating interest in GEN-EL in the amount of EUR 697,993 that was classified to Level 2 of the fair value hierarchy. The value of those assets was assessed according to the discounted cash flow method, which in turn is based on data regarding the past operations and assumptions regarding the future operations of GEN-EL, d.o.o. (and the GEN-I Group), taking into account a discount rate of 11.51%, annual growth in residual free cash flow of 1% and a deduction for lack of marketability.

At the end of 2020, the Group also had a put option for a participating interest in GEN-EL. Based on the valuation method described above, the Group valued that option as 'out of the money', while there are no financial conditions for the options to be exercised.

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

Financially and physically settled exchange transactions that do not meet own-use exemption conditions are valued based on the relevant quoted exchange prices. Settlement prices from the relevant exchanges for related products are used for valuation. FOREX transactions are valued based on the relevant FX rate (official middle exchange rate or forward exchange rate). Official middle exchange rates or forward exchange rates are used for valuation. Data regarding official middle exchange rates are obtained from the relevant central banks, while forward exchange rates are determined based on market data. These assets and liabilities are classified to Level 1 of the fair value hierarchy.

Other physically settled forward transactions that do not meet own-use exemption conditions are valued based on the relevant forward price curves. Cross-border transfer capacities are valued based on the relevant differences between forward prices curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL comprise equity investments that are not quoted on an exchange and that the Group intends to hold for the long term.

The fair value of other current assets and liabilities is roughly equal to their carrying amount. The fair value of non-current assets and liabilities is roughly equal to their amortized cost. These assets and liabilities are classified to Level 3 of the fair value hierarchy.

Fair value of assets

AMOUNTS IN EUR FAIR VALUE LEVELS	12/ 31/2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	18,041,188	697,993	0	18,739,181
Total assets measured at fair value	**18,041,188**	**697,993**	**0**	**18,739,181**
ASSETS FOR WHICH FAIR VALUE IS DISCLOSED				
Non-current financial assets	0	0	253,183	253,183
Non-current operating receivables	0	0	11,084,662	11,084,662
Short-term deposits	0	0	39,186	39,186
Current operating receivables (excluding receivables from the state)	0	0	64,453,966	64,453,966
Cash and cash equivalents	0	0	65,584,621	65,584,621
Total assets for which fair value is disclosed	**0**	**0**	**141,415,617**	**141,415,617**
Total	**18,041,188**	**697,993**	**141,415,617**	**160,154,798**

AMOUNTS IN EUR FAIR VALUE LEVELS	12/ 31/2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	0	697,993	0	697,993
Total assets measured at fair value	**0**	**697,993**	**0**	**697,993**
ASSETS FOR WHICH FAIR VALUE IS DISCLOSED				
Non-current financial assets	0	0	196,878	196,878
Non-current operating receivables	0	0	7,482,498	7,482,498
Short-term deposits	0	0	42,614	42,614
Current operating receivables (excluding receivables from the state)	0	0	76,903,043	76,903,043
Cash and cash equivalents	0	0	62,095,182	62,095,182
Total assets for which fair value is disclosed	**0**	**0**	**146,720,215**	**146,720,215**
Total	**0**	**697,993**	**146,720,215**	**147,418,208**

Fair value of liabilities

AMOUNTS IN EUR FAIR VALUE LEVELS	12/ 31/2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	0	0	0
Total liabilities measured at fair value	**0**	**0**	**0**	**0**
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED				
Non-current financial liabilities	0	0	36,200,000	36,200,000
Current financial liabilities	0	0	25,471,861	25,471,861
Non-current operating liabilities (excluding other liabilities)	0	0	133,282	133,282
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	0	0	79,827,131	79,827,131
Total liabilities for which fair value is disclosed	**0**	**0**	**141,632,274**	**141,632,274**
Total	**0**	**0**	**141,632,274**	**141,632,274**

AMOUNTS IN EUR FAIR VALUE LEVELS	12/ 31/2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	2,955,367	0	2,955,367
Total liabilities measured at fair value	**0**	**2,955,367**	**0**	**2,955,367**
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED				
Non-current financial liabilities	0	0	39,129,147	39,129,147
Current financial liabilities	0	0	30,663,145	30,663,145
Non-current operating liabilities (excluding other liabilities)	0	0	133,282	133,282
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	0	0	79,827,131	79,827,131
Total liabilities for which fair value is disclosed	**0**	**0**	**149,752,706**	**149,752,706**
Total	**0**	**2,955,367**	**149,752,706**	**152,708,073**

(B) RISK MANAGEMENT FRAMEWORK

The Group's Management Board is fully responsible for the establishment and oversight of a risk management framework. The Management Board has established a risk management committee that is responsible for developing and monitoring the Group's risk management policies. That committee reports regularly to the Management Board on its activities.

The Group's risk management policies ensure the identification and analyses of the risks to which the Group is exposed, the definition of appropriate risk limits, the control and monitoring of risks, and compliance with limits. Risk management policies and systems are adapted regularly to reflect changes in market conditions and the Group's activities. Through its training and management standards and procedures, the Group strives to maintain a disciplined and constructive control environment in which all employees understand their roles and duties.

The Group is exposed to the following risks arising from financial instruments:

- credit risk,
- liquidity risk, and
- market risk (currency risk, interest-rate risk and commodity price risk).

Note 36: **Credit risk**

Credit risk is the risk of financial loss to 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.

(i) Trade receivables and contract assets

AMOUNTS IN EUR	CARRYING AMOUNT	
TRADE RECEIVABLES	2020	2019
Domestic customers	17,655,698	21,487,481
Euro area countries	10,815,712	17,922,083
Other European countries	14,881,454	15,047,313
Countries of the former Yugoslavia	8,362,036	10,864,175
Other regions	10,283,303	10,327,439
Total	**61,998,203**	**75,648,491**

AMOUNTS IN EUR	CARRYING AMOUNT	
RECEIVABLES	2020	2019
Wholesale customers	46,146,225	52,466,183
Retail customers	15,851,978	23,182,308
Total	**61,998,203**	**75,648,491**

The GEN-I Group has in place an active approach to managing credit risks and financial exposure to individual business partners that is based on the consistent application of internal bylaws and precisely defined procedures for identifying credit risks and assessing exposure to those risk, the setting of maximum risk exposure limits, and the constant monitoring of the Group's exposure to risks in its dealings with individual business partners. In accordance with the parent company's credit risk management rules, the Risk Management Department analyzes the creditworthiness of each new trading partner and major customer that wishes to purchase electricity and natural gas, and assesses associated risks. This risk assessment serves as the basis for future business cooperation, and for defining credit lines to hedge risks and offering the appropriate payment and delivery conditions with respect to an individual contractual relationship. When monitoring credit risk and daily credit line exposure, the Group divides individual partners into groups according to their credit characteristics (whether the partner is a company or a group of companies, trading partner, end-customer or retail customer), geographical position, sector, age structure and maturity of receivables, past financial difficulties, and the assessed level of risk of a breach of contractual obligations.
In order to minimize risks associated with business partners' inability to settle outstanding receivables, the Group pays particular attention to the use of the appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are settled. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and the relevant risk assessments.

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

Age structure and changes in impairment losses on trade and other receivables

AMOUNTS IN EUR MATURITY OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENT LOSSES	GROSS AMOUNT	IMPAIRMENT LOSSES
	12/31/2020		12/31/2019	
Not past due	63,873,879	4,775,062	69,468,860	60,132
Past due up to 90 days	5,871,945	1,238,727	6,938,724	50,872
Past due from 91 to 180 days	102,277	16,752	215,993	251,299
Past due from 181 to 365 days	378,580	579,401	126,951	155,158
More than one year past due	6,629,208	5,791,981	8,375,291	7,705,319
Total	**76,885,889**	**12,401,923**	**85,125,821**	**8,222,779**

AMOUNTS IN EUR CHANGES IN IMPAIRMENT LOSSES	IMPAIRMENT LOSSES	
	2020	2019
Opening balance at 1/1	12,371,589	13,357,057
Creation of impairment losses	5,217,122	193,585
Reversal of impairment losses	-1,320,090	-474,993
Write-downs of receivables charged to impairment losses	-68,550	-703,109
Exchange rate differences	10,312	-951
Closing balance at 12/31	**16,210,384**	**12,371,589**

The closing balance of ECLs and impairment losses comprises ECLs and impairment losses on trade receivables and contracts assets in the amount of EUR 12,401,923 and ECLs and impairment losses on other receivables and financial assets in the amount of EUR 3,808,461, the majority of which relates to impairment losses created by the subsidiary GEN-I Sofia.

Note 37: **Liquidity risk**

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 in order to ensure, to the greatest extent possible, that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Group's reputation.

Current year (2020)

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
				2020			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	5,000,000	5,089,249	42,736	43,444	5,003,069	0	0
Bonds issued	31,200,000	32,480,477	3,456,011	0	23,292,337	5,732,129	0
Other liabilities	25,605,143	25,356,890	25,158,858	152,250	45,782	0	0
Lease liabilities	3,416,432	4,500,154	539,831	513,002	1,024,595	1,891,785	530,940
Trade and other payable	91,171,537	91,171,538	91,171,538	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	0	0	0	0	0	0	0
Inflow	-18,739,181	-18,739,181	-18,739,181	0	0	0	0
Total	137,653,932	139,859,127	101,629,793	708,696	29,365,783	7,623,914	530,940

Preteklo leto (2019)

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
				2020			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	10,000,000	10,261,611	85,944	5,086,417	86,181	5,003,069	0
Bonds issued	34,000,000	36,201,107	700,014	0	3,500,616	29,156,353	2,844,124
Other liabilities	25,925,757	26,063,768	25,352,061	536,012	175,695	0	0
Lease liabilities	3,907,308	4,120,631	650,902	801,046	731,576	1,408,344	528,763
Trade and other payable	72,513,724	72,513,724	72,513,724	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Other forward exchange contracts							
Outflow	2,257,374	2,257,374	2,257,374	0	0	0	0
Inflow	0	0	0	0	0	0	0
Total	**148,603,981**	**151,418,215**	**101,560,020**	**6,423,475**	**4,494,067**	**35,567,766**	**3,372,887**

The liquidity of the entire Group is managed by the parent company, which carefully monitors and plans short-term solvency, and ensures it by coordinating and planning all cash flows within the Group. To that end, the Group takes into account, to the greatest extent possible, risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the Group's investment activities.

The Group also constantly monitors and optimizes 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 receivables and liabilities, and the consistent collection of receivables are all factors that facilitate the Group's successful cash-flow management, which in turn ensures its purchasing power and mitigates risks associated with short-term solvency. Thanks to the Group's active approach to financial markets, its good performance in the past and a stable cash flow from operating activities, liquidity risks are within acceptable parameters and entirely manageable.

The Group ensures its long-term solvency by preserving and increasing its share capital, and by 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 Management Board intends to further strengthen long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 38: **Currency risk**

Current year (2020)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK	MKD	BAM
			12/ 31/2020			
Trade receivables	46,468,334	0	0	2,592,031	4,678,991	1,504,116
Unsecured bank loans	-5,000,000	0	0	0	0	0
Trade payables	-63,638,927	37,025	-23,468	-2,049,049	-362,308	-6,270,408
Gross on-balance-sheet exposure	**-22,170,594**	**37,025**	**-23,468**	**542,982**	**4,316,683**	**-4,766,292**
Estimated forecast sales	2,346,922,708	0	0	0	0	0
Estimated forecast purchases	2,272,864,926	0	0	0	0	0
Gross exposure	**4,619,787,634**	**0**	**0**	**0**	**0**	**0**
Net exposure	**4,597,617,040**	**37,025**	**-23,468**	**542,982**	**4,316,683**	**-4,766,292**

Previous year (2019)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK	MKD	BAM
			12/ 31/2019			
Trade receivables	62,522,051	0	0	1,824,662	7,495,478	2,531,316
Unsecured bank loans	–10,000,000	0	0	0	0	0
Trade payables	–44,235,708	–2,959	–25,555	–1,001,477	–833,229	–7,177,429
Gross on-balance-sheet exposure	**8,286,342**	**–2,959**	**–25,555**	**823,185**	**6,662,249**	**–4,646,113**
Estimated forecast sales	2,452,887,446	0	0	0	0	0
Estimated forecast purchases	–2,388,497,910	0	0	0	0	0
Gross exposure	**64,389,536**	**0**	**0**	**0**	**0**	**0**
Net exposure	**72,675,878**	**–2,959**	**–25,555**	**823,185**	**6,662,249**	**–4,646,113**

The GEN-I Group 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 of the euro area.

The Group is primarily exposed to currency risks when performing its core activities of 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-I Group is most exposed to currency risks associated with the Croatian kuna (HRK), Macedonian denar (MKD), Romanian leu (RON) and Turkish lira (TRY).

The Group mitigates currency risks by linking the selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are ‘naturally’ hedged because a portion of expected inflows is covered by the expected outflows in the same currency. If necessary, the Group also uses derivatives and a number of forward currency contracts to hedge against these risks.

The Group regularly monitors its open position in all currencies to which it is exposed. The Group’s highest net exposure is to currencies where fluctuations in the exchange rate are very low or do not exist due to a fixed rate.

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
12/ 31/2020									
0	384,768	10,191	0	0	61,295	112,994	6,185,483	0	0
0	0	0	0	0	0	0	0	0	0
-604	-350,190	-11,837	-106,324	-96	-238,038	-20,124	-6,081,401	-95	0
-604	**34,578**	**-1,646**	**-106,324**	**-96**	**-176,743**	**92,870**	**104,082**	**-95**	**0**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
-604	**34,578**	**-1,646**	**-106,324**	**-96**	**-176,743**	**92,870**	**104,082**	**-95**	**0**

GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
12/ 31/2019									
0	448,773	25,271	100	226,738	319	10,397	238,596	0	324,789
0	0	0	0	0	0	0	0	0	0
–326	–599,211	–73,040	–256,271	–96,495	–30,334	–2,172,743	–6,223,667	–3,445	0
–326	**–150,438**	**–47,769**	**–256,170**	**130,243**	**–30,015**	**–2,162,346**	**–5,985,071**	**–3,445**	**324,789**
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
–326	**–150,438**	**–47,769**	**–256,170**	**130,243**	**–30,015**	**–2,162,346**	**–5,985,071**	**–3,445**	**324,789**

Note 39: **Interest-rate risk**

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/ 31/2020	 12/ 31/2019
FIXED-RATE INSTRUMENTS		
Financial assets	0	0
Financial liabilities	-56,055,009	-58,864,767
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	-5,129,147	-10,258,294

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.

Note 40: **Commodity price risk and hedge accounting**

The GEN-I Group's core activities 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 Company to carry out continuous hedging activities to mitigate market risk. Hedging activities are carried out by the parent company GEN-I, d.o.o. which is responsible for the centralized management of the Group's portfolio. The parent 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 changing prices on the energy markets. 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 an unrecognized 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 (future). The Group is active on several commodity exchanges and uses standardized 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 and nominal amounts,
- proxy hedging,

- early terminations, 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 quantitative 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

2020

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	34,256,418	0	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
		ASSETS	LIABILITIES		
Commodity price risk	34,256,418	n/a*	n/a*	n/a*	2,384,144

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

2019

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	35,080,222	27,062,268	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
		ASSETS	LIABILITIES		
Commodity price risk	34,256,418	n/a*	n/a*	n/a*	2,384,144

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

Hedged item

AMOUNTS IN EUR HEDGED ITEM	CARRYING AMOUNT OF HEDGED ITEM		CUMULATIVE CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE FIRM COMMITMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodity price risk – due items	n/a*	n/a*		-2,219,891	Derivatives*	2,185,351
Commodity price risk – items not due	n/a*	n/a*	8,674,991			-6,423,363

*A hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN EUR FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNIZED IN PROFIT OR LOSS	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	198,792	Other recurring operating revenues or expenses

8. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting date that could have a significant impact on the presented financial statements for 2020.

9. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the financial statements of the GEN-I Group for the business year that ended on December 31, 2020, including the notes to the financial statements from page 86 of the financial report onwards.

The Management Board hereby certifies that all relevant accounting principles were consistently used in drafting the consolidated financial statements of the GEN-I Group. Accounting estimates were prepared according to the principles of prudence and due diligence. The Management Board also certifies that this annual report provides a true and fair picture of the assets of the GEN-I Group and its performance in 2019.

The financial statements and accompanying notes were prepared under the assumption of the GEN-I Group as a going concern and in line with the relevant legislation and International Financial Reporting Standards.

Danijel Levičar.
Member of the Management Board

Robert Golob, Ph.D.
President of the Management Board

Andrej Šajn, MSc
Member of the Management Board

Igor Koprivnikar, Ph.D.
Member of the Management Board

Krško. 4/8/2021

10. CERTIFIED AUDITOR'S REPORT

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owners of the company GEN-I, d.o.o.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter 'IFRSs').

Basis for Opinon

We have conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statement* section of our report. In accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and the ethical requirements relating to the audit of financial statements in Slovenia, we hereby confirm our independence from the Group and that we have fulfilled all other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

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Derivatives and Hedge Accounting

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, the Group's assets comprise EUR 18,739 thousand of derivatives, which are used primarily to manage and protect market risks and currency risks. As disclosed in Note 7.3 (c) (v), they are measured at fair value, and changes in fair value are generally recognized in profit or loss. When measuring fair value, management determines the appropriate fair value calculation and hedge accounting policy/methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observed inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	As part of our audit procedures, we assessed the adequacy of the Company's accounting policies relating to the recognition of derivative financial instruments and their compliance with IFRSs, and performed the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing of the usability and accuracy of hedge accounting on the basis of a sample; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. Within the audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 7.7. Financial instruments - fair value and risk management.

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other

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information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

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

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

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

Report on Other Legal and Regulatory Requirements

<u>Appointment of Auditor and Period of Engagement</u>
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Group on General Shareholders' Meeting held on 17 June 2019. Our total uninterrupted engagement has lasted for seven years.

<u>Confirmation to Those Charged with Governance</u>
We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to those charged with governance of the Company, which we issued on 8 April 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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

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

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

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 8 April 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

11. LIST OF DISCLOSURES

Separate Financial Statements of GEN-I, d.o.o.

12. SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2020

12.1. Separate financial statements of GEN-I, d.o.o.

AMOUNTS IN EUR ITEMS	NOTE	12/31/2020	12/31/2019
Property, plant and equipment	1	8,733,987	7,736,460
Right-of-use assets	2	3,050,252	3,430,217
Intangible assets	3	7,001,026	3,037,719
Participating interests in subsidiaries	4	15,314,311	15,314,311
Participating interests in associates	5	11,276,310	11,276,310
Financial assets	6	253,183	296,878
Operating receivables	7	86,631	169,159
Deferred tax assets	21	323,940	261,119
Non-current assets		**46,039,640**	**41,522,173**
Inventories	8	993,972	0
Trade and other receivables	9	83,753,518	102,280,754
Advances paid, contract assets and other assets	10	37,320,528	39,215,857
Financial assets	11	13,138,713	10,652,088
Derivatives	12	18,675,386	0
Current tax assets	13	12,769,856	13,124,428
Cash and cash equivalents	14	43,212,990	28,443,800
Current assets		**209,864,964**	**193,716,927**
Assets		**255,904,604**	**235,239,100**
Share capital	15	19,877,610	19,877,610
Legal reserves	15	1,987,761	1,987,761
Fair value reserves	15	-419,811	-140,262
Net profit for the period	15	14,660,230	15,527,599
Retained earnings	15	67,276,437	55,714,273
Equity		**103,382,227**	**92,966,982**
Financial liabilities	16	25,000,000	25,129,147
Lease liabilities	17	2,207,597	2,519,627
Trade and other payable	18	133,282	133,282
Provisions	19	1,532,127	923,235
Deferred revenues	20	126,875	98,008
Non-current liabilities		**28,999,881**	**28,803,299**
Financial liabilities	16	28,160,331	30,479,298
Lease liabilities	17	880,136	910,313
Derivatives	12	0	2,182,893
Trade and other payable	22	82,608,991	70,729,757
Advances received, contract liabilities and other liabilities	23	8,931,887	6,780,460
Current tax liabilities	24	2,941,151	2,386,097
Current liabilities		**123,522,496**	**113,468,818**
Liabilities		**152,522,378**	**142,272,118**
Total equity and liabilities		**255,904,605**	**235,239,100**

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

12.2. Separate income statement of GEN-I, d.o.o.

AMOUNTS IN EUR ITEMS	NOTE	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues	26	2,111,350,627	2,199,740,191
Historical cost of goods sold	27	-2,083,917,327	-2,176,837,597
Other recurring operating revenues or expenses	26	28,686,670	23,733,693
Gross profit		**56,119,970**	**46,636,288**
Cost of materials	27	-664,407	-634,090
Cost of services	27	-11,550,211	-11,581,640
Labor costs	28	-23,862,288	-18,634,012
Deferred labor costs	28	522,712	464,690
Other operating revenues or expenses	29	1,520,807	1,175,917
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**22,086,583**	**17,427,152**
Amortization and depreciation	30	-2,882,971	-2,360,862
Impairment losses on trade receivables and contract assets	31	-2,679,446	-59,478
Operating profit		**16,524,166**	**15,006,812**
Financial income	32	4,013,115	5,047,535
Financial costs	32	-2,869,797	-1,909,850
Profit from financing		**1,143,318**	**3,137,686**
Profit before tax		**17,667,484**	**18,144,498**
Income tax expense	33	3,007,254	2,616,898
Profit from continuing operations		**14,660,230**	**15,527,599**

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

12.3. Separate statement of other comprehensive income of GEN-I, d.o.o.

AMOUNTS IN EUR COMPREHENSIVE INCOME	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Net profit for the period	**14,660,230**	**15,527,599**
Items that are or may be classified to the income statement	**0**	**0**
Changes in fair value of cash flow hedges transferred to the income statement	0	0
Deferred tax from comprehensive income	0	0
Actuarial gains (losses) that will not be transferred subsequently to profit or loss	**-279,550**	**-92,779**
Other comprehensive income for the period, net of tax	**-279,550**	**-92,779**
Total comprehensive income for the period	**14,380,680**	**15,434,820**

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

12.4. Separate cash flow statement of GEN-I, d.o.o.

AMOUNTS IN EUR ITEMS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	14,660,230	15,527,599
ADJUSTMENTS FOR		
Amortization and depreciation	2,882,971	2,360,862
Write-downs of property, plant and equipment	4,187	4,525
Impairment losses, loss allowances and write-offs of trade receivables and contract assets	2,679,446	59,478
Gains on the sale of property, plant and equipment, intangible assets and investment property	-20,417	-49,290
Other recurring operating revenues or expenses	-28,936,231	0
Financial income	-4,013,115	-5,047,535
Financial costs	1,581,815	1,767,120
Income tax	3,007,254	2,616,898
Operating profit before changes in net current assets and taxes	**-8,153,860**	**17,239,658**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	22,577,192	31,707,532
Change in inventories	245,482	0
Change in prepayments and other assets	1,895,329	-10,608,453
Change in operating liabilities	13,306,283	-25,964,480
Change in advances received and other current liabilities	8,529,844	-1,207,239
Change in provisions	608,892	201,578
Change in deferred revenues	28,867	77,108
Income tax paid	-1,990,738	-2,607,776
Cash flows from operating activities	**37,296,852**	**8,925,428**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	142,837	103,653
Dividends received	3,870,384	4,943,622
Proceeds from the sale of property, plant and equipment and intangible assets	95,255	81,653
Proceeds from the sale of associates	11,275,000	0
Proceeds from the sale of other financial assets	2,776	0
Proceeds from settlement of derivatives	43,655,500	0
Proceeds from decrease in loans granted	12,994,000	62,760,000
Acquisitions of property, plant and equipment and intangible assets	-6,378,417	-3,483,918
Acquisitions of subsidiaries	0	-130,000
Acquisitions of associates	-11,275,000	0
Outflows for increase in loans granted	-15,475,500	-66,993,500
Outflows for settlement of derivatives	-52,564,527	
Net cash flow from investing activities	**-13,657,692**	**-2,718,491**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-1,573,834	-1,661,554
Acquisitions of right-of-use assets	-54,965	-50,738
Repayment of long-term loans	-7,201	0
Repayment of short-term loans	-86,405,661	-123,746,034
Proceeds from long-term loans received	0	5,000,000
Proceeds from short-term loans received	83,171,692	118,518,989
Dividends (shares) paid out	-4,000,000	-4,000,000
Net cash flow from financing activities	**-8,869,970**	**-5,939,336**
Cash and cash equivalents at beginning of period	**28,443,800**	**28,176,199**
Net increase in cash and cash equivalents	**14,769,190**	**267,601**
Cash and cash equivalents at end of period	**43,212,990**	**28,443,800**

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

12.5. Separate statement of changes in equity of GEN-I, d.o.o.

2020

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2019	19,877,610	1,987,761	-140,262	15,527,599	55,714,273	92,966,981
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Net profit for the period	0	0	0	14,660,230	0	14,660,230
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0	0	0	0
Actuarial gains (losses)	0	0	-279,550	0	0	-279,550
Total other comprehensive income	0	0	-279,550	0	0	-279,550
Total comprehensive income for the period	0	0	-279,550	14,660,230	0	14,380,680
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	-15,527,599	15,527,599	0
Dividends (shares) paid out	0	0	0	0	-4,000,000	-4,000,000
Other reversals of equity components	0	0	0	0	34,565	34,565
Balance at 12/31/2020	19,877,610	1,987,761	-419,812	14,660,230	67,276,437	103,382,226

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

2019

AMOUNTS IN EUR CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT	RETAINED EARNINGS	TOTAL EQUITY
Balance at 12/31/2018	**19,877,610**	**1,987,761**	**-47.483**	**12.963.418**	**46.732.317**	**81.513.623**
ADJUSTMENT ON INITIAL APPLICATION OF IFRS 9, NET OF						
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Net profit for the period	0	0	0	15,527,599	0	15,527,599
OTHER COMPREHENSIVE INCOME						
Change in fair value of cash flow hedges	0	0	0	0	0	0
Change in fair value of cash flow hedges transferred to the income statement	0	0	0		0	0
Actuarial gains (losses)	0	0	-92.779	0	0	-92,779
Total other comprehensive income		**0**	**-92.779**	**0**	**0**	**-92,779**
Total comprehensive income for the period	**0**	**0**	**-92,779**	**0**	**0**	**-92,779**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY						
Allocation of remaining portion of net profit to other equity components	0	0	0	-12,963,418	12,963,418	0
Dividends (shares) paid out	0	0		0	-4,000,000	-4,000,000
Other reversals of equity components	0	0	0	0	18,538	18,538
Balance at 12/31/2019	**19,877,610**	**1,987,761**	**-140,262**	**15,527,599**	**55,714,273**	**92,966,981**

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

13. NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O. FOR 2020

13.1. Reporting entity

The reporting company GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter: the Company) is domiciled in Slovenia. Its registered office is at Vrbina 17, 8270 Krško, Slovenia.

The Company's core activities include the supply of electricity and natural gas to end-customers, the purchase of electricity from major producers and from producers who use renewable energy sources and high-efficiency cogeneration plants, the provision of advanced services to business partners, and electricity and natural gas trading.

The financial statements of GEN-I, d.o.o. were prepared for the business year that ended on December 31, 2020. GEN-I, d.o.o. is the parent company of the GEN-I Group, for which consolidated financial statements are compiled. The consolidated annual report in the broadest terms for the Group is compiled by the parent company and is published at the website http://www.gen-energija.si/.

13.2. Basis for compilation

(A) STATEMENT OF COMPLIANCE

The financial statements were approved by the Company's Management Board on February 28, 2021.

These financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, and the provisions of the Companies Act (ZGD).

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

(B) MEASUREMENT BASIS

The financial statements were compiled on a historical cost basis, except in the case of derivatives and financial instruments at fair value through profit or loss, where fair value was used.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are compiled in euros, the Company's functional currency. All accounting data presented in euros are rounded to the nearest integer. Immaterial differences may arise in the totals presented in tables due to the rounding of data. The financial statements present comparative information for the previous period.

(D) USE OF ESTIMATES AND JUDGMENTS

When preparing these financial statements, the Company's senior management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses in accordance with the IFRS. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates and assumptions are mainly associated with:

- the estimated useful lives of amortizable assets,
- asset impairment,
- the identification of lease contracts, the definition of the lease term and the definition of the associated discount rate,
- the measurement of expected credit loss (ECL) allowances for trade receivables and contract assets,
- employee earnings,
- provisions,
- deferred tax assets,
- contingent liabilities, and
- derivatives.

Actual undesirable events at the Company due to COVID-19 were negligible. The Company achieved planned operating results in 2020. Having the most significant effect on operating results in 2020 was a social initiative put forth by the Management Board to reduce the price of electricity by 15% at the beginning of 2020, which resulted in a reduction in gross operating profit by close to EUR 2 million.

Verification of the assumption of a going concern

The going concern consumption serves as the basis for the compilation of the Company's financial statements. The Company functioned smoothly. There is thus no intention or need to reduce the scope of or suspend operations in the future. Because there is no risk to the organization as a going concern, the Company applies the provisions of all accounting standards to measure assets and liabilities. Items of property, plant and equipment and intangible assets are presented in the financial statement at their carrying amounts, as the Company will use those assets over their useful lives and has no intention to sell them.

Liquidity risk

COVID-19 had no effect on the liquidity risk to which the Company is exposed. The Company manages its sources and investments in such a way that it is capable of settling its maturing liabilities at any given moment. The Company plans cash flows on a daily basis and thus implements a policy of regularly managing liquidity, which is approved by senior management. It also has measures in place to prevent and/or eliminate potential causes of illiquidity.

Lease concessions

There were no lease concessions at the Company due to the COVID-19 epidemic. There was thus no reason for the Company to implement amendments to IFRS 16.

Impairment of non-financial and financial assets

The Company verified the need for additional impairments of assets at the end of the 2020 business year. Additional impairments of receivables and contract assets were recognized relative to the previous year. We did not feel any major effects from the reduction in the collection of receivables, but certain customers did request the deferral of payments. We have not identified any material changes in risks. The reasons lie in the well-diversified portfolio of customers with sound credit ratings and, of course, in anti-corona legislation, which through measures to mitigate the consequences of the epidemic helped companies overcome financial challenges. Due to the latter, we believe that 2020 is unrepresentative in terms of defaults and that the real effect of the crisis on the dynamics of payments will not be felt until government aid is withdrawn. The year 2021 will be a better indicator of the financial strength of our customers. For this reason, we put aside historical data and created higher ECL allowances for 2021 than we would have based entirely on past experience.

Net realizable value of inventories

The Company carries inventories at fair value, which is equal to their market value on the balance-sheet date less costs to sell. The Company has no reason to impair inventories.

Maturity of liabilities due to failure to fulfil financial commitments set out in loan agreements

The Company regularly monitors the financial commitments set out in loan agreements. Failure to achieve agreed indicators on the balance-sheet date could result in changes to contractual provisions, such as a change in repayment or a change in interest rate. The COVID-19 epidemic did not prevent the Company from fulfilling its financial commitments in 2020. For this reason, no agreements were reached to amend or waive financial commitments, and there was no impact on the Company's financial position, effectiveness or cash flow.

Repayment of state aid and the recognition of revenues in connection with state aid

The Company did not take advantage of state aid. The only state aid received in 2020 was in the form of the exemption of the payment of contributions for pension and disability insurance due to the payment of a crisis bonus to employees. There is thus no risk in connection with the repayment of state aid.

13.3. Significant accounting policies

GEN-I, d.o.o. consistently applied the accounting policies described below to all periods presented in its financial statements.

In certain cases, amounts were reclassified between specific items. The amounts in the comparable financial statements were also reclassified for the sake of comparability.

(A) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates valid on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency at the exchange rate valid on the day their fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate valid on the transaction date. Foreign currency differences are recognized in the income statement and disclosed in financial costs.

(B) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at historical cost in the financial statements. The Company recognizes financial income from investments in the amount that it receives from the allocation of a company's distributable profit that arose following the date the investment in question was acquired.

If an investment must be impaired due to internal or external signs of impairment, impairment losses are measured as the difference between the carrying amount of the investment and its recoverable amount. In accordance with IAS 36, the recoverable amount is the higher of value in use or fair value less costs of disposal. Value is assessed using the techniques set out in IAS 36 in connection with IFRS 13.

(C) INVESTMENTS IN ASSOCIATES

Investments in associates are recognized at historical cost. If an investment must be impaired due to internal or external signs of impairment, impairment losses are measured as the difference between the carrying amount of the investment and its recoverable amount. In accordance with IAS 36, the recoverable amount is the higher of value in use or fair value less costs of disposal. Value is assessed using the techniques set out in IAS 36 in connection with IFRS 13.

(D) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables, loans and deposits are initially recognized on the day they arise. All other financial assets and financial liabilities are initially recognized when the Company 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 FVTPL. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) 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 amortized cost, financial assets measured at fair value through other comprehensive income (hereinafter: FVOCI) – investments in debt securities, FVOCI – 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 Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following that change.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This decision is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 2.6). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements for measurement at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment (policy)

The Company makes an assessment of 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 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 Company's 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, volume 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 Company continues to recognize them.

Financial assets that are held for trading or are managed and whose yield is assessed based on fair value are measured at FVTPL.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest (policy)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the amount of principal outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), and a profit margin.

The Company 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 not meet this condition. In making this assessment, the Company 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 Company'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.

Financial assets – subsequent measurement, and gains and losses (policy)

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest of dividend income, are recognized in profit and loss. However, see point (v) in Note b) for derivatives designated as hedging instruments.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Investments in debt securities measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. Gains and losses recognized in OCI are reclassified to profit or loss on derecognition.

Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never transferred to profit or loss.

Financial liabilities – classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at fair value 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

See point (v) in Note b) for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets

The Company derecognizes 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions in which it transfers assets recognized 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 derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes 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 recognized 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 recognized in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset, and the net amount is disclosed in the statement of financial position if, and only if, the Company has the legally enforceable right to offset recognized amounts and intends to either settle the net amount or liquidate the asset and settle its liability.

(v) Derivatives and hedge accounting

The Company uses derivatives to hedge against market and currency risks.

The Company uses forward contracts and various financial trading instruments to hedge against market risks caused by electricity natural gas price fluctuations. It primarily uses forward currency contracts to hedge against currency risks.

The Company uses non-standardized 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-standardized forward contract 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.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized products are a prerequisite for exchange trading. The main advantage of standardized products is the minimization 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 standardized 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-standardized forward contracts, on the other hand, are not liquid because the exchange of these contracts is almost impossible. When trading forward contracts, a security deposit must be placed with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivatives also include option contracts that the Company classifies on initial recognition 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 at the measurement date, the difference is recognized in profit or loss for marketable assets, or deferred and released subsequently in profit loss in accordance with the Company'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 to and continue to be held for the purpose of receiving or delivering the non-financial asset in question in accordance with Company'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 management can and does opt to apply hedge accounting.

Contracts that result in the physical delivery of a commodity and for which the Company 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 unrecognized executory contract. Contracts that result in the physical delivery of a commodity and for which the Company 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.

Derivatives are initially measured at fair value. Following initial recognition, derivatives are measured at fair value, and changes to fair value are generally recognized 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 recognized in profit or loss.

Hedge accounting

The Company meets hedge accounting requirements in order to hedge against market risks associated with changes in electricity and natural gas prices.

At the inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company 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 Company 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 Company measures hedge ineffectiveness, i.e. the extent to which changes in the fair value of the hedging instrument are greater or less than changes in the hedged item.

Fair value hedging

The Company calculates fair value hedges against the risk of fluctuating prices for standardized and non-standardized forward contracts by recognizing 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 recognized in profit or loss. If an unrecognized firm commitment is defined as a hedge item, the subsequent cumulative change in the fair value of the firm commitment that can be attributed to a hedge is recognized as an asset or liability, with the relevant gain or loss recognized in profit or loss. The initial book value of an asset or liability arising from the fulfillment of a firm commitment by the Company is adjusted by including the cumulative change in the fair value of the commitment that can be attributed to a hedge previously recognized in the statement of financial position.

The accounting policy in the comparative information presented for 2019 is similar to that applied for 2020.

(E) SHARE CAPITAL

Share capital is the called-up capital contributed by shareholders. The Company's total equity comprises called-up capital, legal reserves, fair value reserves, the translation reserve and retained earnings.

(F) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are disclosed at historical cost, less depreciation costs and impairment losses.

The historical cost includes the costs that can be directly attributed to the procurement of an individual asset. The costs of an internally produced asset comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of the asset for its intended purpose, costs of disposal and removal, costs of restoring the location of an asset to its original state and capitalized borrowing costs. Any computer software that contributes significantly to an asset's functionality must be capitalized as part of that asset.

Components of items of property, plant and equipment that have different useful lives are accounted for as separate items.

(G) RIGHT-OF-USE ASSETS

IFRS 16 Leases was published by the IASB on January 13, 2016. In accordance with IFRS 16, a lessee recognizes a right-of-use assets and a lease liability. A right-of-use asset is treated similarly to other non-financial assets and is thus depreciated accordingly. A lease liability is initially measured at the present value of lease payments over the lease term, discounted using the interest rate implicit in the lease, if that rate can be determined. If that rate cannot be determined, the lessee must apply the incremental borrowing rate. Similar to IAS 17, which was replaced by IFRS 16, the lessee classifies a lease as operating or finance, depending on the nature of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise, a lease is classified as an operating lease. A lessor recognizes financial income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Company reviews and analyzes previously concluded lease contracts with a term exceeding one year. Based on lease costs and lease terms, the Company estimates the value of right-of-use assets and lease liabilities, and recognizes 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 Company achieves in the financing of long-term leases. Those rates range from 1.7% to 2.8%. Depreciation costs are calculated using depreciation rates estimated based on the remainder of the lease term.

(i) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized 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. All other costs (such as daily maintenance) are recognized as expenses in profit or loss immediately after they arise.

(ii) Spare parts

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

(iii) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant and equipment. This is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative period are as follows:

• buildings	33 years
• parts of buildings	16 years
• plant and equipment	2 to 5 years

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 10 years).

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if necessary. Estimates of the useful lives of plant and equipment were not revised during the business year.

(H) INTANGIBLE ASSETS

(i) Capitalized development costs

Capitalized 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 Company capitalizes 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.

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

The Company 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.

(ii) Other intangible assets

Other intangible assets with limited useful lives acquired by the Company are disclosed at historical cost, less amortization costs and accumulated impairment losses.

(iii) Subsequent costs

Subsequent costs associated with intangible assets are only capitalized if they increase future economic benefits arising from the asset to which the cost relates. All other costs are recognized as expenses in profit or loss immediately after they arise.

(iv) Amortization

Amortization is calculated based on an asset's historical cost or another amount that is used in its place.

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use. This is the most accurate method for predicting the patterns of future economic benefits associated with the asset. The estimated useful life for the current and comparative year is as follows:

• software 5 years.

Other intangible assets such as trading and selling licenses are amortized according to the validity of the issued license in question.

Amortization methods, useful lives and other values are reviewed at the end of each business year and adjusted if necessary.

(I) IMPAIRMENT OF ASSETS

(i) Non-current financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (hereinafter: ECLs) on:

- financial assets measured at amortized cost, and
- contract assets.

The Company 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 Company is exposed to credit risk.

Measurement of ECLs

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 Company in accordance with the relevant contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The Company measures ECLs on trade receivables and contract assets based on a loss allowance matrix.

Loss rates are calculated taking into account rates of transitions between credit rating categories based on the probability that a receivable will pass through successive phases from default to write-off. Rates of transitions between credit rating categories are calculated separately for exposures in various segments based on common credit risk characteristics, e.g. customer types (B2B or wholesale, B2C or retail and trading).

ECLs are calculated for all trade receivables and contract assets up to 90 days past due based on the appropriate loss rates for different time intervals.

Impairment losses are recognized 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 Company assesses whether financial assets disclosed at amortized 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 the following observable data:

- 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 advance by the Company under conditions that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; 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 amortized cost are deducted from the gross carrying amount of those assets.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering that financial asset in its entirely 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 Company expects no recovery. However, financial assets that are written off could still be subject to enforcement activities in accordance with the Company's procedures for recovering receivables.

(ii) 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.

(iii) Non-financial assets

At each reporting date, the Company reviews the carrying amount of non-financial assets (except deferred tax assets) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. 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 an asset or cash-generating unit is the higher of its value in use or fair value less selling costs. In determining an asset's value in use, estimated future cash flows are discounted to their present value using 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 are consolidated into the smallest asset groups that generate cash inflows.

The impairment of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. Impairment is disclosed in the income statement.

With respect to other assets, the Company 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 derecognized if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(J) INVENTORIES

Inventories of merchandise and materials are valued at the lower of historical cost and net realizable value. There is, however, an exception for the valuation of inventories for brokers and traders, where fair value less costs to sell represents a more appropriate valuation. Senior management assesses that the conditions for the aforementioned exemptions have been met.

The market price on the day a transfer is made to inventories represents fair value. Inventories are revalued to the current market value less costs to sell on the day the Company's statement of financial position is compiled. All differences (positive or negative) between the fair value calculated as such on the balance-sheet date and the carrying amount of inventories are recorded in the income statement.

(K) EMPLOYEE EARNINGS

Short-term employee benefits are disclosed in expenses when the related service is provided. A liability is recognized in the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee and the obligation can be estimated reliably.

(L) PROVISIONS

Provisions are recognized if the Company has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined 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.

Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement and internal rules, the Company is obliged to pay long-service bonuses and severance payments to employees, and has created non-current provisions for this purpose. The Company has 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 Company created non-current provisions in 2020 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 future periods, taking into account the costs of severance payments at retirement and the costs of all expected long-service bonuses until retirement. A discount rate of 0.5% was set for the calculation at December 31, 2020, based on the published yields on high-quality corporate bonds denominated in euros at December 30, 2020.

Labor costs and interest expenses are recognized in the income statement, while recalculated post-employment benefits and unrealized actuarial gains or losses from severance pay are recognized as an equity item in other comprehensive income.

(M) REVENUES

(i) Revenue from contracts with customers

The Company recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction 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 applied in sales of small solar power plants and services.

The Company generates by far the most revenues from trading, and a smaller (but significant) amount from the sale of electricity and natural gas to end-customers. The Company also generates revenues from certain other sources, which are negligible in the overall structure of revenues.

The Company recognizes revenues when it fulfils its performance obligation through the transfer of promised goods or services, i.e. when it supplies electricity or natural gas, or when a customer takes control of such assets. The Company takes into account contractual conditions when setting the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for the transfer of electricity and natural gas 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 Company recognizes 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 recognized in revenues.

(ii) Revenues from services rendered

Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) Commissions

If the Company acts as an intermediary in a transaction and not as the main party, the resulting net commission is disclosed as revenues.

(iv) Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of the lease.

(N) GOVERNMENT GRANTS

Government grants relating to assets are initially recognized as deferred revenues if there is reasonable assurance that the Company will receive a grant and comply with the conditions associated with that grant. They are subsequently recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Government grants that the Company receives to cover costs are systematically recognized in profit or loss in the period in which the costs arise.

The Company's policy for recognizing and measuring state aid in connection with additional measures to mitigate the consequences of the COVID-19 epidemic is to record the net effects, which means the reduction of labor cost.

(O) FINANCIAL INCOME AND FINANCIAL COSTS

Financial income includes dividend income from participating interests in subsidiaries and associates, interest income, net gains on financial assets measured at fair value through profit or loss and positive exchange rate differences. Interest income is recognized when it arises at a contractually agreed interest rate.

Dividend income is recognized in profit and loss on the date on which the Company's right to receive payment is established.

Financial costs include interest expense, net losses on financial assets measured at fair value through profit or loss and negative exchange rate differences. Interest expense is recognized in the income statement at a contractually agreed interest rate.

(P) INCOME TAX

Income tax includes current and deferred tax. Income tax is disclosed in the income statement, except where it relates to business combinations or items disclosed directly in equity, in which case it is disclosed in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the business year, applying the tax rates in force at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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 is expected to be paid when temporary differences are reversed based on laws that are in force at the end of the reporting period.

The Company 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(R) SEGMENT REPORTING

An operating segment is a part of the Company that carries out business activities from which it generates revenues and incurs costs that relate to transactions with other Group companies.

Because the financial report comprises the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

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

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current accounting period:

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020);

- **Amendments to IFRS 3 Business Combinations** – Definition of a Business, adopted by the EU on April 21, 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period); and

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** – Interest Rate Benchmark Reform, adopted by the EU on January 15, 2020 (apply to annual periods beginning on or after January 1, 2020); and

- **Amendments to IFRS 16 Leases** – Covid-19-Related Rent Concessions, adopted by the EU on October 9, 2020 and applicable to annual periods beginning on or after June 1, 2020, for business years that begin on or after January 1, 2020;

- **Amendments to References to the Conceptual Framework in IFRS**, adopted by the EU on November 29, 2019 (apply to annual periods beginning on or after January 1, 2020).

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

(T) NEW 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:

On the day these financial statements were approved, the International Accounting Standards Board (IASB) had issued amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9. Those amendments were adopted by the EU on December 16, 2020, but had not yet entered into force (the expiry date for the temporary exemption was deferred to annual periods beginning on or after January 1, 2023).

(U) 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 and amendments to existing standards, which at February 28, 2021 had not yet been adopted by the EU (the dates of application stated below apply to the IFRS as issued by the IASB):

- **IFRS 14 Regulatory Deferral Accounts** (applies to annual periods beginning on or after January 1, 2016). The European Commission opted not to begin procedures to adopt this interim standard, but will wait for the issue of the final version;

- **IFRS 17 Insurance Contracts**, including amendments to IFRS 17 (applies to annual periods beginning on or after January 1, 2023);

- **Amendment to IAS 1 Presentation of Financial Statements** – – Classification of Liabilities as Current or Non-current (applies to annual periods beginning on or after January 1, 2023)

- **Amendments to IAS 16 Property, Plant and Equipment** – Proceeds Before Intended Use (apply to annual periods beginning on or after January 1, 2022);

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts — Cost of Fulfilling a Contract (applies to annual periods beginning on or after January 1, 2022);

- **IFRS 3 Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3 (applies to annual periods beginning on or after January 1, 2022);

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Subsequent Amendments (date of application postponed indefinitely until the completion of a research project in connection with the equity method).

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Interest Rate Benchmark Reform – Phase 2 (apply to annual periods beginning on or after January 1, 2021); and

- **Amendments to various standards (Improvements to IFRS, 2018–2020 cycle)** proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 1, IFRS 9 and IAS 41 apply to annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 relates solely to an illustrative example. The date of application is thus not stated).

The Company 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 Company 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.

13.4. Cash flow statement

The Company compiles the cash flow statement according to the indirect method.

13.5. Notes to the financial statements

Note 1: **Property, plant and equipment**

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	12/ 31/2020	12/ 31/2019
Land	2,445,049	2,445,049
Buildings	2,839,180	2,492,591
Other plant and equipment	3,019,564	2,700,529
Property, plant and equipment under construction, and advances	430,193	98,292
Intangible assets	**8,733,987**	**7,736,460**

The buildings and associated land in Kromberk and Brdo account for the majority of property, plant and equipment. Vehicles, computer equipment, furniture and other equipment account for the majority of other plant and equipment.

Total investments in property, plant and equipment in 2020 amounted to EUR 2,391,336, and relate to computer equipment, the renovation of business premises, the purchase of vehicles, furniture and other equipment, and investments in fixed assets owned by third parties. Property, plant and equipment are not pledged as collateral.

Changes in 2020

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2020	**2,445,049**	**4,590,428**	**6,463,294**	**98,292**	**13,597,063**
Other acquisitions	0	0	0	2,391,336	2,391,336
Write-downs	0	0	-224,003	0	-224,003
Disposals	0	0	-45,943	0	-45,943
Transfers within property plant and equipment	0	555,137	1,697,322	-2,059,435	193,025
Balance at 12/31/2020	**2,445,049**	**5,145,565**	**7,890,671**	**430,193**	**15,911,478**
IMPAIRMENT LOSSES					
Balance at 1/1/2020	**0**	**2,097,837**	**3,762,765**	**0**	**5,860,602**
Write-downs	0	0	-220,760	0	-220,760
Disposals	0	0	-31,188	0	-31,188
Depreciation expense	0	208,547	1,167,265	0	1,375,812
Balance at 12/31/2020	**0**	**2,306,385**	**4,871,107**	**0**	**7,177,491**
Carrying amount at 1/1/2020	**2,445,049**	**2,492,591**	**2,700,529**	**98,292**	**7,736,461**
Carrying amount at 12/31/2020	**2,445,049**	**2,839,180**	**3,019,564**	**430,193**	**8,733,987**

Changes in 2019

AMOUNTS IN EUR PROPERTY, PLANT AND EQUIPMENT	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION, AND ADVANCES	TOTAL
HISTORICAL COST					
Balance at 1/1/2019	**375,461**	**4,450,259**	**4.728.359**	**2,068,654**	**11.622.733**
Other acquisitions	0	0	0	2,290,932	2,290,392
Write-downs	0	0	-53.809	0	-75.118
Disposals	0	-21,309	-314,035	0	-335,344
Transfers within property plant and equipment	2,069,588	161,478	2,031,760	-4,262,825	0
Other transfers	0	0	0	1,532	1,532
Balance at 12/31/2019	**2,445,049**	**4,590,428**	**3.185.593**	**98,292**	**13,597,063**
IMPAIRMENT LOSSES					
Balance at 1/1/2019	**0**	**1,915,118**	**3,185,593**	**0**	**5,100,711**
Write-downs	0	0	-243,016	0	-243,016
Disposals	0	-21,309	-33,522	0	-54,831
Depreciation expense	0	204,028	853,709	0	1,057,737
Balance at 12/31/2019	**0**	**2,119,146**	**3,762,765**	**0**	**5,860,602**
Carrying amount at 1/1/2019	**375,461**	**2,535,141**	**1,542,766**	**2,068,654**	**6,522,022**
Carrying amount at 12/31/2019	**2,445,049**	**2,492,591**	**2,700,529**	**98,292**	**7,736,460**

Note 2: **Right-of-use assets**

AMOUNTS IN EUR RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	TOTAL
HISTORICAL COST			
Balance at 31/12/2019	**3,949,350**	**824,788**	**4,774,138**
New acquisitions	595,058	0	595,058
Disposals	0	-64,068	-64,068
Termination of lease	-34,104	0	-34,104
Balance at 12/31/2020	**4,510,304**	**760,720**	**5,271,024**
IMPAIRMENT LOSSES			
Balance at 31/12/2019	**635,175**	**708,745**	**1,343,920**
Depreciation expense	875,450	85,222	960,672
Disposals	0	-64,068	-64,068
Termination of lease	-19,753	0	-19,753
Balance at 12/31/2020	**1,490,872**	**729,899**	**2,220,772**
Carrying amount at 1/1	**3,314,175**	**116,043**	**3,430,217**
Carrying amount at 12/31	**3,019,432**	**30,821**	**3,050,253**

The Company has business premises under lease in Ljubljana, Krško and Maribor, which it has capitalized in accordance with IFRS 16. The lease terms vary from 2 to 10 years.

Lease payments are not secured. The Company applies the exemption provided for by the aforementioned standard to short-term leases and leases where the underlying asset has a low value. Lease payments are contractually defined and fixed.

Note 3: **Intangible assets**

AMOUNTS IN EUR INTANGIBLE ASSETS	12/31/2020	12/31/2019
Other intangible assets	2,045,648	1,405,874
Intangible assets in acquisition and development, and advances	4,036,649	1,167,155
Capitalized development costs	918,729	464,690
Total intangible assets	**7,001,026**	**3,037,719**

The Company's other intangible assets primarily comprises property rights in the form of software in the amount of EUR 1,994,694.

Total investments in intangible assets in 2020 in the amount of EUR 4,509,794 comprise software for information support for shared services and trading, support for the sale of electricity to end-customers and server support.

Changes in 2020

AMOUNTS IN EUR INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST			
Balance at 1/1/2020	7,505,194	1,631,845	9,137,038
Other acquisitions	0	3,987,081	3,987,081
Capitalized development costs	0	522,712	522,712
Write-downs	-553	0	-553
Transfers within intangible assets	1,186,260	-1,186,260	0
Balance at 12/31/2020	8,690,901	4,955,378	13,646,279
IMPAIRMENT LOSSES			
Balance at 1/1/2020	6,099,319	0	6,099,319
Write-downs	-553	0	-553
Amortization expense	546,487	0	546,487
Balance at 12/31/2020	6,645,253	0	6,645,253
Carrying amount at 1/1/2020	1,405,874	1,631,845	3,037,719
Carrying amount at 12/31/2020	2,045,648	4,955,378	7,001,026

Changes in 2019

AMOUNTS IN EUR INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT, AND ADVANCES	TOTAL
HISTORICAL COST			
Balance at 1/1/2019	7,237,332	242,038	7,479,369
Other acquisitions	0	1,192,976	1,192,976
Capitalized development costs		464,690	464,690
Transfers within intangible assets	267,859	-267,859	0
Other transfers	0	0	0
Balance at 12/31/2019	7,505,191	1,631,845	9,137,035
Balance at 1/1/2019	5,548,030	0	5,548,030
Amortization expense	551,286	0	551,286
Balance at 12/31/2019	6,099,317	0	6,099,317
Carrying amount at 1/1/2019	1,689,301	242,038	1,931,339
Carrying amount at 12/31/2019	1,405,874	1,631,845	3,037,719

Note 4: **Participating interests in subsidiaries**

DRUŽBE SKUPINE	% OF OWNERSHIP		CARRYING AMOUNT OF INVESTMENT		EQUITY OF SUBSIDIARY		SHARE CAPITAL OF MAJORITY SHAREHOLDER	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
GEN-I Athens SMLLC.	100.00 %	100.00 %	600,000	600,000	1,266,157	799,380	600,000	600,000
GEN-I d.o.o. Beograd	100.00 %	100.00 %	150,000	150,000	858,793	1,118,767	654,051	655,389
GEN-I Sonce, d.o.o.	100.00 %	100.00 %	1,000,000	1,000,000	3,115,937	1,536,505	1,000,000	1,000,000
GEN-I Istanbul Ltd.	99.00 %	99.00 %	844,566	844,566	766,307	702,188	219,464	299,209
GEN-I Energia S.r.l.	100.00 %	100.00 %	380,000	380,000	307,118	451,334	100,000	100,000
GEN-I Podražba na energija DOOEL Skopje	100.00 %	100.00 %	39,951	39,951	603,858	503,764	9,922	9,964
GEN-I d.o.o. Sarajevo	100.00 %	100.00 %	512,847	512,847	836,601	786,064	511,292	511,292
GEN-I DOOEL Skopje	0.00 %	0.00 %	0	0	0	0	0	0
GEN-I Sofia SpLLC	100.00 %	100.00 %	100,830	100,830	-3,358,231	-3,151,365	100,005	100,005
GEN-I Tirana Sh.p.k.	100.00 %	100.00 %	46,452	46,452	837,022	492,577	48,720	49,424
GEN-I Vienna GmbH	100.00 %	100.00 %	50,000	50,000	987,391	911,100	50,000	50,000
GEN-I Hrvatska d.o.o.	100.00 %	100.00 %	991,692	991,692	1,454,368	1,376,874	993,128	1,008,132
GEN-I Kiev LLC	100.00 %	100.00 %	248,224	248,224	469,495	859,153	210,015	277,090
GEN-I Tbilisi LLC	100.00 %	100.00 %	50,000	50,000	27,312	31,328	31,121	38,563
Elektro energija, d.o.o.	100.00 %	100.00 %	10,149,750	10,149,750	11,316,240	10,795,412	3,000,000	3,000,000
GEN-I Sonce DOEL Skopje	100.00%	100.00%	100,000	100,000	69,642	98,509	99,699	100,129
GEN-I ESCO d.o.o.	100.00%	100.00%	50,000	50,000	21,129	42,073	50,000	50,000
Total			**15,314,311**	**15,314,311**			**7,677,416**	**7,849,197**

GEN-I Sofia SpLLC discloses negative capital. However, in assessing the value of its investment in the aforementioned subsidiary, the Company decided not to impair its investment because that company has assets, land and real estate that it can use to repay all liabilities.

The carrying amount of the investment disclosed by GEN-I is immaterial.

The value of investments in subsidiaries was unchanged. Investments in subsidiaries amounted to EUR 15,314,311 at December 31, 2020.

Note 5: **Investments in associates**

AMOUNTS IN EUR INVESTMENTS IN ASSOCIATES	12/31/2020	12/31/2019
Participating interests in associates	11,276,310	11,276,310
Total investments in associates	**11,276,310**	**11,276,310**

GEN-I, d.o.o. holds a 25% participating interest in GEN-EL naložbe, d.o.o., with its registered office at Vrbina 17 in Krško. The Company purchased a 25% participating interest from Gorenjska banka and the Fund for Craftsmen and Entrepreneurs, and sold a 25% participating interest to Gorenjska banka in 2020.

ASSETS OF SUBSIDIARY		LIABILITIES OF SUBSIDIARY		REVENUES OF SUBSIDIARY		NET PROFIT OR LOSS OF SUBSIDIARY		NUMBER OF EMPLOYEES AT SUBSIDIARY	
12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
8,396,031	7,783,673	7,129,874	6,984,283	71,257,690	139,053,931	579,408	118,370	2	2
14,279,839	12,775,697	13,421,046	11,656,930	175,775,352	198,297,188	515,966	461,289	4	4
20,670,730	19,701,766	17,554,793	18,165,261	12,456,723	8,400,741	1,589,962	545,021	52	43
3,943,675	8,997,641	3,177,367	8,295,453	28,206,675	27,048,821	355,559	311,315	3	3
2,240,869	6,309,615	1,933,752	5,858,281	745,116	13,204,471	15,785	278,739	0	0
12,120,708	12,314,023	11,516,850	11,810,259	73,664,147	135,802,454	495,701	394,167	2	2
14,375,648	13,624,381	13,539,047	12,838,317	89,896,664	108,303,260	325,309	274,772	1	1
0	0	0	0	0	0	0	0	0	0
2,214,143	2,371,442	5,572,374	5,522,807	41,222	672,190	-205,777	-170,904	2	1
9,780,777	11,493,431	8,943,755	11,000,854	22,653,069	30,312,969	711,930	362,696	2	2
5,544,018	4,298,998	4,556,627	3,387,898	13,043,516	15,322,230	228,431	152,140	1	1
19,380,810	15,312,169	17,926,441	13,935,295	91,936,825	114,906,282	462,068	368,639	12	10
2,308,792	6,659,500	1,839,296	5,800,347	20,931,223	15,109,036	-202,143	32,482	2	1
27,916	31,653	604	325	0	0	2,283	-2,640	0	0
23,146,642	15,751,658	11,830,402	4,956,246	48,114,112	48,021,368	1,769,201	1,228,900	1	1
2,088,106	2,101,376	2,018,463	2,002,867	0	0	-28,445	-1,616	0	0
679,479	203,385	658,350	161,312	42,496	3,350	-20,572	-7,927	0	0
141,198,183	**139,730,408**	**121,619,041**	**122,376,745**	**648,764,828**	**854,458,291**	**6,594,666**	**4,345,443**	**84**	**71**

Note 6: **Financial assets**

AMOUNTS IN EUR FINANCIAL ASSETS	12/31/2020	12/31/2019
Financial assets	253,183	296,878
Total financial assets	**253,183**	**296,878**

The Company's financial assets in the amount of EUR 253,183 comprise unit-linked life insurance policies in the amount of EUR 253,183.

Note 7: **Non-current operating receivables**

AMOUNTS IN EUR NON-CURRENT OPERATING RECEIVABLES	12/31/2020	12/31/2019
Non-current operating receivables	86,631	169,159
Total non-current operating receivables	**86,631**	**169,159**

Note 8: **Inventories**

AMOUNTS IN EUR INVENTORIES	12/31/2020	12/31/2019
Inventories	993,972	0
Total inventories	**993,972**	**0**

The Company made the decision in 2020 to store physical quantities of natural gas intended for resale. Natural gas is valued at the current market price less costs to sell on the day it is transferred to inventories. The Company's inventories are not pledged as collateral for liabilities.

Note 9: **Trade and other receivables**

AMOUNTS IN EUR TRADE AND OTHER RECEIVABLES	12/31/2020	12/31/2019
Trade receivables – subsidiaries	45,516,544	57,943,965
Trade receivables – other	36,422,335	43,564,139
Trade receivables	**81,938,879**	**101,508,104**
Default interest receivable	**21,117**	**21,223**
Other receivables	**1,793,521**	**751,427**
Total operating receivables	**83,753,518**	**102,280,754**

Other receivables in the amount of EUR 1,793,521 primarily relate to accrued receivables for taxes on electricity and natural gas.

Certain trade receivables on the wholesale electricity market in Southeast Europe are secured via specialized credit insurers.

Note 10: **Advances paid, contract assets and other assets**

AMOUNTS IN EUR ADVANCES PAID, CONTRACT ASSETS AND OTHER ASSETS	12/31/2020	12/31/2019
Advances paid and security deposits	2,903,396	623,294
Current deferred costs and expenses	3,228,070	4,678,163
Contract assets,	31,189,062	33,914,400
Total advances paid, contract assets and other assets	**37,320,528**	**39,215,857**

Advances and security deposits paid by the Company in the amount of EUR 2,903,396 primarily comprise advances for the purchase of electricity and natural gas.

The majority of current deferred costs and expenses in the amount of EUR 3,228,070 comprise deferred expenses for the purchase of electricity and natural gas in the amount of EUR 1,781,164 relating to the first quarter of 2021.

Contract assets in the amount of EUR 31,189,062 primarily comprise accrued revenues from customers whose electricity and natural gas purchases for 2020 will be invoiced in 2021 in accordance with contractual provisions.

Note 11: **Current financial assets**

AMOUNTS IN EUR CURRENT FINANCIAL ASSETS	12/31/2020	12/31/2019
Loans to subsidiaries	13,091,500	10,610,000
Current interest receivable	47,213	42,088
Total current financial assets	**13,138,713**	**10,652,088**

Loans to subsidiaries, all of which fall due for payment in 2021, earn interest at rates that are recognized for tax purposes, in accordance with the Rules on recognized interest rates. They are classified to financial assets measured at amortized cost.

Note 12: **Current derivatives**

AMOUNTS IN EUR CURRENT DERIVATIVES	12/31/2020	12/31/2019
Equity options	697,993	697,993
Options, swaps and other business-related derivatives	-249,222	31,709
Derivatives used as hedges against currency risks	235,008	-140,806
Firm commitments recognized for fair value hedges	-2,219,891	-6,695,954
Fair value of commodity contracts under IFRS 9	20,211,498	3,924,163
Total current derivatives	**18,675,386**	**-2,182,893**

The fair value of commodity contracts under IFRS 9 in the amount of EUR 20,211,498 relates to the following periods:

- the 2021 business year in the amount of EUR 17,426,798;
- the 2022 business year in the amount of EUR 2,461,077;
- the 2023 business year in the amount of EUR 199,656; and
- the 2024 business year in the amount of EUR 123,967.

Firm commitments recognized for fair value hedges primarily comprise changes in the fair value of physical contracts for purchases and sales of electricity that are hedged using derivatives (standardized forward contracts) and relate to the following periods:

- the 2021 business year in the negative amount of EUR 2,219,891.

Note 13: **Current tax assets**

AMOUNTS IN EUR CURRENT TAX ASSETS	12/31/2020	12/31/2019
Receivables for value-added tax	12,769,856	13,124,428
Total current tax assets	**12,769,856**	**13,124,428**

Note 14: **Cash and cash equivalents**

AMOUNTS IN EUR CASH AND CASH EQUIVALENTS	12/31/2020	12/31/2019
Cash in banks	40,007,202	25,122,645
Call deposits	9	2,530,000
Deposits with a maturity of up to 3 months	3,205,779	791,155
Total	**43,212,990**	**28,443,800**

Note 15: **Equity and reserves**

In 2020, share capital comprised the owners' cash contributions in the amount of EUR 19,877,610.

Reserves

AMOUNTS IN EUR RESERVES	12/31/2020	12/31/2019
Legal reserves	1,987,761	1,987,761
Fair value reserves	-419,811	-140,262
Total	**1,567,950**	**1,847,499**

Legal reserves amounted to EUR 1,987,761, representing 10% of share capital.

At the end of 2020, fair value reserves from actuarial calculations were negative in the amount of EUR 419,811.

Retained earnings

AMOUNTS IN EUR RETAINED EARNINGS	12/31/2020	12/31/2019
Net profit for the period	14,660,230	15,527,599
Retained earnings	67,276,437	55,714,273
Total	**81,936,667**	**71,241,872**

Allocation of retained earnings from previous years

In accordance with a decision of the general meeting of shareholders held in June 2020, the Company paid EUR 4,000,000 in dividends to its two shareholders from its retained earnings from previous years, which totaled EUR 71,241,872. The remaining profit was not distributed. The balance of retained earnings was increased by EUR 34,565 in 2020 due to the transfer of provisions and the correction of tax on retained earnings.

Distributable profit

AMOUNTS IN EUR DISTRIBUTABLE PROFIT	12/31/2020	12/31/2019
Net profit for the period	14,660,230	15,527,599
Retained earnings	67,276,437	55,714,273
Non-current deferred development costs	-918,729	-464,690
Total	**81,017,938**	**70,777,182**

GEN-I, d.o.o's distributable profit amounted to EUR 81,017,938 at December 31, 2020, and comprised net profit from the 2020 business year in the amount of EUR 14,660,230, retained earnings from previous years in the amount of EUR 67,276,437 and the amount of non-current deferred development costs, which reduced distributable profit by EUR 918,729.

In accordance with the Company's strategy regarding the distribution of profit to owners in the amount of 30% of the net profit generated by the GEN-I Group for each previous business year, and pursuant to Article 20 of the Company's Memorandum of Association and the provisions of Article 494 of the Companies Act (ZGD-1), the Company's Management Board will propose that the general meeting of shareholders distribute and pay out a portion of GEN-I, d.o.o.'s distributable profit in the total amount of EUR 4,000,000 to the Company's owners as follows:

- 50% or EUR 2,000,000 to GEN-EL, d.o.o.; and
- 50% or EUR 2,000,000 to GEN energija, d.o.o.

The remaining distributable profit in the amount of EUR 77,017,938 remains undistributed.

Note 16: **Financial liabilities**

AMOUNTS IN EUR NON-CURRENT FINANCIAL LIABILITIES	12/31/2020	12/31/2019
Bank loans	5,000,000	5,000,000
Loans and borrowings from others	0	129,147
Non-current liabilities for bonds	20,000,000	20,000,000
Total non-current financial liabilities	**25,000,000**	**25,129,147**

AMOUNTS IN EUR CURRENT FINANCIAL LIABILITIES	12/31/2020	12/31/2019
Short-term loans and borrowings from subsidiaries	2,835,000	0
Bank loans	0	5,000,000
Loans and borrowings from others	129,147	129,147
Current interest payable	341,176	485,384
Other current financial liabilities	24,855,009	24,864,767
Total short-term loans and borrowings	**28,160,331**	**30,479,298**

The Company's liabilities from long-term bank loans in the amount of EUR 5,000,000 fall due for payment in 2022. The balance of bonds at December 31, 2020 was EUR 20,000,000 and comprised bonds issued in 2019.

The Company also had a loan from a subsidiary at the end of the year in the amount of EUR 2,835,000. Loans and borrowings from others comprise the short-term portion of a long-term loan from the Eco Fund that falls due for payment in 2021.

Other current financial liabilities comprise commercial paper that matures in June 2021.

Loans and borrowings received were recognized at fair value less acquisition costs. At the reporting date, they were measured at amortized cost less principal payments, taking into account acquisition costs, discounts and premiums.

Costs and maturity of financial liabilities

The Company's liabilities from long-term bank loans amounted to EUR 5,000,000 at the reporting date. Loans and borrowings from Slovenian commercial banks are secured with bills of exchange. The Company also has liabilities from loans from the Eco Fund in the amount of EUR 129,147 that fall due for payment in 2021. The Company issued a new bond in 2018 that matures in 2022.

Loans and borrowings bear fixed interest rates ranging from 0.955% to 2.4%. Interest expenses for long-term, short-term and revolving loans from commercial banks and others, commercial paper, bonds, equity option contracts, finance leases and default interest amounted to EUR 1,420,519 during the 2020 business year. The Company's current interest payable amounted to EUR 341,176 on the final day of the business year. Of that amount, EUR 14,670 relates to interest on short-term and long-term loans, EUR 247,233 to interest on bonds and EUR 79,126 to interest on options.

The balance of bank loans at the end of the year was unchanged relative to the previous year.

Note 17: **Lease liabilities**

AMOUNTS IN EUR LEASE LIABILITIES	12/31/2020	12/31/2019
Non-current lease liabilities	2,207,597	2,519,627
Current lease liabilities	880,136	910,313
Total lease liabilities	**3,087,733**	**3,429,940**

The Company's lease liabilities comprise liabilities based on contracts for assets under lease whose value was calculated in accordance with IFRS 16.

Changes in non-current lease liabilities

AMOUNTS IN EUR CHANGES IN NON-CURRENT LEASE LIABILITIES	BUILDINGS	VEHICLES	TOTAL
Balance at 31/12/2019	**2,499,836**	**19,791**	**3,429,940**
Increases	595,058	0	595,058
Termination of lease	-7,201	0	-7,201
Transfer to current portion	-880,096	-19,791	-899,887
Balance at 12/31/2020	**2,207,597**	**0**	**2,207,597**

Changes in non-current lease liabilities

AMOUNTS IN EUR CHANGES IN NON-CURRENT LEASE LIABILITIES	BUILDINGS	VEHICLES	TOTAL
Balance at 31/12/2019	**840,366**	**69,947**	**910,313**
Transfer from non-current portion	880,096	19,791	899,887
Interest	63,873	1,588	65,461
Lease payments	-922,820	-72,706	-995,525
Balance at 12/31/2020	**861,515**	**18,621**	**880,136**

Note 18: **Non-current trade and other payables**

AMOUNTS IN EUR ITEMS	12/31/2020	12/31/2019
Non-current trade and other payables	45,782	45,782
Consortium fund assets	87,500	87,500
Total non-current trade and other payables	**133,282**	**133,282**

The Company also has other liabilities from funds received from members of a consortium fund in the amount of EUR 87,500.

Note 19: **Provisions**

The Company created provisions for long-service bonuses and for severance payments at retirement and in the event of employment termination based on the current value of its liabilities to employees. The Company created additional provisions in the amount of EUR 718,976 in 2020.

Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period. A calculation is made for each employee, taking into account the costs of severance payments and the costs of all the expected long-service bonuses until retirement.

The calculation of provisions for post-employment and other non-current employee benefits is based on an actuarial calculation prepared by a certified actuary that applied the following financial assumptions (defined in nominal terms):

Rates of growth in average wages and amounts set out in relevant Slovenian regulation:

- The rates of growth in average wages in Slovenia for 2021 and 2022 set out in the Autumn forecast of economic trends 2020 (IMAD) are taken into account. From 2023 on, average wages in Slovenia are expected to rise by 2.0% in line with inflation and by 1.0% in real terms. It is assumed that the amounts set out in the aforementioned regulation will not rise until 2022, while subsequent growth in those amounts is expected to be in line with inflation.

Rates of growth in wages at the Company:

- It is assumed that growth in basic gross wages and the variable component of wages will be in line with annual inflation.
- It is assumed that growth in wages at EGS will be in line with annual inflation, increased by 0.5% annually.
- Annual wage growth on account of advancement is taken into account in the amount of 0.5% of wages.
- A bonus for total years of service in the amount of 0.5% of basic wages is taken into account for every year of service completed.
- A discount rate of 0.5% was set for the calculation at December 31, 2020, based on the yields on high-quality (AA-rated) corporate bonds denominated in euros at December 30, 2020, taking into account the average weighted duration of the Company's debt (based on the calculated amount of debt prior to discounting) from the balance-sheet date until repayment according to an individual type of benefit (22.2 years).

AMOUNTS IN EUR ROVISIONS	PROVISIONS FOR SEVERANCE PAYMENTS AND LONG-SERVICE BONUSES	
	2020	2019
Opening balance at 1/1	**923,235**	**721,657**
Provisions created	718,976	319,623
Use of provisions	-11,356	-14,127
Reversal of provisions	-98,728	-103,918
Closing balance at 12/31	**1,532,127**	**923,235**

Note 20: **Deferred revenues**

The Company recognized deferred revenues for subsidies received for electric vehicles.

AMOUNTS IN EUR ITEMS	12/31/2020	12/31/2019
Deferred revenues	126,875	98,008
Total deferred revenues	**126,875**	**98,008**

Note 21: **Deferred tax assets**

AMOUNTS IN EUR DEFERRED TAXES	RECEIVABLES	
	12/31/2020	12/31/2019
Intangible assets	178,388	173,412
Provisions for severance payments and long-service bonuses	145,552	87,707
Deferred tax assets (liabilities)	**323,940**	**261,119**

The Company has created deferred tax assets for provisions for long-service bonuses and severance payments, and for differences in the amortization of intangible assets for reporting and tax purposes.

Deferred tax assets that effect operating results are recognized in the income statement.

Changes in temporary differences

AMOUNTS IN EUR, CHANGES IN TEMPORARY DIFFERENCES IN THE PERIOD	12/31/2018	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COM-PREHENSIVE INCOME	12/31/2019	RECOGNIZED IN PROFIT OR LOSS	IZKAZANE V DRUGEM VSE-OBSEGAJOČEM DONOSU	12/31/2020
Intangible assets	154,492	18,499	0	172,991	5,397	0	178,388
Provisions for severance payments and long-service bonuses	69,208	18,920	0	88,128	57,424	0	145,552
Total	**223,700**	**37,419**	**0**	**261,119**	**62,821**	**0**	**323,940**

Deferred tax assets are calculated at a rate of 19%.

Note 22: **Current trade and other payables**

AMOUNTS IN EUR CURRENT TRADE AND OTHER PAYABLES	12/31/2020	12/31/2019
Trade payables	61,081,184	46,751,337
Liabilities to subsidiaries	16,276,658	20,235,806
Trade payables	**77,357,842**	**66,987,143**
Current liabilities from third-party transactions	229,870	52,877
Current liabilities to employees	4,988,541	3,665,559
Current liabilities to others	32,738	24,178
Other operating liabilities	**5,251,149**	**3,742,614**
Total operating liabilities	**82,608,991**	**70,729,757**

Current liabilities to employees comprise liabilities for December salaries and other employment earnings.

Note 23: **Advances received, contract liabilities and other current liabilities**

AMOUNTS IN EUR ADVANCES RECEIVED, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES	12/31/2020	12/31/2019
Current liabilities based on advances	**4,692,909**	**1,385,631**
Accrued costs and expenses	4,086,439	5,298,253
Deferred revenues	152,540	96,577
Accrued costs and deferred revenues	**4,238,978**	**5,394,829**
Advances received and other current liabilities	**8,931,887**	**6,780,460**

Accrued costs and expenses in the amount of EUR 4,238,978 primarily relate to purchases of electricity and natural gas that were taken into account in the compilation of the financial statements based on contracts signed with business partners in 2020, but for which the Company had not received invoices by the time the annual report was prepared.

Note 24: **Current tax liabilities**

AMOUNTS IN EUR CURRENT TAX LIABILITIES	12/31/2020	12/31/2019
Liabilities for corporate income tax	1,033,319	938,771
Other tax liabilities	1,907,833	1,447,327
Total current tax liabilities	**2,941,151**	**2,386,098**

Other tax liabilities to state and other institutions primarily comprise liabilities for excise tax and CO_2 emissions, and liabilities for taxes and contributions for December salaries and other employment earnings payable by the employer.

Note 25: **Contingent liabilities and assets**

AMOUNTS IN EUR CONTINGENT LIABILITIES	12/31/2020	12/31/2019
Guarantees and sureties – other	120,556,502	128,802,583
Guarantees and sureties – foreign subsidiaries	34,810,501	39,291,002
Other contingent liabilities	13,643,506	11,375,558
Total	**169,010,509**	**179,469,143**

Bank guarantees and sureties comprise performance bonds, bid guarantees and guarantees for timely payment. The sureties of subsidiaries and other contingent liabilities relate to contingent liabilities from the maturity of an option vis-à-vis Gorenjska banka, and to guarantees for timely payment.

Note 26: **Revenues**

AMOUNTS IN EUR REVENUES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues from the sale of goods and materials	2,067,177,977	2,144,826,220
Revenues from the sale of services	44,159,795	54,888,920
Rental income	12,856	25,051
Total	**2,111,350,627**	**2,199,740,191**

Revenues from the sale of goods and materials in the amount of EUR 2,067,177,977 comprise revenues from the sale of electricity in the amount of EUR 2,039,855,141 and revenues from the sale of natural gas in the amount of EUR 27,322,836.

Revenues from the sale of services primarily comprise revenues from cross-border transfer capacities and other services in connection with electricity and natural gas trading.

The Company recognizes revenues from its core activities over time. With respect to contracts on the supply of electricity or natural gas, the seller transfers control over time, while the buyer receives and uses benefits deriving from the seller's performance obligation as the latter is satisfied. The seller thus fulfils its performance obligation and recognizes revenues over time by measuring its progress towards complete satisfaction 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 applied in sales of small solar power plants and services. Rental income is recognized on a straight-line basis over the term of lease.

AMOUNTS IN EUR REVENUES GENERATED IN SLOVENIA AND ABROAD	SLOVENIA GENERATED FROM 1/1 TO 12/31/2020	ABROAD GENERATED FROM 1/1 TO 12/31/2020	TOTAL GENERATED FROM 1/1 TO 12/31/2020
Revenues from the sale of goods and materials	413,309,561	1,653,868,415	2,067,177,977
Revenues from the sale of services	9,035,226	35,124,569	44,159,795
Rental income	12,856	0	12,856
Total	**422,357,643**	**1,688,992,984**	**2,111,350,627**

In 2020, revenues from goods and services sold in Slovenia accounted for 22.72% of total revenues, while revenues from goods and services sold on foreign markets accounted for 77.28% of all revenues.

AMOUNTS IN EUR OTHER RECURRING OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Fair value of commodity contracts	21,164,942	53,980,456
Fair value of financial contracts	8,596,403	-30,382,499
Ineffective part of fair value hedges	-252,016	-109,846
Fair value of FOREX contracts	-1,766,340	-123,854
Other recurring operating revenues	943,681	369,436
Total other recurring operating revenues or expenses	**28,686,670**	**23,733,693**

Note 27: **Cost of goods, materials and services**

AMOUNTS IN EUR HISTORICAL COST OF GOODS SOLD	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Historical cost of goods sold	2,083,917,327	2,176,837,597
Total	**2,083,917,327**	**2,176,837,597**

The cost of goods sold amounted to EUR 2,083,917,327 in 2020, and comprised the purchase price of electricity and natural gas, and associated costs.

AMOUNTS IN EUR COST OF MATERIALS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Costs of energy	217,829	246,102
Materials and spare parts	168,513	137,829
Office supplies	232,193	230,858
Other costs of materials	45,872	19,301
Total	**664,407**	**634,090**

AMOUNTS IN EUR COST OF SERVICES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Maintenance	1,617,634	1,084,257
Rents	409,590	319,880
Bank charges and other fees	1,954,295	2,366,639
Intellectual services	1,398,277	1,272,963
Contracted labor, session fees and student work	518,849	498,080
Advertising, sales promotion and public relations	874,679	824,776
Sponsorship	388,527	520,452
Insurance	254,221	214,357
Entertainment	33,896	53,717
Costs of employees' business travels	27,885	107,694
Telecommunication	1,517,771	1,151,245
Transportation	68,936	158,069
Public utility services	15,339	13,063
Security	18,366	11,989
Cleaning	339,757	191,521
Training	220,888	384,274
Other services	1,691,598	2,027,828
Cost of IT services	199,703	380,835
Total	**11,550,211**	**11,581,640**

The cost of services was down in 2020 relative to the previous year.

The cost of other services primarily includes the costs of accessing databases for electricity and natural gas trading purposes.

The Company has a signed agreement on the auditing of its financial statements for the 2020 business year with the auditors of Deloitte revizija, d.o.o. in the amount of EUR 27,000.

Lease costs comprise the costs of short-term leases and low-value leases that meet the criteria for the exceptions set out in IFRS 16.

Note 28: **Labor costs**

AMOUNTS IN EUR LABOR COSTS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Wages and salaries	18,185,727	14,015,002
Social security contributions	2,817,445	2,309,682
Other labor costs	2,859,116	2,309,328
Deferred labor costs	-522,712	-464,690
Total	**23,339,575**	**18,169,323**

In 2020, the Company calculated labor costs in accordance with the collective agreement for the Slovenian electricity sector, GEN-I, d.o.o.'s current job classification and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance and other labor costs.

Other labor 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.

Deferred labor costs comprise the cost of internal labor included in development projects in connection with intangible assets that will bring future economic benefits. The current labor costs of employees included in development projects are thus recognized in intangible assets.

Note 29: **Other operating revenues or expenses**

AMOUNTS IN EUR OTHER OPERATING REVENUES OR EXPENSES	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Revenues from the use and reversal of non-current provisions	12,726	86,933
Proceeds from the sale of property, plant and equipment and intangible assets	20,417	49,290
Other operating revenues	1,925,731	347,536
Revenues from subsidies, grants and compensation	591,430	1,855,022
Other operating revenues	**2,550,304**	**2,338,781**
Taxes and levies	-349,707	-344,228
Donations	-29,570	-44,865
Write-downs and impairments of fixed assets	-4,187	-4,525
Other operating expenses	-646,033	-769,247
Other operating expenses	**-1,029,498**	**-1,162,865**
Other operating revenues or expenses	**1,520,807**	**1,175,917**

The majority of other operating revenues comprises damages received, reminders and the reversal of over-accrued expenses from the previous year. The majority of other operating revenues comprise revenues from the formulation of a new strategy with GEN energija for the B2B and B2C sales channels, through which those segments will be provided exclusively carbon-free electricity.

Other operating expenses in the amount of EUR 646,033 primarily comprise membership fees, non-deductible expenses for tax purposes, and taxes.

AMOUNTS IN EUR DONATIONS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Humanitarian purposes	17,070	15,261
Charitable purposes	2,700	5,300
Healthcare purposes	500	2,504
Educational purposes	1,000	10,000
Sports purposes	8,300	10,500
Cultural purposes	0	1,300
Total	**29,570**	**44,865**

Note 30: **Amortization and depreciation**

AMOUNTS IN EUR AMORTIZATION AND DEPRECIATION	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Amortization of intangible assets	546,487	551,286
Depreciation of property, plant and equipment	1,375,812	1,174,401
Depreciation of lease assets	960,672	635,175
Total	**2,882,971**	**2,360,862**

Note 31: **Impairment losses on trade receivables and contract assets**

AMOUNTS IN EUR IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Impairment losses, loss allowances and write-offs of trade receivables and contract assets	2,679,446	59,478
Total	**2,679,446**	**59,478**

The Company impaired receivables in the additional amount of EUR 353,268 in 2020, and wrote off receivables of EUR 41,618. The majority of impairments are the result of expected credit losses. The Company applied a higher expected default rate at the end of the year.

Note 32: **Profit from financing**

AMOUNTS IN EUR PROFIT FROM FINANCING	GENERATED FROM 1/1 TO 12/31/2020	GENERATED FROM 1/1 TO 12/31/2019
Dividend income from participating interests in subsidiaries	3,387,885	4,443,622
Dividend income from participating interests in associates	482,499	500,000
Interest income	142,561	103,791
Other financial income	170	122
Financial income	**4,013,115**	**5,047,535**
Interest expense	-1,420,665	-1,704,197
Impairment of investments in subsidiaries	0	-12,180
Impairments of available-for-sale financial assets	-97,224	0
Net foreign exchange losses	-1,287,982	-142,729
Other financial costs	-63,926	-50,743
Financial costs	**2,869,797**	**-1,909,850**
Profit from financing	**1,143,318**	**3,137,686**

The following subsidiaries paid dividends in 2020: Elektro Energija, d.o.o. in the amount of EUR 1,228,900, GEN-I, d.o.o. Beograd in the amount of EUR 462,811, GEN-I Prodažba na energija DOOEL Skopje in the amount of EUR 393,102, GEN-I Hrvatska in the amount of EUR 362,050, GEN-I Tirana Sh.p.k. in the amount of EUR 359,424 GEN-I d.o.o. Sarajevo in the amount of EUR 274,772, GEN-I Vienna in the amount of EUR 151,571, GEN-I Athens SMLLC in the amount of EUR 109,042 and GEN-I Istanbul in the amount of EUR 46,214.

The Company also received dividends from the associate GEN EL, d.o.o. in the amount of EUR 482,499 in 2020.

Interest income comprised default interest, interest from loans granted, and interest from deposits and positive bank balances.

The net effect of exchange rate differences was a loss of EUR 1,287,982.

Interest expenses included interest on commercial paper, bonds, loans received from banks and other institutions, equity options, finance leases, default interest and interest from negative account balances.

Note 33: **Income tax expense**

AMOUNTS IN EUR INCOME TAX EXPENSE	2020	2019
Current tax	3,025,255	2,654,317
Deferred tax	-18,001	-37,419
Total	**3,007,254**	**2,616,898**

Effective tax rate

AMOUNTS IN EUR	2020	2019
Gross profit before tax	**17,667,484**	**18,144,498**
Statutory tax rate	19%	19 %
Income tax at statutory tax rate, prior to changes in tax base	3,356,822	3,447,455
Tax-exempt income	-737,482	-852,547
Non-deductible expenses	596,626	129,588
Tax relief	-208,712	-107,598
Effective tax rate	**17,02%**	**14,42%**
Current and deferred tax	**3,007,254**	**2,616,898**

The effective tax rate in 2020 was up relative to 2019, primarily on account of non-deductible expenses and less exempt revenues from dividends paid by subsidiaries. Non-deductible expenses were higher in 2020 relative to 2019 primarily due to expenses from the revaluation of receivables that are not recognized for tax purposes in accordance with the Corporate Income Tax Act.

Note 34: **Data on related parties**

Gross earnings in 2020

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	MANAGEMENT
Wages and salaries	457,958
Fringe benefits and other remuneration	643,689
Total	**1,101,647**

Gross earnings in 2019

AMOUNTS IN EUR DATA REGARDING GROUPS OF PERSONS	MANAGEMENT
Wages and salaries	532,475
Fringe benefits and other remuneration	486,217
Total	**1,018,692**

Net remuneration of members of the Management Board in 2020

2019 AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE BONUS	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	75,399	10,359	1,163	114,986	12,127	214,034
Igor Koprivnikar, Ph.D.	68,224	9,375	1,040	87,427	6,538	172,604
Andrej Šajn, MSc	60,509	8,316	1,322	28,569	6,125	104,841
Danijel Levičar	0	0	431	27,250	24,733	52,414
Total	**204,132**	**28,050**	**3,956**	**258,232**	**49,523**	**543,893**

Net remuneration of members of the Management Board in 2019

2020 AMOUNTS IN EUR REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE BONUS	OTHER REMUNERATION	TOTAL
Robert Golob, Ph.D.	74,476	9,298	961	59,746	14,645	159,126
Igor Koprivnikar, Ph.D.	59,667	7,451	1,206	60,025	6,062	134,411
Andrej Šajn, MSc	67,325	8,408	998	45,397	7,187	129,315
Danijel Levičar	37,919	5,176	1,093	31,809	5,010	81,007
Total	**239,387**	**30,333**	**4,258**	**196,977**	**32,904**	**503,859**

The Company does not have any outstanding receivables from or liabilities to Management Board members.

The data presented below represent disclosures according to IAS 24 Related Party Disclosures as the result of the financial consolidation of the GEN-I Group with the owner GEN energija d.o.o., taking into account the criteria of IFRS 10.

All transactions that are deemed related party transactions based on financial consolidation by GEN energija d.o.o. as a company under 100% state ownership, taking into account the criteria of IAS 24, represent business relationships that are entered into under market conditions in the scope of everyday operations. As a result, we assess that more detailed disclosures are not required, despite the value of individual transactions, as the latter are immaterial, as regards quality, for disclosure in accordance with the requirements of IAS 24.

	2020	2019
Revenues		
Subsidiaries	300,274,052	409,398,910
Associates	0	0
Parent companies	9,194,509	28,988,524
Other related companies	51,296	13,085
Historical cost of goods sold		
Subsidiaries	225,714,675	228,037,814
Associates	0	0
Parent companies	168,152,781	171,561,224
Other related companies	320,149	11,831
Cost of services		
Subsidiaries	12,195	9,996
Associates	0	0
Parent companies	167,665	165,858
Other related companies	0	0
Financial income from participating interests in companies		
Subsidiaries	3,387,885	4,443,622
Associates	482,499	500,000
Parent companies	0	0
Other related companies	0	0
Financial income for interest		
Subsidiaries	79,375	55,690
Associates	0	0
Parent companies	0	0
Other related companies	0	0
Financial costs for interest		
Subsidiaries	146	0
Associates	0	0
Parent companies	98,667	0
Other related companies	0	0

	2020	2019
Investments in companies		
Subsidiaries	15,314,311	15,314,311
Associates	11,276,310	11,276,310
Parent companies	0	0
Other related companies	0	0
Current operating receivables		
Subsidiaries	45,984,003	57,943,965
Associates	0	0
Parent companies	2,867,997	733,566
Other related companies	10,232	4,578
Current financial receivables		
Subsidiaries	13,138,713	10,652,088
Associates	0	0
Parent companies	0	0
Other related companies	0	0
Current operating liabilities		
Subsidiaries	16,276,658	20,235,806
Associates	0	0
Parent companies	18,266,634	18,801,955
Other related companies	44,530	329
Current financial liabilities		
Subsidiaries	2,835,146	0
Associates	0	0
Parent companies	0	120,230
Other related companies	0	0
Accrued expenses		
Subsidiaries	0	0
Associates	0	0
Parent companies	668,948	0
Other related companies	0	0

13.6. Financial instruments – fair value and risk management

(A) DETERMINING FAIR VALUE

In accordance with the Company's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The Company 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 Company's individual assets or liabilities.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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).

(v) 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.

Note 35: **Classification and fair value of financial instruments**

AMOUNTS IN EUR FAIR VALUE	NOTE	12/31/2020		12/31/2019	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS MEASURED AT FAIR VALUE					
Derivatives	12	18,675,386	18,675,386	0	0
Financial assets measured at fair value through profit or loss	6	0	0	100,000	100,000
Total		**18,675,386**	**18,675,386**	**100,000**	**100,000**
FINANCIAL ASSETS MEASURED AT AMORTIZED COST					
Available-for-sale financial assets	6	0	0	0	0
Non-current financial receivables	6	253,183	253,183	196,878	196,878
Non-current operating receivables	7	86,631	86,631	169,159	169,159
Short-term loans	11	13,138,713	13,138,713	10,652,088	10,652,088
Trade and other receivables	9, 13	96,523,375	96,523,375	115,405,182	115,405,182
Cash and cash equivalents	14	43,212,990	43,212,990	28,443,800	28,443,800
Total		**153,214,891**	**153,214,891**	**154,867,107**	**154,867,107**
LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	12	0	0	-2,182,893	-2,182,893
Total		**0**	**0**	**-2,182,893**	**-2,182,893**
LIABILITIES MEASURED AT AMORTIZED COST					
Bank loans	16	-5,000,000	-5,000,000	-10,000,000	-10,000,000
Other financial liabilities	16	-25,196,184	-25,196,184	-25,350,151	-25,350,151
Bonds	16	-20,000,000	-20,000,000	-20,000,000	-20,000,000
Loans and borrowings from subsidiaries	16	-2,835,000	-2,835,000	0	0
Loans and borrowings from others	16	-129,147	-129,147	-258,294	-258,294
Total		**-53,160,331**	**-53,160,331**	**-55,608,445**	**-55,608,445**

The Company has recognized derivatives at the end of 2020 from a call option for a participating interest in GEN-EL in the amount of EUR 697,993 that was classified to Level 2 of the fair value hierarchy. The value of those assets was assessed according to the discounted cash flow method, which in turn is based on data regarding the past operations and assumptions regarding the future operations of GEN-EL, d.o.o. (and the GEN-I Group), taking into account a discount rate of 11.51%, annual growth in residual free cash flow of 1% and a deduction for lack of marketability.

At the end of 2020, the Company also had a put option for a participating interest in GEN-EL. Based on the valuation method described above, the Company valued that option as 'out of the money', while there are no financial conditions for the options to be exercised.

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

Financially and physically settled exchange transactions that do not meet own-use exemption conditions are valued based on the relevant quoted exchange prices. Settlement prices from the relevant exchanges for related products are used for valuation. FOREX transactions are valued based on the relevant FX rate (official middle exchange rate or forward exchange rate). Official middle exchange rates or forward exchange rates are used for valuation. Data regarding official middle exchange rates are obtained from the relevant central banks, while forward exchange rates are determined based on market data. These assets and liabilities are classified to Level 1 of the fair value hierarchy.

Other physically settled forward transactions that do not meet own-use exemption conditions are valued based on the relevant forward price curves. Cross-border transfer capacities are valued based on the relevant differences between forward prices curves. These assets and liabilities are classified to Level 2 of the fair value hierarchy.

Financial assets at FVTPL comprise equity investments that are not quoted on an exchange and that the Company intends to hold for the long term.

The fair value of other current assets and liabilities is roughly equal to their carrying amount. The fair value of non-current assets and liabilities is roughly equal to their amortized cost. These assets and liabilities are classified to Level 3 of the fair value hierarchy.

Fair value of assets

AMOUNTS IN EUR	12/31/2020				12/31/2019			
FAIR VALUE LEVELS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE								
Derivatives	17,977,393	697,993	0	18,675,386	0	697,993	0	697,993
Total assets measured at fair value	**17,977,393**	**697,993**	**0**	**18,675,386**	**0**	**697,993**	**0**	**697,993**
ASSETS FOR WHICH FAIR VALUE IS DISCLOSED								
Available-for-sale financial assets	0	0	0	0	0	0	0	0
Non-current financial assets	0	0	253,183	253,183	0	0	196,878	196,878
Non-current financial receivables	0	0	0	0	0	0	0	0
Non-current operating receivables	0	0	86,631	86,631	0	0	86,631	86,631
Long-term deposits	0	0	0	0	0	0	0	0
Short-term deposits	0	0	0	0	0	0	0	0
Current operating receivables (excluding receivables from the state)	0	0	83,753,518	83,753,518	0	0	83,753,518	83,753,518
Cash and cash equivalents	0	0	43,212,990	43,212,990	0	0	28,443,800	28,443,800
Total assets for which fair value is disclosed	**0**	**0**	**127,306,332**	**127,306,332**	**0**	**0**	**112,480,827**	**112,480,827**
Total	**17,977,393**	**697,993**	**127,306,331**	**145,981,709**	**0**	**697,993**	**112,480,827**	**113,178,820**

Fair value of liabilities

AMOUNTS IN EUR	12/31/2020				12/31/2019			
FAIR VALUE LEVELS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
LIABILITIES MEASURED AT FAIR VALUE								
Derivatives	0	0	0	0	2,880,886	0	0	2,880,886
Total liabilities measured at fair value	**0**	**0**	**0**	**0**	**2,880,886**	**0**	**0**	**2,880,886**
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED								
Non-current financial liabilities	0	0	25,000,000	25,000,000	0	0	25,129,147	25,129,147
Current financial liabilities	0	0	28,160,331	28,160,331	0	0	30,479,298	30,479,298
Non-current operating liabilities (excluding other liabilities)	0	0	133,282	133,282	0	0	133,282	133,282
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	0	0	77,620,450	77,620,450	0	0	67,064,198	67,064,198
Total liabilities for which fair value is disclosed	**0**	**0**	**130,914,064**	**130,914,064**	**0**	**0**	**122,805,926**	**122,805,926**
Total	**0**	**0**	**130,914,064**	**130,914,064**	**2,880,886**	**0**	**122,805,926**	**125,686,812**

(B) RISK MANAGEMENT FRAMEWORK

The Company's Management Board is fully responsible for the establishment and oversight of a risk management framework. The Management Board has established a risk management committee that is responsible for developing and monitoring the Company's risk management policies. That committee reports regularly to the Management Board on its activities.

The Company's risk management policies ensure the identification and analyses of the risks to which the Company is exposed, the definition of appropriate risk limits, the control and monitoring of risks, and compliance with limits. Risk management policies and systems are adapted regularly to reflect changes in market conditions and the Company's activities. Through its training and management standards and procedures, the Company strives to maintain a disciplined and constructive control environment in which all employees understand their roles and duties.

The Company is exposed to the following risks arising from financial instruments:

- credit risk,
- liquidity risk, and
- market risk (currency risk, interest-rate risk and commodity price risk).

Note 36: **Credit risk**

Credit risk is the risk of financial loss to the Company 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.

Trade receivables and contract assets

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	12/31/2020	12/31/2019
Domestic customers	18,464,552	18,128,852
Euro area countries	4,885,405	23,117,311
Other European countries	15,454,973	24,232,276
Countries of the former Yugoslavia	266,866	21,029,172
Other regions	42,867,083	15,000,494
Total	**81,938,879**	**101,508,104**

AMOUNTS IN EUR TRADE RECEIVABLES	CARRYING AMOUNT	
	12/31/2020	12/31/2019
Wholesale customers	72,348,810	85,161,763
Retail customers	9,590,069	16,346,341
Total	**81,938,879**	**101,508,104**

As explained in greater detail in the business report, GEN-I, d.o.o. has in place an active approach to managing credit risks and financial exposure to individual business partners that is based on the consistent application of internal bylaws and precisely defined procedures for identifying credit risks and assessing exposure to those risk, the setting of maximum risk exposure limits, and the constant monitoring of the Company's exposure to risks in its dealings with individual business partners. In accordance with the Company's credit risk management rules, the Risk Management Department analyzes the creditworthiness of each new trading partner and major customer that wishes to purchase electricity and natural gas, and assesses associated risks. This risk assessment serves as the basis for future business cooperation, and for defining credit lines to hedge risks and offering the appropriate payment and delivery conditions with respect to an individual contractual relationship. When monitoring credit risk and daily credit line exposure, the Company divides individual partners into groups according to their credit characteristics (whether the partner is a company or a group of companies, trading partner, end-customer or retail customer), geographical position, sector, age structure and maturity of receivables, past financial difficulties, and the assessed level of risk of a breach of contractual obligations. In order to minimize risks associated with business partners' inability to settle outstanding receivables, the Company pays particular attention to the use of the appropriate financial and legal instruments when concluding daily transactions to ensure that contractual obligations are settled. These instruments are incorporated into contractual relationships with business partners based on analyses of their creditworthiness and the relevant risk assessments.

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

Age structure and changes in impairment losses on trade and other receivables

AMOUNTS IN EUR MATURITY OF RECEIVABLES	GROSS AMOUNT	IMPAIRMENT LOSSES	GROSS AMOUNT	IMPAIRMENT LOSSES
	12/31/2020		12/31/2019	
Not past due	63,486,426	1,754,490	71,634,082	60,132
Past due up to 90 days	16,788,934	641,072	22,338,164	50,872
Past due from 91 to 180 days	3,939,264	0	5,687,681	40,983
Past due from 181 to 365 days	590,676	403,798	2,477,241	76,731
More than one year past due	2,775,472	1,027,896	1,686,612	1,314,308
Total	**87,580,774**	**3,827,256**	**103,823,780**	**1,543,026**

AMOUNTS IN EUR	IMPAIRMENT LOSSES	
CHANGES IN LOSS ALLOWANCES ON RECEIVABLES	2020	2019
Opening balance at 1/1	**1,543,026**	**1,681,922**
Creation of impairment losses	2,637,827	65,008
Reversal of impairment losses	0	0
Write-downs of receivables charged to impairment losses	-353,597	-203,904
Closing balance at 12/31	**3,827,256**	**1,543,026**

Note 37: **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities that are settled using cash or other financial means. The Company manages liquidity in order to ensure, to the greatest extent possible, that it will have sufficient liquidity to settle its liabilities when they are due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Group's reputation.

Current year (2020)

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
				2020			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	5,000,000	5,089,250	42,736	43,444	5,003,069	0	0
Bonds issued	20,000,000	20,840,328	480,000	0	20,360,328	0	0
Loans and borrowings received from associates	2,835,000	2,835,000	0	2,835,000	0	0	0
Other liabilities	25,458,467	25,486,840	25,158,895	152,250	175,695	0	0
Lease liabilities	3,087,733	3,249,847	457,134	458,331	915,252	1,782,442	530,940
Trade and other payable	85,550,142	85,550,141	85,293,469	256,673	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Interest-rate swaps used for hedging	0	0	0	0	0	0	0
Forward exchange contracts used for hedging	0	0	0	0	0	0	0
Outflow	0	0	0	0	0	0	0
Inflow	-18,675,386	18,675,386	18,675,386	0	0	0	0
Total	**123,256,103**	**162,639,816**	**130,126,392**	**3,745,698**	**26,454,344**	**1,782,442**	**530,940**

Previous year (2019)

AMOUNTS IN EUR FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
				2019			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	10.000.000	10.261.611	85.944	5.086.417	86.181	5.003.069	0
Bonds issued	20.000.000	21.320.328	480.000	0	480.000	20.360.328	0
Other liabilities	25.654.228	25.757.588	25.080.714	501.179	175.695	0	0
Finance lease liabilities	3.429.940	3.643.263	488.093	486.487	731.576	1.408.344	528.763
Trade and other payable	73.115.854	72.115.854	72.115.854	0	0	0	0
DERIVATIVE FINANCIAL LIABILITIES							
Interest-rate swaps used for hedging	0	0	0	0	0	0	0
Forward exchange contracts used for hedging	0	0	0	0	0	0	0
Outflow	2.182.893	2.182.893	2.182.893	0	0	0	0
Inflow	0	0	0	0	0	0	0
Total	**134.382.915**	**135.281.537**	**100.433.499**	**5.862.359**	**1.473.451**	**26.771.741**	**528.763**

The liquidity of the entire Group is managed by the parent company, which carefully and conscientiously monitors and plans short-term solvency on a daily basis, and ensures it by coordinating and planning all cash flows within the Group. To that end, the Company takes into account, to the greatest extent possible, risks associated with possible late payments and poor payment discipline, which can hinder the planning of inflows and the Group's investment activities.

The Company also constantly monitors and optimizes short-term surpluses and shortages of monetary assets. 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 receivables and liabilities, and the consistent collection of receivables are all factors that facilitate GEN-I, d.o.o.'s successful cash-flow management, which in turn ensures its purchasing power and mitigates risks associated with short-term solvency. Thanks to the Company's active approach to financial markets, its good performance in the past and a stable cash flow from operating activities, liquidity risks are within acceptable parameters and entirely manageable.

The Company ensures its long-term solvency by preserving and increasing its share capital, and by maintaining an appropriate financial balance. The Company 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 Management Board intends to further strengthen long-term and short-term solvency in the coming year and include new subsidiaries in the liquidity monitoring system.

Note 38: **Currency risk**

Tekoče leto (2020)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		12/31/2020		
Trade receivables	73,466,643	0	0	0
Bank loans	5,000,000	0	0	0
Trade payables	-71,309,591	37,025	-23,468	0
Gross on-balance-sheet exposure	**-2,842,948**	**37,025**	**-23,468**	**0**
Estimated forecast sales	0	0	0	0
Estimated forecast purchases	0	0	0	0
Gross exposure	**0**	**0**	**0**	**0**
Net exposure	**-2,842,948**	**37,025**	**-23,468**	**0**

Preteklo leto (2019)

AMOUNTS IN EUR RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		12/31/2019		
Trade receivables	93,639,444	0	0	0
Bank loans	–10,000,000	0	0	0
Trade payables	–55,694,575	–2,959	–25,555	–457
Gross on-balance-sheet exposure	**27,944,869**	**–2,959**	**–25,555**	**–457**
Estimated forecast sales	0	0	0	0
Estimated forecast purchases	0	0	0	0
Gross exposure	**0**	**0**	**0**	**0**
Net exposure	**27,944,869**	**–2,959**	**–25,555**	**–457**

GEN-I, d.o.o. 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 of the euro area.

The Company is primarily exposed to currency risks when performing its core activities of trading and selling electricity and natural gas, and cross-border transfer capacities. Given the scope of its operations, the Company is most exposed to currency risks associated with the Romanian leu (RON) and Turkish lira (TRY).

The Company mitigates currency risks by linking the selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are 'naturally' hedged because a portion of expected inflows is balanced out by the expected outflows in the same currency. If necessary, the Company also uses derivatives and a number of forward currency contracts to hedge against these risks.

The Company regularly monitors its open position in all currencies to which it is exposed. It is most exposed to the Turkish lira (TRY), where exposure takes the form of receivables from a subsidiary, which reduces the sensitivity of results to changes in the exchange rate.

HUF	TRY	BGN	RON	CZK	PLN
		12/31/2020			
0	2,181,713	105,041	6,185,483	0	0
0	0	0	0	0	0
-106,324	140,935	-14,923	-6,081,401	-95	0
-106,324	**2,322,648**	**90,118**	**104,083**	**-95**	**0**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
-106,324	**2,322,648**	**90,118**	**104,083**	**-95**	**0**

HUF	TRY	BGN	RON	CZK	PLN
		12/31/2019			
100	7,305,175	0	238,596	0	324,789
0	0	0	0	0	0
–256,271	–2,609,735	–2,170,479	–6,223,667	–3,445	0
–256,170	**4,695,440**	**–2,170,479**	**–5,985,071**	**–3,445**	**324,789**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
–256,170	**4,695,440**	**–2,170,479**	**–5,985,071**	**–3,445**	**324,789**

Note 39: **Interest-rate risk**

AMOUNTS IN EUR FINANCIAL INSTRUMENTS	CARRYING AMOUNT 12/31/2020	 12/31/2019
FINANCIAL ASSETS		
Financial liabilities	13,091,500	10,610,000
Variable-rate instruments	-50,777,742	-44,864,767
FINANCIAL LIABILITIES		
Finančne obveznosti	-5,129,147	-10,258,294

The Company 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 Company 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 Company 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.

Note 40: **Commodity price risk and hedge accounting**

The GEN-I Group's core activities 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 Company to carry out continuous hedging activities to mitigate market risk. Hedging activities are carried out by the parent company GEN-I, d.o.o. which is responsible for the centralized management of the Group's portfolio. The parent 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 changing prices on the energy markets. 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 an unrecognized 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 Company's hedged items (commodities) comprise physical electricity and natural gas transactions.

A hedging instrument is a standardized forward contract (future). The Group is active on several commodity exchanges and uses standardized 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 and nominal amounts,
- proxy hedging,

- early terminations, 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 quantitative 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

2020

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	34,256,418	0	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
		ASSETS	LIABILITIES		
Commodity price risk	34,256,418	n/a*	n/a*	n/a*	2,384,144

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

2019

AMOUNTS IN EUR PROFILE OF THE TIMING OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1–5 YEARS	> 5 YEARS
Commodity price risk	35,080,222	27,062,268	0

AMOUNTS IN EUR HEDGING INSTRUMENT	NOMINAL AMOUNT OF HEDGING INSTRUMENT	CARRYING AMOUNT OF HEDGING INSTRUMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
		ASSETS	LIABILITIES		
Commodity price risk	62,142,490	n/a*	n/a*	n/a*	5,873,606

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

Hedged item

AMOUNTS IN EUR HEDGED ITEM	CARRYING AMOUNT OF HEDGED ITEM		CUMULATIVE CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE FIRM COMMITMENT IS INCLUDED	CHANGE IN FAIR VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS FOR 2020
	Assets	Liabilities	Assets	Liabilities		
Commodity price risk – items not due	n/a*	n/a*		-2,219,891	Derivatives*	2,185,351
Commodity price risk – due items	n/a*	n/a*	8,674,991			-6,423,363

*A hedged item is an unrecognized firm commitment.

Hedge ineffectiveness

AMOUNTS IN EUR FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNIZED IN PROFIT OR LOSS	LINE ITEM IN STATEMENT OF COMPREHENSIVE INCOME THAT INCLUDES HEDGE INEFFECTIVENESS
Commodity price risk	198,792	Other recurring operating revenues or expenses

14. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no other events after the reporting date that could have a significant impact on the presented financial statements for 2020.

15. STATEMENT BY THE MANAGEMENT BOARD

The Management Board hereby approves the financial statements of GEN-I, d.o.o. for the business year that ended on December 31, 2020, including the notes to the financial statements from page 150 of the financial report onwards.

The Management Board hereby certifies that all relevant accounting principles were consistently used in drafting the Company's financial statements. Accounting estimates were prepared according to the principles of prudence and due diligence. The Management Board hereby certifies that this annual report provides a true and fair picture of GEN-I, d.o.o.'s assets and performance in 2020.

The financial statements and accompanying notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Danijel Levičar,
Member of the Management Board

Robert Golob, Ph.D.
President of the Management Board

Andrej Šajn, MSc
Member of the Management Board

Igor Koprivnikar, Ph.D.
Member of the Management Board

Krško, 4/8/2021

16. CERTIFIED AUDITOR'S REPORT

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owners of the company GEN-I, d.o.o.

Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter 'IFRS').

Basis for Opinon

We have conducted our audit in accordance with the International Standards on Auditing. 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the separate financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2020. 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.

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Derivatives and Hedge Accounting

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, the Company's assets comprise EUR 18,675 thousand of derivatives, which are used primarily to manage and protect market risks and currency risks. As disclosed in Note 13.3 (d) (v), they are measured at fair value, and changes in fair value are generally recognized in profit or loss. When measuring fair value, management determines the appropriate fair value calculation and hedge accounting policy/methodology. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observed inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	As part of our audit procedures, we assessed the adequacy of the Company's accounting policies relating to the recognition of derivative financial instruments and their compliance with IFRSs, and performed the following procedures: - understanding risk management policies and reviewing key controls for the use, identification and measurement of derivative financial instruments; - comparison of input data used in valuation models, with independent sources and external market data available; - a comparison of the valuation of derivative financial instruments with market data or the results of alternative, independent valuation models; - testing of the usability and accuracy of hedge accounting on the basis of a sample; - taking into account the adequacy of disclosures relating to the management of financial risks, derivatives and hedge accounting. Within the audit procedures, we used an expert to verify that the valuation approach is appropriate, whether the relevant assumptions are appropriate for the purposes given and whether the results of the evaluations prepared by the company are accurate. The disclosures relating to this matter are presented in Section 13.6. Financial instruments - fair value and risk management.

Other Information

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

Our opinion on the 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

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include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

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

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, 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 separate financial reporting process and for approving audited annual report.

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

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

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

- Identify and assess the risks of material misstatement of the 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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

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

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

Report on Other Legal and Regulatory Requirements

Appointment of Auditor and Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 17 June 2019. Our total uninterrupted engagement has lasted for seven years.

Confirmation to Those Charged with Governance
We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to those charged with governance of the Company, which we issued on 8 April 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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

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

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

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 8 April 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

17. LIST OF DISCLOSURES

GEN-I, trgovanje in prodaja električne energije, d.o.o.
Vrbina 17,
8270 Krško, Slovenija
T: +386 7 48 81 840
F: +386 7 48 81 841
E: info@gen-i.si
W: www.gen-i.si

GEN-I, d.o.o.
trgovanje z energijo
Dunajska cesta 119,
1000 Ljubljana, Slovenija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.si
W: www.gen-i.si

GEN-I, d.o.o.
prodaja energije
Ul. Vinka Vodopivca 45A,
5000 Nova Gorica, Slovenija
T: +386 5 33 84 910
F: +386 5 33 11 968
E: info@gen-i.si
W: www.gen-i.si

Klicni center: 080 1558
E: pocenielektrika@gen-i.si
E: poceniplin@gen-i.si

GEN-I SONCE, energetske storitve, d.o.o.
Dunajska cesta 119,
1000 Ljubljana, Slovenija
T: +386 1 58 96 050
F: +386 1 58 96 429
E: sonce@gen-i.si
W: www.gen-isonce.si

Elektro energija, podjetje za prodajo elektrike in drugih energentov, svetovanje in storitve, d.o.o.
Dunajska cesta 119,
1000 Ljubljana, Slovenija
T: +386 1 32 06 400
F: +386 1 32 06 401
E: info@elektro-energija.si
W: www.elektro-energija.si

Klicni center: 080 2808
E: moja@elektro-energija.si

GEN-I Hrvatska d.o.o. trgovina i prodaja električne energije
Radnička cesta 54,
10000 Zagreb, Hrvaška
T: +385 1 64 19 600
F: +385 1 64 19 604
E: info@gen-i.hr
W: www.gen-i.hr

GEN-I d.o.o. Beograd
Vladimira Popovića 6,
11070 Beograd, Srbija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Energy Sales DOOEL Skopje
Bulevar Partizanski odredi 15A/1,
1000 Skopje, Severna Makedonija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I d.o.o. Sarajevo
Ul. Fra Anđela Zvizdovića 1,
71000 Sarajevo,
Bosna in Hercegovina
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Athens SMLLC
6 Anapafseos Street,
15126 Marousi, Grčija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

LLC GEN-I Kiev
45-B Oresia Honchara Str.,
Kyiv, 01054 Ukrajina
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

LLC GEN-I Tbilisi
Gudiashvili Square N 4;
Old Tbilisi District
0105 Tbilisi, Gruzija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Sofia - Electricity Trading and Sales SpLLC
Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, 1404 Sofija, Bolgarija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Tirana Sh.p.k.
Ish-Noli Business Center,
Rruga Ismail Qemali nr. 27,
1001 Tirana, Albanija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Tirana Sh.p.k. - podružnica Kosovo
Gustav Mayer 16,
10000 Priština, Kosovo
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Vienna GmbH
Heinrichsgasse 4,
1010 Dunaj, Avstrija
T: +386 5 33 84 910
F: +386 5 33 11 968
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Energia S.r.l - Società a socio unico
Corso di porta Romana 6,
20122 Milano, Italija
T: +386 5 33 84 910
F: +386 5 33 11 968
E: info@gen-i.eu
W: www.gen-i.it

GEN-I Istanbul Wholesale Electricity Limited Company
Meşrutiyet Cad. Bilsar Binası No: 90 K 1/4, Şişhane 34430 Beyoğlu Istanbul, Turčija
T: +386 1 58 96 400
F: +386 1 58 96 429
E: info@gen-i.eu
W: www.gen-i.eu

GEN-I Sonce DOOEL Skopje
Bulevar Partizanski odredi 15 A/1, 1000 SKopje, Severna Makedonija
T:+386 1 58 96 400
E: info@gen-i.eu
W: www.gen-i.eu/mk/en/

GEN-I ESCO, pametna energija, d.o.o.
Ulica Vinka Vodopivca 45 A
5000 Nova Gorica, Slovenija
T: 05 338 49 10
E: esco@gen-i.si